

Race Club and Key Stakeholders Monthly Report

No. 8

September 2014



Key Projects as at 1 September 2014

Project	Commentary
FY15 Prizemoney Allocation	<p>NZTR has increased prizemoney for the current season (FY15) by \$1.538 million. These increases have come despite a flat NZRB payout forecast. The Board has committed to these increases because they are needed by owners, trainers and jockeys and are sustainable, being paid out of budgeted income and backed by reserves that NZTR started to set aside in 2012.</p> <p>New Zealand prize-money bottomed in early 2011. NZTR has taken the position of committing to affordable, consistent and steady increases. From \$13,758 in FY11, average NZTR funded prize-money per race rose 5.4% to \$14,503 in FY12, by 8.2% to \$15,687 in FY13 and rose a further 6.0% to \$16,641 in FY14”</p> <p>With these increases, coupled with the full season effect of increases that occurred on 1 January 2014, NZTR now expects to exceed its FY15 forecasts and increase average funded prizemoney to approximately \$17,750, an increase of another 6.7%. These increases are possible because NZTR has held its own costs flat for the fourth consecutive year; clubs costs are likewise under restraint; and a modest reduction in the FY15 racing programme has lead to a small lift in average available monies net of the income foregone.</p> <p>NZTR had hoped to do more but, as has been well-publicised, draft NZRB forecasts for FY15 and beyond have unfortunately been downgraded from earlier projections. NZTR does see some upside to those projections as costs are gradually reined in and the revenue benefits from NZRB projects begin to come through. These prizemoney increases do not depend on any such upside.</p> <p>The increases in prizemoney for the current season (FY15) of \$1.538 million were developed in conjunction with the Regional Programming Committee Chairmen and are allocated across a wide range of races.</p> <p>Feature meetings will receive \$850k in stake increases at R65 to R85 level races from 1 October 2014. Rating 85 races will be run for \$20K (+\$2.5K), Rating 75 at \$18.5K (+\$1K) and Rating 65 at \$17.5K (+\$2.5K).</p> <p>In FY15 NZTR is proposing to conduct 10 more fillies and mares races comprising 90 \$12K mid-week fillies and mares races and 10 \$25K Saturday races.</p>

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FY15 Prizemoney Allocation	<p>An additional \$110K has been allocated to two of the three identified Iconic staying races - NZ Cup and City of Auckland Cup (the third being the Wellington Cup) to maintain or increase their stake to a minimum of \$200K. This supports NZTR's long-held objective of bolstering traditional Cup races in alignment with New Zealand's breeding strengths and their proven ability to attract public interest and drive turnover.</p> <p>An additional \$288K in funding is provided to a new Country Cup series to enable every club in the country to run at least one race of \$20k or \$25k. This series is an opportunity for every club throughout New Zealand to galvanise community support for their major day and grow regional and local interest in racing.</p> <p>NZTR is supporting Heritage Race Funding which applies to races of traditional importance in the New Zealand Racing Calendar. The three top provincial Cup races (Counties, Waikato and Manawatu) have had their stake increased to a NZTR-funded \$100K minimum. The next tier of Cup races has been increased to \$75K, and four traditional winter handicaps run at Ellerslie and Trentham to \$40K. It is likely some of these races may see downgrades to their Pattern rating in coming seasons. By decoupling the funding from their Pattern status, the tremendous importance and interest in these races is being recognized.</p> <p>An additional \$53K supports previous commitments to Special Interest funding not covered by any of the Country Cup and other funding categories detailed above. Each of these races requires matched funding support from the clubs involved.</p> <p>The New Zealand Pattern Committee recommended upgrading four Group and Listed races with only one downgrade, the City of Auckland Cup, (covered above). The result is an additional stake funding increase of \$70k for this season and an annualised increase of \$100k, given that the Foxbridge Plate has already been run this season.</p> <p>Further stake increases will be provided to the upgraded Ashburton RC meeting on Friday 4 July (in a four week period with no Feature meeting in the South Island) and to selected races at the Southland RC meeting on Saturday 28 March. A further \$48K provides for Calendar changes, an opportunity for two Feature stake races at the Thames Cup meeting, and continues to support the CD Autumn Central Region series.</p>

