

# CORRECTED VERSION

## ECONOMIC DEVELOPMENT COMMITTEE

### Thoroughbred/Standardbred Breeding Subcommittee

#### Inquiry into the Viability of the Victorian Thoroughbred/Standardbred Breeding Industries

Melbourne — 17 October 2005

#### Members

Mr R. H. Bowden  
Mr B. J. Jenkins

Mr N. F. Pullen  
Mr A. G. Robinson

Chair: Mr A. G. Robinson

#### Staff

Executive Officer: Dr R. Solomon  
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#### Witnesses

Mr I. Kitchin, Junior Vice-President; and

Mr D. McQueen, Treasurer, Standardbred Breeders and Studmasters Association.

**The CHAIR** — Des and Ian, welcome to the Economic Development Committee's inquiry into the viability of the Victorian thoroughbred/standardbred breeding industries. We are one of a number of parliamentary committees, which are all-party committees. We have been asked by the Minister for Racing to investigate and report on this subject and will be doing so by early next year, certainly on the thoroughbred side. It has taken us a little longer than we anticipated because we have got so many people wanting to offer an opinion, which is terrific. Today's hearing is formal, so our discussions will be recorded by Hansard, and we will within about three weeks send you a copy of the transcript, and you are welcome to correct any minor errors. As it is a formal hearing, we reserve the right to make your evidence publicly available at some stage. That will be a decision of the committee. If you believe there is some sensitivity about anything you are going to say, just let us know and we will deal with that, although I do not think that will occur in this circumstance. You are also covered by parliamentary privilege in what you say here. Again, I do not think you need to worry about that. That protects you from prosecution for defamation and whatnot, but only extends for the duration of the hearing. Once you go out of the room you are on your own again.

**Mr McQUEEN** — No such coverage.

**The CHAIR** — That is right. With regard to the standardbreds, we are planning to produce our report a little later. We thought that in fairness to the industry it was better to do it separately than whack it at the back of what would be a rather large thoroughbred report, because we felt the comparison would upset people, so we will do it in its own right a little bit later. Thanks again for agreeing to come and talk to us today. I might get you to introduce yourselves and you can tell us a bit about what the association does. Then we will fire questions at you and you give us the answers.

**Mr McQUEEN** — My name is Des McQueen. I am the treasurer of the Victorian Standardbred Breeders and Studmasters Association, the secretary-treasurer of the Australian Standard Breeders Association and the coordinator for *Track Bred* and the stallion guide that you have there.

**Mr KITCHIN** — Ian Kitchin is my name. I am a vice-president of the Victorian Standardbred Breeders and Studmasters Association — a bit of a mouthful — and I also operate a private broodmare stud up at Undera. I breed on that farm roughly about 20 mares per year.

**The CHAIR** — Des and Ian, perhaps you can tell us a little bit about the association, the work it does, the issues facing it and the state of the standardbred industry in Victoria today.

**Mr McQUEEN** — I think I am right in saying that we are possibly the best association in Australia. We have over 700 members. We are very active. We have a committee of 16. We meet once a month. We are very active in looking after our members, and basically we do that through *Track Bred*. We also produce that stallion guide, which we are quite proud of. We took it over from Harness Racing Victoria some four years ago and more than doubled the number of advertisements in it. It goes to over 5000 Vicbred broodmare owners who have bred Vicbreds over the last three years. As I said, I am secretary and treasurer of ASBA, the Australian body. We were very active in forming ASBA. I think Victoria can claim we are the ones responsible for it, and ASBA now is a very strong representative in harness racing all over Australia. We meet once a year only, but we have teleconferences et cetera.

We run a special presentation night for our members. We were the first state in Australia to award 2-minute pins. That has grown and is now at the stage where we give around about \$6000 to \$6500 worth of awards on the night, which this year is at the beginning of November. We represent our members very well. We had representatives on every body that bet with Harness Racing Victoria, and it now, as you possibly know, has five consulting bodies and we are one of them.

**The CHAIR** — The industry has been very much consolidated with the introduction of artificial insemination about 13 years ago.

**Mr KITCHIN** — About 10 or so years ago.

**Mr McQUEEN** — It was 1994.

**The CHAIR** — I think Victoria was probably the leading state at that point, but AI has really accelerated that trend now and Victoria is the dominant state — not just leading; it is the dominant part of the industry. About three-quarters of all the breeding in Australia happens in Victoria; would that be about right?

**Mr KITCHIN** — I think it is probably around about 60-odd per cent, something like that. It is often a little bit hard to quantify because now with semen being able to be transported so readily, it is not only the stallion side of things — which I found very interesting comparing our thoroughbred cousins. Where the stallion is domiciled is where their operation takes place. Our ballpark is now the world, and our position is very different from the thoroughbred breeders. Ours is really coming into a stage where the stallion can be owned anywhere; it is just a matter of getting the semen here to our mare packs that are based in Victoria. The important part for our industry is that we need to be able to put a position where Victoria, which is what our organisation represents, is able to maintain and improve its position of strength in our industry.

