

MINUTES

OF

ANNUAL GENERAL MEETING



HELD IN THE BALLROOM, 6TH FLOOR,

DUXTON HOTEL, WELLINGTON

ON

FRIDAY, 11 JULY 2003

COMMENCING AT 9.00 AM

ANNUAL MINUTES 2003

The Chairman, Mr M C Acklin, welcomed representatives of clubs and invited guests to the fifth Annual General Meeting of New Zealand Thoroughbred Racing Inc

CLUB REPRESENTATIVES PRESENT

AMBERLEY RC.....	A C DEANS	POVERTY BAY TC.....	P BURKE
ASHBURTON RC.....	G JONES	RANGITIKEI H.....	D J DUNCAN
AUCKLAND RC.....	C DEVINE	RANGITIKEI RC.....	N WELLS
AVONDALE JC.....	G REDDAWAY	REEFTON JC.....	PROXY
BANKS PENINSULA RC.....	PROXY	RIVERTON RC.....	R FINDLAY
BAY OF PLENTY RC.....	C R JENKINS	ROTORUA & BOP H.....	B CALDER
BEAUMONT RC.....	F W KNIGHT	ROTORUA RC.....	K WHITEHEAD
CAMBRIDGE JC.....	S SCHICK	SOUTH WAIKATO RC.....	J E SYMES
CANTERBURY JC.....	P J CORDNER	SOUTHLAND RC.....	A DENNIS
CENTRAL OTAGO RC.....	PROXY	STRATFORD RC.....	J TAYLOR
COUNTIES RC.....	R A KRILETICH	TAPANUI RC.....	G CLELAND
DARGAVILLE RC.....	R STEVENSON	TARANAKI RC.....	W BENNETT
EGMONT RC.....	M ARMSTRONG	TAUMARUNUI RC.....	D STEPHENS
FEILDING JC.....	D WALKER	TAUPO RC.....	E P LOWRY
FOXTON RC.....	J GOODWIN	TE AROHA JC.....	PROXY
GERALDINE RC.....	PROXY	THAMES JC.....	S BOWEN
GORE RC.....	L BAIN	TIMARU RC.....	P WHITE
GREYMOOUTH JC.....	R HUGHES	WAIKATO RC.....	D R SMITH
HAWKE'S BAY RACING INC.....	W MUDGWAY	WAIKOUAITI RC.....	B BARBER
HORORATA RC.....	D WATSON	WAIMATE RC.....	PROXY
KUMARA RC.....	A J CONNORS	WAIPA RC.....	R TETLEY-JONES
KUROW JC.....	PROXY	WAIPUKURAU JC.....	J A FRIZZELL
LEVIN RC.....	G ELLIS	WAIRARAPA RC.....	B ABBOT
MANAWATU RC.....	G FELL	WAIRO JC.....	K DIXON
MARLBOROUGH RC.....	D SIM	WAIROA RC.....	PROXY
MARTON JC.....	PROXY	WANGANUI JC.....	M WEBBER
MASTERTON RC.....	R SOUTHEY	WAVERLEY RC.....	C LUPTON
MATAMATA RC.....	D MOSS	WELLINGTON RC.....	R DIXON
NTH CANTERBURY RC.....	A McARTHUR	WESTLAND RC.....	J WOOD
OAMARU JC.....	J DAVIDSON	WHAKATANE RC.....	D DEEGAN
OPUNAKE RC.....	J GOODIN	WHANGAREI RC.....	D LOGAN
OTAGO RC.....	D STRANG	WINTON JC.....	J R PHILLIPS
OTAKI MAORI RC.....	A MCGILL	WOODVILLE-PAHIATUA RC.....	P BURNE
PAEROA RC.....	R BAX	WYNDHAM RC.....	J MACDONALD
PAKURANGA H.....	I BRIDGE		

PROXIES

Proxies were given by the **Banks Peninsula Racing Club** to the representative of the Ashburton Racing Club, the **Central Otago Racing Club** to the representative of the Beaumont Racing Club, the **Geraldine Racing Club** to the representative of the Amberley Racing Club, the **Kurow Jockey Club** to the representative of the Tapanui Racing Club, the **Marton Jockey Club** to the representative of the Rangitikei Hunt Club, the **Reefton Jockey Club** to the representative of the Greymouth Jockey Club, the **Te Aroha Jockey Club** to the representative of Racing Matamata, the **Waimate Racing Club** to the representative of the Canterbury Jockey Club and the **Wairoa Racing Club** to the representative of the Waipukurau Jockey Club.

APOLOGIES

Apologies were recorded from the Chairman of the NZRIB/TAB Mr R Bettle, Deputy Chairman of the TAB Mr Neville-White, NZRIB Board Member Mr D Williams, Chief Executive, Harness Racing New Zealand Mr E Rennell and from the JCA Messrs J Grant and H Dyke

WELCOME TO MINISTER FOR RACING

The Chairman introduced the Minister for Racing, the Hon. Damien O'Connor and thanked him for joining the meeting. He told the meeting it was now ten years since the National Government included in the portfolios a Minister for Racing. Mr O'Connor was in the Opposition at that time and for many years he was the shadow Minister for Racing.

The Chairman then extended a warm welcome to a number of guests who were attending the meeting, in addition to the club representatives. In particular Mr Andrew Harding, Chief Executive of the Australian Racing Board and Secretary-General of the Asian Racing Federation, Messrs Arthur Hughes, past President, NZRC; Bernie Kelly, past President, NZRC and Trustee of the General Trust Fund; Gavin Higgie, Trustee of the General Trust Fund; Mr Paul Kenny, Judicial Control Authority, Mr Warren Larsen, Chairman of the New Zealand Racing Board, Messrs Peter Henson, Jim Leach and Tony Severinsen from NZRIB and TAB, Messrs Geoff Humphries and Dudley Brown from NZ Equine Industry Training Organisation; Messrs Jim Wakefield and Pat O'Brien from Harness Racing New Zealand; ; Messrs Jeremy Kennelly and Jeff Lenz of N Z Greyhound Racing Association; Messrs Peter Hutt President and Michael Martin, Chief Executive, N Z Thoroughbred Breeders' Association; Mr Chris Wood, President and Mrs Mary McCarty, Executive Officer, N Z Trainers' Association; Mr Dave Taylor, President and Mrs Sharron Jenkins, Secretary, N Z Jockeys Association; and Mrs Ada Parnwell, President, and Mr Vince Middeldorp from N Z Racehorse Owners' Federation.

OPENING BY THE MINISTER FOR RACING THE HON. DAMIEN O'CONNOR

Thank you Murray Acklin for inviting me to open the annual conference of New Zealand Thoroughbred Racing. I am delighted to be here today as the Minister for Racing.

I have had a strong interest in racing and horses for many years, both privately and as a Parliamentarian. Before the 1999 election I was opposition spokesperson on racing. Since then I have maintained a watching brief as the portfolio was held by Annette King and then Mark Gosche.

My first official function as Minister was presenting the trophy at the Auckland Racing Club's Racing Minister's Hurdles in mid-June. At that meeting I had the opportunity to talk informally with representatives of racing clubs, owners, trainers and, of course, the racing media. Since then I have communicated with a wide range of industry people through the multitude of avenues available.

This week I took the opportunity to visit the Equine Academy in Cambridge and watched track work at Matamata. You will be pleased to know I received the benefit of advice from a number of frontline industry players, including Jimmy Gibbs. His upfront accusation about politicians swanning around the big race days and doing little else for the racing industry did sting a little, given the huge efforts of my colleagues, Annette King especially.

I might not be able to make all of those important race days because I have a young family, but I can assure Jimmy and all of you here today that I want to work with you to improve the racing industry for us all. However, don't expect me or any other politician to solve all your challenges alone.

The annual conference of racing clubs and sector groups offers an opportunity for delegates and guests to renew acquaintances. In my experience, the sport is unique in its ability to create friendships and promote camaraderie.

The AGM also offers an opportunity to reflect on both the previous season's highlights and the challenges ahead. Rest assured, there are plenty of challenges ahead for New Zealand Thoroughbred Racing.

I enjoy meeting racing people and look forward to further opportunities to discuss the issues facing the industry at the grass-roots and I guess that might mean a few more early sessions at the track. Someone might even offer me a chance to ride a real horse so I'm not the only one getting tired legs, unlike that mechanical one I rode the other day at the Equine Academy.

There is no doubting the passion of those involved in this industry, or the desire for it to succeed. But, as noted by Murray in this year's Annual Report, the industry does tend to dwell on the negative rather than the positive.

I represent a proud region, the West Coast, that all too often sees the glass half empty rather than half full and it does hold us back at times. Perhaps it's our Irish heritage or an outcome of continued challenge from those who fail to share our passion for the future. It's up to us to shake off that habit and focus on what we can do to achieve a better future.

It has been a busy year since the clubs last met and this year is a watershed for racing in New Zealand. You will all be aware that the Racing Act 2003 will come into force on 1 August, and with it a new governing body for racing - the New Zealand Racing Board.

The industry itself requested the new legislation, and this Government delivered. Many here will agree that the Act has been a long time in coming, but it was important to achieve widespread industry consensus on many issues.

In my experience, reaching consensus in racing is about as easy as reaching consensus in Parliament. The key element of the new Act is the simplification of industry governance. It repeals the 1971 Act and replaces the Racing Industry Board and the TAB with a single statutory body.

The New Zealand Racing Board will be responsible for both the administration of racing and the provision of betting services. Its objectives will be threefold:

- to promote the racing industry;
- to facilitate and promote racing and sports betting; and
- to maximise its profits for the long-term benefit of New Zealand racing

I encourage you all to read the Act. Although it probably won't out sell Harry Potter, it has been drafted in simple terms and is easy to understand. It will certainly give you a good feel for where the responsibilities lie under the new regulatory regime. It should be of particular interest to this conference that the Racing Act 2003 gives the three racing code bodies greater responsibility, while strengthening their accountability to the new Board.

Under the new Act the codes will be funded and will have the responsibility for distributing betting profits to their constituent clubs. Each code will receive a share of the new Board's betting profits and will have the freedom to make its own decisions about expenditure. Significantly, however, the new Board will have the right to withhold funding from a code if it does not approve that code's statement of intent or its business plan. The idea behind this provision is to ensure that the codes and the Board have a similar strategic direction.

Another key mechanism in the new Act – which the industry proposed – is that the Rules of Racing will be deemed Regulations, with the potential for review by Parliament. This is intended to protect the interests of the public and those whose livelihoods are derived from racing.

Overall, the Racing Act 2003 gives the racing code bodies more responsibility than at present – but they will also be held more accountable for their decisions and policies. This increased responsibility and accountability will ultimately rest with individual racing clubs. The next twelve months promise to be very busy for the codes and the clubs as they respond to the challenges of their new responsibilities.

The New Zealand Racing Board will commence its duties on 1 August 2003 and I have appointed an independent Chairperson, Warren Larsen. The codes have also appointed their three nominees, Thayne Green, Jim Wakefield and, of course, your own Murray Acklin. The code nominees will bring a great wealth of industry experience to the Board and I am confident that Warren Larsen will prove to be a dynamic, innovative and most capable leader.

Warren is the former Chief Executive of the New Zealand Dairy Board and comes very highly regarded in the business community. His experience in dealing with international executives and farmer shareholders alike will be useful in his challenging role ahead.

I will appoint the remaining three members by the end of this month. The Nominations Advisory Panel will meet later today to consider a list of 42 nominees. Shortly afterwards, I will make recommendations to my colleagues in Cabinet.

