



*“Everything NZTR does must pass one simple test:
What is best for New Zealand thoroughbred racing”*

NEW ZEALAND THOROUGHBRED RACING BUSINESS PLAN 2012-2014

This Business Plan has been written by the Executive of NZTR with the active involvement and endorsement of the Board of NZTR. This plan is part of a programmed delivery of NZTR improvement strategies designed to redefine the parameters and future opportunities for NZTR and its many stakeholders. The Board of NZTR will deliver regular updates of this 'living' document.



Key Messages

1

NZTR's over-riding aim is to maximise returns to thoroughbred racing participants

2

The status quo is not sustainable, NZTR has to effect positive fundamental change

3

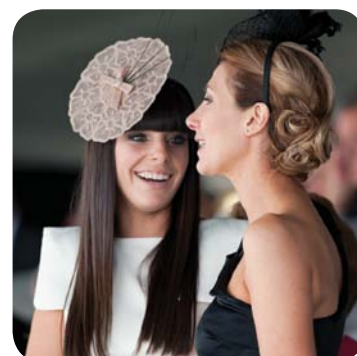
Thoroughbred racing's success is dependent on positively influencing NZRB performance

4

NZTR will be accountable and transparent and improve its consultation and communications with all stakeholders

Index of Contents

	PAGE
Introduction from the Chairman.....	2
Business plan framework.....	3
Executive summary and key performance indicators.....	4
Key actions and timelines.....	8
1 Marketing.....	9
2 Domestic broadcasting.....	11
3 Race club performance.....	12
4 Pattern racing.....	13
5 Communications.....	14
6 Gaming revenue.....	15
7 Animal welfare.....	16
8 Industry training and development.....	17
9 Racing structure.....	18
10 Race dates, programming and handicapping.....	22
11 Fillies and mares races.....	25
12 Jumps racing.....	27
13 Infrastructure and asset optimisation.....	28
14 Internationalisation.....	30
15 Ownership.....	32
16 Participation.....	34
17 Intellectual property.....	35
18 Supporting NZRB's business.....	36
19 Industry governance.....	39
20 Section 16 of the Racing Act 2003.....	40
21 Government relations.....	41
22 NZTR governance, accountability and transparency.....	42





Chairman's Introduction

I am delighted to introduce the Business Plan of New Zealand Thoroughbred Racing for the three years 2012-2014. Our industry, despite its current challenges, has a bright future.

NZTR has defined three broad areas of focus where considerable upside can be generated. Namely, improving the performance of the current model, repositioning the industry in certain key areas, and working collaboratively with other stakeholders to drive performance. Our Plan encompasses 22 specific areas of action, with clear management KPI's attached. Some of these opportunities will be easily attainable in the short term, while others will require considerable effort before any prize can be claimed.

Your Board is well aware of its opportunity and obligation to drive positive fundamental change to revitalise thoroughbred racing. Major change requires accurate information and we are putting in place a series of fair and transparent measurements across key aspects of our industry's activity.

Optimising our own activity is crucial but we will merely delay decline unless we return this industry to a path of revenue growth. This requires using the attributes of our sport to re-connect with mainstream New Zealand. A key priority is therefore to drive a sea change in the fragmented marketing efforts of our industry.

Many industries in New Zealand suffer from a lack of scale and yet are able to thrive by accessing international markets. The relative health of New Zealand breeding relative to New Zealand racing drives home this point. It is critical to our future that New Zealand racing accesses and grows international markets. This requires a quality, consistent racing product.

NZTR itself must be fully accountable and transparent to all stakeholders. We view this Plan as a living document and we undertake to genuinely consult and communicate with you all. The road ahead will not be easy but there is enormous opportunity and everything we do will meet one simple test – "what is best for New Zealand thoroughbred racing."

Yours in racing,

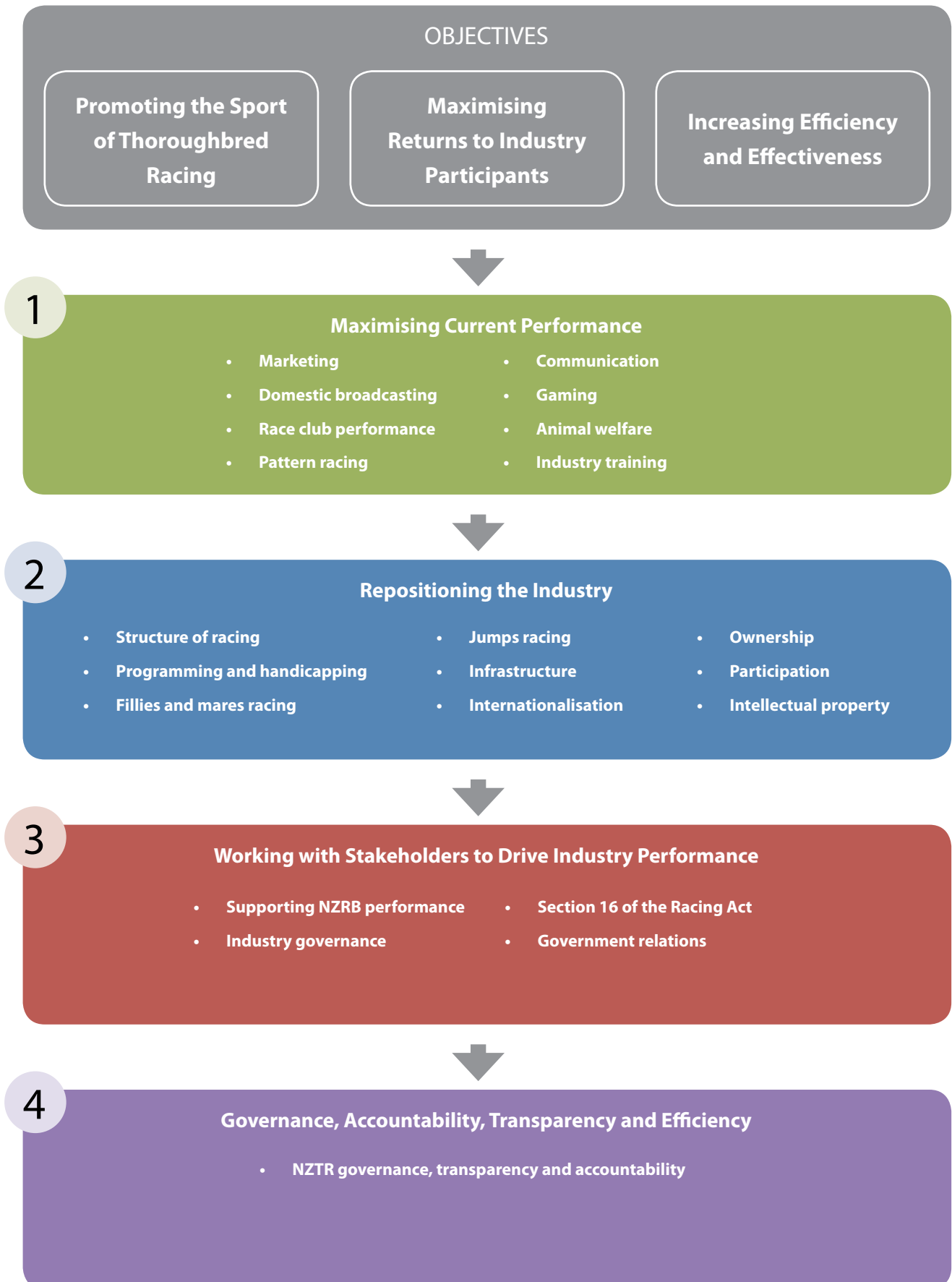
A handwritten signature in black ink, appearing to read 'Matthew Goodson', written in a cursive style.

Matthew Goodson

Chairman

6 December 2011

Business Plan Framework



Executive Summary

This business plan supports NZTR's three core objectives:

- Promoting the sport of thoroughbred racing
- Maximising returns to industry participants
- Increasing efficiency and effectiveness

The plan is structured with a series of staged activities that are targeted to achieve short and long term industry improvements to deliver the key outcomes the industry requires.

The core activities and outcomes from the business plan are:

- Maximise performance of the current model
- Reposition the industry
- Work with stakeholders to drive industry performance
- Accountability and transparency

This business plan provides the first step in a broader process of change and development required for the industry to move forward. It requires action and commitment.

While the plan details 22 individual work streams, an overview of key areas of activity are summarised below, namely:

- Racing Structure
- Supporting NZRB performance
- Internationalisation of New Zealand racing
- Developing key infrastructure
- Increasing accountability, transparency and efficiency

NZTR will develop a sustainable racing structure to maximise wagering revenues across the 3,040 races per annum to be conducted in FY12-FY14.

We need to offer a product that fits into the timeslots and lifestyles that our customers demand.

NZTR has introduced a new structure of racing from 1 March 2012 designed to maximise domestic and international wagering on New Zealand thoroughbred racing, which involves racing 52 weeks of the year on Mondays, Wednesdays, Thursdays, Fridays and Saturdays, with racing every Tuesday in autumn and spring and on Sundays between November and March

Prizemoney and programming amendments provide a greater differentiation between quality Saturday racing and other days of the week

NZTR has announced an increase in minimum prizemoney levels from 1 March 2012:

Minimum Prizemoney Structure by Meeting Category from 1 March 2012

DESCRIPTION	OPEN	R85	R75	R65	3&4YO	2YO	MAIDEN
Premier	40,000	30,000	25,000	20,000	20,000	20,000	20,000
Feature	25,000	15,000	15,000	12,500	12,500	12,500	12,500
T2 Feature	15,000	12,000	10,000	8,000	8,000	8,000	7,000
Industry	12,000	8,000	8,000	7,000	7,000	7,000	7,000

Source: 2011-12 NZTR Funding Policy

Supporting NZRB Performance

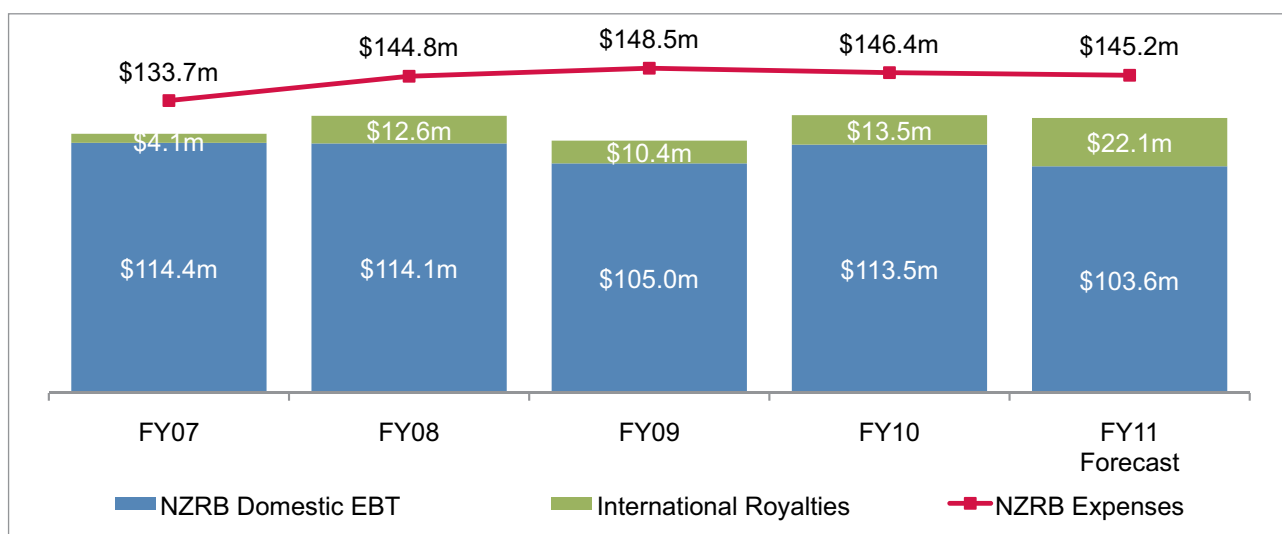
Thoroughbred racing is economically dependent on wagering. In FY11 earnings from wagering funded more than 70% of thoroughbred prizemoney and other race club costs.

Over the last five years, NZRB domestic earnings have fallen by \$10.8m (9.4%) from \$114.4 million in FY07 to \$103.6 million in FY11(F).

NZRB's declining domestic performance has been offset by growth from international royalties paid by Australian totalisator operators betting on New Zealand races.

At the same time, NZRB expenses have risen by \$11.5m (8.6%) from \$133.7m to \$145.2m, with salaries and wages accounting for \$4.9m (42.6%) of this increase.

NZRB Gross International Royalties and Domestic EBT ¹



Source: NZTR Analysis and NZRB Reporting

It is in NZTR's strategic interest to align its business model to increasing wagering and supporting NZRB performance.

Among the key drivers of NZRB wagering performance is field size.

A key objective of NZTR will be to grow field size from an average of 10.7 in FY11 to an average of 11.2 by FY13. To achieve this we will attempt to increase the number of times that our horses start each year from 5.7 starts to 6.2 starts per starter.

NZTR will do this in two ways:

- Introducing a new programming and handicapping system which will more closely align the available horse pool within each rating band to the types of races scheduled; and,
- Putting in place incentives to encourage more fillies and mares to race.

Fillies and mares make up 54%-57% of the available horse population, after exports, but represented only 46.5% of individual horses which raced in FY11. Fillies and mares have underperformed males in higher grades.

NZTR will improve fillies' and mares' participation by increasing the sex allowance from 1.5kgs to 2.0kgs from 14 November 2011, introduce a 90-race annual fillies and mares series and investigate the introduction of further incentives. NZTR is targeting fillies and mares being 50% of individual starters and individual winners by FY14.

Internationalisation

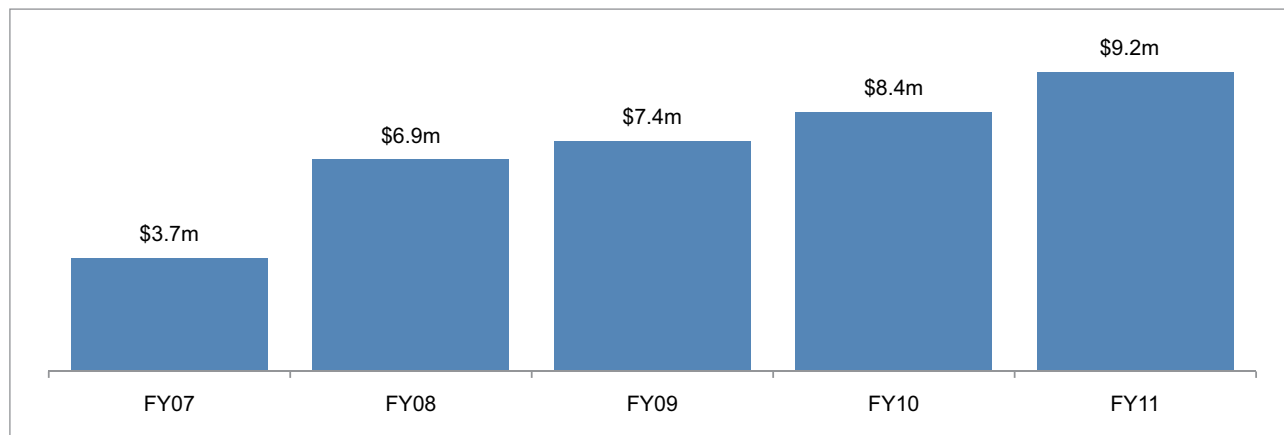
With a New Zealand population of just 4.4 million people, many thoroughbred racing participants already derive significant revenue from international bloodstock and wagering sources.

¹ NZRB Earnings before Tax less International Royalties.

In FY11, New Zealand exported 1,596 thoroughbred horses with 1,140 (71%) exported to Australia, 218 (14%) to Singapore and 127 (8%) to Hong Kong, comprising a total of 93% of all horses exported.

