

To: *Racing Industry Clubs, Recognised Industry Organisations, Industry Volunteers and Industry Stakeholders*

From: **Sir Peter Vela, Chair, TAB New Zealand Racing Advisory Committee**
Members: Sir Peter Vela (Chair), Sir Brendan Lindsay, Ken Breckon, Mark Chittick, Steve Thompson, Greg Tomlinson, Chris Waller

24 June 2026

Dear All,

Racing Reform recommendations to the Minister for Racing

I am writing to you, on behalf of members of the TAB New Zealand Racing Advisory Committee, as organisations that collectively represent the participants, investors and workforce of the New Zealand racing industry.

As you will be aware, I chair the TAB New Zealand Racing Advisory Committee (the Committee), convened to provide independent, evidence-based advice on the long-term sustainability of racing in New Zealand. The Committee's mandate has been to identify what must change now to place the industry on a sustainable operating footing, and to outline a credible pathway to growth.

The Committee's work has focused on establishing a clear and shared fact base across horse supply, funding flows, infrastructure, and governance. This has included detailed analysis supported by TAB NZ Management, external advisors, engagement with New Zealand Thoroughbred Racing (NZTR) and Harness Racing New Zealand (HRNZ), and benchmarking against international racing jurisdictions that have successfully addressed the challenges we face in our domestic industry.

The central conclusion from this work is that the current operating model is not fit for purpose. What we have found is our domestic industry is held back by several structural faults that interact, compound and ultimately render the status quo unsustainable. These problems are fundamentally interlinked, and interventions such as the Messara Report, the Government's TAB Covid bailout, the commencement of the strategic partnership with Entain, and the "legislative net" simply paper over these underlying faults.

The Minister for Racing has been explicit; the industry has meaningful growth potential and a clear path to increasing its contribution to the New Zealand economy. The Committee agrees, but potential alone is not enough. It now requires collective action, disciplined execution, and a shared commitment to reform to realise it.

Why the Committee considers structural reform necessary

The Committee's work has established a comprehensive and shared fact base across horse supply, funding flows, infrastructure, and governance.

That analysis points to a single conclusion; the current operating model will not realise the industry's sustainable growth and without change, will constrain it further.

In particular:

- ***Horse supply is now structurally constrained*** - Foal crops across both codes have been declining for more than a decade. This decline is already flowing through into field sizes and race programming and will continue to do so regardless of short-term funding interventions. Without intervention at the supply end, the racing product becomes progressively harder to sustain.
- ***A growing share of industry funding is absorbed by administration*** - The Committee's analysis indicates that duplicated governance and administrative structures are strangling our industry. In a subscale market such as New Zealand, this materially reduces the proportion of funding available for stakes, breeding initiatives and infrastructure investment.
- ***Capital is tied up but not working for the industry*** - Significant industry capital is held in fragmented venue ownership. At the same time, training and racing infrastructure remains underinvested, leading to reliability issues, deferred maintenance and rising costs to deliver a credible racing network. The current structure makes it impossible to prioritise investment or recycle capital in an effective manner.
- ***There is no single point of accountability for industrywide outcomes*** - Decision making authority is dispersed across multiple statutory bodies, codes and clubs, each operating within their own mandates. This fragmentation makes whole of industry trade-offs — such as calendar optimisation, venue rationalisation and strategic investment sequencing — difficult to execute, even where there is broad agreement on the underlying issues.

Taken together, these factors create a self-reinforcing cycle: fewer horses and unreliable racing surfaces reduce wagering appeal and revenue; declining revenue limits investment; underinvestment further weakens the product; and pressure on participants intensifies.

How the Committee's recommendations address these issues

The Committee's five recommendations are not abstract structural preferences. Each addresses a specific economic failure in the current system, and each is intended to correct a known cause of declining returns to participants, deteriorating infrastructure, or long-term funding risk.

Critically, these reforms are designed to work together. Individually they improve parts of the system; collectively they reset the industry's economic model. These recommendations, as included in the enclosed report, will deliver industry sustainability and a platform for growth through self-funding investments.

In summary, those recommendations are:

Recommendation 1 – Unified Governance

The current governance structure of New Zealand racing is fragmented and no longer working effectively. Decision-making is split across multiple bodies, racing codes, and clubs, resulting in

duplicated administration, cumbersome decisions, and no clear accountability for overall performance.

This fragmentation drives unnecessary overheads and makes it difficult for the industry to make hard but necessary choices such as rationalising the racing calendar, reducing fixed costs, and directing money to where it delivers the greatest benefit for participants.

In a small market, this matters greatly. The industry's fixed costs are out of proportion with revenue, directly reducing returns to owners, trainers, breeders, and jockeys/drivers. Without structural change, this imbalance will continue to erode stakes, investment, and long-term viability.

Unified governance addresses this directly. A single accountable body would be responsible for strategy, funding allocation, calendar management, and industry-wide priorities. Code-specific expertise would remain where it adds value, but strategic control would sit at the centre, enabling faster, more decisive decisions.

