

1.0 STATEMENT OF INTENT

- The objectives of the code; and
- The nature and scope of the activities to be undertaken by the code; and
- A statement of the code's policy for distributing funds received from the Board to racing clubs registered with the code in accordance with Section 25; and
- The performance targets and other measures by which its performance may be judged in relation to its activities; and
- A statement of accounting policies.

2.0 EXECUTIVE SUMMARY

The **NZTR Business Strategy** is focused on the following key business functions (linked to the NZRB business planning process) of:

- (i) Income generation.
- (ii) Governance.
- (iii) Infrastructure.
- (iv) Integrity.

A **Situation Analysis** is provided in [Section 3.0](#) and has been undertaken to identify the key issues facing the thoroughbred code, the base issue being **participation**; both equine and human.

From this, a number of **Strategic Objectives** have been identified to address the key issues, and aligning with the key business functions outlined above.

These **Strategic Objectives** with associated initiatives and timelines are provided in detail in [Section 7.0](#).

The past 10 years has seen a significant decline in participation in thoroughbred racing in New Zealand. This decline in participation is the context in which this Business Strategy is developed.

While the 10 year trend indicates significant decline in participation, the past two seasons have seen either a ceasing of the decline or minor reversing of the declining trends of key indicators. Total starters have fallen from a total of 33,905 in 1998/99 to 32,425 in 2007/08, a decline of 4.4%. However, this figure is 5.4% higher than the low of season 2003/04.

NZTR is committed to driving additional starts-per-horse annually, as statistically identified through the 'Wastage Report', in particular that approx 33,500 total starts are required in 2008/09 season to maintain turnover – about 1,000 more than in the 07/08 season.

Further, the comparison to Australia shows that horses in Australia start on average 6.2 times per season, compared to 5.8 times per season in NZ. This differential represents an additional 2,200 starters per season and a realistic benchmark of where NZ can get to by successfully implementing a number of initiatives and strategies as outlined in this document.

3.0 SITUATION ANALYSIS

3.1 Participation – The Decline

The past 10 years has seen a significant decline in participation in thoroughbred racing in New Zealand. This has been primarily due to:

- (a) The returns to industry participants being unattractive and unviable.
- (b) The governance model and administrative capacity has not inspired confidence or encouraged investment in the industry.
- (c) The marketing of racing and the servicing of customers on raceday has been extremely poor.

This decline in participation is the context in which this Business Strategy is developed.

Table 1 – Participation indicators (last 10 years)

	1998/99	2007/08	% Change
Trainers ¹	1,626	1,275	-21.6%
Jockeys ²	293	242	-17.4%
Races	3,074	2,974	-3.3%
Starters	33,905	32,425	-4.4%
Individual Starters	5,837	5,576	-4.5%
Trial Starters	7,397	10,293	39.2%

While there has been a significant decline in the number of Licensees, there is much greater concern about Jockey numbers than Trainers. It can be argued the level of professionalism sought from Trainers in a contemporary industry means the numbers of Trainers would or should decrease.

Table 1 shows that in addition to a **significant decline (>20%) in licensed participants**, there has also been a minor, though crucial, decline in equine participation, with **total starters down 5.3%**.

Noteworthy is the increase in trial starters, with a **39.2% increase in trial starters over 10 years**. This key issue along with all aspects of barrier trials is subject to ongoing review by NZTR (first changes implemented from August). This ongoing review will primarily focus on how to facilitate the transfer of trial starters to races.

NZTR acknowledges there may be reasons for trials linked to a necessary training element, however anecdotally both the surge in numbers and continuation of qualifying trials suggests there are horses attending trials that could be racing, providing much needed additional starters. It should also be noted that a number of other jurisdictions operate without official barrier trials (e.g. Britain, France, South Africa, etc).

¹ Includes Trainer, Permit to Train and Owner/Trainer

² Includes Jockey, Apprentice Jockey and Amateur rider

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3.2 Participation - How to reverse the trend?

While the 10 year trend indicates significant decline in participation, the past two seasons have seen either a ceasing of the decline or minor reversing of the declining trends of key indicators. This suggests two things:

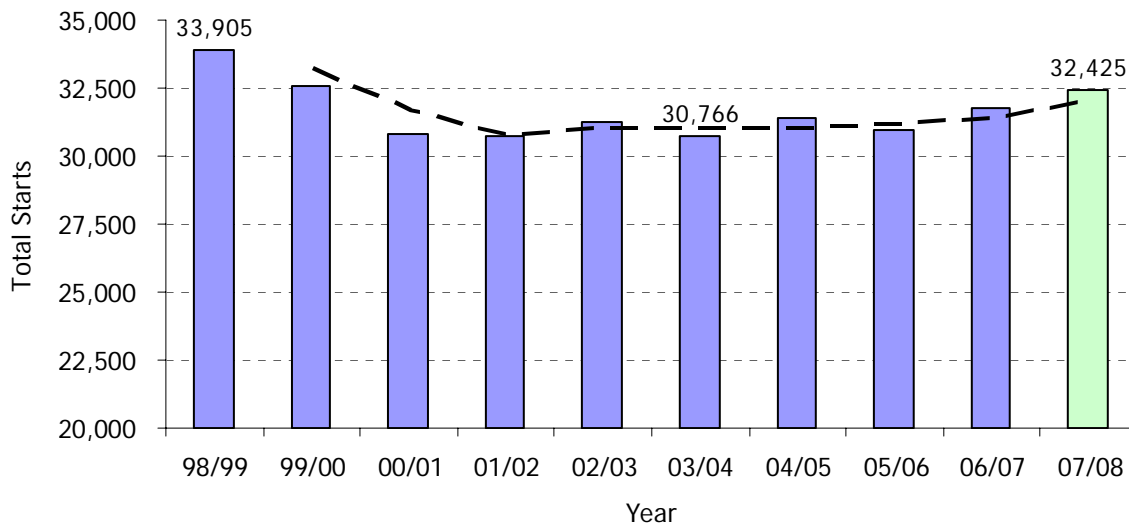
- (a) The increased returns being delivered to participants is resulting in maintained (i.e. not decreasing) investment and participation.
- (b) The strategies and policies implemented by NZTR are having a positive, albeit minor, effect on participation levels within the code.

While the number of races has increased due to Internationalisation, there has been an overall increase in participation (total starters) in the current season shown in the following two tables.

3.3 Participation - Total Starters

Total starters have fallen from a total of 33,905 in 1998/99 to 32,425 in 2007/08, a decline of 4.4%. However, this figure is 5.4% higher than the low of season 2003/04.

