



Decision required under the Overseas Investment Act 2005: GH Westbury Pty Limited

Date	14 May 2019
Security Level	Commercial: In Confidence
Priority	High
Report/Case Number	1452 / 201810217
Decision Required By	The Applicant has requested urgency and would like the decision by 23 May 2019

Received
by minister
18 May

Instructions

	Action Sought	Suggested Deadline
Minister for Land Information	<ol style="list-style-type: none"> 1. Sign the attached memorandum 2. Forward the memorandum and annexure to the Associate Minister of Finance 	23 May 2019
Associate Minister of Finance	<ol style="list-style-type: none"> 1. Sign the attached memorandum 2. Forward the memorandum and annexure to the Overseas Investment Office 	23 May 2019

Contact for Telephone Discussion

Name	Position	Telephone (wk)	Cellphone	First Contact
Charlotte Connell	Manager Applications	04 462 4407	s9(2)(a)	✓
Kirsty Hulena	Senior Solicitor	04 496 9482		

Executive Summary:

1. GH Westbury Pty Limited (the "**Applicant**") is seeking consent to acquire approximately 87.222 hectares of land at 32 Hopkins Road, Matamata currently used for dairying to be converted for use for a thoroughbred horse racing, breeding and sales business.
2. The Applicant's business currently has locations in both Karaka and Matamata and contends that this land is not sufficient to sustain the approximately 800 horses it maintains.
3. The Applicant considers that it, along with its founder Gerald Harvey, are key figures in the Australasian thoroughbred racing, breeding and sales industry and as such are well placed to ensure that the New Zealand industry regains the international prominence it has had in earlier years.
4. We consider that the Applicant's acquisition of the land is likely to result in substantial and identifiable benefit to New Zealand, including:
 - a) the creation of 7 new full-time equivalent roles over the counterfactual and 10 full-time equivalent roles overall;
 - b) increased exports of yearlings and two year old horses;
 - c) enhanced domestic services in the Waikato region through expansion of the Applicant's available services in the region;
 - d) additional investment into New Zealand of at least \$1.8 million (via re-fencing the Property, developing stables and upgrading the roading and stock watering systems);
 - e) advancing the Governments' policy to revitalise and reform the thoroughbred racing industry;
 - f) enhancing the viability of the Applicant's Stud, and in particular the existing Matamata property; and
 - g) consequential benefits created by the Applicants development plan including the conversion of the property to a different use thereby ensuring less methane is emitted into the environment, less nitrogen leaching occurs and the water quality of the Waitoa River being protected through new fencing and planting around the margins of the river.
5. Our provisional recommendation is to grant consent to this transaction.

Guidance

6. Please see **Appendix 2** for guidance on how to make a decision and guidance on the relevant factors and criteria for consent.
7. The contract for this transaction was entered prior to the commencement of the Overseas Investment Amendment Act 2018. So the version of the Act and Regulations in force immediately prior to commencements continue to apply to this application, This is consistent with the transitional provisions in Schedule 1AA of the Act.

Request for urgency

8. The Applicant has requested urgency for this application. The application has taken longer to assess than is desirable due to delays caused by the Applicant's lawyer not providing clear information in a timely fashion. This ultimately led to the Applicant itself assisting with the provision of information to enable the Overseas Investment Office ("**OIO**") to complete its assessment.

9. The Vendor is also concerned as the Applicant's lawyer initially advised 2 months would be a sufficient timeframe to complete the process and they have subsequently had to grant two extensions. They are concerned that the matter will continue to roll on unresolved and they have sold their herd of cows leaving them with no income from the land.
10. We received the application on 25 January 2019 and as at 7 May 2019 the count is:
- a) QA: 7 days;
 - b) Overseas Investment Office: 14 days; and
 - c) Applicant: 33 days
11. We appreciate that this urgency may not be possible, and apologise for the position this puts Ministers in.

Provisional Recommendations:

12. Our provisional recommendation is that you:
- (a) determine that:
 - (i) the '**relevant overseas person**' is GH Westbury Pty Limited; and
 - (ii) the '**individual with control of the relevant overseas person**' is Gerald Harvey; and
 - (iii) the individual with control of the relevant overseas person has business experience and acumen relevant to the overseas investment; and
 - (iv) the relevant overseas person has demonstrated financial commitment to the overseas investment; and
 - (v) the relevant overseas person is of good character; and
 - (vi) the relevant overseas person is not an individual of the kind referred to in section 15 or 16 of the Immigration Act 2009; and
 - (vii) the overseas investment will, or is likely to, benefit New Zealand (or any part of it or group of New Zealanders); and
 - (viii) the benefit will be, or is likely to be, substantial and identifiable; and
 - (ix) the farm land has been offered for acquisition on the open market to persons who are not overseas persons in accordance with the procedure set out in regulations; and
 - (b) determine that you are satisfied that the criteria for consent in section 16 have been met; and
 - (c) grant consent to the overseas investment in the form of the Proposed Decision in Appendix 1 and subject to the conditions set out in the Proposed Decision.

s(2)(a)



Charlotte Connell - Manager Applications

Date 14/05/2019

Decision:

13. I am satisfied that the criteria for consent in section 16 have been met; and

Associate Minister of Finance:

Satisfied

Not Satisfied

Minister for Land Information:

Satisfied

Not Satisfied

14. Consent is granted to the overseas investment in the form of the Proposed Decision in Appendix 1 and subject to the conditions set out in the Proposed Decision.

Associate Minister of Finance:

Consent Granted

Consent Declined

Minister for Land Information:

Consent Granted

Consent Declined

Associate Minister of Finance

Date

EM Sage

Minister for Land Information

Date

22/5/2019

Released under the Official Information Act 1982

Decision:

13. I am satisfied that the criteria for consent in section 16 have been met; and

Associate Minister of Finance:

Minister for Land Information:

Satisfied

Satisfied

Not Satisfied

Not Satisfied

14. Consent is granted to the overseas investment in the form of the Proposed Decision in Appendix 1 and subject to the conditions set out in the Proposed Decision.

Associate Minister of Finance:


Minister for Land Information:

Consent Granted

Consent Granted

Consent Declined

Consent Declined



Associate Minister of Finance



Minister for Land Information

Date

Date

Released under the Official Information Act 1982

Report of the Overseas Investment Office
on the application for consent by
GH Westbury Pty Limited
Case: 201810217

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What is the Investment?

Applicant	GH Westbury Pty Limited (Australia 100.0%)
Vendors	Innes Thomas Semmens and Mandy Gail Semmens (New Zealand 100.0%)
Consideration	\$7,040,000
Application Type	Sensitive Land
Relevant Tests	Investor Test Benefits Test-substantial & identifiable criterion Transitional note: The contract for this transaction was entered prior to the commencement of the Overseas Investment Amendment Act 2018. So the version of the Act and Regulations in force immediately prior to commencements continue to apply to this application, This is consistent with the transitional provisions in Schedule 1AA of the Act.
Provisional Recommendation	Grant Consent

Description of the Investment

1. The Applicant is seeking consent to acquire approximately 87.222 hectares of land at 32 Hopkins Road, Matamata (the "**Property**") currently used for dairying¹ to be converted for use for a thoroughbred horse racing, breeding and sales business.
2. The Property is shown in the picture below outlined in red, alongside a map showing its location in New Zealand:



¹ 300 mixed age dairy cows producing approximately 100,000 kilograms of milk solid per diary season.

Westbury Stud

3. The Applicant currently owns the Westbury Stud (pictured below) which has locations in both Karaka and Matamata. The Applicant also leases land at 164 Hopkins Road, Matamata and at 747 Linwood Road and 20 Batty Road, Karaka.
4. The Applicant considers its current land holding of approximately 249 hectares is too small for the approximately 800 horses currently held or being bred or trained by the Applicant. The Property is nearby its existing Matamata property and the Applicant considers having the two properties so close to each other will provide a number of benefits in running its business.



Subdivision of Property

5. The Vendors and the Applicant have agreed to subdivide the title the Property is on. The subdivision will result in the Vendors retaining a 12 hectare title containing their family home.²

² Matamata Piako District Council has approved the subdivision.

Vendors and Reasons for Sale

6. The Vendors are New Zealand citizens and wish to retire from dairy farming.

Sensitive Assets

7. The Applicant is acquiring sensitive land. The land being acquired is sensitive as it is non urban land exceeding 5 hectares in size. See **Appendix 3**.
8. The Land is 'rural land' as defined in the Ministerial Directive Letter issued by the Minister of Finance on 28 November 2017 ("**Ministerial Directive Letter**").
9. Therefore we have treated the 'jobs', 'new technology or business skills', 'increased export receipts', 'increased processing of primary products' and 'oversight and participation by New Zealanders' factors as being of high relative importance.

Who is making the Investment

Applicant and Business Activities

Who the Applicant is

10. The Applicant is an Australian registered company which operates a thoroughbred horse racing, breeding and sales business in Australia and New Zealand.

Who owns the Applicant

11. The Applicant is wholly owned by the GH Westbury Trust, an Australian Trust.

Who controls the Applicant

12. Gerald Harvey is the sole director of the Applicant and the sole trustee of the GH Westbury Trust.
13. The decision to acquire the Property was made by Gerald Harvey. Any decision to divest the Property would also be made by Gerald Harvey as would decisions regarding major capital expenditure.
14. Day to day decisions regarding the Applicant's business will be made by the General Manager of its subsidiary New Zealand business, Russell Warwick. Mr Warwick is not an individual with control as he does not own any part of the Applicant and must seek Gerald Harvey's consent regarding capital expenditure other than in the ordinary course of business.

Relevant Overseas Person

15. We have determined that the '**relevant overseas person**' is GH Westbury Pty Limited.

Individuals with Control

16. We have determined that the '**individual with control of the relevant overseas person**' is Gerald Harvey.

Investment Plan

17. The Applicant's plan is to develop the Property into a thoroughbred breeding and grazing property to operate alongside the Applicant's existing properties in Karaka and Matamata, together known as the Westbury Stud (the "**Stud**").
18. The Applicant submits that New Zealand is blessed with the climate and horsemanship to produce some of the best race horses in the world and allows New Zealand to supply markets such as Australia, Singapore, Hong Kong, China, Macau, Korea and Malaysia with the races horses they require.