International wagering revenues are also becoming extremely important. In FY11 the NZRB will receive \$9.2m in international royalties from Australian totalisator wagering operators betting on New Zealand thoroughbred race events.

Royalties Paid to the NZRB by Australian Totalisators Operators on NZ Thoroughbred Races



Source: NZTR Analysis

Totalisator wagering turnover by Australian totalisator operators on New Zealand thoroughbred races has grown by a compound average growth rate of 25.8% per annum over the last five years.

In FY11, Australian totalisator wagering operators held almost as many bets on New Zealand thoroughbred racing events (\$339.9m) as the NZRB held on New Zealand thoroughbred race events (\$368.6m).

It is anticipated in FY12 that Australian totalisator wagering on New Zealand thoroughbred races will exceed NZRB wagering on New Zealand thoroughbred races.

This impressive growth was achieved despite New Zealand racing broadcasts being relegated to the Sky2 and Sky World premium pay-for-view television channels, without a presence on Australia's two main racing channels Sky1 or TVN, without the provision of comprehensive racing information, without mainstream media exposure, with minimal promotion and with sub-optimal time slots.

This business plan outlines a series of actions that NZTR will undertake to grow international wagering revenue incrementally by \$6.7m over the next three years.

Developing Key Infrastructure

Our current infrastructure is inadequate and does not match industry needs or customer expectation.

Over the past two decades NZTR, race clubs and their communities have not undertaken sufficient infrastructure maintenance or investment.

However, thoroughbred racing is unlikely to ever have the capital to fully develop all 51 racecourses.

Investment in infrastructure has to be strategically placed, well-considered and have the greatest impact.

NZTR estimates that infrastructure spending of \$60-\$100 million is required over the next ten years for appropriate racing, training and public facilities to be maintained. Currently NZTR has a capacity to fund no more than \$2-\$3 million per annum of infrastructure projects. NZTR will seek to identify funding sources capable of delivering the industry's strategic needs.

The development of NZTR's wider infrastructure strategy will provide the overall guidance needed to ensure that investment in infrastructure creates the best return for the industry.

The NZTR infrastructure policy is likely to require clubs receiving industry funding support to apply their assets to racing related purposes in the event they cease racing.

NZTR Accountability, Transparency and Efficiency

NZTR will be transparent and accountable to its stakeholders and adopt the highest standards of governance.

NZTR must do this if it expects reciprocity of accountability and transparency from the NZRB and race clubs.

NZTR has started this process by appointing an independent board on 25 May 2011.

With the support of the NZRB and the harness and greyhound codes, NZTR has secured a four year inter-code agreement that will provide a minimum distribution undertaking from the NZRB of \$69.48m (inclusive of RIU costs), providing a minimum funding increase of \$5.35m per annum from FY12.

NZTR Forecast Revenue and Expenses for FY12, FY13 and FY14

DESCRIPTION	FY11 ACTUAL	FY12 FORECAST	FY13 FORECAST	FY14 FORECAST
Number of race meetings scheduled	323	354	369	369
Number of races conducted	3,048	3,040	3,040	3,040
Number of starters	32,592	32,832	34,048	34,048
Average field size	10.7	10.8	11.2	11.2
Average minimum prizemoney	\$13,384	\$14,199	\$15,140	\$15,416
Aggregate funded prizemoney	\$40,793,877	\$43,164,000	\$46,024,313	\$46,865,434
<hr/>				
NZRB distribution (net RIU costs)	\$64,125,069	\$69,475,000	\$70,894,600	\$72,190,240
NZTR nomination and acceptances	\$2,030,117	\$2,440,009	\$3,612,770	\$3,612,770
NZTR stud book, registration and publishing	\$2,426,401	\$2,372,500	\$2,372,500	\$2,372,500
Gaming Income (non NZRB)	\$425,306	\$77,268	\$0	\$0
Other Income	\$772,063	\$538,513	\$538,513	\$538,513
<hr/>				
Club and meeting funding	(\$64,255,194)	(\$66,569,784)	(\$69,230,111)	(\$70,071,232)
NZTR operational expenses (net RIU costs)	(\$5,421,975)	(\$5,468,984)	(\$5,468,984)	(\$5,468,984)
Restructuring costs and special projects	\$0	(\$500,000)	(\$250,000)	(\$250,000)
<hr/>				
NZTR Surplus (for Infrastructure and prizemoney)	\$101,788	\$2,364,522	\$2,469,288	\$2,923,807

Source: NZTR Analysis

This increase will allow NZTR to introduce a structure of racing and increase prizemoney levels from 1 March 2012, which is sustainable without further NZRB revenue growth.

Summary of NZTR's Key Performance Indicators

	BASE	KEY PERFORMANCE INDICATORS			
	FY11	FY12 (F)	FY13 (F)	FY14 (F)	
1. NZRB distributions to NZTR	\$64.1m	▲ \$69.5m	▲ \$70.9m	▲ \$72.2m	
2. Base prizemoney paid	\$40.8m	▲ \$43.2m	▲ \$46.0m	▲ \$46.9m	
3. Average minimum prizemoney	\$13,384	▲ \$14,199	▲ \$15,140	▲ \$15,416	
4. Field size	10.7	▲ 10.8	▲ 11.2	► 11.2	
5. Females as % of individual winners	45.0%	▲ 46.7%	▲ 48.3%	▲ 50.0%	
6. NZTR expenses (excluding RIU)	\$5.42m	▼ \$5.47m	► \$5.47m	► \$5.47m	
7. Ownership participation	12,504	▲ 12,600	▲ 13,000	▲ 14,000	
8. Race meeting attendance	508K	▲ 525K	▲ 550K	▲ 575K	
9. Average track rating from Dead 6.18 to Dead 5.25	6.18	▼ 6.00	▼ 5.75	▼ 5.25	
10. NZRB thoroughbred international royalties	\$9.2m	▲ \$11.0m	▲ \$13.2m	▲ \$15.9m	

Source: NZTR Analysis

▲ ▼ Positive change ► No change ▼ Negative change

NZTR Key Actions and Timelines

TIMELINE 1	TIMELINE 2	TIMELINE 3	TIMELINE 4
SIX MONTH DELIVERY 25 MAY 11 – 6 DEC 11	YEAR 1 DELIVERY 6 DEC 11 – 31 JUL 12	YEAR 2 DELIVERY 1 AUG 12 – 31 JUL 13	YEAR 3+ DELIVERY 1 AUG 13 – 31 JUL 14+
Implement NZTR governance reform with new Board on 25-May-11 ✓	Establish an Auckland review group (Avondale) by 31-Jan-12	Roll out marketing plan by 1-Aug-12	Allocate race dates on performance benchmarks from 1-Aug-14
Review handicapping system and implement reforms on 14-Nov-11 ✓	Establish marketing working group by 31-Jan-12	Establish race date performance benchmarks from 1-Aug-12	Align racing to horse populations at strategic venues from 1-Aug-14
Review race programming to align to horse population from 14-Nov-11 ✓	Establish a Waikato review group (all weather surface) by 29-Feb-12	Implement further fillies and mares incentives from 1-Aug-12	Support the renegotiation of international broadcast contract post 2015
Increase allowances for fillies and mares on 14-Nov-11 ✓	Increase prize money and implement new race programme on 1-Mar-12	Investigate new ownership initiatives by 1-Aug-12	Establish new code-led industry governance model
Identify marketing as critical and assess scope of work by 6-Dec-11 ✓	Introduce fillies and mares race series from 1-Mar-12	Review prizemoney structure for Saturday racing by 31-Jul-13	Review Section 16
Review EqITO and commence merger with AgITO by 6-Dec-11 ✓	Assess race meeting performance and develop benchmarks by 31-Mar-12	Finalise an Auckland solution (Avondale) by 31-Jul-13	
Review 2012-13 race dates and implementation ✓	Develop a domestic broadcast strategy by 30-Apr-12	Finalise Waikato solution business case (all weather surface) by 31-Jul-13	
Negotiate Asian Pattern Committee Ground Rules and agree transition times ✓	Develop an industry wide infrastructure strategy by 31-Jul-12	Commence new race club funding model from 31-Jul-13	
Review all 2YO and 3YO NZ pattern races for international peer review ✓	Review all on-course services and standards by 31-Jul-12	Increase returns derived from thoroughbred intellectual property	

✓ undertaken

1 Marketing

Despite a high combined industry spend on marketing over the last five years, thoroughbred racing does not feature as an entertainment option of choice for most New Zealanders.

We will present thoroughbred racing as an accessible and compelling sport with the aim of maximising on-course and off-course participation.

Current Status

- NZTR does not currently market or co-ordinate the marketing of thoroughbred racing sport
- In FY11 NZTR provided marketing subsidies of \$800K to four race clubs:
 - Auckland Racing Club \$320K (Christmas Carnival and Auckland Cup Carnival)
 - Wellington Racing Club \$160K (Wellington Cup Carnival)
 - Canterbury Jockey Club \$160K (NZ Cup Carnival)
 - Hawkes Bay Racing \$160K (Hawkes Bay Carnival)
- NZTR does not require race clubs to account for or evaluate the effectiveness of this industry funded marketing subsidy
- NZTR has not required race clubs to report on-course attendances
- NZRB operates a free-to-air and pay television channel, production studios, radio station and provides millions of dollars in funding annually to newspapers for form, results and editorial coverage
- In FY11 there were 323 meetings attended by approximately 508,000 people, with an average race meeting attendance for all meetings of 1,573, and for:
 - Saturdays and National Public Holidays 2,629
 - Sundays 994
 - Mid week 835
- Thoroughbred racing's 12 best attended race meetings in FY11 were:

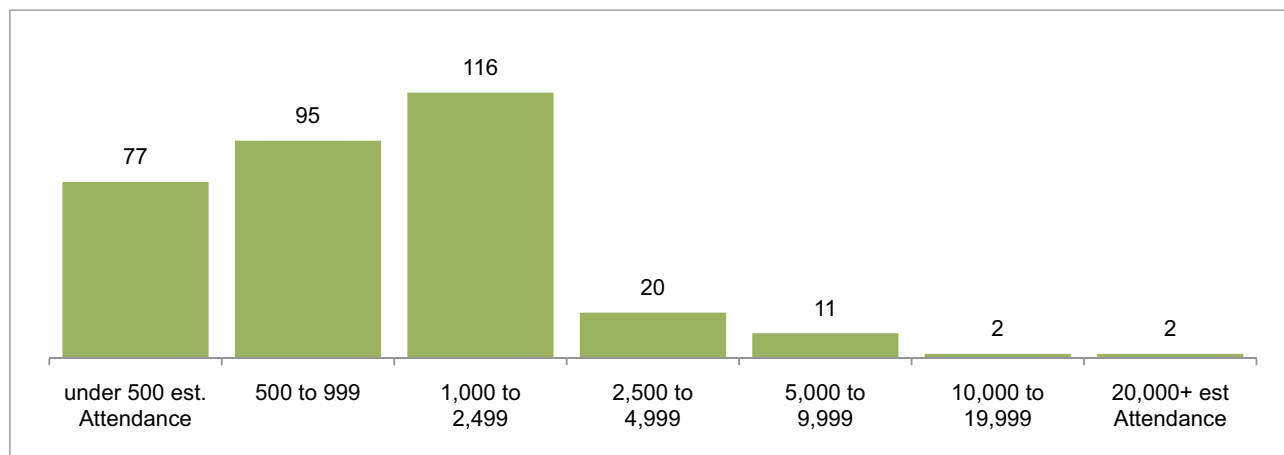
Table 1.1 Highest Attended New Zealand Thoroughbred Race Meetings FY11

DAY	DATE	CLUB	RACES	ON-COURSE TURNOVER \$	EST ATTEND (NZRB)	OFF-COURSE TURNOVER \$
Saturday	13 November 2010	Canterbury Racing	10	1,238,922	20,438	3,143,310
Sunday	26 December 2010	Auckland RC	10	1,229,082	20,000	3,363,844
Saturday	29 January 2011	Wellington RC	10	1,100,520	15,848	3,454,842
Sunday	02 January 2011	Wairarapa RC	8	476,876	10,360	667,592
Saturday	05 March 2011	Auckland RC	10	660,496	8,700	2,178,899
Saturday	11 December 2010	Waikato RC	10	428,540	8,520	2,258,598
Saturday	02 October 2010	Hawke's Bay RI	10	903,925	8,340	2,692,156
Saturday	01 January 2011	Auckland RC	10	801,107	7,500	3,623,182
Sunday	28 November 2010	Otago RC	10	207,211	7,153	662,770
Tuesday	02 November 2010	Otago RC	10	300,864	6,810	1,198,292
Saturday	08 January 2011	Kumara RC	11	360,635	6,293	1,332,943
Wednesday	10 November 2010	Canterbury Racing	12	630,978	6,100	1,980,058

Source: NZRB Market Research

- Only 35 thoroughbred race meetings attracted a crowd of more than 2,500 people.

Chart 1.1 FY11 Thoroughbred Race Meeting Attendances by Category



Source: NZRB Market Research

Actions

NZTR will facilitate industry-wide coordination of marketing and promotion of thoroughbred racing by:

- Developing and resourcing a professional industry marketing strategy including five key areas:
 - Thoroughbred brand
 - On-course
 - Ownership participation
 - International
 - Wagering
- Integrating our domestic marketing effort with New Zealand Thoroughbred Marketing (NZTM)
- Exploring industry joint ventures for news, form services and media services
- Undertaking market research and identifying our promotable events
- Analysing and adapting overseas best practice for New Zealand conditions
- Differentiating effort between industry based marketing and on-course promotions
- Developing national sponsorship opportunities
- Working with Trackside and other media to promote industry “heroes”
- Developing a strategy to foster relationships with editors and producers
- Developing a social media strategy

Key Performance Indicators:

	BASE	KEY PERFORMANCE INDICATORS			
	FY11	FY12	FY13	FY14	
1. Develop a marketing strategy to be completed by 31 July 2012.					
2. Attendance	508K	▲ 525K	▲ 550K	▲ 575K	
3. Meetings with attendance +2,500	35	▶ 35	▲ 40	▲ 50	
4. On-course totalisator spend per customer	\$80	▶ \$80	▶ \$80	▶ \$80	

2 Domestic Broadcasting

NZTR will work with the NZRB to drive improvements to broadcasts of thoroughbred racing.

Current Status

- The NZRB holds exclusive rights, title and interest in broadcasting of New Zealand races during the term of the International Rights Agreement which expires on 30 June 2015
- The NZRB operates two domestic channels that broadcast all New Zealand thoroughbred, harness and greyhound events and a number of international thoroughbred, harness and greyhound events
- Trackside and TAB TV often have identical content and often fail to cover superior quality Australian thoroughbred events on either channel when the timing of these events conflict with the timing of New Zealand thoroughbred, harness or greyhound races
- Lead-in times for domestic harness and greyhound events potentially prejudice the wagering sales performance of superior Australian racing content
- Over recent years, the NZRB has significantly reduced domestic “non-wagering” thoroughbred programming

There is a considerable opportunity for revenue from optimising domestic and imported broadcasting.

Actions

NZTR will increase domestic and international revenue through improvements to the quality of broadcasts by:

- Working with the NZRB to have a dedicated thoroughbred or equine channel and agreeing standards with the NZRB on, for example, lead-in times, wagering and data in broadcast
- Developing with the NZRB new offerings including specialist thoroughbred news, preview and review programmes
- Researching viewers and their drivers for viewing and wagering
- Providing content on demand via NZTR’s website and in other online media
- Working with mainstream national TV executives to secure broadcasts of key events on free-to-air TV
- Aligning domestic racing with international broadcast schedules, where appropriate

Key Performance Indicators

5. Participate in the NZRB review of broadcast performance and develop a thoroughbred broadcast strategy by 31 May 2012.

3 Race Club Performance

Maximising Returns to Industry Participants

Clubs put on the event and are the 'shop window' for our industry. They are responsible for the racegoer's experience and providing racing and training facilities for industry stakeholders.