Graph 1 – Total number of Starters (last 10 years)



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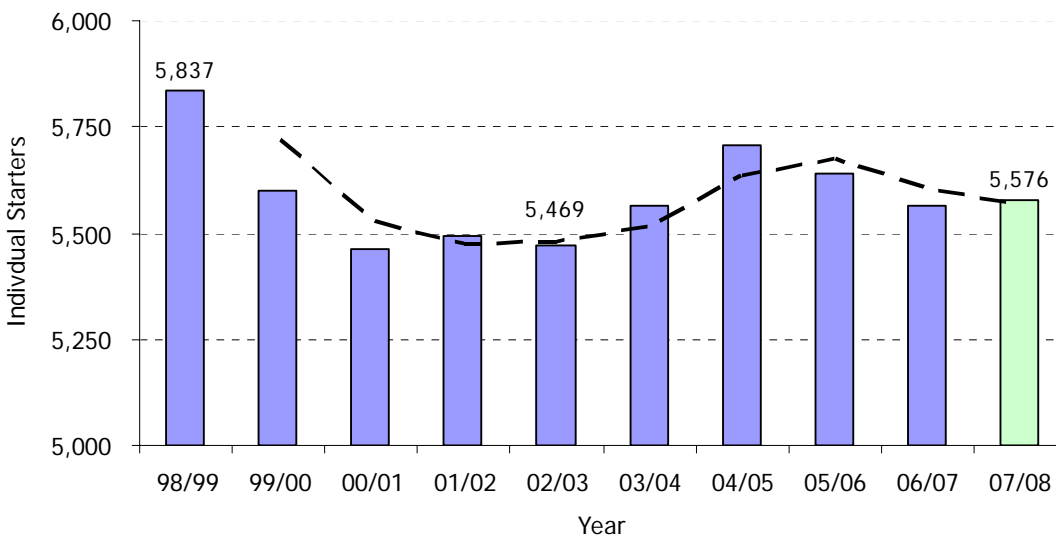
3.4 Participation – Individual Starters

NZTR is committed to driving additional starts-per-horse annually. The outcomes of the 'Wastage Report' showed the key statistics for NZTR in this respect are:

- (a) Horses racing to fall by 3.5% by 2009 and 9.0% by 2012 (with current economic climate likely to exacerbate decline)
- (b) 33,500 total starts are required in 2008/09 season to maintain turnover – about 1,000 more than in the 07/08 season.
- (c) Annual starts will need to increase from **5.8** to **7.4** by 2012 to maintain the 2008-09 target of 33,500 starts - this represents a 34% increase in lifetime starts – from 13.8 to 18.5

The trend of individual starters is shown in the following graph. This graph shows there has been a 3.6% decline in individual starters, but a slight increase in the trend in the past few years.

Graph 2 – Total number of Individual Starters (last 10 years)



Further, the comparison to Australia shows that horses in Australia start on average 6.2 times per season, compared to 5.8 times per season in NZ. This differential of 0.4 starts per horse represents an additional 2,230 starters per year, or an increase of 6.9% and a realistic benchmark of where NZ can get to by successfully implementing a number of initiatives.

Table 2 – Individual Starts per Horse (NZ v Australia)

	1998/99	2007/08	Change
NZ	5.9	5.8	-0.1
Australia	6.3	6.2	-0.1
NZ Shortfall	-0.4	-0.4	0.0

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3.5 Financial Incentive to Increase Starts per Horse

As noted above, by achieving a similar number of starts per horse as Australia, NZ has the opportunity increase total annual starters by 6.9%. This increase, distributed in alignment with current starters would increase domestic turnover on thoroughbreds by in excess of \$32m. It is important to note there is a flow-on economic benefit to all codes from this strategy being successful.

The table below shows various trigger points and the financial benefit for both the industry and the codes of being able to increase starts per horse, thereby increasing total starters.

Table 3 – Income benefits from generating additional starts per horse

	Increase in Starters					
	2007	1.00%	3.50%	6.90%	10.00%	17.50%
Total Starters	32,425	32,749	33,560	34,662	35,668	38,099
Ave. starts per horse	5.82	5.87	6.02	6.22	6.40	6.83
Inc. from 07/08 Base	-	324	1,135	2,237	3,243	5,674
Inc. in NZRB Turnover	-	4,701,625	16,455,688	32,441,213	47,016,250	82,278,438
Inc. in NZRB Profit	-	470,163	1,645,569	3,244,121	4,701,625	8,227,844
Total industry profit		470,163	1,645,569	3,244,121	4,701,625	8,227,844
Thoroughbred	53.56%	251,819	881,367	1,737,551	2,518,190	4,406,833
Harness	32.77%	154,072	539,253	1,063,099	1,540,723	2,696,264
Greyhounds	13.67%	64,271	224,949	443,471	642,712	1,124,746
Net Income to NZTR		\$252,000	\$881,000	\$1,738,000	\$2,518,000	\$4,407,000

Hence, from the table above the following can be drawn:

Increase achieved	Industry Income	NZTR Income
An increase in the average number of starts per horse to the levels achieved in Australia (6.2 starts)	\$3.244m	\$1.738m
An increase in the average number of starts per horse by one-start-per-season	\$8.228m	\$4.407m

These figures show that NZTR must focus extensively on the issue of starter numbers, both through strategic policy development and through continued education of participants, particular Trainers as the key decision-makers in determining race starts.

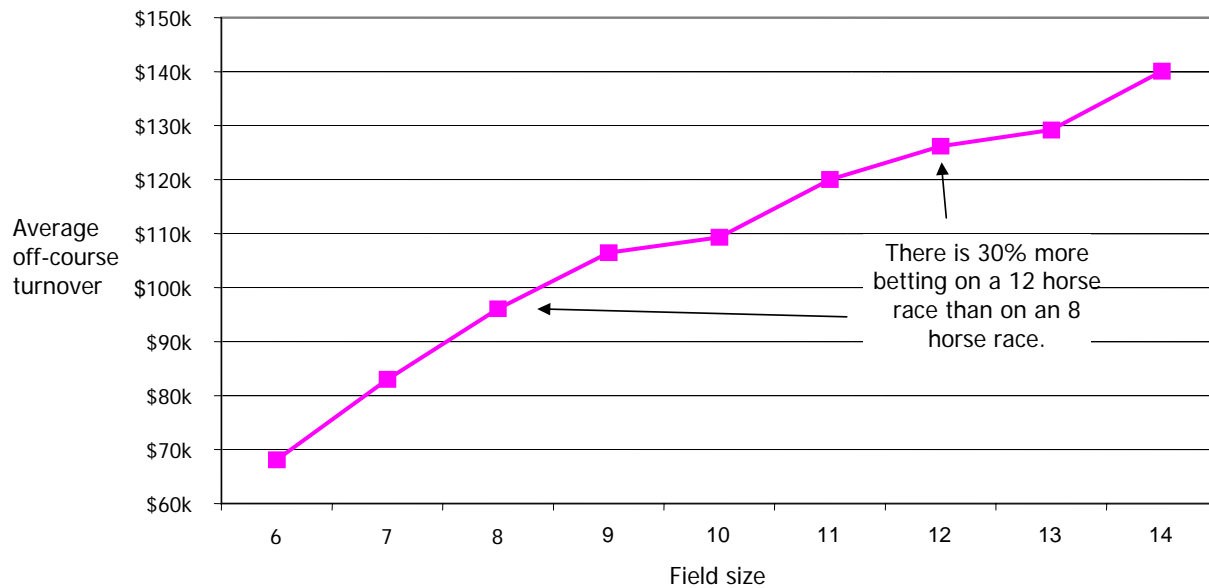
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3.6 Field Sizes

