

The Treasury

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- [1] 6(a) - to avoid prejudice to the security or defence of New Zealand or the international relations of the government
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- [4] 6(c) - to avoid prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial
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- [25] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
- [26] 9(2)(ba)(i) - to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied
- [27] 9(2)(ba)(ii) - to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest
- [29] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
- [31] 9(2)(f)(ii) - to maintain the current constitutional conventions protecting collective and individual ministerial responsibility
- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials

- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [36] 9(2)(h) - to maintain legal professional privilege
- [37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [40] not in scope
- [41] 18(c)(i) - that the making available of the information requested would be contrary to the provisions of a specified enactment
- [42] 18(d) - information is already publicly available or will be publicly available soon.

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Racing briefing

Hon Grant Robertson
Minister of Finance

Rt Hon Winston Peters
Minister for Racing

Hon Tracey Martin
Minister of Internal Affairs

Title: Racing Industry Support Package: Approval of Financial Recommendations

Date: 12 May 2020

Key issues

On 11 May 2020, Cabinet agreed that a \$50 million immediate support package for the racing industry should be provided. Cabinet also agreed to an increase of \$2.5 million in Departmental funding to enable the Department of Internal Affairs to negotiate the funding, engage specialist financial and legal expertise to support the implementation and monitoring of the package. These appropriations will be charged against the COVID-19 Response and Recovery Fund [COVID-19 Response and Recovery Fund Foundational Package refers]. The Minister for Racing has also announced up to \$20 million will be provided to fund the construction of two all-weather racing tracks.

Cabinet authorised Joint Ministers to finalise and approve changes to appropriations for certain initiatives where financial recommendations were still outstanding.

This briefing seeks your approval of the financial recommendations for the COVID-19 Response and Recovery Fund initiative titled *Racing Industry Initial Recovery Package*.

Action sought

Approve the financial recommendations for Vote Internal Affairs COVID-19 Response and Recovery Fund initiative titled *Racing Industry Initial Recovery Package*.

Timeframe

By 5pm 12 May 2020

Contact for telephone discussions (if required)

Name	Position	Direct phone line	After hours phone	Suggested 1 st contact
Raj Krishnan	General Manager Policy	[23]		✓
Murray Johnson	Programme Policy Manager			

Return to	Jason Dowse, Level 9, 45 Pipitea Street
Cohesion reference	FZVS55NRNZNU-1830033946-711
Ministerial database reference	RA202000091

Purpose

- This paper seeks your approval of the financial recommendation for the Vote Internal Affairs initiative *Racing Industry Initial Recovery Package* to be charged against the COVID-19 Response and Recovery Fund (CRRF) and included in the CRRF Foundational Package, as agreed by Cabinet on 11 May 2020 [COVID-19 Response and Recovery Fund Foundational Package refers].

Cabinet has agreed that a support package should be provided to the racing industry

2. On 11 May 2020, Cabinet agreed to a package of initiatives to be charged against the CRRF, however, at the time, some financial recommendations were outstanding.
3. At this meeting, Cabinet authorised the Minister of Finance and relevant Appropriation Ministers to approve jointly any changes to appropriations and capital injections, and the establishment of new appropriation where necessary to give effect to the list of initiatives for which financial recommendations were still outstanding [COVID-19 Response and Recovery Fund Foundational Package refers].
4. There is one initiative in Vote Internal Affairs for which outstanding financial recommendations need to be approved:
 - 4.1 Initiative 12849: *Racing Industry Initial Recovery Package* which provides emergency funding to ensure the survival of the racing industry through to 31 July 2020 and prevent the Racing Industry Transition Agency (RITA) becoming insolvent. This would lead to the loss of jobs and impact on efforts to revitalise the racing industry. The funding will be spent repaying creditors, restructuring the industry and to meet other costs to implement this grant.
5. This paper seeks approval of the financial recommendations to include this initiative in the CRRF Foundation package, details of which will be communicated on Budget Day (14 May 2020). The Minister for Racing has also announced up to \$20 million will be provided to fund the construction of two all-weather racing tracks. Appropriation of that funding will be dealt with separately.