I am heartened that so many capable people have been willing to put themselves forward for appointment to the new Board. All nominees offer an array of skills and experience. It won't be an easy task to select just three, and I would like to thank all those who were prepared to have their names, records, and reputations scrutinised by every sector of the racing industry over the last couple of months.

One of the early tasks for the New Zealand Racing Board will be to decide what to do with the report of the Working Group that was chaired by Bill Falconer. You will recall that the NZRIB established a Working Group to develop the so-called 'rules-based commercial model' that was proposed by PricewaterhouseCoopers.

The Working Group Report made some challenging and contentious recommendations, but these ideas are worth discussing. Consultation on the report revealed a divergence of views on how the industry should be structured to maximise its potential. However, the consultation also revealed overwhelming support for a single strategic plan for the whole industry and for the need to modernise and appeal to a new audience. These are excellent objectives, and I am confident that the new Racing Act will provide a positive environment for the industry to achieve them.

One question I have asked myself has been the potential value in closer links with every other organisation that has a focus on horses and their promotion. Take, for example, a comment in this week's *Bloodhorse* where the potential from the arrival of United Arab Emirates Airlines was mentioned.

I am aware of the success New Zealand endurance horses have been achieving in the Middle East. Perhaps we should make greater efforts to link into that success, as well as the greater convenience that this new air service offers. Bringing about change will require innovation, co-operation, some hard decision-making and, above all, a fresh approach. I urge you all to engage in constructive discussions among yourselves and with other industry participants.

I would like now to turn to another Bill on the Government's legislation programme. I expect the Responsible Gambling Bill to be back before Parliament soon. It currently awaits a Second Reading. As with all legislation, there are no certainties over the final content of the Gambling Bill until it has passed through all its stages. There are still ongoing discussions on a number of issues, but I am optimistic that racing will get a fair deal.

Turning to other industry matters, I am aware that ACC issues are at the forefront for many in the industry. The Trainers' Association has lobbied my predecessors on the various issues and I expect to take a closer look myself in the near future. I had a number of reminders on this issue at Matamata this week. The unfortunate recent accidents are a reminder that we operate in an industry that is high risk for some.

The ability to have a larger pool to share the risk premiums, as happens with ACC, is the price we all have to pay. Doing our best to ease the burden for those in the front line such as jockeys and trainers is an issue that needs further consideration. In the meantime, the industry can help itself by becoming involved in the FarmSafe initiative. The aim of the initiative is to make farms and rural environments a safer place to work, which should ultimately lead to reduced ACC levies.

Progress on this issue has been affected by the transition from two Boards into one. I will ask the new Board to take the lead on behalf of the industry, but the success of the FarmSafe initiative will rest on the commitment of industry professionals.

I had the pleasure of visiting the Equine Academy in Cambridge on Tuesday. Education and training are critical to the future prosperity of all industries and racing is no exception. The challenge is to turn the interest shown by these young people into commitment, supported of course by quality training. Their future is the industry future.

I am delighted to hear that the Equine Industry Training Organisation has just received confirmation that it has met the Tertiary Education Commission's criteria for re-recognition and my congratulations to all involved in that process. In particular, I would like to pay tribute to the achievements of the ITO under the stewardship of its Chairman, Geoff Humphries, and its Chief Executive, Dudley Brown. I met Dudley for the first time on Tuesday and I am impressed by his commitment to equine education and training.

Before I conclude, I would like to return briefly to the new Racing Act. This legislation provides a framework within which industry groups must operate. Beyond that, it is for racing participants to ensure that the industry succeeds. The Government will continue to listen, and to work with the racing industry for the benefit of all New Zealanders, but racing stakeholders must focus on opportunities and co-operate. It is time for fresh thinking.

Finally, I would like to pay tribute to your outgoing Chairman. Murray Acklin has led this Conference in its various guises since 1992. They say that a week is a long time in politics - Murray's been at it for more than a decade. During those years he has achieved a great deal for thoroughbred racing. Murray will turn his attention to fresh challenges as a member of the New Zealand Racing Board and I am sure that you will join me in wishing him all the best in that role.

I would also like to take this opportunity to thank the outgoing members of the TAB and the NZRIB. Their jobs have not been easy as they grappled with the flood of competition from gaming machines and other entertainment options.

I think the recent announcements that racing has managed to lift income slightly over the last year is worthy of praise. Our job now is to follow on and improve on that result every year.

Ladies and gentlemen, it gives me great pleasure to declare the 2003 Annual General Meeting of New Zealand Thoroughbred Racing to be open.

Best wishes for your deliberations and I look forward to working with you for the benefit of racing into the future.

CHAIRMAN'S REPLY TO MINISTER'S ADDRESS

Thank you Minister for that most lightening and encouraging address this morning. We were delighted with the Government's support in getting the Racing Bill through and I do want to make specific reference to the work of Annette King. She worked tirelessly with the industry, she was always available and she was always approachable and did a wonderful job for us.

If we go back to 1971 when the Racing Act was enacted, it wasn't with the sanction or the blessing of the two codes operating then. When the amendments occurred to that Act in 1991 once again the codes were dragged into it and were unhappy with the structure that was going to be put in place. The one difference about the new Racing Act is that all the codes were in favour of change, as was the existing NZRIB and TAB Boards and that is very significant because all recognised the current system wasn't the best one and needed to be changed. It was with that challenge the Government gave us the mandate that if you unite in what you want to achieve and we will do that for you. It has, and Minister we are very grateful, we have been given the challenge and we will accept the challenge and we will live up to that challenge. Of course the involvement with the industry and the Government doesn't stop there. It will always be ongoing because the Government will always take a strong interest in racing, for obvious reasons, and the industry has to work with Government. We are delighted the Gaming Bill before the House at the moment does give the racing industry the opportunity after a very long time of intense lobbying – and this goes back to 1987 – whereby the industry believes that it should have a right, as everybody does in business, to expand their business and have an opportunity of participation in other gaming products. Specifically we refer to gaming machines. Although we have put our toe in the water and have had an involvement with seven TABs over the last three years we are a mile behind where we could have been had the shackles been taken off and had we been allowed to participate in gaming machines when they came into effect in the late 80s.

When you are the only game in the town and have most or all of the business, then you are very vulnerable and I think racing has done extremely well to maintain its turnover and market share when you consider the proliferation of gaming machines right throughout the country. The gaming market has grown from about \$1b, of which we had most, to in excess of \$10b. One of the unfortunate things that has happened in that time has been that the taxation regime on new forms of gambling, whether it be casinos or gaming machines, has been more favourable than what is on offer to racing. Minister, whilst we are very happy with what is in the Bill at this particular point in time, we are concerned with the rumours that are circulating around that at the eleventh hour an SOP will be introduced into the House and that the racing industry will not be permitted to apply to other charitable trusts outside its own industry for grants. This would have a devastating effect on our industry. Overnight we would say goodbye to a minimum of \$6m worth of funding and that could be a conservative estimate at this particular point in time. The inference is that if the racing industry under this new Bill is given the right to set up its own trust, or its own organisation through TABs and

clubs with all the profits going back, that it will be double dipping if it is able to go to other trusts as well. We think that is a nonsense because all these individual trusts have the autonomy on whether or not they want to support authorised purposes. We won't be double dipping.

There are other things within the Bill that could make it extremely difficult for the TAB and for racing clubs to expand into gaming anyhow. I refer specifically to the community veto, details of which we are unsure of, and also the fact that there is a restriction of nine machines per site in the first instance. Now this question of whether or not the industry should be entitled to apply to other trusts and charitable organisations for grants was the subject of a debate with the Select Committee. The Select Committee considered the issue and decided it would not be "double dipping" and it threw that out. It was in favour, as we have in the Bill at the moment, for the industry to be able to participate and retain the profits and also to be able to apply to other organisations and trusts. Minister, it is imperative that continues to be. Really, it would make a nonsense of the entire democratic process, the Select Committee process, if once it had been debated, the recommendations made and then at the eleventh hour without an opportunity by the racing industry to make submissions on the ramifications of this that it slip through the house and became law because we know that would be impossible to change. So Minister, an impassioned plea that you make sure and do your very best to ensure that does not happen to us because we need these extra products. We need to be able to compete.

After I have spoken and we have had questions with the Minister, we will have Andrew Harding speak on what is known as the Good Neighbour Policy. We all know that domestic TAB turnover has dropped. We believe, and there is statistical information to substantiate this, that the reason the TAB turnover off-course has dropped is because we are under intense competition from what is known as "three U betting" – unregulated, unlimited and uncontrolled. Specifically, I refer to bookmakers which are licensed in one or two States of Australia, and while it is perfectly legal for them to take the betting, they do not contribute or pay to the racing industry one cent of their turnover in what we know as club product payment. Therefore, they are able to offer more attractive dividends and naturally more attractive product to the betting public. It is unfair, and if we take that to its logical conclusion, then the racing industry internationally is doomed and not only will the industry be doomed, Government revenues would drop dramatically. This particular topic has been an international topic for a few years and there is a lot of work being done internationally on this subject.

Other issues that have been around as long as I have been in racing industry are taxation and the unfair regime. There are two issues here. One is the GST on duty. We see that clearly as a double tax. The duty is payable on the betting dollar and then GST goes on top. We estimate the industry is paying in excess of \$4m on an annual basis on what we call double duty and we certainly need that to be addressed because it is blatantly unfair. I mentioned earlier about the level playing field on duty and taxation. Many papers have been done on this and we do have an expert in the room in Laurie Sutherland who knows the subject inside and out. We really are paying an unfair amount of duty and all we are really asking for is to be put on a level playing field. Casinos only pay 4%. Granted they pay income tax, but we too would gladly pay income tax on TAB earnings if we could be on 4% of duty. We know that the gaming tax collected on racing is an old tax and a very easy tax and we know it would also be most unpalatable for any politician to get up and say "Let's give those that love a gamble and love a punt some money back. Let's give them an extra \$20 or \$30m in tax relief to put them on a level playing field". We know that would be unpalatable out there in the electorates. Because what about health, welfare, education and all the other social problems. But Minister, let's look upon it as an investment, because if we have a healthy racing industry we help the economy of New Zealand. We help the wealth of individuals and of organisations. Your Government should be commended for the budget the year before last when the Economic Development Ministry was given \$400m over a four year period to help develop new business and just the other day the initiative of giving the film industry assistance, which may cost the taxpayer of New Zealand \$40m. This is also an initiative that you should be congratulated on, but what about the existing businesses? Those that have been there for fifty years and more. What opportunities are they being given and what could be done if you were to look at some of the more traditional businesses out there that are struggling because of either unfair tax or lack of opportunity? We know that the New Zealand horse is internationally regarded and can compete internationally. We know that our Thoroughbred Breeders' Association and our breeders in New Zealand do a wonderful job. Imagine what more they could do if they were given the sort of assistance that we now see going to the film industry and with what's available for new initiatives with the venture capital of the Economic Development Ministry.

So Minister, we do tend to give you a fair go when you come to the meetings, but these are genuine concerns. There is little point of us having you here if all we did was pay lip service to each other. We know you are passionate about the industry, we know you are the Minister for Racing and we know you will do your level best for us. So thank you once again for being here and I invite questions from the floor.

QUESTIONS ON MINISTER'S SPEECH

Mr Gerald Fell, Manawatu Racing Club

Minister, I want to enlighten you to the fact that in the last ten years racing, which includes dogs, trots and gallops, has gone from 55% or 56% of the gambling dollar that was spent to 10.5%, which is a factual and alarming figure. The total gambling pool, and I am sure you will be aware of this, has increased 600% in the same ten year period, but racing's pool has increased by only 28% from \$920m to \$.1m or a fraction over. So they are very sobering facts for our industry and they are current from Internal Affairs.