With an expansion in fixtures to meet Internationalisation, NZTR needs to develop strategies to encourage improved field sizes. The key drivers are:

- (a) To ensure field sizes close to an optimum of 12 – 14 for the majority of races. This will deliver enhanced wagering, as shown in the graph below.
- (b) To sensibly manage field sizes above 14 due to the relative drop off in wagering per starter that occurs for all starters above a field of 14. This may result in a field limit of 14 being set for all industry days. Further analysis is required with the NZRB to consider this issue.

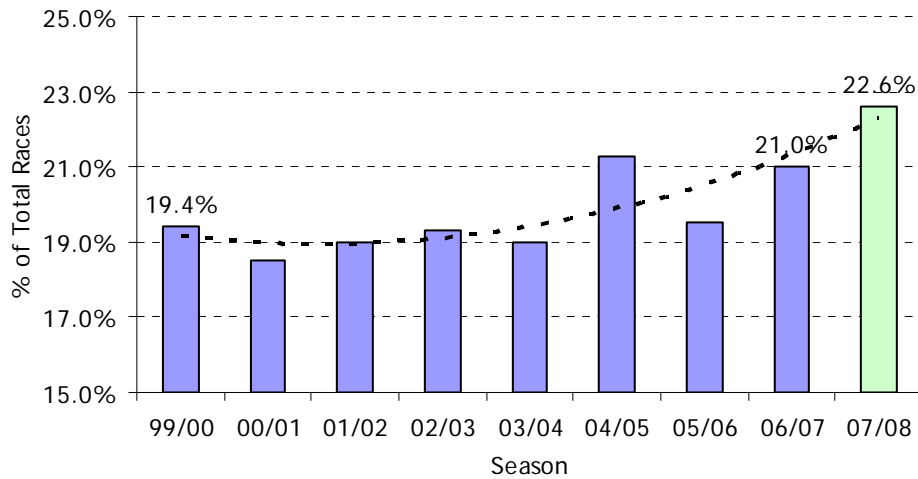
Graph 3 - Thoroughbred Turnover per Race



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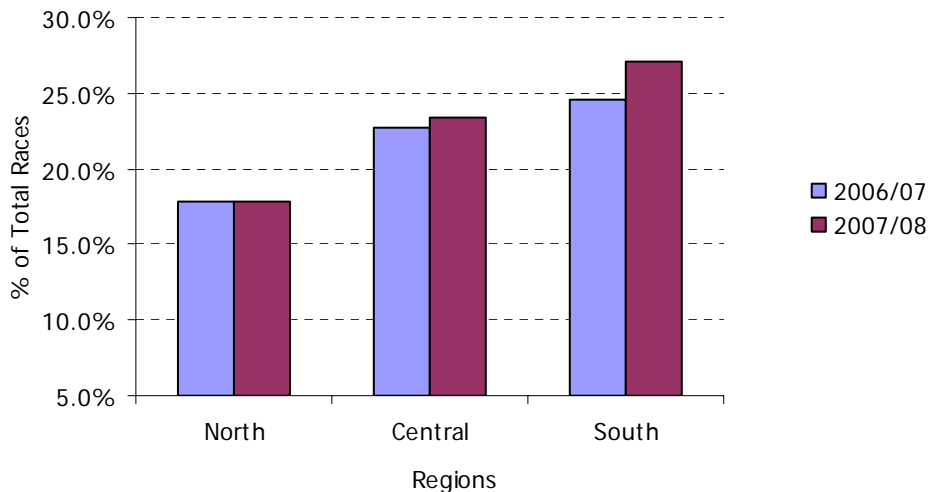
Against this backdrop of optimal field sizes, and also in the context of increasing barrier trials starters, there has been an increasing trend of smaller field sizes for thoroughbred races. The trend over the last 10 years is shown below.

Graph 4 – Thoroughbred Races – Eight (8) Horses or Less



At a regional level, this is highlighted by particularly poor average field sizes within the Central and Southern regions as shown below.

Graph 5 – Thoroughbred Races – Eight (8) Horses or Less by Region



These figures support the fact there is non-alignment of trained starters with the proportion of meetings/races currently run in each region. This issue is further discussed below and addressed in [Section 7.0](#).

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3.7 Participation - Distribution of Activity

One of the key challenges facing thoroughbred racing is aligning the activity of where horses are trained to where the race meeting licenses are allocated. Thoroughbred racing is a high cost product to put on and the **non-alignment of activity unnecessarily increases costs for Owners**. While NZTR and NZRB have a responsibility to ensure equity in relation to racing opportunities for Clubs, much greater importance should be to ensure equity of participation opportunities close to where horses are trained, thereby lowering Owners costs. The tables below highlight a **significant non-alignment of activity** between trained starters in each region with the current spread of races, an issue further exemplified at the Group and Listed level.

Table 4 – Trained Starters by Region (last 10 years)

	1998/99	2007/08	% Change
Northern	47.79%	49.95%	+ 2.16%
Central	29.63%	29.60%	- 0.03%
Southern	22.58%	20.45%	- 2.13%
Total	100.00%	100.00%	

Table 5 – Alignment of training and racing activity

	% Trained Starters (A)	% Races * (B)	Variance (B) minus (A)
Northern	49.95%	40.42%	- 9.53%
Central	29.60%	32.41%	+ 2.81%
Southern	20.45%	27.17%	+ 6.72%
Total	100.00%	100.00%	

* Forecasts based on calendar for 08/09 season

Table 6 – Alignment of training and Group and Listed (G&L) racing activity

	% Trained Starters (A)	% G&L Races * (B)	Variance (B) minus (A)
Northern	49.95%	42.86%	- 7.09%
Central	29.60%	35.37%	+ 5.77%
Southern	20.45%	21.77%	+ 1.32%
Total	100.00%	100.00%	

* Based on 08/09 season actual split of races being: North (64), Central (52) and South (30)

NZTR will seek changes through the 09/10 calendar process to ensure greater alignment of racing activity to trained starters, thereby reducing costs to Owners.