The outcome is clearer accountability, lower administration costs, and more of the industry's existing funding redirected away from overheads and back to participants, stakes, breeding, and essential infrastructure.

Recommendation 2 – Strategic Racing Property Partnership

The racing industry collectively owns significant racecourse and property assets, with total value estimated at up to \$700 million. However, this capital is spread across many clubs and is largely locked in place, limiting the ability to reinvest where it is most needed.

As a result, tracks and facilities are ageing, necessary upgrades are deferred, and track reliability suffers in turn increasing costs for participants and reducing the quality of the racing product.

A Strategic Racing Property Partnership would pool venue assets into a single, professionally governed entity. Clubs would retain their underlying economic interest, but capital decisions would be made at an industry level, based on need, return, and long-term value.

This approach allows capital to be recycled and prioritised into high-impact investments such as racing surfaces, training facilities, and track reliability, rather than being thinly spread across too many venues. It also supports rationalisation where appropriate, favouring fewer, better-resourced facilities over the current unsustainable footprint.

For participants, this means safer, more reliable tracks, fewer abandonments, and infrastructure investment that improves the racing product and reduces operating costs over time.

Recommendation 3 – Tax and Regulatory Changes to Support Breeding and Ownership

Foal numbers across both codes have been falling for years. This reflects weak breeding economics rather than short-term cycles. Rising costs, slow capital recovery, and outdated tax and regulatory settings have reduced confidence and investment.

Without change, declining supply will lead to smaller fields, fewer races, and higher costs spread across fewer participants regardless of how much funding the industry has.

Targeted tax and regulatory reform improve the economics of breeding and ownership. Better capital recovery and risk-adjusted returns encourage breeders and owners to reinvest domestically rather than taking capital offshore. International experience shows that when breeding economics improve, supply follows but with a lag, making early action critical.

These changes are not a subsidy. They are an investment in the supply side of racing that underpins field size, wagering quality, and the long-term sustainability of the industry participants rely on.

Recommendation 4 – Crown-Funded Racing Integrity Board

The racing industry currently funds its own integrity regulator at a cost of around \$18 million per year. This reduces funding available for stakes, breeding, and infrastructure.

Moving integrity funding to the Crown aligns racing with other major sports and regulated sectors. It strengthens perceived and actual independence, enhances public confidence, and reinforces the industry's social licence to operate.

For participants, the benefit is twofold: stronger, more independent integrity oversight, and the release of industry funding back into areas that directly support racing such as vital infrastructure improvement, and supply side breeding incentives.

Recommendation 5 – TAB NZ Modernisation

The industry relies heavily on TAB NZ distributions as its primary funding source. This creates risk. Betting markets are becoming more competitive, offshore operators are growing, and TAB NZ is limited in the products it can offer under current settings.

When bettors move offshore, racing continues to bear the cost of producing the product but receives no return.

Modernising TAB NZ's legislative and operating settings would allow it to offer a wider range of modern wagering and digital products, better matching customer expectations and retaining gambling spend onshore.

For industry participants, this means a broader and more stable funding base over time reducing exposure to fluctuations in traditional betting products and supporting more predictable returns, rather than boom-and-bust cycles driven by turnover alone.

Why the whole package of reform matters

Each recommendation fixes a specific failure. Together, they reduce structural costs, unlock and redeploy capital, rebuild supply at the source and stabilise long-term funding.

Partial reform leaves the system exposed. Integrated reform creates a self-funding, resilient industry capable of sustaining returns to participants beyond the minimum guaranteed window provided for in the Entain agreement.

What this means for participants

The Committee is acutely aware that structural reform creates uncertainty. However, the alternative is an erosion of stakes, infrastructure quality and participation as funding pressures intensify beyond FY28.

With reform, administrative savings can be redirected toward participant returns, breeding incentives and facilities; capital can be invested where it delivers the greatest system-wide benefit; and the industry gains a credible platform for sustainable growth rather than recurring crisis management.

Next steps

The Committee's position is clear - action must occur now. Reform is about stabilising and strengthening the industry's foundations while the opportunity to do so still exists

If we act with purpose, racing can be self-funding, modern, and strong for the next generation. If we don't, the pressures return harder once the funding guarantee ends.

The Advisory Committee expects the Codes and TAB NZ to engage fully, constructively, and with urgency to effect reform.

We recommend the immediate establishment of a governance group made up of representatives from each code, TABNZ and the Advisory Committee, independently chaired and charged with the responsibility to design and execute the reform pathway based on the Committees recommendations with delivery against agreed milestones. This group should operate alongside business-as-usual operations.

The time to act is now and together for the best interests of the racing industry.

We welcome feedback on the contents of this letter and our report to committee@racingreform.org and in the interests of time we would be grateful for responses by 7 July.

Yours in racing,



Sir Peter Vela
Chairman

TAB New Zealand Racing Advisory Committee



Committee Members:

Sir Peter Vela (Chairman), Sir Brendan Lindsay, Ken Breckon, Mark Chittick, Steve Thompson, Greg Tomlinson, Chris Waller