NZTR will support and work with clubs and will also set benchmarks to ensure they meet the needs of customers and industry stakeholders effectively.

NZTR will act as the standard-setter for the racing and racing-related performance of race clubs.

Cross-subsidisation of poor performing clubs by strong performing race clubs is no longer feasible.

Current Status

- In FY11 there were 63 race clubs racing at 50 venues conducting 323 meetings attended by approximately 508,000 people
- In FY10 thoroughbred race clubs paid \$49.6m in stakes money, spent \$7.5m on race day costs and training expenses (excluding stakes), \$28.9m on administration and operational costs, and produced an aggregate trading profit of \$0.9m before depreciation. After depreciation thoroughbred race clubs produced an aggregate net deficit of -\$2.4m
- Thoroughbred race clubs have fixed assets (at book value) in excess of \$195m and net equity of more than \$214m
- Subsidies and cross-subsidies are inherent in the current funding model and inhibit economically efficient decision-making and resource allocation. It is imperative race clubs understand their true race-day costs so they are better positioned to make good economic decisions

Actions

NZTR will work with clubs to ensure they meet customers' and industry stakeholders' needs by:

- Reviewing individual race meeting performance using a standardised reporting template
- Reviewing the funding model to ensure it incentivises clubs for each race day category
- Setting and reviewing benchmark race day standards to be monitored in 2011-12 and 2012-13 and to be used as a basis of race date allocation from 1 August 2014, based on maximising total racing industry returns
- Putting in place cost-minimisation protocols for industry days by 29 February 2012
- Linking performance measures with funding and incentives

Key Performance Indicators

6.	Establish performance benchmarks by 31 July 2012.
7.	Review FY13 funding model by 31 May 2012.
8.	Establish management system for collection of accurate raceday data by 31 January 2012.

4 Pattern Racing

The well-being of the thoroughbred industry depends on the annual export of over 1,500 thoroughbreds.

Pattern races provide aspirational benchmarking targets for all stakeholders and are critical to retaining investment from owners, trainers and breeders.

New Zealand will maintain a strong schedule of credible pattern races.

As a major thoroughbred exporter, New Zealand must have a robust and internationally credible schedule of pattern races.

Current Status

- The proportion of Group 1, Group 2 and Group 3 pattern races does not currently form a pyramid (more Group Two races than Group One races and the sum of Group One and Two races to be less than the total number of Group Three races).
- The Asian Pattern Committee will require all Asian Racing Federation member countries (including NZ) to adhere to the guideline benchmarks used by the World Thoroughbred Ranking Committee.

Actions

New Zealand will maintain a schedule of pattern races that meets international benchmarks and promotes the quality of the New Zealand thoroughbred by:

- Maintaining current minimum stakes for Group races and increasing minimum stakes funding for Listed races to \$50,000 from March 2012
- Working with the New Zealand Pattern Committee (NZPC) to ensure:
 - each pattern race is correctly positioned within Group One, Two, Three and Listed race categories
 - the pattern reflects a true pyramid
 - the total number of pattern races represents less than 5% of races conducted
- Undertaking international peer review of ANZ ratings to ensure New Zealand trained horses are appropriately internationally rated

Key Performance Indicators

		BASE	KEY PERFORMANCE INDICATORS			
		FY11	FY12	FY13	FY14	
9.	Number of Pattern Races to total races	4.9%	▶ 4.9%	▶ 4.9%	▶ 4.9%	

5 Communications

Increasing Efficiency and Effectiveness

NZTR will implement internal and external communication improvements to provide maximum information to stakeholders.

It is NZTR's responsibility to provide positive media content such as personality profiles, new initiatives, successes and key events.

There is an intrinsic link between stakeholder satisfaction and effective communications.

Current Status

- Key stakeholders and influencers historically have not perceived NZTR as open and transparent
- Key NZTR messages have not been clearly communicated
- Racing has negative perceived associations with problem gambling and gaming

Actions

NZTR will improve its communications with all stakeholders by:

- Conducting regular and effective consultation with clubs and clusters
- Introducing a 'consultation calendar' of regional meetings for all stakeholders and the media around key events (sales, carnivals etc)
- Developing strategies and key messages relating to the key issues of each stakeholder group
- Building communications into all major change programmes and initiatives
- Reinforcing all communications consistently throughout all available channels and in plain English including website, media bulletin, releases and NRB multifax, statement inserts and the TRM
- Utilising more effectively Trackside and Radio Trackside channels to communicate key messages
- Reviewing and analysing all positive and negative media coverage
- Improving automated communications (eg: nominations to owners)
- Developing a media plan around key events and stories and regularly distributing stories to external media outlets
- Redesigning website
- Upgrading video replays

Key Performance Indicators

10. Commence six-monthly Stakeholder Survey by 31 January 2012.

6 Gaming Revenue

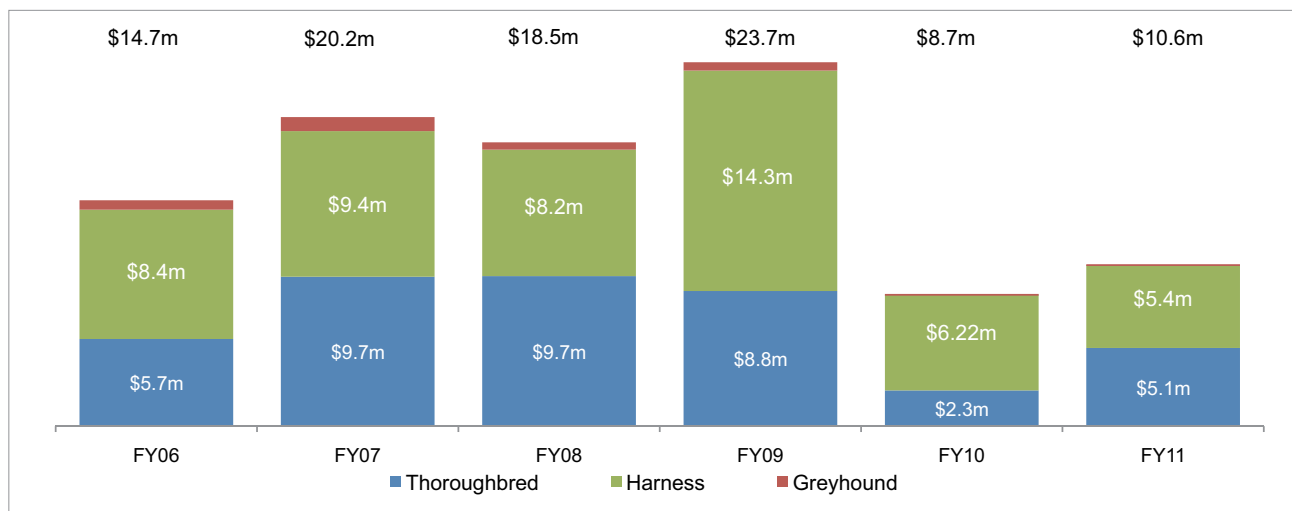
Gaming revenue is received by the thoroughbred racing industry to support racing activities and enhance community infrastructure.

Gaming grants are an important funding stream for race clubs to enhance community infrastructures

Current Status

- Section 4 of The Gambling Act 2003 defines an Authorised Purpose for distributing net gaming monies as follows: a charitable purpose; a non-commercial purpose that is beneficial to the whole or a section of the community; promoting, controlling, and conducting race meetings under The Racing Act 2003, including the payment of stakes
- Gaming grants are an important funding stream for racing clubs. Over the past five years gaming grant revenue to all facets of thoroughbred racing has reduced from \$9.7m to \$5.1m per annum

Chart 6.1 Gaming Grant Funding FY06 to FY11



Source: Compiled from Trust Grant Disclosures

- As gaming grant applications are race club based, grant funding does not always align with the racing industry's strategic interests or regional thoroughbred racing activity
- In August 2011 the NZRB was issued a Class 4 Gaming Licence. On expiry of existing arrangements, the NZRB will transfer TAB situated machines to its own licence. This process is expected to be completed within eighteen months

Actions

NZTR will develop a gaming grant policy, including:

- A review of all its processes and protocols in applying for gaming grants to ensure they meet all legislative requirements and are appropriate thoroughbred racing industry guidelines
- Ensuring NZTR's funding strategy optimises the ability of racing clubs to legitimately access gaming grant funding
- Providing all race clubs with clear policy guidelines on gaming grant applications

Key Performance Indicators

- Undertake a comprehensive review of gaming activities by 31 July 2012, including ensuring NZTR's funding strategy optimises the ability of racing clubs to legitimately access gaming grant funding.

7 Animal Welfare

Increasing Efficiency and Effectiveness

It is in the interests of both the horse and the thoroughbred racing industry that NZTR maintains prudent and efficient horse welfare programmes to arrest declining patronage, perception and financial support.

NZTR is committed to improving the welfare of thoroughbreds and appropriate welfare standards.

Current status

- The Rules of Racing contain provisions for horse welfare and drug control. These are reviewed regularly and the views of anyone interested in horse welfare are welcomed
- NZTR, through the NZ Equine Research Foundation and the Massey Partnership for Excellence, monitors new welfare research findings and promotes further funding and support for welfare studies
- There are a number of agencies in New Zealand with varying degrees of responsibility for equine health and welfare. Despite this, there has been a lack of co-ordination in dealing with equine neglect cases
- NZTR does not have or support a retraining and/or re-homing programme for retiring racehorses
- There is not a register of raceday breakdowns
- There are only a few race meetings at which horse ambulances are provided
- In 2010 NZTR, HRNZ and the RNZSPCA put in place an MOU setting out how collectively and individually the signatories will act in reporting and handling instances of thoroughbred and standardbred (harness) horse neglect, and promoting early intervention to alleviate horse suffering as quickly as possible
- NZTR is closely involved, through the NZ Equine Health Association, in revising the Animal Welfare (Horses) Code of Welfare, under the Animal Welfare Act. It is currently under consideration by the National Animal Welfare Advisory Committee (NAWAC)¹ and is anticipated to be adopted in the first half of 2012
- NZTR is closely involved, through the NZ Equine Health Association, in negotiating an emergency disease management programme with MAF through the Biosecurity Law Reform Bill, which passed its second reading in 2011

Actions

NZTR will introduce stronger welfare standards and practices for thoroughbred racing by:

- Consulting with welfare agencies and industry partners to develop minimum raceday and non-raceday equine welfare standards and protocols (e.g. maximum age for the auction of barren mares)
- Assessing other equine welfare models for potential adaptation for New Zealand
- Developing a plan for a thoroughbred adoption programme, including an education programme aimed at altering general perceptions that the thoroughbred temperament does not lend itself to adoption after racing
- Assessing and consulting on options for resourcing equine adoption which would provide industry and private opportunities to financially assist thoroughbred retirement efforts
- Investing in track maintenance
- Developing with the RIU management of data on fatalities, injuries and retirements

Key Performance Indicators

12.	Assess other equine welfare models, potential resources required, and potential partnerships by 30 April 2012.
13.	Implement, with the RIU, mechanisms for managing data on horse fatalities, injuries and retirements by 31 July 2012.
14.	Develop a plan in consultation with relevant sector groups and agencies, for an NZTR thoroughbred adoption programme, including an education programme, by 31 July 2012.

¹ Ministerial advisory committee established under the Animal Welfare Act 1999.

8 Industry Training and Development

Increasing Efficiency and Effectiveness

The thoroughbred industry needs competent participants to ensure the training and racing of 5,400 individual horses each year.

Current Status

- NZTR has an Industry Training (ITO) programme targeted almost exclusively at apprentice jockeys, with minimal focus on other key areas of activity
- The Equine Industry Training Organisation (EqITO) is not achieving its targets
- There is not a nationally recognised framework of competency that appropriately validates the high level of competency of the vast majority of skilled participants
- There is a lack of consistency of industry training delivery

NZTR will provide industry participants with an education structure to allow individuals the opportunity to develop skills required to meet industry needs for training, riding and breeding horses.

Actions

NZTR will improve industry training by:

- Maintaining and improving the high performance outcomes of apprentices
- Providing nationally accredited "skills recognition" to all stakeholders
- Focusing on industry training/qualifications for other key industry areas, stablehands/stud grooms, stable/stud managers, racecourse managers and track work riders
- Merging the EqITO structure into the Agriculture Industry Training Organisation (AgITO)
- Developing and implementing "recognition of prior learning"
- Reforming delivery of industry training to maximise efficiency
- Developing international opportunities
- Developing a blueprint for future industry training

Key Performance Indicators

	BASE	KEY PERFORMANCE INDICATORS			
		FY11	FY12	FY13	FY14
15. Apprentice Jockeys	48	▲ 50	▶ 50	▶ 50	
16. Level 3 Stablehand Certificate	25	▲ 120	▲ 200	▶ 200	

9 Racing Structure

NZTR will develop a sustainable racing structure to maximise wagering revenues across the 3,040 races per annum to be conducted in FY12-FY14.

We need to offer a product that fits into the timeslots and lifestyles that our customers demand.

We must move from a supply-led racing structure to a demand-led structure.

Current Status

- NZTR has introduced a new structure of racing from 1 March 2012 designed to maximise domestic and international wagering on New Zealand thoroughbred racing, which involves racing 52 weeks of the year on Mondays, Wednesdays, Thursdays, Fridays and Saturdays, with racing every Tuesday in autumn and spring and on Sundays between November and March
- Prizemoney and programming amendments provide a greater differentiation between quality Saturday racing and other days of the week

NZTR has announced an increase in minimum prizemoney levels from 1 March 2012:

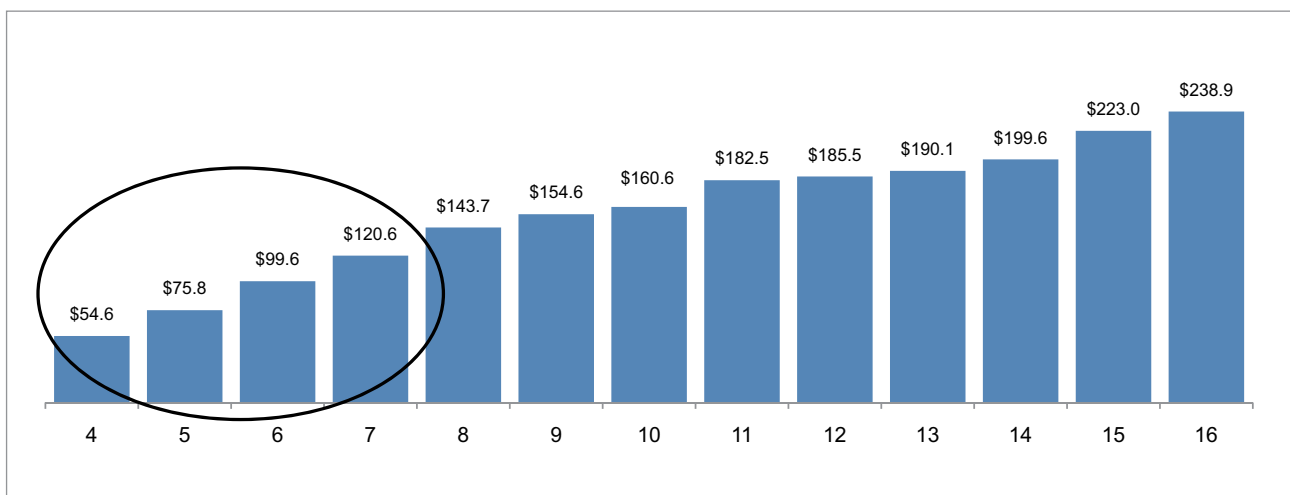
Table 9.1 Minimum Prizemoney Structure by Meeting Category from 1 March 2012

