

GOVERNMENT RESPONSE

To the Economic Development Committee Inquiry into the Viability of the Victorian Thoroughbred and Standardbred Breeding Industries.

June 2007

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Introduction

The Victorian racing industry delivers significant economic and social benefits to the State. A series of evaluations have identified that racing generates an economic impact in excess of \$2 billion per annum and creates employment for some 70,000 people (full time equivalent of around 40,000 jobs). Just as importantly, racing is integral to the social and cultural fabric of many Victorian communities particularly in rural and regional areas.

The Victorian Government is committed to working with the racing industry to ensure that it has the tools to survive and grow into the future. This commitment towards a healthy and vibrant racing industry is underlined by the Government's announcement as part of the 2006-07 State Budget that the industry will be the recipient of an unprecedented \$18.6 million of funding over the next two years to ensure that Victoria maintains its position as Australia's premier racing State. The industry will also benefit from the Government's subsequent announcement of changes to wagering commission rates which will have the effect of generating substantially increased returns for the racing industry.

The Government has also committed a further one-off payment of \$2 million to the Racing Industry Development Program (RIDP) to off-set the impact on the racing industry of the recent increase to the Government's Electronic Gaming Machine (EGM) Levy. The Government's total commitment to the RIDP for 2006/07 and 2007/08 is now \$20.6million, excluding additional revenues generated by the wagering commission rate change.

The Victorian Government understands that the future growth and prosperity of thoroughbred racing is heavily reliant upon a vibrant and prosperous breeding industry. Accordingly, the Economic Development Committee (EDC) inquiry into the viability of the Victorian Thoroughbred and Standardbred Breeding industries represents an important and timely study.

The responses to the EDC's recommendations for the thoroughbred and standardbred industries are grouped together in the following categories: recommendations accepted in principle and referred to the industry for implementation; recommendations accepted in principle and referred to the next meeting of the Australasian Racing Ministers Conference; and recommendations not accepted. An index of the recommendations for both breeding sectors is provided at Attachment A.

Thoroughbred breeding

The Government has accepted the majority of the Committee's recommendations. However, with respect to the recommendations concerning the establishment of a new entity, VicStud, for the purpose of marketing the Victorian thoroughbred breeding industry, the Government believes the broader Victorian racing industry is able to use existing resources to achieve its objectives within the industry's current framework.

The Government endorses the EDC's comments regarding the valuable contribution which the thoroughbred breeding industry makes towards the prosperity of regional Victoria. The larger Victorian studs are a significant source of full time employment and also provide significant "flow-on" effects to related businesses in rural areas. Recent developments, such as the substantial investment undertaken by Darley Australia in Victoria, are indicative of an industry which is becoming more professional and evolving from its traditional hobbyist base.

The Government welcomes the increasing maturity of the industry however recognises that significant opportunities remain to further foster and grow the industry. For example, the Government believes that stronger linkages between the breeding industry and Victoria's world renowned racing carnivals represent an untapped opportunity to showcase Victorian breeders on a national and international scale. Competitive advantages, such as the close geographic proximity of many thoroughbred studs to metropolitan Melbourne, are a further potential opportunity which could be capitalised upon by the breeding industry.

The EDC's recommendations have addressed a broad range of issues encompassing the business responsibilities of a number of Government departments and authorities. Accordingly, the Victorian Government's response to the inquiry is reflective of the contributions of the following agencies:

- Department of Justice (Office of Gaming and Racing)
- Department of Premier and Cabinet
- Department of Treasury and Finance
- Department of Industry, Innovation and Regional Development
- Department of Education
- Department of Primary Industry; and
- The Victorian Workcover Authority.

The Government has accepted a majority of the Committee's recommendations however there is concern about the level of direct Government involvement in the establishment of a marketing and promotional vehicle for the breeding industry. Whilst the critical importance of marketing and promotion to the development of the breeding industry is acknowledged it is proposed that the industry should draw on the existing resources of thoroughbred breeding, racing organisations and relevant Government agencies.

An industry driven initiative would ensure that the racing industry hold a strong sense of ownership of any new marketing body. It would also ensure that objectives and strategies of the entity are strategically linked to the broader objectives of the industry.

The Government believes that it would be better to support the industry through existing programs, as it progresses to a point of unification and independent governance. Through such a process, a body such as VicStud Ltd would be a more natural outcome of the demonstrated industry interest. This approach differs from the EDC report recommendations in that the State becomes a supportive partner rather than the creator of an entity which is yet to receive any financial commitment from the industry.

An important recent development in the breeding industry has been the formation of the North East Thoroughbred Industry Alliance (NETIA) cluster based predominantly in Strathbogie and Mitchell shires. The State Government's role in this project to date has been one of facilitation and direct funding based on a collective view of the industry players about the direction and activity they need to undertake to develop and promote breeding activities within this region. Further detail regarding this initiative is provided later in this response.

While the successful implementation of recommendations contained in the Committee's report may provide impetus to further develop the Victorian thoroughbred breeding industry it is also important to note that the process of undertaking the inquiry has, in its own right, made a valuable contribution.

As a result of many of the learnings in the EDC inquiry, Racing Victoria Limited (RVL) has also made significant internal changes to its structure to support Victorian Breeders including:

- The introduction of a Thoroughbred Owners and Breeders Advisory Group (TOBA) to administer the direction of Victorian Owners and Breeders Incentive Scheme (Super VOBIS);
- The establishment of an RVL Owners and Breeders Department, including the relocation of Thoroughbred Breeders Victoria and Thoroughbred Racehorse Owner's Association Executives to assist in the development and growth of ownership and breeding initiatives; and
- Support for the development of NETIA in consultation with the Victorian Government as outlined above.

The Government believe that such initiatives are evidence that the thoroughbred breeding industry is now taking increased responsibility for its own future. The industry is encouraged to work cooperatively with relevant Government agencies to set a strategic direction for the future of the industry and in turn identify and utilise Government programs and services which complement these strategic objectives.

Standardbred breeding

The Government understands that the standardbred racing and breeding industries represent an important part of Victoria's economic and social infrastructure. Together they generate considerable economic activity in the State and provide many employment opportunities for Victorians through racing and breeding and in areas as diverse as education and tourism.