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Authorised Syndication Workshop and Clubs wishing to Syndicate	<p>NZTR is reviewing the Bloodstock Syndication Code of Practice (Second Appendix to the Rules) in anticipation of the Financial Market Conduct Act 2013 which will replace the Securities Act 1978 under which the Bloodstock Exemption Notice sits. As part of this review NZTR has looked at the position of clubs wishing to syndicate a horse, particularly with their members.</p> <p>The Financial Markets Conduct Act that will regulate securities offers and the advertising of securities offers comes into force on 1 December 2014. This may not apply to some offers until 1 December 2016. Accordingly, offers of interests in racehorse syndicates and advertisements for offers of that nature are regulated by the current Securities Act and the Securities Regulations until at least 1 December 2014.</p> <p>The standard position under the Securities Act is that, unless an exemption or exclusion applies, securities can only be offered to the public under an investment statement, a registered prospectus or an “authorised advertisement”. “Authorised advertisements” must refer to the investment statement for the relevant offer (unless the particular “authorised advertisement” is the investment statement) and are subject to various content requirements, including that they be consistent with the investment statement and the registered prospectus for the relevant offer and not to be misleading.</p> <p>The Securities Act (Bloodstock) Exemption Notice 2002 exempts racehorse syndicators from having to comply with these requirements provided the syndicator is bound by the Rules of Racing to comply with NZTR’s Bloodstock Syndication Code of Practice (Second Appendix in the Rules of Racing).</p> <p>Racing clubs are not able to be granted “Authorised Syndicator Status” under NZTR’s Bloodstock Syndication Code of Practice; instead only individuals, partnerships, approved companies and special purpose Bloodstock Companies can be granted Authorised Syndicator Status. As a result, a racing club is not able to rely on the Securities Act (Bloodstock) Exemption Notice. Any securities offer it makes “to the public” must therefore comply with the requirements of the Securities Act unless another exemption or exclusion applies. An individual operating a syndicate on behalf of a racing club can be granted Authorised Syndicator Status.</p>

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<p>Authorised Syndication Workshop and Clubs wishing to Syndicate (continued)</p>	<p>An offer of securities may be an “offer to the public” and therefore be regulated under the Securities Act even if it is made only to a specific or limited section of the public. An offer to, say, members of a racing club is an offer to a section of the public. As a result, an offer made by email to each person on a racing club’s membership database is an offer “to the public”. Similarly, advertising racehorse syndicate offers on a racing club’s website to anyone who happens to view their website would also be an offer “to the public” (even if only members of the club are able to take up the offer). While there are certain exemptions from compliance with the Securities Act (for example, if an offer is made only to “close business associates” of the offeror or its directors or to persons who in all the circumstances can properly be regarded as having been selected otherwise than as members of the public), none of these exceptions apply here.</p> <p>In broad terms, similar rules will apply once the Financial Markets Conduct Act is in full force and effect. Accordingly, offers of interests in racehorse syndicates will also be regulated under that Act and require the preparation of a product disclosure statement that contains certain prescribed information if they involve an offer of a “financial product” unless the Bloodstock Exemption Notice applies or the offeror obtains a specific exemption from the Financial Markets Authority permitting it to make and advertise such offers.</p> <p>In view of the changes to this legislation NZTR is reviewing the Bloodstock Syndication Code of Practice with a view to legally allowing racing clubs to be granted Authorised Syndicator Status. Clubs could then apply to become an Authorised Syndicator and, if approved, make offers in accordance with the terms of the Code of Practice.</p>
<p>Social Racing</p>	<p>Social Racing was re-launched on 1 August 2014 as a paid participation offer. Brent Cooper is contracted for twelve months to manage the project.</p> <p>A limited partnership of two hundred members has been established at an annual cost of \$199 per year. We now have 180 members in the Social Racing #1 Partnership of the 200 shares available.</p> <p>The limited partnership leases a 50% share in three horses, namely Aoetarower, Sisterhood and an unnamed Towkay/Silk Spur filly. The prospects of all three horses are currently believed to be very good.</p>

