

# AUCKLAND RACING CLUB MEMBERS' FORUM

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Auckland Racing Club



**Pukekohe Park**  
COUNTIES RACING CLUB

Update on ARC/CRC Merger

# AGENDA

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- **Introductions:**
  - Steering Group
  - Industry Representatives
- **Members Forum Presentation**  
Doug Alderslade and Mark Chitty
- **Executive Summary of Deloitte Report**  
Alan Dent
- **Details of Membership and fees for Amalgamated Club**
- **Composition and Structure of new ATC Board**
- **What needs to occur to accomplish a merger**



## WHAT ARE WE WORKING TO ACHIEVE?

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To ensure a progressive, sustainable future for thoroughbred horse racing in the Auckland region, that delivers for all industry participants including owners, trainers, breeders, jockeys and fans.



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COUNTIES RACING CLUB



# HOW WE'VE GOT HERE

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## March 2018

ARC and CRC commence discussions regarding the future of the clubs and racing in Auckland.

## August 2018

The Messara Report is released. The report makes 17 recommendations and concludes that racecourses and clubs in NZ are generally starved of revenue and capital, limiting their capacity to improve operations and maintain competitive race surfaces.

## December 2019

The Racing Industry Bill was introduced to Parliament.

## 1 August 2020

The main provisions of the Racing Industry Act came into force. This was the Government's legislative response to the recommendations of the Messara Report.

## September 2020

Deloitte was engaged by ARC and CRC to provide an independent analysis of the performance of the racing industry in the Auckland Region, and how it could be improved to meet the Clubs' combined objectives.

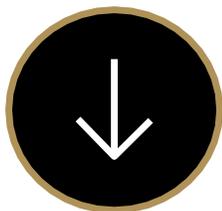


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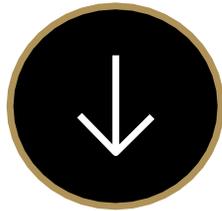
## THE ISSUES WE'RE FACING

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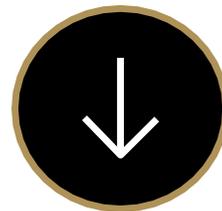
1.

Industry participants and returns to them declining and unlikely to improve.



2.

Race meetings and attendees are reducing.



3.

Owners, trainers and jockeys are exiting the industry.



4.

Foal crop reducing, and good horses being sold overseas.



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## THE ISSUES WE'RE FACING

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ARC and CRC average prizemoney is \$46k per race, with more than 50 races each year returning only \$10k.

The 2018 Messara Report found the racing industry has been underperforming with returns to owners in New Zealand of 22.9%, in comparison with those in New South Wales at 48.1%.

The existing business model of an industry totally reliant on betting revenue to fund it, is broken. Betting revenue is in a long-term decline and offers ever diminishing returns for the industry.

**The status quo is not sustainable. Doing nothing is not an option.**



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## SOLUTION

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In response to this, ARC and CRC have undertaken a comprehensive review, consultation process and independent analysis that has made clear that the best option for our industry is the amalgamation of ARC and CRC into a new club, based at Ellerslie.

This would include the realisation of significant combined land assets to be reinvested into the industry and a transition to a modernised governance structure.



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## DELOITTE REPORT FINDINGS

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“ Amalgamation will deliver significantly better returns to the industry than the two clubs continuing independently, hence we recommend the amalgamation proceed. ”

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“ The key premise behind a potential amalgamation is that there are significant benefits to be had through the realisation of combined land assets, on a co-ordinated basis, to ensure that proceeds are maximised and reinvested into the industry. ”

### DELOITTE REPORT.



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# A FUTURE BUSINESS MODEL FOR ARC/CRC

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## Transform latent properties into income generating assets

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- ARC has begun to do this, and now has over \$50m in investment funds, making ARC profitable and viable. Without this, ARC would be running at a considerable loss.
- ARC has been utilising a portion of the fund's earnings to increase stakes by about \$1m per year.
- CRC is currently generating a material operating deficit. Unlike ARC it does not have any investment income to offset that loss and is unlikely to be sustainable without significant asset realisation in the near term.



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## ARC and CRC as one portfolio will give the combined club:

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- Properties of scale.
- Diverse investment opportunities in residential, commercial and industrial markets.
- Cash fund to use to advance the realisation of assets, without the need to borrow.
- Large, professionally managed long-term investment fund.
- Increased stakes as new and additional incomes are achieved.