19. The Applicant considers the conversion from dairying to a thoroughbred horse facility is conversion to a higher and better use.

Industry Issues

20. The Applicant claims that the number of broodmares produced in New Zealand fell from 7,500 in 2007 to 3,500 in 2017. This decrease in broodmares has led to a resulting decrease in breeding activity as has the decreasing number of active sires and the number of stallions imported into New Zealand. The Applicant maintains these factors are a major concern to the future of the thoroughbred industry in New Zealand and that investment in the industry is required to bring horse levels back to what they have been.
21. In recent years prize money has fallen at racetracks around New Zealand and wagering has decreased. This has meant there is less of an incentive to breed, maintain and run horses in New Zealand.
22. The Deputy Prime Minister and Minister for Racing, the Right Honourable Winston Peters, commissioned John Messara to undertake a review on the New Zealand Racing Industry, with a focus on the thoroughbred racing sector. The Applicant considers this indicates the Government is also concerned for the future of the New Zealand thoroughbred industry. This review is discussed in more detail at paragraphs 109-115.

Current Equine levels

23. The Applicant's existing properties house approximately 300 thoroughbred broodmares and more than 550 thoroughbred horses in total. The Applicant also has 130 race horses currently competing in New Zealand, 7 stallions used for breeding, and expects to market more than 100 yearlings in 2019, export a further 40 horses to Australia for sale, and sell a further 50 two-year-old horses in New Zealand.

Land the Stud operates on

24. The Applicant currently uses the below land for operation of the Stud³:

Property Address	Region	Hectares	Owned or Leased
699 Linwood Road	Karaka	21.37	Owned
700 Linwood Road	Karaka	63.99	Owned
747 Linwood Road	Karaka	19.8	Leased
20 Batty Road	Karaka	20.7	Leased
65 Hopkins Road	Waikato	108.21	Owned
164 Hopkins Road, Matamata	Waikato	15.05	Leased
		TOTAL: 249.12	

25. The leases for the properties at 164 Hopkins Road and 20 Batty Road expire in the next 12 months and may be cancelled at that time.

Why the Property is required

26. To operate effectively the Applicant submits that 0.4 to 0.8 hectares is required per adult horse, slightly less when running a number of horses together as the Applicant will be in some areas. Allocation of horses may vary when broodmares are lactating and have foals under foot.

³ Some properties are owned by its subsidiary NZ Thoroughbred Holdings Limited

27. The Applicant currently operates its business across approximately 249 hectares and submits that its business is under stress as this land is not enough to maintain good health of the approximate 800 horses it handles. The Stud currently only provides 0.3113 hectares per horse. The existing property also is not large enough to accommodate any new foals born from its broodmares, last year 72 had to be transferred to the Applicant's Australian business for rearing and eventual sale.
28. The acquisition of the Property will bring the total land available to operate the Stud to approximately 336.3 hectares. This would mean there was 0.4204 hectares per horse, an acceptable level considering that some of the horses will be run together.
29. The Applicant claims that if it is not able to acquire the Property it would become increasingly difficult for its business to operate, it would struggle to provide good conditions for the horses, and it may need to downscale its business or worst case scenario, pull out of the market in New Zealand altogether.
30. The Property is very close to the Applicant's existing Matamata operation and believes that having the two properties so close to each other will make operation of its business more efficient. Further it considers that the acquisition of the Property is likely to lead to a reduction in the number of foals sold as weanlings or transferred to its Australian operation.

Proposed Developments to the Property

31. The Applicant will need to change the fencing on the Property so that it is suitable for horses. It will also need to develop horse stables as there are no suitable structures on the Property that could be converted for this use.
32. The roading on the Property will also need to be upgraded so that it is suitable for driving horse floats and other vehicles on.
33. The Applicant also intends to upgrade the stock watering system on the Property as it is currently only suitable for cows.
34. The Property currently has various buildings on site. These are shown in the table below showing their current use and proposed use post acquisition:

Building type	Current Use	Proposed Use
Residence	Employee residence	Occasional overnight accommodation for staff who need to stay on site if a horse is expected to foal or is unwell.
Shed	Calf rearing	Storage
Shed	Tractor shed/Workshop	Storage
Two Barns	Hay	Storage
Shed	Cowshed	Storage

Gerald Harvey and his importance to the Thoroughbred Racing, Sales and Breeding industry in Australasia

35. The Applicant submits the involvement of Gerald Harvey in the Applicant's business is an important aspect of its investment plan. Gerald Harvey owns the Baramul Stud in New South Wales and is 50% owner in Magic Millions, the Australian thoroughbred selling company.

36. Magic Millions Sales Pty Ltd is an Australian thoroughbred racehorse auction house which holds auctions around Australia each year including its world famous Gold Coast Yearling Sales in Surfers Paradise in Queensland. The Applicant submits the Gold Coast Yearling Sale is considered to be a top level auction in global racing circles, with buyers from Hong Kong, Japan, Europe, South Africa, New Zealand, China, the United States and the Middle East. Seven days of auctions are accompanied by a major thoroughbred horse race meeting where all nine races are only open to horses who were bought at auctions staged by Magic Millions over the previous year.
37. The race events include the \$2 million Magic Millions Classic for two-year-olds – a race which carries a \$500,000 bonus for all raced runners. The Gold Coast Raceday alone boasts prizemoney of \$10 million and was the first race meeting held in Australasia with a \$10 million total purse.
38. The Applicant submits Magic Millions was almost bankrupt when Gerald Harvey bought it⁴ and better funding, advertising, networking and public reportage have led to Magic Millions growing considerably in national and international stature. Magic Millions used a marketing campaign that told the world if you are not on the Gold Coast in January you haven't lived.
39. The Applicant considers that Gerald Harvey's involvement has led to Australia having a very prominent position in world thoroughbred racing, ranking in the top 3 for starts, prize money and foals born as shown in in the table below:

Australian Thoroughbred racing on a world stage

Rank	Starts	Black type races	Prize money	Foals born
1	USA	USA	USA	USA
2	Australia	Australia	Japan	Australia
3	Japan	Great Britain	Australia	Ireland
4	Great Britain	France	France	Japan
5	France	Argentina	Great Britain	Argentina
6	Chile	Japan	Korea	Great Britain
7	Argentina	South Africa	Turkey	France
8	Italy	Brazil	Hong Kong	New Zealand
9	South Africa	New Zealand	Ireland	Brazil
10	New Zealand	Ireland	Italy	Canada

40. New Zealand ranks lowly in three categories and does not even rank for prize money. The Applicant submits that Gerald Harvey's long term involvement in the New Zealand industry will improve New Zealand's ranking internationally.

Support from the Thoroughbred Horse Industry

41. The Applicant has provided a number of letters of support from leading people in the New Zealand thoroughbred horse industry who are willing to speak for the benefit the Applicant's previous investments have provided. These include letters from:
- a) the President of the New Zealand Thoroughbred Breeders Association who states the Stud is one of New Zealand's premier facilities and is a significant employer both here and in Australia;
 - b) Sir Peter Vela, another leader in the thoroughbred horse industry, has provided a letter of support for Gerald Harvey supporting his continued involvement in the New Zealand thoroughbred business;

⁴ With two co-owners who no longer have any interest in Magic Millions

- c) the Chairman of the Auckland Racing Club stating that the Stud is a major contributor to the New Zealand thoroughbred breeding industry; and
- d) the Chairman of the Matamata Racing Club stating that Gerald Harvey is one of the most significant contributors to the national racing pool.

These letters appear in **Appendix four**.

What is likely to happen without the Investment

Counterfactual

As a result of *Tiroa E and Te Hape B Trusts v Chief Executive of Land Information* [2012] NZHC 147 ("*Tiroa E*"), the OIO and relevant Ministers must apply a "counterfactual test" when assessing whether an overseas investment will, or is likely to benefit New Zealand. This test, which was described by the Court as a "with and without" test, requires a comparison of what is likely to happen with the investment, and what is likely to happen without the investment (the counterfactual).

- 42. We consider it is likely that if the Applicant is not granted consent to acquire the Property, the Vendors would retain the Property in the short term and lease it for grazing purposes. However, we consider it would continue to try and sell the Property and would sell the Property to an alternative New Zealand purchaser ("**ANZP**") in the medium to long term for continued dairying purposes.
- 43. There are two key questions to determine what is likely to occur without the Investment:
 - (a) who is likely to own the Land?; and
 - (b) what is the likely use of the Land?

Who is likely to own the Land

- 44. The Property was advertised by the Vendors and no offers were received other than that received from the Applicant. The Applicant submits that as the Vendors have subdivided their family home off from the Property, they are likely to continue to reside in their family home and lease the Property for grazing purposes in the short term, which the Vendors have indicated they would look to do. The Vendors have stated they would like to sell the Property as they are retiring, so the Applicant submits they will continue to market the Property until it is sold to an ANZP.

What is the likely use of the Land

- 45. As no offers were received from either an ANZP or an overseas person, and no expressions of interest were received it is hard to establish what purpose the Property would be purchased for. The Vendor is unlikely to want to sell the Property to anyone for a purpose that may disrupt their quiet enjoyment of their family home such as a landfill or a factory.
- 46. The Applicant submits that the Property may be leased by the Vendors for grazing purposes in the short term and will sell the Property to an ANZP in the medium to long term. The Property could be subdivided for either residential purposes, although at present it is considered that the Property is too rural to consider this a viable development, or for continued dairying.

Conclusion

- 47. We consider that the Vendors are likely to retain the Property in the short term and let it for short term grazing. However, we consider it likely that they will continue to market the Property and will likely sell it in the medium to long term to an ANZP who will use the Property for dairy farming as this is consistent with the current land use and existing infrastructure.

Does the Applicant meet the Investor Test criteria?

Business Experience s16(1)(a)

The relevant overseas person, or the individuals with control of the relevant overseas person, must have business experience and acumen relevant to the overseas investment. There is considerable flexibility in determining what is relevant and more or less specific expertise may be required depending on the nature of the investment. Business experience and acumen that contributes to an investment's success may be treated as relevant even though the investor may have to supplement its experience and acumen by utilising the experience and acumen of others to ensure the investment succeeds.

