

MARCH 2018 NEWSLETTER

CONGRATULATIONS MURRAY BAKER

It was a well-deserved induction into the Racing Hall of Fame last month for trainer, Murray Baker. Murray also recently reached 1500 wins in New Zealand – 153 at Group and Listed level. He has more Group I winners in Australia than any other New Zealand trainer. Murray has also been a previous and valued member of the Executive on the NZ Trainers' Association – representing us on the NZ Thoroughbred Racing Board for a time.

WINNER DUNSTAN TRAINERS' MAIDEN NZ AWARD FOR FEBRUARY

The meeting chosen for February was held at the Manawatu Racing Club meeting on the 9th February at Awapuni. The winner of the Kamada Park Whakarongo Maiden 1550m was He's a Freak, trained by local trainer, Lisa Latta. As Lisa is a member of the Trainers' Association, she will receive two bags of Equifibre Lucerne-Pro.

gavelhouse.com NEWCOMER AWARD

Andrew Carston from Riccarton has been enjoying some great success this year and has taken a strong lead in this competition. In his third year of holding a trainer's licence, Andrew had trained 12 individual winners at time of writing!

CD TRAINERS' ASSOCIATION SIRES GOLF DAY

- Friday 30th March 2018, 11.00am Shotgun start
- Palmerston North Golf Course, Brightwater Terrace, Palmerston North
- Ambrose Tournament Max Handicap 24
- Put together your Trainers' teams of four representing your region
- Teams of four- \$85 per head, but Trainers' Association members \$50
- Sponsorship deals available at \$350 GST included
- Get your entries in for this great day of entertainment and prizes.
- Contact Paul Claridge: 021 322 300

KEEP UP TO DATE WITH WHAT'S GOING ON IN THE INDUSTRY

The Trainers' Association are keeping their finger on the pulse and the Executive are at the ready to assist to ensure the future of our industry is secured. Meetings have been held and letters have been written to the Minister for Racing, the Right

Honourable Winston Peters to ensure he is aware of our views and the urgency of the issues facing us.

The following is an article written by Brian de Lore and published in The Informant. They have kindly agreed for it's reproduction to be supplied to all trainers:

Deloitte Report released but administrative impasse remains

By Brian de Lore / The Informant

Following months of waiting for a report on racing commissioned more than a year ago by New Zealand Thoroughbred Racing, an abridged version was finally released this week along with an edict to the industry's racing clubs and stakeholders.

The 'Deloitte Report' was compiled by the internationally renowned company of the same name which specialises in high-end accountancy and financial risk advice.

It was commissioned to examine, review and comment on the current New Zealand Racing Board strategies, identify the risks and assess the likelihood of success. Deloitte was also asked to compare this path with that preferred by NZTR – an alternative strategy of outsourcing the TAB's services for what Deloitte described in the report summary as "mitigating industry risk and enhancing industry financial performance".

Understanding why the report was commissioned throws up no complications. When 2017 arrived after more than 13 years of industry decline under the 2003 Racing Act and NZRB rule over the three codes, in the eyes of the NZTR a comprehensive review was the obvious move.

NZTR was very much opposed to the NZRB decision to go it alone and build its own Fixed Odds Betting (FOB) platform by entering into a deal with software developers Open Bet and Paddy Power-Betfair – a multi-channel betting operator that provides online betting services to more than 600 betting shops across the UK and Ireland.

NZTR preferred the much less expensive option of joining Tabcorp and tapping into its existing IT development and services, thus becoming part of a strong and expanding company in Australasia.

Instead, the NZRB made the decision to remain autonomous and build its own capital assets in the form of the FOB platform, mobile app, etc., at huge cost compared to the outsourcing to Tabcorp of these services.

The last cost estimation for the FOB platform which is due for launch in August was \$30 million with annual running costs of \$17 million. This compares with RWVA in West Australia who in 2017 did a deal with Tabcorp to outsource its FOB for an annual cost of just A\$7 million. Hence the impasse that today exists between the NZRB and NZTR.

