

6 September 2012

CIRCULAR NO 1229

To: The Secretary all Totalisator Clubs and Kindred Bodies
From: Edward Rennell, Chief Executive
Subject: **HARNES RACING NEW ZEALAND - AUGUST BOARD NEWS**

Following is a summary of matters considered at the HRNZ Board meeting on 1 June 2012.

1. 2012/13 HRNZ BUSINESS PLAN

The Board reviewed an updated version of HRNZ's draft Business Plan for 2012/13. This had been amended since the Annual Conference to incorporate final season statistics, the industry Funding Policy and a schedule of KPI's and targets. The Board approved this plan for submission to the NZRB. A copy of the draft plan is available on HRNZ's website www.hrnz.co.nz.

The Board also reviewed and approved the draft 2012/13 HRNZ Marketing and Communications Plan. It was agreed that the major clubs would be consulted in regard to this to ensure that HRNZ's marketing activities supported and were consistent with the direction being adopted in relation to the major carnivals. A copy of the Marketing and Communications Plan will be separately circulated to clubs so they are aware of activities being undertaken by HRNZ.

2. INDUSTRY FUNDING POLICY

The Board reviewed and confirmed the industry Funding Policy for 2012/13. This was in line with the details presented at the Annual Conference and provided for the introduction of equalised funding rates for off-course and fixed odds turnover. The Board reviewed final budget calculations for the 2012/13 season which essentially provided for a balanced spend of the funding the industry was to receive, retaining a balance in the distribution account of around \$1.0 million.

The Board also reviewed a report on the funding product loss adjustment for the 2011/12 season. Under the industry funding agreement, penalty provisions were evoked in light of our code's under achievement of KPI's in the agreement with respect to the number of races run in the 2011/12 season. The agreement provided for 2,883 scheduled harness races and due to abandonments only 2,675 races were actually run. Setting aside races lost as a result of weather and unforeseen circumstances, the subsequent penalty imposed in relation to the code's funding was \$432,067. Overall HRNZ considered this a satisfactory outcome given the number of races which were not run and not funded via the code's Funding Policy.

A basis has been agreed with the other codes and the NZRB as to how future product loss adjustments will be determined. It has also been negotiated that the level of races per the industry funding agreement for our code will reduce to 2,745. HRNZ considers this a more realistic target given the code's declining horse numbers. It is considered that this target will be achieved in the 2012/13 season.

3. NZRB - CHIEF EXECUTIVE

The new NZRB Chief Executive (Chris Bayliss) attended the Board meeting along with Marty Burns (Manager - Racing Planning and Performance). Mr Bayliss gave an introduction in terms of his background and his initial observations a month into his role as NZRB CEO. The Board were encouraged by the consultative and refreshing approach of Mr Bayliss, with there likely to be an increased emphasis in the future on the retail experience and service to customers. The Board considered it a worthwhile meeting in developing an effective and constructive relationship with Mr Bayliss.

The Board also reviewed the NZRB's draft Statement of Corporate Intent for 2012/13. Some feedback had been provided previously to the NZRB on this. It was noted that with a new NZRB Board (five new members out of seven) that this document would be reviewed and updated prior to the end of the calendar year. The Board also reviewed with concern, advice from the NZRB of the discontinuance of the Typhoon computer upgrade. On an encouraging note, the Board was pleased to note confirmation from the NZRB of the previous indicated funding level to the three codes of \$132 million, along with a projected \$6 million from the NZRB Class 4 gaming operations. This was in line with the figures factored into HRNZ's funding budget for 2012/13.

4. NZRB CLASS 4 GAMING - ALLOCATIONS TO THE RACING CODES

Within the industry funding for the 2011/12 season, \$5 million was projected to be made available to the three codes via the NZRB's Class 4 gaming operations. As reported at the Annual Conference, there has been a difference of opinion between the codes and the NZRB gaming officials as to reporting and accountability required in relation to the codes' application of such funding. A number of meetings have been held over the last two months to resolve these issues and determine a more workable model for the future.