48. In this case, the Investment can be described as the acquisition of land to be used for the Applicant's thoroughbred horse racing, breeding and sales business.
49. We reviewed the biographical information provided by the Applicant for Gerald Harvey (the individual with control) and note that he has considerable experience in the thoroughbred horse racing, breeding and sales business having been involved in the New Zealand thoroughbred industry for over a decade and the Australian thoroughbred industry since the early 1990's. He owns the Baramul Stud and the Vinery Stud, both in the Hunter Valley, New South Wales and 50% of Magic Millions (his wife owning the remaining 50%) which is one of the largest and most expensive thoroughbred auction events in Australian racing. He has considerable general business acumen as he co-founded Harvey Norman in 1982.
50. We note that Russell Warwick, who will undertake the day to day management of the Property, also has considerable experience in the thoroughbred horse racing, breeding and sales business having been involved in the New Zealand industry since 1982. He managed his own commercial stud farm before becoming General Manager of the Westbury Stud at Karaka in 2000. He is a Committee member of the NZ Racing Hall of Fame and a director of the Auckland Racing Club.
51. Having regard to the above, we are satisfied that the individuals with control of the relevant overseas persons collectively have business experience and acumen relevant to the overseas investment.

Financial Commitment s16(1)(b)

The financial commitment criterion requires the relevant overseas person to have taken actions that demonstrate financial commitment to the overseas investment.

52. The 'financial commitment' criterion requires the relevant overseas person to have taken actions that demonstrate financial commitment to the Investment (intentions are not sufficient).
53. In this case we are satisfied that the relevant overseas person has demonstrated financial commitment by:
 - a) entering into an agreement for sale and purchase of the Property; and
 - b) engaging professional advisers.

Good Character s16(1)(c)

The decision maker must be satisfied that the individuals with control are of good character. Section 19 of the Act specifies that the decision maker must take the following factors into account (without limitation):

- (a) offences or contraventions of the law by A, or by any person in which A has, or had at the time of the offence or contravention, a 25% or more ownership or control interest (whether convicted or not);
- (b) any other matter that reflects adversely on the person's fitness to have the particular overseas investment.

54. The Applicant has provided a statutory declaration stating that the individuals with control are of good character, have not committed an offence or contravened the law as described above and know of no other matter that reflects adversely on their fitness to have the Investment. We are satisfied that the statutory declaration can be relied on as it complies with the requirements of the Oaths and Declarations Act 1957.

55. We also conducted open source background checks on the individual with control and note that the Applicant has been involved in a dispute with a horse breeder, Margaret Watson, over feeding and services fees due to the Applicant in relation to horses cared for at the Westbury Stud. We consider this to be a commercial dispute and not to be of relevance to the character of the Applicant.
56. Therefore, we are satisfied that the individual with control is of good character.

Immigration Act s16(1)(d)

Section 15 of the Immigration Act specifies that certain convicted or deported persons are not eligible for a visa or permission to enter or be in New Zealand. Section 16 provides a power to deny a visa or permission to enter New Zealand for other specified reasons, such as if the individual is likely to be a threat or risk to security or public order.

57. The Applicant has provided a statutory declaration stating that none of the individuals with control of the relevant overseas person are individuals of the kind referred to in section 15 or 16 of the Immigration Act 2009. We are satisfied that the statutory declaration can be relied on as it complies with the requirements of the Oaths and Declarations Act 1957. We have also conducted open source background checks on those individuals and found nothing relevant to this criterion.
58. Therefore, we are satisfied that none of the individuals with control of the relevant overseas person are individuals of the kind referred to in section 15 or 16 of the Immigration Act 2009

Benefits that are likely to occur with the Investment

59. We are satisfied that the Investment is likely to benefit New Zealand in regard to the following factors:

Jobs – s17(2)(a)(i) - high relative importance

There are three key elements to this factor:

- The "new job opportunities" must be new, or if existing jobs are being "retained", the existing jobs would or might otherwise be lost if the investment does not proceed;
- The new job opportunities or retained jobs must be in New Zealand;
- The new job opportunities or retained jobs that are likely to result from the overseas investment must be additional to those which are likely to occur without the overseas investment.

60. We consider that the Applicant's acquisition of the Property is likely to lead to the creation of 10 full time equivalent ("FTE") roles.

Current Situation

61. The Property currently provides full time employment for the Vendors and one employee, so 3 FTE employees.

Situation Under the Applicants Plans

62. The Applicant considers its plans for the Property and its integration into the Stud will create 10 FTE at the Matamata site of the Stud. These roles and their likely salary are:

Role	Skill Level	Salary per annum
Stud Manager	Skilled with experience	\$100,000
2 x Senior Stud Groom	Skilled with experience	\$65,000
2 x Intermediate Stud Groom	Developing skills and experience	\$55,000
2 x Stud Groom	Year 2 Level/basic skills	\$50,000
2 x Junior Stud Groom	Introductory Role	\$45,000
Farm Manager	Maintenance skills	\$65,000

Counterfactual

63. While the Vendor retains the Property we do not consider any employment will be created. Once sold, we consider employment levels for a dairy farm would likely be the same as when the Vendors owned the Property (approximately 3 FTE).

Our Assessment

64. We consider that the Applicant's plans for the Property are likely to result in the creation of at least 10 FTE roles between the two Matamata properties which is 7 FTE over the counterfactual. Further we consider these FTE are largely skilled roles as opposed to the 3 FTE that are likely to be required under the counterfactual.
65. We have proposed imposing a special condition on the creation of the 10 FTE roles. Please see special condition one in **Appendix one**.

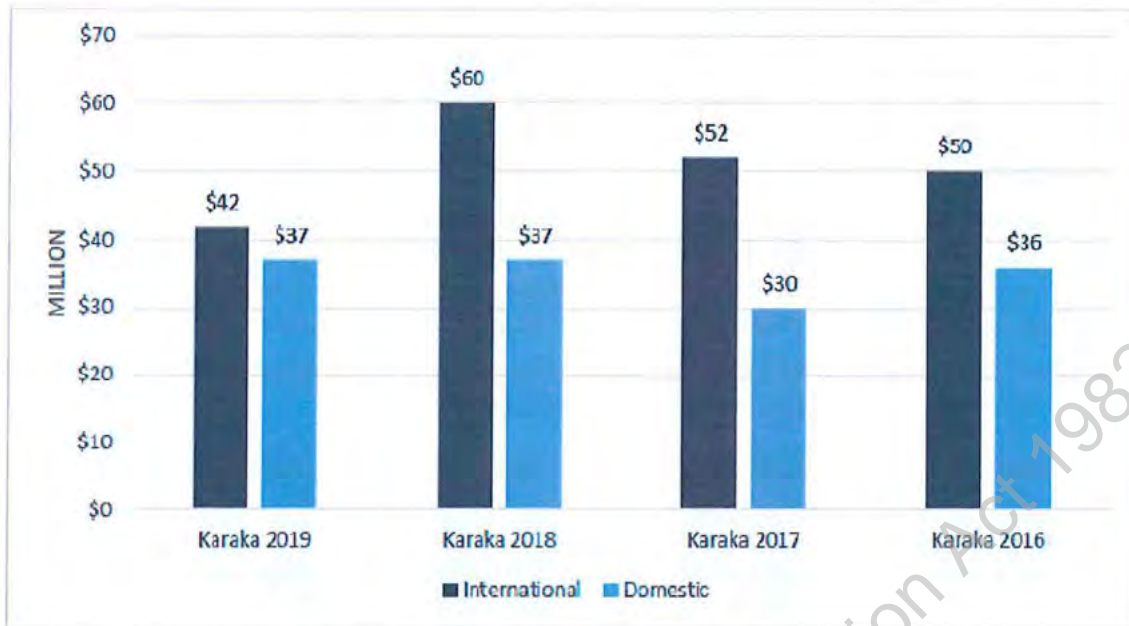
Increased export receipts – s17(2)(a)(iii) - high relative importance

There are two key elements to this factor:

- **Export receipts** must be likely to be increased.
- The increased export receipts that are **likely to result** from the overseas investment must be **additional** to those which are likely to occur **without the overseas investment**.

66. We consider that the Applicant's investment is likely to result in increased exports of horses from New Zealand.
67. The Applicant submits that the Westbury Stud has been a prominent thoroughbred horse breeder in New Zealand for some time and since it has been under Gerald Harvey's control has sold significant numbers at both the National Yearling Sales and the Ready to Run sale of two year olds, both held at Karaka.
68. The Applicant claims that New Zealand's thoroughbred horse industry has been recognised as an export industry where the majority of both yearlings and two year olds are sold to overseas buyers. In contrast to the majority of the top 10 nations involved in thoroughbred racing, breeding and sales the New Zealand industry is heavily reliant on the export market, rather than production of horses as domestic racing product.⁵
69. The graph below shows the national sales figures for 2016, 2017, 2018 and 2019 from the January/February yearling sales at Karaka. This shows the general trend of 60-65% of yearlings being sold overseas, although the margin decreased this year with more horses being retained in New Zealand for the local industry:

⁵ Reproductive production constraints within the New Zealand racing industry
CW Rogers*, EK Gee, C F Bolwell



70. The Applicants' sales for 2017, 2018 and 2019 across its Australasian business are shown in the table below, a significant portion of which are overseas sales:

Westbury Sales Results

	Entered	Withdrawn or Passed	Sold	Overseas Sales	Total Sales
2017					
Premier NZ	31	10	21	13 (\$1,540,000)	\$2,350,000
Select NZ	51	11	40	12 (\$640,000)	\$1,902,000
Festival NZ	4	1	3	0	\$33,500
RTR NZ	32	5	27	18 (\$1,413,500)	1,824,500
	118	27	91	43 (\$3,593,500)	\$6,110,000
Magic Millions	11	0	11	11 (A\$1,456,000)	A\$1,456,000
MM - June	24	2	22	22 (A\$1,180,000)	A\$1,180,000
2018					
Premier NZ	50	12	38	21 (\$2,825,000)	\$4,770,000
Select NZ	34	13	21	8 (\$505,000)	\$1,106,000
Festival NZ	9	6	3	1 (\$12,500)	\$62,500
RTR NZ	35	8	27	17 (\$598,500)	\$1,015,500
	128	39	89	47 (\$3,941,000)	\$6,954,000
Magic Million	15	2	13	13 (A\$1,540,000)	A\$1,540,000
MM - June	18	1	17	17 (A\$802,500)	A\$802,500
2019					
Premier NZ	45	16	29	15 (\$1,180,000)	\$2,837,500
Select NZ	21	4	17	4 (\$340,000)	\$1,272,500
Festival NZ	12	4	8	0	\$91,000
RTR NZ					
	78	24	54	19 (\$1,520,000)	\$4,201,000
Magic Million	23	3	20	20 (A\$2,663,500)	A\$2,663,500

71. The Applicant estimates that it breeds 240 foals annually; however, the lack of land available to it has meant that a number of these foals have had to be sent to Australia to the associated Australian business after being weaned in order to be reared and sold or raced. In 2018 the Applicant had to send 72 foals to Australia. The Applicant claims this has meant less possible export earnings for New Zealand as they are being sold by the Australian arm of the Applicant's business.
72. The Applicant considers that acquisition of the Property will enable it to increase its export earnings as it will have enough land to retain the foals and rear and sell them from New Zealand.
73. The average price for a horse sold in 2018 in New Zealand was \$44,280⁶ and the Applicant sold approximately 57% of those horses to overseas buyers. If the 72 foals exported to Australia had been retained in New Zealand, and 57% were sold for export, this could have brought an additional \$1.8 million in export receipts.

