

21 December 2012

CIRCULAR NO 1239

To: The Secretary all Totalisator Clubs and Kindred Bodies

From: Edward Rennell, Chief Executive

Subject: **HARNESS RACING NEW ZEALAND - DECEMBER BOARD NEWS**

Following is a summary of matters considered at the HRNZ Board meeting on 13 December 2012.

1. 2013/14 DATES CALENDAR

The HRNZ Dates Sub-Committee met in November to determine HRNZ's initial submission on the "roll over" 2013/14 calendar. It was understood that this was to be based on similar principles to the current season given the requirements of the industry's internationalisation agreement. While HRNZ's initial submission was prepared on this basis, it subsequently came to our attention that significant changes are being proposed by the other two codes that HRNZ requires further industry information and dialogue on.

NZTR has advised that it is seeking a number of additional Sundays and are looking to vacate the 14 Tuesdays they are on in the 2012/13 season. HRNZ has filed a submission objecting to the transfer to Sundays where there are already two equine meetings scheduled. It is felt that a third equine meeting on a Sunday is not viable from a turnover perspective and that alternatives should be looked at. HRNZ's subsequent submission is based on either the third thoroughbred or a harness meeting transferring to the Saturday if it is available, to try and minimise the number of three equine meeting Sundays where possible. An issue has also been raised about the preferential funding the thoroughbred code was given for racing on Mondays and Tuesdays and that the industry funding agreement needs review in light of this.

The other matter of concern relates to the proposal from the greyhound code seeking an additional 40 licences on Tuesdays. Prior to confirming a position on this, HRNZ has requested further information regarding how these are to be funded and the impact in terms of the industry funding agreement and NZRB profitability. This is contrary to what the greyhound code had previously advised when the funding agreement was made in that they would not be seeking any material changes to the current meeting and race numbers in the near future. HRNZ has also sought assurance in its dates submission that this will not negatively impact on harness racing's funding when the internationalisation and funding agreements are reviewed in 2015.

As a result of these two significant issues, concerns were raised with the NZRB re the standard timetable of releasing the calendar to the industry prior to Christmas. It has been subsequently agreed that these matters require further industry discussion prior to the draft calendar being finalised. It is therefore planned that these issues will be worked through by the three codes and the NZRB over the next month, with a view to the draft calendar being released to the industry in February.

2. **HANDICAPPING - STAKES MINIMUM**

The Board reviewed a report on the Handicapping Sub-Committee meeting held on 14 November. Background detail on this was outlined in the November Board News.

In considering handicapping, the Board is still keen to encourage increased co-ordination of programmes on a regional basis to make the best use of the available horse population. Positive recent work by the Handicapper and Club Secretaries in this area is acknowledged. The proposal to trial open nominations at some Addington meetings was not supported by the NZ Metropolitan Trotting Club. Despite this, it has subsequently been agreed that in some programmes in 2013, some flexibility will be provided to trial this concept in relation to one race. This will be co-ordinated by Darrin Williams (Handicapper) and Brian Rabbitt (NZMTC Racing Manager).

Considerable discussion ensued with respect to \$3,000 races, with the Board unanimous that these were not a positive look for the industry. Accordingly the Board resolved that from 1 March 2013, a minimum stakes requirement will be introduced of \$4,500, with a view to this increasing to \$5,000 on 1 August 2013, subject to confirmation of HRNZ's funding policy. Based on a review of club accounts, the Board is confident that clubs should be in a position to comply with this by adjusting their current stakes allocations. It was also noted that a further review of the current funding policy will be undertaken in February 2013 and whether any additional funding can be extended to support clubs at this time will be considered.

Another issue in relation to handicapping and programming is that it has come to the Board's attention that there are a number of horses being withdrawn after the official withdrawal time. A directive has been issued to clubs that in future that official withdrawal times are to be strictly adhered to with no exceptions. Any horses for whom withdrawal is sought post this time will be included in the fields and the trainers concerned will have to scratch the horses. Other more extreme suggestions around trainers not being able to withdraw at all, or not being given the privilege of seeing nominations were considered however were not supported. The Board felt it was more reasonable for clubs to enforce the withdrawal closing times and HRNZ continue to monitor this area closely before considering any further changes in this area.