The Government acknowledges that the Committee was asked to examine the strengths and weaknesses of the standardbred industry and the Government endorses the EDC's conclusion that Victoria's standardbred breeding industry achieved a position of market leadership in Australia. However, it notes that whilst the industry is identified as the market leader the Committee proposes that improvements are needed in some key areas for the industry to maintain its strong position in the coming years. The Committee acknowledged some of the weaknesses of the standardbred industry including tax, syndication and equine research are issues that similarly affect the thoroughbred industry.

As with the EDC's thoroughbred report, the EDC's recommendations in relation to the standardbred industry have addressed a broad range of issues encompassing the business responsibilities of a number of Government departments and authorities. Accordingly, the Victorian Government's response to the standardbred inquiry is reflective of the contributions of the following agencies:

- Department of Justice (Office of Gaming and Racing)
- Department of Premier and Cabinet
- Department of Treasury and Finance
- Department of Industry, Innovation and Regional Development
- Department of Primary Industry.

The Government would like to thank the Economic Development Committee of Parliament for its hard work and commitment in the preparation of its reports. The Government's detailed response to each recommendation of the Committee follows.

The following recommendations are accepted in principle and are to be referred to the industry for implementation

Thoroughbred

Recommendation 3.1

The Victorian Government establish VicStud Ltd as a limited liability company with a board of directors representative of key stakeholders in the industry.

Recommendation 3.2

VicStud Ltd, in association with the Department of Innovation, Industry and Regional Development and other agencies, develop an effective and comprehensive marketing and promotion strategy as well as an export sales plan for Victoria's thoroughbred breeding industry.

Government Response

The Government acknowledges the important role that thoroughbred breeding plays in supporting our world class racing industry and as an important contributor to economic and cultural development in its own right, particularly in Regional Victoria. The industry spans a range of diverse interests from multinational breeding companies to small scale or hobby breeders. There have been some impressive recent developments in the industry with the growth of some of the larger operations and major investments in the State. Hobby breeders continue to play an important role in providing equine stock to maintain a healthy and vibrant country racing scene. There is a challenge for the industry to ensure that small scale or hobby breeders continue to have access to major city meets where prizemoney is greater.

The report has identified an opportunity for Victoria to develop the breeding industry through greater collaboration by all parties to further progress the industry and specifically calls for the creation of a new company called VicStud to lead the development of the industry.

The Government considers the objectives underlying the proposal to establish VicStud to have substantial merit. The task for Government however is to support the institutional arrangements that best meet those objectives, with the creation of VicStud being but one of a number of options available. A new company would require a significant new investment by all parties and would appear to overlap with existing institutional infrastructure. Furthermore, establishing and running a new company will consume significant resources that could be used more productively to directly address the marketing and promotion problems.

As a result of the increased focus by RVL on owners and breeders, in particular the Owners Gold Card, the Parliamentary Inquiry into the Viability of the Victorian Thoroughbred Breeding Industry and the long term aim of generally improving the sales and marketing opportunities for

breeders, RVL has moved to broaden the scope of the Super VOBIS Advisory Panel to include all issues relating to owners and breeders. To this end, a new industry body has been established - the Thoroughbred Owners and Breeders Advisory Panel (TOBA) - responsible for making recommendations on changes or improvements to:

- Super VOBIS
- Owners Gold Card
- Breeders and Owners issues
- Marketing and promotion of Victorian ownership and breeding.

In view of the establishment of TOBA and the increased resources being provided to the racing industry the Government believes the industry has sufficient resources itself and believes this is a more advisable path than the establishment of a new entity which would draw resources away from the racing industry.

The Government therefore is more supportive of focusing on existing institutional arrangements that can draw on industry expertise. The Government supports tasking the Thoroughbred Owners and Breeders Advisory Panel (TOBA) with the proposed functions throughout this report. The Government also recommends TOBA work closely with the Office of Racing and the Department of Innovation, Industry and Regional Development, specifically Regional Development Victoria, to draw on existing Government programs, where appropriate, to assist them to undertake those functions.

The Government encourages TOBA to consult widely including beyond its own membership bases. The Government acknowledges the starkly different business decisions between a large stud farm and small hobby breeder. It will be important to the success of the Victorian thoroughbred industry if the clear majority of stakeholders get behind the marketing and promotion tasks in particular.

It is also worth acknowledging the positive steps that the industry itself has taken in recent times. Certainly since 2000, there has been substantial investment undertaken by thoroughbred breeding operations such as Darley Australia, Wadham Park and Tony Santic's acquisition of Smytzer's Park. This activity indicates that the Victorian thoroughbred industry is already on the rise and has a number of qualities that make it attractive to international investors. There is a strong base for the industry, through greater collaboration and focus, on which to build.

The promotion and marketing of the thoroughbred industry can be undertaken within the existing Government institutional arrangements. The Department of Innovation, Industry and Regional Development (DIIRD) is well positioned to target the thoroughbred industry. As identified by the Committee, DIIRD's policy approach is to allow identified geographic areas of the breeding industry to be developed into clusters based on the model and work being undertaken in the North East of Victoria (see below). Once each of the areas matures, they can be linked and eventually come together as a breeding industry body that has grown from the industry needs. This process ensures that Government support responds to industry "energy" rather than establishing a body that assumes and sponsors ongoing industry commitment.

The North East Model

The North East Thoroughbred Industry Alliance (NETIA) represents a cluster of breeding industry stakeholders based predominantly in Strathbogie and Mitchell shires. The

Government's role in the development of the alliance to date has been one of facilitation based on a collective view of the industry players about what direction and activity they need to take. The Government, through the Department of Innovation, Industry and Regional Development's (DIIRD's) Regional Innovation Cluster Program has also provided an initial investment of \$50,000 funding towards the development of the cluster.

The first outcome of the cluster group has been the development of a strategic framework which provides clear direction for the further development and promotion of breeding in the region. The State is now better placed to assist the breeders and there is a truer sense of cohesion in the group as it has become united in its directions and tasks.