Competition from the gaming machines and casinos has eroded our market share and is continuing to do so. In 1990 the gaming machines were first introduced and they had a \$107m turnover. Last year in 2002 there were 25,000 machines nation wide and they had a turnover of \$6.5b. This is where racing's share of the gaming dollar is going and I believe, and I know many others believe, that the time has come for us as an industry to beat a loud drum. For far too long, I have got to say, politicians have fobbed us off with excuses like "put your house in order". Only this week, Minister, you were quoted by Denis Ryan on 8 July 2003 as saying "*The Minister reaffirmed that if racing was able to present a united and organised Business Plan Government would take the industry more seriously*". Minister, this is the oldest catch phrase in the book. There are over 30,000 people employed in racing on a full or part time basis and there are huge benefits to the New Zealand economy produced from exports and much glory and prestige generated by our successful racehorses. Government needs to acknowledge a responsibility to racing and to all that it represents. Glowing Annual Reports will not alter the facts that there are only two ways that clubs, and certainly those clubs I am involved with, can remain viable in the long term. I would like just to quote, if I may, the Rangitikei Hunt which is running next Thursday, and I am part of the management of that organisation. The Rangitikei Hunt is running on Thursday, 16th for minimum stakes of \$54,000. It will generate \$36,000 of Government duty, plus GST and PAYE. I would suggest that may just about equate to the total stakes. We have \$8,000 in sponsorship, we are budgeting on a \$55,000 on-course turnover and \$950,000 off-course. We are budgeting to lose \$9,365, give or take that those turnover figures are correct and I would have to say the way turnovers are going it is more likely we will be struggling to meet those budgets as opposed to exceeding them.

We really need your commitment, Minister, because a reduction in duty relative to other forms of gaming is what we should be striving for to allow us to compete with those other forms of gaming. So I would ask sir that you take that on board and I should also say that the expectations of you by this industry are very high and I hope you can justify those expectations.

Hon. Damien O'Connor

There were quite a lot of issues in your comments. Some of them go right to the heart of the challenges we have. Just briefly on the taxation one. I have worked with Laurie over a number of years and had analyses done on the figures and I would say in conclusion there may be some differences, but in the end while there is great debate about the amount of difference, I don't think it is going to solve all the industry's challenges to make adjustments in taxation or duty. I think if we could show we can put a good business case, put a strategic plan up to my colleagues – Michael Cullen is not one to give away tax lightly – if we can work through those issues and show quite clearly that investment is worthwhile, then perhaps we can make some progress. But I do think we need to show a more united front and show a clearer plan to someone like Michael Cullen to get any movement in that area. At this point it would be unrealistic for me to say that is what is going to happen and that is going to solve all the challenges of the racing industry. I think we have to focus on what we can change. We have with the new Racing Act, the new Board, an opportunity for some fresh thinking and I am happy to participate and take the challenge to my colleagues when we have all our facts and figures sorted out quite clearly. I don't think the taxation issue is quite as clear as Murray or Laurie would point out, but let's work through that.

Mr John Symes, South Waikato Racing Club

I would like to take issue with you when you said you don't think the taxation is quite so clear. I come from the Taupo electorate and I have told your colleague Mark Burton that as far as I personally am concerned – and a lot of other racing people are concerned – your performance is going to largely define who fills the Treasury benches. I would hate you to go away thinking that everybody in the racing game is a hardnosed Tory. That would be far from the case.

We are talking reduction in gaming duty. Do you believe it? Do you think you have a case, or are you going to go away from here saying "oh well, blow them, there's not that many votes in it". I would have to say that Annette King, despite the wonderful accolades that Murray bestowed upon her, disappointed a lot of us greatly. For two years she came in here saying the Prime Minister and herself believed there was a case for reduction then she came in last year and dropped a bombshell when she said "no way". Can we go away from here thinking that you are going to fight tooth and nail to get us a real good deal and stand tall and we are going to say "hey, that's the greatest Racing Minister we have ever had" or are you just going to go away and be like the rest of them. In most cases we would say "thank God for that, that one's gone, let's hope the next one can do better!". I think the success or failure by you is going to have a big bearing on the next election.

Hon. Damien O'Connor

Well, there are a few issues in there too. The Prime Minister and Annette King are passionate about racing and they did give a huge commitment. My assessment has been that there has never been the huge differential in gaming and I have never said that I am going to advocate for that as the first challenge, or that is going to solve the problems of the industry. I have been consistent right through on that issue. I am saying there are other challenges that we can work through. You will judge me on my performance, I am sure, and I am happy for that to happen, but I am not walking away from here thinking that this is solely about votes.

I have a passion for horses and I believe the great thing about the New Zealand racing industry is that we produce quality thoroughbreds, quality standardbreds, and we also have a country that produces quality meat, quality food, quality products. We have got to link in to market New Zealand Incorporated to the rest of the world so that they buy our bloodstock - pay more for it - they buy our meat, they buy our dairy products. I think we can do a lot more in that area and while I am happy to discuss on an ongoing basis the issue of duty and the issue of taxation - there have been adjustments made where clear anomalies have been exposed, - in this particular issue of gaming duty there is debate around the level of difference. I don't think the debate is worth the effort that the industry's put into it. Everywhere I go the throw-away line is *fix the gaming duty issue*, as though it's going to solve the challenges that we face. It won't. There are other challenges and we have to grapple with them. Not be distracted - I am not ignoring it. I am saying let's deal with the ones that could more easily be solved because my colleague Michael Cullen is not one to lightly give away tax and the development of a good united strategic plan with all the codes together and the sectors within the codes are united. Then we might make some progress. Wherever I go I am disappointed with the level of division within a code over what should happen and who should be helped and what the way to the future is. So let's focus on horses versus the rest of entertainment, racing and sports betting versus the rest of the gaming options and when we have become a bit more united on that I think we will make some progress and will be able to put a business case to Michael Cullen that may see consideration, but I have never said there is a good case for it at this point. We have got to work on it.

Mr Tony Connors, Kumara Racing Club

First of all congratulations on becoming Minister for Racing. We come from the Coast. You mentioned there that sometimes Coasters look at the glass full or the glass empty. We had a meeting in your office in Westport and the realisation of the machines was clearly spoken to. Now I just want to go back to our club, Kumara. Last year from the TAB machines we received \$1200 from grants that the TAB gave. Our own club went out and got \$42,000 in grants to run our meeting. We still ended up for the year with a loss after paying stakes of \$105,000. We had a good day, it rained all day. We did \$297,000 on-course and we want to make it really really clear to you that whether the glass be half full or half empty we know what our business is about and we want the glass full so we definitely need that money from the machines.

Hon. Damien O'Connor

You are all acutely aware of this issue and that's great. I am working very hard on your behalf. Gaming legislation is a very complex area. We are in an MMP environment. We don't have the right, and no Government will probably in the future to just ram through what it wants. We have to negotiate these things and I am confident we will get a fair outcome. We will have to wait and see - I am still working on it. Can I say that I do appreciate, though, that the industry has been very responsible in this area. There haven't been outrageous claims. There has been comment, informed comment and I appreciate that. It has been very helpful for me when dealing with my colleagues that they haven't been fending off claims, counter-claims and outrageous statements. That is very useful for me to make progress.

One of the things that was exposed at the meeting we had with the West Coast clubs was the lack of information that you share among yourselves. I can understand that if you have a source of funding then you guard that jealously, but it

took a bit of ringing around and a bit of hurried assessment to work out the true value of those machines to the racing industry. That sign of unity is very positive. Now you know where you stand on the income from gaming machines, that's useful. It's not \$6m, but I appreciate that in total we are getting up around that figure. It's closer to about \$3m, but there is \$1m from gaming machines through the TAB and there's another \$1m or so through ownership of gaming facilities by clubs.

Mr Ralph Bax, Paeroa Racing Club

I would just like to reiterate what has been said. I am the President of the Paeroa Racing Club which has been in the news a bit lately. We are in the position now where we are having to sell our course. We own it outright and we have a \$2.6m Government Valuation. The bank won't grant us any more than \$100,000 overdraft and we are in the position where we either have to sell or go out of business. We can sell our property on a lease back system and we will get away with it for a certain amount of time. I would just like to point out that our last meeting in May was very successful. We raffled a car, got a huge crowd there, good on-course turnover, not so good off-course because it was a Sunday, but the profit for the day was \$40,000. Of that Government duty was \$35,000 and we made \$5,000. The race meeting before that in March we were going along quite nicely and looking to make about \$10,000 profit when after Race 6 we had a bit of rain and the jockeys decided that was the end of the day, so we ended up making a \$10,000 loss. We still paid \$19,000 in tote duty to the Government. What business can carry on like that? How efficient do you have to get?

Just referring back to the Bill, when I am not a racing administrator, a breeder, an owner and a bettor I am a dairy farmer. We all know the Government put through the Bill over twelve months ago to do the same thing to the dairy industry as what has happened to the racing industry. They formed the Dairy Board and the big companies into Fonterra and twelve months later instead of getting \$5.30 we are down to \$3.60 so I very much hope the same thing doesn't happen here.

Hon. Damien O'Connor

Well, that is another thing I am passionate about, the dairy industry. Obviously the industry asked for all that change. I am sure that over time the dairy industry will be successful, as the racing industry should be as well. With regard to your situation, I think perhaps some concerns in the racing industry have been my support for smaller clubs around the country as being the lifeblood of the link between the community and racing. The unique aspect perhaps that we have over other forms of gaming that we should hold onto and develop further. I have a greater appreciation of the importance of key locations like Ellerslie, of training tracks like Matamata, the likes of which we don't see in the South Island or any of the smaller clubs, and the importance of that core part of the industry. So I hope that I have a reasonably balanced understanding and that making sure that Paeroa, Kumara and other places like that can remain viable racing venues and clubs is a key part of my vision as well. I would like to see greater encouragement for on-course turnover, perhaps dates that align more closely with some key community events to enable that on-course turnover to happen, things like this that I am sure will be looked at by the new Board. Not as a revolution of where we are, but maybe as an evolution to where we are going.

Mr Colin Jenkins, Bay of Plenty Racing Club

Minister you have made it quite clear to us that taxation relief, if we get it, is some distance off, which makes it more imperative that we do retain our access to gaming machine trusts. Do you have any comment or some inside information that would give us some indication as to when this Responsible Gambling Bill might be brought before Parliament again?

Hon. Damien O'Connor

No clear dates other than the process of considering what are final issues that are being negotiated on and are currently under way. I hope that it is back within the House within the next month or two, but there is a lot of legislation that we have to deal with. I guess if it is tidied up, if there is less debate, less contention around some of the issues, it's more likely to get a smooth passage through the House and get a priority ranking. We are in the final stages of tidying it up and sooner rather than later is what I am pushing for.

Mrs Sue Schick, Cambridge Jockey Club

I know we don't want to be looking back, but there is a question I would like to ask. When casinos and gaming machines were brought in originally why were they taxed at a different rate? What was the thinking behind the fact that they weren't taxed at the same rate as the existing form of gambling - racing?

Hon. Damien O'Connor

I have been through this, but to try and go back in detail I would probably be wrong. It's a different way of approaching the whole turnover. They are commercial enterprises for the most part and I think in the end, if you go through with officials, we have much advice on this, we have had analysis of Laurie's figures, in the end I don't think there is a huge difference, but my understanding is that it required a different form of taxation than that of racing just to work. So it is the mechanical issues around where you take the tax that I understand is the important thing. We can debate that until the cows come home, but I think in the end it is something to work through, not focus on as a solution. I can't go back and explain why they allowed them in at the start, I would love to ask that question. But it is too late now so we have just got to move on.