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This shift in trained starter numbers to the North is likely to further grow in coming years, as based on the following projected population statistics distribution by cluster for the period 2006 to 2026.

Table 7 – NZ Population Forecasts by Region (20 years)

	2006	2026 *	% Growth
Northern	2,153,000	2,675,000	24.2%
Central	988,000	1,001,000	1.3%
Southern	985,000	1,053,000	6.9%
Total	4,126,000	4,729,000	14.6%

* Forecasts based on figures from Statistics NZ www.stats.govt.nz

The above tables paint a picture of significant non-alignment of training and racing activity. This non-alignment exists currently and will increase in the mid to long-term unless structural change of the racing calendar is not pursued.

Initiatives to address this issue are outlined in Section 7.0.

3.8 Participation – Wagering on Thoroughbred Racing

NZTR is acutely aware of the relative decline in domestic wagering on NZ thoroughbred racing. This decline is due to many factors, but is partially driven by the high level of Australian thoroughbred racing broadcast in NZ. However this factor needs to be understood in the context of the total industry revenue growth from pursuing such policies, and NZTR strongly supports the drive to both internationalise NZ racing and increased wagering opportunities for domestic customers through importation of racing to grow total revenues. However, given the constraints of legislation, it is noteworthy to show the impact of both the decline in market share and the total value of product import.

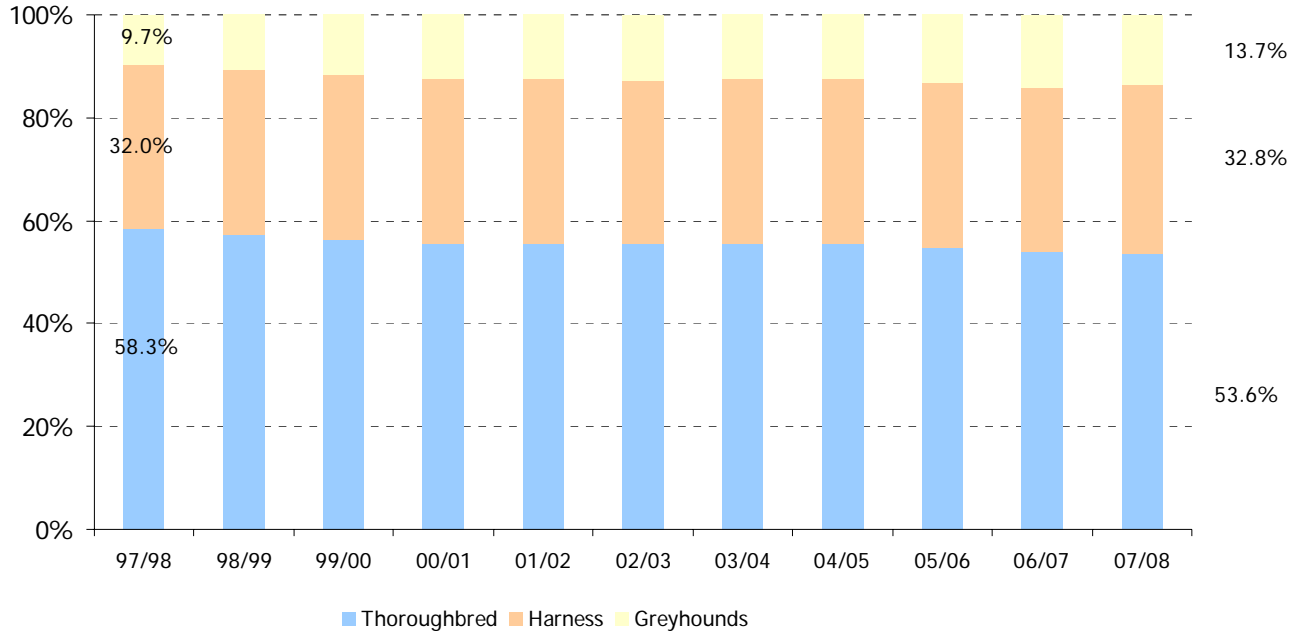
Table 8 – Total Domestic TAB Sales

	1998/99 (\$,000)	2007/08 * (\$,000)	% Change
- Thoroughbreds	483,434	490,959	1.6%
- Harness	266,134	300,387	12.9%
- Greyhounds	94,030	125,299	33.3%
Total Domestic TAB Sales	843,598	916,643	8.7%

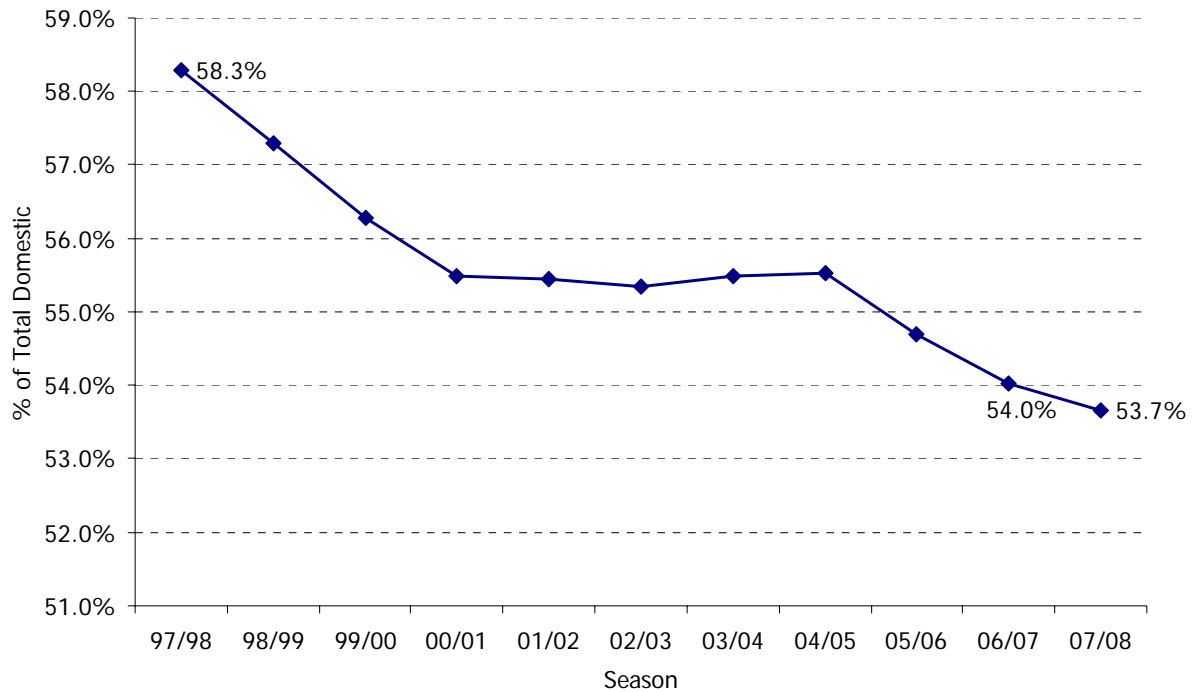
The above figures are graphically illustrated below with the three code market share of total domestic TAB sales over the 10 year period.