In 2011/12, \$3.543 million was made available to the three codes from these funds. In discussions with respect to 2012/13 funding it was agreed that the shortfall would be carried forward and factored by the codes into their 2012/13 calculations, provided they had appropriate authorised purposes to apply this against.

NZTR has proposed for the future that the NZRB Class 4 gaming be applied against industry related expenses which are "top sliced" within the overall funding model. These include the cost of the RIU, JCA, on-course marketing events, racing laboratory, research and education expenses. HRNZ is supportive of this, however if a solution cannot be determined around this it is HRNZ's intention to apply for its share to be applied against HRNZ's group race subsidy spend. One application would be made in total to the NZRB at the start of the season for this purpose if this approach is taken.

It is hoped that this matter will be progressed within the next few weeks and a resolution determined before the end of September.

5. REGULATION CHANGES

The Board approved the introduction of new Minor Infringement Regulations and Colours Regulations as provided for in the Rules approved at the Annual Conference. Details of these regulations were published in the Harness Racing Weekly on 5 September.

The Board also approved amendments to the Standing Down of Breaking Horses Regulation, the Safety Gear Regulation and the Race Meeting First Aid and Safety Regulation. Details of these amendments were also outlined in the Harness Racing Weekly on 5 September.

6. REVIEW OF TCO² RESULTS

HRNZ's Prohibited Substance Regulations provide that alkalisating agents, when evidenced by total carbon dioxide (TCO²) at a concentration of 35.0 millimoles (mmols) per litre in plasma, are considered to be a Prohibited Substance. The level of 35.0 mmols was set in June 2001 when the testing system changed from blood samples being tested at local hospitals, with all races tested on one machine at the racing laboratory in Auckland, a set level was introduced at that time.

When the then Executive set the level at 35.0 mmols, consideration was given to a study as to the natural TCO² level in a horse. Broadly speaking, this was around 30.0 mmols and the Executive felt that any results over 35.0 mmols would in all likelihood be as a result of administration, either deliberately or non-deliberately. It was noted that HRNZ's level of 35.0 mmols was different to that of Harness Racing Australia and Article 6 of the International Federation of Horse Racing Authorities which has a set level of 36.0 mmols.

The Board reviewed a report on all the testing undertaken by HRNZ and the RIU since June 2001. The report highlighted that 29,309 horses had been tested since 2001, with an average level of 30.7 mmols. In that time seasonal averages have ranged from 30.05 mmols to 31.39 mmols, highlighting the general consistency in levels since the introduction of this testing.

The Board resolved that the statistical data within HRNZ's TCO² testing regime be referred to a statistician to report on the standard deviation and probability of results being achieved above a number of levels. It was felt this would give a basis for HRNZ to review the appropriateness as to whether the current level should be retained at 35.0 mmols or increased to 36.0 mmols consistent with other racing jurisdictions. It was considered that the database of testing undertaken, will provide an excellent platform for the statistical analysis and consideration of an appropriate threshold level, conscious of the need to maintain appropriate standards of integrity within the industry.

7. REVIEW OF THE STRUCTURE OF AGE GROUP RACING

Following on from the Group Race Sub-Committee meeting on 1 June, the Board gave consideration to the current structure of age group racing. Some views were expressed that the industry would be better off if some of the races and stakes provided at the 2yo and 3yo levels were extended to 4yo and 5yo's to provide further opportunities for the late maturing horses. The Board reviewed an analysis of the current structure of group races, noting the predominance of group races for 2yo and 3yo's.

After considering this information, the Board felt there was merit in establishing a working group to review the current structure of age group racing and whether changes were appropriate. The Board agreed in principle to appointing a working group comprising HRNZ Board members, representatives from the NZ Sires Stakes Board, Pyne Gould Guinness, Auckland TC, NZMTC and owners and breeders. It is likely this group will meet in November to initiate the review of this.

Prior to this, a smaller group of Board members will meet around the Board's September meeting to consider the scope and approach for this review. The aim would be to consider the current structure of age group racing, with a view to assessing the merits for extending this over a longer period to encourage increased participation of a wider horse population.