Mr Murray Acklin, Chairman

Just as a matter of interest, the gaming machines initially were only taxed at the GST level and we made the suggestion to John Falloon as Minister for Racing that they put a tax on gaming machines and give all or part of that revenue back to the racing industry. Well, they thought that was a wonderful idea. They put the tax on and gave us nothing!

Mr Michael Martin, N Z Thoroughbred Breeders' Association

On behalf of the Breeders, welcome to the portfolio. It was very difficult for us to cope with the film industry announcement a few weeks ago because we have spent two years developing proper business plans and we have worked our way through Treasury and the IRD in trying to get an accelerated depreciation on stallions and broodmares so that our younger breeders could actually own the horses they are importing into New Zealand. We thought we did the right thing and we went through the correct channels. We did an enormous amount of work on these plans and we ended up in the Prime Minister's office with the Treasurer, the Prime Minister and colleagues of yours. We got a very small depreciation on broodmares which the IRD said should have been done ten years ago and nothing on stallions. So we have still got breeders renting or leasing stallions from offshore, owned overseas, paying lease fees on those stallions which are totally deductible for the year they are in New Zealand, not owned here, and we have young breeders who are not getting involved in owning their stallions. We may dine out on the success of the New Zealand thoroughbred horse, but in the last couple of years we are not dining out so well. We are certainly not getting a gene pool in this country that is going to see us in good stead in the future. I would implore you to look at these situations because it's not just a rich boys' sport, this is an industry that last year exported \$120m worth of horses. This is an industry that other people have said employs a considerable amount of people. We have a huge resource here in talent, in horsemanship, men and women who have grown up in this country who are not getting an opportunity to actually develop their careers here. We might be training them in the school you saw in Cambridge last week, but they are then working offshore. They are not coming back here because they are not foaling the best horses in the world. We have got big problems and if you could open your door to us again on these issues – they are not going to go away.

Hon. Damien O'Connor

As you said, we did make an adjustment around broodmares and I am happy to engage in discussion on the issues you raise. I think the value of shuttle stallions is obviously discussed at length in the industry and I have heard different views on it. Obviously I can't at this point say what's right and what's wrong or what we need to do, or how we need to adjust the taxation to make it work in the best interests of New Zealand. We do need to bring in good bloodstock, we need to build up the quality of our horses. Perhaps one of the measures of the success of the industry into the future will be the number of mares that foal and the number of people who attend the tracks and bet on horses. That is at either end of the spectrum. More horses, more people betting means a better industry. The issues in between are the ones that we can work on. I am happy to work with you, but I don't have any magical proposal or solution to the issues you raise at this point.

Mr Gerald Fell, Manawatu Racing Club

I must at this point say that you have mentioned the number of foals being bred and the amount of money being spent on racing. I can tell you that in both those cases there is presently a downhill spiral and I think you should take serious note of that.

Hon. Damien O'Connor

I am very aware of that and that has been happening for quite a number of years. That's why we have to turn it around. I think one of the most positive things about the TAB announcements is the fact that on-course turnover seems to have bottomed out and maybe lifted and I think until we get people on track with the smell of horses and the sense of

excitement instilled in them, it's going to be hard to compete with all the other convenient gaming entertainment options. We need to somehow link people with the excitement around horses. I was down in Rangiora just the other day and watching Queens' Row, I think they call it, where they have enabled the horses to walk to the birdcage and be close to the people who are there. That's the kind of simple little thing that might not mean a lot to people who are around horses all the time, but for someone who goes to the track maybe once a year, once every couple of years, the ability to get closer to horses and to understand and smell them is perhaps the link that might keep them betting on horses in the future. Without that experience the chances are that they will end up going to a casino somewhere else and spending their money there and getting out of the habit of being interested in racing. Those are the simple things, and that is why I want to see more on-course turnover. You might think that's ambitious, but I think until we get people there we are going to see that continue to slide. That is simply not sustainable.

ADDRESS BY MR ANDREW HARDING, CHIEF EXECUTIVE, AUSTRALIAN RACING BOARD AND SECRETARY-GENERAL, ASIAN RACING FEDERATION

The Hon. Damien O'Connor, Minister for Racing, Mr Murray Acklin, Chairman, N Z Thoroughbred Racing, Mr Warren Larsen, Chairman Elect of the recently established New Zealand Racing Board, ladies and gentlemen, thank you for the invitation.

Minister I am happy to report to you that in addition to my high personal regard for your capacities you are indeed extremely well regarded in Australia. Your visit to Matamata, although perhaps a common enough occurrence in New Zealand, was widely reported in Australia, so well done. When Murray invited me to speak today he asked if I would describe the Asian Racing Federation's Good Neighbour Policy and also touch on some of the topical issues in international racing. There is at present no more topical issue than that of betting exchanges, so that will be the subject of the second part of my comments.

I will begin with the Asian Racing Federation's Good Neighbour Policy, and perhaps the best place to start is to talk briefly about the mischief that it intended to cure. There have been for some time now bookmakers in Australia taking bets on New Zealand races from people here in New Zealand and the contribution they make to those who produce those racing events is nothing whatsoever. Australia hasn't just created that problem, we suffer from it ourselves. Those same bookmakers, in quite a number of cases based in Darwin, Alice Springs, Canberra, take bets on races in Sydney, Melbourne, Brisbane, from people in NSW, Victoria and Queensland, but make no contribution to the clubs in those States. Hong Kong is being targeted in the same way and Japan also faces a similar threat from Canada. This is not just an annoying but minor irritation, it has quite substantial proportions, One company that is engaged in this, Sportingbet.com, is listed on London's alternative investment market with a market capitalisation of just under £200m. It has 360,000 customers in the Americas, 40,000 customers in Europe, the Middle East and Africa and 30,000 customers in Asia. This is plainly a problem of international proportions and just as plainly it requires an international solution. A Good Neighbour Policy could be the first major plank of that international solution. Briefly, the Good Neighbour Policy would be an international contract binding every signatory to respect the international integrity of every other signatory with regard to wagering. It would be an agreement by racing authorities across the world that we will treat each other as good neighbours should.

What are the elements of this Good Neighbour Policy? The Asian Racing Federation intends that it will have four Articles, which taken together establish five obligations for signatories.

- First is the obligation not to provide or authorise the provision of wagering on races conducted in another signatory's jurisdiction without the approval of the racing authority of that other country. This is surely a self evident precept. A country's racing should only be commercially exploited where that country has given its express approval to this.
- Second is the obligation not to provide or authorise the provision of wagering for residents of another signatory's jurisdiction without the approval of the racing authority and the government of that other country. This is also a manifestly fair and necessary principle. Wagering has special social features which means it should not be treated as just another trading commodity like wheat, wool or motor vehicles. If a country wishes to target a population of another country as a market for wagering then it should do so only if it has the express approval of that other country.

- Third is the obligation of each signatory not to solicit, market or advertise its wagering to residents of another signatory's jurisdiction without the approval of that other country's racing authority. This follows axiomatically from the second obligation.
- Fourth is the obligation of each signatory to make every effort to preserve the integrity of its wagering and to ensure it is not used for illegal activities, such as money laundering. Before we can be taken seriously in criticising wagering operations based elsewhere, we must first ensure we have clean hands ourselves.
- Finally, the fifth obligation is that each signatory would have responsibility to inform government and other relevant stake holders such as wagering operators within its jurisdiction, of its commitment to this policy and to obtain support from them, including legislative and/or regulatory support. There are a myriad of different racing wagering structures around the world. Under your new structure you are much better placed than Australia, but in countries such as my own racing authorities have no real control over wagering. This is a real difficulty when confronting problems relating to cross border betting, but it is nonetheless essential that we inform stakeholders of our commitment to this Good Neighbour Policy and agitate for them to support it also.

They are the elements of the Good Neighbour Policy. What are its potential benefits? They are thought to be three.

- The first of these would be to make our position unambiguously clear. That is that we respect the social concerns of communities and laws put in place to protect them. We respect the revenue raising needs of governments and the needs of racing authorities to protect the livelihoods of the people who work in the industry.
- Second, it would enable signatories to enlist the support of other jurisdictions in their fight against pirate operators.
- Third, by showing industry solidarity it would enable each of us to more effectively lobby our governments and stakeholders for legislation against pirate operators and create further impetus for international agreements to control them. This truly is the greatest potential strength of the Good Neighbour Policy. Persuading governments that they, and we, must stand united on this issue.

Australia's experience provides a salutary example in this regard. In Australia we have formed the expression "*the race to the bottom*". We saw it first with casinos, then with on-line gambling and now in racing. Gambling operators target a government and encourage it to believe that if it reduces taxes its gambling sector will become more competitive, leading to an increase in local employment and government revenue. Once they have been seduced the pressure is applied to the governments of other States to respond in kind in order to maintain the competitiveness of their wagering sectors. So it goes on in a Dutch auction that doesn't end until taxes have been whittled away. In the decade from the mid 1980's to the 1990's this occurred in gaming and the cost in those reductions to the States was in the order of some \$800m.

In racing we have seen the Northern Territory Government licence Sportingbet.com and some of the operators I spoke of earlier who are pirating on your racing at a tax rate of a third of one percent. Some commentators argue, nonsensically, that other States must respond by reducing their taxes to a competitive level, but plainly reducing taxes to a third of one percent would see the current returns to the industry, both in Australia and New Zealand, reduced to a token amount. This would automatically result in the base product withering on the vine. In Australia we are finally coming to the realisation that individually we are weak and exposed. There must be some common understanding to respect the jurisdiction and integrity of each Australian State and Territory. The Asian Racing Federation believes that the same thing must be done internationally, and progress is being made. Under Murray Acklin's Chairmanship Hong Kong and Japan signed a bilateral version of the Good Neighbour Policy and in August that is to be extended to take in Korea, Singapore and Australia, as a springboard to this being considered by all racing nations that are members of International Federation of Horseracing Authorities in October. So progress is being made.

On the subject of betting exchanges. If the Good Neighbour Policy can be seen as holding the promise of an international framework for regulating cross border traffic and wagering, then most assuredly the betting exchange must be seen as the most significant development in wagering itself in the last forty years. The concept of a betting exchange is the embodiment of simplicity. It borrows heavily from, indeed mimics almost exactly, the technology that is used in on-line trading in shares. I want to buy a parcel of stock at \$10 per share, you want to sell at the same price. I want to back SUNLINE at even money with a stake of \$1000, you want to lay SUNLINE at that price. In both cases the exchange matches us and takes for itself a slim commission – in the case of a betting exchange between 1% and 5% of the net winnings.

Are betting exchanges a good or a bad thing? That is a subject upon which opinion is much divided, not only in Australia, but across the world. However, I think it can be fairly said that the issues are two-fold. The first is integrity. The exchange creates, substantially for the first time, the capacity not just to back a horse to win, but to lay a horse to lose. This is thought to create a temptation on the part of the connections to the stable to profit from its losing by laying the horse and either then withholding critical information about its condition or, worse still, actively preventing it from winning. Now, how serious an issue is this? Opinion is divided. On the one hand stand, amongst others, the Hong Kong Jockey Club, Australian TABs and a number of commentators. They are of the view that those integrity problems are insurmountable. In the environment of a betting exchange operating, on every occasion that a favourite is beaten the suspicion will be raised in the public mind that some connection, the owner, the trainer, the jockey, had laid the horse and stood to profit and that as a consequence public confidence in the sport and wagering support for the sport will fall away.