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Thoroughbreds in Equestrian Sport (TiES)	<p>The partnership between Equestrian Sports New Zealand (ESNZ) and NZTR) to recognise Thoroughbreds in Equestrian Sport (TiES) is being expanded this coming season across the disciplines of Eventing, Jumping, Show Hunter, Dressage, and a Para-Equestrian partnership. This follows a successful inaugural 2013-14 TiES Championship, which finished in May at the Taupo 3-Day Event won by Citadelle and Claudia Wilson, formerly raced as Vintage Peak, trained by 2014 Award winning Trainer Lisa Latta. Vintage Peak won twice and had 4 placings in 20 starts before being retired in 2009 and retrained for a successful equestrian career.</p> <p>All ESNZ-calendared shows will now be eligible for TiES points, but only registered classes will count. Points will be allocated to the first six placing Thoroughbreds within an eligible class.</p> <p>TiES Horse Passports will be sent out to all Thoroughbred owners registered for the 2013-2014 competition season. They will also be sent out with Registrations for the 2014-15 season. The TiES Horse Passports will record all competition results.</p> <p>The TiES Championship will conclude at the Horse of the Year Show and will be showcased on the Saturday night at Horse of the Year, with awards being presented for the best Thoroughbred in each discipline along with the overall TiES Champion for 2014-2015.</p> <p>Details of eligible classes and how to register will be published on the ESNZ and NZTR websites from 3 September 2014.</p> <p>NZTR and ESNZ created the TiES programme as a joint initiative to:</p> <ol style="list-style-type: none">1. increase opportunities for second careers for Thoroughbred horses retiring from racing2. raise awareness of the adaptability of Thoroughbreds for second careers in equestrian sport3. increase links between the Thoroughbred racing industry, the wider equestrian community and the public to stimulate uptake of ex-racehorses for second careers. <p>An integral part of this initiative is consulting with aftercare specialists and examining ways to increase uptake of ex-racehorses for equestrian sport.</p>

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Notification of Horse Retirement	<p>NZTR is looking to consult with stakeholders on proposed amendments to the Rules to make it mandatory to notify NZTR of a horse's retirement or death (currently this applies only to death) to increase knowledge of where racehorses go when they leave racing which will help develop wider welfare strategies for ex-racehorses. This notification became mandatory on Australia on 1 July 2014.</p>
Members' Council Nominations due by 5 September	<p>This year four Regional Members' seats on the Members' Council are vacant. Two Nominations have been received - John Wheeler (Central Region) and Bill Cotton (Southern Region).</p> <p>Nominations have not been received from clubs for the other two Regional Member seats: Bruce Perry (Central Region), who was appointed by the Council to fill the vacancy left by Charles Whyte's resignation, and Victoria Carter's vacant seat (Northern Region) following her appointment to the NZTR Board earlier this year.</p> <p>Three Sector Members also retire by rotation. One nomination has been received - David Haworth (Trainers and Jockeys). Nominations are due from Breeders (NZTBA) and Owners (NZTROF).</p> <p>Nominations Forms were sent to all Clubs and Sector Organisations on 5 August 2014. The deadline for receipt of nominations from clubs is 5 September 2014. Subject to any elections being held, the deadline for receipt of voting papers is 6 October 2014.</p>
Trainers Association and Mentors N.Z	<p>NZTR has been working with the Trainers Association and Mentors N.Z to run a pilot programme with 14 trainers. The programme will focus on:</p> <ul style="list-style-type: none"> • Financial management and processes • Marketing and communication strategies • General capability gaps identified, with referral made to business training opportunities where required. <p>The programme has been strongly supported by the Trainers Association Executive Committee.</p>

