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TOWARDS A RESTRUCTURING OF RACING ACTIVITY:  
A CLASSIFICATION BASED INVESTIGATION INTO  
SUPPLY AND DEMAND ASPECTS OF SERVICE PROVISION  
IN THE NORTH ISLAND

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ABSTRACT

The research problem involves the classification of Racecourses in the North Island. The problem evolved because of inertia exhibited by the Racing Clubs in their location compared to the rapidly changing space-economy of the North Island. The service sector, the general conceptual environment of the Racing Industry is analysed on a general and then specific theoretical basis. The importance of population thresholds, economies of scale, and distance are explored. Emphasis is placed on examining possible growth strategies for the activity. Behavioural and market area analysis which is also important to this type of study were not used because of insufficient data. Two main areas of concern were studied in depth. They were, firstly the establishment of a classification of Racecourses, and the testing of the results of the classification against certain hypothesised relationships (dealing with population and course capital investment). Secondly and on the basis of the earlier results the training function was examined. The concepts of distance, and scale economies were explored by using the transportation problem.

The positive results obtained in the analysis have implications in the type of policies which may be used to guide Racing activity. The results from the investigation of the training function points to the importance of each particular situation and hence a more specific investigative frame is necessary in any further examination of this function.

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## Chapter 1

### INTRODUCTION

The New Zealand Racing Industry has for some time been in economic difficulties. This is highlighted by the precarious financial position of many Racecourses<sup>1</sup> and Racing Clubs.<sup>2</sup> The situation facing the industry is such that a comprehensive investigation of Racecourses and Racing Clubs, and their ancillary activities, is necessary as a basis for developing a comprehensive development strategy for Racing. The development of such a strategy is dependent upon the collection and ordering of data relating to the industry which should involve a classification<sup>3</sup> of the industries activities. This step would provide a framework for setting out and interpreting future developments in the industry.

The dimensions of the economic problem confronting the industry results from the interaction of three primary factors; the imbalance of industry supply and demand, changing perspectives about the activity and growth of the industry, and recent restructuring and policy changes in the industry. All of these factors have affected the direction of industry evolution. The supply side of the indus-

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1 Defined as courses which hold totalisator meetings.

2 Defined as Galloping and Trotting Clubs which hold a totalisator license.

3 Discussions with the Racing Authority resulted in a major study, involving classification of the activity with a consideration of the training function, being undertaken.

try is the location of Racecourses, while demand refers to the distribution of population. The emergence of imbalance between supply and demand has been due to evolutionary changes in the space-economy, and the sport rather than industry decision-making frame within which the early administrators worked. Changes in attitudes have been more evolutionary than revolutionary resulting in a relatively slow process of adaptation. Allied to this change has been the establishment of the New Zealand Racing Authority (N.Z.R.A.) as the chief administrative entity of the industry (Racing Act, 1971). This development, the outcome of recommendations from the Royal Commission on Horse Racing, Trotting and Dog Racing in New Zealand (1970) brought an organising influence to the industry. Through its various accounts the N.Z.R.A. has sought to alleviate the short term difficulties facing the industry. These policies, however, treat the effect rather than the cause of the economic problems. The underlying causes, and hence the central interest to this thesis, are to be found in the internal structure and spatial organisation of Racing especially in terms of the correspondence between the provision of racing activities (supply, via Racecourses and Clubs), and the components of demand (population).

To facilitate the study of the industry's problems and to assist in the classification of Racecourses and Clubs, Racing is viewed as a service activity. This viewpoint enables objective analysis, in terms of the attributes the industry exhibits, and against standard evaluative measures. The investigation of Racing within this framework, at both general and specific levels, is undertaken in Chapter 2.

The characteristics and relationships of the service sector are defined and Racing's position in relation to this theoretical framework explored. A number of sector growth characteristics such as the importance of population thresholds, the attainment of economies of scale and influence of distance form the basis for later interpretative discussion of the industry classification. Chapter 2 also briefly reviews the spatial distribution of the service sector in New Zealand, comparing this in descriptive terms with the distribution of Racing activity, and noting the effect of economic development on both spatial patterns.

With the theoretical framework of the problem environment established, the nature of specific industry issues, and problems, areas pertinent to the study are considered (Chapter 3). The chapter concentrates on the origins of Racing's structural organisation, and the effect this has had on capital investment, and planning policies pursued in the industry. Stress is placed on identifying implicit goals in present shortrun policies, and the manner in which the policies are expected to serve the industry.

Following the synthesis of the theoretical background, and the presentation of the state of the industry, the research problem is formally defined; the identification of a number of major questions indicates the scope and direction of the investigation. The study, concerned with identifying the existing characteristics and growth potential of Racecourses and Racing Clubs, involves a classification of Racing activity, with a view to aiding decision-making relating to the allocation of scarce industry resources. In addition, a classification permits scrutiny of the extent to which the supply of racing activity matches demand for

the activity. Further, the study is confined to the North Island because of impracticalities in the collection of data.

Methodological discussion on classification in Chapter 4 emphasises the use of classification in resolving difficulties in resource allocation. Classification provides a means of ordering past and present data, concomitantly it carries implications for possible growth strategies of identified classes of courses or clubs. The use of two complementary classification approaches ensures more accurate definition of different levels of Racecourses and Racing Clubs. The resulting classification of activity is used as background for a subsidiary consideration in the thesis, that of the organisation of training in the industry. Concentration here is on transportation costs and the influence of distance on the spatial distribution of training.

The thesis results are dealt with separately in Chapters 5 and 6. The former, details the results of the alternative classification methods, integrates the findings into a single classification, and tests the internal consistency and external fit of the classification. The latter chapter on training incorporates results from the Transportation Analysis of transport costs, along with other aspects arising from the review of the training function.

Various implications of both sets of results are discussed in Chapter 7. These are examined from two viewpoints, that of the private component of the industry (Racecourses and Clubs and Training Centres) and the public coordinating body, the Racing Authority. Avenues of policy open to the N.Z.R.A. especially with regard to Amentities, Stakes Subsidy, and Distribution Account are looked at.

Emphasis is placed on exploring long term objectives aimed at promoting growth rather than short term problem orientated policies.

The thesis is thus concerned with classifying racing activity; an essential prerequisite in the centralised development of the industry.