## HOW WILL THE MERGER BENEFIT OUR CLUBS AND OUR INDUSTRY?

Doubling of average returns to the industry per race from

**\$46,000**  
to  
**\$100,000.**

Up to

**40**

race days per year on an international standard track at Ellerslie.

Aspiring to ten races worth

**\$500k**

per year and three races worth

**\$1m**

per year.

A StrathAyr type international standard

**racing surface**

and improved club facilities at Ellerslie.

**Vibrant racing scene**

that attracts and retains owners, trainers, jockeys, punters and patrons.

**Financially viable**

regional racing club.

**Internationally recognised**

Group racing at Ellerslie.

A comprehensive **training facility**

at Pukekohe.

**These combined benefits will deliver a new club on par with major Australian city racing clubs.**

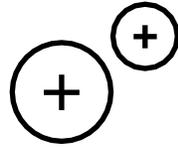


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## HOW WILL THE MERGER BENEFIT MEMBERS?

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Full access to course, and  
associated member benefits



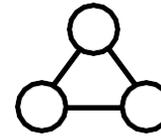
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No increase in current  
membership fees



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Support the future of  
our industry



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Be part of a vibrant,  
financially viable club

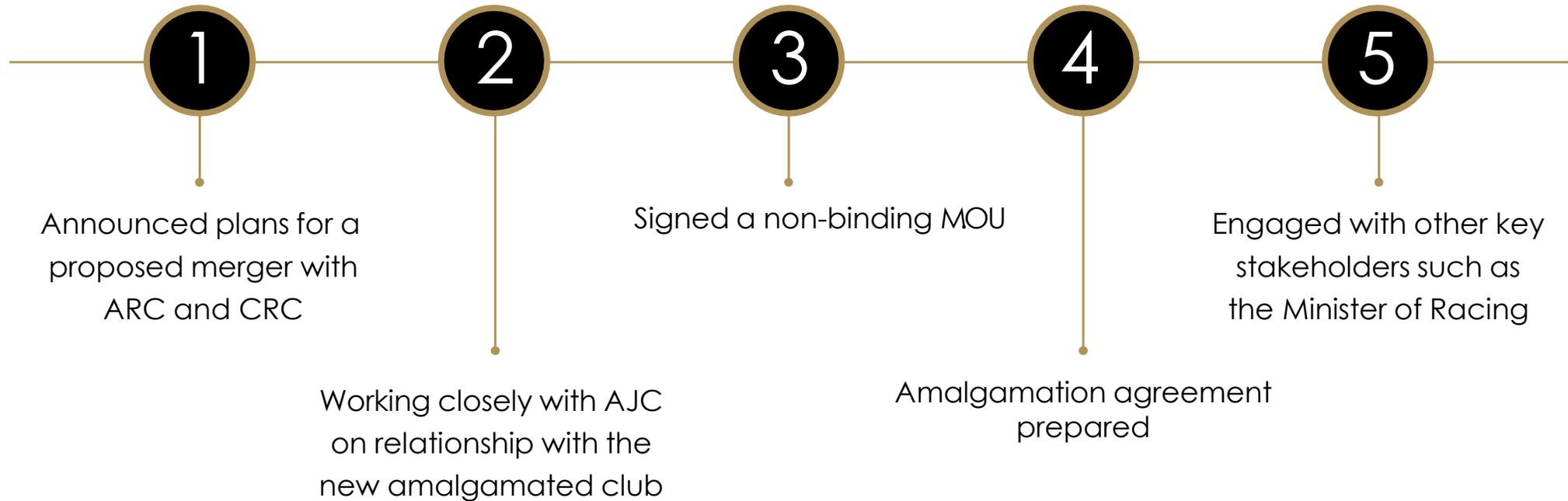


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# WHAT WE'VE ACHIEVED TO DATE

ARC & CRC have made significant progress over the past six months:



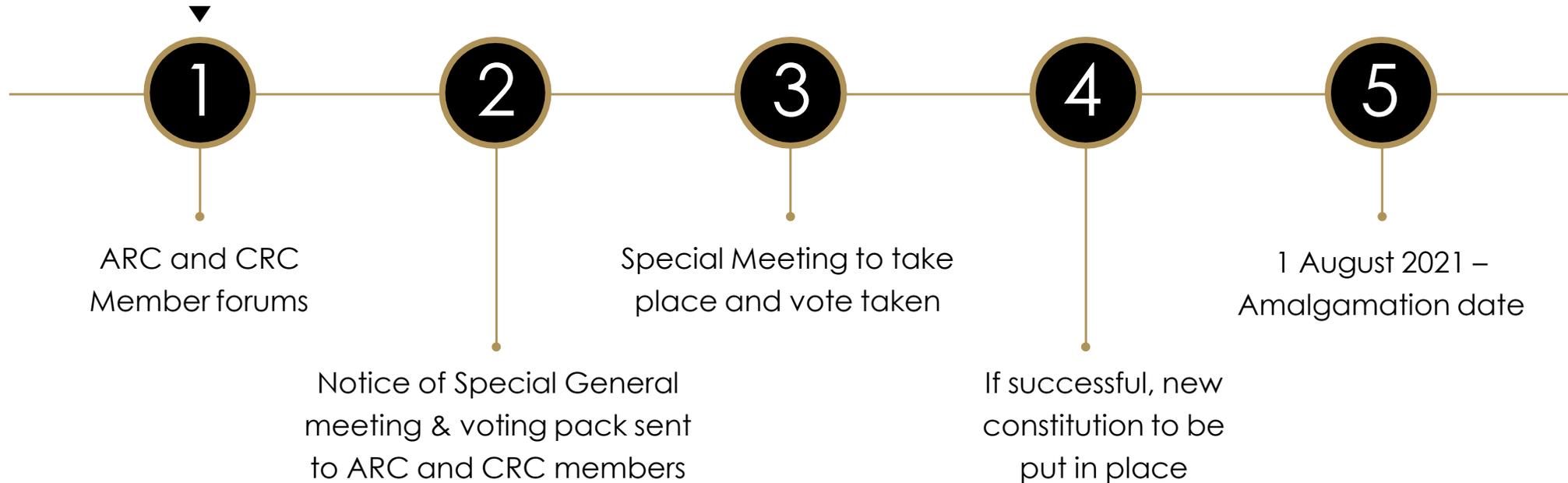
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## NEXT STEPS

Dates to be confirmed

WE ARE HERE



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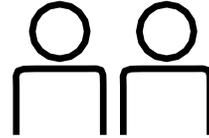
## HOW WILL THE MERGER BE IMPLEMENTED?

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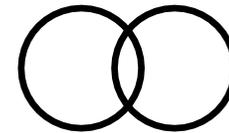
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Subject to members voting for the merger, a transition board will be appointed for the new club.



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The transition board will be made up of representatives from both clubs and appointed directors with specific skills.



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The transition board will make the required decision about how the merger is implemented and the makeup of the merged club's permanent board.



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# DELOITTE REPORT EXECUTIVE SUMMARY

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## Objectives

- Deloitte was jointly engaged by ARC and CRC (the “Clubs”) to undertake a study to examine how the performance of the racing industry in the Auckland region could be significantly improved.
- Deloitte was instructed to consider the benefits of amalgamating ARC and CRC into a single, new racing club.
- The vision for the amalgamated entity – the Auckland Turf Club (ATC) - is to be a powerful racing club in the Auckland Region, where the club is financially sustainable and in charge of its destiny.

## The amalgamation option

- There are significant benefits to be had from a single operating structure and through the realisation of land assets on a co-ordinated basis to ensure that proceeds are maximised.
- Proceeds from realisations would be applied to significantly increase the scale of the investment portfolio currently held by ARC would allow the new club to significantly increase financial returns to the industry.

## Key assumptions

In developing the financial case for amalgamation it has been necessary to formulate assumptions in relation to a number of factors that have the potential to materially impact the performance of the combined entity.

## Asset realisation

- The critical assumption is that a portfolio of land assets would be progressively realised over the next five years.
- Amalgamating the clubs under a common ownership and governance structure means that asset realisations can be sequenced in a way that maximises value and ensures that short term requirements for capital do not see specific assets sold at points in time or in a state that is less than optimal.