Counterfactual

74. We consider the Property will be retained by the Vendors for grazing in the short term and there would be no export receipts generated from this activity.
75. In the medium to long term we consider the Property could be used for dairy farming and there may some export receipts generated from that business via sales to Fonterra. The 2018/2019 milk solid price forecast is \$6.25 per kilogram so we can estimate that the exports generated are likely to be approximately \$625,000 per annum (subject to milk solid price changes). This is considerably below the export receipts the Applicant is likely to achieve if the Investment proceeds.

Our Assessment

76. We consider that the Property will enable the Applicant to retain and sell the New Zealand born foals in New Zealand as yearlings or two year olds. We consider this will likely lead to increased export receipts which would considerably exceed that possible under the counterfactual.

Added market competition, greater efficiency or productivity, enhanced domestic services – s17(2)(a)(iv)

There are three key elements to this factor:

- The overseas investment must be likely to result in one or more of:
 - (i) **added market competition;**
 - (ii) **greater efficiency or productivity; or**
 - (iii) **enhanced domestic services.**
- The added market competition, greater efficiency or productivity, or enhanced domestic services must occur in New Zealand.
- The added market competition, greater efficiency or productivity, or enhanced domestic services that is likely to result from the overseas investment must be **additional** to that which is likely to occur without the overseas investment.

77. We consider that the Applicant's acquisition of the Property will provide enhanced domestic services through expanded provision of services in the Waikato region.

Added Market Competition and Enhanced Domestic Services

78. The Applicant submits the acquisition of the Property will provide additional market competition for thoroughbred horse breeders as well as an enhanced domestic market.

⁶ 89 horses sold for a total of \$3,941,000

79. The Applicant considers the thoroughbred horse market has been shrinking in New Zealand and the acquisition of the Property will allow the Applicant to provide more services at its Matamata sites, thereby not only providing market competition to other providers in the Waikato region but enhancing the services provided to breeders and users of the Applicant's facilities.

Counterfactual

80. The Property being used for grazing in the short term and dairying in the medium to long term seems unlikely to provide added market competition or enhanced domestic services.

Our Assessment

81. We do not consider that enough information has been provided by the Applicant to assess whether expansion of its business will provide additional market competition. However we consider that expansion of its services in Matamata is likely to result in enhanced domestic services by being able to offer additional services or services in more depth to the thoroughbred horse industry in the Waikato region. Therefore, we consider the benefit provided to be of **low weighting**.

Greater Efficiency

82. The Applicant considers that the proximity of the Property to its existing Matamata operation which leads to greater efficiency in the running of its business. The Applicant claims that the efficiencies created will lead to an increase in the value of its services provided to horse breeders as well as an increase in the value of the goods created on the Property (being the horses) as they will be able to retain and sell these goods in New Zealand with the additional land provided by the Property.
83. The Applicant considers economies of scale can be achieved practically and economically.

Counterfactual

84. We cannot see that any efficiencies would be created under the counterfactual of grazing in the short term or dairying farming in the medium to long term.

Our Assessment

85. We consider that the Applicants acquisition of the Property which is nearby to the Applicants existing Matamata property, will create greater efficiencies in its business practises and offerings leading to an increase in foals retained in New Zealand. However we have considered this further under the enhanced viability factor below at paragraphs 115-119 and to consider here also would lead to double counting. We have, therefore, not given any weight to this particular benefit in relation to this factor.

Greater Productivity

86. The Applicant claims the extra land provided by the Property will enable it to retain foals in New Zealand which it has been forced in recent years to export for sale rather than prepare those foals in New Zealand for sale as yearlings or at ready to run sales⁷.

Counterfactual

87. There may be increased productivity under the counterfactual of grazing in the short term or dairying farming in the medium to long term but we have not been provided with enough information to be able to assess that.

⁷ Where the horses are ready to start racing as two year olds.

Our Assessment

88. While we consider the acquisition of the Property would lead to greater production of foals born and raised in New Zealand, we have considered this already under the export receipts factor.
89. Overall we consider that the investment is likely to result in a low level of benefit under this factor.

Additional investment for development purposes – s17(2)(a)(v)

There are four key elements to this factor.

- The investment must be **additional investment**.
- The additional investment must be **introduced into New Zealand**.
- The additional investment must be **for development purposes**.
- The additional investment that is **likely to result** from the overseas investment must be **additional** to that which is likely to occur **without the overseas investment**.

90. We consider that the Applicant's investment is likely to result in between \$1.8 million and \$2 million for development purposes being introduced into New Zealand.
91. The Property is currently used for dairying and as it will be converted for the use of horses, the Property will require fencing suitable for maintaining and caring for thoroughbred horses and their progeny and an upgrade of the stock watering system.
92. The existing buildings, existing entrance and road access will also all need to be upgraded. The Applicant estimates the cost of this work will be between \$1.8 million and \$2 million as follows:
- a) fencing between \$1 million and \$1.2 million;
 - b) stabling \$600,000;
 - c) roading \$200,000; and
 - d) upgrade of stock watering system \$ 100,000
93. We are satisfied that the above expenditure is for development purposes because it relates to development of the Applicant's investment plan for the Property.

Counterfactual

94. The Vendors have advised that they have plans to spend any capital on the property while they try to sell it.

Our Assessment

95. We consider that the Applicants plans for development on the Property will result in between \$1.8 million and \$2 million being introduced into New Zealand.
96. We have proposed imposing a special condition on the Applicant that they spend at least \$1.7 million. Please see special condition three in **Appendix one**.

Special land – s17(2)(f)

Special land is foreshore, seabed, riverbed or lakebed.

97. The Property includes part of the Waitoa River, a major river in the Waikato region, as shown in the map below:



98. In accordance with the Overseas Investment Regulations 2005 ("**Regulations**"), the special land has been offered to the Crown for nil consideration.
99. We note that only the first step needs to be completed before an application for consent is determined (section 17(2)(f) of the Act relates to the offer of the special land rather than its acquisition by the Crown). We will forward a separate report in due course regarding whether the Crown should acquire the Special Land.
100. In the interim, we recommend that a consent condition be imposed requiring the Applicant to deal with the Crown in accordance with the Regulations, including requiring the Applicant to be bound by any arrangement that the relevant Vendor entered into with the Crown in relation to the special land (preserving the Crown's position). The proposed consent conditions are set out in **Appendix 1**. Based on this, we consider that this **factor is met**.

Previous investments – r28(e)

There are two key elements to this factor:

- The relevant overseas person must have previously undertaken investments;
- The previous investments must have been, or are, of benefit to New Zealand.

101. We consider that the Applicant's New Zealand business has been of benefit to the New Zealand throughbred racing, breeding and sales industry.

Westbury Stud

102. The Stud is currently spread over two properties-the stallions and yearlings are housed at Karaka, just 10 minutes from New Zealand Bloodstock's Karaka yearling sales facility. The other site is in Matamata and is where the broodmares are kept. The Applicant submits it has built its New Zealand based bloodstock to approximately 300 broad mares. This has been a boost to the New Zealand thoroughbred breeding and racing industries as the domestic New Zealand broodmare pool has been declining over the past decade with a number of commercial thoroughbred studs closing.
103. In the last 5 years, the Applicant has imported some of his best Australian bloodstock into the Applicant's business including 5 stallions at a time when importation of stallions has decreased.
104. In recent years the Stud has produced Bonneval which was named New Zealand Horse of the Year in both 2017 and 2018, Champion Middle Distance Horse in New Zealand in 2017-2018 and New Zealand Bloodstock Filly of the Year in 2016-2017. She retired with 7 wins from 14 starts and over AUD1.5 million in prize money.
105. The Applicant has advised the benefits provided by the Stud to date are shown in the table below:

	2016	2017	2018	2019
	June	June	June	June 2018- January 2019
FTE-full time permanent employed	37	43	43	46
Payroll-total	\$2,857,200	\$3,216,292	\$3,320,989	\$2,241,570
Export Receipts	\$4,722,000	\$6,318,500	\$6,363,000	\$4,272,500
Bloodstock Purchase		\$1,000,000		
Third Party services- Trainers and Breakers etc	\$4,722,000	\$6,318,500	\$6,363,000	\$4,274,000
Animal health Care such as veterinarians etc	\$976,388	\$1,039,556	\$1,129,129	\$751,543
Stock Food	\$789,733	\$977,317	\$1,109,465	\$833,660

Indirect Benefits provided by the Stud

106. The Applicant contends that its previous investments have also provided an economic boost to small businesses and industry related businesses that would otherwise have seen their economic viability threatened in recent years. These include:
- racehorse trainers who in turn employ stable-hands and track riders;
 - pre-race training establishments;
 - agistment facilities;
 - jockeys;

- e) horse breakers;
- f) bloodstock agents;
- g) veterinarians;
- h) farriers;
- i) equine physiotherapists;
- j) equine transport companies;
- k) feed suppliers;
- l) farm machinery suppliers; and
- m) builders, electricians and plumbers.

107. The Applicant contends that the table above at paragraph 104 demonstrates the amounts it has expended on the indirect benefits provided by way of employment for the surrounding community.

Our Assessment

108. We consider that the Applicants development of the Stud has been of benefit to New Zealand, providing both direct and indirect benefits to the thoroughbred horse racing, breeding and sales industry.