On the other side of the debate stands the Jockey Club of the United Kingdom. Their approach instead has been to implement measures to address this perceived risk and they have included rules prohibiting trainers from laying their own horses, and there is talk of those measures being extended to other connections. They have also entered into a Memorandum of Understanding with Betfair, the largest international betting exchange, and other exchanges, providing the circumstances in which exchanges will share with racing authorities information about betting transactions. The Australian Racing Board's position is somewhere between those different schools of thought. We do believe that there are special integrity issues raised by betting exchanges which can't be lightly brushed aside. It may well be the case that addressing them will involve some increased regulatory costs. We do not believe, however, that it can be sensibly said that these are problems that are impossible of solution, that it is beyond human capacity to resolve these issues.

We have looked very carefully at the measures that have been introduced in the United Kingdom. We certainly wouldn't embrace those as being *"the solution"*. Prohibitions on trainers laying their own horses, well that's a proposition that all of you in the room will understand is one that raises great difficulties in terms of enforcement. We have also examined the terms of the Memorandum of Understanding. In the United Kingdom experience, in their environment, that's a great step forward because historically bookmakers have shared no information about betting transactions, given no access to their betting sheets to the Stewards, so for them this Memorandum of Understanding is a great step forward, but in the Australian context, and I imagine in the New Zealand context, it certainly wouldn't be regarded as sufficient. If an exchange were to be licensed in Australia then we would require as a minimum a legally enforceable right to monitor the betting transactions of an exchange, in real time, and have full access to the identify of the customers, on the same basis as we have access to the betting sheets of bookmakers in Australia. So in my Board's view the integrity issues are real, but they are not issues which of themselves decide the matter - are betting exchanges a good or a bad thing for the racing industry?

The front upon which I think the decision really must be made is the commercial front. That is a much more problematic area. Again, there can be said to be a range of opinion. The Hong Kong Jockey Club very quickly came to the position, and is quite emphatic, that in its view the betting exchange model is entirely incompatible with the totalisator structure they have in place and they cannot co-exist. No licence will be issued for a betting exchange in the special administrative region. In Australia the Australian TABs have been quite insistent that if betting exchanges were to be legitimised in Australia then they would fundamentally undermine the funding base of the Australian racing industry. That is sobering advice and my Board would not lightly discard or ignore it. But nor do we think it is sensible to rush to judgement. The reality is that the betting exchange is a developer in its infancy. It is a fledgling, still in the spring of its life. Nobody can really say with any certainty what betting exchanges will look like in five, even two years' time. The experience in the United Kingdom, the birth place of betting exchanges, entirely validates that proposition. Their inception was some two years ago in the United Kingdom and even now, the question of their contribution to the industry, and to Governments, is a live and open one. Initially the contribution they made to the industry was 10% of the exchanges' commissions. A very very low level of contribution. But in the new Levy Board arrangement that will increase substantially so the industry will receive a levy of 10% of the net winnings of the layer. There are moves yet again to see, in addition to that payment to the industry, 10% of the commission the exchange itself also paid as a recognition of the exchange's own use of the industry's data. Even that arrangement would not come within a bull's roar of what would be acceptable in an Australian, and I imagine even a New Zealand, climate given the funding structures that we have in place respectfully with our TABs. But it makes the point I think very clearly. The exchange is a development that is evolving before our eyes and it would not be sensible to come to a rapid or a swift decision as to what footing we should regard them as having within the racing industry potentially. Particularly if you regard the competing policy alternatives and they are, on the one hand a blanket prohibition, which is what is being proposed in Australia, mainly by the TABs or some possible form of regulation. Now we know in general terms that the more effective policy, more usually, is one of regulation so that although we would not pretend to have the answer to all the questions that have been raised, my own Board's position is that we should make every effort to explore this new

development and see whether it cannot be achieved, whether we cannot work the oracle and see them accommodated so that they work within the system rather than being prohibited and work as rogue operators still pirating us in the same manner as fixed odds bookmakers do presently based in Vanuatu, or in your case unfortunately, based in Australia.

Now I said advisedly the betting exchange was the most important development in wagering in the last forty years. I said advisedly because I date the introduction of the TABs into Australia some forty years ago and without question that has been the secret to the strong and prosperous racing industry that we have today – the TAB structure. I make that point for two reasons. One is to say that nothing my Board certainly would do would seek to undermine that strong base we have. The second reason I make that point is to acknowledge on this soil that, as with many good things in Australian racing, the TAB in fact had its origins here in New Zealand – we borrowed it from you. I felt I must make that point.

Before concluding, I could not leave the stage without taking the opportunity to acknowledge in my capacity as Secretary General of the Asian Racing Federation the magnificent job that New Zealand did in hosting the conference in March of this year and I can say without exaggerating in any way or form that is viewed by everyone who attended as being the best conference that has ever been held. It is a great credit to you and all the organisers – I know Tim Greene is here and Allan made great efforts also. Congratulations Murray and congratulations New Zealand.

QUESTIONS ON MR HARDING'S SPEECH

Mr Murray Acklin

Where are the Australian States in getting together on the Good Neighbour Policy? Is there agreement inter-State within Australia? I know I read recently one of the Racing Ministers is very keen to push this Good Neighbour Policy and get State legislation through so there are some teeth there to stop this or make it illegal.

Mr Harding

I think it has to be fairly said that it's an issue that certainly the racing industry has come to a common position on and quite a number of the Racing Ministers have come to agreement on, this notion that the integrity of other racing jurisdictions should be observed, but it is a problem that is still not resolved. I couldn't stand here today and say to you that the problem of bookmakers in the Northern Territory pirating New Zealand racing is likely to be resolved in the near future. That's simply not the case. I know your Minister participates in the Conference of Racing Ministers that is held each year in Australia to try and get dialogue on these important issues that affect both of our countries, and certainly that conference is aware of this matter and has recommendations before it. We will just have to continue to work assiduously to persuade those - I think we are now only talking about one Territory - that still have a reluctance perhaps to observe and to do the right thing on this issue.

Mr Acklin

Hong Kong and Japan, they signed last year as we are well aware. It is illegal in Hong Kong for their citizens to place bets off-shore and Japan came up with a very novel way of policing this with the credit card companies. Perhaps you can enlighten us a little more on that?

Mr Harding

There are two elements to the Good Neighbour Policy. One is the agreement by the industry itself that it won't do anything that is inimical to the interests of another racing nation so the Australian industry won't profit from bookmakers taking bets here with your citizens on your race meetings. The industry in Australia won't do anything to encourage that. That is one important principle. The other essential ingredient, if this is to succeed at all, is to have the involvement of Governments. That there is some sort of legislative teeth given to this so that if there is an operator somewhere who is taking bets without having regard to the intellectual property rights of the country that is producing the racing there are some means to address that. There are encouraging moves afoot in Europe to see that principle enshrined and Japan as you indicate Murray is also taking steps. Japan's attitude, or its method of implementing this, has been to say that if someone from outside Japan is offering wagering to its citizens that is illegal, then the credit card companies that operate in Japan won't honour the debts that are incurred on credit cards engaged in that illegal wagering. We certainly think, having looked at the United States where that is being implemented as well, that would be an essential ingredient to any legislative response to this problem.

WELCOME TO NEW RACING BOARD CHAIRMAN

Mr Acklin welcomed the Chairman of the New Zealand Racing Board Mr Warren Larsen.

Mr Warren Larsen

Thank you for the invitation today to say a few words. Clearly policy issues remain for me to grasp but I just want to reinforce a couple of points that the Minister made. My role as Independent Chairman will be to try and help take the task of increasing the cake that racing develops, just as I spent twenty years in the dairy industry trying to do, and that's a task against the other parties that are competing for the discretionary marketing dollar. You have all provided today examples of how intense that competition is becoming. I can assure you that if I have any influence over the Racing Board and the challenges the industry faces, I will be pushing a lot of those issues back to you, because with this code and the two others it is our effort collectively that's the most important of all. It is not one piece versus the other. That's one of the reasons why the dairy industry was so successful, and still is, internationally. It focussed on the customers, it focussed on trying to create a bigger cake for all and minimised the energy that went into one section versus the other. So I want to encourage you to think about your strategies, and I see in those documents you have distributed today, a Mission Statement a set of Values, all excellent material. I will be trying to do exactly the same thing in the leadership role that I hold. I look forward to it. I think it is exciting, challenging and, I hope, one helluva lot of fun! I look forward to working with you.

BUSINESS OF MEETING

ADOPTION OF MINUTES OF PREVIOUS MEETING

The Chairman requested that the minutes of the previous Annual General Meeting held on 15 July 2002, which had been circulated on 22 August 2002, be taken as read and confirmed. He said the minutes were circulated much earlier than in previous years in response to a request made at the 2002 AGM. Moved Mr D C Ellis, seconded Mr Kinley.

CARRIED

ADOPTION OF ANNUAL REPORT

Chairman

Ladies and gentlemen, this is always the time that I enjoy because it is the one opportunity that I can get up here and talk away about the year in review and also a little bit about the future. I love the expression today "is the glass half empty or half full". Certainly it wasn't a good example of the West Coast because the hospitality over there is that your glass is always full! However, those of you that know me well, and certainly many of you do and many of you can sometimes be critical of my attitude on whether the glass is half full or half empty. These wonderful glasses of mine have been labelled "rose tinted". Well, I think that in the year in review they have actually got a bit rosier. Many of you will be thinking "well, here he goes again giving us this wonderful positive lecture on how great everything is when really things aren't that great and aren't that positive." Once again, for those that are being negative I disagree. I think the year in review reflects some wonderful achievements.

One of the major things that happened during last year was the increase in stakes. We all know that for Premier races there are a minimum of eight races with \$27,500 in stakes and that all our Listed races went up to \$30,000. That was a huge increase on the previous year – 50% if you like to look at what the minimum was on Listed races and 37.5% on what was there on Premier days. I was thrilled that half way through the season one of our leading trainers, Wayne Herbert, went public and said he thinks the stakes in New Zealand now are wonderful. He said excluding the maiden win, horses going through the grades at Premier meetings can net \$70,000 for the owner before they get to open company and he thought that was pretty good and a wonderful step forward. I think that he's right. He is very correct.

We have also focussed on a per day funding as opposed to venue funding and we have a policy which will continue on where on weekends, Saturdays, Public Holidays and Melbourne Cup days in the Northern Region a minimum stake of \$110,000 in total and \$10,000 or better for Progressive class and upwards, \$90,000 for Saturdays, Public Holidays in the Central Region and nineteen Special Feature days in the South Island where \$90,000 is also the minimum on offer. This

season we had \$520,000 increase in stakes in the five Group 1 three year old races. That's a huge increase in stakes and the quality of the fields was reflected in that. It was pleasing to see that the spoils were shared right throughout the country, North and South Islands, with the South Island especially doing very well.

Minimum stakes were raised to \$5,000 and that was something especially the Trainers' Association has been asking for over a long period. We see that as very positive. Of course all these increases in stakes you are saying to yourself are very fine but it's causing our clubs to go broke. Now, we do know that clubs are suffering at the moment and there is a requirement for them to put as much as they possibly can into meeting these minimum stake levels. It has been extremely difficult for you. You are looking at your maintenance programme, you are looking at your capital programme and you are saying we just can't carry on. We agree. Under the current funding policy it is extremely difficult because whilst the percentages keep creeping up each year, and this year we have experienced 8.4% plus 0.4% the turnovers from off-course are diminishing. We know that this year they will be down some \$11m and in real terms that is just under \$1m worth of income back to the industry.