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Graph 6 – Three Code Market Share of Total Domestic TAB Sales (last 10 years)



Graph 7 – Thoroughbred Market Share (based on Domestic TAB Sales last 10 years)



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3.9 Returns to Owners

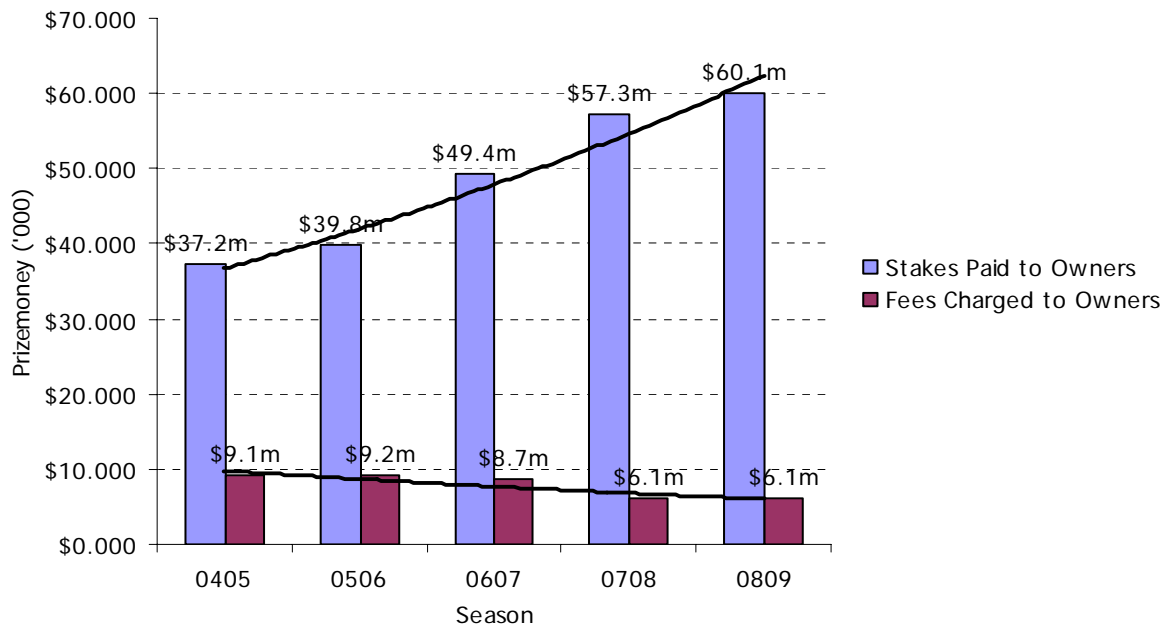
In the past two seasons, NZTR has focused increased levels of code revenue directly into Returns to Owners.

This focus has allowed NZTR to:

- (a) Increase net Returns to Owners (total stakes less fees paid by Owners) from \$28.2m in 04/05 to a total of \$52.1m in the 07/08 season; a cumulative increase over three seasons of 81.7%.
- (b) Grow total stakes to be paid in the current season to a forecast of \$56.1m, an \$18.9m increase or an increase of 50.7% over the three year period. Total stakes are forecast to increase to \$60.1m in 08/09.

This significant benefit in returns to Owners is shown below:

Graph 8 – Returns to Owners (04/05 to 08/09 ³ seasons)



In a regional sense, these increases have significantly closed the gap between the average stakes levels in NZ when compared to Australia.

NZ thoroughbred average stakes as a % of Australian average stakes levels are shown on the following page.

³ Note – 08/09 represents forecast levels

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3.10 Regional Comparison of Stakes

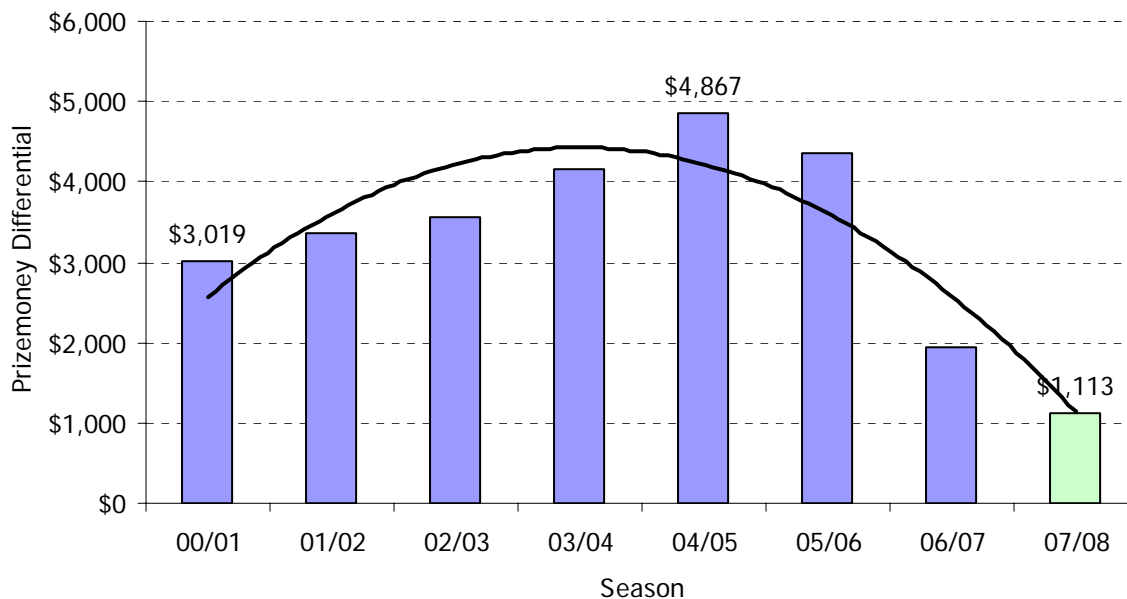
In a regional sense, these increases have significantly closed the gap between the average stakes levels in NZ when compared to Australia. NZ thoroughbred average stakes as a % of Australian average stakes levels are shown in the following table and graph:

Table 9 – Prizemoney differential per Race (average) between Australia and NZ (00/01 to 07/08 seasons)