Advance significant government policy or strategy – r28(f)

There are three key elements to this factor:

- The overseas investment **must give effect to or advance** a specific **Government policy or strategy**.
- The Government policy or strategy must be **significant**.
- The effect or advancement that is **likely to result** from the overseas investment must be **additional** to that which is likely to occur **without the overseas investment**.

109. We consider the Applicant's investment will result in advancing the Government's strategy of attempting to revitalise the New Zealand thoroughbred industry.

110. In April 2018 New Zealand's Deputy Prime Minister and Minister for Racing, Winston Peters, commissioned John Messara to undertake a review on the New Zealand Racing Industry, with a focus on the thoroughbred racing sector. The remit was to review the financial viability of the thoroughbred racing code and the long term sustainability of the racing industry in New Zealand, and provide recommendations for reform. This industry is considered to have been in a decline for some time and has caused reduced commitment to the racing, breeding and selling of thoroughbreds.

111. The review was completed and the resulting report provided in July 2018 (the "**Messara Report**")⁸. In December 2018 the Minister for Racing announced a five member Ministerial Advisory Committee to inform the next steps to reform the industry and deliver better governance and economic outcomes post the Messara Report. As such we consider that reformation of the thoroughbred racing industry is a significant Government strategy.

112. The Messara Report stated:

"The single most effective lever available to reinvigorate the New Zealand thoroughbred industry is prize money as it "rewards and supports owners, trainers, jockeys, stable hands and the entire supply chain including breeders, vets, farriers, food merchants"

⁸ [https://www.dia.govt.nz/vwluResources/Racing-Report-August-2018/\\$file/Review-of-the-NZ-Racing-Industry-Report.pdf](https://www.dia.govt.nz/vwluResources/Racing-Report-August-2018/$file/Review-of-the-NZ-Racing-Industry-Report.pdf)



113. The Messara Report refers to a working group formed in 2018 which surveyed all New Zealand racing clubs and participant groups. The responses received indicated that two of the main issues facing the industry were pressures to increase prize money and continued decline in foal crop which the Applicant submits its development plans would assist with as foal numbers should increase.
114. The Applicant submits that the fact the Deputy Prime Minister commissioned the Messara Report and has set about implementing some of its recommendations, such as racetrack rationalisation⁹, means that revitalising and growing the New Zealand industry is a significant Government strategy.

Our Assessment

115. The Messara Report appears on the Department of Internal Affairs website as such we are satisfied it is a Government strategy. We consider that the commissioning of the Messara Report by Deputy Prime Minister indicates that revitalisation of the New Zealand thoroughbred racing, breeding and sales industry is a significant strategy of the Government. Further, we consider the Applicant's plans for the Property will assist with an increase in foals born and retained in New Zealand. This is likely to lead to more horses raced in New Zealand which should encourage increased wagering and ultimately increased prize-money.

Enhance the viability of other investments – r28(g)

There are three key elements to this factor:

- The relevant overseas person must have undertaken **other overseas investments**.
- The overseas investment must **enhance the ongoing viability** of the other overseas investments.
- The enhancement in viability that is **likely to result** from the overseas investment must be **additional** to that which is likely to occur **without the overseas investment**.

116. We consider that the Applicants acquisition of the Property is likely to enhance the viability of its nearby Matamata property.

⁹ New Zealand thoroughbred Racing announced it intends to close 21 racetracks by 2030 (leaving 27).

117. The Applicant considers that the proximity of the Property to its existing Matamata operation will enhance the viability of its Matamata operation and therefore its business. It considers economies of scale will be achieved practically and economically by:
- a) providing enough room for a) foals to be retained rather than being sent to Australia for rearing and b) the existing horses to comfortably roam and feed;
 - b) stock being able to be moved between the two properties when paddocks require spelling¹⁰ or re-grassing. This would be particularly important between May and August when parts of the properties will need to be spelled ready for the breeding season (August to January);
 - c) farm maintenance projects being able to be run across the two properties at the same time and farm machinery shared;
 - d) the Applicant having additional space to cater to its clients bases' bloodstock needs;
 - e) being able to train staff on all areas of the thoroughbred breeding, sales and racing business in Matamata as all services will be able to be carried out on the new combined Matamata operation.
118. We note that economies of scale alone are not likely to show benefit in relation to this factor. However, the Applicant has also indicated constraints with its existing operations that the Investment is likely to mitigate, including the ability to retain and 'run' more horses on the Property itself as well as across the Westbury Stud

Counterfactual

119. As the Applicant would have no additional land for its horses, the horses would continue to be constrained and some horses may need to be transferred to the Australian business for raising and ultimately, for sale.

Our Assessment

120. We consider that the acquisition of the Property will enhance the viability of the Applicants existing Matamata operation in a number of ways, but in particular by allowing the horses to have more room to roam and negating the need for horses having to be transferred to Australia for sale.
121. We have proposed imposing a special condition on the Applicant that they must retain 65% of all foals born at the Stud for auction within New Zealand. Please see special condition two at **Appendix one**.

Consequential benefits – r28(a)

There are three key elements to this factor:

- There must be a **consequential benefit to New Zealand**.
- The benefit must not have been considered under another factor, it must be **another** consequential benefit.
- The consequential benefit that is **likely to result** from the overseas investment must be **additional** to that which is likely to occur **without the overseas investment**.

122. We consider that the conversion of the Property from a dairy farm to a thoroughbred horse racing, breeding and sales business is likely to result in the emission of less methane into the environment as well as less nitrogen released into the soil. We also consider the fencing and planting surrounding the Waitoa River that the Applicant intends to undertake will help protect, and likely improve, the water quality of the river.

¹⁰ Resting the paddocks

Methane Emissions

123. The Applicant submits the digestive processes of horses produce far less methane than that of cattle and sheep. This is because cattle and sheep are known as ruminants as their gut contains rumen, which is a part of a digestive system that breaks down tough grasses. In breaking down those grasses, the bacteria in the rumen release methane gas which the ruminant then releases. Horses are not ruminants, they are unable to eat tough grasses and produce less methane as a result.
124. By way of example an average horse belches approximately 20.7 kilograms of methane gas annually¹¹ whereas the average cow releases between 70 and 120 kilograms of methane gas annually.¹² This means the horses carbon footprint is considerably smaller than that of a cow.

Nitrogen Leaching

125. Pasture plants need nitrogen for healthy leaf growth. Nitrogen is supplied to the soil by fertiliser, stock urine and effluent irrigated to the land. When stock eat pasture plants (such as grasses and clover) they are consuming nitrogen. Stock then deposit nitrogen-rich urine back onto the paddock.
126. Sometimes soils can't store all the nitrogen-rich urine so most of it ends up leaching down through the soil into ground water ("**nitrogen leaching**"). Some nitrogen will also be released back into the air as gas. This excess nitrogen can pollute waterways such as the Waitoa River which runs through the Property.
127. High levels of nitrogen encourages nuisance weed and algae growth, which:
- 'chokes' waterways and blocks water intakes;
 - affects stream life by changing the stream environment;
 - makes water unpleasant for swimming and drinking; and
 - affects harbours and estuaries by encouraging the growth of algae and mangroves.
128. **Appendix five** contains a diagram showing how nitrogen enters and moves through a dairy farm.
129. The Department of Conservation ("**DOC**") has advised that the Waitoa River which runs through the Property has poor water quality and the soil is in the worst 25% for nitrogen in New Zealand, and is likely degrading further. Diagrams demonstrating this decline appear in **Appendix six**.
130. DOC have stated that running horses would be an improved situation from running dairy cows. This is due to lower stocking rates for horses and the fact that they only have one stomach may also help reduce excess nitrogen entering the river.

Fencing around Waitoa River

131. The Applicant has always intended to re-fence the areas on the Property which surround the Waitoa River as they are currently only suitable for cows. DOC have also recommended that these areas be fenced to ensure the horses are kept away from the river as this may help, even if incrementally, its water quality.
132. DOC have recommended the margin of the river be fenced with a wide buffer which should be in excess of 20 metres and planted to help prevent faecal e-coli and phosphorous entering the river. DOC have advised the water is in the worst 25% for phosphorous. The Applicant submits it will fence and plant these margins in accordance with DOC's recommendation.

¹¹ <https://thehorse.com/116412/does-horses-waste-help-or-hinder-the-environment/>

¹² <https://timeforchange.org/are-cows-cause-of-global-warming-meat-methane-CO2>

Counterfactual

133. We consider that the Property may continue to be grazed and there would therefore be no reduction in methane emission or reduction in nitrogen leached into the soil. The soil is likely to stay in the worst 25% for nitrogen and phosphorous in New Zealand. The area around the Waitoa River is currently fenced, although not to the standard recommended by DOC, nor is there planting. Without the new fences and planting the water in the river is likely to remain of the same quality.

Our Assessment

134. We consider that the conversion of the Property to a thoroughbred horse racing, breeding and sales business will result in the emission of less methane into the environment and an improvement in nitrogen levels in the soil on the Property.
135. Further we consider that the fencing and planting recommended by DOC and agreed to be undertaken by the applicant will likely have a positive effect on the water quality of the Waitoa River.
136. We have proposed imposing a special condition on the Applicant that the proposed fencing and planting as recommended by DOC occurs. Please see special condition four in **Appendix one**.

Benefit to New Zealand Test - s16(1)(e)(ii) and (iii)

Benefit test

137. In order for consent to be granted, the Applicant must demonstrate:
- (a) that the overseas investment will, or is likely to, benefit New Zealand (or any part of it or group of New Zealanders); and
 - (b) that the benefit will be, or is likely to be, substantial and identifiable.
138. We have assessed the benefit likely to result from this Investment in accordance with the rural land directive contained in the Ministerial Directive Letter.
139. We have undertaken our assessment having regard to the characteristics of the Land and the nature of the interest being acquired (reflecting the proportional nature of the benefit test).

Rural land directive

140. In relation to rural land, the Ministerial Directive Letter states:

"The primary sector, and the rural land it is based on, forms a particularly important part of the New Zealand economy.

The Act acknowledges the privilege associated with the ownership or control of rural land is greater than for non-rural land by requiring the benefits resulting from the overseas investment to be substantial and identifiable (a higher threshold).

