

Proposal to fund additional Synthetic Racing Tracks in Awapuni, and Riccarton Park

Date:	8 May 2020	Priority:	Urgent
Security classification:	In Confidence	Tracking number:	3274 19-20

Action sought		
	Action sought	Deadline
Hon Shane Jones Minister for Regional Economic Development	Approve or decline a \$10.5 million grant from the PGF to the New Zealand Racing Board to establish a synthetic racing track in Awapuni under the parameters of the 'Manifesto Commitments to the Regions' tagged contingency	12 May 2020
Hon Grant Robertson Minister of Finance		12 May 2020
Hon Phil Twyford Minister of Transport Minister of Economic Development	Approve or decline a \$10.5 million grant from the PGF to the New Zealand Racing Board to establish a synthetic racing track in Riccarton Park under the parameters of the 'Manifesto Commitments to the Regions' tagged contingency	12 May 2020
Hon David Parker Minister for Trade and Export Growth		12 May 2020
Fletcher Tabuteau Parliamentary Under-Secretary to the Minister for Regional Economic Development	Note the contents of this briefing.	12 May 2020

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Robert Pigou	Head of the Provincial Development Unit	Privacy of natural persons	✓

Purpose

This paper seeks a decision on whether to approve or decline a \$10.5 million grant to establish a synthetic racing track in Awapuni, and \$10.5 million grant to establish a synthetic racing track in Riccarton Park from the Provincial Growth Fund (PGF).

Key points

Background

In September 2018, the New Zealand Racing Board (NZRB) requested \$^{Commercial Information} from the PGF to establish synthetic racing tracks in Cambridge (Waikato), Awapuni (Manawatū-Whanganui), and Riccarton Park, Christchurch (Canterbury). The total cost of constructing the synthetic racing tracks is \$^{Commercial Information}. The PDU assessed that the project did not meet the PGF's criteria, in particular the PDU noted that it was unclear as to the extent the proposal would increase productivity potential, although there does appear to be a level of 'job retention' and greater work security for workers in the racing industry. Further, the Riccarton Park proposal is not eligible for PGF funding because it is located in Christchurch City.

Regional Economic Development Ministers approved \$6.750 million for the Cambridge synthetic racing track from the PGF's 'Manifesto Commitments to the Regions' tagged contingency. The Awapuni and Riccarton Park synthetic racing tracks have not received PGF funding to date.

The 'Manifesto Commitments to the Regions' tagged contingency ring-fenced PGF funding for coalition agreement projects. The Provincial Development Unit (PDU) noted that as part of the New Zealand Labour Party and New Zealand First Coalition Agreement, supporting NZ First's Racing Policy is identified as a Coalition Priority. On 4 May 2020, Cabinet agreed that the \$^{Commercial Information} remaining in the 'Manifesto Commitments to the Regions' tagged contingency should be reprioritised to fund the PGF's response to COVID-19 [CAB-20-197 refers]. ^{Commercial Information}

Funding request

Ministers have requested information about the possibility of using the PGF to invest in the establishment of synthetic racing tracks in Awapuni and Riccarton Park.

The PDU understands that \$10.5 million of PGF funding would be required to establish a synthetic racing track in Awapuni and \$10.5 million of PGF funding would be required to establish a synthetic racing track in Riccarton Park. NZRB estimates that each synthetic racing track would cost around \$^{Commercial Information} based on their experience with constructing synthetic racing tracks, but have not completed detailed budgets.