In terms of Government support, the next step for consideration is the funding of a Cluster Manager whose focus would be on marketing and implementation of key identified priorities in the region. In the medium to long term, the objective is to support this cluster through to a maturity where marketing and other key functions identified for VicStud would be a natural development for this group.

This approach will also be facilitated by existing Government programs that can support the direction identified by industry. Programs such as the Regional Innovation Cluster Program are ideal for this and there are many other services that Government departments can provide (Department of Sustainability and Environment and the Department of Primary Industry can provide pasture management advice, the Department of Education and Training can provide training advice) to support the development as proven in the North East case.

While this is a relatively new approach to the thoroughbred industry, it is based on a model that has been successfully applied to science, medicine, bio-tech and manufacturing industries.

While VicStud will not be established by Government, this should not prevent the relevant stakeholders from addressing other impediments such as the absence of a Victorian sales-based company. The effective marketing and promotion of the Victorian thoroughbred will require a multi-pronged approach.

Whilst the establishment of VicStud as a coordination agency for the thoroughbred breeding industry has merit, and if established by the industry could receive Government assistance, it is not considered appropriate that the Government establish such an entity.

Recommendation 3.3

VicStud Ltd develop best practice notes and advice for the purposes of improving standards and promoting greater investment in the Victorian thoroughbred breeding industry.

Government Response

The Government accepts in principle the Committee's recommendation. However, consistent with the Government's position to utilise existing industry bodies such as TOBA, it believes further consideration of these matters is an issue for relevant stakeholders in the thoroughbred racing industry such as Racing Victoria Limited and Thoroughbred Breeders Victoria.

Recommendation 3.4

VicStud Ltd develop education and information packages for thoroughbred hobby breeders.

Government Response

The Government supports the recommendation and encourages the racing industry to apply its enhanced resources to achieve this objective.

Recommendation 3.5

VicStud Ltd develop a statewide foster mare and colostrum bank service for the thoroughbred breeding industry.

Government Response

The Government supports the recommendation and encourages the racing industry to apply its enhanced resources to achieve this objective.

Recommendation 3.6

VicStud Ltd, in association with key stakeholders:

- (a) undertake a feasibility study in relation to sponsorship and funding options for a possible annual national conference on thoroughbred breeding; and**
- (b) assist in facilitating the representation of Victorian thoroughbred breeders at industry forums.**

Government Response

See response to Recommendation 3.3.

Recommendation 3.7

The Victorian Government establish VicStud Ltd as a body with minimal staff requirements, and allow the entity to negotiate the secondment of staff from relevant Government Departments and industry to help achieve its objectives.

Government Response

The Government's position is that established thoroughbred breeding and racing organisations, such as Thoroughbred Breeders Victoria and Racing Victoria Limited should work in partnership with relevant Government Departments to identify strategies by which Government can further build upon its support of the thoroughbred breeding industry.

Consistent with the Government's response to Recommendation 3.1, there is no requirement for the staff to be seconded from relevant Government Departments.

Recommendation 3.8

The Victorian Government provide seed funding of approximately \$600,000 to enable VicStud Ltd to perform its recommended roles.

Government Response

Consistent with the Government's response to not establishing VicStud, there is no requirement for the Government to raise funds for the operation of VicStud.

In the 2006-07 Budget, the Government provided \$18.6 million over 2 years to establish the Racing Industry Development Program and a further \$2 million was added to this Program by an announcement in May 2007. The racing industry may wish to consider making an application to the Program for funding to support the establishment of VicStud or a similar body.

The Government has also provided \$200,000 over the next four years to facilitate the development of five additional breeding clusters throughout the state. In addition, the Government has recently removed the annual cap on wagering totalisator commissions. This is likely to result in significant additional revenue to the racing industry, with which it may consider issues such as those arising from the EDC reports.

Recommendation 3.9

The Victorian Government introduce either a compulsory levy or a stamp duty of up to 0.5 per cent on auction house thoroughbred horse sales in Victoria to provide a recurrent revenue stream for VicStud Ltd.

Government Response

Consistent with the Government's response to not establishing VicStud, there is no requirement to raise funds for its operation. The Government considers that these matters are an issue for relevant stakeholders in the thoroughbred racing industry such as Racing Victoria Limited and Thoroughbred Breeders Victoria.

Recommendation 3.10

The Victorian Government, in association with the Victorian thoroughbred breeding industry, review the operations of VicStud Ltd after no more than three years of operation to determine and evaluate its effectiveness in achieving its objective.

Government Response

Consistent with the Government's response to not establishing VicStud, there is no requirement to review its operations.

Recommendation 4.1

VicStud Ltd identify new and enhanced sales opportunities for breeders, including internet sales, regional sales, and the Ready to Run sales concept.

Government Response

There is a clear link between the success of the Victorian thoroughbred breeding industry and the returns to owners or owner/breeders. For a lot of owners/breeders, this return depends on the success of the sales process chosen in which to sell a weanling/yearling/horse. As the Economic Development Committee points out, Victoria's sale results have lagged behind New South Wales and Queensland.

Technology is slowly providing an opportunity to not only change the sales process, but also bring greater depth to sales events where the facilities permit the streaming of proceedings.

Furthermore, some stud facilities have the technology now for people to monitor their horses. Where this technology exists, it can be used for prospective owners to view possible purchases. While this type of auction process is relatively new and still at an embryonic stage, it does offer the potential to increase the number of prospective buyers and lower auction costs.

While the Government does not believe it should establish VicStud, there are a number of suggestions that could be further explored to boost Victoria's sales performance. The Government encourages the industry to consider options to enhance existing sale events as well as possible alternative sales methods to boost returns to owners. This may include consideration of a major sales event leveraging off a significant race carnival and/or meeting to make it a "must attend" event. Such an event could form an integral part of the marketing and promotion plan.

The Government will ask the Department of Industry, Innovation and Regional Development (DIIRD) to consult with thoroughbred breeders and Racing Victoria Limited on a possible marketing plan. The Government will also explore options to ensure the event positions Victoria as a prominent player in Australian breeding sales.

