

# CORRECTED VERSION

## ECONOMIC DEVELOPMENT COMMITTEE

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

Melbourne — 15 August 2005

#### Members

Mr R. H. Bowden

Mr N. F. Pullen

Mr H. F. Delahunty

Mr A. G. Robinson

Chair: Mr A. G. Robinson

#### Staff

Executive Officer: Dr R. Solomon

Research Officer: Ms K. Newitt

Office Manager: Ms A. Agosta

#### Witnesses

Mr N. Busse, Chairman;

Ms A. Jacobson, Board Member;

Mr P. Bourke, Board Member;

Mr J. Anderson, Chief Executive;

Ms M. Hughes, General Manager, Legal;

Mr S. Gloury, General Manager, Business; and

Mr D. McPherson, General Manager, Strategic Planning and Product, Harness Racing Victoria.

**The CHAIR** — We welcome officials from Harness Racing Victoria to this afternoon's public hearing of the Economic Development Committee. The EDC is an all-party committee of the Parliament of Victoria and is one of about 11 committees. We have been charged with inquiring and reporting into the viability of thoroughbred and standardbred breeding industries in the state of Victoria. We are due to report back to the Parliament by the end of September, and the government will have some months to make a response to various recommendations we put forward. This is a public hearing, so the evidence we collect today is being recorded formally and will become a transcript, which will be made available to HRV — corrections are invited — and that will help the Committee very much as we put together our report. We have a series of public hearings here and in country Victoria. We have also collected a fair bit of evidence informally at a lot of meetings. To that extent I have previously met with John and Peter at Parliament House. We had a coffee and a chat. We are very informal here, so do not feel as though it is a Star Chamber. It is a very informal committee and we work well together. I do need to say to you that while you are giving evidence you are covered by the provisions of parliamentary privilege, so anything you say here is protected, but that only remains while the evidence is given in the room. It does not continue outside the room. We did receive a submission from you. Thank you very much. It is a very fulsome submission, and there is plenty of information for us to get stuck into. It might work best if we were to give you the opportunity of speaking to the paper, if you like, and in any order you like, Neil, then we will take questions.

**Mr BUSSE** — Given Mr Anderson's cricketing experience I would call on John to open the batting. I have the helmet on and I will take any bouncers from the panel in due course.

**Mr ANDERSON** — Thanks, Neil. I will take the new ball. I will briefly introduce who we have with us. Obviously Neil is the Chairman. Peter Bourke is a Board Member, but he is also chairman of the Australian Harness Racing Council Breeding and Animal Welfare Subcommittee. Anne Jacobson is also a Board Member of Harness Racing Victoria and on the same subcommittee. She will speak to you shortly. She has a lot of practical experience as a breeder and is a qualified vet. Duncan McPherson is our General Manager of Strategic Planning and Development and is responsible from a management perspective for our futurities program. He will address you as well. Shane Gloury is our General Manager of Business, but will soon assume Duncan's responsibilities. Sadly Duncan is a fortnight away from retirement. Megan Hughes is our General Manager, Legal, and Board Secretary. I am John Anderson, Chief Executive of Harness Racing Victoria.

Before the specialists brief you about our paper, I am here to give you a brief insight into Harness Racing Victoria, particularly the breeding side of things. It is fairly well accepted around Australia that Victoria is the no. 1 breeding state, but for a number of reasons there are a lot of challenges ahead of us, both from within the breeding industry and maintaining a racehorse population, but also general threats to harness racing, and in particular we might say from the thoroughbred code in some ways. Over time we have developed a lot of strategies to enhance our breeding industry, and you will hear more detail about those shortly. Basically they revolve around our futurities, principally Vicbred, and our philosophy of increasing stake money returns to stakeholders, which is again a fillip to the breeding industry.

From an industry point of view we had an economic impact study done some years ago on the harness racing industry, which projected that by the year that we are in at the moment the industry would be worth in excess of \$700 million to the Victorian economy, and that the breeding industry itself was in excess of \$200 million of economic value to the state. We are a business that generates \$50 million-plus in revenue, of which around about 90 per cent comes from wagering revenue, so a lot of the focus of Harness Racing Victoria is on wagering to grow the business. Obviously the breeding industry is an important part of that growth. You have seen some of the key stats. There are over 1500 trainers and 1000 drivers.