And for anyone still confused by the structure of racing in New Zealand, the Racing Act of 2003 brought into being the New Zealand Racing Board (NZRB) to preside

over the three codes – NZTR, Harness Racing New Zealand and Greyhound Racing New Zealand. The NZRB took over the running of the TAB and Trackside TV also came under its control. The Act depowered the people at the very heart of the business. In essence, racing people were gradually evicted from control and NZTR was relegated to a secondary industry role with little recourse and no control of revenues generated by industry stakeholders.

Even before the Racing Act and the NZRB, the history of thoroughbred industry management was a mixed bag – there was good and bad. When the Act came along in 2003 it was, however, written in a manner that offered little back to the industry stakeholders in terms of accountability or transparency from the new governing body.

Those who wrote the Act could not have envisaged the NZRB would grow into the massive organisation it is today from relatedly humble beginnings, with employees now numbering somewhere between 800 and 900, but the authors of the Act were remiss in their failure to foresee storm clouds on the horizon.

In his President's Report of 2003, NZRB incumbent Rick Bettie wrote: "The Totalisator Agency Board and the Racing Industry Board amalgamated on 1 August to form the new New Zealand Racing Board – a milestone we have worked towards and awaited for years."

Transitional General Manager Jim Leach wrote: "It is fitting that in the last year of our existence we have achieved record turnover for both racing and sport. After a 53-year heritage of passion and commitment to the industry, the TAB now ceases to be an independent entity and merges with the Racing Industry Board to form the much awaited New Zealand Racing Board."

It may have seemed like a good idea at the time, but that was a watershed moment in our racing history for other reasons – the day racing lost control of its own betting institution. It has been a downhill ride ever since in terms of the TAB returning the benefits of its operation to the people who provide the product on which to bet.

In addition to the 'leaky boat' nature of the Act's wording, one clause called for neutrality of three Board members of the NZRB so that each of the three codes could have only one nominee, which was clearly a poor deal for the thoroughbred code – one board member out of six was hardly a fair deal for what was the majority code.

This clause was, in fact, invoked several years ago when the now Chair of NZTR was asked to step down as Chair of NZRB after the greyhound representative brought the obscure clause to the table and highlighted an ownership interest by the Chair in several thoroughbreds – the interpretation being that the neutral members of the board were to have no vested interest racing at all.

Any natural decline in the fortunes of the racing industry worldwide had been a factor, but after 2003 we went from the beginners' slope at Coronet Peak to the downhill ski run at last week's Winter Olympics in South Korea.

In 2006 the racing industry still had \$70 million in cash reserves and a further \$36 million in property. That's only 12 years ago but all that money is now gone. The

property has been sold, the cash reserves exhausted and most of the \$24 million required to increase the stakes for this season and next has been borrowed.

That's the history of it and it's the history from which we learn. So what does the history of the NZRB tell us? Firstly it says they have failed to serve this industry in the manner intended over a decade and a half; it says we've had a succession of high salaried CEO failures and it says nothing has occurred to this point of time to arrest the downward trend during the entire span of its existence.

What has happened in the last 12 years, you may well ask. Let's just look at costs: in 2006 the operating expenses were \$119,069,000 but by 2016-17 they had risen to \$204,681,000 and wages/salaries had more than doubled from \$31,383,000 to \$63,689,000.

The revenue had increased but extra profits derived from that revenue had no flow-down effect to the stakeholders – it was retained to expand NZRB infrastructure.

The seriousness of the situation is clearly outlined in the words above. If this industry is to survive and be a force again then we have to make substantive changes and very soon. This view is endorsed in the opening stanza of the NZTR edict that accompanied the release of the Deloitte Report Executive Summary, which finishes with, "In the current funding environment the structure of our industry as it is now is not sustainable".