Recommendation 4.2

VicStud Ltd to investigate, in collaboration with sales companies and industry parties, the staging of an annual Victorian sales event to promote the industry and to coincide with a major Victorian horse race meeting.

Government Response

See response to recommendation 4.1.

Recommendation 4.6

The Victorian Government, in association with Racing Victoria Limited consider the development of a Victorian Breeders Series with particular emphasis on promoting stallion investment.

Government Response

The concept of developing a Victorian Breeders Series warrants further examination. The Government supports in principle this recommendation and will consult Racing Victoria

Limited to assess if such a concept is viable and worthwhile. The proposed market and promotion plan will cover this concept.

Recommendation 4.10

VicStud Ltd, in collaboration with Racing Victoria Limited, arrange regular training and information sessions for owners and potential owners of stallions and racehorses on the nature and extent of syndication regulations as required by the Australian Securities and Investments Commission.

Government Response

The Government accepts in principle the Committee's recommendation however, consistent with the Government's position to not establish Vicstud, believes further consideration of these matters is an issue for relevant stakeholders in the thoroughbred racing industry such as Racing Victoria Limited and Thoroughbred Breeders Victoria.

The Government further notes that Racing Victoria Limited, as a registered training body, can assist in the establishment of training and information sessions for existing and potential stallion owners and syndicators.

Recommendation 4.11

Racing Victoria Limited to utilise its existing powers to develop new exclusion procedures under the rules of racing in relation to defaulting owners.

Government Response

The Government accepts in principle the Committee's recommendation however notes advice provided by Racing Victoria Limited that the Australian Rules of Racing are national and any move to develop new exclusion procedures would require the approval of the Australian Racing Board.

Additionally, the Victorian Government wishes to acknowledge the following actions which have been undertaken by Racing Victoria Limited subsequent to the release of the Committee's recommendation to reduce the incidence of debt management problems in the industry:

- encouraging the use of plain English contracts to clarify costs and obligations and reduce the likelihood of misunderstandings commonly associated with verbal agreements;
- establishing the Victorian Ownership Strategy Mediation Service to assist those involved in a racing dispute to resolve that dispute without the need to engage in costly and lengthy legal proceedings (with plans to extend this service to also assist breeding related disputes);
- enhancing the capacity of RVL's Stewards to assist in the resolution of disputes by undergoing formal mediation training; and
- promoting the services of the Dispute Settlement Centre of Victoria.

Recommendation 4.12

VicStud Ltd, in association with related parties, identify ways in which better use could be made by industry participants of the services of credit reference agencies.

Government Response

See response to Recommendation 3.3

Recommendation 4.13

VicStud Ltd examine the viability of creating a centralised fee collection system for the benefit of Victorian thoroughbred breeding industry participants.

Government Response

See response to Recommendation 3.3.

Recommendation 4.14

VicStud Ltd, in association with related parties, examine the current legislation including the Impounding of Livestock Act 1994, in order to identify ways in which recovery of unpaid entitlements might be further expedited for thoroughbred breeding industry participants.

Government Response

The Government supports, in part, the recommendation to review the *Impounding of Livestock Act 1994* to identify ways in which recovery of unpaid entitlements might be further expedited for thoroughbred breeding industry participants. It should be noted that agistment lien provisions in the *Impounding of Livestock Act 1994* were introduced to prevent horses being neglected when default occurs in payment of agistment fees under an informal agreement.

Rather than review the Act, it is suggested that the use of contracts designed specifically for the needs of the racing industry be employed more effectively to address the issue of unpaid debts. It is suggested that this be addressed as part of the disputes process suggested in the Government's response to Recommendation 4.11.

Recommendation 5.1

The Victorian Government, in consultation with key industry stakeholders and education providers:

- (a) evaluate the capacity of existing Victorian educational institutions to adequately provide for the Victorian thoroughbred breeding industry; and**
- (b) evaluate the viability of expanding the educational options.**

Government Response

The Government accepts the Committee's recommendation and supports the conduct of an evaluation proposed in relation to capacity and expanding the educational options available.

In terms of current support of the Victorian Government it is worth noting that:

- In 2005, 89% of training delivery in the racing industry was government funded; and
- Between 2002 and 2005 there was a 9% increase in government funded student contact hours in the Racing Industry, (255,474 Student Contact Hours in 2002 to 278,556 Student Contact Hours in 2005).

In terms of skills needs and curriculum development in the racing industry it should be noted there is an existing forum that informs this process. Racing Victoria Limited provides advice on education and training needs for the industry through the Racing Industry Advisory Board, funded by Office of Training and Tertiary Education (OTTE).

Additionally, through the coordination of the Training Package Curriculum Maintenance Manager at Northern Melbourne Institute of Technology, the Racing Training Provider Network meets four times annually to discuss training activities and ensure priorities identified are appropriate for the three codes of racing in Victoria.

Proposals for curriculum are considered by the Office of Training and Tertiary Education (OTTE) in January each year and are assessed in line with National Training Package guidelines.

Recommendation 5.2

The Victorian Government review existing educational opportunities in regional Victoria in relation to horse breeding and consider expanding the number of courses in horse breeding and related fields into regions that are in need of improved levels of equine education.

Government Response

The Department of Education and Training can support the review of current horse breeding course delivery in regional Victoria through the Racing Training Provider Network and Training Package development, as described in the response to Recommendation 5.1. In terms of current training opportunities in regional Victoria it is worth noting that:

- In 2005, 33% of government funded training was delivered in Metropolitan areas and 67% in non-metropolitan regions; and
- Training for the Racing Industry is concentrated in non metropolitan areas, with East Gippsland accounting for 28% of Victoria's racing enrolments.

The Government also supports a suggestion made by Racing Victoria Limited and Thoroughbred Breeders Victoria that a review of training and skill shortages currently being conducted by the North Eastern Thoroughbred Industry Alliance be used as basis for an evaluation of shortages, with possible expansion to include a review of training into equine research.

Recommendation 5.5

The Victorian Government, in association with the racing industry and educational providers, consider the creation of a specific equine nurse qualification.

Government Response

As previously described in the response to Recommendation 5.1, the Training Package Curriculum Maintenance Manager at Northern Melbourne Institute of Technology is responsible for the coordination of the Racing Training Provider Network.