One of the things which is very important to us in terms of the growth of the industry and growth in wagering is our racehorse population, so critical to the whole exercise is the relationship — or co-relationship if you like — between owners and breeders to facilitate our racehorse population. Recent history has shown that in the last five years the number of foals on the ground has decreased from 3000 to 2200 in 2003–04, so the number of foals has been in constant decline. During that period of time we have had a significant increase in the number of races. We have pretty much reached our limit in terms of the number of races and the unsustainable growth that we talk about is now limited on Sky Channel and also by the population of horses. What has happened is that the quality of our breeding has improved to the extent that despite less foals and more races we have still been able to sustain our population on being able to get more foals to the races. Once they get to the races they race more often. If the trend

continues, from a revenue point of view we are going to suffer from the decline in the number of foals. That is just a brief snapshot. If there is nothing else anyone else would like to say, I will hand over to Duncan McPherson who can talk briefly to the paper that is in front of you.

**Mr McPHERSON** — Without going through all the detail in the paper because I know everyone will have read it, I would like to emphasise some of the factors in terms of the way Victoria is strong in the national harness racing breeding industry. Some few years ago we were having trouble sustaining our racehorse population. We recognised that the numbers of foals was dropping. We did some projections on where we would be down the track if we maintained the status quo, and we did not like what we saw. The board was then faced with a decision on how we would actually stimulate breeding. We looked at a lot of overseas experience — we were not seeking to reinvent the wheel, just what had worked in other places and the like. We found a scheme in Europe whereby they had introduced a breeder bonus scheme. Effectively, for any horse that was bred in Europe and raced and won there, the breeder would be paid a bonus, so effectively the breeder maintained some equity in the horse's racing career, even if it was sold at yearling sales. The breeder always maintained an interest. It became very successful in a couple of countries in Europe and was picked up by lots of others. So we looked at that closely and decided that it was worth a shot in Victoria.

Our problem was in generating the sort of money you needed to put up as a realistic incentive for breeders to change. Initially the board introduced a breeder bonus scheme of 5 per cent of the stake money, and it was restricted to horses that were 2, 3 and 4 years of age. At that point — older than 4 — horses would start to drop out of the system. It was mainly the young horses that would encourage breeders. That 5 per cent represented exposure for the Board of about half a million dollars. When it was introduced it was to begin flowing as soon as we possibly could. It was met with sort of mixed feelings in some regards from a lot of breeders but generally in terms of the association and a lot of breeders who were struggling at the time it was just enough to encourage them to keep going and keep breeding. We started to get a lot of great anecdotal evidence coming back from the industry. Whereas at first it seemed that it might not do the job, it was in fact doing the job.

A little bit later we ran into some drought problems in Victoria. I am sure that everyone is well aware of them. That forced a cull of breeding stock and a lot of studs. This worried us because the number of foals on the ground is what we need to sustain our race product. Again we did not want too many people culling too many horses or indeed exporting them off somewhere else where they might not be cut back. So the Board increased the breeder bonus based on this anecdotal evidence we had got to 7.5 per cent and it really started to take effect. The awkward part here is we would have liked to have made it quite a lot more as in Europe, where they are paying 10 or 12.5 per cent, but it was not within our budgetary capability. The other interesting factor about that was in the year 2000 HRV introduced a 'free to race' policy. What else can we do for the breeders? You would have noticed in our submission that we know there are 30 per cent of breeders that actually race the horses — that is, the exact same ownership entity that breeds them actually races them. We estimate something in the order of another 20 per cent of the breeders take additional partners to race the horse, so there is a small change in the ownership entity. In effect, half our breeders are racing the horses.

Looking at other ways where we might help them, it is one thing in terms of the breeder bonus — you have to go to the races and win. As we all know, a lot of horses are bred that do not go to the races and a lot of those that do go do not win. The free-to-race policy was about abolishing nearly all registration fees for all horses so if you bred a horse and owned it and it was a Vicbred horse, you did not have to pay anything at all to HRV to go to the races other than the official foal notification. There were no fees for naming, syndicates or leases — all those things became free. That was seen as important and it has been acknowledged as that because for horses that do not go to the races, the owners or breeders do not pay any money. As a result you would have seen in our statistics we have been able to sustain the numbers of foals we have been getting and actually see a small increase in the past couple of years. The feedback we are getting for this coming year is that we will get another small increase. Undoubtedly those things have worked for us and it is certainly contrary to the national trends where they continue to fall. We are concerned that those national trends will have people coming to buy Victorian horses. That is a good thing but we need to have enough left to sustain our own race product. Basically in terms of the Vicbred program as a breeding program then to complement what we are doing with breeder bonuses, we are saying to people, 'If you have a mare that resides in Victoria or a stallion and you breed to either of those you are a Vicbred horse'. The quality of stallions available in Victoria has gone from strength to strength. So you get this growth on growth effect that has basically given Victoria the basis of its strength in the national breeding scene.