Many of you have said if we don't get an increase in the payout then we have got to reduce stakes. A ridiculous scenario when you consider the profit levels that the TAB has made, that are being retained by the Racing Industry Board, and are not being paid out. Even as we speak today, and we alluded to this yesterday, we are unsure of the funding policy for next year, but we are going to have that clarified later this morning. We also told you yesterday, but not everybody was present, so I am going to repeat it. The funding policy for the first two months of this year to enable the new Board to settle in will be 8.9%, an increase of 0.5% across the board. The 0.4% of course will continue on. That money will be spent in exactly the same way and we understand the TAB has budgeted for the special payment going into Premier days to continue. We know the extra 0.5% will pick up half of the shortfall that you have experienced this year and it would be realistic to assume that we may also experience some reduction in our turnovers next year, although we sincerely hope that we don't. So I suppose you are also saying that is just a squaring off situation, but we have got to give the new Board time to settle in to what they intend to do with the funding. We can't expect them to meet in early August and then write the codes out their bulk funding cheques immediately because that would be unfair. They need to get their head around it. So your Board has decided to pay this extra 0.5% for the first two months, but we are not giving up on the RIB because they do meet one more time on the 24th of this month and we will be going to them pointing out the position and we sincerely hope they will listen and they will implement this policy because we will be dipping into our reserves to fund those first two months. We discussed the funding policy yesterday and how it may be changed to take up a number of the costs that clubs are currently experiencing and that would come off the top.

We have had some wonderful performances on the track this year. I mentioned Wayne Herbert before and his great horse TIT FOR TAAT winning three Group 1s. MAROOFITY our two year old champion that we saluted last night giving Mark Walker his first Group 1 from the David Ellis stables, the three year old performances of THE JEWELL, HUSTLER, BUNKER, ST REIMS and BRAMBLE ROSE. I mentioned yesterday and I'll mention it again, what an opportunity lost on Trackside when BRAMBLE ROSE won the Oaks with those high powered owners. GOLDEN FLARE, a double, never been done before and a wonderful achievement. Our overseas Group 1 winners in VICTORY SMILE, PILLAGE 'N PLUNDER and HONOR BABE and congratulations to the connections there. I mentioned earlier Mark Walker's achievement, but he also along with two other training partnerships Colin Jillings and Richard Yuill, and Stephen and Trevor McKee have passed the milestone of earning \$1m plus in stakes from New Zealand racing alone. I hope that Paul O'Sullivan lines up a few more horses and wins a few more races before the end of the month because he's about \$8,000 short of \$1m. We were looking back over records and I don't think that's been achieved in New Zealand ever before that we have got three past the million and likely to have four past the million of just domestic earnings. Brian Anderton joined that elite band of 1,000 winners and Graeme Rogerson's win in the Golden Slipper was a first and a wonderful achievement for our international ambassador. Roggie does a great job for New Zealand. I am sure he never sleeps, he just pops up everywhere and he really is good for our game.

Our jockeys too have really done well this year. Eight have ridden stake winners in excess of \$1m. Lance O'Sullivan is up over \$2.5m. We saw Jason Waddell and Michael Walker, two young apprentices, get their 100th win for the season at Waimate last Sunday. Michael has achieved this every year since he commenced riding. A wonderful ambassador. When you consider both boys were off the scene for three months, one through injury and one overseas. We have some splendid young fellows coming through. Lee Rutherford, Opie Bosson, Andrew Calder and Noel Harris all achieved the \$1m plus and of course Michael Coleman getting to that 1000 wins was also a magnificent achievement. So there are some great things to look back on and some wonderful things to look forward to.

Another pleasing aspect of the year in review is that our horse registrations are up, which follows on from them being up last year. Albeit they are not up a great deal in numbers, they are certainly trending up and that's very positive. In the first ten months of this year 1356 first time new owners got into racing, which once again is very pleasing because for the

entire year last year there was only 1134 so our ownership campaign is working and once again the numbers may not seem very high, but they are tending up and that is a very good sign. Of course what we don't know is how many are dropping off at the other end and we have a programme in place of which all clubs are aware where clubs through our office send out letters to existing owners and extend invitations for hospitality and other on-course activity on the day and I am sure that is also being very warmly received. It is an attempt to retain those existing owners.

The National Racing Bureau became compulsory from 1 May and we believe that many savings have already occurred for those clubs that have been in the Bureau for some time, and those that have just come on stream with it being compulsory, will also see some savings in the very near future. This complements very much the Thoroughbred Racing Owners' Settlement Account (TROSA) which has taken a lot of work and worry away from clubs in terms of making their settlements to owners and licensed people. Of course it has reduced your worries and concerns in having to carry debt.

One of our biggest problems is having new apprentices coming through. We have our Academy in Cambridge and reference was made to that earlier this morning with Dudley Brown and the work that he is doing there. One of the problems that we struck initially was obviously there is a cost involved in this that has to be borne by the student and Government hasn't been supporting those going into other forms of education until they reach 18 years. Now that has been changed. Money has been promised in the last budget and the Government has now committed to providing funding for people over the age of 15 in education and work related jobs. That is going to make a huge difference. You may not be aware that an advertisement was placed in newspapers and recruitment was done to try and get some young people to come to the Academy for the school holidays that are currently on and over 90 young people from Auckland to Invercargill made application to attend. Obviously we can't take them all at the one time, but I am delighted to say that 17 have been accepted and they are currently up there going through their paces and Dudley has a programme in place where he will be able to cater for the balance of the 90 plus that have made application in the next school holidays and during the Christmas and New Year holidays. That is extremely pleasing and that will go a long way in getting new people into our game.

Our sponsors certainly played a major part last year. I want to especially thank the Ford Motor Company, it was their 13th year and we had their Cocktail Function last night. Mercedes are also a wonderful sponsor and wonderful sponsor for Auckland and our Thoroughbred Awards' Dinner which this year is in Christchurch. New Zealand Bloodstock on a national basis also plays a big part in sponsoring races.

Andrew Harding touched very briefly on the success of the Asian Racing Conference. A lot of people are sometimes a little bit cynical on these international events. But we know that if we want to be an international player we have got to play our part and we have got to do our bit in playing host when it's our turn and we have got to make every post a winner when we have our international visitors here, or indeed when we mix with them offshore. I know from the close involvement that I have had over the last decade that there are real benefits from this.

Let me just talk about a benefit that could occur. Those of you that keep abreast of international events will know that turnovers are dropping in parts of Asia at quite an alarming rate. Japan has huge problems and so does Hong Kong. I want to target specifically the Hong Kong market because in Hong Kong there is one racing jurisdiction, two racecourses and some very enthusiastic punters. Currently legislation in Hong Kong only permits a certain amount of races to be run in any one year, but the personal income tax regime in Hong Kong is 15 cents in the dollar. If racing was to cease trading overnight it would increase to 24 cents in the dollar. That would have a huge and catastrophic effect on the economy in Hong Kong, so the Government and the Hong Kong Jockey Club who work very closely together have looked at all sorts of ways on how they can stop the rot. They have thrown millions at it in customer services and improved stakes and improved conditions for on-course patrons. But I believe New Zealand has a wonderful opportunity to discuss our races going into Hong Kong. The time zone would be perfect, the cost to Hong Kong would be minimal, a little like the races coming from Australia to here. It is very very profitable. There are only two things that need to be done. The Government, which is pro-active up there, would need to allow more races to be conducted or shown in Hong Kong and betting to take place on them and The Jockey Club to agree. The benefits just outweigh anything or any argument against that. Can you imagine our races going up there? To a country which bets in the volumes it does. They bet on eight races as much as our TAB turns over in four months. That's eight races versus four months. If we could just get a small percentage of that, the benefits would be enormous. These are the things I believe the new Racing Board has to address. The world really is our oyster. We know the success of the limited number of races that are going into Australia, and that will grow. Paul Cross from the TAB will enlighten you a bit later on, but I think there are several new initiatives that this Racing Board, in conjunction not only with our code but with the other two codes, can initiate.

I was delighted to hear Warren Larsen say that he will be looking to the codes and he will be pushing a lot back to the codes, because that is precisely what this Bill is all about. Greater autonomy for the codes, a greater hand in our destiny. In saying that, the structure is there within the Board of NZTR with the sector groups represented and with the liaison we have with the two sector groups that are not, that we can work together and we must work in a united and common way for the good of our industry. The new Board must also support this Good Neighbour Policy. We know there are tens of millions of dollars going offshore every month to gaming operators that are paying nothing in Australia and possibly even further afield. If we can't get any satisfaction out of that, and if we don't get any support from Government then we must seriously consider setting up our own shop offshore. The old story "if you can't beat them, then join them" may well be true, but the real loser in all of this would be the New Zealand Government and for once we are in a position to be able to have a trump card that affects them that we can perhaps implement to increase the earning opportunities. Once again Warren Larsen just referred to increasing the size of the cake instead of just having the same cake and chopping it up in different ways. Those earning opportunities for our industry with the TAB and the expansion in the gaming machines, and I won't go back to what I said yesterday, but we know the benefits in that. A co-mingling with major TABs in Australia, and I know there is work being done on that. Just imagine the size of the pools and the attractiveness of betting with a co-mingling arrangement with one of the major TABs over there. Because they too are experiencing problems. Alan Jones brought back a paper clipping. In Victoria they are having real problems with their revenue and they expect it to be down quite considerably. Racing Victoria is looking at a reduction in stakes of some \$12m, so we are not the only country in the world that are having problems, especially when we have had presented to us over a long period of time that "if only we could follow Victoria's example". Well, they too now are experiencing problems. But we have wonderful opportunities with the expansion and there is a considerable amount of money in the bin which I believe a fair portion of should be used for the expansion of business opportunities for sustainable income that will increase the size of the cake.

We have mentioned very briefly over the last couple of days costs that should come off the top before the payout is made. Somebody made the observation "well, if the RIB or TAB pay it instead of the clubs and the distribution is reduced, then we are really no better off". We believe we have a very strong case to put several propositions. Firstly we believe the integrity costs should be borne by the industry at large. By the racing industry, or by the new Racing Board and those would include the cost of the JCA and the cost of capital equipment for our laboratories which are currently being borne by the two codes and there are other things that could expand itself into. We also believe, and I don't want to go into any detail here because there is still a lot of work to be done, but the cost of the dollar of turnover. The upkeep of turf tracks, which is essential for us the galloping code, who are the biggest contributors, is very very expensive. Clubs must take that out of their current revenue and we believe like in any business you don't just take a gross profit and split it up amongst your shareholders and say "go do what you want to". In other businesses your costs come off first and we believe the costs such as the upkeep of our tracks and other things should come off the top before a payout is struck.

The other thing that is extremely frustrating, and we touched on it yesterday, we have no idea on how the TAB is trading, whether its profit is up or down, we know domestic off-course turnover is down, we know the betting from offshore is up. But are they making profit, are they running at a loss, what sort of expenses are they incurring? I don't really mean to be critical of the TAB Board or its operation, but we are the shareholders and by law all publicly listed companies are duty bound to give some sort of interim report on how they are traveling and I think we need to know on a regular basis, in fact I believe it should be monthly, on how we are tracking and what our likely future is with the profits from the TAB. I think it is ridiculous that we are some three weeks out from the start of the new season and we haven't got a funding formula in place. When clubs are asked whether they wish to accept this date or that date, they have no idea of funding. Peter White made the observation yesterday "who wants the 20th July when it's wet and cold?" There needs to be some finality on just what is going to be out there for clubs. We have got the Canterbury Jockey Club about to go into its second biggest week of the year with no confirmation of funding. It is untenable, unbusinesslike and if I or Jim Wakefield have anything to do with it and I know the Chairman indicated last night, this information is basic. We have to have it and we will have it.

