

30 April 2020

**NZ Trainers' Association Inc**

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To the Executive and Branches of the **NZ Trainers' Association Inc**

**Response to NZTA Letter of 22 April**

Further to your letter to the Board of RITA last week, the Board discussed the questions contained in the correspondence at its meeting yesterday and herewith provide information to address the relevant points as best we can.

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**Is RITA a solvent organisation that can continue to fund its operating expenses and guarantee distributions to the codes?**

*and*

**When will RITA be able to give certainty to the Codes around their distributions for the coming season?**

The impact of Covid19 has had a material impact on revenue at the TAB and presented immediate cashflow challenges in light of product availability being down 80%, revenue down 40% and customer numbers down about 35% (when compared with pre-Covid19). This impact is evident internationally across all wagering operators and the New Zealand TAB has not been spared in this.

Thankfully, we have managed to weather the first wave of financial pressure but significant work remains to be done. As you will know, we have remained operating through the pandemic which has been hugely positive and has certainly helped to mitigate our possible worst case scenario, ie that being no major sport, no domestic racing and no Australian racing.

RITA have been actively engaged with the Racing Minister's office and his officials since the onset of impacts of Covid19 in March. We have outlined the expected impact of Covid19 on the TAB business, and the resulting impacts of reduced revenue on RITA, the Codes, and all participants who derive their livelihoods from racing.

While we have undertaken significant measures to reduce our costs to help lessen this dramatic loss of revenue, the scale of this event is such that it has necessitated an approach to the Government about options for supporting the racing industry going forward and included availing of the Government's wage subsidy initiative. This process is ongoing and we expect an announcement on progress will be made at the appropriate time.

We appreciate that the wider industry has also foregone revenue during this time, and that the level of stakes are of high interest, however the reality is that it is very difficult to accurately model the amount of funding we can distribute to the industry.

We have, however, been working closely with your governing body, NZTR, over the past week to develop an assessment off the back of the proposed racing calendar for May to July and based on Government confirmation of our ability to resume racing. You will be pleased to know that we have confirmed total funding to the thoroughbred code for the remainder of the 2019/20 season at approximately 4.15pm yesterday afternoon, after our respective Boards met to confirm these earlier discussions and we understand that NZTR's announcement around stakes etc. is imminent, now this has been finalised.

Once a calendar has been approved for 2020/21, which we hope will be in place prior to the resumption of harness racing at the end of May, we will be in the position to indicate funding levels for next season.

We appreciate that many of your stakeholders want certainty of returns from August through to July next year, but the simple reality is that no New Zealand sector can confidently predict what the next 15 months will look like.

The complexities we have referred to extend past the obvious critical confirmation of domestic racing dates but also extend into the uncertainty in the reopening of our gaming operations in our TAB's (which fund integrity), the resumption of high turnover sporting

product and the continuation/resumption of overseas racing. All of these carry considerable revenue risk for us when making assumptions for the future. Unfortunately we just can't answer these questions right at this time.

### **What measures have been put in place to reduce costs?**

*and*

**Many other organisations have made public announcements around redundancies and wage reductions. We have had no such guidance from RITA on this.**

We have included below an extract from our industry comms dated 19 April which outlines a list of the initiatives underway as part of our ongoing review of costs.

*Specific actions taken to date include:*

- *Pre Alert Level 4 (March 22)*
  - *A total recruitment freeze and a hold on RITA's contract with its recruitment partner put in place;*
  - *Oncourse presenters moved to present from studio*
  - *Use of non-essential contractors and casuals ceased*
  - *Staff travel and payment of certain discretionary allowances stopped (including overtime)*
  - *All non-essential expenditure ceased*
  - *Presenter-led Trackside shows cancelled*
  - *Trackside radio moved to simulcast of Trackside Television*
  
- *Post Alert Level 4 (March 23 to current)*
  - *More than 3,400 leave days approved for the period through to the end of 2020 following a request for all TAB employees to use entitled annual or alternative leave*
  - *All staff asked to consider taking voluntary unpaid leave or reduced hours*
  - *Reduction in remuneration for RITA Board, Executive Chair and Executive Management Team*
  - *Trackside radio programming on AM and FM suspended on April 12*

- *Trackside production scaled down with programming largely replaced with a live feed of Sky Australia coverage*
- *Active negotiations with landlords, suppliers and other services to secure relief or amended conditions*
- *Accessed the Government's wage subsidy programme*
- *All non-essential capital expenditure on hold through to 30 June 2020 (at the earliest)*

In addition to the above steps, we also informed our staff on April 20 that a deeper review of the business is underway to ensure we can respond to the impact of Covid19. We will provide information to the industry on this in due course in the near future.

**The RIU is considered a bloated and inefficient organisation. What steps are underway to reduce their cost to the industry?**

The operations of the RIU, JCA and the Racing Lab have also been impacted by COVID-19 with funding of integrity having stopped in light of there being no Class 4 gaming activity under Alert levels 3 and 4. As a result of our retail network being closed, the ongoing funding of integrity, in the short term at least, has become an additional expense that must be funded via betting revenue.

In the last few weeks, these organisations have taken steps to reduce their costs and revised budgets have been prepared with significant changes, with forecasted savings of approximately \$1m through the remainder of the 2019/20 season. We continue to work with these organisations to become as efficient as possible. This will be ongoing.

**Are RITA looking closely at a Joint Venture partner to unlock the value left in the current business?**

As late as mid March the Board advanced discussions to further consider potential partnering opportunities and we continue to work under the direction of the Minister in that regard. Covid-19 however has put this work on hold over the past six weeks as we (and the parties we've been in discussion with) have been dealing with the pandemic. It is also worth noting that any progress to actively move this forward is dependent on the progression of the Racing Industry Bill.

**When is the Racing Reform Bill likely to be enacted?**

Currently, the Racing Industry Bill has a proposed enactment date of 1 July 2020. The Bill was at the Select Committee stage when Covid-19 restrictions meant that Parliament wasn't able to conduct normal business. The Technology and Infrastructure Select Committee's original date for reporting back to the House was 17 April - this has now been extended to 1 June 2020. The timetable for consideration of the Bill (and all legislation) is determined by the whole of Parliament and will be subject to a range of considerations, however we understand that the passing of this Bill remains a priority for this Government.

**When will there be clarity regarding ownership of the TAB?**

We have not seen any formal proposals from the Government to determine the ownership of the TAB. This was not addressed in the Messara Report and RITA (or MAC) have not been asked to consider this issue. However, under the existing Racing Act, it is clear that the racing industry is the ultimate recipient of profits of the TAB - this position is unchanged in the Racing Industry Bill.

Finally, we hope that this letter assists in answering your questions. As you know, RITA is currently meeting with your code body, NZTR, every second day to ensure it is kept up to date on all matters relating to the TAB business and the resumption of racing. Through the information arising from these meetings and RITA's regular industry updates, we will endeavour to continue to keep your Association as informed and up to date as possible.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'DM', written over a horizontal line.

Dean McKenzie  
Executive Chair (for and on behalf of the Board)  
Racing Industry Transition Agency