The hard part about all of that is a lot of money these days is being sent back overseas with stallion services, because they are primarily owned by international interests. Our broodmare packs are improving because of the introduction of that semen, which is the win-win situation we have, but I think the long-term position of our industry needs to be monitored very closely. Because of the impact of having semen coming in from overseas, you basically have a flow-out of stallion service fees overseas every year, and that is getting larger and larger. It also has an effect on our industry from a studmaster's point of view. You only have to flick through the stallion guide that we produce — which I might add is the only stallion guide produced in Australia and we do that here in Victoria — to get an indication of how active our association is. You only have to have a look through there to see the number of stallions that are available and they are based all around Australia and New Zealand and also in the USA.

There are stallions right around the spectrum that are available to Victorian breeders, and they are all able to tap into our Vicbred scheme, which I am sure Harness Racing Victoria promoted quite proudly to you. They are also eligible to tap into the Victorian breeder's bonus, which is the new incentive that Harness Racing Victoria brought in. But I think the important thing from our industry's point of view is what is the future? Where do we go to? Are these trends going to continue? If so, how does a local stud compete with the international forces that are in play? We are seeing an interesting range of things occurring where we have got things like AI stations springing up now where no stallions are involved at all. All it is is like a back room; the semen comes in and there are the mares lined up.

**The CHAIR** — It is like a bus depot. The bus comes in with semen and off they go.

**Mr KITCHIN** — Exactly, yes.

**The CHAIR** — That is an interesting thing. You said before there is a growing tendency towards more and more dollars going outside Australia overseas to pay for the semen. So more and more stallion owners abroad are making that semen available for Australian breeders and broodmare owners in Australia, and that is becoming a bigger and bigger part of the business. I think that is what you say.

**Mr KITCHIN** — Absolutely.

**The CHAIR** — Locally Alabar still appears on the statistics to be growing as its percentage of — —

**Mr KITCHIN** — It is a big player.

**The CHAIR** — It is a big player. So the rest of us who might be thinking about going out and buying a stallion to service a local performer and we think we will breed with this thing, we are the ones getting squeezed, I imagine.

**Mr KITCHIN** — We call those colonial bred. It is very tough for a stallion to succeed as a colonial bred. It is a very tough market because most of the stallions you see standing are American blood and their performances, et cetera, are on the American stage. I guess it goes back to how we view things from our goldfish bowl. We look overseas and we see the marketplace over there. I guess that is the way in our everyday lives we all looking to America, Europe and the UK and everything is better. The grass is always greener over there. The colonial bred has got to overcome a lot of hurdles before it becomes accepted as a stallion here. Basically it is all about performances and opportunities. There have been a number of tremendous colonial breeds in the last few years. Classic Gary

would probably be the most recent; he is a very highly achieving stallion. But you have got to go back a fair way to find the next that has been at the same level of success.

**The CHAIR** — I presume that is only going to get harder as the ability to transport semen gets better. I think at the moment some horses' semen just does not travel very well while that of others travels quite well. But increasingly one imagines that the industry will devise new methods of transportation; they will follow up freezing at different temperatures, or do all sorts of things, so we would imagine that that rate of success in transporting semen will increase. That is going to make it even harder, isn't it, because it will mean that even more stallion owners abroad will make their horses' semen available at presumably reasonable prices.

**Mr KITCHIN** — Yes, it is a market-driven scenario. Interestingly, when you look at what has happened in the last few years, it is quite amazing the level of service fees that are being commanded today, compared with, say, 10 years ago. Our industry is a small goldfish bowl compared with the thoroughbreds insofar as the service fees that are commanded. Probably the top of the tree is the American trotting stallion Muscles Yankee that is roughly around \$20-odd thousand. But in this current crop of stallions that are standing there is a new raft of American stallions coming into the marketplace, between \$4000 and \$6000, and when you look at what they stand for in America, they are standing for roughly around US\$6000 and they are coming in here at \$4000 with semen discounts of \$500 and breeder incentives, so the comparison is very good. It makes it much more competitive, as you said, for a colonial-bred stallion to compete against those things because the level you have got to come in at, you would be looking at maybe \$2000 to \$3000 service fee or something of that nature to attract a reasonable group of mares.

**Mr DELAHUNTY** — Ian, could I just jump in there? Is it fashion or is it a perception? Why are the American stallions seen to be the elite? I think I know what you are going to say, but I want to hear it.

**Mr KITCHIN** — You want to hear it. I think it is how people perceive things. I have been over to America, probably half a dozen times now, to look at what they do and how they do it, and I guess when you have been over there a few times you come back and you say, 'It is all about scale of operation'. It really is. They are talking 300 million people; we are talking 20 million people.