## Investment returns

- ARC currently holds an investment portfolio of \$50m. Following completion of the asset realisation programme and after allowing for the investment in a StrathAyr type track the investment portfolio of the amalgamated club is expected to have increased to @\$240m to \$250m by FYE25 under the base case modelling.
- This translates into potential additional returns available to the industry by 2025 of @ \$15m (being investment returns net of an approximate 24% retention to ensure the real value of the investment portfolio is maintained).
- Actual investment returns will vary over time and will be a function of both market conditions and the investment strategy adopted. Over the past 5 years ARC has enjoyed returns on investment in excess of 10% - which are relatively consistent with long term returns achieved by ACC and the NZ Super Fund.
- While the recent returns do reflect the benefit of a relatively buoyant market they have been achieved off the back of relatively conservative investment mandates.
- The amalgamated entity will be investing for the long term meaning it is likely to be comfortable adopting more aggressive investment mandates with an increased weighting to growth assets that would be expected to generate relatively higher returns over time.



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# DELOITTE REPORT

## EXECUTIVE SUMMARY (CONTINUED)

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### Conclusion

- An amalgamated option offers a materially greater level of flexibility in terms of the ability to realise surplus property assets and to reinvest those proceeds in improved racing infrastructure and a substantial investment portfolio
- In the medium to longer term an amalgamation will see the creation of a well capitalised entity with an international quality track at its principal venue and the ability to significantly increase returns to industry
- Increased industry returns are expected to ensure that the racing content provided matches the quality of the upgraded facilities while also creating the opportunity to increase revenue from other sources.



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# MEMBERSHIP

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## CRC Members

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Life and Honorary Members → Life Members of ATC

Ordinary Members → Standard Members of ATC

## ATC Membership Fees – From Amalgamation to 31 July 2026

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Standard Members → \$75 pa (incl GST)

Young Members → \$40 pa (incl GST)

Premier Members → \$240 pa (incl GST)

20 Year (65+) Members → \$50 pa (incl GST)

## From 31 July 2026

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Ordinary Members of CRC → Pukekohe Park only – free at amalgamation date



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# ATC BOARD

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## Transition Period – to October 2023

- 2 ARC Board Members
- 2 CRC Board Members
- Up to 3 Independents (need not be Members), appointed by the 4 ARC/CRC Board Members

## Director Assessment Panel (DAP)

- Comprising:
  - 2 Members of ATC Board
  - 2 other persons with recruitment skills/experience
- DAP's role to recruit, assess and make recommendations to ATC Board

## Board Composition post October 2023

- 4 Board Members – Members of ATC assessed and recommended by DAP and voted for by ATC Members
- Up to 3 Board Members – need not be Members of ATC assessed and recommended by DAP and appointed by the Board
- 'Original' ATC Board Members (from ARC and CRC) progressively retire or up for re-election

## Other Board Changes

- Term:
  - 3 years
  - 9 years maximum
  - 1 year standdown
- Provision to remunerate Board Members from pool voted by Members

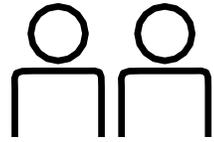


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# WHAT NEEDS TO OCCUR TO ACCOMPLISH A MERGER

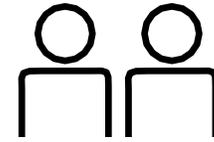
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## CRC Members

60% of members present and voting in favour



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## ARC Members

66.66% of members present either in person or via proxy voting to amend the Rules and Regulations



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# STATEMENT OF SUPPORT FROM NZTROF

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The New Zealand Thoroughbred Racehorse Owners Federation supports the proposed amalgamation of Auckland Racing Club and Counties Racing Club in an effort to create a world-class racing facility for the Auckland Region, along with a significant increase in stakes. Low stakes and poor returns have been an ongoing and concerning issue for owners. Abandonment of racing is an issue that affects all those in the industry, and the installation of a suitable new surface is supported by NZTROF.

We look forward to progress on this significant step towards a new era for the racing industry that is sure to revitalize the joys of thoroughbred racehorse ownership.

**Bernard Hickey, NZTROF President**



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# STATEMENT OF SUPPORT NEW ZEALAND JOCKEYS' ASSOCIATION

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“The proposal of a StrathAyr surface at Ellerslie is seen as a great step forward by the New Zealand Jockeys' Association (NZJA). A more consistent racing surface is crucial to the overall safety of jockeys on raceday. We believe a StrathAyr surface will only enhance the appeal of NZ racing to a growing global audience.”

**Andrew Lacy,  
Executive Officer, NZJA**



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Q & A



THANK YOU

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