The merits of overseas investment in the primary sector can be less compelling given that we are already world leaders in this area. The Government is therefore concerned to ensure that the benefits from overseas investments in rural land are genuinely substantial and identifiable."

141. We note that the rationale for the Ministerial Directive Letter applies directly to this type of investment as it concerns rural land currently in New Zealand ownership. The Ministerial Directive Letter provides that the following factors will generally be of high relative importance:
- (a) the 'jobs' factor;
 - (b) the 'new technology or business skills' factor;
 - (c) the 'increased exports receipts' factor;

- (d) the 'increased processing of primary products' factor; and
- (e) the 'oversight and participation by New Zealanders' factor.

142. We do not consider that any other factor should be given high relative importance in the context of this Investment.

Benefits from this Investment

143. After careful consideration of the application, we are satisfied that the Investment is likely to result in the following benefits:

- (a) the creation of 7 new FTE roles over the counterfactual;
- (b) increased exports of yearlings and two year old horses;
- (c) the expansion of the Applicant's business in Matamata is likely to enhance domestic services in the Waikato region;
- (d) additional investment into New Zealand of at least \$1.8 million (via re-fencing the Property, developing stables and upgrading the roading and stock watering systems);
- (e) advancing the Governments' policy to revitalise and reform the thoroughbred racing industry;
- (f) enhancing the viability of the Applicant's Stud, in particular the existing Matamata property;
- (g) consequential benefits created by the Applicant's development plan including the conversion of the Property to higher and better use, thereby ensuring less methane is emitted into the environment, less nitrogen leaching occurs and protection of the water quality of the Waitoa River through new fencing and planting around the margins of the river.

144. When examined together, we consider that these benefits are **substantial and identifiable**.

Benefits not likely to occur

145. We considered that the factors below were either not relevant to the Investment or a benefit to New Zealand was unlikely to arise with regard to those factors. The Applicant made submissions in relation to some of these factors. However, we were **not** satisfied that the evidence provided showed that these benefits were likely to result from the Investment.

146. The following factors were therefore not met:

Factor	Reason not met / not relevant
New technology or business skills – 17(2)(a)(ii) - high relative importance	The Applicant is not introducing any new technology or business skills.
Increased processing of primary products – 17(2)(a)(vi) - high relative importance	The Applicant's investment plan does not involve the processing of primary products.
Indigenous vegetation/fauna – s17(2)(b)	The Department of Conservation have not identified any areas of significant flora and fauna values on the Property.
Trout, salmon, wildlife and game – 17(2)(c)	The Department of Conservation have indicated that there are no trout, salmon, wildlife or game on the Property.

Factor	Reason not met / not relevant
Historic heritage – 17(2)(d)	There is nothing of historic heritage on the Property.
Walking access – 17(2)(e)	There will be no new walking access opportunities
Key person in a key industry – r28(b)	While Gerald Harvey appears to be a key figure in the Australian and New Zealand thoroughbred industry, he has been operating his business in New Zealand for some time.
Affect image, trade or international relations – 28(c)	We consider a well-reasoned refusal to grant consent to this Investment is unlikely to affect New Zealand’s image, trade or international relations.
Owner to undertake other significant investment – 28(d)	The Vendor is not planning to undertake other significant investment.
Strategically important infrastructure – 28(h)	There is no strategic infrastructure on the Property.
Economic interests – 28(i)	This investment will not have a material effect on New Zealand’s economic interests.
Oversight and participation by New Zealanders – 28(j) - high relative importance	While we consider that Russell Warwick will have input on the day to day running of the Property, the Property is ultimately owned and controlled by overseas persons.

Has the farm land been offered on the open market?

Farm land advertising - s16(1)(f)

The Regulations require farm land or farm land securities to be offered for acquisition on the open market to non-overseas persons for at least 20 working days (or longer if the advertisement states or implies that offers will be accepted for that longer period). The purpose of such advertising is to ensure non-overseas persons have reasonable notice that they are available for acquisition. The Regulations do not require that the vendor accept any alternative offer made by a non-overseas person.

147. The Property was advertised for 23 working days, above the minimum required under the Regulations, and took place within the requisite preceding 12-month period.
148. Having reviewed the advertising of the Property and are satisfied that it complies with the advertising procedure set out in the Regulations.

Consent criteria

149. As detailed above, we are satisfied that the criteria in section 16 are met, and our provisional recommendation is to grant consent to the Investment.

Third Party Submissions

150. No third party submissions were sought or received. We have consulted with DOC and WAC and this is discussed above.

Appendices

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Released under the Official Information Act 1982

Appendix 1 - Proposed Decision

Released under the Official Information Act 1982

Consent for Overseas Person to Acquire Sensitive New Zealand Land

Read this consent carefully - you must comply with all the conditions. If you do not, you may be required to dispose of the land and/or be subject to fines or other penalties.

Consent

Decision date: [date]

The following people have been given the following **consent**:

Case	201810217
Consent	GH Westbury Pty Limited may acquire the Land subject to the Conditions set out below.
Consent holder/s	GH Westbury Pty Limited We will also refer to each Consent holder and the Consent holders together as you .
Land	Approximately 87.222 hectares of land being part of Record of Title 632529 located at 32 Hopkins Road, Matamata
Westbury Stud	The thoroughbred horse racing, breeding and sales business operated on the following properties as at the date of consent: <ul style="list-style-type: none"> • 699 Linwood Road; • 700 Linwood Road; • 747 Linwood Road; • 20 Batty Road; • 65 Hopkins Road; and • 164 Hopkins Road (together with 65 Hopkins Road, the "Matamata property")
Timeframe	You have until 31 July 2020 to acquire the Land.

Conditions

Your Consent is subject to the Special conditions, Standard Conditions and Reporting conditions (**Conditions**) set out below. You must comply with them all. Be aware that if you do not comply with the Conditions you may be subject to fines or other penalties, and you may also be required to dispose of the Land.

In the Consent and the conditions, we refer to the Overseas Investment Office as **OIO, us or we.**

Special conditions

You must comply with the following **special conditions**. These apply specifically to this Consent and were considerations that particularly influenced us to give consent:

Details	Required date
Special condition 1: Creation of Jobs	
You must create at least 10 full time equivalent roles on either or both of the Land and the Matamata property. If you do not, Standard condition 6 will apply and we may require you to dispose of the Land.	By 31 May 2022
Special condition 2: Retention of Foals	
You must retain at least 65% of foals born in New Zealand on the Land or at the Westbury Stud for auction within New Zealand.	At all times until 31 May 2025
Special condition 3: Additional capital for development	
You must spend at least \$1.7 million on: <ul style="list-style-type: none"> a) re-fencing the Land; b) developing horse stables on the Land; c) upgrading the existing roading on the Land; and d) upgrading the stock watering system on the Land. 	By 31 May 2022
Special condition 4: Fencing and planting surrounding the Waitoa River	
You must: <ul style="list-style-type: none"> a) re-fence along the margins of the Waitoa River that are on the Land, such margins being at least 20 metres from the edge of the river; and b) plant New Zealand native plants in the margin areas as described above at special condition 4 a. 	By 31 May 2022 By 31 May 2022
Special condition 5: Special Land	
Should the Crown decide to accept the offer of Special Land, you must, upon becoming the registered proprietor of the Land, adopt and be bound by any offer or agreement that the vendor has made or entered into with the Crown in relation to the Special Land that forms part of the Land. If the relevant Ministers make a decision to	On-going

<p>waive the offer of Special Land in accordance with Regulation 15(1), this special condition will be deemed to have been complied with.</p> <p>If the Crown decides to accept the offer of Special Land within the timeframe as set out in clause 2 of the agreement for sale and purchase dated x, you must:-</p> <p>(a) deal with the Crown in accordance with the requirements of the Act as if you were the party making the initial offer of the Special Land to the Crown;</p> <p>(b) transfer the Special Land to the Crown on terms acceptable to the Crown as outlined in the Agreement for Sale and Purchase dated x; and/or</p> <p>(c) agree to an encumbrance or covenant in gross being registered to protect the Crown's interest upon the Crown's request.</p> <p>The Crown reserves the right to caveat the Land until an encumbrance or covenant has been registered.</p> <p>You will be responsible for all of your own costs incurred as a result of the transfer of the Special Land.</p>	
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Standard conditions

You must also comply with the **standard conditions** set out below. These apply to all overseas people who are given consent to acquire sensitive New Zealand land, including you:

Details	Required date
Standard condition 1: acquire the Land	
<p>You must acquire the Land:</p> <ol style="list-style-type: none"> by the date stated in the Consent. <p>If you do not, your Consent will lapse or become invalid and you must not acquire the Land, and</p> <ol style="list-style-type: none"> using the acquisition, ownership and control structure you described in your application. <p>Note, only you – the named Consent holder - may acquire the Land, not your subsidiary, trust or other entity.</p>	As stated in the Consent
Standard condition 2: tell us when you acquire the Land	
You must tell us in writing when you have acquired the Land.	As soon as you can, and no later than two months after Settlement

