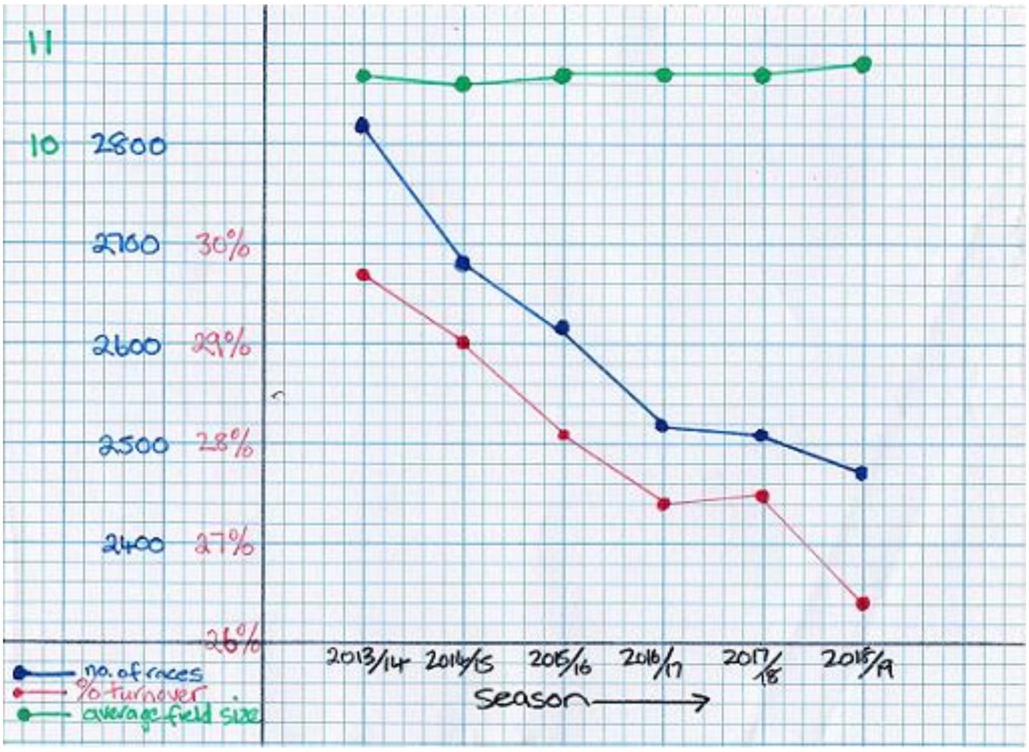
An analysis of the relative contributions of participant clubs in the harness industry and the implications of the draft date and venue structure

The result of the policies that have driven our industry over the last few years is evident in the declining market share that harness racing has contributed to the racing industry as a whole. When graphed, the stark relationship between the number of races held and the revenue produced becomes obvious even with average race field sizes holding up.



This is even more alarming when the longer-term trend is considered. In 2008/9 harness racing contributed $282,333,000 to domestic turnover or 32%, by 2018/19 this had shrunk to $197,366,000 or 26.4%. This decline has come about through the industry pursuing policies that promote stake levels ahead of turnover returns.

I would be the last person to argue that stake levels are not important to the industry but in the first instance stakes are driven by revenue returns, revenue returns do not increase in response to lifting stake levels in general; the Auckland Trotting Club turnovers being an obvious example.

Contracting the industry by restricting the number of races run in a season to enable stake levels to be maintained or increased only serves to reduce turnover and thus the level of funding available in the coming season. The response to then further contract the number of races to be able to maintain stake levels has led to the contraction spiral we find ourselves in. The single-minded mantra of maximising field sizes in deference to holding more races has also exacerbated this situation.

Contributing to this decline in revenue has been the manner in which the funding available has been distributed over the industry. In the 2018/19 season the NZ Metropolitan Trotting Club received 29.4% of the seasons funding* but contributed only 22% of the revenue profit** and the Auckland Trotting Club 23.5% of funding for a 15.4% return. In comparison Forbury Park received 6 % of funding but contributed 6.1% of profit.