Vicbred itself is undoubtedly the envy of the other states in Australia and indeed New Zealand. HRV has now provided a total on the order of — including breeder bonuses and the like — a total of about \$4.6 million in benefits in the Vicbred scheme. When they go to sales people are reluctant to buy horses outside Victoria at a sale that are not Vicbred eligible because they know how important it is and there is a lot of money to be won. Breeders indeed are not interested in breeding a horse that is not Vicbred eligible because of the same thing: they know buyer demand will not be there. The strength of the Victorian industry is very firmly pinned to our Vicbred program which we are very proud of. We are a bit disappointed that we could not push it as far as the Europeans did but we are looking to do that in the future. The awkward part is that every dollar we put in the breeder bonuses, we cannot pay in stakes. You can rob Peter to pay Paul but in the end who is better off? At this point in time we have stimulated the breeders; keeping that going is now the challenge for us.

**The CHAIR** — Can I just follow up with one question: what percentage of Vicbred nominated horses would actually get a pay-out under the Vicbred scheme, a bonus payout — or the breeder would get the bonus?

**Mr McPHERSON** — I cannot tell you the answer to that. I can tell you that of the foals bred, 60 per cent pay their acceptance fee as a two-year-old — that is, when they turn two. In our case, in harness racing, the horses have a birthday on 1 September. At that point the acceptance to the Vicbred program is that around the order of 60 per cent pay up. Horses out of the Vicbred program that would go on to win a race or will be placed in a Vicbred eligible race — I could not give you the answer to that, but it would be pretty well the same as the general horse population because I would have thought in the order of at least two thirds of the horses that race in Victoria are Vicbred. It is higher actually. There are some from interstate and some from New Zealand. Generally the question asked relates to nearly the proportion of the racing population.

**The CHAIR** — We ask this of the thoroughbred racing industry because I think in their submission they said about 18 per cent VOBIS nominated horses ended up getting a VOBIS cheque. Their representation to government is that they want to enhance VOBIS further — to VOBIS mark 3. The question then is do they simply increase the stakes, the returns on VOBIS to the existing range of races or do they expand the number of races? From recollection they want to increase the number of VOBIS-nominated horses that ultimately earn something out of that scheme. More people getting a return out of the scheme is a better thing; it is one of their prime objectives. We accept there are a million permutations and combinations with incentive schemes and everyone is trying their own. They are all good and there is probably no perfect answer.

**Mr McPHERSON** — We have very consciously expanded the number of Vicbred races. There is a defensive attitude by a lot of breeders to horses outside Victoria. Many of our breeders would put an electrified fence around Victoria and lay mines across the Tasman Sea. We have expanded the number of Vicbred only eligible races we run for the purpose you were just saying they were for but we do not run nearly as many as VOBIS eligible races. The whole eligibility for the race is restricted to that one class of horse, and it is Vicbred eligibility. You are either in it or you are not.

**The CHAIR** — The point of payment in the Vicbred series is when a horse turns two, is it? It has to be nominated by then?

**Mr McPHERSON** — Yes. The horse is automatically nominated when it is born. If it is foaled in Victoria or the owner lodges a foal certificate with us, the nomination is automatic and free. But the owner of each horse will then have to pay an acceptance fee when they turn two, three and four. They can go in all or any one of those three years. There is a series of races at two, another series at three and another at four. Another piece of information about the breeder bonuses I was talking about is that one of the details is a horse can win a Vicbred win bonus which is now \$2500 and was \$2000 for its maiden win at two. It can win another one at age three. If they have not won one at two or three years of age, a pacing horse can win one at four — it is a bit of a consolation whereas a trotting horse can win two out of the three years; it does not matter. The Vicbred win bonus is the reason most people pay up for their four-year-old Vicbred year.

**The CHAIR** — For the purpose of your scheme, the breeder is the broodmare owner?

**Mr McPHERSON** — At the time of foaling.

**The CHAIR** — So it is the broodmare owner that we consider to be the breeder?

**Mr DELAHUNTY** — Duncan, what is the cost — when you say they pay up at two, three and four years, what do they pay?

**Mr McPHERSON** — \$198.

**Mr DELAHUNTY** — Does that cover the full cost of your bonus scheme or do you chip in?

**Mr McPHERSON** — Not at all. We collect from owners of 2, 3 and 4-year-olds about \$800 000 a year and the scheme is worth \$4.6 million. It is very heavily subsidised by HRV for the benefit of Victorian breeders and the breeding industry.