The development of a specific equine nurse course would represent a refinement of Veterinary Nursing, and could be considered by Racing Victoria as a proposal in its advisory role to the Department of Education and Training and the Racing Training Provider network.

Recommendation 5.6

VicStud Ltd, in collaboration with relevant industry and educational bodies, review the adequacy of present levels of research to further develop the horse breeding sector.

Government Response

The Committee made a number of observations regarding research as part of the response to the EDC's Standardbred report.

See Recommendations 4.2 and 5.2 in the Government response to the EDC's Standardbred report.

The following recommendations are accepted and are to be referred to next meeting of Australasian Racing Ministers Conference

Thoroughbred

Recommendation 4.3

The Victorian Government indicate its support for the adoption by the Australian Racing Board of its Draft Code of Practice, particularly insofar as it introduces vendor disclosure obligations and other intermediary agent obligations (i.e. bloodstock agents).

Government Response

Transparency is a positive aspect of any market and accordingly the Government supports the adoption of a code of practice for the bloodstock industry as a means of increasing the transparency of auctions and promoting confidence in Australian bloodstock sales.

While the adoption of the Draft Code of Practice is an industry issue, the Government will support any Victorian backing of the Code.

Recommendation 4.4

The Victorian Government lobby the Australian Racing Board to extend the Australian Bloodstock Code of Practice to ensure that it provides for a full disclosure of all relevant treatments to thoroughbred horses being presented for sale.

Government Response

While the racing and breeding industries have responsibilities for commenting directly on the operation of the Australian Bloodstock Code of Practice, the Government will support any Victorian industry push for reform of the Code.

Recommendation 4.8

The Victorian Government make representations to the Federal Government to ensure that taxation parity is at least achieved and maintained with New Zealand in relation to thoroughbred horses.

Government Response

The Government understands that the Victorian racing industry has made representations to the Federal Government in regards to this issue. Whilst the racing industry is best placed to directly lobby the Federal Government, the Victorian Government will strongly support any industry push for reform, particularly as it reflects an effort to achieve taxation parity with New Zealand.

Recommendation 4.9

The Victorian Government make representations to the Federal Government that the Australian Securities and Investments Commission's existing regulatory regime governing public offers in horses be reviewed bearing in mind the large number of horses sold at low value for recreational interests.

Government Response

See response to recommendation 4.8

Recommendation 5.3

The Victorian Government work with the relevant agencies at Federal and State levels to ensure that agreed industrial standards be monitored and enforced throughout the thoroughbred breeding industry.

Government Response

The Victorian Government is working through the Victorian Workcover Authority (VWA) to ensure that Occupational Health and Safety (OHS) standards are monitored and enforced throughout all sectors of the thoroughbred racing industry. A summary of activities currently being undertaken by the VWA with respect to thoroughbred racing includes:

Racing Industry Safety Development Fund (SDF)

The SDF was a joint project between the Australian Workers Union, Racing Victoria Limited, Australian Trainers Association, Victorian Jockeys Association and University of Ballarat (VIOHS) conducted and completed during 2005. The project involving research into the prevention of injuries that result from working with horses in the Victorian thoroughbred horse racing industry and was supported by \$136,608 of funding by WorkSafe.

Workplace Injury Insurance Safety Fund (WIISF)

The WIISF pilot was a joint project between Racing Victoria Limited, the Australian Workers Union, Country Racing Victoria, Victorian Jockeys Association and the Australian Trainers Association. The project incorporated the development of an OHS Management System and Incident/Hazard database, incorporating design, training and rollout. The system was successfully implemented by RVL, VRC and a number of country clubs. Following the pilot's success, the "RaceSafe" system as it has become known, will now be implemented over the next 3 years at all racecourses throughout Victoria. It will be used for the aggregation of information regarding industry injuries, identification of hazards, mitigation, training etc. Funding of \$160,000 has been provided by the Victorian Workcover Authority.

Racing Industry OHS Working Group

The Racing Industry OHS Working Group meets on a bi-monthly basis to discuss OHS issues in the Racing Industry, act as a steering group for the SDF project and undertake other industry initiatives where appropriate. The working group comprises representatives from key stakeholder groups within the racing industry and is administered with the assistance of WorkSafe.

Joint Stables Inspection Program

This Joint initiative by WorkSafe and RVL was implemented to undertake OHS inspections of trainers' stables. Over 200 inspections at Racing Stables were undertaken across the state by Racing Victoria Limited Stewards and WorkSafe Field Officers, resulting in increased awareness and compliance by trainers with regard to statutory obligations and the needs to implement sustainable safe systems of work. In addition the project's final report cited a number of recommendations to improve safety performance within the sector.

StableSafe Project

The StableSafe Project is a joint initiative between Racing Victoria Limited and the Australian Workers Union. The projects aim is to develop and implement an OHS Management System for Trainers and stable environments. It is intended to employ two OHS Project Officers to develop and implement the project over the next 2 years. Funding of \$505,500 will be provided from the Victorian Workcover Authority's Safety Development Fund over the next 2 years.

WorkSafe Victoria Guidance Development

The development of guidance for the Victorian Racing Industry is currently being negotiated with the Racing Industry OHS Working Group. Funding of \$25,000 has been committed by WorkSafe.

Recommendation 5.4

The Victorian WorkCover Authority undertake an awareness campaign in relation to the occupational health and safety obligations of the thoroughbred breeding industry, develop practical guidelines and ensure compliance with the relevant legislation.

Government Response

WorkSafe has been working with members of the Racing Industry OHS Working Group to finalise the development of a set of Guidance Notes entitled "*Occupational Health and Safety for Horse Stables and Track Riding*". The Guidance Notes have been designed to provide industry participants with best practice advice for complying with minimum safety standards and are expected to be released in July this year.

The following recommendations are not accepted

Thoroughbred

Recommendation 4.5

The Victorian Government undertake an assessment as to whether a substantial one-off contribution to the Super VOBIS scheme is feasible so as to allow incentives to be paid for more races, particularly country races and races for older horses

Government Response

The Government acknowledges the benefits that the Super VOBIS scheme has provided in attracting thoroughbred breeders to Victoria and its link to the thoroughbred racing industry.