Both synthetic racing tracks would require a \$^{Commercial Information} co-contribution. The PDU understands the Awapuni synthetic racing track co-contribution is subject ^{Commercial Information}

^{Commercial Information}. The PDU understands the Riccarton Park synthetic racing track co-contribution is subject ^{Commercial Information}



Given the proposal has not significantly changed, this paper annexes a summary of the PDU's previous assessment of the NZRB's request to establish racing tracks in Cambridge, Awapuni and Riccarton Park, which recommended that the request for PGF funding be declined. If PGF funding is provided and subject to co-funding being attained, the PDU understands that a contract could be signed by **Commercial Information** with construction beginning over the **Commercial Information**

Commercial Information

Recommendations

The Provincial Development Unit recommends that you:

1. **Note** that the Cambridge Synthetic Racetrack received \$6.750 million from the Provincial Growth Fund's (PGF) Manifesto Commitments to the Regions tagged contingency
Noted
2. **Note** that there was \$**Commercial Information** remaining in the 'Manifesto Commitments to the Regions' tagged contingency to fund emerging coalition priorities, but this was reprioritised into the PGF by Cabinet to fund the PGF's response to COVID-19 [CAB-20-197 refers]
Noted
3. **Note** that Ministers requested information about the possibility of using the PGF to invest in establishing synthetic racing tracks in Awapuni and Riccarton Park
Noted
4. **Note** that the Provincial Development Unit previously recommended that the New Zealand Racing Board's proposal to establish synthetic racing tracks did not fit the PGF's criteria
Noted
5. **Note** that the proposed Riccarton Park synthetic racing track is located in Christchurch City, which is ineligible for PGF funding
Noted
6. **Approve or decline** a \$10.5 million grant from the PGF to the New Zealand Racing Board to establish a synthetic racing track in Awapuni in line with the parameters of the 'Manifesto Commitments to the Regions' tagged contingency, subject to a \$**Commercial Information** co-contribution

Approve / Decline



7. **Approve or decline** a \$10.5 million grant from the PGF to the New Zealand Racing Board to establish a synthetic racing track in Riccarton Park in line with the parameters of 'Manifesto Commitments to the Regions' tagged contingency, subject to a \$Commercial Information co-contribution

Approve / Decline

Robert Pigou
Head of the Provincial Development Unit
Provincial Development Unit

Hon Grant Robertson
Minister of Finance

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Hon Phil Twyford
Minister of Transport
Minister of Economic Development

Hon David Parker
Minister for Trade and Export Growth

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Hon Shane Jones
**Minister for Regional Economic
Development**