DESCRIPTION	OPEN	R85	R75	R65	3 & 4YO	2YO	MDN
Premier	40,000	30,000	25,000	20,000	20,000	20,000	20,000
Feature	25,000	15,000	15,000	12,500	12,500	12,500	12,500
T2 Feature	15,000	12,000	10,000	8,000	8,000	8,000	7,000
Industry	12,000	8,000	8,000	7,000	7,000	7,000	7,000

Source: 2011-12 NZTR Funding Policy

- Field size is the greatest driver of wagering performance

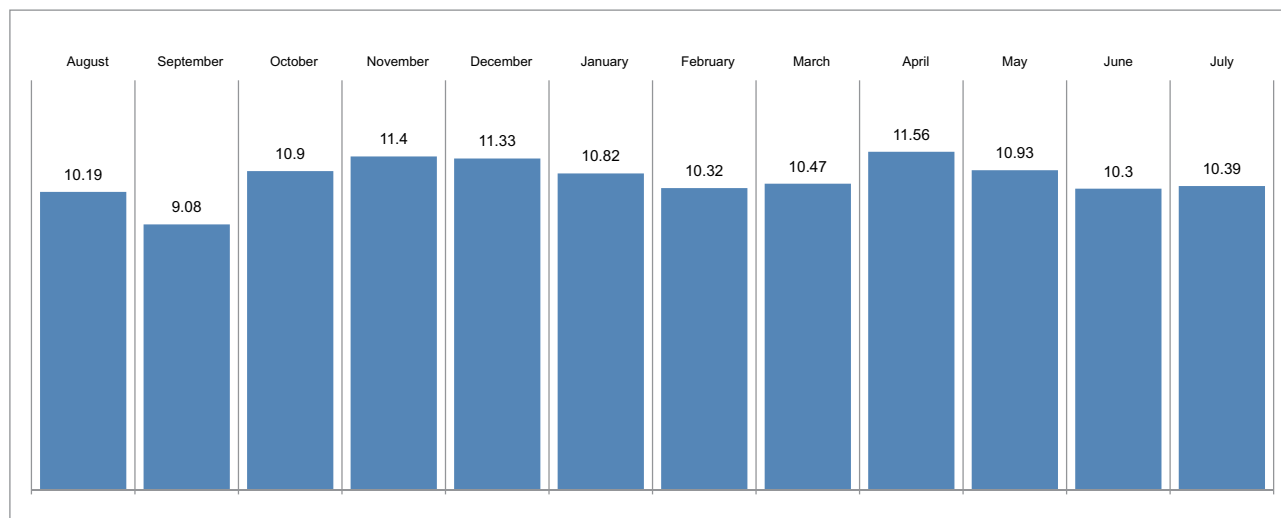
Chart 9.1 Average Saturday Domestic Sales by Field Size (\$000's)



Source: NZTR Analysis

- Over recent years the number of New Zealand thoroughbred races with less than 8 starters has increased by 33% from 364 in FY07 to 484 in FY11
- Field size is also impacted by seasonal issues
- Considerable variations exist in average field size by month of the year. We will seek to align our racing activities with this seasonal variation and reduce the number of races conducted on winter tracks

Chart 9.2 Average Field Size (Flat and Jumps Races) by Calendar Month FY11



Source: NZTR Analysis

- Race class is a considerable driver of domestic wagering performance

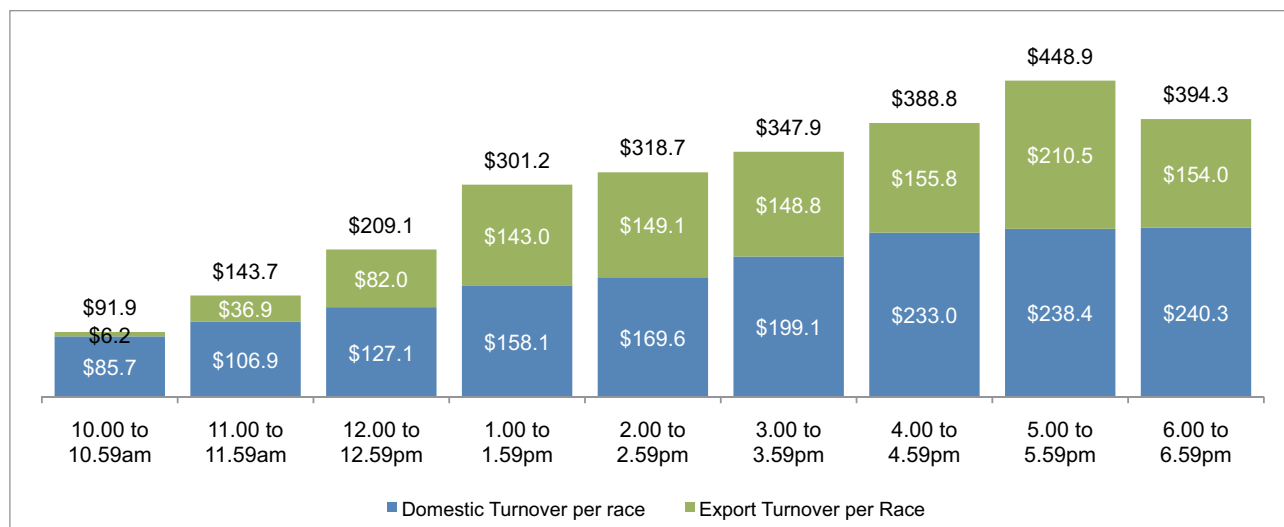
Table 9.2 Domestic and International Sales by Race Class

RACE CLASS	RACES	AVERAGE FIELD SIZE	OFF-COURSE SALES PER RACE	ON-COURSE SALES PER RACE	FIXED ODDS BETTING PER RACE	DOMESTIC TURNOVER PER RACE	EXPORT TURNOVER PER RACE
WFA	27	12.44	262,372	32,895	41,594	336,861	229,942
Open	237	9.31	140,816	19,210	27,234	187,260	141,132
R90	196	8.96	112,729	15,203	21,362	149,294	112,567
R80	328	10.21	106,771	11,845	19,479	138,095	121,395
R70	617	11.73	103,413	10,818	17,482	131,713	118,021
Maiden	1,106	11.35	73,866	7,463	12,396	93,725	87,801
Jumps/Highweight	118	8.67	56,049	5,454	10,245	71,748	71,748

Source: NZTR Analysis of 12 month sample

- Under the new racing and programming structure commencing on 1 March 2012, a greater proportion of higher class races will be conducted on Saturdays
- NZTR will optimise domestic and international wagering performance by not conducting races before 12.30pm midweek and before noon on Saturdays

Chart 9.3 Domestic and Export Turnover per Race on Saturday by Time of Day (\$'000's)



Source: NZRB Analysis

- There is currently a misalignment between races programmed and the horse population. In FY11 50.8% of horses starting were trained in the Northern Region while only 40.9% of races were conducted there (reflecting in part the movement of horses from the North to other regions to race at certain times of the year and to other venues)

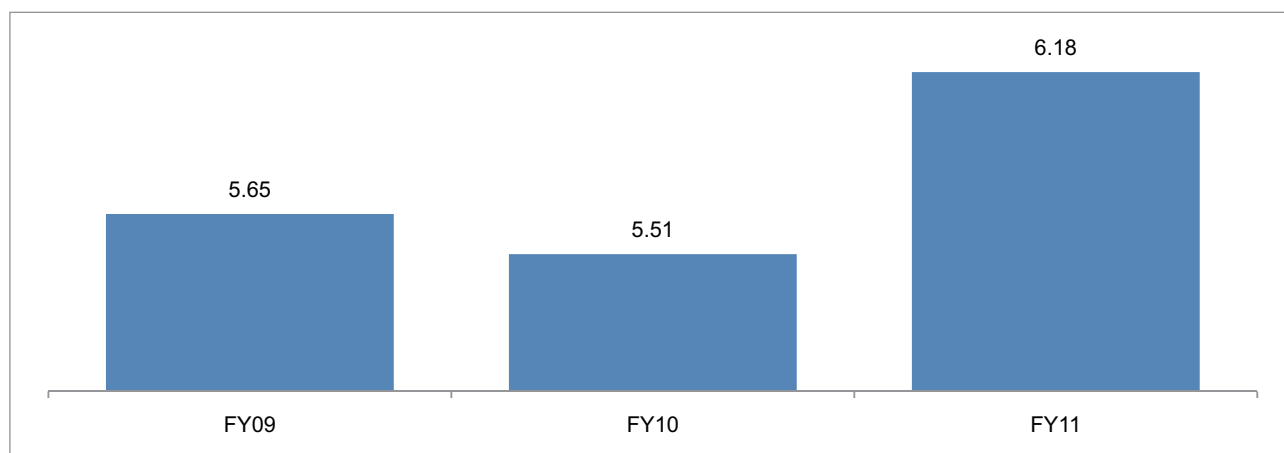
Table 9.3 Regional Variations of Horses, Races and Prizemoney

REGION	INDIVIDUAL STARTERS BY REGION TRAINED	STARTS BY TRAINED REGION	RACES BY REGION	STAKES BY REGION
North	50.8%	46.7%	40.9%	46.1%
Central	28.8%	28.8%	32.2%	31.5%
South	20.4%	24.5%	26.9%	22.4%
Total	100.0%	100.0%	100.0%	100.0%

Source: NZTR Analysis of 12 month sample

- Track conditions are a driver of wagering performance. In FY11, the average track condition was a "Dead 6" with approximately 40% of races conducted on slow or heavy tracks

Chart 9.4 Average track conditions FY09 to FY11



Source: NZTR Analysis

- The delivery of an appropriate new structure of racing will support a reduction in marginal cost in delivery of NZRB venue and broadcast services

Actions

NZTR will develop a sustainable racing structure to maximise wagering revenues by:

- Continuing to increase the level of differentiation between Saturday and midweek fixtures and seeking to run more Saturday meetings at the best courses
- Developing a tiered national schedule of meetings that meets our NZRB inter-code obligations and provides consistency of product offering by day of the week and time of year
- Reviewing the structure of Premier and Feature licences, prizemoney, race programming, the pattern of racing, timing and placement of Group and Listed races
- Examining regional variations to develop an equitable allocation of races and prizemoney to better match the horse populations
- Better aligning the number of races programmed each month with the seasonal variations in horse populations. In FY12 NZTR will relocate 51 races from June and July and move them into more favourable periods
- Adapting the racing structure to customer demand
- Examining the opportunity to start racing later in the day
- Examine the opportunity for more twilight race meetings, particularly in the summer period
- Seeking to have consistent racing by region by day of the week at key supporting regional venues that provide owners and participants the opportunity to compete for appropriate prizemoney but where the main focus is to drive off-course and export wagering sales
- Introducing race club and race date key performance benchmarks that drive efficiency and reform

Key Performance Indicators

	BASE	KEY PERFORMANCE INDICATORS			
	FY11	FY12	FY13	FY14	
17. Base prizemoney paid by race clubs	\$40.8m	▲ \$43.2m	▲ \$46.0m	▲ \$46.9m	
18. Average race prizemoney	\$13,384	▲ \$14,199	▲ \$15,140	▲ \$15,416	
19. Races before noon on Saturdays and 12.30pm other days	606	▼ 172	▼ 0	▶ 0	
20. Average domestic tote turnover per race Mondays (Northern)	\$0	▲ \$55K	▶ \$55K	▶ \$55K	
21. Average domestic tote turnover per race Mondays (Central)	\$0	▲ \$50K	▶ \$50K	▶ \$50K	
22. Average exports turnover per race Mondays	\$0	▲ \$80K	▶ \$80K	▶ \$80K	
23. Average domestic tote turnover per race Tuesdays (Northern)	\$0	▲ \$70K	▶ \$70K	▶ \$70K	
24. Average domestic tote turnover per race Tuesdays (Central)	\$0	▲ \$65K	▶ \$65K	▶ \$65K	
25. Average domestic tote turnover per race Tuesdays (South)	\$0	▲ \$60K	▶ \$60K	▶ \$60K	
26. Average exports turnover per race Tuesdays	\$0	▲ \$100K	▶ \$100K	▶ \$100K	

10 Race dates, programming and handicapping

Maximising Returns to Industry Participants

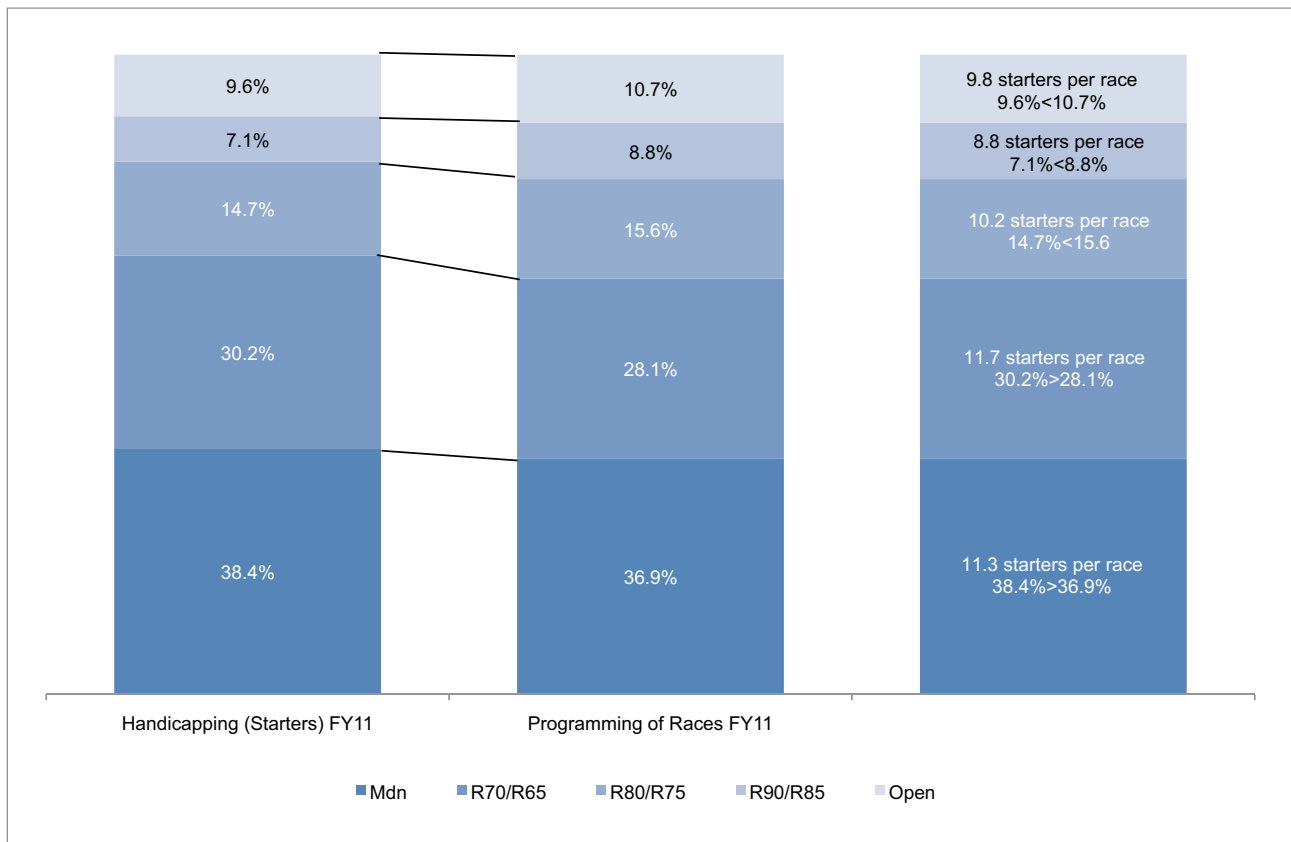
Reforms to race dates, programming and handicapping, to align race programming with horse populations, will stimulate increases in the average number of starts per horse per season and average field sizes, despite a likely reduction in individual horses that start in races in New Zealand each year.