While the Super VOBIS scheme continues to provide a positive fillip, the Government is aware that its relative attractiveness has been whittled away by the introduction in other states of alternative incentive schemes. The fact that incentive schemes can be competed away to some degree provides little confidence that a one-off payment would not be matched by other jurisdictions thereby eroding many of the benefits.

A striking feature of the Victorian thoroughbred sector is that it largely comprises breeding businesses but also individuals who breed thoroughbreds as a hobby. The Super VOBIS scheme applies both to a business and individuals who breed thoroughbreds as a hobby. An equity issue arises if the Government should commit funds to hobbyists. In this case, because of the role thoroughbred breeding plays in underpinning the country racing circuit as well as regional development, the Government supports the retention of the Super VOBIS scheme.

The Government encourages the racing industry to give further thought to sustainable incentive structures offered to breeders to breed and race in Victoria. This may involve consideration of changes to the Super VOBIS scheme and/or changes to prizemoney.

The Government acknowledges the report's finding that Victoria's incentive scheme has provided significant support to the state's breeding industry over the past two decades. While the Government believes a sustainable SuperVOBIS scheme needs to rely principally on breeder contributions, it accepts that a competitive incentive scheme is an important feature of Victoria's breeding industry and needs to be maintained. Accordingly the Government will work with the industry to undertake a cost/benefit analysis of the scheme, with a view to assessing the extent to which further capital contributions to the scheme will enhance its operation.

Recommendation 4.7

The Victorian Government adjust the stamp duty imposed on thoroughbred horses' insurance to be no more than that which applies in New South Wales.

This recommendation is not supported. All non-exempt insurance contracts in Victoria are subject to the same rate of stamp duty. New South Wales maintains a tiered system which does not distinguish thoroughbred horses from other forms of livestock. It is not possible under Victoria's existing duty structure to introduce a differential that only applies to thoroughbred race horses.

The following recommendations are accepted in principle and are to be referred to the industry for implementation

Standardbred

Recommendation 3.1

That the Victorian Government, in association with Harness Racing Victoria and relevant standardbred industry bodies, assess the current provision of Artificial Insemination (AI) training and accreditation courses across the state, with a view to ensuring that reasonable access is afforded to industry participants needing to upgrade skills to meet Harness Racing Victoria's AI licensing and registration standards, and if necessary provide additional resources to achieve this objective.

Government Response

The Government supports the recommendation to assess the current provision of AI training and accreditation and proposes the industry conduct a forum or conference for Victorian standardbred breeders to identify the gaps in the training currently provided, and to discuss a number of the issues raised by the Committee. It is recommended that the forum be industry run but with Government input.

The forum could be an opportunity for the Government and the industry to address and test a number of the Committee's recommendations stemming from the standardbred report including those relating to education and training and taxation.

The Department of Industry, Innovation and Regional Development (DIIRD) has agreed to take the lead on this proposal.

Recommendation 4.1

That the Victorian Government, in consultation with Harness Racing Victoria and the Australian Harness Racing Council, conduct economic modelling in relation to the impact of Victoria's expanding standardbred horse export market in order to identify the optimum balance between exports and the sustainability of the state's standardbred herd.

Government Response

The Government believes this is an industry issue and proposes to formally encourage the industry to consider the value of economic modelling.

Recommendation 5.1

That the Victorian Government work with the Victorian thoroughbred and standardbred industries to ensure that research funding be structured in such a way that provides for the industries' retention of a portion of any commercial benefits which may arise.

Government Response

The Government agrees with this recommendation in principle. It encourages the industry to collaborate with research bodies to ensure fair returns from any commercial benefits. The Government does not see that it should impose conditions on research funding to ensure the industry receives a portion of the commercial benefit.

Recommendation 6.1

That the Victorian Government work with the Victorian racing and breeding industries to promote the availability of the Australian Taxation Office's ruling on anticipated transactions, on questions of fact, to industry participants.

Government Response

The Government's position on this issue is that the onus is on the industry to provide taxation information to its participants. As in the response to Recommendation 3.1, the Government proposes the ATO ruling issue be discussed as part of the industry forum.

See Recommendation 3.1.

Recommendation 6.2

That the Victorian Government assist Victorian thoroughbred and standardbred breeding representatives to establish a functioning industry partnership with the Australian Taxation Office.

Government Response

While the Government considers this is essentially an issue for the industry to consider, the Government does acknowledge that Victorian breeders have, as a result of the inquiry, established a working partnership with the Australian Taxation Office.

Recommendation 6.3

That the Victorian Government support efforts by Victorian breeders to secure a simpler business/hobby taxation test. While the Committee acknowledges that the current test will continue to be applied by the Australian Taxation Office, it

believes the interests of the thoroughbred and standardbred breeding industries would be well served by encouraging the Federal Government to closely consider the New Zealand model.

Government Response

This is an issue for the industry to consider and should be led by its peak bodies.

See Recommendation 3.1.

Recommendation 6.4

That the Victorian Government, through the State Revenue Office, investigate the compliance of horse insurance providers with the provisions of the Duties Act 2000.

Government Response

The Government acknowledges the work of the Committee in identifying non-compliance with the Victorian Duties Act. The State Revenue Office is the organisation responsible for ensuring compliance with the provisions of the Duties Act and will undertake a compliance program in consultation with the racing industry. The Government will also ensure that insurers are made aware of their responsibilities under the Duties Act.

Recommendation 6.5

That the Victorian Government actively support Racing Victoria Limited's efforts to secure Australian Securities and Investments Commission approval for the regulation of non-commercial horse traders.

Government Response

It is recommended that the standardbred breeding industry seek advice from Racing Victoria Limited (RVL) on this issue as RVL has consulted with Thoroughbred Breeders Victoria (TBV) to produce a draft submission to the Australian Securities and Investments Commission (ASIC) on the issue of ASIC imposed regulations on syndicated offers. RVL has however advised that its Breeders Inquiry Options Paper has not yet been finalised or lodged.