**Mr DELAHUNTY** — In your race book do you itemise the owner or breeder of the horse?

**Mr McPHERSON** — We do for all the feature Vicbred races. We have the owner, breeder and put in a little Vicbred logo. It has to be miniature to fit it in a race book but it is there; we certainly put the breeder for all the Vicbred feature races. We do not do it for all races although we are having some software written now to provide for breeders in all race books.

**Mr ANDERSON** — When we publish our fields on the web site we have the breeder in the field but it does not get reproduced in the race book itself.

**Mr DELAHUNTY** — What percentage of your races are Vicbred races?

**Mr McPHERSON** — About 5 per cent.

**Mr GLOURY** — I might like to clarify that the breeder bonus can be won by any Vicbred eligible 2, 3 and now 4 year old so in order to get the bonus, it does not have to be a Vicbred race.

**Mr McPHERSON** — Just clarifying one point in terms of Vicbred. The Vicbred races are what I just said. To win a Vicbred bonus it does not have to be a Vicbred race. It can be any 2-year-old race in Victoria, or a 3-year-old or 4-year-old race. It is not Vicbred stake money; it is a Vicbred win bonus.

**Mr DELAHUNTY** — Do they have to apply for that or do you automatically send that to them?

**Mr McPHERSON** — It is done automatically. In harness racing we have a centralised stakes payment system for every club and track. It is paid out fortnightly by HRV — the stakes for all clubs and all these things are automatically triggered by computer software, and it just gets paid to them. Very frequently people ring up pretty happy about it and did not even know they were going to get it.

**Mr DELAHUNTY** — It's a bonus.

**Mr McPHERSON** — On the Vicbred breeder bonus, we had a horse win a \$300 000 race a couple of months ago and they got a \$15 000 cheque from us. It was in their statement along with other things and the lady from New South Wales who owned the horse rang up to inquire what it was for. She was very pleasantly surprised, so hopefully she will continue to breed Vicbred horses even in New South Wales.

**The CHAIR** — I just want you to be careful telling anyone associated with the Department of Treasury and Finance you might have some unclaimed prizes there; that would not last very long.

**Mr PULLEN** — I just want to compliment you on your submission because I happened to read it on the plane when we were going over to New Zealand. I thought it was quite fascinating. I also want to thank Anne for when we visited her property; I learnt so much there. On page 3 of the submission, the second paragraph, last line, it says:

Consequently, one of HRV's strategies to enhance the business of breeding is to expand our ownership base and broaden the demarcation between breeding to race and breeding to sell.

How do are you going to try to do that?

**Mr BUSSE** — That is a really good question.

**The CHAIR** — It is a long plane ride.

**Mr McPHERSON** — One of the very positive things we see about New Zealand is the culture and attitude of their breeders. They breed to sell. They have more professional breeders as such rather than people who do not necessarily sell the horses they breed. We would like to get to the New Zealand situation, so we increase our ownership base and have more horses sold at our sales. When you consider we are breeding 2500 horses a year and we probably sell about a maximum of 350 at the yearling sales, there are a lot of horses that do not change hands at sales or don't change hands at all. We would certainly like to start that economy ticking and make it move. How do we do it? We have had some preliminary discussions today about some initiatives. It is a very difficult thing to do bearing in mind a lot of our sales are unreserved yearling sales so you cannot force a person to sell a horse they do not want to sell; if they do not believe they have got their value, they will take it home. It is their choice. We have got to make sure they can get their value at the yearling sales. We have not got the solution for that.

**Mr PULLEN** — Who conducts the sales?

**Mr McPHERSON** — There is a sales company Australian Pacing Gold. It is a private company. Albion Park in Brisbane, Harold Park in Sydney and ourselves are the three partners in the sale company. It conducts the sales and runs a sales series very similar to the Magic Millions. The difference between them and us is that theirs is always in Queensland. Here we rotate the finals. That \$300 000 race I spoke of is one of their finals for two-year-olds and they have lesser ones for three-year-olds. It rotates along the eastern seaboard.

**The CHAIR** — How do you deal with the sales costs as a part of that sales process? You have highlighted the fact that a lot of breeders do not sell; they hold on to what they breed to race, whether they are doing that because they do not believe they can get a good dollar for it so they race it themselves or they choose deliberately to do that beforehand. On the thoroughbred side we have complaints from people representing what we might call the lower end of the market where if you sell a horse for less than, say, \$25 000, you have lost money, because the claim is that there is something like \$10 500 in fixed sales costs on that — the price of the sales — then you have the service fee and raising the horse for 12 or 18 months beforehand. What would be the fixed price of taking a horse through the market here?