Consideration was also given to correspondence surrounding field selection at a recent Oamaru HRC meeting. The Board discussed whether horses nominated prior to any extension of nominations should be given preference, and whether horses nominated below the set conditions for any race, should be included last. Both these items were referred to the next Handicapping Sub-Committee and Racing Managers meetings for consideration as there is not universal agreement on the best approach to these issues, with arguments either way. With the exception of preference Non Winners, clubs currently have full discretion with the selection of their fields, with the Handicapper monitoring from an overall reasonableness perspective.

3. **4YO AND 5YO RACING**

Over the last month negative feedback has been received with respect to the decision to include 5yo's in the 4yo series of the Harness Racing Jewels and other 4yo feature races (eight races in total across both gaits and sexes). The Board noted that there are a number of reasons in support of these changes, while also noting the valid concerns raised by a number of people.

The Board was of the view however that it was committed to these changes for the 2012/13 season. The Board resolved that the Group Race Sub-Committee would review the merits of including the 5yo's in 4yo features in the 2012/13 season post the 2013 Harness Jewels and consider whether this concept should be continued in future years. It was agreed this review would be undertaken in June so if there were any changes agreed upon, they could be applied for the 2013/14 season.

4. **EXTENSIONS TO HRNZ'S TRAVEL SUBSIDY SYSTEM**

HRNZ has applied the travel subsidy scheme since September 2006. This is integrated within HRNZ's overall funding policy with an estimated spend of approximately \$250,000. At the Board's meeting consideration was given to extending this to cover travel of Southland participants to the Otago region and vice versa. This was in response to feedback that this was inconsistent with Canterbury horses travelling to race in these regions. It was noted that without applying a strict mileage based system which would be administratively impossible, there would always be inconsistencies depending on where the regional boundaries are drawn. The Board however felt there was merit in extending the current system on the basis of trying to encourage increased participation and field sizes for the balance of the season given the small decline in the current season, refer to **Appendix 1**.

Attached **Appendix 2** are details of the current travel subsidy scheme. The Board has resolved that from 1 February 2013, as a trial for the balance of the 2012/13 season, all areas deemed to receive a Nil payment as per the current matrix will be changed so they receive a minimum "A" travel subsidy (\$50). The Board in considering this felt a consistent approach should be adopted across the country rather than just addressing this for the Otago/Southland region. This means that Auckland horses competing in the Waikato and vice versa will receive the travel subsidy. Similarly West Coast horses racing in Nelson and Marlborough and Taranaki horses racing in the lower North Island will receive the subsidy. The subsidy will be extended under the scheme's normal conditions and paid direct to owners via HRNZ's stakes payment system.

The cost of this trial can be absorbed within the existing balance of the distribution account for the 2012/13 season. A review will be undertaken and considered as part of the 2013/14 funding policy deliberations as to the merits of continuing with the travel subsidy scheme and this extension for future seasons. It is hoped this initiative will help encourage increased field sizes and participation for the balance of the season and is fairer across all regions.

5. **ANNUAL AWARD CATEGORIES**

The Board reviewed the current structure of the annual award categories in light of the inclusion of 5yo's into 4yo features in the 2012/13 season. As a result of these changes, the Board has decided that the current 4yo and 5yo and over categories will be replaced in 2013 by one category for 4yo's and over. This will apply to both sexes for pacers and trotters and will reduce the number of awards made by four.

Concern was also raised with respect to a number of issues with the Unsung Hero award. It was agreed that discussions will be held with the sponsor in relation to this and possibly determining options for an alternative "People's Choice" award.

Apart from these changes all other awards were deemed to be appropriate and would continue in the current structure for 2013.

6. **REVIEW OF INDUSTRY INTEGRITY FUNCTIONS**

The Board reviewed a report from the Chairman of the Racing Integrity Unit (RIU) on the current structure of industry integrity functions. This concept paper was prepared for review by the Combined Racing Industry Group (CRIG) and focused on whether industry savings could be driven through a better co-ordination and delivery of integrity services across the industry.