The new Racing Board must maintain its approach to Government for the abolition of GST on duty and we must also keep the pressure on tax. We have got a good case and I believe whilst we haven't been successful to date, we have certainly just got to keep trying with a new angle and I have had a brief discussion with Laurie Sutherland who really is an expert in this field, and if we can't get any satisfaction through the Minister we must go to the Minister of Finance and to the Prime Minister because it is just simply unfair. We are not asking for anything special, just a level playing field.

We have touched on the ACC, or the Minister did, and I was delighted because Mary McCarty when having a meeting with our Board a couple of months ago highlighted this as a real problem and I think Mary ACC has gone up threefold in the last three years.

The other thing I was hoping would have happened when the Minister got a group of us in Parliament for the PriceWaterhouseCoopers' meeting that we would talk about formulating a report. It is this simple report called *The Size and Scope of the Australian Thoroughbred Racing Industry*. The Australian Racing Board, and Andrew Harding had a lot to do with this, produced this in December 2001. It is a very simple document and what it does is simply highlights all the aspects, all the benefits of the racing industry to the Australian economy. That's the only report that should be done in the future. We don't need any more reports or studies or Royal Commissions or anything like that. They are that high off the ground now. We just need a simple report that states the facts. The benefit of the New Zealand racing industry to the New Zealand economy. I was talking to Sue Bradford last night. Of course we know the attitude of the Greens. They are very rural based, but so is racing, and rural New Zealand is dependent, as is urban New Zealand in many respects on the health and welfare of the racing industry. So we do need a report like this that politicians can have and we can talk very simply to. I think we should just keep to the facts, keep working on the issues and I think we will get success because these figures are quite alarming and I know we are a major contributor. That fact has to be hammered home to those that can help us go forward.

They are just ten of the bullet points that I have written down that I can see where as a code, as a group, is a starting point for the future. I know this new Board is going to be extremely positive because for the first time in a long time it puts us in charge of our own destiny.

As you know, this is my last Annual Meeting as your Chairman and I think in eleven meetings I have always forgotten to officially welcome somebody here. It is usually poor Ada, but she's on the list this year. I came to my first Annual Meeting in 1984 and that was the year that Arthur Hughes retired and Arthur I am delighted that you are here some twenty years later for my last go. As I recall the meeting, it was very similar in terms of issues. Taxation was one that the Government had indicated it would be prepared to look at. I was a young greenhorn, 33 years of age, and I came armed with a tape recorder because living in Dunedin and listening to talkback radio one lunch hour Robert Muldoon the then Prime Minister was speaking and taking calls so I rang and turned the tape recorder on and said "*Prime Minister what are the chances of taxation relief for the racing industry*" and in typical Muldoon fashion he said "*Nil*". So Arthur, I don't know if you remember, but after people were saying "yes, this is coming" I asked if I could play the tape and that killed the discussion fairly quickly.

Our racing finances are in good heart at NZTR, so much so that we are going to use some of it to help fund the start of the new season. We have a new Assistant Chief Executive starting in the New Year and that is going to be a huge benefit to Allan Fenwick and to our industry. That person is a young man called Simon Cooper who currently is domiciled in the UK and works for a company called attheraces. Prior to that he worked with the Hong Kong Jockey Club for some eight or nine years and as part of his duties there he was prior to Andrew Harding the Secretary General of the Asian Racing Federation. He is a young man like Andrew, and I am sure you were all very impressed with his address to you this morning, that has a very sound knowledge of the racing industry internationally and he will fit into the New Zealand scene very well. We are looking forward to him coming and in many respects that can't happen quick enough.

In my final year I do want to make special reference to a number of people. Particularly Allan Fenwick. Allan and I have worked together now for over fifteen years. Allan was first on the Executive when I came and then he left to take up a position as General Manager in Manawatu and then joined as Chief Executive here in 1993. He has been an absolute tower of strength to me and I know he has been to all of you. Such knowledge, experience and good counseling is seldom found and Allan is a terrific asset and I thank him very much. Over the past fifteen years I have also had the good fortune to work with several Executive Members on the old Racing Conference and Board Members and that in itself has been a wonderful experience because they are all there with the same desire, the same passion and the same interest. That's for racing to be the winner. To the other codes, I remember when I first went on the Executive of the Racing Conference fifteen years ago our sister codes were known as the Ben Hurs and the Dishlickers. That was possibly said in a semi-affectionate way, but since then we have become very close because we know that if we don't work with our sister codes for the betterment of racing, especially with the improvement or the introduction of casinos and gaming machines and other forms of entertainment, then we will get nowhere. Not long after the Racing Industry Board was formed the three codes realized they needed to get together and the Combined Racing Industry Group was formed and is still in operation today. We work extremely well and that will continue on into the future. So Jim and Jeff I am very appreciate of the time we have spent together and the future we will have working together. I must make special reference to the press bench. Over the last decade we have had quite a lot of fun together. We have locked horns a few times, but I have learnt a little more on how best to deal with our good friends and a very essential component within the industry, the racing press. I do remember once again wading in in 1994 because the situation between the code and the RIB was not good and we were forever having spats in the newspaper which was terrible for racing and I learnt very quickly that does nothing for anyone. Before learning that, I made the fatal blue one year of

referring to members of the press, not all of them, but some of them, as "ratbags". Well, if there is any advice I can give you never, ever, refer to the press as ratbags because they have the power of the pen and they will have the last say. In those days the then Vice President Herby Dyke always got up and made his speech after mine. He got up and he looked at the press and he said "*Ratbags? Impecunious ratbags!*". I didn't even know what that meant! When I found out later I thought we would be headlines the next day and we were, we got thrashed.

Some say this industry is a sunset industry. I couldn't disagree more. I think the sun is merely rising on a new dawn for what is a wonderful industry and I thank you very much for allowing me to share it with you.

I formally move the adoption of my Annual Report and I ask Mr Kinley to second it.

Carried

STATEMENT OF FINANCIAL POSITION AND STATEMENT OF ACCOUNTS

New Zealand Thoroughbred Racing

Mr Fenwick told the meeting the financial statements for the New Zealand Thoroughbred Racing General Account were contained in the Annual Report and on page 24 was the Statement of Financial Performance. In the year under review there was a net surplus on operations of \$2,000 compared to a deficit in the previous year of \$87,000 and that surplus compared with a budgeted deficit of \$68,000. The majority of items of income and expenditure were very similar in most cases to the previous year. Total income was up \$38,000 and total expenses were down \$40,000.

In terms of the Statement of Financial Position, the balance sheet accumulated funds of NZTR were \$2.34m and reserves of \$1.3m, a total of \$3.657m. Assets include short term deposits. Part of this is a timing difference in the way in which the fees are collected at times during the year and \$2m of property, plant and equipment. The notes to the financial statements set out the policies adopted in determining those accounts. The fixed asset additions during the year were \$291,000 made up of computer programs, computer equipment, motor vehicle replacement, furniture and fittings and bloodtyping equipment. NZTR owns a half share of the property at 180 Taranaki Street where the NZTR offices are located. Overall the results were similar to the previous year. It was pleasing to record a small surplus as far as the operations were concerned against budget. One of the major factors that assisted related to the cost of the judicial system. NZTR makes payments on a budgeted basis and the JCA was able to contain costs, which resulted in a refund. That will not occur in the current year.

The Chairman moved the adoption of the financial report. This was seconded by Mr Grieve.

CARRIED

General Trust Fund

The Chairman said it was with regret that we had lost one of the Trustees in Stuart Crombie during the year.

Mr Fenwick reported the accounts for the General Trust Fund were contained in the Order Paper commencing on page 5. The Trust Fund primarily consisted of bank deposits, and during the year \$47,900 interest was earned and there was a small recovery on a debt that had been written off many years ago. \$50,000 of income, \$27,000 paid out in grants, and audit and administration expenses of \$10,000, resulted in a \$13,000 surplus for the year.

The grants that are made by the Trustees arise from recommendations that come generally via the field staff. Obviously the level of grants depends on the level of claims that are made in each year. The Trustees' support for deserving cases is well received. Mr Fenwick thanked the Trustees for the work they had done in looking after the welfare of people who had contributed significantly to the industry and the way they had managed the Fund.

Mr Fenwick recommended the adoption of the report of the General Trust Fund for the year ended 2003 and Mr Acklin moved the motion which was seconded by Mr Ellis.

CARRIED

Apprentice Jockeys' Fund

The accounts for the Apprentice Jockeys' Fund were contained on page 8 of the Order Paper. This is money held on behalf of apprentice jockeys. The aim is to primarily credit the interest earned back against the balances that are held in the fund. There was \$11,000 surplus generated, i.e., the level of interest that was credited back was less than the interest actually received during the year due to timing. In the main all the income is returned to those who have deposits. There were deposits of \$960,000 at balance date.

Mr Acklin moved and Mr J R Phillips seconded the adoption of the report.

CARRIED

APPOINTMENT OF AUDITORS

Mr D C Ellis moved that Deloitte, Touche, Tohmatsu be reappointed as auditors, at a fee to be arranged by the Board. This was seconded by Mr R Findlay.

CARRIED

BUDGET FOR YEAR 2003/2004

Mr Fenwick said the final page in the Order Paper shows the budgeted income and expenditure for the 203/2004 year. There is a budgeted overall deficit after depreciation of \$83,900. There is no intention of increasing any of the levies or fees this year. There are some items of expenditure, particularly those relating to legal fees, appeals and inquiries and the like that are always hard to budget for. The aim each year is to try and break even.

As far as the base levy was concerned the Board had recommended that continue at the current amount of \$2,700. It is now collected on a monthly basis which has assisted clubs with their cash flows. Capital expenditure of \$914,000 had been budgeted for, the largest part being the computer programs of \$645,000. The majority of that amount should have been incurred prior to 31 March 2003, but that had not been the case and of the amount of \$840,000 budgeted for the previous year, only \$170,000 came to account by 31 March 2003. That is not a double up in terms of cost, it is just moving it forward into the current year.

CARRIED

CONSIDERATION OF MOTION TO AMEND THE CONSTITUTION

Mr Fenwick reported that currently in the Constitution there is provision for a Regional Director or Small Clubs' Director being granted leave of absence for a period of three months or more the Board has the ability to appoint a substitute for that Director. It only applies if the person is going to be absent for a period of not less than three months. Similarly, in the case of Directors who are nominated by the NZTBA and the NZTA a substitute may be appointed to attend the Board Meetings, but only in the case of their representative being away for a period of not less than three months. Particularly in the case of the sector group Directors, there have been times when they haven't been available and one of the benefits of having them at the Board table is to get the views coming from the sector they represent.

The Board has taken the opportunity to invite as a guest a replacement for that Director who is not present, but that guest has no voting rights or the rights of a Director. The Board would like to remove the three month provision in the Constitution so that when it is known a Director is unable to attend a forthcoming meeting the Board would have the opportunity to appoint a substitute for that person, with full powers, and likewise in the case of the Directors appointed by the NZTBA or NZTA the sector group would have the right to appoint a substitute.

The Chairman formally put the motion to the meeting and it was moved by Mr B Kinley and seconded by Mr N Schick.