**Mr McPHERSON** — John might be able to elaborate a bit more on this. Our range of stallions in terms of service fees might in the main go from, say, \$1000 to \$5000, some higher and some lower, but generally that is what it is. So that element of fixed costs is nowhere near as rampant as in the thoroughbred industry when it can cost you squillions. But all the other costs are the same. To prepare a horse for sale, to feed it and everything else, there is very little difference in the breed. We maintain that the cost of getting a horse to the sales is about \$7500. You will see from our submission that our average price at the sales was just a tick under \$11 000, so there are obviously a lot of people losing money on the horses they sell, bearing in mind that that average is dragged up by a couple of high price lots that make \$50 000 plus.

**Mr ANDERSON** — That \$7500 is exclusive of the stallion fee.

**Mr GLOURY** — Plus the average will not take into account the commission the sales company will deduct from it. The amount going back to the vendor will obviously be less than that.

**The CHAIR** — This fascinates me because as much as people on the thoroughbred side — and it is a similar problem at that end of the market — have said that this is a positive disincentive, it is happening so often. It happened up at the Inglis sale in February when 600 lots went through, and you assume that half of them are down at that lower end of the market. It is happening over and again, and it begs the question: why do breeders keep lining up?

**Ms JACOBSON** — It is a way of life, but it is not a way of making a living.

**The CHAIR** — No. We have thrown this question up to thoroughbred breeders: why would a group of them who know they have horses down at that end of the market not band together to try and sell off the farm, or some other way to avoid the sales costs? Presumably if you can sell off the farm and take one-third less and avoid some of those fixed prices, you might end up coming out with more dollars as a result.

**Mr BOURKE** — It does happen. There are studs that have their own sales.

**Ms JACOBSON** — We have a lot more avenues open for us for selling than thoroughbred breeders. Quite a lot of our horses are sold as going horses, so they are already broken in. They are sold through the press, through word of mouth and so on. We also have another sales company that runs a sale not attached to a race series. That sale tends to have lower prices and a lower starting figure. So you can say that the horses that are not going to get good money at the Gold Sale are taken off to the alternative sale instead. But they do not sell nearly as many as the Gold Sale. I do not think the fixed costs for sales are terribly high. The cataloguing fee is fairly reasonable and there are no other costs associated with the gold sale. There is not a fee associated with the sale itself. The cost is all in getting the horse there.

**The CHAIR** — The \$10 500 is the sales fee from the point at which you first nominate. You enter nine months ahead and then add the commission, so on a sale of \$19 000 it adds up to about \$10 500.

**Ms JACOBSON** — You only pay a cataloguing fee when you enter, and then on the day of the sale — —

**Mr BOURKE** — It is about \$300 all up for the Alabar farm mixed sale. The cataloguing fee is about \$300.

**Ms JACOBSON** — Even at the Gold Sale, which is associated with a race series, you pay the nomination fee after you purchase a yearling. You go to the office and make your payment if you want the horse to run in the race. That is something like \$1000.

**Mr BOURKE** — Yes, \$900 or something.

**Ms JACOBSON** — But if you buy a horse at the Gold Sale and you do not think it is a two-year-old-type, and you are not interested in the Gold Race as such, you do not have to make that \$1000 payment. So in effect all you are paying is your sale price, of which they take 8 per cent as commission. The sale itself is not inherently expensive. It sounds as if the thoroughbred sales are. But it is the cost of preparation. Where it costs our industry is that the returns to the people who are actually doing the work are so much less than they are for corresponding people in the thoroughbred industry. It probably does not cost as much, even though in real terms the horses are identical animals. Our people are satisfied with lower rates of return.

**The CHAIR** — Put another way, the number of standardbred yearlings that are sold for \$100 000 or more in Victoria is very few.

**Ms JACOBSON** — There has been one in living memory.

**The CHAIR** — One in living memory. That is minimal!

**Mr BUSSE** — Last year, wasn't it?

**The CHAIR** — There would be dozens and dozens of thoroughbreds.

**Ms JACOBSON** — Commonplace, that is right.

**Mr BUSSE** — The industry's only sales company is APG Sales, so we have some control over the costs. It is not quite a non-profit organisation, but most of the money goes back into the industry as opposed to the thoroughbred sale process.