RVL intends to finalise the submission and gain formal approval from its Board before proceeding. RVL will report its progress to the Government and will seek its assistance as required.

The following recommendations are accepted and are to be referred to the next meeting of the Australasian Racing Ministers Conference

Standardbred

Recommendation 4.2

That the Victorian Government, in cooperation with Harness Racing Victoria and the Australian Harness Racing Council, commission further research into the creation of more drought resilient pasture.

Government Response

The Government considers the objectives underlying the proposal to undertake further research into drought resilient pasture to have merit. The Department of Primary Industries (DPI) has an interest in the early stages of plant breeding to support industry and private businesses develop new varieties for pasture growers. DPI is the lead agency for the development of forage species (except lucerne) for rainfall areas above 600mm in the temperate zone of Australia. DPI has breeding programs for perennial ryegrass, tall fescue and white clover. Drought tolerance has been a key feature of these breeding programs.

In addition, DPI collaborates with the CRC (Cooperative Research Centre), a federal initiative, for Plant Based Management of Dryland Salinity which has significant investments in lucerne breeding to expand the use of lucerne in temperate Australia. DPI staff within the CRC are also developing cultivars of cocksfoot and tall fescue specifically adapted to low rainfall environments.

The State Government will provide \$20.6 million over the next two years to establish a Racing Industry Development Program. The Program is supporting major capital improvements at country racing and training venues. It is also funding non-capital projects that support industry development, including marketing and promotion of key racing carnivals and events.

The Government is already contributing nearly one million dollars to equine veterinary and drug detection research in 2006/07. It is recommended that the industry consider applying for funding through the Racing Industry Development Program to undertake the required research into the creation of more drought resilient pasture.

Recommendation 4.3

That the Victorian Government initiate a conference of relevant state and federal agencies as well as industry bodies, to identify the impediments to thoroughbred and standardbred breeders accessing government support programs, particularly Exceptional Circumstances Drought Relief.

Government Response

The Government believes this issue is for the industry to consider and that its peak bodies should be providing critical information to its members. The Government recommends the industry work closely with the Office of Racing and DIIRD to draw on existing Government programs such as Exceptional Circumstances (EC) drought relief.

EC drought relief is accessed through Centrelink and the Departmental of Agriculture, Fisheries and Forestry. Individuals breeding horses and selling onto others for training purposes may be considered the same as stud breeders and could therefore be eligible for EC relief payments. However, where the individuals are training and racing the horses, it is not considered primary production. Any application for assistance would still be processed through the Centrelink vetting process.

Recommendation 5.2

That the Victorian Government, in association with relevant industry bodies, initiate discussions with other states and the Commonwealth to identify the means by which a national research funding budget of \$5 million per annum can be realised.

Government Response

It is important to note that the Victorian Government is unable to guarantee national funding for research. However as stated in the Government response to Recommendation 5.1, the Government agrees with this recommendation in principle and encourages the industry to work with research bodies to ensure a favourable outcome all parties.

As this is a national issue, the Minister for Racing will raise it at a future Australasian Racing Ministers' Conference (ARMC).

As previously stated the Government will provide \$20.6 million over the next two years through the Racing Industry Development Program and this financial year will contribute nearly \$1 million dollars to equine veterinary and drug detection research. The Government suggests the industry consider applying for funding for research through the Racing Industry Development Program.

Thoroughbred Breeding**Recommendation 3.1** **Page 6**

The Victorian Government establish VicStud Ltd as a limited liability company with a board of directors representative of key stakeholders in the industry.

Recommendation 3.2 **Page 6**

VicStud Ltd, in association with the Department of Innovation, Industry and Regional Development and other agencies, develop an effective and comprehensive marketing and promotion strategy as well as an export sales plan for Victoria's thoroughbred breeding industry.

Recommendation 3.3 **Page 8**

VicStud Ltd develop best practice notes and advice for the purposes of improving standards and promoting greater investment in the Victorian thoroughbred breeding industry.

Recommendation 3.4 **Page 9**

VicStud Ltd develop education and information packages for thoroughbred hobby breeders.

Recommendation 3.5 **Page 9**

VicStud Ltd develop a statewide foster mare and colostrum bank service for the thoroughbred breeding industry.

Recommendation 3.6 **Page 9**

VicStud Ltd, in association with key stakeholders:

- (c) undertake a feasibility study in relation to sponsorship and funding options for a possible annual national conference on thoroughbred breeding; and
- (d) assist in facilitating the representation of Victorian thoroughbred breeders at industry forums.

Recommendation 3.7 **Page 9**

The Victorian Government establish VicStud Ltd as a body with minimal staff requirements, and allow the entity to negotiate the secondment of staff from relevant Government Departments and industry to help achieve its objectives.

Thoroughbred Breeding**Recommendation 3.8** **Page 10**

The Victorian Government provide seed funding of approximately \$600,000 to enable VicStud Ltd to perform its recommended roles.

Recommendation 3.9 **Page 10**

The Victorian Government introduce either a compulsory levy or a stamp duty of up to 0.5 per cent on auction house thoroughbred horse sales in Victoria to provide a recurrent revenue stream for VicStud Ltd.

Recommendation 3.10 **Page 10**

The Victorian Government, in association with the Victorian thoroughbred breeding industry, review the operations of VicStud Ltd after no more than three years of operation to determine and evaluate its effectiveness in achieving its objective.

Recommendation 4.1 **Page 10**

VicStud Ltd identify new and enhanced sales opportunities for breeders, including internet sales, regional sales, and the Ready to Run sales concept.

Recommendation 4.2 **Page 11**

VicStud Ltd to investigate, in collaboration with sales companies and industry parties, the staging of an annual Victorian sales event to promote the industry and to coincide with a major Victorian horse race meeting.

Recommendation 4.3 **Page 16**

The Victorian Government indicate its support for the adoption by the Australian Racing Board of its Draft Code of Practice, particularly insofar as it introduces vendor disclosure obligations and other intermediary agent obligations (i.e. bloodstock agents).

Recommendation 4.4 **Page 16**

The Victorian Government lobby the Australian Racing Board to extend the Australian Bloodstock Code of Practice to ensure that it provides for a full disclosure of all relevant treatments to thoroughbred horses being presented for sale.