NZTR will increase average field sizes by more efficient use of the existing horse population.

Current Status

- 3,048 races were conducted in FY11 with an average 10.7 starters
- 5,682 individual horses raced an average of 5.7 times in FY11
- There is currently a misalignment of races programmed to the horse population

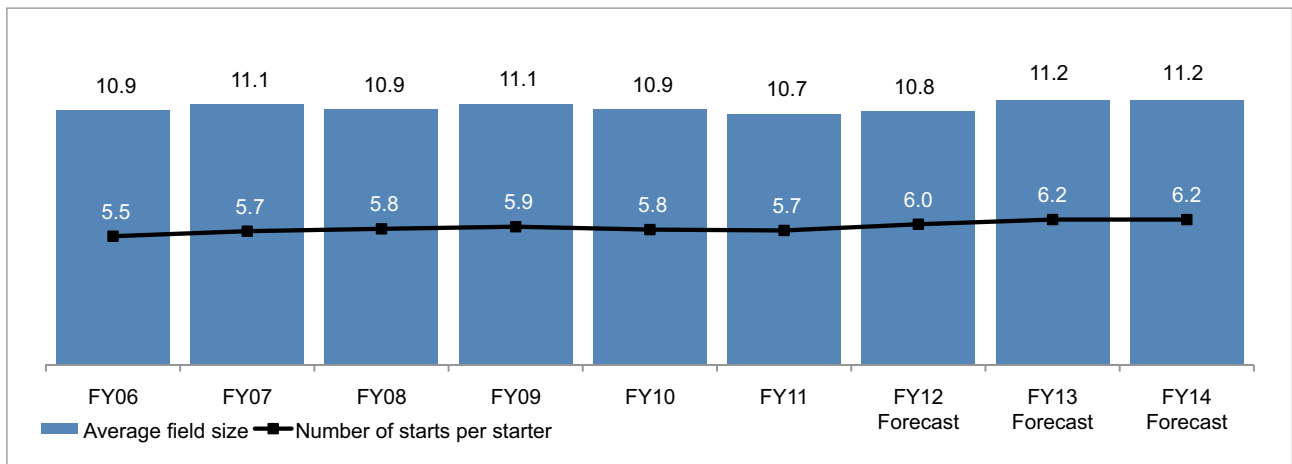
Chart 10.1 Misalignment of Horses by Band to Races Programmed



Source: NZTR Analysis

- NZTR has scheduled 354 race meetings in FY12 increasing to 369 in FY13 and FY14 before any meeting abandonments
- NZTR has scheduled 3,090 races in FY12 and 3,079 races for FY13 and FY14, and would expect to conduct 3,040 races each year after abandonments, deletions and divisions
- NZTR wants to increase the average number of starts per horse from 5.7 in FY11 to 6.0 in FY12 and 6.2 in FY13 and FY14

Chart 10.2 Number of Starts per Horse



Source: NZTR

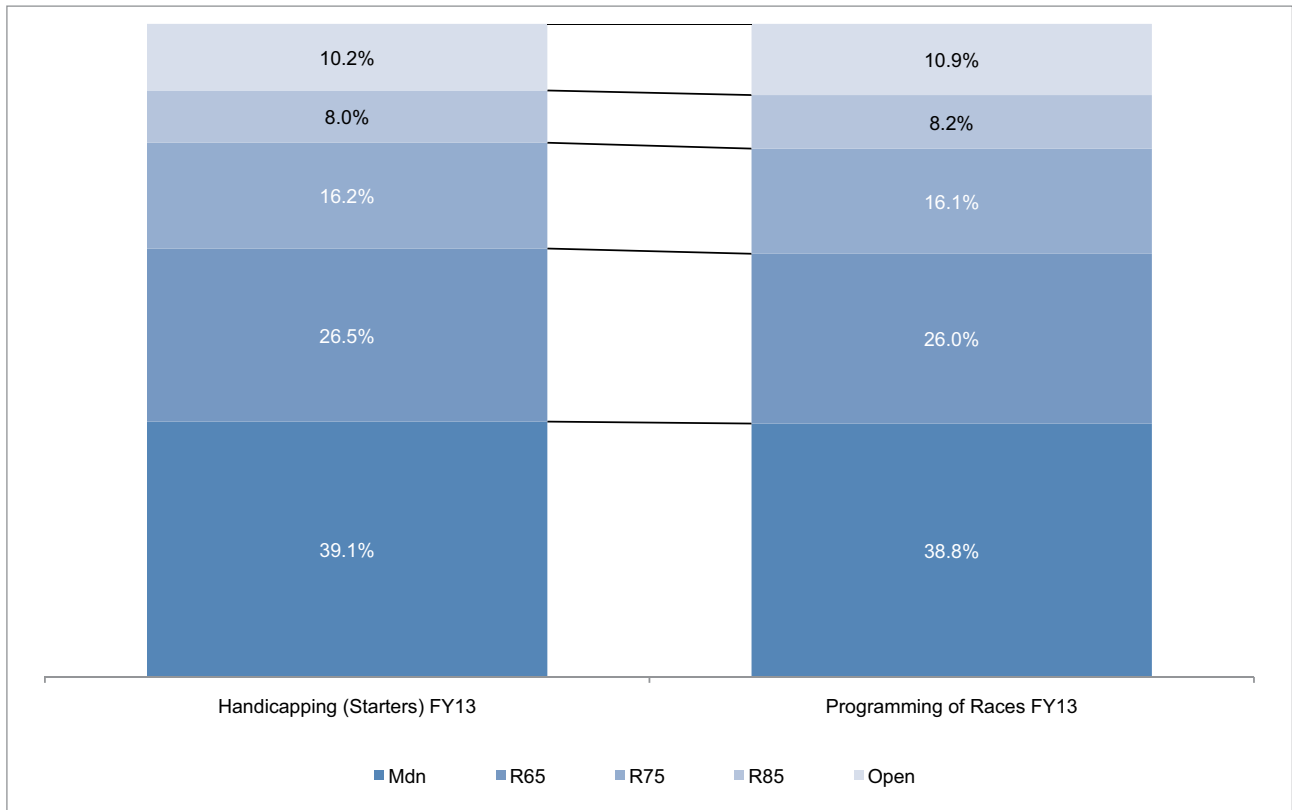
- If there were to be 5,455 individual starters in FY14 that started an average of 6.2 times each this would generate a total of 34,048 starts and average field sizes of 11.2

Actions

NZTR will stimulate increases in starts and field sizes by:

- Increasing minimum prizemoney levels from 1 March 2012
- Further planned prizemoney increases from 1 August 2012
- Implementing changes to NZTR handicapping and programming to align the available horse racing pool to the new structure of racing that will be scheduled by 31 July 2012
- Maintaining the same number of races conducted while increasing the total number of race meetings by transferring those races, historically run on weekdays prior to 12.30pm and Saturdays prior to noon, to support the additional new Monday and Tuesday race meetings
- Limiting the reduction of individual starters to just 4% over the next three years by encouraging more fillies and mares to race

Chart 10.3 Handicapping and Programming Alignment FY13



Source: NZTR

Key Performance Indicators

	BASE	KEY PERFORMANCE INDICATORS			
	FY11	FY12	FY13	FY14	
27. Races conducted	3,048	▼ 3,040	▶ 3,040	▶ 3,040	
28. NZRB distribution to NZTR	\$64.1m	▲ \$69.5m	▲ \$70.9m	▲ \$72.2m	
29. Field size – flat races	10.7	▲ 10.8	▲ 11.2	▶ 11.2	
30. Average starts per horse	5.7	▲ 6.0	▲ 6.2	▶ 6.2	
31. Races with less than 8 starters	484	▼ 420	▼ 385	▼ 350	
32. Number of individual starters	5,682	▼ 5,455	▶ 5,455	▶ 5,455	

11 Fillies and Mares Racing

NZTR will activate more fillies and mares racing. We see this as critical to the long term success of the industry.

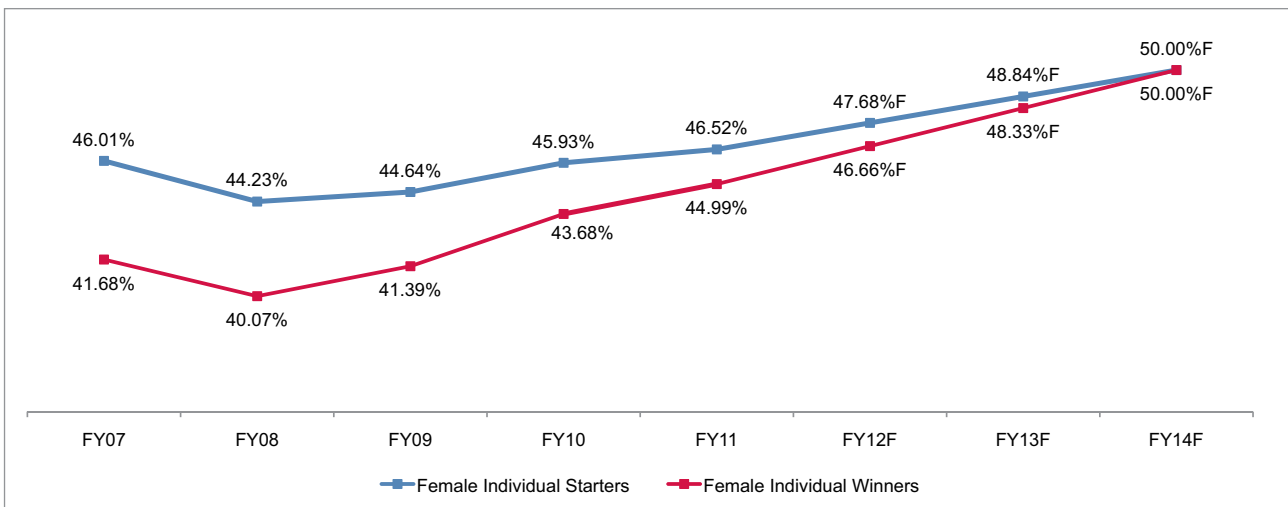
NZTR has started this process by increasing the sex allowance for all fillies and mares competing in Handicap races from 1.5kg to 2kg from 14 November 2011. This is now consistent with other countries.

NZTR will provide increased opportunities for owners to race fillies and mares in New Zealand.

Current Status

- Fillies and mares make up 54%-57% of the available horse population after exports but only represented 46.5% of individual horses which raced in FY11

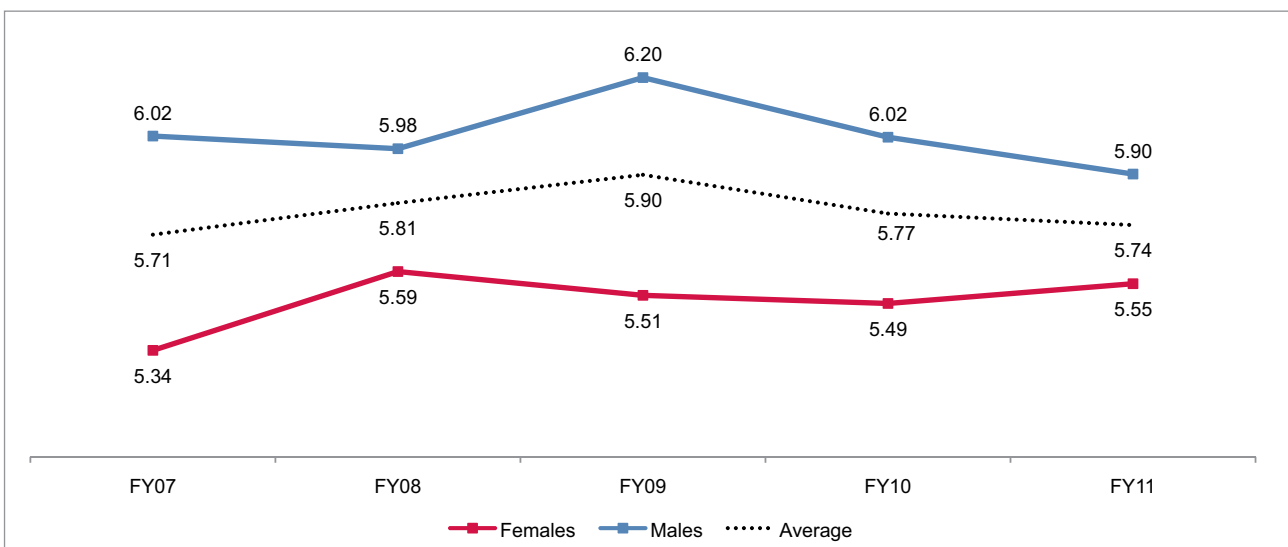
Chart 11.1 Percentage of Female Starters Relative to Female Individual Winners



Source: NZTR Database

- Fillies and mares have underperformed males in higher grades
- The commercial risk of producing a filly creates a disincentive to breed, thereby diminishing the foal crop
- Fillies and mares made up a larger number of 2YO, 3YO and 4YO individual starters than males
- Fillies and mares had less average starts than their male counterparts

Chart 11.2 Average Starts per Annum per Horse by Sex



Source: NZTR Analysis

Actions

NZTR will provide increased opportunities for owners choosing to race fillies and mares in New Zealand by:

- Raising the sex allowance for all fillies and mares competing in Handicap races from 1.5kg to 2kg from 14 November 2011
- Establishing a national series of 80 midweek \$12,000 lower grade races for fillies and mares that will complement 10 \$25,000 special condition fillies and mares races to be run on Saturdays
- Investigating further fillies and mares incentives to commence in FY13

Key Performance Indicators

	BASE	KEY PERFORMANCE INDICATORS			
	FY11	FY12	FY13	FY14	
33. Females as % of individual starters	46.5%	▲ 47.7%	▲ 48.8%	▲ 50.0%	
34. Females as % of individual winners	45.0%	▲ 46.7%	▲ 48.3%	▲ 50.0%	
35. Number of starts per female starter per year	5.6	▲ 5.7	▲ 5.9	▲ 6.1	

12 Jumps Racing

NZTR will continue to support jumps racing while there are a sustainable number of active participants committed to the sport.

NZTR will continue to work co-operatively with NZ Jumps Inc, clubs and industry participants to promote the safe conduct of jumps racing in New Zealand.

Jumps racing is an integral part of the New Zealand winter racing scene and makes a positive contribution to the fabric of New Zealand thoroughbred racing.

Current Status

- Jumps racing is conducted at 19 venues
- 114 jumps races were conducted in FY11 – 69 hurdle and 45 steeplechase races
- Horse numbers have diminished from 354 in FY08 to 278 in FY11
- Over the same period, the average field size has reduced from 9.5 to 8.7, significantly less than flat racing at 10.7
- The total number of starts in FY11 was 987, an average of only 3.6 races per starter

Actions

NZTR will sustain and promote jumps racing by:

- Ensuring jumps racing is conducted only at appropriate venues in areas where there are sufficient pools of jumps horses and the number of jumps races scheduled reflect that available pool of jumps horses
- Programming Prestige Jumps Races (PJR) on weekends to maximise exposure of the signature events (Great Northern, Wellington Steeplechase and Grand National)
- Providing and closely monitoring, with clubs and the RIU, appropriate safety and welfare policies
- Reviewing prizemoney for PJR and Restricted Open jumps races and working actively with NZ Jumps Inc, participants and clubs to develop new initiatives to promote jumps racing
- Auditing all jumping venues annually and reviewing all accidents and incidents to ensure that appropriate safety and welfare policies are in place
- Re-engaging with the Hunt Clubs
- Continuing to promote opportunities for amateur riders to encourage greater participation in jumps

Key Performance Indicators

	BASE	KEY PERFORMANCE INDICATORS			
	FY11	FY12	FY13	FY14	
36. Field size – jumps	8.7	▲ 8.8	▲ 9.2	▲ 9.5	
37. Number of jumps horses	278	▲ 280	▲ 290	▲ 300	
38. Average jumps starts per season per horse	3.6	▶ 3.6	▶ 3.6	▶ 3.6	

13 Infrastructure and Asset Optimisation

Increasing Efficiency and Effectiveness

The industry needs appropriate training, racing and public facilities at venues accessible to industry stakeholders and customers, and to match stakeholder and customer expectations at these venues.