But the problem now is clearly the impasse that exists between the NZRB and NZTR. The Deloitte Report is a detailed and comprehensive document but in its abbreviated form released this week of little more than three pages, it sticks to the salient points of which some are worth quoting here.

"The benefits of a substantial restructure are not mutually exclusive from NZRB's other strategic priorities, indeed all options should be considered rapidly and contemporaneously."

Further on it says: "To date, the NZRB has not managed to achieve the change necessary to significantly enhance or secure the future in a very protected, regulatory environment. While revenues have grown, profitability has not grown at the same rate. As a consequence, distributions to the codes have remained flat in nominal terms and declined in real terms. This is not a sustainable position for the codes.

"...the NZRB strategy is critically dependent on two key initiatives, an enhanced fixed odds betting platform and a customer and channel strategy, being executed on time and on budget and delivering the benefits anticipated. These initiatives appear to contain significant risk both in terms of timely delivery and the ability to provide the full value anticipated. In particular, they require investment in the vicinity of \$59 million to \$72 million which is material in the context of the overall NZRB balance sheet and assume significant additional profit will be generated within a relatively short period of time."

NZRB CEO John Allen, who has been in his position for close to three years, is critical of the Deloitte Report although he doesn't rule out the possibility of giving it consideration at some point in the future.

Allen told The Informant after the report was released this week: "Yes I have read both documents and I agree with the general thrust that we need to improve the performance of our industry to get it on a sustainable footing. I agree that urgent action is necessary and I agree that race fields and investment in venues that are going to be fit for purpose, and in time consideration of the type of transactions that Deloitte have had a think about and are all part of the mix."

So why didn't Allen and his board stop what they were doing in FOB and other spending and give serious consideration to such a document?

"We couldn't stop growing our customer base and developing our FOB platform," he says. "If we'd done that we would have delayed our ability to both put another \$12 million into stakes which we have done this year and grow our distributable profit to \$185 million, which we are expecting to do next year and \$200 million in the subsequent year."

"No-one was suggesting we should stop," Allen continued. "We certainly didn't think it was appropriate to stop and frankly if we had sat on our hands and just gone into some sort of analytical process I think the industry would have been rightly critical of us."

Last year Allen admitted to The Informant his head was on the block with these strategies and that some were high risk. How he had arrived at the conclusion that the \$12 million increase in stakes could have been affected is a mystery – remember that most of it has been borrowed.

So why, then, couldn't the Deloitte Report have been given serious consideration without any disruption to NZRB activities?

"What I mean is that we had detailed discussion about it, as you would expect. There are mistakes in it and that's not a surprise because Deloitte is a consulting firm that has done a desktop exercise with this; they never engaged with us so they have made errors – the numbers in there are just simply not correct."

"We haven't dismissed the report; we don't agree with it but Deloitte haven't talked to us about it and there are factual inaccuracies in it," Allen repeated. "Aside from all the factual inaccuracies, we have delivered \$12 million up-front for stakes; we are going to deliver \$185 million profit next year and \$200 million in the subsequent year."

Allen wasn't more specific about the report's factual inaccuracies but it could be speculated that he was merely disagreeing with the presumptions of profit over a four-year period. Previously I had written that outsourcing to another provider would save \$280 million over four years, but the report revealed a slight variation on that.

It said: "Our preliminary analysis suggests the combined benefits from an appropriately structured transaction could increase distributions to the codes by \$38

million to \$63 million annually. The difference between the mid-point of our downside scenarios under the NZRB initiatives and the mid-point of our assessed benefits under an outsourced arrangement is in the vicinity of \$280m over the FY18 to FY21 period.

“While our analysis is only indicative and based on assumptions, these assumptions have been formulated by practitioners and analysts directly involved in facilitating similar transactions in an Australian racing setting.”

The use of the word ‘assumptions’ is consistent with most profit forecasting by accountancy firms. In the same way, the future profits of the NZRB FOB platform, the new app and increasing the customer base and TAB turnover are also assumptions based on some non-specific research conducted in Australia and other places.