CARRIED

DOMESTIC OWNERSHIP

Mr David Ellis said it was just over a year since the Domestic Ownership Campaign had been taken over by NZTR and they were very appreciative of the financial support provided by the TAB and Racing Industry Board. The campaign is run through the NZTR office in Wellington with one staff member taking prime responsibility for the programme. The objectives are to lead the implementation of a domestic ownership programme that increases the numbers of owners participating in thoroughbred racing in New Zealand. Over the past 11 months in excess of 1500

new owners had been recorded by NZTR. There was, however, no record of the number of owners who had dropped out of the system over this period. It was hoped to increase the number of active owners participating in the industry by 20% from the year 2000 to 2005.

Recent statistics reveal that New Zealand is third only behind Australia and Ireland in percentage of racehorse owners per head of population.

Many of the ideas and initiatives discussed at the recent Asian Racing Conference Forum were relevant to the domestic ownership campaign in New Zealand. Other countries had comparable issues and their approaches to attract more owners were similar to New Zealand.

Mr Ellis thanked the clubs for their hard work and enthusiasm over the past season.

TOTALISATOR AGENCY BOARD / NEW ZEALAND RACING INDUSTRY BOARD

Mr Jim Leach introduced Mr Peter Henson, Deputy Chairman of the NZRIB, Phil Abraham, Manager of Retail and Marketing, Paul Cross, General Manager, Wagering, Graham List, Acting CFO and Richard Ellerington, Manager of Trackside.

Mr Leach reported that the contribution to racing was potentially a record \$1.09b that was only slightly ahead of the previous record. That was their best estimate based on the weather being fine up until the end of the season. Total racing turnover was up by \$4.8m, or 0.5%. Local racing was down \$7m, minus 1%. Overseas racing was up \$11.8m or 3.8%. Sports betting was up on turnover \$8.5m or 7.9% and sports' contribution to the total industry return was up 28.4% reflecting the turnover increase and the improved margins. The estimated final payout to the three codes was \$61.2m, an increase of \$4.1m or 9% on the previous year. CPP for thoroughbreds was \$32.5m, up \$1.1m, harness \$19m up \$1m and greyhounds \$7.1m up \$1.2m. In addition, clubs that have races going to Australia would receive \$1.1m and Premier meeting stakes an additional \$1.4m from the TAB.

Mr Paul Cross spoke about wagering and innovations that had been worked on recently to try and attract more customers. He also spoke about racing coverage, new products they were going to bring out over the following year, betting exchanges and markets

Galloping was a very important anchor and in terms of market share, the major factor, in overall turnover for the TAB. It drives the turnover and this tends to rub off on other codes.

Mr Phil Abraham's presentation covered gaming machines, sports betting, on-course promotions, media including form guides in newspapers, national race book, radio networks and Trackside on the radio. He said there had been a trend over the last few years away from traditional agency retailers to a social environment such as pubs and clubs. This could change again when gaming machines were introduced back into agencies. There had been a significant growth in account betting, particularly with the internet.

Mr Leach said he wanted to make a couple of points with regard to the Gambling Bill. He said the Minister had said he was hopeful the racing industry would get a fair deal out of the Gambling Bill. Mr Leach pointed out this was a Government Bill and the Labour Government had done a deal with United Futures to get the numbers so it was possible for them to do anything they wanted. He didn't buy the idea that MMP was going to cloud the whole issue. Clearly once the Government had made up its mind it was going to do something it would do it. Under the Bill all new gaming sites would require Local Government consent and in the terms of the Bill they will have to be able to come up with a protocol within six months of the Bill's passage, which is quite a long time. Mr Leach said they wanted to get going with gaming machines and if there was a negative outcome in the Bill the chances of getting any substantial number of machines into TABs would be very low indeed.

The second point he wanted to make was the level of contribution that would be required by law to problem gambling treatment. Racing currently contributed just over \$1m per year and the total gaming industry contributed about \$10m. Under the Bill that will rise in terms of the total to about \$30m. Mr Leach said he would question whether that increase was being driven by an increase in the number of problem gamblers, or the increase in the number of people who were providing treatment. A Problem Gambling Charter would need to be developed and the industry would have to become more pro-active with suspected problem gamblers. This could be extremely difficult as the experience the TAB had encountered was that problem gamblers become very cunning criminals when they go over the deep end.

Mr Leach was asked if there was any intention the N Z Racing Board might re-visit the business of not giving clubs their percentage from betting on races going into Australia where they are perhaps one minute ten seconds late when it is no fault of their own? Mr Leach said it was something the new Board would have to address, but there had been a lot of discussion on the issue of where you draw the line. He said he would like to see some sort of code agreement as to what the no fault exceptions should be.

The question was also asked why bets were not quoted on a \$10 base instead of a \$1 base as this would probably encourage people to bet more as a \$30 dividend sounded better than a \$3 one, even though it would still be possible to have a \$1 bet. Mr Leach said the point was very valid. The TAB had looked at this from time to time but there had been nervousness about the dollar each way punters who would be vocal about it. He said they weren't running some sort of social service and the big impact the larger punters had on the market outweighed the smaller punters who were probably actually costing them money.

Mr Henson in his capacity as Deputy Chairman of the NZRIB said he was very happy to clarify the funding for next season. The resolution at the last NZRIB Board Meeting was that the funding be exactly the same as last year which is 8.4% plus 0.4%. He had checked that with the other Board Members before attending this meeting and they were all in agreement that was the resolution. Mr Henson said in addition to that, at the next meeting he would welcome the code's approach for additional funding. As there were only two weeks before he relinquished his representation of the code on the NZRIB he thanked the Chairman and Chief Executive for all the assistance he had received. He said the Board hadn't accomplished all the things they wanted to, but quite a number of very good things had been achieved. He said he was delighted to see the end of the frustrations in having the legislation passed through the House and getting the new Board in place. A reduced size Board would be good for the industry and he looked forward to watching its progress.

GENERAL BUSINESS

Mr Gerald Fell, Manawatu Racing Club

Mr Fell said he was concerned after listening to the Minister, the Chairman and Mr Leach about the possibility of losing access to gaming machine allocations, with the introduction by stealth, of the clause in the Gaming Bill that is currently being considered. This had prompted him to propose that it is time that all sectors of the racing industry and related bodies were represented as a group by a watchdog to monitor, and where necessary, to lobby Government on behalf of the industry. The American Horse Council was a powerful body that represented all sectors of the horse industry and had the respect of all politicians in the USA. That was the type of representation he proposed.

Presently ten cents of the total gambling dollar goes to racing. Of that, 54% goes to gallops, in other words roughly six cents of every dollar spent on gambling goes to galloping. Competition from gaming machines and casinos had eroded our market share and is continuing to do so. He felt we would be treated more seriously if we had a more effective and united lobby group. The Minister had said in the press that he believed if we went as a united group the Government would take more notice.

Mr Fell also took the opportunity to thank Murray Acklin on behalf of delegates past and present for the efforts he had put into administering racing. Over the years he had been involved he had shown a passion for racing and had the interests of racing at heart. He had worked tirelessly with no monetary reward and the industry owed him a great debt. Mr Fell wished Mr Acklin well in the future.

Mr Murray Acklin

Mr Acklin said he agreed with Mr Fell's proposal and it should be one of the first subjects taken to the new Racing Board to be considered. What had been found in speaking with politicians to date,, and it is possibly because there wasn't a group that had been charged specifically with being in charge of a lobby, is that so many different groups from within each of the three codes go off on their own specific issues, some of which can be contradictory. That tends to be non effective and just simply doesn't work.

Mr Brett Wilson, Buller West Coast Racing

Mr Wilson said the Minister had stated the Government was working through issues on our access to gaming machine funding. Would it not make sense to compromise and relinquish our access to the TAB gaming machines in return for access to the General Fund?

Mr Acklin

Mr Acklin said he personally felt that would be one step backwards. He felt we were better off having the opportunity to participate in gaming machines. Mr Abraham had said in his presentation that whilst they were not record breakers in the seven sites that are in operation, the thinking is that with the legislation going through in its current form the manner in which the TABs do their business may change dramatically. We all know the success, for example, of league clubs in Australia. At the end of the day, if we don't take advantage of this opportunity, and these were his views, to get full participation with gaming machines then we are at the mercy of the various Trusts and whether or not they would give us anything. When the TABs first started some of the major charities were giving us nothing.

Mr Wilson

Over the past year racing clubs on the West Coast got \$150,000 from gaming machines and of that probably about \$15,000 had come from the TAB machines. To lose gaming machine income would be a huge hole in the bucket for racing on the Coast.

Mr Acklin

Mr Acklin extended his thanks and gratitude to Mr Peter Grieve for the loyalty and contribution he had extended to him during his years as President of the N Z Racing Conference and Chairman of the New Zealand Thoroughbred Racing Board. Mr Grieve was retiring from the Board and Mr Acklin wished him all the very best in the future as an owner.

Two new Directors, Messrs Ivan Sapich and Keith Neylon, would be coming onto the Board and they were both welcomed by Mr Acklin.

Mr Brian Kinley, Board Member

Mr Kinley said that today marked an end of an innings for Murray Acklin as a member of the Board of New Zealand Thoroughbred Racing. He covered Mr Acklin's history with first the Executive Committee of the New Zealand Racing Conference and then New Zealand Thoroughbred Racing. Mr Acklin was elected as Vice President to Mr Jim Bull in 1990 and on Mr Bull's retirement in 1992 he became President. On his election he was the youngest President ever of the New Zealand Racing Conference. He retained the Presidency for nine years until he became the first Chairman of New Zealand Thoroughbred Racing. He was also elected Chairman of the Asian Racing Federation Council, a huge honour not only to him personally, but also to the New Zealand racing industry. Mr Kinley also said that he believed no racing administrator has had it harder. As people had come to enjoy greater leisure options, the economy had experienced some stress and as net returns to racing shareholders had in many instances diminished, the pressure had gone on administrators to perform. Often when results could not be achieved by them. Frustration had led to anger and Mr Acklin as spokesman for the industry had been in the firing line. It was to his credit that he had managed those issues in his unfailingly calm, assured and knowledgeable manner. Qualities which he had brought to bear in securing a sound relationship with our sister codes and more importantly in recent times with senior politicians.

On behalf of the racing clubs of New Zealand Mr Kinley made a presentation to Mr Acklin.

Mr Acklin

Mr Acklin thanked everyone present. He said it had been a wonderful era for him, going back to 1972 when he was first employed as an Assistant Stipendiary Steward.

He said he had been part of a team that had made a lot of new and interesting things happen within a short period of time. Things such as racing stakes keeping ahead of inflation, better structure of racing carnivals with higher public profiles, huge stake increases for the classic races, better facilities for members, the better and much improved track conditions and one of the major happenings – the best free to air Trackside coverage in the world which is the envy of all other racing jurisdictions. The restructuring of the N Z Racing Conference which had been in operation for over 100 years to the Thoroughbred Racing Board, the club led rationalisation that had occurred in recent years and the acceptance of sector groups around the Board table. Technology had played an enormous part over the last decade, the Racing Bureau and the Owners' Settlement Account had been wonderful introductions of efficiency, a new professional judicial system and the Racing Bill. He said one of his regrets was that the Come Racing programme wasn't continued as he felt that was just starting to gain benefits before it was canned because of financial constraints.

The ownership campaign, the establishment of New Zealand Thoroughbred Marketing, the racing liftouts in the newspapers and the international profile that New Zealand enjoys overseas. They are just many of the achievements he had seen happen in his time.

On a more personal note he said the people he had met, the friendships that had developed from being in racing had been remarkable and he didn't think that sort of camaraderie ever occurred in any other organisation. He said he would leave with some words of wisdom – he had learnt that you back your own judgement and you judge the people as you find them, not as others perceive them to be.

CLOSURE

There being no further business the meeting closed at 1.05 pm.