**Mr DELAHUNTY** — How many registered horses go through the yearling sales rather than to someone else? What percentage would go through the yearling sales?

**Mr McPHERSON** — About 500 out of nearly 3000.

**Mr DELAHUNTY** — Is that a growing trend? Are the numbers growing?

**Mr McPHERSON** — It is pretty static.

**Ms JACOBSON** — It is pretty static. Last year there was a two-day sale in Melbourne for the first time because the pressure of the numbers wanting to go into the sale was so high, but — —

**Mr BOURKE** — They come from interstate.

**Ms JACOBSON** — Yes, a lot of them come from interstate because they want to take advantage of the fact that Victoria is the place to race, it is the place to buy and it is the place to sell.

**The CHAIR** — Just following that through, if I wanted to buy a yearling to race, the most expensive way would probably be to breed it myself.

**Ms JACOBSON** — Absolutely.

**The CHAIR** — I could go to the sales, because you have just made the point that the prices are very reasonable.

**Ms JACOBSON** — That is right.

**The CHAIR** — But not everyone who is breeding a horse intends to race it themselves. There must be an awful lot of breeders whose plan is to breed a really outstanding horse and sell it.

**Ms JACOBSON** — Yes.

**The CHAIR** — This raises in my mind the issue of what information is available to people whose passions and interests are such that they want to do that. What do they use to source decision making? Do they just talk to people they know? This is a capital-intensive industry. Horses wear out. We have to find thousands of them every year to fill the programs and make the whole business work, but they are expensive. They eat — —

**Mr BUSSE** — They need vets!

**The CHAIR** — One of the things that interests me is whether our hobby breeders, or those who are just on a commercial edge, are accessing really good information about the breeding decisions, so they are lessening the chances of having something that goes out to the sales and hearing people say, 'Why did you even breed it? You may as well have burnt your money at home'.

**Mr BOURKE** — We breed mainly to American stallions now, either on shuttle or semen transfer, or they are imported here. We can just about breed to the best stallions in the world through our artificial insemination frozen semen. We do not have those same problems with people getting information. The publicity from all our studs in Victoria is enormous. Some of them put out journals especially around stud season time, giving information about the quality of their stallions. The breeders association puts out a yearly breeders index with every stallion in Australia in it. Most studs do fairly comprehensive advertising, matching mares to stallions and giving out information about how to breed.

**Ms JACOBSON** — A lot of the people who are breeding to sell have been involved in it for a long time. A lot of the families have studs and so on. I think it would be fairly difficult if you are a new breeder coming into it. We find that a lot with people who bring mares to us say, 'I am planning to breed this and sell it at the sales'. So people like me who get mares involved with people end up giving advice, saying 'If you breed with this stallion, or this one, you have a good chance of getting a good price. But forget about the one that you have selected because you are not going to be able to sell it. If you want to try it yourself, that is good. But if you want to sell it, forget it'. So I guess people like me and studmasters who own stallions are in a position to advise breeders. Basically our industry, as you can see by the number of breeders who go on to race their own horses, is very broadly based within the community, particularly in country areas. In rural and regional Victoria there is an awful lot of people involved in harness racing at whatever level, and they all talk about it at all their social functions, and it becomes something that people have a massive interest in. That is how the information gets around.

**The CHAIR** — I do not want to keep comparing standardbreds to thoroughbreds, because I think that is — —



**Mr BOURKE** — There is not any comparison.

**Mr BUSSE** — We are well in front.

**The CHAIR** — Fair enough. I have raised the issue with thoroughbred breeders, and a good example from both the point of view of the breeder and the commercial stud is that TBV gave us a great list of stallions standing in Victoria with service fees and average yearling prices. I am a big fan of Umatilla, and it stands up there at Blue Gum with a \$6500 service fee and average sale price of \$32 000. There would be few stallions in Victoria where on average the multiple is as good as that — four and a half times. There are Mugginses coming into the industry every day. Because they want to breed to sell, Umatilla ought to stand out in headlights — four and a half times you just cannot find. It is a very accessible price. Similarly the stud, to my simple mind, ought to be making a virtue of this: that you will not find another stallion like this in Victoria. But I have looked through the masses of material that are available, I have been out to sales, and it is pretty much presented in the same way as every other stallion brochure is presented: sole offspring to this and they have got up to this price. But in terms of the net return to the investor that seems to me to be the key statistic that is missing. You might be able to find it out by going around and talking to people and learning the business over the years, but it is not presented to the investor in that way. I am just fascinated by that.