The RIU paper identified that the costs of integrity to the industry are substantial. Approximately \$8.25m is "top sliced" from the industry funding distribution to fund the RIU, JCA, swabbing and race day veterinarians. The RIU concept paper focused on the principle of reviewing these functions to determine whether through increased co-ordination there could be efficiencies delivered without compromising the quality of professional services provided.

The HRNZ Board reviewed and endorsed the RIU paper and agreed to recommend to the NZRB that any review in this area focus on overall industry integrity governance and structures rather than purely RIU operational issues.

7. **HRNZ BOARD MEMBERS' REMUNERATION**

Currently \$80,000 is provided within HRNZ's budget for remuneration to directors. The Board has engaged an independent consultant to review the functions undertaken and make an assessment as to what the market remuneration rates are for these roles. It is noted that compared to the NZRB, NZTR, GRNZ and the JCA, the current HRNZ levels are significantly lower. There is concern that the current level is not conducive to recognising directors' contributions and may be a barrier to attracting the best people to these roles in the future. The independent market assessment was that the total remuneration for HRNZ directors should be \$192,000. Given the current climate and the financial pressures facing the industry the Board did not believe that this was sustainable or acceptable. Accordingly the Board agreed in principle it should seek industry support for increasing the total remuneration but to a lower level than the consultant's market rate. It was agreed that a paper would be prepared for circulation to clubs and kindred bodies in the New Year on the rationale for this, with this also to be covered at the industry consultation meetings around the dates process that are to be held in February/March.

8. **NZ RACING BOARD AGM**

The Board noted the NZ Racing Board AGM was held on 6 December. It considered that this was a constructive exercise that highlighted improved communication and transparency of the NZRB to the industry. HRNZ congratulates the NZRB on the new and refreshing consultative approach being adopted in this area. Of particular interest at the AGM was the presentation from Peter V'Landys (Racing New South Wales CEO) with respect to industry leakage and recommendations on the need for the New Zealand Government to support the industry in addressing this. Copies of the presentations made at the AGM are being shown on Trackside and these are recommended to industry participants as worthwhile viewing.

9. **STAKES TO FUNDING 2011/12**

The NZRB has released details of the net stakes to funding ratios for the three codes and individual clubs for the 2011/12 season. HRNZ is pleased to note that the performance of the harness code continues to track ahead of the other two codes, emphasising the general efficiency and positive performance of our clubs. The net stakes to funding ratios for the 2011/12 season are as follows:

- Thoroughbred clubs 75.81%
- Harness clubs 82.40%
- Greyhound clubs 71.24%

10. **IN BRIEF AND MATTERS UNDER ACTION**

The following matters were also considered at the Board meeting. Some items are noted as under action for review at subsequent Board meetings:

- Age Group Racing Review;
- Race abandonment procedures;
- Trackside, Radio and Venue Services Recoveries Review;
- Animal Welfare - development of overall policy statement summarising industry's processes and policies with respect to animal welfare;
- Review of clubs' financial statements and financial position for the 2011/12 year;
- Rules Review;
- TCO2 Statistical Review;
- Trial of Board Papers being circulated electronically via Ipad;
- Industry statistics - season to date - see **Appendix 1**

11. **NEXT BOARD MEETING**

The next HRNZ Board meeting is scheduled for Thursday 14 February 2013.

STATISTICS FOR THE SEASON UP TO 2 DECEMBER

Turnover Summary

	2012/13			2011/12			Change		Increase In Races	% Change In Races
	Tote	FOB	Combined	Tote	FOB	Combined	\$	%		
Thoroughbreds	119,110,323	30,708,306	149,818,629	121,624,576	21,496,677	143,121,253	6,697,376	4.7%	-46	-5.6%
Harness	57,414,967	14,892,190	72,307,157	61,218,786	9,183,848	70,402,634	1,904,523	2.7%	-35	-6.4%
Greyhounds	36,655,426	11,369,057	48,024,483	37,564,473	8,484,029	46,048,502	1,975,981	4.3%	117	8.9%
	213,180,716	56,969,553	270,150,269	220,407,835	39,164,554	259,572,389	10,577,880	4.1%		

Key points to note:

- * Thoroughbreds had a very strong November, gone from -\$324K to +\$6,697K, with the code YTD now up 4.7% despite 5.6% less races
- * Greyhounds achieving growth on the back of additional races at lower turnover, with turnover up 4.3% however number of races up 8.9%
- * Average month for harness with increase in total turnover down from 3.4% to 2.7%
- * Growth in harness turnover driven by fixed odds increases
- * Harness results for season still encouraging, with turnover up 2.7% despite 6.4% less races
- * Harness market share YTD down from 27.1% this time last year to 26.8% due to other codes being up more in percentage terms

Harness Stakes

	2012/13			2011/12			Change		Increase In Total Net Stakes	% Increase In Total Net Stakes
	Total Net Stakes	# Races	Avg Stakes Per Race	Total Net Stakes	# Races	Avg Stakes Per Race	Increase Avg Stakes Per Race	% Increase Avg Stakes Per Race		
	6,787,486	746	9,099	6,939,815	781	8,886	213	2.4%	-152,329	-2.2%

Average Field Size

	2012/13			2011/12			Change	
	Races	Starters	Average Field Size	Races	Starters	Average Field Size	Field Size	% Change
Northern	209	1,835	8.8	224	2,064	9.2	-0.4	-4.9%
Central Districts	54	479	8.9	51	479	9.4	-0.5	-5.9%
Seddon Shields	10	98	9.8	10	109	10.9	-1.1	-11.2%
Canterbury	243	2,735	11.3	253	2,828	11.2	0.1	0.7%
South Canterbury	62	717	11.6	76	919	12.1	-0.5	-4.6%
Otago	62	562	9.1	52	495	9.5	-0.5	-5.0%
Southland	106	1,128	10.6	115	1,209	10.5	0.1	1.2%
	746	7,554	10.1	781	8,103	10.4	-0.2	-2.5%

APPENDIX 2

HARNESS REGIONAL TRAVEL SUBSIDY SCHEME (CHANGES 1 FEBRUARY 2013 HIGHLIGHTED)

Introduced on 1 September 2006 the travel subsidy initiative is paid to the owners of horse/s who race outside of the region in which they are trained.

The subsidy is funded by an allocation from our Harness Code Distribution Account. The estimated total cost of this ~~per annum~~ for 2012/2013 is ~~\$250,000~~ \$330,000. Where a subsidy is due, it is included in the payment due to owners as part of the fortnightly Stakes Payments.

The benefits of this initiative have proven to be well received and remain consistent with HRNZ's original intent:

- To help to defray owners' costs in travelling outside their region;
- To encourage increased participation of horses racing outside of their region;
- As a result, regional interest in the meetings should increase with resulting increases in turnovers;
- HRNZ have effective and efficient systems in place to administer this;
- It is a national scheme which will encourage regional participation, e.g. benefits to regions often where the horse population and participation is not so strong, e.g. Central Districts, Nelson.

Conditions:

- The Subsidy is paid at either of three rates (A \$50, B \$100, and C \$150) dependent on the level of travel required of the horses to the meetings concerned;
- This is to be paid for each start and will only be eligible for horses racing outside of their region for a maximum of four weeks.
- No subsidy is payable to horses which finish in the first three at any meeting.
- There is no subsidy payable for any horse starting at a "Premier" Meeting.

The matrix below outlines how this is applied:

<i>Region Trained</i>	<i>Region Horses Raced In</i>								
	Auckland	Waikato	Taranaki	Lower North Island	Nelson/ Marlborough	West Coast	Canterbury	Otago	Southland
Auckland	-	A NH	A	B	C	C	C	C	C
Waikato	A NH	-	A	B	C	C	C	C	C
Taranaki	A	A	-	A NH	B	C	C	C	C
Lower North Island	B	B	A NH	-	B	C	C	C	C
Nelson / Marlborough	C	C	B	B	-	A NH	A	B	C
West Coast	C	C	C	C	A NH	-	A	B	B
Canterbury	C	C	C	C	A	A	-	A	B
Otago	C	C	C	C	B	B	A	-	A NH
Southland	C	C	C	C	C	B	B	A NH	-