Infrastructure is an essential component of the thoroughbred supply chain and is a major driver of the commercial viability of all stakeholders.

However, thoroughbred racing will never have the capital to fully develop all 51 racecourses and training centres to a high standard while lifting returns to owners.

Investment in infrastructure has to be strategically placed, well-considered and have the greatest impact.

The development of a wider infrastructure strategy will provide the overall guidance needed to ensure that investment in infrastructure creates the best return for the industry.

Our current infrastructure is inadequate and does not match industry or customer expectation.

Current Status

- In FY11 323 thoroughbred meetings were conducted at 50 different venues by 63 different clubs
- Strategic Training Centres (currently 15) account for 66.4% of all starts in thoroughbred racing. These venues currently receive limited NZTR funding
- Over the past two decades NZTR, race clubs and their communities have not undertaken an appropriate level of infrastructure maintenance or investment
- Infrastructure spending of \$60-\$100 million is needed over the next ten years for appropriate racing, training and public facilities to be maintained
- NZTR currently has a capacity to fund no more than \$2-\$3 million per annum of infrastructure projects

Actions

NZTR will support the provision of appropriate training, racing and public facilities at venues accessible to industry stakeholders and customers by:

- Determining venue types as Strategic, Significant, Supporting, and Community
- Detailing the thoroughbred industry's future infrastructure and asset strategy using the following measures:
 - Number and quality of race meetings held at venues
 - Off-course, on-course, FOB and export turnover
 - Number of trial meetings held at venues
 - Number of starters trained at venues
 - Proximity to horse population
 - Proximity to human population
 - National, regional and local importance
 - Other advantages of venues e.g. climate, track conditions
 - Current infrastructure at venues
 - Potential timing of other infrastructure projects
 - Potential return on investment from projects
 - Ownership of venues
 - Alternative funding sources available for projects
- Committing to small infrastructure projects that are immediately advantageous or have the potential to act as a catalyst for longer term strategies, in particular the need to minimise transport costs to owners and maximise revenues to participants

- Supporting race clubs in discussions with central and local government to develop investment policies for venues, giving priority to projects co-funded by club and community organisations and providing community facilities
- Minimising the number of venues running 4-8 meetings so that they either take on more racing, or become smaller, lower cost community-based operations
- Establishing a Racecourse Development Fund with a minimum annual commitment each year, subject to available funding in future seasons
- Undertaking a thorough review of Auckland racing infrastructure and determining a long-term solution, including whether to fully develop the facility at Avondale with the assistance of the Avondale community and race beyond 1 August 2014 or to cease racing
- Undertaking a thorough review of Waikato racing and training infrastructure including a full and detailed evaluation of the business case for building an artificial track in the Waikato
- Introducing an appropriate investment recovery regime upon dissolution or amalgamation of a club
- Introducing revised conditions to infrastructure funding, including the requirement for all clubs receiving industry funding to apply their assets to racing related purposes in the event they cease racing
- Improving track conditions, with meetings run at the best tracks, at the right time of year and from investment in racing surfaces
- There are no plans for the closure of venues over the next three years

Key Performance Indicators

	BASE	KEY PERFORMANCE INDICATORS			
	FY11	FY12	FY13	FY14	
39. Percentage of trained starters produced from Strategic training tracks	66.4%	▶ 66.4%	▲ 68.0%	▲ 70.0%	
40. Races conducted at venues that race 10+ meetings per annum	59.6%	▲ 67.4%	▲ 68.2%	▲ 69.0%	
41. Races conducted at venues that race 3-9 meetings per annum	33.5%	▼ 25.7%	▼ 25.0%	▼ 24.0%	
42. Races conducted at venues that race 1-2 meetings per annum	6.9%	▶ 6.9%	▲ 7.0%	▶ 7.0%	
43. Completion of master plans at venues that race 10+ meetings per annum	20%	▲ 40%	▲ 100%	▶ 100%	
44. Average Track Rating	6.18	▼ 6.00	▼ 5.75	▼ 5.25	

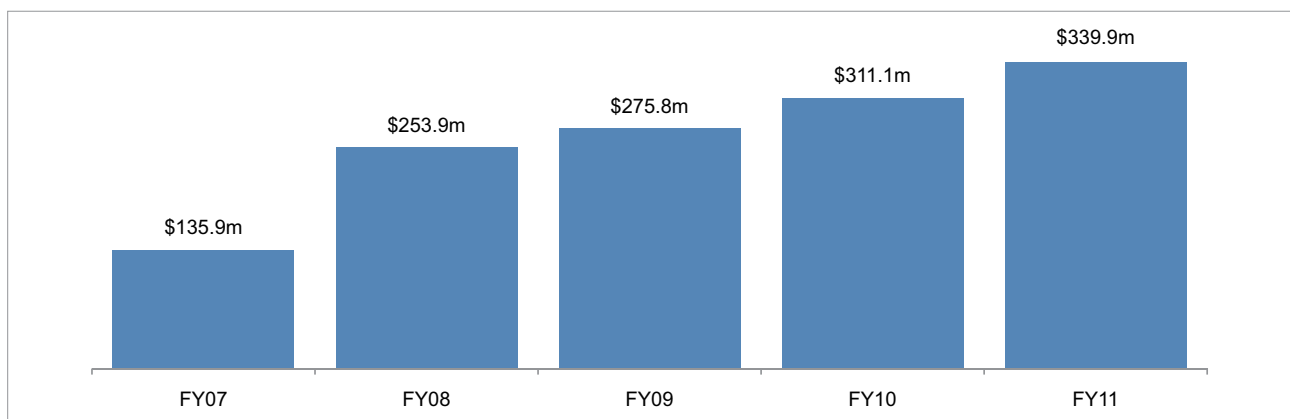
14 Internationalisation

NZTR will work with the NZRB to increase Australian interest in New Zealand thoroughbred racing, increase the number of New Zealand thoroughbred races broadcast into international jurisdictions and develop opportunities in unexploited markets.

Current Status

- TABCorp/Sky Channel act for the NZRB as its exclusive international agent for exploitation of New Zealand vision to global markets
- In FY11 Australian totalisator operators held \$742.8 million of sales on New Zealand thoroughbred, harness and greyhound races, with \$339.9 million of this amount wagered on New Zealand thoroughbred events
- Totalisator wagering turnover by Australian totalisator operators on the three New Zealand codes has grown by a compound average growth rate of 51.4% per annum over the past five years, while turnover on New Zealand thoroughbred races has grown by a compound average growth rate of 25.8% per annum

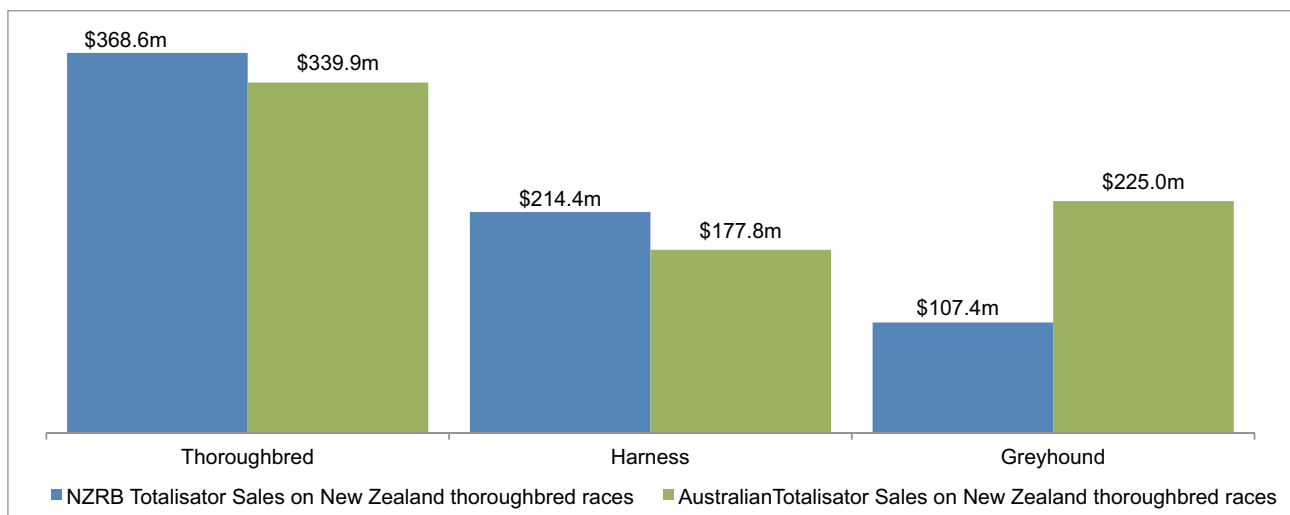
Chart 14.1 Australian Totalisator Sales on New Zealand Thoroughbred Races



Source: NZTR Analysis

- This impressive growth was achieved despite New Zealand racing broadcasts being relegated to the Sky2 and Sky World premium pay-for-view pay television channels, without a presence on Australia's two main racing channels Sky1 or TVN, without the provision of comprehensive racing information, without mainstream media exposure, with minimal promotion and with sub-optimal time slots
- In FY11 Australian totalisator sales on New Zealand thoroughbred races (\$339.9m) almost exceeded NZRB totalisator sales on New Zealand thoroughbred races (\$368.6m)
- It is anticipated that in FY12 Australian totalisator sales on New Zealand races will exceed NZRB totalisator sales on New Zealand Races

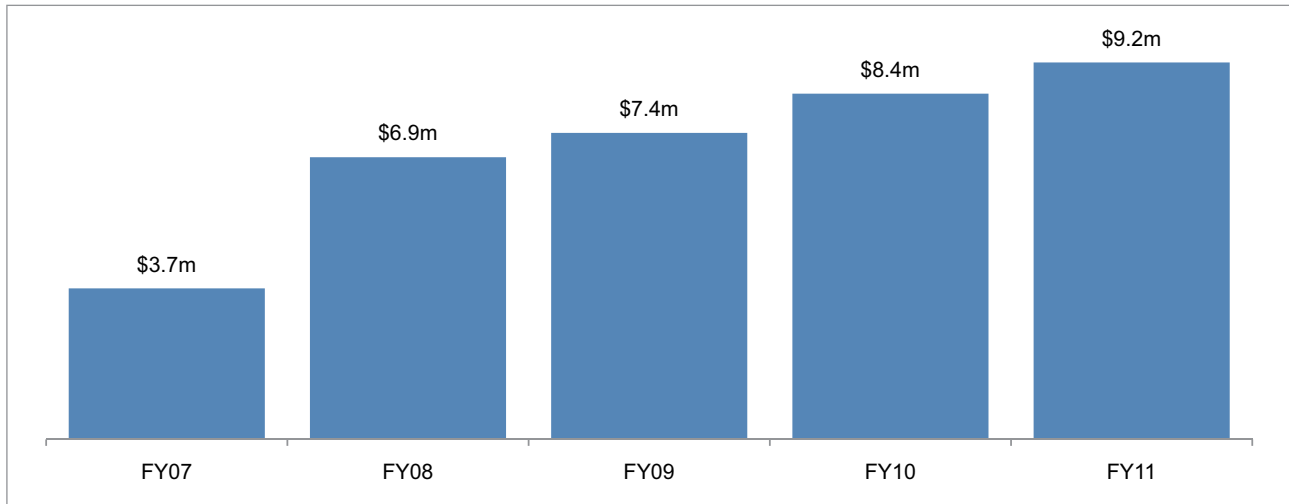
Chart 14.2 Comparison of Totalisator Sales on New Zealand Races



Source: NZTR Analysis

- In FY11 the NZRB received more than \$20.1 million in royalties from Australian totalisator operators betting on the three New Zealand codes

Chart 14.3 Royalties Paid to the NZRB by Australian Totalisators Operators on NZ Thoroughbred Races



Source: NZTR Analysis

- NZTR does not know where New Zealand races are broadcast internationally and what revenues are received, if any, outside Australian totalisator operators

Actions

NZTR will work with the NZRB to increase the number of New Zealand thoroughbred races broadcast internationally, and develop opportunities to grow international wagering revenues by:

- Encouraging the NZRB to invest more resources in promoting New Zealand racing internationally, including resources to improve form, media coverage and promotional information into Australian markets
- Actively monitoring New Zealand racing broadcasts into Australia and other international markets
- Requesting from Sky Channel through the NZRB, monthly reports including details of where New Zealand races are broadcast internationally, by what form of broadcast, details of the level of wagering activity in each jurisdiction on New Zealand race events and a summary of financial arrangements associated with each broadcasting arrangement.
- Understanding form and other information required for each jurisdiction
- Engaging with Australian thoroughbred racing entities to better promote and integrate New Zealand racing content into the Australian wagering schedule
- Actively promoting New Zealand racing content into Hong Kong and Singapore
- Ensuring negotiations on international arrangements post 2015 will be a collaborative exercise between the codes and the NZRB

Totalisator wagering with Australian totalisator operators on New Zealand racing has grown by a compound average growth rate of 51.4% per annum over the past five years.

Key Performance Indicators

	BASE	KEY PERFORMANCE INDICATORS			
	FY11	FY12	FY13	FY14	
45. Grow Australian wagering royalties on New Zealand thoroughbred racing	9.3%	▲ 20.0%	▶ 20.0%	▶ 20.0%	
46. International royalties on New Zealand thoroughbred racing	\$9.2m	▲ \$11.0m	▲ \$13.2m	▲ \$15.9m	
47. Gain access to Sky 1 for all New Zealand Monday and Tuesday fixtures	0%	▲ 100%	▶ 100%	▶ 100%	

15 Ownership

NZTR needs to stimulate growth in all categories of ownership in order to maintain the existing horse population

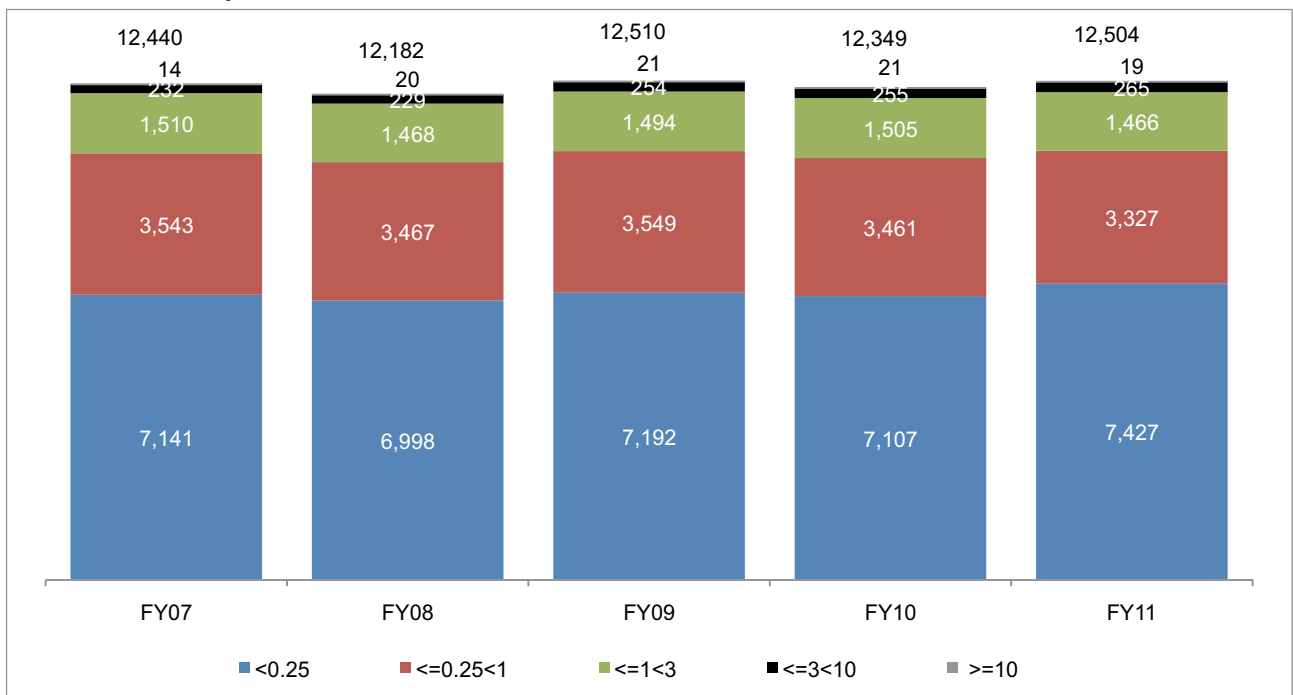
Current Status

Over the last five years ownership numbers have been relatively stable across all categories. This has meant the thoroughbred industry has maintained the same number of horses in training despite economic contraction. Given the time lag between entering ownership and a horse starting and ending its racing career, thoroughbred racing must continue to put in place incentives and improvements to the ownership experience which retain existing owners and attract new ones.