<p>Include details of:</p> <ol style="list-style-type: none"> 1. the date you acquired the Land (Settlement), 2. consideration paid (plus GST if any), 3. the structure by which the acquisition was made and who acquired the Land, and 4. copies of any transfer documents and Settlement statements. 	
Standard condition 3: allow us to inspect the Land	
<p>Sometimes it will be helpful for us to visit the Land so we can monitor your compliance with the Conditions.</p> <p>We will give you at least two weeks' written notice if we want to do this.</p> <p>You must then:</p> <ol style="list-style-type: none"> 1. Allow a person we appoint (Inspector) to: <ol style="list-style-type: none"> (a) enter onto the Land, including any building on it, other than a dwelling, for the purpose of monitoring your compliance with the Conditions (Inspection), (b) remain there as long as is reasonably required to conduct the inspection, (c) gather information, (d) conduct surveys, inquiries, tests and measurements, (e) take photographs and video records, and (f) do all other things reasonably necessary to carry out the Inspection. 2. Take all reasonable steps to facilitate an Inspection including: <ol style="list-style-type: none"> (a) directing your employees, agents, tenants or other occupiers to permit an Inspector to conduct an Inspection, (b) being available, or requiring your employees, agents, tenants or other occupiers to be available, at all reasonable times during an Inspection to facilitate access onto and across the Land. This includes providing transport across the Land if reasonably required. <p>During an Inspection:</p> <ol style="list-style-type: none"> (a) we will not compel you and your employees, agents, tenants or other occupiers to answer our questions or to let us look at, copy or take away documents, (b) our Inspector will comply with any reasonable instruction and co-operate with any reasonable 	<p>At all times</p>

health and safety policy or procedure you notify to us before the Inspection.	
Standard condition 4: remain of good character	
<p>You and the Individuals Who Control You:</p> <ol style="list-style-type: none"> 1. must continue to be of good character, and 2. must not become an individual of the kind referred to in section 15 or section 16 of the Immigration Act 2009. <p>In summary, these sections describe convicted or deported people who are not eligible for visa or entry permission to enter or be in New Zealand and people who are considered likely to commit an offence or to be a threat or risk to security, public order or the public interest.</p> <p>The Individuals Who Control You are individuals who:</p> <ol style="list-style-type: none"> (a) are members of your governing body, (b) directly or indirectly, own or control 25% or more of you or of a person who itself owns or controls 25% or more of you, and (c) are members of the governing body of the people referred to in paragraph (b) above. 	At all times
Standard condition 5: tell us about changes that affect you, the people who control you, or people you control	
<p>You must tell us in writing if any of the following events happens to any of the Consent holders:</p> <ol style="list-style-type: none"> 1. You, any Individual Who Controls You, or any person in which you or any individual who controls you hold (or at the time of the offence held) a 25% or more ownership or control interest commits an offence or contravenes the law anywhere in the world. This applies whether or not you or they were convicted of the offence. In particular, please tell us about any offences or contraventions that you are charged with or sued over and any investigation by enforcement or regulatory agencies or professional standard bodies. 2. An Individual Who Controls You ceases to be of good character; commits an offence or contravenes the law (whether they were convicted or not); becomes aware of any other matter that reflects adversely on their fitness to have the Land; or becomes an individual of the kind referred to in section 15 or 16 of the Immigration Act 2009 (see standard condition 4). 3. You cease to be an overseas person or dispose of all 	Within 20 working days after the change

<p>or any part of the Land.</p> <p>4. You, any Individual Who Controls You, or any person in which you or any Individual Who Controls You hold (or at the time of the event held) a 25% or more ownership or control interest:</p> <p>(d) becomes bankrupt or insolvent</p> <p>(e) has an administrator, receiver, liquidator, statutory manager, mortgagee's or chargee's agent appointed, or</p> <p>(f) becomes subject to any form of external administration.</p>	
<p>Standard condition 6: dispose of the Land if you do not comply with key Special conditions</p>	
<p>Some of the special conditions were key to the decision to give consent. If we consider you have failed to comply with one of those Special conditions in a material way we may require you to dispose of the Land.</p> <p>We may also require you to execute a security deed before you may acquire the Land. The security deed:</p> <ol style="list-style-type: none"> 1. must be in the form we require, 2. must be executed and delivered to us before you acquire the Land, 3. gives us power to appoint a receiver to dispose of the Land if you do not do that as required by this Standard condition 6, 4. will provide, among other things, that if we appoint a receiver, the receiver may dispose of the Land, deduct his or her costs from the proceeds of sale, and pay the remainder to you. <p>If all or part of this Standard condition 6 applies to a Special condition, we have said so in that condition.</p> <p>We will give you written notice if we require you to dispose of the Land. After we have given you notice, you must:</p>	
<p>Value the Land: obtain and send us a copy of a market valuation of the Land from a New Zealand registered valuer.</p>	<p>Within six weeks of the date of our notice.</p>
<p>Market the Land: instruct a licensed real estate agent to actively market the Land for sale on the open market.</p>	<p>Within six weeks of the date of our notice.</p>
<p>Dispose of the Land: dispose of the Land to a third party who is not your associate.</p>	<p>Within six months of our notice.</p>

<p>Offer without reserve: offer the Land for sale by auction or tender without a reserve price or minimum bid and dispose of the Land.</p>	<p>Within nine months of our notice.</p>
<p>Report to us about marketing: tell us in writing about marketing activities undertaken and offers received for the Land.</p>	<p>By the last day of every March, June, September and December after our notice or at any other time we require.</p>
<p>Report disposal to us: send us, in writing, evidence:</p> <ul style="list-style-type: none"> (a) that you have disposed of the Land, (b) of disposal (including copies of sale and purchase agreements, settlement statements and titles showing the purchaser as registered proprietor), (c) the purchaser is not your associate. 	<p>Within one month after the Land has been disposed of.</p>

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Reporting conditions

We need information from you about how your Investment Plan is tracking so we can monitor your progress against the Conditions and so we can measure the benefits you have brought to New Zealand through your investment.

Every year, you must lodge an **annual report**. It must:

1. be sent to **oiomonitoring@linz.govt.nz** by these dates:
 - (a) Year one: 30 August 2020
 - (b) Year two: 30 August 2021
 - (c) Year three: 30 August 2022
 - (d) Year four: 30 August 2023
 - (e) Year five: 30 August 2024
2. contain information about:
 - (a) your progress in implementing the special conditions (including costs where relevant);
 - (b) the jobs created including job titles and approximate salaries;
 - (c) the number of foals born at the Westbury Stud properties;
 - (d) the number of horses sold and the number of those horses exported including the amounts sold for;
 - (e) number of stallions imported for breeding purposes; and
 - (f) any successes of horses bred on the Stud.
3. follow the format of the template annual report published on our website at <https://www.linz.govt.nz/overseas-investment/enforcement/how-we-take-action>.

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Appendix 2 - Guidance for applying the Act

1. Ministers must grant consent to this overseas investment if they are satisfied that all of the criteria in section 16 of the Overseas Investment Act 2005 (“the Act”) are met. They must decline to grant consent if they are not satisfied that all of the criteria in section 16 are met. Ministers must not take into account any criteria or factors other than those identified in sections 16 and 17, and regulation 28 of the Overseas Investment Regulations 2005 (“the Regulations”).
2. In the attached Report the Overseas Investment Office identifies each of the criteria and factors under sections 16 and 17, and regulation 28 that Ministers are required to consider in this case.

“Benefit to New Zealand criteria”

3. In this case, section 16 requires Ministers to decide, among other things, whether they are satisfied in relation to the following “benefit to New Zealand” criteria:
 - (a) the overseas investment will, or is likely to, benefit New Zealand (or any part of it or group of New Zealanders), as determined under section 17 (section 16(1)(e)(ii)); and
 - (b) that benefit will be, or is likely to be, substantial and identifiable (section 16(1)(e)(iii)).
4. The application of the benefit to New Zealand criteria involves the exercise of Ministerial judgement. The fact that responsibility for making this decision has been conferred on Ministers confirms that this is a high-level decision with significant policy content. That is also apparent from the language and content of the factors that must be considered, many of which require a high degree of evaluative judgement, and are not capable of quantification or calculation.
5. In applying the benefit to New Zealand criteria, Ministers are required to consider each of the factors in section 17(2), determine which of the factors are relevant to the investment, and have regard to the relevant section 17(2) factors. The relative importance to be given to each factor is a matter to be determined by Ministers. In particular, the Act does not require economic factors to be given more weight than non-economic factors, or vice versa. It is a matter for you, in carrying out your overall evaluation, to decide what weight to give to each factor.
6. The decision concerning whether the benefit to New Zealand, or any part of it or group of New Zealanders, is substantial and identifiable under section 16(1)(e)(iii), involves a collective assessment of the relevant factors.

Justice Miller’s “with and without test”

Economic factors

7. The High Court in *Tiroa E and Te Hape B Trusts v Chief Executive of Land Information* [2012] NZHC 147 (“*Tiroa E*”) requires the “economic benefit” factors in section 17(2)(a) to be assessed on the basis of a “counterfactual test”. That is, Ministers must consider with respect to each section 17(2)(a) factor whether the overseas investment is likely to result in a benefit to New Zealand over and above any benefit that will or is likely to result even if the investment does not proceed. It is only the additional benefit from the overseas investment that is relevant when applying the “benefit to New Zealand” criteria.

Non- economic factors

8. Although the position is not free from doubt, the better view is that the same question – will this benefit be achieved even if the overseas investment does not occur – should be asked in relation to the other “non-economic” factors listed in section 17(2)(b)-(e). The High Court judgment suggested¹³ that there could be a benefit in respect of the non-economic factors even if the same benefit would be achieved in the absence of the investment. But as the Court noted¹⁴, it is not easy to see how a benefit that will happen anyway could be regarded as substantial for the purposes of section 16(1)(e)(iii). We consider that Ministers should not treat benefits that are likely to be achieved in any event as contributing to the “substantial and identifiable benefit” criterion.

Regulation 28 factors

9. With regard to the factors in regulation 28 of the Overseas Investment Regulations 2005, Miller J noted that:

The criteria listed in reg 28 deal, for the most part, with benefits that only an overseas buyer could provide or what may be loosely described as strategic considerations, so they do not require a counterfactual analysis.¹⁵

10. Many of the factors in regulation 28 are incapable of having a counterfactual analysis applied to them. However, as recognised by Miller J, there are some factors that may require a counterfactual analysis. The Overseas Investment Office has applied a counterfactual analysis where appropriate.

“Rural Land” Directive

11. The overseas investment involves the acquisition of ‘rural land’ being land that is non-urban and over 5 hectares in size (excluding any associated land), but excludes ‘forest land’. Therefore, in accordance with directions from Ministers, we have treated the following factors as being of high relative importance:¹⁶

- (a) the “jobs” factor (section 17(2)(a)(i));
- (b) the “new technology or business skills” factor (section 17(2)(a)(ii));
- (c) the “increased exports receipts” factor (section 17(2)(a)(iii));
- (d) the “increased processing of primary products” factor (section 17(2)(a)(vi)); and
- (e) the “oversight and participation by New Zealanders” factor (regulation 28(j)).

Conditions

12. Conditions may be imposed on any consent that is granted, under section 25. The attached Report recommends some conditions that Ministers may wish to consider imposing in this case.
13. If you wish to make any changes to the conditions of consent, those changes should be discussed with the Overseas Investment Office, and the other Minister, before being finalised.

Decision

14. The decision that you are required to make should be based on information available to you that you consider is sufficiently reliable for that purpose. The information that the Overseas Investment Office has taken into account in making its recommendation is summarised in the attached Report.