**Mr DELAHUNTY** — Why are we purchasing semen from there?

**Mr KITCHIN** — Because they are promoted as being successful — the stallions and their bloodlines. People look at the dollar terms of what their stallions have won — \$1.8 million or \$2.5 million in stakes, they have run 1:48 and 1:50 time. People see speed and equate that with being successful as stallions. We have a colonial-bred stallion here standing at Ballarat called Shakermaker which you may have heard of. He has won over \$2 million and he has run at — I do not know what his best time was, about 1.58 or something like that. He would struggle to get maybe 40 mares to him per year, whereas one of the imported stallions from Alabar might get 300.

**The CHAIR** — Shakermaker would be the equivalent of an Elvstroem, wouldn't he? Seriously, he would.

**Mr KITCHIN** — Yes, absolutely. Maybe the breeding is a little different because you could argue that he is not brilliantly bred. The stallion he is by, Bookmaker, is not exactly a top-of-the-tree sort of stallion, so the breeding is slightly different, but on very similar lines, yes.

**Mr PULLEN** — In relation to the AI, do we do any of it in Australia — that is, do we take semen off Shakermaker and these sorts of horses and have artificial insemination from those horses?

**Mr KITCHIN** — Yes, indeed. Virtually now in our industry, breeding-wise, of all services there are very few that have what we call natural service — that is, going and covering a mare. Basically all of ours, nearly 99.9 per cent, is done through AI. I am sure you have read it and seen the benefits of that. It means the mare does not have to be transported to the stallion with young foals at foot, or however. Avoiding the trauma factor of that alone is a tremendous advantage, as well as damage to the stallion.

**Mr PULLEN** — You mentioned Shakermaker. Would your marketing include something to show that that particular horse has won so much prize money compared with the US horses where a lot of people are getting their semen from, or what?

**Mr KITCHIN** — I think it is really a case of the proof of the pudding being in the eating. It is competitive. Basically he has to produce stock on the ground. If he produced four or five tremendous youngsters, all of a sudden that would change. It is all about results.

**Mr PULLEN** — Because he is only just starting — —

**Mr KITCHIN** — He is only just starting in his career, but he has a tremendous uphill battle to survive. For him to survive commercially he has really got to be something special.

**Mr DELAHUNTY** — So we do not export too much semen out of Australia or even standard-bred horses out of Australia?

**Mr KITCHIN** — Yes, we export to New Zealand. The roster at Alabar has created a tremendous market into New Zealand.

**Mr DELAHUNTY** — I understand New Zealand.

**Mr KITCHIN** — New Zealand is quite an active market for Australian stallions.

**Mr PULLEN** — And vice versa.

**Mr KITCHIN** — And vice versa. There are studs, Nevele R being the biggest one in New Zealand, that export into Australia extensively.

**Mr DELAHUNTY** — Do we put it into America?

**Mr KITCHIN** — Semen, no, but we do export our horses into America, so there is a secondary market for racehorses which has been quite active in the last probably five or six years, particularly when our dollar moved into the realms that it has and made it much more attractive to American buyers to come out here and look at horses to go over there. A number of our horses are now going to America and running times of 1:50 — I think quite a number now have reached that mark. I do not know whether they have gone under 1:50 yet — but these are not our top horses. These are nice horses, but not our top horses. So what that has done — we were talking before about why we look at America — for the people who are looking at this and seeing what the future holds, America has lost a bit of its fascination of being the be-all and end-all of things because with our horses now going over there we get a line on how good the horses are and what times they are running. It makes you realise that it is not how quickly they run that is the be-all and end all of it. It is really a matter of their genetics and how that translates into our breeding pack because our blood is different from the American blood. Because a stallion is successful in America it does not mean it will succeed here.

**The CHAIR** — It is the same with thoroughbreds in the northern and southern hemispheres — —

**Mr KITCHIN** — Yes, there are a number of factors involved. I was interested before, when we were talking about pastures and things of that nature. The formula for success is a really weird one. If anyone can ever put it down on paper, let me know and I will have a copy of it!

**Mr DELAHUNTY** — Des, I compliment you for a start on your books here and I will come back to that in a moment. You commented when you started on your introduction, that you represent the industry very well. Can I just challenge you on that? On what grounds do you make that statement

**Mr McQUEEN** — Our association?

**Mr DELAHUNTY** — Yes.

**Mr McQUEEN** — Does it represent its members very well?

**Mr DELAHUNTY** — I do not know, but I am just wondering. It is a fairly bold statement. How do you get criticism and how do you address it from your 700 members. Most people feel that we would like to represent our members well, but we often get criticised for the way we do it, whatever organisation you are in.