Season	Aust average stakes per race	NZ average stakes per race	Difference (a) - (b)	Number of Races in NZ	Stakes shortfall	Yr on Yr shortfall change %
00/01	\$14,556	\$11,537	\$3,019	2,793	\$8.432M	
01/02	\$14,920	\$11,557	\$3,363	2,771	\$9.319M	10.5%
02/03	\$16,012	\$12,460	\$3,552	2,810	\$9.981M	7.1%
03/04	\$17,147	\$12,996	\$4,151	2,791	\$11.585M	16.1%
04/05	\$18,129	\$13,262	\$4,867	2,807	\$13.662M	17.9%
05/06	\$18,268	\$13,913	\$4,355	2,858	\$12.445M	-8.9%
06/07	\$19,213	\$17,266	\$1,947	2,863	\$5.573M	-55.2%
07/08	\$19,981	\$18,869	\$1,113	2,974	\$3.309M	-40.6%

* Forecasts for Aust 07/08 stakes per race based on uplift of 4%

Graph 9 – Prizemoney differential per Race (average) between Australia and NZ (00/01 to 07/08 seasons)



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3.11 Distribution of Prizemoney – Group and Listed Racing

In the past two seasons, NZTR has been able to significantly increase stakes levels across all meeting types. Within this, there has been a focus on driving Group and Listed stakes to a regionally competitive level. The need for significant Group and Listed increases was driven by a need to:

- (a) Ensure regional competitiveness of NZ Group and Listed races
- (b) Establish prizemoney differentials great enough to encourage participation
- (c) Recognise the importance of the NZ Pattern
- (d) Set minimum prizemoney levels for NZ Listed races at levels comparative to Saturday prizemoney levels of Australian eastern states

NZTR is comfortable the above needs have been met, with the 'top end' stakes now at a competitive level. The distribution of prizemoney within the Group and Listed framework, and by region is shown below.

Table 10 – Distribution of G&L Prizemoney as % of Total Prizemoney

	No. of Races	Total Prizemoney	% of Total Prizemoney	% of Total Races
Group One	24	\$8,440,000	15.0%	0.8%
Group Two	23	\$3,005,000	5.4%	0.8%
Group Three	29	\$2,505,000	4.5%	1.0%
Listed	69	\$5,205,000	9.1%	2.3%
Total Group and Listed	145	\$19,155,000	33.9%	4.9%
<hr/>				
Northern	1,178	\$16,464,500	30.0%	39.2%
Central	896	\$11,811,500	20.9%	31.8%
Southern	755	\$7,934,400	15.1%	24.0%
Total	2,974	\$55,365,400	100.0%	100.0%

* Statistics based on 07/08 season

Two key points can be drawn from this table:

- (a) The vast majority of Owners who will have horses that won't compete in Group and Listed races are effectively competing in 95.1% of races for just 66.1% of prizemoney.
- (b) There is a need to continue to drive minimum stakes levels for non-Feature races.

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3.12 Distribution of Prizemoney – Comparison to Australia

On a comparative basis, the following graph shows NZ Group and Listed prizemoney along with stats for Victoria, NSW and Queensland.

Graph 10 – Group and Listed Race and Prizemoney Comparison



The key points from the comparison are:

- (a) NZ has the highest % of Group and Listed races of the four jurisdictions at approx 5%.
- (b) Queensland has the lowest % of Group and Listed races of the four jurisdictions at just 1.5%.
- (c) NZ Group and Listed prizemoney as a % of the total prizemoney paid (35%) is comparable with Victoria (39%) and NSW (35%) but almost twice as high as Queensland (18%).

Hence, based on the above assessment, it can be demonstrated that NZ Group and Listed stakes are now at regionally competitive levels. For this reason, while there are no increases to Group and Listed race minimums proposed for the 08/09 season.

The Ministers Racing Promotion and Co-Sponsorship Fund (details on following page) targeting a number of key stakes races has a significant impact on both the stakes levels of these races, but also the total stakes available for Owners in the 08/09 season.

The maximum NZTR commitment of funds to this scheme is capped at \$500,000.

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3.13 The Ministers Racing Promotion and Co-Sponsorship Fund

Table 11 – Proposed Allocation of Funding and New Stakes Levels

	Derby	Auckland Cup	Telegraph Hcp	2000 Guineas	Total
New Stake Levels	\$2.2M	\$1M	\$1M	\$1M	\$5.2M
Current Stake Level	\$700,000	\$700,000	\$250,000	\$325,000	\$1,975,000
Additional Industry Commitment					
Additional Club Contribution	375,000	25,000	142,000	142,000	684,000
Additional NZTR Commitment	25,000	-	270,500	195,500	491,000
	400,000	25,000	412,500	337,500	1,175,000
Government Commitment	1,100,000	275,000	337,500	337,500	2,050,000
Total	\$2,200,000	\$1,000,000	\$1,000,000	\$1,000,000	\$5,200,000

Key Points

- Ministers' Commitment of \$2.05m has been allocated as required to deliver the required stake level (NZTR had little control over the allocation of funding).
- Club contribution reflects the increase in entry fees, driven by the increase in stakes and introducing an industry standard four stage entry and payment schedule across all four races.
- NZTR contribution of \$0.5M has in effect been used to make up the difference to achieve the required stake amount.
- Clubs will, where possible, renegotiate the race sponsorship arrangements and any additional sponsorship funding over an above current levels will be applied to the base stake. An option may also exist to meet with the main thoroughbred Breeders and negotiate a contribution from them, in addition to or in place of the sponsor money to boost the stakes even further, especially in regard to the Derby.

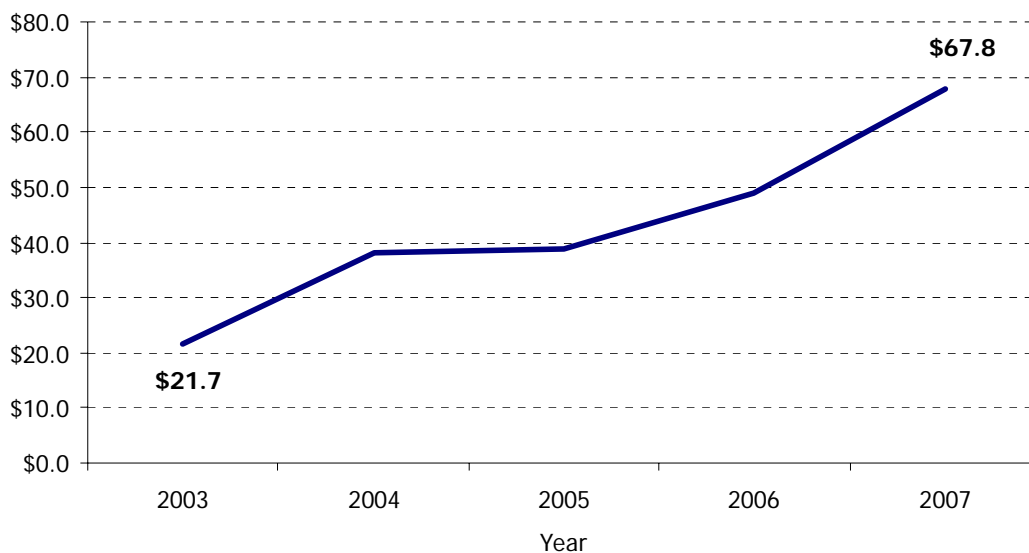
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3.14 Raceday Returns – Investment in Corporate and Raceday Packages

Despite some criticism, the shift of the Auckland Cup Carnival has enabled our leading club the opportunity of having two key Carnivals annually; and crucially being able to access corporate investment on raceday.