¹³ *Tiroa E* at [36].

¹⁴ *Tiroa E* at [38].

¹⁵ *Tiroa E* at [36].

¹⁶ Ministerial Directive letter date 28 November 2017, paras 13-17.

15. If you propose to disagree with the decision of the other Minister, you should discuss your proposed decision with the Overseas Investment Office and the other Minister.
16. If required, staff from the Overseas Investment Office are available to brief you on the Office's recommendations.

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Appendix 3 - Sensitive Land

1. 32 Hopkins Road, Matamata

Land Interest	Freehold Interest (approximately 87.2224 hectares)
CRs	Part of Certificate of Record 632529 (South Auckland)
Sensitivity	Is more than 5 hectares of non-urban land
	Adjoins land that is over 0.4 hectares and is listed, or in a class listed, as a reserve, a public park, or other sensitive area by the regulator under s37 of the Overseas Investment Act 2005

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Appendix 4 – Letters of Support



18 April 2019

To Whom It May Concern

Gerry Harvey/Westbury Stud

I am the current Chief Executive of the New Zealand Breeders Association. Westbury Stud is one of New Zealand's premier stud farms which is owned by leading Australian identity Gerry Harvey. He has been breeding in New Zealand under the Westbury banner for nine years. Gerry has been a significant investor for many years in the Australian market owning 2 leading Australian studs.

Westbury Stud has grown substantially under Gerry's ownership. He has made major investment in thoroughbred bloodstock and he currently owns -

- 300 broodmares
- 7 stallions
- races up to 120 horses at any given time
- utilises up to 35 trainers in New Zealand
- 2 quality thoroughbred properties

Gerry's investments in New Zealand are critical to our industry and a major contributor to the New Zealand thoroughbred racing and breeding industry. Gerry is also the proprietor of one of Australia's largest thoroughbred sale companies Magic Millions and a significant employer in the thoroughbred industry in New Zealand and Australia.

He has been a successful breeder in New Zealand producing outstanding horses in Sofia Rosa, Music Magnate, Miss Mossman, Swissta, Julius, Daytona Red, Passing Shot, Peaceful, Platinum Command, Red Striker, Romancer, Telepathic, The Travelling Man and Top Prospect.

If you require any further information, please contact the writer.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Justine Sclater', is written over a faint, diagonal watermark that reads 'Released under the Official Information Act 1982'.

Justine Sclater
CEO NZTBA



NEW ZEALAND BLOODSTOCK LIMITED

Karaka Sales Centre Hinau Road Papakura • PO Box 97447, Manukau City, Auckland 2241, New Zealand
Ph: +64 9 286 0055 Fax: +64 9 298 0606 www.nzb.co.nz

15 September 2018

To Whom it May Concern

I would like to submit this letter in support of Mr Gerry Harvey and confirm the outstanding contribution which he has made to the New Zealand Thoroughbred Industry in recent years.

There have been few larger investors in the industry in recent years and the magnitude to which Gerry has supported New Zealand businesses throughout the country has been extremely generous and noteworthy by its presence across all sectors of racing and breeding. Gerry's involvement stems from his vast breeding numbers held in New Zealand through to his participation in racing, while his generosity as a major sponsor supports many activities and charities.

Gerry's purchase of the picturesque Westbury Stud property and the importation of a large number of quality stock into New Zealand has proven to be a significant boost for the thoroughbred industry with a considerable number of people in our industry much richer for his involvement.

To have one of Australia's foremost businessmen choose New Zealand as a location to further develop his expansive bloodstock ownership is indeed a complement to the country and without doubt a huge boost to New Zealand from an investment perspective.

The enthusiasm Gerry Harvey displays for thoroughbred racing and breeding is infectious to say the least, while his passion for the business (and the people in it) makes him a significant addition to the network of our historic industry as we strive to take racing in New Zealand forward.

While I not only applaud the substantial investment installed into New Zealand by Gerry Harvey, his presence in the New Zealand marketplace comes at a critical time as it becomes essential that we attract new investors into the thoroughbred business.

Yours Faithfully

A handwritten signature in black ink, appearing to read 'P. Vela', written over a circular stamp or watermark.

Sir Peter Vela

4 Kaimai Drive

MATAMATA

20 Sept 2018

TO WHOM IT MAY CONCERN

I am writing in support of the application by Mr Gerry Harvey to make a land purchase in New Zealand.

Mr Harvey has been a long-standing supporter and investor in the New Zealand thoroughbred industry, which in recent years has expanded to properties in the South Auckland and Waikato regions under the Westbury Stud banner.

Through my various roles in the thoroughbred industry I have a real appreciation of Mr Harvey's input, both current and on-going. As Chairman of the Matamata Racing Club, I am well aware of the contribution that the Matamata –based Westbury Waikato operation makes to the local and wider economy.

In my overview as Editor of the racing industry publication The Informant, Mr Harvey's significance to the New Zealand thoroughbred industry cannot be over-stated. Through the breeding arm of Westbury Stud his contribution to bloodlines by the importation of quality stallions and broodmares is hugely beneficial, while the large team of racehorses in his NZ Thoroughbred Holdings Ltd portfolio – spread across a wide range of trainers – makes Mr Harvey one of the most significant contributors to the national racing pool.

The value Mr Harvey brings as an employer and investor, and the overall economic benefits of his thoroughbred bloodstock operation makes for a compelling case. In short, his application for a land purchase to enable expansion and further investment deserves a favourable outcome.

Yours sincerely,



Dennis Ryan

Chairman Matamata Racing Club Inc.

Editor The Informant

editor@racingmedia.co.nz

+64 274 789520

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3 September 2018

To whom it may concern,

In my position as Chairman of the Auckland Racing Club I am delighted to be able to provide this testimonial in support of Gerry Harvey.

Gerry's passion for and investment in the thoroughbred horse industry in New Zealand is significant. With 120-130 horses in training I understand he is the largest owner (by number of horses) in the country. In addition through Westbury Stud he is a major contributor to the New Zealand thoroughbred breeding industry.

Through these investments he supports a wide and diverse number of thoroughbred industry participants including trainers, jockeys, stud staff and many incidental service providers to these investments.

Sponsorship is an integral component of the business plan of racing clubs. It is a matter of record that, through Westbury Stud, Gerry provides sponsorship support to a number of racing clubs in New Zealand. Specifically from the Auckland Racing Club's perspective Gerry provides support through his sponsorship of the Westbury Classic and the Royal Descent Stakes.

The plight of the New Zealand Thoroughbred horse industry has recently been publicised in the Review of the New Zealand Racing Industry. A report prepared by John Messara AM at the request of the Minister for Racing, the Rt. Hon. Winston Peters.

It is clear that to survive and prosper the industry needs investment. The contribution Gerry Harvey has made and continues to make to the industry is essential. In particular his financial commitment plays an important and critical role in the success of racing clubs by, amongst things, bolstering horse numbers and ultimately the wagering dollar.

Needless to say the New Zealand thoroughbred industry needs to retain and encourage investors in the industry such as Gerry Harvey and where possible to encourage and entice such future new investment as possible.

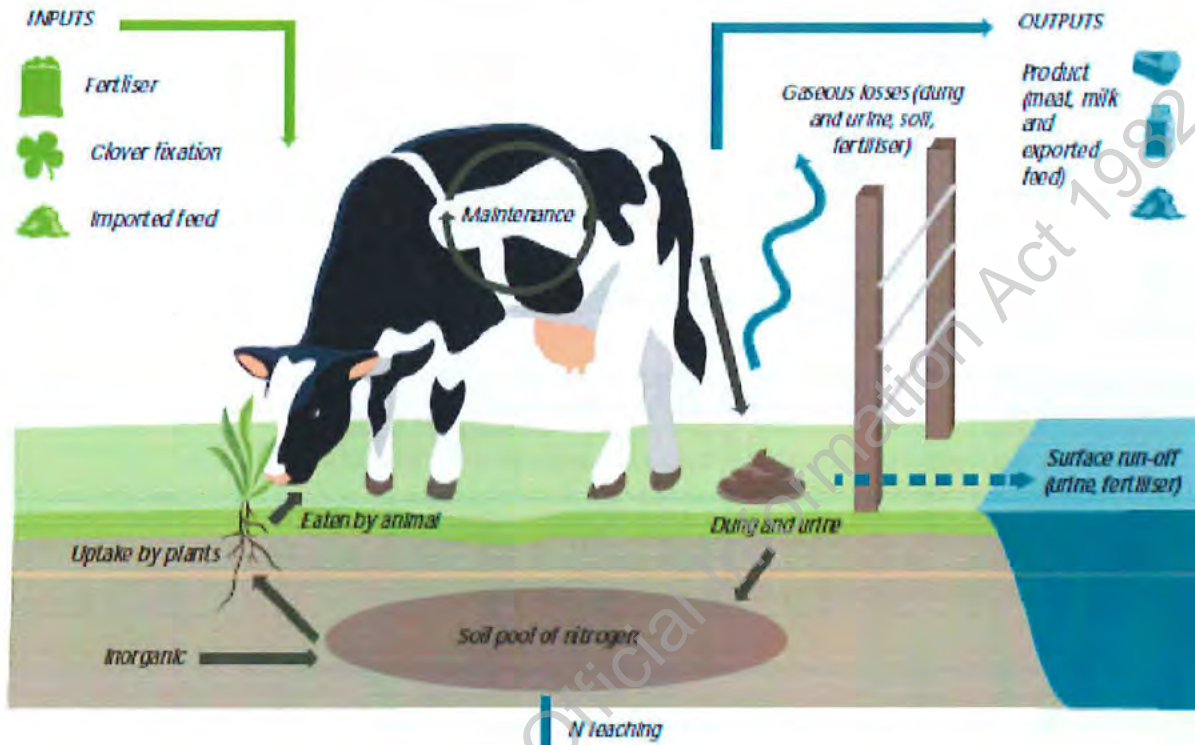
Yours sincerely,

Doug Alderslade
Chairman

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Appendix 5 - How nitrogen moves through a dairy farm

How does N enter and move through a dairy farm



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Appendix 6 - Diagrams showing water quality of Waitoa River

Currently Showing:

Site:

Waitoa River at
Landsdowne Rd Br

Indicator:

E. coli

State:

Comparing all sites in
New Zealand

Trend:

10 years