**Mr McQUEEN** — We get very little criticism, to be honest, and when we do we accept it. Through *Track Bred*, which goes to every breeding association in Australia — and a number are sent to New Zealand actually — we give our members the chance to contact us. We get a number of letters which sometimes go in as letters to the editor and sometimes go to our secretary and are handled at committee level. When I say we represent our members very well, we are very active. At HRV they used to have AHRC meetings. We have had representatives on every committee at HRV, and we are still very active with the consultation process.

**Mr DELAHUNTY** — I think all of us will be interested to see how they go. How do you finance this excellent publication?

**Mr McQUEEN** — We finance it purely the same as *Track Bred*. We do not get one ounce of assistance from anybody. HRV started it off, and the year it gave it to us it had 76 advertisements in it. They gave it to us because they did not want to be in the business of publishing. You might have heard of Richard King; he was there at the time. We decided to have a go at it. Initially they gave us \$10 000, which was going to subsidise it, but that only lasted 12 months and we are on our own. It goes to 5000 members, so you can work that even the postage costs a fortune, let alone the printing. For the advertisements this year we charged \$450 plus GST, which was \$500, less 10 per cent if they paid it earlier. That is purely and simply the way — —

**Mr DELAHUNTY** — You finance it.

**Mr McQUEEN** — It is sent all around Australia to Vicbred breeders, and we do not charge 1 cent for it.

**Mr DELAHUNTY** — I noticed that the first 82 pages are the Victorian stallions.

**Mr McQUEEN** — Exactly.

**Mr DELAHUNTY** — And then you have others from across Australia and New Zealand.

**Mr McQUEEN** — And the reason for that is that Victorian stallions, which for the purposes of Vicbred now includes Tasmania and South Australia, are automatically the progeny of Vicbred-eligible, as long as long as they pay their fees. But if a mare anywhere in Australia — or in the world — is served by a Victorian stallion, then they are Vicbred-eligible. About two years ago — maybe three years ago — they brought in a mare, part of Vicbred, and that second lot of stallions in the back, if they serve a mare in Victoria and she conceives, the foal is born and ear branded here and registered here, and then it is Vicbred-eligible.

**Mr DELAHUNTY** — That leads on to the next question. It is important to have the standardbred stud book working well under this system. Do you have any comments on how it is run?

**Mr McQUEEN** — No. The Australian Harness Racing Council completely controls that. At the last meeting of our association we referred it to ASBA to try and get an index to it. Rod Pollock, who is the chief executive officer of AHRC, agrees with it in some respects, but finance is the problem. I think our stud book is very, very good, but the problem is that it is not supported.

**Mr DELAHUNTY** — What do you mean by that?

**Mr McQUEEN** — Not by studmasters. Very few studmasters buy the stud book.

**The CHAIR** — Can they just look up the stats online?

**Mr KITCHIN** — They can. This is what is happening. I think a point that needs to be made is that we are moving into another generation. The stud book, as it is, is a tremendous tool and is to be encouraged to be continued. I do not know whether you have visited the Harness Racing in Australia web site, but as an adjunct to breeding that is quite a useful tool. As a breeder I use it continuously to check on mares, their progeny et cetera. It is a very good web site, and I think it is equal to any web site. I use the Internet quite a lot for my business in the breeding industry. I look at America, Canada and New Zealand, and I think our web site is as good as anywhere around the world. It is leading technology.

**Mr DELAHUNTY** — This brings up another question for Ian. I have read through some material — and I cannot put my finger on it — but it seems we are getting a decrease in the number of stallions and even in the number of mares. Do you have any fears about the long-term sustainability of the industry?

**Mr KITCHIN** — Absolutely. Des and I were talking about this when we were coming in. I said that one of the most critical points about our industry is breeding and the resultant foals on the ground. That is what drives the racing industry. You have to have the stock on the ground to support the racing programs that are in tow. HRV has realised that you cannot change these trends overnight. You need to put in place encouragement for people to become broodmare owners, to breed and to buy young horses. I guess that the whole bottom line about this is that it is driven by commercial reality. We are coming out of — I hope we are coming out of! — one of the worst droughts that we have had.

**Mr DELAHUNTY** — We all hope that.

**Mr KITCHIN** — The thoroughbred industry is in the same boat as we are. As breeders we sit there and we are not acknowledged as being primary producers. We just have to suffer the slings and bows of the commercial world, and this is why there have been downturns. In the last five years there have been a lot of people who might have had a mare — farmers who have had a mare out the back that they have bred from every year or every other year — who no longer go into this. There has been a culling of the breeding packs by commercial breeders because of the costs involved, and to regain that ground that is lost will take considerable time and needs some encouragement. HRV has realised this and put together a breeders incentive program, which happens nowhere else in Australasia. This has come from a European model. It is now in its first year and will come into its second year in the current season. They have increased it from 5 per cent to 7.5 per cent, and that represents a great incentive for breeders. It gives them some faith that there is something to go on with.