NZTR also needs to actively attract overseas owners. New Zealand is a cost-competitive racing jurisdiction and has a well-regarded pool of world-class horsemen and women.

Ownership growth is critical to sustaining the number of thoroughbred horses required to meet industry objectives.

Chart 15.1 Ownership



Source: NZTR Analysis

NZTR carried out two ownership surveys in 2010 and concluded the primary barriers to ownership growth include:

- Initial difficulty engaging with the industry
- The increase in costs associated with keeping horses in training
- Poor communication links between trainers and owners
- Inadequate/inconsistent standards of race day hospitality

Actions

NZTR will ensure growth in ownership, which is required to maintain the level of individual starters at a minimum of 5,455, by:

- NZTR will lift prizemoney levels to increase the return on investment to owners above the current rate of 28 cents
- Developing a coordinated strategy for attracting owners to the industry including easily accessible entry points for all potential owners and a focal point for all enquiries from potential and existing owners
- Adapting overseas syndication innovations to appeal to a wider demographic of potential owners, for example the low

entry Elite Racing Club, 'Racing For Change Tweet Syndicate' and the Mirror Punters Club

- Influencing and driving race day hospitality minimum standards by category of race day
- Breaking down barriers to female ownership participation which is currently less than 35%
- Improving NZTR automated communications with owners about their horses, the races in which their horses are participating and other customised data
- Investigating incentives to retain existing owners

Key Performance Indicators

	BASE	KEY PERFORMANCE INDICATORS			
	FY11	FY12	FY13	FY14	
48. Grow ownership	12,504	▲ 12,600	▲ 13,000	▲ 14,000	
49. Grow number of owners with 0.25 > 1	3,327	▲ 3,400	▲ 3,500	▲ 3,600	
50. Grow number of owners with < 0.25 shareholding	7,427	▲ 7,576	▲ 7,954	▲ 8,352	

16 Participation

NZTR needs to ensure the right conditions and sufficient rewards are in place for a sustainable number of trainers, jockeys, stable hands, trackwork riders and breeders, to provide the optimum number of racing horses for the New Zealand thoroughbred racing industry

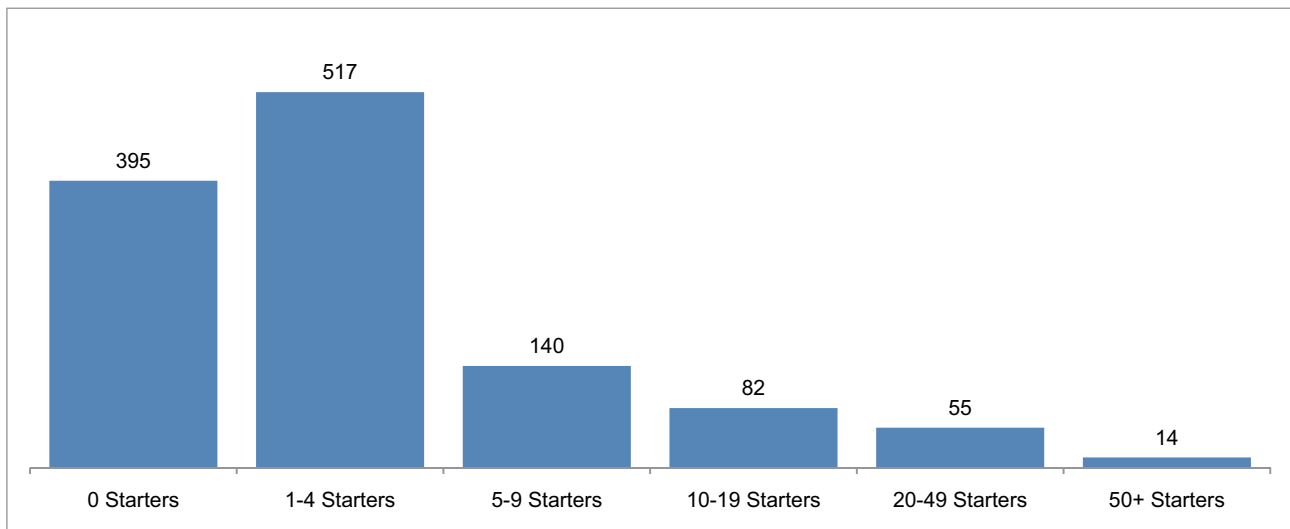
Current Status

In FY11:

- There were 1,203 registered trainers
- 151 trainers started 10 or more individual horses in races, accounting for 21,663 (or 66.5%) of starts, with an average of 24 horses racing on 143 occasions
- 291 trainers started 5 or more individual horses in races, accounting for 26,945 (or 82.7%) of starts, with an average of 16 horses racing on 93 occasions
- 395 trainers did not start a horse in a race
- The New Zealand racing industry is not economically able to provide a full time living to all trainers, stable hands, track work riders and jockeys. Thoroughbred racing cannot provide a guarantee of success

NZTR must ensure viability for the core base of industry participants required to meet industry objectives and provide entry pathways for aspirants.

Chart 16.1 Trainers by Number of Individual Horses that Started in a Race in FY11



Source: NZTR Analysis

In FY11:

- There were 219 jockeys that rode in at least one race
- 79 jockeys (36%) rode in more than 100 races, having 29,788 (90.7%) rides, with an average of 377 rides for an average of \$78,491 in riding fees, trialling fees and stakes percentages
- There were a total of 2,069 registered stable hands, consisting of 1,098 non-riding stable hands, 743 riding stable hands and 228 track work riders

Actions

- NZTR must ensure the right conditions exist and there are sufficient rewards to provide a viable and sustainable pathway for the most successful trainers and jockeys to make a good living and stable hands and trackwork riders to meet the industry's needs

17 Intellectual Property

NZTR will work with the NZRB to protect and exploit thoroughbred racing's domestic and international broadcast, data and other intellectual property (IP).

Current Status

- Clubs assign ownership of thoroughbred broadcasting to the NZRB as a requirement of their licence agreement
- NZTR currently provides racing information to the NZRB under the terms and conditions of the Internationalisation agreement which expires on 30 June 2015
- The NZRB creates and holds IP in relation to wagering information
- NZTR provides certain racing information to a number of international entities including RISA and AAP
- The NZRB has contractual arrangements with a number of overseas totalisator operators
- Overseas corporate bookmakers exploit New Zealand thoroughbred IP without payment. NZRB conservatively estimates that New Zealand residents lose more than \$33 million per annum with international wagering operators

Our business is economically dependent on wagering revenue derived from the exploitation of racing information, wagering data and broadcast.

Actions

NZTR will aim to protect and exploit thoroughbred racing's domestic and international broadcast and data IP by:

- Working with NZRB to clarify the scope and enforceability of thoroughbred copyright and IP protection
- Reviewing its trademarks, patents, domain names and business names to ensure appropriate protections are in place
- Supporting NZRB negotiations relating to the use of thoroughbred IP beyond 2015
- Working with NZRB to generate revenue from the sales of racing data to overseas totalisator operators and corporate bookmakers

Key Performance Indicators

51. To generate revenue from the sale of data to overseas totalisator operators and corporate bookmakers

18 Supporting NZRB's Business

Maximising Returns to Industry Participants

Thoroughbred racing is economically dependent on wagering revenue from the NZRB.

NZTR will adopt a structure of racing, programming and handicapping to improve NZRB's performance.

NZTR's success will be dependent on its ability to positively influence NZRB performance.

Current status

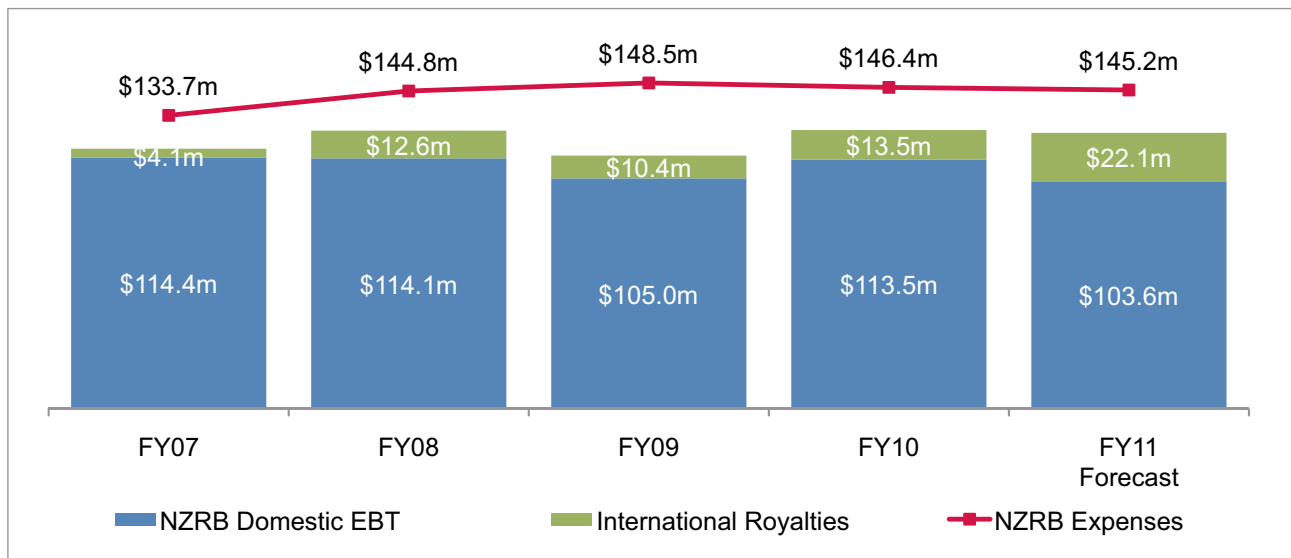
NZRB earnings are determined by a number of factors, namely:

- Domestic totalisator revenue
- Imported totalisator revenue
- Fixed odds revenue from domestic racing, imported racing and sports
- Export royalties from Australian totalisator operators betting on New Zealand races
- Rate of return on NZRB cash reserves
- NZRB's ability to control costs

Between FY07 and FY11 NZRB domestic earnings fell from \$114.4 million to \$103.6 million and during this time:

- Over the last five years, NZRB domestic earnings have fallen by \$10.8m (9.4%) from \$114.4 million in FY07 to \$103.6 million in FY11(F).
- NZRB's declining domestic performance has been offset by growth from international royalties paid by Australian totalisator operators betting on New Zealand races.
- At the same time, NZRB expenses have risen by \$11.5m (8.6%) from \$133.7m to \$145.2m, with salaries and wages accounting for \$4.9m (42.6%) of this increase.

Chart 18.1 NZRB Gross International Royalties and Domestic EBT ¹

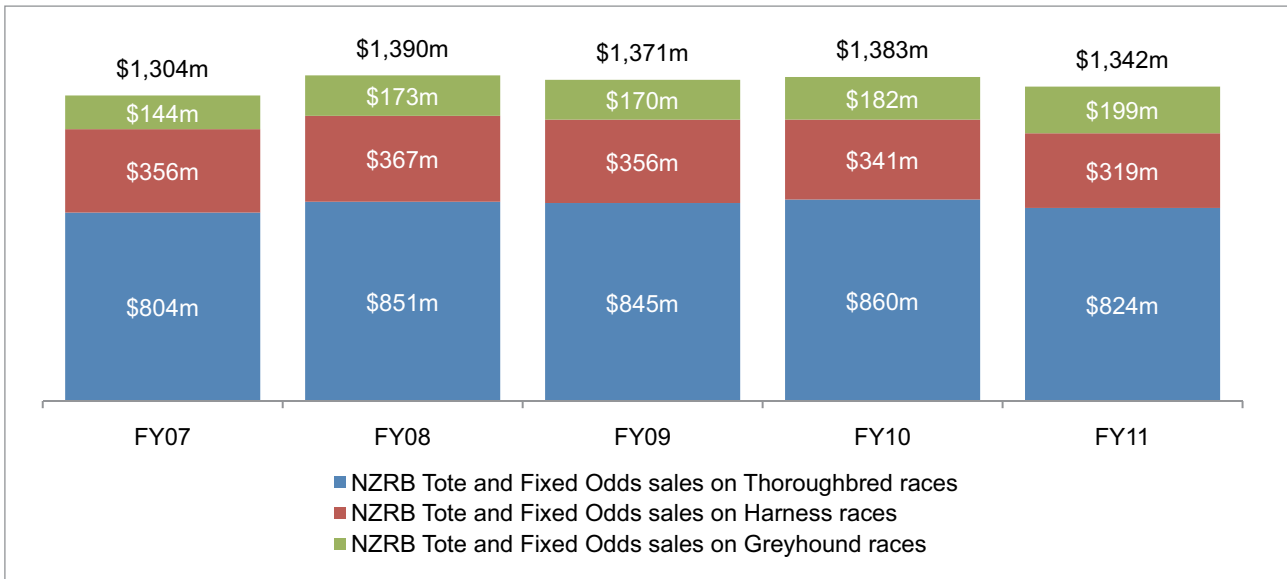


Source: See Executive Summary for source

NZRB aggregate totalisator revenues on domestic and imported racing has fallen over the last three years. This has been partially offset by growth in fixed odds betting.

¹ NZRB Earnings before Tax less International Royalties.

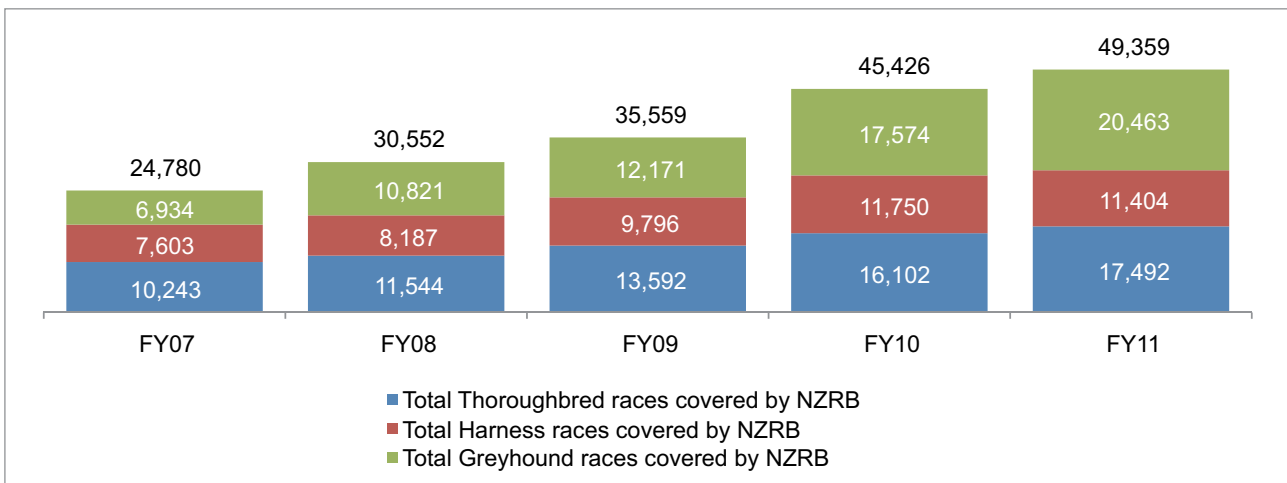
Chart 18.2 Totalisator and Fixed Odds Sales on Domestic and International Events (Imported Races)



Source: NZTR Analysis

This reduction has occurred despite a 99% increase in the total number of races programmed, from 24,780 races in FY07 to 49,359 races in FY11.