While profits are more difficult to forecast, cost containment is far easier to control. On that matter, the report had this to say: “Our analysis shows NZRB has struggled to contain fixed and variable costs and, as a consequence, revenue growth has not translated into an enhanced bottom line. Further, it appears that on both a trend basis and in absolute percentage terms, the cost structure of NZRB is high relative to its peers.

“This is not a reflection on NZRB management but simply a function of a lack of scale. The lack of scale means it is unlikely NZRB will be able to achieve a sustainable competitive advantage against international wagering competitors.”

The above statement has been continually reinforced by former Racing NSW and Racing Australia Chairman John Messara, whose observations have appeared in these pages over recent weeks.

“But leaving the report aside, continued Allen, “we as a Board have considered it seriously but are still prepared to look at this type of transaction in the future.

“I think you are trying to create something that’s not there,” replied Allen to the suggestion there was a tense relationship between NZRB and NZTR. “If I take the Deloitte Report as an example, when we received the report it was considered by our Board and our Chair wrote back formally to NZTR expressing our views, and we said that in future this the type of transaction might be looked at – our senior executives met with the board of NZTR and went through the various projects.

“We probably spent at least half a day with them going through all those things, so it’s just not true to suggest we are not engaging with them or not talking with them. I do understand that urgent action is needed and that’s why we are doing what we are doing at the moment – the FOB and that’s why we are focused on our customers.

“Now, I get it that the track record of the NZRB over 14 years isn’t that great but in the time that I have been here – and that’s all I can comment on – we’ve said we are going to do things and we have done them, and what I am determined we are going to do is deliver the FOB platform.

“We are also going to deliver our customer programme, we are going to deliver race-fields – we are going to put a rocket under Parliament to get them going on that – and when we deliver the things we said we are going to do, then we will act on these other options.”

HORSE TRUCK PASSENGER SAFETY

Trainers are advised that the police are once again targeting horse trucks and checking that every passenger is wearing a seat-belt. Non-wearing of a seat-belt is not just illegal, but also has drastic ramifications with the Health & Safety legislation. The consequences are not only substantial fines, but also any passengers without seat-belts will be removed from the vehicle – and left on the side of the road.

We have also been advised by the commercial horse transportation companies that they face the same restrictions and they will not be able to automatically accept all grooms being sent to accompany horses. Please contact your local horse transport provider to ensure you are prepared and can get your staff to the races.

15% DISCOUNT AVAILABLE FOR TRAINERS FROM NEW PLYMOUTH AUTO-ELECTRICAL

We recognise times are a bit tough for trainers at the moment but also understand the importance of horse transport being up to scratch.

Our business specialises in vehicle air-conditioning and installation of components (reversing cameras, trailer accessories etc). We also recondition alternators and general auto-electrical services (batteries, alternators, wiring etc). Kent can also attend on-site to save time and disruption.

We can offer 15% discount off services for members of the NZ Trainers' Association.

CONTACT DETAILS: T: [06 7582480](tel:067582480) / [0211155888](tel:0211155888)

W: www.newplymouthautoelectrical.com



NZTR VENUE/STABLE VISITS

The training venue/stable visit will be conducted by an NZTR representative in conjunction with the trainer or a nominated senior stable representative and will include a review of the entire place of work for any potential work place health and safety hazard. A review of the processes and reporting that is currently in place, alongside industry best practice in regard to injury prevention and use of personal protective equipment.

Also at the time of these visits, compliance with Employment legislation will be checked. For any assistance with employment compliance, please check the Trainers' Association website – there are guidelines and templates under the Employment tab: <http://www.nztrainers.co.nz/Employment/default.aspx>

HEALTH & SAFETY COMPLIANCE

A reminder that trainers need to comply with the Health and Safety at Work legislation. Non-compliance can carry hefty fines – particularly should an accident occur to any staff, authorised visitors (e.g. Horse Owners) or contractors (e.g. Farriers, vets, dentists...)