Implementation and publicity

6. The emergency support package to the racing industry provides funding for a grant (or grants) from the Crown of up to a maximum of \$50 million and \$2.5 million in Departmental funding to cover the work required to negotiate the funding, engage specialist financial and legal expertise to support the implementation and monitoring of the package.
7. The Department of Internal Affairs (the Department) and the Treasury have provided RITA with a draft funding agreement for comment. That agreement has the terms and conditions required to ensure that the Crown's grant (or grants) is (are) applied to authorised purposes and to ensure that the Crown can have confidence that RITA will take the necessary steps to recover.
8. The agreement will specify that RITA can access funds in tranches, with the first tranche to cover outstanding creditors. This is expected to total approximately \$26 million. Other tranches will provide for:
 - 8.1 working capital;
 - 8.2 restructuring costs;
 - 8.3 employee entitlements (for example to meet redundancy payments);
 - 8.4 operating funding to support racing codes and 'top-up' the distributions that RITA expects to make; and
 - 8.5 other contingencies.

9. The Department will verify that the proposed draw-downs are required to meet costs and RITA's Directors will be required to sign-off on the funding requests before they are considered by agencies.

[38]

Addressing flow-on impacts

13. Even with restoration of the TAB to a sound financial footing, the gambling market has taken a significant hit and will take several years to return to the level of pre-COVID-19 returns and distributions to racing, sport and community organisations. In supporting the TAB, the Government is making a substantial investment in New Zealand's monopoly gambling arrangements.
14. As a result, the government will need to consider urgently how to protect that investment from being eroded by consumer drift to other offshore online betting operators, while ensuring that essential revenue for racing, sport and community organisations is restored.
15. The Department's cross-portfolio Gambling, Racing and Community funding – COVID-19 response and recovery programme of work seeks to address the loss of revenue offshore through a proposal to fast-track the online gambling review being undertaken by the Minister of Internal Affairs. The programme will also consider the potential of other revenue streams and how funding distribution mechanisms can be streamlined in order to minimise the loss of gambling revenue.

¹ Ministerial Database Reference RA202000081

Financial implications

16. The proposals in this paper have financial implications. This briefing recommends that Joint Ministers approve the financial recommendations for Vote Internal Affairs as detailed in the enclosed initiative document, which include changes in appropriations.

Consultation

17. The Department has consulted with the Treasury on the development of this briefing.

Recommendations

The Department of Internal Affairs recommends that the Minister for Racing, the Minister of Finance and the Minister of Internal Affairs:

1. **note** that on 11 May 2020, Cabinet [COVID-19 Response and Recovery Fund Foundational Package refers]:
 - 1.1. approved a package of initiatives to be charged against the COVID-19 Response and Recovery Fund (CRRF); however, some financial recommendations were, at the time, still outstanding;
 - 1.2. authorised the Minister of Finance and relevant Appropriation Ministers to approve jointly any changes to appropriations and capital injections, and the establishment of new appropriations where necessary to give effect to a list of initiatives for which financial recommendations were outstanding;
2. **note** that the following initiative in Vote Internal Affairs did not have financial recommendations in the 11 May 2020 Cabinet paper:
 - 2.1. Initiative 12849: Racing Industry Initial Recovery Package which provides emergency funding to ensure the survival of the racing industry through to 31 July 2020 and prevent the Racing Industry Transition Agency (RITA) becoming insolvent. This would lead to the loss of jobs and impact on efforts to revitalise the racing industry. The funding will be spent repaying creditors, restructuring the industry and to meet other costs to implement this grant;
3. **approve** the financial recommendations for Vote Internal Affairs, as detailed in the attached initiative document;
4. **agree** that the proposed changes to appropriations and/or capital injections for 2019/20 above be included in the Addition to the 2019/20 Supplementary Estimates, the changes to appropriations and/or capital injections for 2020/21 above be included in the 2020/21 Supplementary Estimates, and that, in the interim, the increases be met from Imprest Supply; and

5. **note** that Cabinet agreed that any and all underspends related to the initiatives in the foundational CRRF package are returned to the Centre.

Raj Krishnan
General Manager Policy

Rt Hon Winston Peters
Minister for Racing

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Hon Grant Robertson
Minister of Finance

12 / 05 / 20

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