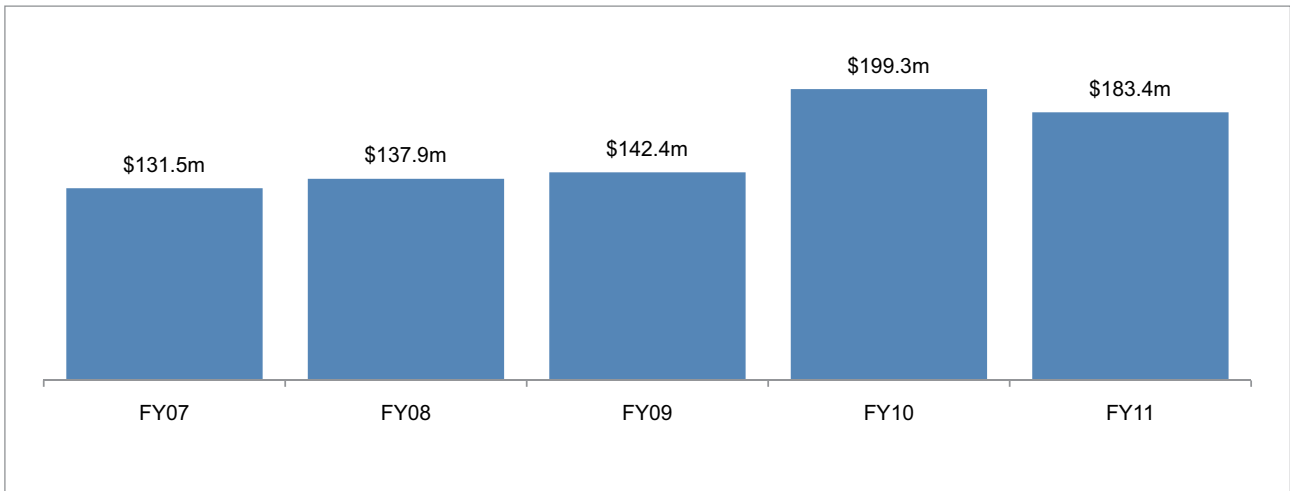
Chart 18.3 Races Covered by NZRB



Source: NZRB Financial Reports and NZTR Analysis

Totalisator sales reduction has been partially off-set by growth in fixed odds betting and sports betting.

Chart 18.4 NZRB Sports Betting



Source: NZRB Reporting

Actions

NZTR will support NZRB's performance by:

- Providing a structure of racing and programming that supports NZRB performance
- Ensuring NZRB is accountable for their financial performance
- Ensuring NZRB focuses its effort on maximising earnings and is freed from non-wagering issues which distract from earnings performance
- Exploring and researching with the NZRB the viability of a life-changing bet under commingling arrangements with the aim of seeing the introduction of a \$1m+ pool bet by 31 July 2013

Key Performance Indicators

	BASE	KEY PERFORMANCE INDICATORS		
	FY11	FY12	FY13	FY14
52. NZTR distributions from NZRB	\$64.1m	▲ \$69.5m	▲ \$70.9m	▲ \$72.2m

19 Industry Governance

Increasing Efficiency and Effectiveness

NZTR will pursue an industry governance structure that provides stakeholders with greater control over thoroughbred racing's direction and future.

Current Status

NZTR's and the other codes' positions in the industry's governance structure is subordinate to the NZRB.

Actions

The NZTR Board will not pursue the One Racing proposal. While NZTR is far from comfortable that existing governance arrangements drive accountability or business efficiency, One Racing would have taken us further from these goals. To the degree that efficiencies would have been generated, NZTR will explore shared services opportunities with the NZRB and the codes.

NZTR will work with the NZRB and the other codes to agree an industry governance structure that sees each code exercise greater control over its own direction and future.

The principle of the Racing Act (2003) was that of a code driven model, which designated to the codes autonomy and responsibility to govern and grow their respective industries, while the NZRB concentrated on maximising profits and promoting the industry.

20 Section 16 of the Racing Act 2003

Increasing Efficiency and Effectiveness

NZTR will work to ensure the thoroughbred code receives an equitable distribution of NZRB funding, which adequately recognises the higher investment, cost, asset intensity and scale of the thoroughbred code.

Distributions of NZRB profits to the codes must take into account all costs and revenue streams.

Current Status

- Under Section 16 of the 2003 Racing Act, NZRB earnings are distributed to each of the three codes, largely based on their market share of domestic turnover
- Section 16 was originally put in place to prevent the other codes being disadvantaged by thoroughbred's dominance of imported product. It is demonstrably the case that this has changed in recent years and that the other codes now have every opportunity to benefit from their respective imported product. Section 16's definition of 'domestic' market share is therefore obsolete and needs to be reviewed
- Thoroughbred racing is at a competitive disadvantage to greyhound and harness racing given it has higher costs throughout its supply chain
- While it is sometimes argued that this is simply an economic reality thoroughbred racing has to deal with, this argument fails to recognise that the scale of the thoroughbred activity underpins the NZRB's national infrastructure, effectively providing the two smaller codes with a leveraged benefit, not reflected in the Section 16 mechanism
- Any future decline in thoroughbred racing activity will negatively impact on net returns for all three codes
- Section 16 does not provide effective economic incentives for the NZRB and the codes to maximise economic returns to industry stakeholders

Action

NZTR will seek to negotiate inter-code arrangements that agree distributions based on more relevant and equitable factors than domestic market share.

21 Government Relations

Promoting the Sport of Thoroughbred Racing

NZTR aims to take a bi-partisan political approach to establish receptive relationships with all levels of government (including the Minister for Racing, Department of Internal Affairs, Ministry for Agriculture and Forestry and other relevant government agencies) which impact on the well-being, direction and future of thoroughbred racing.

Racing must move away from an expectation of 'special treatment' from government to a constructive relationship that accurately and fairly reflects the importance of the industry to New Zealand.

Globally, successful racing jurisdictions have an appropriate legislative and/or economic framework provided by government.

Current Status

- Central Government is ambivalent or negative towards racing
- The NZRB has assumed a guardian role over government-industry relations
- Racing has not actively sought cooperative relations with a majority of local councils

Actions

NZTR will establish good working relationships with all levels of government by:

- Establishing direct communication channels between thoroughbred racing and relevant government personnel to ensure accurate dialogue and understanding of key issues and agendas
- Providing parliamentary briefings/presentations to increase government Ministers' understanding of key issues and plans, while emphasising the industry's economic, cultural and social contribution to New Zealand
- Connecting relevant thoroughbred racing activities to key government initiatives and communicating these to relevant government personnel
- Ensuring industry compliance with all relevant legislation and reporting
- Responding quickly and accurately to all government requests
- Working with the NZRB and the codes to present factual information regarding taxation leakage resulting from offshore operators

22 NZTR Governance, Accountability and Transparency

Increasing Efficiency and Effectiveness

NZTR will be transparent and accountable to its stakeholders, and adopt the highest standards of governance.

NZTR must do this if it is to expect reciprocity of accountability and transparency from the NZRB and race clubs.

Thoroughbred racing industry accountability and transparency starts with NZTR.

Current Status

- We have started this process by appointing an independent board on 25 May 2011
- NZTR incurred operating losses of \$3.15m in FY08, \$0.57m in FY09 and \$3.95m in FY10. Following a reduction in stakes funding in May, June and July 2011, NZTR returned a modest surplus of \$0.1m in FY11
- During this same period, NZTR's cash reserves were reduced from \$8.45m on 1 August 2007 to \$1.86m on 31 July 2011

Actions

NZTR has secured a four year inter-code agreement with the NZRB and the other codes that will provide a minimum funding undertaking from the NZRB of \$69.48m (inclusive of RIU costs), resulting in increased funding of \$5.35m in FY12.

Table 22.1 NZTR Forecast Revenue and Expenses for FY12, FY13 and FY14

DESCRIPTION	FY11 ACTUAL	FY12 FORECAST	FY13 FORECAST	FY14 FORECAST
Number of race meetings scheduled	323	354	369	369
Number of races conducted	3,048	3,040	3,040	3,040
Number of starters	32,592	32,832	34,048	34,048
Average field size	10.7	10.8	11.2	11.2
Average minimum prizemoney	\$13,384	\$14,199	\$15,140	\$15,416
Aggregate funded prizemoney	\$40,793,877	\$43,164,000	\$46,024,313	\$46,865,434
NZRB distribution (net RIU costs)	\$64,125,069	\$69,475,000	\$70,894,600	\$72,190,240
NZTR nomination and acceptances	\$2,030,117	\$2,440,009	\$3,612,770	\$3,612,770
NZTR stud book, registration and publishing	\$2,426,401	\$2,372,500	\$2,372,500	\$2,372,500
Gaming Income (non NZRB)	\$425,306	\$77,268	\$0	\$0
Other Income	\$772,063	\$538,513	\$538,513	\$538,513
Club and meeting funding	(\$64,255,194)	(\$66,569,784)	(\$69,230,111)	(\$70,071,232)
NZTR operational expenses (net RIU costs)	(\$5,421,975)	(\$5,468,984)	(\$5,468,984)	(\$5,468,984)
Restructuring costs and special projects	\$0	(\$500,000)	(\$250,000)	(\$250,000)
NZTR Surplus (for Infrastructure and prizemoney)	\$101,788	\$2,364,522	\$2,469,288	\$2,923,807

Source: NZTR Analysis

This increase will allow NZTR to introduce a structure of racing and increase prizemoney levels from 1 March 2012, which is sustainable without further NZRB revenue growth.

Table 22.2 NZTR Variance Actual FY11 to Forecast FY12, FY13 and FY14

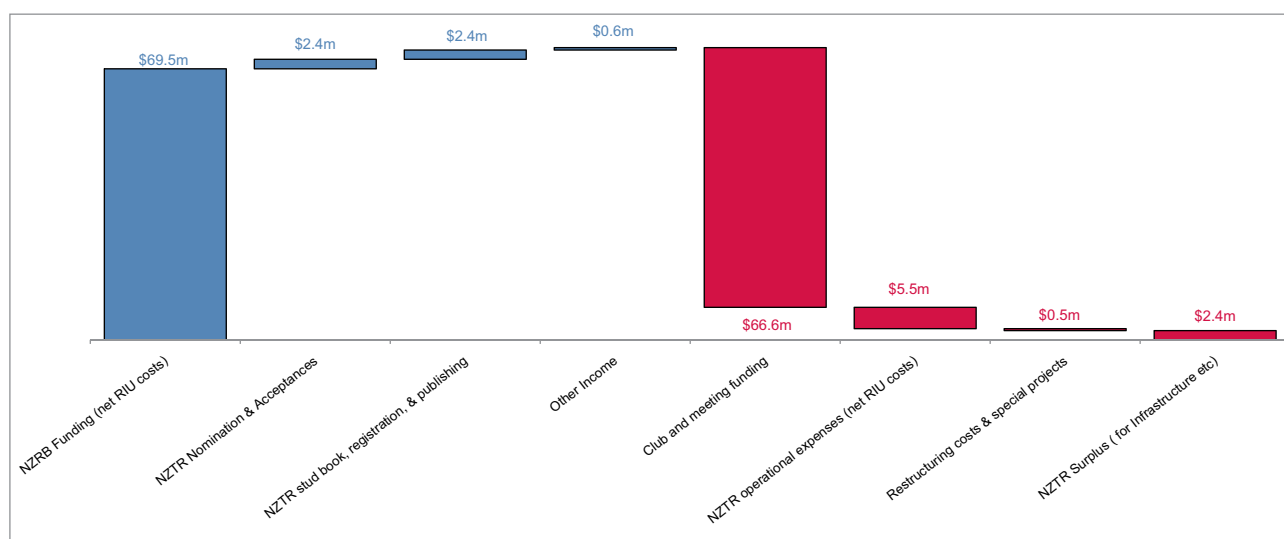
DESCRIPTION	FY11 ACTUAL	FY12 FORECAST	FY13 FORECAST	FY14 FORECAST
Number of race meetings	0	31	46	46
Number of races conducted	0	(8)	(8)	(8)
Number of starters	0	240	1,456	1,456
Average field size	0.0	0.1	0.5	0.5
Average funded prizemoney	\$0	\$815	\$1,756	\$2,032
Aggregate funded prizemoney	\$0	\$2,370,123	\$5,230,436	\$6,071,557
NZRB distribution (net RIU costs)	\$0	\$5,349,931	\$6,769,531	\$8,065,171
NZTR nomination and acceptances	\$0	\$409,892	\$1,582,653	\$1,582,653
NZTR stud book, registration and publishing	\$0	(\$53,901)	(\$53,901)	(\$53,901)
Gaming Income (non NZRB)	\$0	(\$348,038)	(\$425,306)	(\$425,306)
Other Income	\$0	(\$233,550)	(\$233,550)	(\$233,550)
Club and meeting funding	\$0	(\$2,314,590)	(\$4,974,917)	(\$5,816,038)
NZTR operational expenses (net RIU costs)	\$0	(\$47,009)	(\$47,009)	(\$47,009)
Restructuring costs and special projects	\$0	(\$500,000)	(\$250,000)	(\$250,000)
NZTR Surplus (for Infrastructure and prizemoney)	\$0	\$2,262,734	\$2,367,500	\$2,822,019

Source: NZTR

NZTR's FY13 forecast assume zero NZRB growth in wagering and gaming. However, it does include the transition of the remaining gaming machine sites conducted by NZRB to its class 4 gaming licence.

NZTR's FY14 forecast assumes a 2% growth in wagering and gaming revenue.

Chart 22.1 NZTR Sources and Applications of Funds FY12



Source: NZTR Management Reports

NZTR will improve its accountability, transparency and efficiency by:

- Actively managing NZTR financial results against KPIs, including budget-to-actual spend and year-on-year spend
- Meeting the NZTR operational expense budget of \$5.47m in FY12
- Investigating and co-ordinating opportunities for the industry to leverage off its commercial scale to provide benefits and/or discounts to participants and stakeholders

Key Performance Indicators

	BASE	KEY PERFORMANCE INDICATORS		
	FY11	FY12(F)	FY13(F)	FY14(F)
53. NZRB distributions to NZTR	\$64.1m	▲ \$69.5m	▲ \$70.9m	▲ \$72.2m
54. NZTR operational expenses	\$5.42m	▼ \$5.47m	▶ \$5.47m	▶ \$5.47m
55. Studbook, registration and publications	\$2.43m	▼ \$2.37m	▶ \$2.37m	▶ \$2.37m



NZTR Board

Mr Matthew Goodson (Chairman)

Mr Con Anastasiou

Mr Greg McCarthy

Mr John Stace

Mr Joe Walls

NZTR Chief Executive

Mr Greg Purcell



New Zealand Thoroughbred Racing Incorporated

106-110 Jackson Street + Petone + Wellington + New Zealand

PO Box 38 386 + Wellington Mail Centre 5045 + New Zealand

Telephone: +64 4 576 6240 Facsimile: +64 4 568 8866 Email: office@nzracing.co.nz

Website: www.nzracing.co.nz