**Mr DELAHUNTY** — Can I bring you back to the point of the decreasing number of stallions and decreasing number of foals? Your fear is whether people will get back into the industry, but is there also a worry from a genetic point of view?

**Mr KITCHIN** — There is always a worry about genetics. If you are keen on the breeding side of things, there is always the flavour of the month with stallions and blood lines et cetera. We always have the scenario of more popular blood lines and painting yourself into a corner. I think the harness industry has always had a view of outcross about it. As a breeder we always like to hear the word ‘outcross’, and there are a number of stallions around that are outcross stallions. You have to rely on the faith of breeders a little bit to look at what their future is and long-term planning. I guess what it is about is encouraging people to stay in the industry with a view of long-term planning of what their future is so that they do not paint themselves into a corner. That is about education as you go on in the industry. You do not learn those things overnight. I think it happens as you go on in the industry.

**Mr McQUEEN** — The drought has been one of our biggest enemies. It is going to be hard to overcome. A lot of people are small-time breeders, and I am one. I decided that rather than having six foals — and they all cost as much to feed whether or not they are well bred — I would go for two instead of six. A lot of people have done that now, and I think it is going to take a lot of work to get them back into breeding half a dozen again.

**Mr DELAHUNTY** — In relation to that we have had a fair few comments in relation to the drought and the primary industry status has been raised with us.

**Mr KITCHIN** — It is a flow-on effect. I look at the industry as an overview. Breeding is an important and integral part of that, because we supply the product that drives the racing industry, but there is also the flow-on, not only in the breeding industry, of feeding and raising foals, pastures and water rights. My property has the water rights scenario of the Goulburn area. Two years ago we paid our water right and we got no water at all — zero, no entitlement. We just had to do the best we could. Feed went from being \$40 a round of oat and hay to \$175. The costs went through the roof. People were starting to say, ‘Why are we doing this?’. At the end of the day the costs involved did not measure up to what you were doing.

**Mr DELAHUNTY** — In terms of trade?

**Mr KITCHIN** — Yes, exactly and it is commercial reality bites. People get out and that happened. There was a downsizing by a number of people. It is still today. We are not quite out of the woods. I read with interest my regulatory authority that controls the water rights in the Goulburn area and every other week we get a flyer saying, 'we now have 60 per cent, 70 per cent of our water right'. It trickles up a bit so we are in the laps of the gods. Water is a prime resource we utilise and I think it has become more apparent as we go on how important it is.

**Mr DELAHUNTY** — In my area, and I live near Horsham, our reservoirs are holding 80 per cent and some of my irrigators have not had a water entitlement for seven years.

**Mr KITCHIN** — Are they paying for it though?

**Mr DELAHUNTY** — Yes.

**Mr KITCHIN** — This is a very sore point. The only place I have ever heard you actually pay for it and you get nothing. Imagine what the outcry would be if they did that in Melbourne.

**The CHAIR** — I do not know, Noel and I had a tipping service once. We paid for tips that were no good.

Can I ask you about mares because the emphasis in thoroughbreds and to a certain extent with standardbreds is on stallions but obviously the quality of the broodmare stock is very important. Typically what we see in thoroughbreds or what we heard about is that the large part of the industry which is comprised of hobbyists who are breeding to race or to sell will often get their foothold in the industry by virtue of the mare they own. It might be a filly they raced and they have decided regardless of how good she was on the track they will breed with her. They try to breed up but often they are paying well beyond what the progeny is likely to be worth. How do you encourage the quality of the broodmare stock to be improved given that its ownership is very diverse and no one sits at the top of that side of the industry and says these are the decisions we need to make? It is really a sum of all the decisions made by all the owners. What does the industry do to encourage the greater quality of broodmare stock?

**Mr KITCHIN** — That is a magic question. There is not any magic answer to it either. It is an ongoing involvement, if you like. With bloodlines, if you go back over the years and notice the trends that have taken place, it comes back down to the types of stallions. Our broodmare pack here in Australia is totally different blood to the American broodmare pack. They are different insofar as our blood is probably 10, 15, 20 years behind their blood in so far as our colonial blood that is in there and the addition of the American blood. It is bringing it slowly forward. It does not happen overnight. It is a gradual improvement.

From a viewpoint of the small guy, the type of mare he has comes back down also to there is no guarantee of success. It is about hoping the breed is improving as the years go on. One only has to look at the type of horses in the last 15, 10 and 5 years the actual type, the confirmation of the horses is changing dramatically. It is probably more noticeable in our industry than the thoroughbreds because our colonial-bred horses were a particular style; they were a tough — the thoroughbred breeders would say ugly but that is in the eye of the beholder I hasten to add — type of horse. Its generic roots are in workhorses and horse-and-cart type horses.