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Recommendations

Projects seeking decision from Regional Economic Development Ministers

Ref	Project details	Project description	PDU comment	Assessment against PGF criteria and PDU comment	
1.	<p>Project name: Synthetic Racing Tracks – Awapuni and Riccarton Park</p> <p>Applicant: New Zealand Racing Board on behalf the Cambridge Jockey Club</p> <p>Region: Manawatū-Whanganui and Canterbury</p> <p>Tier and type: Tier 2</p> <p>Estimated total project cost: \$Commercial Information</p> <p>Amount of funding sought from the PGF: \$21 million (\$10.5 million per synthetic racing track)</p> <p>Financial instrument requested: Grant</p>	<p>The PDU understands that \$10.5 million of PGF funding would be required to establish a synthetic racing track in Awapuni and \$10.5 million of PGF funding would be required to establish a synthetic racing tracking in Riccarton Park. NZRB estimates that each synthetic racing track would cost around \$Commercial Information based on their experience with constructing synthetic racing tracks, but have not completed detailed budgets.</p> <p>In September 2018, the New Zealand Racing Board (NZRB) requested \$Commercial Information from the PGF to establish synthetic racing tracks in Cambridge (Waikato), Awapuni (Manawatū-Whanganui), and Riccarton Park, Christchurch (Canterbury). The total cost of constructing the synthetic racing tracks is \$Commercial Information. The PDU assessed that the project did not meet the PGF's criteria, in particular the PDU noted that it was unclear as to the extent the proposal would increase productivity potential, although there does appear to be a level of 'job retention' and greater work security. Further, the Riccarton Park proposal is not eligible for PGF funding because it is located in Christchurch City.</p> <p>Regional Economic Development Ministers approved \$6.750 million for the Cambridge synthetic racing track from the PGF's 'Manifesto Commitments to the Regions' tagged contingency. The Awapuni and Riccarton Park synthetic racing tracks have not received PGF funding to date.</p> <p>The 'Manifesto Commitments to the Regions' tagged contingency ring-fenced PGF funding for coalition agreement projects. The Provincial Development Unit (PDU) noted that as part of the New Zealand Labour Party and New Zealand First Coalition Agreement, supporting NZ First's Racing Policy is identified as a Coalition Priority</p> <p>Subject to decisions by Ministers, the next steps are:</p>	<p>The PDU seeks a decision from RED Ministers on whether to:</p> <ul style="list-style-type: none"> approve or decline a \$10.5 million grant from the PGF to the New Zealand Racing Board to establish a synthetic racing track in Awapuni under the parameters of the 'Manifesto Commitments to the Regions' tagged contingency, subject to a \$Commercial Information co-contribution, and approve or decline a \$10.5 million grant from the PGF to the New Zealand Racing Board to establish a synthetic racing track in Riccarton Park under the parameters of the 'Manifesto Commitments to the Regions' tagged contingency, subject to a \$Commercial Information co-contribution. <p>Both synthetic racing tracks would require a \$Commercial Information co-contribution. The PDU understands the Awapuni synthetic racing track co-contribution is subject Commercial Information</p> <p>The PDU understands the Riccarton Park synthetic racing track co-contribution is subject Commercial Information</p> <p>On 4 May 2020, Cabinet agreed that the \$Commercial Information remaining in the 'Manifesto Commitments to the Regions' tagged contingency should be reprioritised to fund the PGF's response to COVID-19 [CAB-20-197 refers].</p> <p>The benefits of a synthetic racing, trials and training track include:</p> <ul style="list-style-type: none"> Improved starter numbers in winter and spring and an increase in turnover for winter and spring races Decrease in costs to owners for horses in training but unable to start due to weather and track conditions A reliable track surface for trainers when alternative tracks are unable to be used due to weather and track conditions A reduction in the number of abandoned meetings 	<p>Immediate job creation and income growth</p> <p>Construction activity that will be underway within 6 months</p> <p>A high degree of visibility to the community</p> <p>Creates permanent jobs</p> <p>Delivers benefit to the community</p> <p>Increased utilisation and returns of Māori asset base</p> <p>Enhanced sustainability of natural assets</p> <p>Mitigation of climate change</p>	<p>Based on experience at Cambridge approximately Commercial Information construction at each racecourse.</p> <p>Construction may begin Commercial Information</p> <p>The projects will be visible once physical works begin.</p> <p>Unknown.</p> <p>Consultation completed as part of the industry review and the development of the Future Venue plan that secured feedback from key industry stakeholders (race clubs). There is no evidence provided that indicates public consultation has occurred on the proposal or with regional economic development governance groups.</p> <p>Not evident.</p> <p>Not applicable.</p> <p>Not applicable.</p>

Ref	Project details	Project description	PDU comment	Assessment against PGF criteria and PDU comment	
		<ul style="list-style-type: none"> • Finalise any further due diligence matters • Prepare and negotiate the full investment agreement documentation for each of the three parent clubs • Obtain confirmation of co-funding amounts • Review and agree the selected contractors' terms and conditions to undertake the work • Review the detailed project plan, governance, and project management structure • Obtain confirmation of project costs and payment schedule. 	<ul style="list-style-type: none"> • Retention of horses in New Zealand (and in lower grades in particular) • Industry to benefit from more betting income on a surface that is well-known to customers and unlikely to be abandoned. <p>The PDU has assessed the application against the criteria of the PGF. Based on our assessment, we do not consider this proposal to meet the PGF's criteria to the level expected. In particular it is unclear as to the extent that the proposal increases the productivity potential of the region, although there does appear to be a level of 'job retention' and greater work security.</p> <p>The location of one of the tracks at Riccarton would appear to place it out of scope for PGF funding (located within Christchurch City).</p>	<p>Adding value by building on what is already there</p>	<p>The new courses build on the existing racehorse industry.</p>
				<p>Acts as a catalyst for productivity potential in the region</p>	<p>Less race abandonment resulting in significant revenue savings - \$<small>Commercial Information</small></p>