This growth in corporate spend has also been seen overseas, with the Victorian Spring Racing Carnival recently releasing economic benefit figures showing growth in corporate and raceday package spend of over 200% in the period 2003 to 2007.

Graph 11 – Growth in Corporate and Raceday Package Sales, Victoria (2003-2007)



NZTR recognises the opportunities to Clubs in developing these revenue streams, and securing patronage (and revenues) for new events. The challenge for NZTR is to provide:

- (a) A Funding Model that drives the Club focus away from offcourse revenue and focuses their attention on non-wagering (and likely more profitable) revenue streams.
- (b) Industry marketing support, often in conjunction with the NZRB, to improve the oncourse delivery of events and hospitality.
- (c) Support for Clubs in regional areas to engage with their community and develop feature race days that are at the heart of the community (similar to what regularly occurs in Australia).

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4.0 FORECAST 08/09 INCOME

2008/09 Season - Overview of Earnings

Based on information previously provided by NZRB Management, the following indicative funding will be available for the codes in 2008/09:

Table 12 – Forecast Income Distributions 2008/09

Forecast 08/09	NZTR	HRNZ	GRNZ	Total
Number of Race Meetings	332	284	359	975
Number of Races	3,078	2,733	4,152	9,963
Total Domestic Turnover	\$547.2m	\$318.2m	\$139.7m	\$1,005.7m
Forecast Domestic Percentage	54.44%	31.66%	13.90%	100.00%
Total Forecast Dist earnings 08/09				133,000
Industry expenses (incl. Integrity)				(2,200)
Available for Code Distribution				\$ 131,100
Locked in 'Base'	45,995	27,370	10,720	84,086
Guaranteed Export Commission	4,397	863	923	6,183
On-course Commission	7,827	4,305	723	12,855
FOB Commission (5%)	1,677	625	166	2,468
Interest	120	70	90	250
Market Share Surplus	13,823	7,960	3,445	25,228
Code Total	73,839	41,193	16,067	\$131,100

Note – 2007/08 Surplus of approximately \$8.2m to be distributed to Codes on top of \$131.1m

Table 13 – Total Thoroughbred Code Funding

Item	2007/08	2008/09	Change
Base funding from NZRB	68,083	73,839	5,756
Other NZTR Income	1,892	1,985	93
Racing Fees	800	750	-50
Total available funding	\$70,775	\$76,574	\$5,799

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5.0 FORECAST 08/09 DISTRIBUTIONS

Table 14 – Code Distribution of 2008/09 Earnings

Funding Model - 2008/09	Budget (\$) 2008/09	Forecast (\$) 2007/08	Change
Opening Distribution Account	\$465,000	\$1,536,424	\$(1,071,424)
<u>Income:</u>			
- Locked in Base	45,994,700	45,994,700	-
- Export	4,397,000	4,629,000	(232,000)
- On Course	7,827,000	7,762,000	65,000
- FOB	1,677,000	2,068,102	(391,102)
- Interest	120,000	260,000	(140,000)
- Market Share	13,823,000	7,369,000	6,454,000
Base Funding	73,838,700	68,082,802	5,755,898
- NZTR Other Income	2,735,000	2,692,000	43,000
Total Income	76,573,700	70,774,802	5,798,898
Total Available Funds (incl. Op Balance)	77,038,700	72,311,226	4,727,474
<u>Expenditure:</u>			
Components Paid to Clubs	68,401,000	66,938,100	1,462,900
NZTR - Existing Initiatives	8,856,000	7,782,200	1,073,800
NZTR – Other	870,000	1,255,000	(385,000)
NZTR - New Initiatives	2,046,000	-	2,046,000
NZTR - Infrastructure Funding	1,706,000	450,000	1,256,000
Total Expenditure	81,879,000	76,425,300	5,453,700
Net Income over Expenditure	(5,305,300)	(5,650,498)	345,198
Closing Distribution Account	(4,840,300)	(4,114,074)	(726,226)
Add Surplus - 2006/07	-	4,580,000	(4,580,000)
Add Surplus - 2008/09 - 1st payment	2,141,000	-	2,141,000
Add Surplus - 2008/09 - 2nd payment	2,141,000	-	2,141,000
Total Surplus	4,282,000	4,580,000	(298,000)
Adjusted Closing Distribution Account	\$(558,300)	\$465,926	\$(1,024,226)

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5.1 NZTR Funding – 08/09 Season

The table above shows NZTR running a forecast overdrawn Distribution Account balance at the end of the 08/09 season of approx \$558,000.

NZTR requests the NZRB support this deficit, based on it being brought about primarily by the following:

Initiative	\$
- Funding to The Ministers Racing Promotion and Co-Sponsorship Fund	500,000
- Funding of funding to Starter Incentives to support thoroughbred starter numbers	700,000
- Necessary Infrastructure funding to improve facilities (refer Section 6.0)	1,706,000
Total	\$2,906,000

It is the intention of NZTR to service the deficit in the Distribution Account through any increase in funding for the 09/10 season (i.e. first priority before other initiatives).

In addition, NZTR recognises the following:

- (d) There is an over-funding season-on-season by the thoroughbred code of over \$5m.
- (e) The thoroughbred code has, in effect, funded prizemoney increases in advance.

In recognising this situation, NZTR Management ⁴ outlines to the NZRB the following (currently committed) programmes that could be cut to ensure a balanced budget in future seasons:

Initiative or Funding Element	Annual \$
- Funding of Starter Incentives to support thoroughbred starter numbers	700,000
- Funding to the General Trust Fund to support injured Licensees and their families	300,000
- Funding to Fillies and Mares and Stayers Added Stakes Series	600,000
- Necessary Infrastructure funding to improve facilities (refer Section 6.0)	\$1,706,000
Total	\$3,306,000
- Reduction in base Prizemoney payments	\$2,000,000
Total	\$5,306,000

In addition, one of the key initiatives of NZTR must be an efficiency audit of all Clubs and Clusters to determine an acceptable and efficient amount of leakage of industry funding from Clubs to Participants. This initiative is outlined in [Section 7.0](#).