**The CHAIR** — Let me ask you — do you think the race program for standardbreds in Victoria at least has enough good quality racing for fillies and mares?

**Mr KITCHIN** — That has been the bugbear of our organisation. You must have been reading our organisation's — —

**The CHAIR** — It is amazing how similar things between the thoroughbreds and standardbreds are.

**Mr KITCHIN** — It has been the bugbear of our organisation for a long time to encourage people to go to the sales and buy. It is the same I guess in thoroughbreds. Fillies are a step down from colts. Basically we need to encourage people who want to go and buy a filly at a sale on an equal footing with a colt that it has the same racing opportunities and has the double standard if it is well bred to continue on breeding after it has finished its racing career. Harness Racing Victoria has just recently increased in consultation with our organisation the Oaks with a series of new mare races, new initiatives taken with high-price mare races and things have been looking up in that direction. HRV acknowledges this and there are works in progress that are taking place.



**The CHAIR** — I am interested though, and perhaps it is not a fair question to ask you, but what is the rationale for that change? Are they just doing it because lots of people in the industry own fillies and mares, certainly those who breed, or are they doing it because they actually see the racing side and breeding side as being much closer together?

**Mr KITCHIN** — I think the latter. We have been talking to them over a period of years about this. Without wanting to trumpet HRV as being — —

**The CHAIR** — They can do that themselves.

**Mr KITCHIN** — They are very good at doing that themselves. They are very good at looking to the future. The things they have put in place in the last two or three years in an overview have been excellent for the future of this industry.

**The CHAIR** — In the thoroughbred side we are advised that with respect to the number of black type races there is an international committee that works out the number of races. Ideally Australia has 1 per cent of the total number of races; it might be group 1 races or it might be all listed races, and then you have an argument amongst the states as to who will get what. It is the international classifications committee. Does that work similarly with harness racing or is it a bit more devolved? For example the racing industry would say they are restricted to the extent to which they can increase the number of black type races for mares because it all has to fit into this international committee or ratings committee and they do not have much room to move. Is it the same in standardbreds?

**Mr KITCHIN** — We do not have an international code we have to fall into place with. Australian Harness Racing Council controls the number of group 1 races there are. It is not automatically on prize money you become a group 1. You have to have a certain amount of criteria and I cannot answer what they are. Australian Harness Racing would have to answer that. The same problem occurs. There are only so many spots available for group 1 races and they have to fit them into the program. There are new ones being created. I think the Ballarat Cup just became a group 1 race and our sires races, \*Victorian Vicbred sires finals, became group 1.

**Mr McQUEEN** — Generally speaking, ours is \$100 000 race. Something like the Oaks, for instance, in Tasmania is only \$10 000 but it is a group 1. The general rule is \$100 000. And it cannot be a restricted race.

**The CHAIR** — That is interesting. In Ireland the breeding industry and thoroughbred industry appear to be much more united so that the racing side of things understands its role in supporting the breeding and vice versa. They seem to be more closely integrated there than here. It is an interesting point.

I also want to ask you a question about AI. The comparisons between standardbreds and thoroughbreds are fascinating, particularly over this point of AI. The thoroughbred side maintain a blanket ban and say that a rule of racing — which is pretty much an international rule — is that anything that interferes with the natural reproductive act and results in progeny, that progeny will not be able to run.

When we ask people about it, they say it is because they do not want a thousand Danehills out there. When asked about the example of an old mare or an old stallion and assisted reproduction, the typical response is, 'No, we will still have a thousand Danehills'. Say the stallion has bad legs and cannot mount the mare, you could move the semen from there to there and destroy any excess. 'No, no, we will have a thousand Danehills', they say. The thoroughbred industry does not seem to even want to have that discussion. It is very uncomfortable about having any discussion, full stop. Are you able to say what the statistics are like in the last 10 years for the average age of stallions when they finally finish their semen-producing life? Is it demonstrably older now than it was 10 or 11 years ago?

**Mr KITCHIN** — The difference is probably also its production of semen as well, because it is not only just the act of conception and so forth, the drawing of the semen from the stallion is just as wearing on them as are the other parts of the exercise. It goes back to the type of stallion that they are. Some stallions are still going when they are 20 or 25, others are finished by the time they are 15 or 10. It is just a matter of their physical makeup and how they can cope with those things.

**Mr MCQUEEN** — And their success.

**Mr KITCHIN** — Yes, that is right. Because of AI they are able, from one collection of semen, to serve many more mares. Basically in natural service, one service is what you get. With AI collection, you are able to serve 5 or 10 mares, depending on the type of semen that stallion is producing. The opportunity of spreading that semen is much higher. To facilitate this, harness racing in Victoria and in Australia brought in open books, which meant that they took away the number of mares that could be served, so you can now find that the stallions have served 300 mares in a year. I do not know what the maximum amount is they think they can serve in the galloping world; is it about a hundred?