**Ms JACOBSON** — I suppose there is a lot less emphasis in our industry on that as the way of getting your money back. It is not as great a number of breeders who look on their return at the yearling sales as the way they get their money back, because we have so many who are — —

**The CHAIR** — That is a fair point.

**Mr DELAHUNTY** — I am just going to pick up a point that Anne raised. Have you got a breeders association? I am not 100 per cent sure of that.

**Ms JACOBSON** — Yes. There is the Victorian Standardbred Breeders and Studmasters Association, which is an active breeders association.

**Mr DELAHUNTY** — It is good to see Harness Racing Victoria has got someone from a regional area highlighting points. I am glad to see you have raised the importance of regional racing, but we will not go down that road at the moment.

**Mr BUSSE** — We have got three board members living in country Victoria.

**Mr DELAHUNTY** — That is good. In your submission you spoke about the fact that there are 19 000 harness owners in Victoria and 90 per cent operate in regional Victoria. Is that a growing number of owners or not?

**Mr BUSSE** — It is a static number, I think.

**Mr ANDERSON** — I think that has been fairly static over time.

**Mr DELAHUNTY** — So the trend is down or up, or static?

**Mr McPHERSON** — Static.

**Mr BOURKE** — Unlike the thoroughbred industry, we have one city race meeting a week and the rest of the race meetings are conducted in country Victoria — 500 meetings and — —

**Mr ANDERSON** — And 450 of our 500 meetings are in the country. We have got those stats in there, Hugh.

**Mr DELAHUNTY** — Yes, I understand.

**Mr ANDERSON** — Just a percentage of prize money. You would be well aware of them all.

**Mr DELAHUNTY** — It is a pretty big industry in country Victoria, as Anne said.

**Mr BUSSE** — Absolutely.

**Mr ANDERSON** — And growing.

**The CHAIR** — One of the things about being based predominantly in regional and rural Victoria, and given that a greater number of breeders breed to race, would be the linkage with climatic conditions. I imagine a lot more farmers are involved.

**Ms JACOBSON** — Absolutely.

**The CHAIR** — We have seen this first hand, and Hugh has known about this for a long time in his own patch. When you get a bad year farmers who have got a couple of horses will just not have the mare served at all that year to save money. We understand that is a problem, and it is always going to be a problem to some extent. The bigger problem, though, on the commercial side — extending that out — would possibly be that someone who is a commercial breeder and who lives in a rural area cannot get drought assistance or something like that. Is that a big problem?

**Ms JACOBSON** — It is absolutely a huge problem, particularly as anyone who is running a horse enterprise is not considered to be a primary producer. All these benefits that farmers get, we are excluded from them totally. It seems to be very unfair and unreasonable.

**The CHAIR** — That seems to have been the case for a long time.

**Ms JACOBSON** — A long time, yes. Say the word ‘horse’ to a bank manager and see what sort of response you get.

**The CHAIR** — Noel and I know what bank managers say if you say ‘spring carnival’ or ‘wagering’, let alone ‘horses’.

**Mr DELAHUNTY** — In relation to that, though, we have been to New Zealand and we have spoken about that. One of the critical things in the growth of the industry, whether it be harness or thoroughbred, is the fact of finance. We know that the banking industry does not seem to lend itself to servicing the harness industry — or the thoroughbred industry for that matter. In New Zealand we heard that with the yearling sales there is a company that sponsors some of their stallions. Does that happen at all here in Victoria? Does any organisation — whether it be HRV, yearling sales or anyone else — sponsor stallions?

**Mr BOURKE** — No. The partners in the second company in Victoria are all breeders and stallion sponsors — they bring it into the country. But there has been less and less sponsoring of stallions into the country because of —

**Mr DELAHUNTY** — AI.

**Mr BOURKE** — AI and frozen semen; we find that we can breed to America’s top stallion with frozen semen. They would not dare take the risk of shuttling him backwards and forwards — there are a few potholes there. But they will release frozen semen into the country, which is a great help to our industry.

**Ms JACOBSON** — Perhaps I should do a bit of a summary on that side of things to do with the difference between us and the thoroughbreds as far as the technological side of breeding goes. Basically, in Australasia harness racing is at the forefront of the use of these advanced technologies in reproduction in horses. Within the district Victoria is at the forefront of whatever is happening in harness racing, so we are quite proud of our position from that point of view. We have embraced the technology and we have everything associated with it to the level that it works extremely well and efficiently. That has been of enormous benefit to the industry overall. However, it has got a little bit ahead of itself because when we first started transporting semen around the country, it was very difficult to formulate regulations for it because nobody really knew how it was going to work. The AHRC subcommittee, which Peter is the chairman of, is trying to put that right — that is, formulate the regulations that will keep it going so that the whole thing runs properly. No-one needs to teach a thoroughbred studmaster how to serve a mare with a stallion, but in our situation sometimes we have somebody looking after 100 mares on a

property and they do not have stallion on the place, so that every single one that they handle is either chilled or frozen semen.