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Synthetic Track Evaluation	<p>A decision to engage GDC Consultants Limited to undertake the initial work to build a synthetic track at either Cambridge or Matamata should be finalised by mid-September.</p> <p>This initial work will enable NZTR to make an informed decision as to whether to proceed with the build or not.</p>
Racing Club Partnership Programme	<p>Since the departure of David Jewell (21 March) the roll out of the RCPP has had to be put on hold other than the Events, Marketing and Logistics (EML) team working with a number of clubs in the development and planning of the club's upcoming major race meetings and the ongoing work associated with the Stakeholder Survey information.</p> <p>The Event Sales Specialist role within the EML team has been filled and the services provided by this role has been picked up by a number of clubs. Again the focus of this role has been directed to nominated clubs holding major events during the upcoming months.</p> <p>Hawkes Bay and Counties have been provided with feedback from their Stake Holder Survey and we are due to meet with Waikato and Avondale in early September.</p> <p>The next round of clubs have been identified and we are currently updating their FY14 financial information before organising meetings over the next couple of months. NZTR are also working closely with the Avondale J.C on the engagement of Paul Roberts from Turnberry Consulting Limited to undertake the following piece of work:</p> <ul style="list-style-type: none"> • Develop a comprehensive "Racing Venue Blueprint" for Avondale Jockey Club that is sustainable and affordable in the context of the Club's current and potential financial position; • Prepare illustrations of the visual impression of the venue; • Prepare a comprehensive cost analysis relating to development of the venue; • Analyse how existing non-raceday revenue will be protected and enhanced; <p>While the exercise is specific to the Avondale J.C. the thinking behind the outcome will be applicable to other venues around the country.</p>

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<p>Second crop of NZB Insurance Pearl Series fully enrolled</p>	<p>Enrolment for the 2014 NZB Insurance Pearl Series is now complete. When enrolments closed, a total of 473 two-year-old fillies were signed up to the incentive scheme which features bonus payments on designated races.</p> <p>The enrolments have been taken in two stages; the first was a \$690 payment for those 2012 fillies making the “earlybird” cut of February 28, or a payment of \$920 by 31 July, with the proviso that fillies sold at the South Island Yearling Sale could be enrolled by the end of April at the “earlybird” fee.</p> <p>Nine of the fifteen two-year-old bonuses were won by the first crop of NZB Insurance Pearl fillies who are now three-year-olds and will compete for 90 bonuses each year for the next two years.</p> <p>All told, bonuses totalling \$2.6 million will be on offer for two, three and four-year-old fillies and mares from each crop. Fillies are the foundation of the NZ breeding industry and this scheme provides extra incentives to race and then breed from fillies once they have finished their racing careers.</p>
<p>NZ Equine Trust</p>	<p>Dr Tim Pearce will replace Charlie Smail as the Racing Codes’ representative on the NZ Equine Trust Board. Dr Mark Chitty and Martin Saunders continue as the NZRB-appointed industry representative.</p> <p>Other members of the NZ Equine Trust Board are Professor Wayne McIlwraith (representing Massey University), Dr Nicola Schreurs (representing Massey University), Mr. Brian Ward (representing Massey University Foundation) and Dr Margaret Evans (representing New Zealand Equine Research Foundation).</p> <p>Several years ago the government created Partnerships for Excellence (Pfx) to establish research-based partnerships between the tertiary sector and industry, in this case between Massey University and the equine industry. The Pfx allows Massey University to acquire matching Crown funding from the Tertiary Education Commission for investment in learning and research of benefit to the private sector. The Equine Trust has been formed to invest, manage and protect the Crown funds in perpetuity. Projects funded and funding amounts can be found at: http://www.massey.ac.nz/massey/about-massey/subsidiaries-commercial-ventures/equine-trust/projects-funded/projects-funded_home.cfm</p>