The record of these two premier clubs in returning revenue in relation to their funding is evident in the fact that in the 2018/19 season the ATC struggled to return 60% of its funding as revenue profit and the NZMTC 70%. This is in stark contrast to clubs such as Cambridge, Manawatu and Forbury which return around 90%.

I should add here that I am fully aware that these premier clubs hold Group and other feature events that do not drive betting revenue in proportion to their funding allocation, that these events are important in driving the profile of our industry and that the NZMTC hosted the Interdominions during that season (some allowance has been made for this). This will obviously be reflected in the percentage return they contribute but the disparity in the performance of these two clubs in relation to smaller, more efficient venues in retuning revenue profit suggests a disproportionate allocation in respect to return. Put bluntly the two premier venues appear to be black holes into which funding is shovelled for inadequate revenue returns.

In response to an anticipated reduction in funding (not necessarily realised) and the recommendations of the Messara Report HRNZ has produced a draft restructuring of dates and venues for the upcoming season. This is at present under review after receiving numerous submissions from affected clubs.

The essence of the draft has been to remove all 21 dates from the Forbury Park Trotting Club, all 23 from the Central Districts, all 7 from Timaru as well as others from regional venues. These have then been distributed amongst Cambridge(6), Addington (36) and Invercargill (10). Cambridge contributes well return-wise and appears worthy of more dates but if the funding for the 21 Forbury dates returning 90% are redirected to Addington under the same performance levels evident in the 2018/19 season the loss in profit to the industry could reach nearly $500,000***. Add in the loss from redirecting funding from the Central Districts and other affected clubs to less profitable venues and the loss in profit (this is not just revenue which is likely to be around 7 times as much) may reach $1,000,000.

This means that unless clubs like Addington are able to operate effectively on a much lower funding base, the equivalent to that which Forbury or Manawatu have been forced to work under, the proposed date and venue changes are likely to result in $1million less funding being available for the following season.

Taking these FACTS and FIGURES, which other than funding levels* have been taken from official documentation, into consideration it is obvious that the changes proposed in the draft for the 2020/21 season should be put on hold until a full and proper analysis is done on the ramifications they will have on our code's prosperity.

Other than the severe reduction in revenue returns likely to be realised these changes are also set to decimate a significant portion of the industry and remove third-tier opportunities in both the North and South Islands, affecting the viability of a significant portion of the horse population.

These changes will only serve to accelerate the downward spiral of contraction our industry finds itself in. A full and proper analysis of revenue returns versus funding needs to be initiated by HRNZ and a growth pathway to reverse our code's decline devised.

This knee-jerk draft, based not on a detailed appraisal but basically just the idea of putting racing where the majority of the horse population is, would look on close inspection to be detrimental to harness racing's future and must be put on hold.

Would it not be more sensible to retain the existing date/venue structure that was put in place for 2019/20 with perhaps one or two minor changes e.g. moving a few Auckland meetings to Cambridge, for this coming season to allow a structure to be developed that will make best use of the funding available to drive turnover and arrest the contraction spiral we have been in. This needs to be done in consultation with all clubs as will be required in future under the Racing Industry Bill.

Failing to act on this immediately could have dire consequences.

Doug Gale

* Due to the secrecy surrounding funding levels, a situation that can not be allowed to continue, funding of the two premier clubs has had to be approximated based on their assertions around the percentage of funding they return as stake, Auckland 104% and NZMTC aiming at 100% but perhaps falling slightly below this figure. As stakes paid are public knowledge the funding can be calculated.

** This figure is calculated as the sum of 14% total domestic turnover and 3% export turnover. This has been verified as correct by RITA.

***This is calculated from the Forbury Park funding for 2018/19 being $2,047,587 and producing profit revenue of $1,840,448. If the same funding was used by NZMTC under their performance figure of 66% for the same year the return would have been $1,351,407, a loss of $489,041.