Thoroughbred Breeding**Recommendation 4.5** **Page 19**

The Victorian Government undertake an assessment as to whether a substantial one-off contribution to the Super VOBIS scheme is feasible so as to allow incentives to be paid for more races, particularly country races and races for older horses.

Recommendation 4.6 **Page 11**

The Victorian Government, in association with Racing Victoria Limited consider the development of a Victorian Breeders Series with particular emphasis on promoting stallion investment.

Recommendation 4.7 **Page 19**

The Victorian Government adjust the stamp duty imposed on thoroughbred horses' insurance to be no more than that which applies in New South Wales.

Recommendation 4.8 **Page 16**

The Victorian Government make representations to the Federal Government to ensure that taxation parity is at least achieved and maintained with New Zealand in relation to thoroughbred horses.

Recommendation 4.9 **Page 17**

The Victorian Government make representations to the Federal Government that the Australian Securities and Investments Commission's existing regulatory regime governing public offers in horses be reviewed bearing in mind the large number of horses sold at low value for recreational interests.

Recommendation 4.10 **Page 12**

VicStud Ltd, in collaboration with Racing Victoria Limited, arrange regular training and information sessions for owners and potential owners of stallions and racehorses on the nature and extent of syndication regulations as required by the Australian Securities and Investments Commission.

Recommendation 4.11 **Page 12**

Racing Victoria Limited to utilise its existing powers to develop new exclusion procedures under the rules of racing in relation to defaulting owners.

Thoroughbred Breeding**Recommendation 4.12****Page 13**

VicStud Ltd, in association with related parties, identify ways in which better use could be made by industry participants of the services of credit reference agencies.

Recommendation 4.13**Page 13**

VicStud Ltd examine the viability of creating a centralised fee collection system for the benefit of Victorian thoroughbred breeding industry participants.

Recommendation 4.14**Page 13**

VicStud Ltd, in association with related parties, examine the current legislation including the Impounding of Livestock Act 1994, in order to identify ways in which recovery of unpaid entitlements might be further expedited for thoroughbred breeding industry participants.

Recommendation 5.1**Page 13**

The Victorian Government, in consultation with key industry stakeholders and education providers:

- (a) evaluate the capacity of existing Victorian educational institutions to adequately provide for the Victorian thoroughbred breeding industry; and
- (b) evaluate the viability of expanding the educational options.

Recommendation 5.2**Page 14**

The Victorian Government review existing educational opportunities in regional Victoria in relation to horse breeding and consider expanding the number of courses in horse breeding and related fields into regions that are in need of improved levels of equine education.

Recommendation 5.3**Page 17**

The Victorian Government work with the relevant agencies at Federal and State levels to ensure that agreed industrial standards be monitored and enforced throughout the thoroughbred breeding industry.

Recommendation 5.4**Page 18**

The Victorian WorkCover Authority undertake an awareness campaign in relation to the occupational health and safety obligations of the thoroughbred breeding industry, develop practical guidelines and ensure compliance with the relevant legislation.

Thoroughbred Breeding

Recommendation 5.5

Page 15

The Victorian Government, in association with the racing industry and educational providers, consider the creation of a specific equine nurse qualification.

Recommendation 5.6

Page 15

VicStud Ltd, in collaboration with relevant industry and educational bodies, review the adequacy of present levels of research to further develop the horse breeding sector.

Standardbred Breeding**Recommendation 3.1** **Page 21**

That the Victorian Government, in association with Harness Racing Victoria and relevant standardbred industry bodies, assess the current provision of Artificial Insemination (AI) training and accreditation courses across the state, with a view to ensuring that reasonable access is afforded to industry participants needing the upgrade skills to meet Harness Racing Victoria's AI licensing and registration standards, and if necessary provide additional resources to achieve this objective.

Recommendation 4.1 **Page 21**

That the Victorian Government, in consultation with Harness Racing Victoria and the Australian Harness Racing Council, conduct economic modelling in relation to the impact of Victoria's expanding standardbred horse export market in order to identify the optimum balance between exports and the sustainability of the state's standardbred herd.

Recommendation 4.2 **Page 24**

That the Victorian Government, in cooperation with Harness Racing Victoria and the Australian Harness Racing Council, commission further research into the creation of more drought resilient pasture.

Recommendation 4.3 **Page 24**

That the Victorian Government initiate a conference of relevant state and federal agencies as well as industry bodies, to identify the impediments to thoroughbred and standardbred breeders accessing government support programs, particularly Exceptional Circumstances Drought Relief.

Recommendation 5.1 **Page 22**

That the Victorian Government work with the Victorian thoroughbred and standardbred industries to ensure that research funding be structured in such a way that provides for the industries' retention of a portion of any commercial benefits which may arise.

Recommendation 5.2 **Page 25**

That the Victorian Government, in association with relevant industry bodies, initiate discussions with other states and the Commonwealth to identify the means by which a national research funding budget of \$5 million per annum can be realised.

Standardbred Breeding**Recommendation 6.1****Page 22**

That the Victorian Government work with the Victorian racing and breeding industries to promote the availability of the Australian Taxation Office's ruling on anticipated transactions, on questions of fact, to industry participants.

Recommendation 6.2**Page 22**

That the Victorian Government assist Victorian thoroughbred and standardbred breeding representatives to establish a functioning industry partnership with the Australian Taxation Office.

Recommendation 6.3**Page 22**

That the Victorian Government support efforts by Victorian breeders to secure a simpler business/hobby taxation test. While the Committee acknowledges that the current test will continue to be applied by the Australian Taxation Office, it believes the interests of the thoroughbred and standardbred breeding industries would be well served by encouraging the Federal Government to closely consider the New Zealand model.

Recommendation 6.4**Page 23**

That the Victorian Government, through the State Revenue Office, investigate the compliance of horse insurance providers with the provisions of the Duties Act 2000.

Recommendation 6.5**Page 23**

That the Victorian Government actively support Racing Victoria Limited's efforts to secure Australian Securities and Investments Commission approval for the regulation of non-commercial horse traders.