For those who have not got the necessary signage, workplace safety manuals and practices in place, here are a few ways you can comply:

The Trainers' Association website has got information and templates as prepared by NZTR on the Links page of our website
– <http://www.nztrainers.co.nz/Links/default.aspx>

We also have two racing industry advisers available to assist trainers become compliant. They are

Countrywide Providence Group – Mike Osborne.

Mike Osborne, offers a \$200 discount to NZTA members. Contact details for Mike Osborne are as follows: [0800318177](tel:0800318177) or [0274416100](tel:0274416100) OR mike.osborne@countrywideprovidence.co.nz

The price for Mike Osborne's services are unchanged and range from \$695 + gst including a stable signage package,(normal price is \$895 + gst.) Any extra requests will be charged on an hourly basis.

Mike is a licenced trainer and has trained & ridden for 40 years. He is also a farrier and breaks in horses. So he knows the industry well and what to look for when looking for hazards and potential accident situations. He is a believer in prevention and can assist you with advice and education, he is also a registered financial adviser so can show you what you need to do regarding ACC and insurance protection around Health & Safety issues in your stable.



PH Consulting Ltd was developed with the introduction on the current Health & Safety Act 2015 to provide a service to develop Health & Safety Systems for businesses that are compliant with this new legislation.

The following are some of the services offered:

- Health & Safety Plan Development
- Risk/Hazard Management
- Induction & Training
- Customised Signage
- Annual Review

PH Consulting will develop a Health & Safety System that meets the requirements of your business, with Equine being a specialty industry. The Systems are affordable and easy to implement, as well as being compliant with the Health & Safety at Work Act 2015. All sizes, types and location (nationwide service) of businesses accounted for.

Philippa Howells has a diverse background in the Equine Industry, having had a lifetime involvement in many different aspects:

- Licenced Racehorse Trainer (Class B)
- Thoroughbred Breeding background
- Former NZ Thoroughbred Racing Tutor
- Official with Equestrian Sports NZ (FEI Level 2 Jumping Course Designer)
- Competitor in Show Jumping, Eventing, and Dressage

PH Consulting is based in the Waikato, and is available to visit nationwide as required.

SPECIAL NZ TRAINERS ASSOCIATION PRICE: \$695 + GST – includes first visit

(NOTE: price excludes mileage, as charged separately. Special offer valid till 1 May 2018)

For further information, please contact PH Consulting:

Philippa Howells

0272141599

Te Kauwhata

phconsultingnz@gmail.com

www.phconsulting.net

NZTR along with WorkSafe representatives previously carried out a series of Health and Safety workshops in regional centres. Should you be interested in a further round of workshops, please contact either Wendy at nztrainersassn@gmail.com or Tim Lambert at NZTR - tim.lambert@nzracing.co.nz

NZTR also have comprehensive information on their website:

<http://www.nzracing.co.nz/NZTR/Resources/Health-and-Safety.aspx>

NEWS FROM THE RIU:

Exhibition Gallops

A potential health and safety issue has been raised around exhibition gallops on raceday.

The concern raised is that saddles have been used that were fitted with track work irons and that with the riders wearing race boots, the chance of a foot going through the iron is greatly enhanced in the event of a mishap. Can trainers please ensure that race style irons are only used in these circumstances.

Gear Changes

Trainers are reminded that the cut off for gear changes is at the closing of withdrawals and that it is their responsibility to ensure that the correct gear is recorded against the horse prior to that time. Applications for late changes after this cut off time will be assessed on a case by case basis but particularly for significant changes such as blinkers and side wickers are unlikely to be approved.

Ear Covers

It has been agreed to standardise the following across all states in Australia

Pre-race Ear Covers worn to the start - must be red in colour and worn over the bridle

Ear Covers to remain on for race - can be any colour EXCEPT red and worn under the bridle

Trainers are requested to comply with the above which we will be looking to make mandatory in the near future.