⁴ These are indicative only and have not been confirmed with the NZTR Board

6.0 INFRASTRUCTURE ALLOCATION 08/09

6.1 Infrastructure Funding

NZTR has provided for \$1.7m in infrastructure funding for the 08/09 season.

This is to be allocated primarily towards 12 identified strategic training venues. These venues contribute approx 60% of total trained starters for the thoroughbred code, so the investment in these facilities is seen as imperative in ensuring starter numbers are maintained.

NZTR has recently undertaken a review of key public training facilities in New Zealand. A draft copy of this report ("Training Centres in New Zealand: Review and Future Strategy") has been provided to NZRB Management (final copy to follow the NZTR Board Meeting in August).

The total allocation to infrastructure falls \$0.7m short of \$2.4m outlined in the NZRB Funding Framework (based on 50% of the additional funding of \$4.8m being allocated to infrastructure). This shortfall in infrastructure (and other reductions in proposed initiatives) is due to NZTR having to commit funding to the towards the Ministers' funding proposal (outlined above) around a small number of high stake races.

Table 15 – Allocation of Infrastructure Funding 2008/09

Category of Infrastructure Spend	Amount (\$)
(i) Strategic Training Venues Operating Subsidy	314,000
(ii) Track Maintenance Programmes	160,000
(iii) BLEC Groundbreaker Machines – Purchase and Operations	142,000
(iv) Jumping Venue Infrastructure Projects	50,000
(v) Strategic Training Venue Infrastructure Projects	1,040,000
Total	\$1,706,000

Further information on the above projects is available on request.

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7.0 STRATEGIC OBJECTIVES

Function	Strategic Priorities	Specific Initiatives	Timeline
Income Generation	Code Funding - To support NZRB processes to grow total industry revenues as well as achieve greater proportion of total turnover.	<u>Participation</u>	
		(a) To facilitate a shift of horses trialling to horses racing by reviewing all elements of barrier trials to ensure there are greater opportunities for horses to gain a start in a race rather than trial. This will include consideration of higher trial fees and the real industry need for trials.	Initial changes - June 2008 Second draft - November 2008
		(b) To encourage additional starters by implement starter incentives (Owner and/or Trainer based) for non-prizemoney winning runners for sectors of the horse population most prevalent at barrier trials (i.e. 2YO, Maidens and R70 up to 1400m races).	September 2008
		(c) To generate improved racing opportunities by improving race programming implementing a more centrally coordinated process based on statistics not historical race programmes. This will enable matching race programmes more closely to the available horse population. In addition, to encourage more innovative race programming by moving away from fixed R70, R80 and R90 grades to whatever best suits the regional horse population, or simply running more races as required in each grade.	Ongoing Workshop September 2008 Implement changes from November 2008
		<u>Synthetic Tracks</u>	
		(a) To encourage additional starts per horse and support horse welfare by the development of synthetic track racing, providing course consistency in winter months.	Ongoing First track May 2009

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Function	Strategic Priorities	Specific Initiatives	Timeline
	Stakes – Drive sustainable industry minimum stakes levels and differentials, minimise Owners costs and GST leakage.	<ul style="list-style-type: none"> (a) Implement Fixed Funding Model, shifting emphasis away from “Club turnover”. (b) Implement broad base payment of Riding Fees. (c) Increase RTO by removing Owners costs and minimising GST leakage. This includes project of splitting prizemoney at source to simplify GST processes. 	<ul style="list-style-type: none"> August 2009 August 2009 December 2009
	Race Date Allocation - Facilitate a shift of ‘industry’ licenses to venues close to the horse population.	(a) Concept Calendar – Present reviewed calendar to measure the cost benefit (wagering and Owners costs) of predominantly running of lower level prizemoney meetings (cognisant of regional opportunities and the capacity of venues to sustain further racing) to reduce Owners costs and support wagering, with remote venues only utilised when: (i) the stakes levels justify the additional Owners costs, and/or; (ii) the venue holds a competitive advantage (e.g. seasonal/ state of the track).	<ul style="list-style-type: none"> For Review: - NZTR Board (November 2008) - NZRB (December 2008)
	Efficiency – Establish suitable KPI’s for Club performance including Stakes to Funding ratio’s and other criteria	<ul style="list-style-type: none"> (a) Undertake detailed assessment of code leakage. (b) Work with NZRB to establish appropriate guidelines and benchmarks for measure. (c) Implement system of stakes planning as part of funding process to deliver agreed KPI’s. 	<ul style="list-style-type: none"> September 2009 November 2009 May 2009
	To assist Clubs develop non-wagering revenues, through growth in the oncourse model and better utilisation of industry assets non-raceday.	<ul style="list-style-type: none"> (a) Extension of workshops previously held to deliver Clubs suitable tools for driving oncourse revenues. (b) Support through Industry Marketing function to assist idea generation and planning for key events. (c) Undertake review of facilities to identify key non-raceday opportunities for Clubs. 	<ul style="list-style-type: none"> October 2008 Ongoing, in place February 2009

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Function	Strategic Priorities	Specific Initiatives	Timeline
Governance	NZTR Business - Continue to develop modern business and governance model.	<u>NZTR Management Operations</u> (b) Foster continued aggregation of governance and administration structures initially through Clusters. (c) Develop online NZTR business operations for all areas of business.	Ongoing Finance and Licensing – May 2009
		<u>NZTR Board Operations</u> (a) Introduce Board composition structure suited to modern needs of thoroughbred business – not one based on delegates. (b) Develop a Board Charter to ensure Directors operate in appropriate and effective manner in the best interests of the New Zealand industry.	For both: - Overview at AGM (November 2008) - Present at SGM (June 2009)
Infrastructure	Ensure implemented policy of adequate or suitable standards is maintained at all venues, with specific requirements for Strategic Venues.	(a) Venue strategy – Review and confirm updated position, confirm strategic venue policy through Board. (b) Work with NZRB to ensure appropriate strategy for greater Auckland region ('Auckland Blueprint') is approved and implemented in appropriate time frame.	November 2008 Draft report to NZTR Board August 2008
		(a) Review the current provision of training facilities and identify the future requirements of the industry. (b) Consider future capital infrastructure requirements to meet minimum standards and opportunities to consolidate facilities or reduce Owners costs. (c) Implement funding regime to support improved minimum standards at Strategic Training Venues.	August 2008 September 2008 September 2008

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Function	Strategic Priorities	Specific Initiatives	Timeline
Integrity	Ensure delivery of best in class integrity operations through various initiatives	(a) Implement Stage 3 of Integrity Resourcing Review with specific reference to Investigations team, succession planning and location of staff.	November 2009
		(b) Support development of tri-code Shared Services Model as proposed by NZTR.	Ongoing
	Modernise Rules of Racing	(a) Undertake complete re-write of the NZ Rules of Racing to provide modern, effective and less cumbersome Rules.	May 2009