**The CHAIR** — You can get up to 200-plus now.

**Mr KITCHIN** — They are getting 200-plus now?

**The CHAIR** — There is an argument among some people as to whether that is in the spirit of the international rules.

**Mr KITCHIN** — There is a little cone of silence about it, then.

**Mr MCQUEEN** — Tony, I will go no further than to say that if you look at who buys the most AI equipment, it is very interesting.

**The CHAIR** — This is a truism in this inquiry. You are the third person to say that. Maybe this is the reason the thoroughbred industry does not want that conversation. That is interesting. In a sense, am I right in understanding that, regardless of the introduction of AI, a stallion has almost a predetermined productive life? The issue is that AI permits you to get many more services out of that productive life.

**Mr KITCHIN** — That is exactly right.

**The CHAIR** — That is more the question than AI being a technique that extends the productive life. Is it a case with brood mares that AI extends the life or makes that brood mare stock more productive than it typically was before AI came in?

**Mr KITCHIN** — The technology is improving all the time. When we first started out there were a number of inherent problems with AI. Like anything, we are getting better all the time at what we do. The question is: will the brood mares stay productive for a longer term? I think it is very much a similar case to the stallions, because it really comes down to individual mares. Their productive life can be until they are 20. They can have a foal every year. Some carry them, some do not, and I do not think AI has made that any better or any worse. What it has done is certainly take away some of the risk elements that are involved in breeding, as far as transporting and so forth. The mares themselves stay basically where they are in their own environment.

From my personal viewpoint, I run a farm where that is all we do. Our brood mare pack and their foals do not ever leave. There are on the farm, they are in their own environment and, from my point of view, that is the best scenario I could ever want, because they are under our control, and they do not have any outside influences.

**Mr PULLEN** — If I could just come back to the drought for the moment, I am interested in the areas where the breeding takes place. For example, are there better areas than others? What sort of conditions are important for breeding? We have heard a lot of different stories in relation to the thoroughbred industry, particularly people saying 'some areas are better than others'. Do you have any comment on that at all?

**Mr KITCHIN** — If you look at the areas where our industry has historically been concentrated, I think you would have to say that the Goulburn Valley area is the strength area. Why is that so? I think it is because they are irrigated pasture areas. Major studs have sprung up around that generic area. Whether that is any better than, say, Ballarat or the Western District, I cannot really answer that. All I know is that we went there primarily because of the selection of pasture. We looked at how that could be sustained in drought times, and irrigation is certainly one of the factors that have helped our industry get by. If we did not have irrigation we would be in real strife, from the viewpoint of how we survived doing what we do. That is certainly my personal point of view, and that is how I would answer that.

**The CHAIR** — I want to ask you a question that is related to that. It comes to our attention primarily through the thoroughbred industry, but I sense it might be the same in the standardbred industry. The fact is that racing, whether it is standardbreds or thoroughbreds, is an inherently competitive sport. We see the results; they are there clearly for us every day. We measure the results down to hundredth of seconds and build up huge form guides. Despite the fact that we put stallions stats together and at the press of a button you can dice or slice them any way you want — we know more than we ever need to know about stallions and about race performances — once you move beyond those two statistical indicators, there is pretty much nothing in the breeding industry in Victoria and across Australia.

We could go from stud to stud — and I think it is the same in standardbreds — and all the owners and operators will tell us of the wonderful parts of Victoria and the great conditions for raising horses, but there is never one externalised indicator as to how they are performing compared to their competitors down the road — not one. There is no accreditation; you do not have to be accredited with anyone. There is no star rating, there is no quality performance system or continuous improvement models. There is no external indicator as to how they handle horses, whether they have a higher live birth rate or whether they have gone off and produced more winners from this sort of breeding technique. There is nothing.

I say to people this seems a bit odd in an industry in which competition is its very essence. It is almost like the competition is over there, the rest of it is here. The mentality more or less seems to be that if you have a lot of money and want to invest it in this industry you will find out yourself who are the good operators and who are the bad operators. For example, thoroughbreds — and I think standardbreds are the same — tolerate very high levels of bad debts. They are chronic across the thoroughbred industry. There would not be a trainer around who would say that they did not have a debt problem, but nothing much is done about it. Why is that? If I am right in understanding that the indicator side of it is the same in standardbreds as it is in thoroughbreds, why is that the case?

**Mr McQUEEN** — We tried to get it here. Three or four years we tried to get Harness Racing Victoria to help with debts. Harness Racing New South Wales does. If they have problems up there with people owing money for service and that sort of thing, they will collect it for them and put them on the forfeiture list and they charge 10 per cent, I think from memory. Harness Racing Victoria will not touch it.