8. JUNIOR DRIVERS - SOUTHLAND REGION

The Board reviewed with concern, a report on licensing statistics for junior drivers in the Otago/Southland region. Of particular concern was the small number of active junior drivers in the Southland area (three for the first half of the season) and the impact this would have on the viability and programming of junior driver races in the region. Correspondence from Winton HRC President (Murray Swain) was reviewed on the possibility of whether a system could be introduced whereby conditions be included in certain races that if a horse was driven by a junior driver, the race would be deemed to be exempt for handicapping purposes. He felt this may be more viable in providing opportunities for junior drivers rather than having to stage full junior driver races for which there may be a shortage of drivers available to compete in.

The Board felt there was merit in further reviewing this and agreed that this matter be referred to the Handicapping Sub-Committee meeting on 25 September for further consideration. While it was felt there was merit in the proposal, it was also agreed that there were other issues which needed to be addressed with this, including the impact on junior drivers' series and the structure of racing in the region. The Board acknowledged the numbers were of concern and an optimal and workable solution must be determined for the region.

9. 2012 ANNUAL CONFERENCE AND AWARDS DEBRIEF

The Board reviewed reports on the recent Annual Conference and Annual Awards. In terms of the Conference, the Board felt this had been a worthwhile exercise, particularly in updating clubs and kindred bodies on industry issues and plans for the next season. Consideration was given to the future structure and content of the Annual Conference and how this could be enhanced to be more meaningful and worthwhile for those attending. Any suggestions from clubs or kindred bodies and feedback in relation to this would be appreciated.

The Board felt that the panel discussion on day two of the Conference with respect to owners' and punters' interests was well received and of interest to those attending. It was agreed that this format should be continued in future years. It was also agreed that this approach could be adopted with respect to enabling clubs to share promotional ideas of what has worked successfully at a club level with others. In terms of the regional workshops, the Board was of the view that some of the matters covered at these would be more suitably addressed through the reintroduction of regional meetings in late January/February as part of the dates consultation process.

The Board also agreed that the date for the 2013 Annual Conference would be Friday 26 July and Saturday 27 July at the Commodore Airport Hotel, Christchurch. The 2013 Annual Awards function will be held at the Wigram Airforce Museum on the evening of Saturday 27 July.

10. MATTERS UNDER ACTION - REVIEWS PENDING

Following is a summary of matters under action and pending review at future Board meetings:

- Regional racing bureaus as proposed in a correspondence item approved at the 2012 Annual Conference;
- Race Abandonment Procedures;
- NZRB venue services and Trackside recoveries charged to the harness code;
- HRNZ structures and governance procedures;
- Proposed changes to Forbury Park TC constitution and governance;
- Harness Jewels - future structure and conditions;
- Standing and mobile starts review - turnover and statistical analysis; and
- Electronic circulation of Board papers.

11. IN BRIEF

The following matters were also considered at the HRNZ Board meeting:

- Finalisation of HRNZ sub-committees and portfolio responsibilities for 2012/13
- Covered by separate circular to clubs and kindred bodies (Circular 1230);
- Review of Harness Racing Australia and NZRB presentations to the Annual Conference;
- Update with respect to the Gambling (Gambling Harm Reduction) Amendment Bill
- Select Committee hearings on 20 September in Wellington and 4 October in Christchurch;
- Selection of David Butcher as New Zealand's representative at the 2012/13 World Drivers Championship;
- Racing Integrity Unit update - including overview of the current Prohibited Substance enquiries;
- Season end statistics - turnover, field size and stakes;
- Frank Cooney crash at Alexandra Park and recommendations from the Stipendiary Stewards;
- Reappointment of Peter Smith and Garry Thompson as HRNZ's representatives on the JCA Board; and
- Update with respect to the industry's contract with St Johns for the provision of first aid services for 2012/13.

12. NEXT BOARD MEETING

- The next HRNZ Board meeting is scheduled for Wednesday 26 September 2012;
- Sub-Committees to meet on Tuesday 25 September are Handicapping and Audit and Finance.