**The CHAIR** — Just let me ask about the general way studs perform. They are competitors with each other but I think I am right in saying that other than the stallion not much would demonstrate that one is doing a better job than another?

**Mr KITCHIN** — Yes, I think you are dead right. Basically it is almost as if we are too frightened to compare or go on the record to say, 'I'm better than you are' — because of X, Y and Z. I do not know why that should be. I think it is probably part of commercial reality that people find out the hard way who is better than who. It is like the school of hard knocks — the best way of learning is by going through the ups and downs or know people who have and can advise you, 'This is better than that' and, 'You should go there rather than there'.

**The CHAIR** — Curious, would you not say, in an industry that already has an inbuilt wastage rate?

**Mr KITCHIN** — Well, it has a huge wastage rate and it is the same in the thoroughbreds. I think you need to look at the successful operations. Sometimes they are not as evident as they might seem to be, because it is not a matter of how much money you can spend promoting yourself as to whether you are a success. The bottom line is: who is producing successful results? Breeding is one of those strange things — and it is the same with thoroughbreds as with ours — in that there is no formula for success. The worst-bred stallion you have ever seen can produce the best progeny.

**The CHAIR** — I have no doubt about that but I think it also stands to reason, when you are dealing with horses, that the least-desired management skills and techniques are very unlikely to produce good horses. They might strangle a few horses' careers before they actually get to the track. Do we need someone or something to play the role of best practice exemplar? We asked this question of people in the thoroughbred industry. It just seems to us that it is an industry that requires lots of investment — horses are not cheap; they keep eating whether they are good or bad ones — so it is an industry that every year has to soak up lots of money. Before you even start, a lot of that is wasted. If the thoroughbred side — and I imagine the standardbred — is to produce horses that are capable of winning at city level, which is what everyone really goes into it for, then \$4 in \$5 is effectively wasted at

the service fee level because it might produce horses that are capable of winning races, but not in town. So it starts from that point of view.

Does the industry need to push itself a bit harder, in terms of ensuring best practice? I understand what you say, that you can say these things are important and next day be made to look silly. But by and large, if we are all working towards improving our performance on five or six criteria, the industry is better off as a result. Do you think there is a need for that?

**Mr KITCHIN** — I think what you are saying is commonsense. I do not know whether you can put in a raft of performance levels that people have to achieve. I mean, we are operating in a free market scenario and probably the biggest criterion that operates is: commercial success breeds success.

**The CHAIR** — Sure. Maybe I could put it another way and say that the exemplar ought to beg the question, for example: if the stud you choose does not maintain a foal watch for every foal that is born on that property, you should ask why. From our point of view it defies logic, why stud owners would offer that as an option to their client, for the sake of \$300 — and for thoroughbreds it is many times that.

That is just dumbing it down and allowing someone to say no and allowing a bad practice to be perpetuated. Why would all commercial studs in Victoria not say, 'We need the option, let's just incorporate it into our fee structure'? That is a good example of saying: best practice is do not give people the option.

**Mr KITCHIN** — Yes.

**The CHAIR** — Whether people keep doing it or not, we think the question ought to be asked a bit more often.

**Mr KITCHIN** — That is a fact. I agree totally with what you are saying, but that is one of those areas that is an industry thing. Perhaps the industries can look at their criteria and say, 'This is where we should be trying to improve what we do across the board as an industry'.

**The CHAIR** — And at least be prepared to talk about some of these things up front.

**Mr KITCHIN** — Absolutely. That is why we have breeders organisations, to talk about these things. Our organisation is interesting because it is a combination of breeders and studmasters as such. We have a range of different opinions because breeders are not always seeing eye to eye with studmasters and vice versa, so a number of good opinions flow across our table.

**The CHAIR** — Ian and Des, you have been very good with your time. We have kept you longer than we anticipated. It has been very useful for us. We will make sure a transcript is made available to you, probably within three weeks, and you are welcome to correct any details. If you think there is anything that we did not cover today that you would like to make some further comment on, you can put that in writing to us and we will consider that as a further submission. As I said, we will take a little longer to get the standardbred side of things done than the thoroughbred, but we will do a very thorough job for you. When eventually it is delivered we will make sure copies are made available to you.

**Mr McQUEEN** — Tony, can I just mention that our association would like to put in a couple of papers on having a home of our own for harness racing and breeding in TAFE courses? Can we submit papers on those and put them in to you?

**The CHAIR** — Yes, you are perfectly welcome to do so. We do not offer any assurances as to what we will or will not make as recommendations but you are more than welcome to put them in and we will certainly consider them.

**Mr McQUEEN** — Thank you and thanks for your time.

**The CHAIR** — Thank you.

**Witnesses withdrew.**