One of the reasons that we think the pregnancy rates have dropped in the last few years is because more and more people are being involved in this and some are less expert than others. It has been such a short time that people have not had time to learn that — they cannot ask their fathers how to do it because it was not around until three or four years ago. This is one of the big deficiencies that we see in our breeding industry. One of the things that is holding us back quite significantly is that we need to bring all our people up to speed with all these techniques, not only the technical side of it but the animal management — managing the mares to get maximum pregnancy rates and also handling the other side of it, which is the transport of frozen semen and the import from New Zealand.

People need to know how to handle all of those things so that they can run one of these operations successfully. At the moment we are totally undersupplied with places that we can send people to learn about this. There just is not anywhere that we can send them, and we really need to redress that, otherwise it will take a long time for people to learn by experience to catch up and get the pregnancy rates back to what they were, to where they were in the old days of AI but no semen transport and when every farm was getting 95 per cent of its mares pregnant over a whole season. Now with the transported semen thrown in, some farms have dropped back to 70 per cent. That means 30 per cent of the mares they serve miss a whole year. Often they are the very good mares because they are using semen from top stallions, and you have just wasted a year in the life of a good broodmare.

**Mr DELAHUNTY** — Anne, could I just follow up on that? This submission from HRV speaks about breeders having a marked preference for experience rather than academic qualifications, except in the case of vets. I have two questions to ask, probably from HRV's point of view: has any research been done to stack up these anecdotal comments about falling birth rates; and, more importantly, is any work being done to look at skill development so that we do address that?

**Mr ANDERSON** — I was going to mention that we have a supplementary paper we would like to forward to the committee about that very issue. We have touched on it in our report here, but I think we would like to add to it on training and education in the industry. I do not think we have the statistics, for example, to say how many failures and so on that we would have had over time and I think it is — —

**Ms JACOBSON** — It is very hard to collect those sorts of things because at the moment those premises that might have 100 mares but no stallion, under the current situation, do not have to be registered with the controlling body because there are no registrations to fit them. It is very difficult to collect actual figures, but there are those of us who are working at ground level. I will give you an example from my own experience. We handle a stallion that was good in New South Wales a couple of years ago. We served 41 mares at our place with the chilled semen from this particular horse. We were controlling all the Victorian services. We got 39 pregnancies out of our 41 mares, and a farm down the road that has its own stallions — plus it serves a lot of mares from outside — served eight mares with the same stallion and got two pregnancies. That is the sort of thing that is happening everywhere — that is, certain segments just are not having the success.

**Mr DELAHUNTY** — What it goes back to, and I think John was starting to answer that, is that we need a mixture of both. There is no doubt that we need to improve our academic qualifications.

**Mr ANDERSON** — Absolutely.

**Mr DELAHUNTY** — But experience is a great teacher, too.

**Mr ANDERSON** — The on-the-job training, as it were.

**The CHAIR** — I might come in at this point because I think this is a fascinating point for both thoroughbreds and standardbreds. We say, 'Yes, they are industries and they are very serious industries', and we have all the statistics — and we are talking very big dollars every year — and, yes, there are people who come into it with different views, some at the hobby end — for some it is a very serious hobby and for some it is at the commercial end; but if we could start off with a blank sheet of paper and we want to go around the world and tell them all what a great job we are doing in Victoria — because we want to be regarded seriously by the rest of the world, and we genuinely believe that we should be — give me the four dot points with which I can go out to the

rest of the world and say, 'We do these better than anyone else', and we still have blank sheets of paper. Because there is nothing that we do in Victoria that we can hold up — certainly on a thoroughbred level, but I can stand corrected here — and demonstrate objectively that we do better than anyone, or that we are becoming better than anyone at doing.

The one thing about the thoroughbred industry — and to some extent the standardbred from what I know about it — is that we do not benchmark anything. We do not benchmark ourselves. You could go down to a stud here or a stud there and, yes, you know you had a better rate this year than they did, but there is no way that that comes out publicly. It does not challenge or force. No-one is an exemplar in best practice. Everyone is doing really good things. I just wonder how long that ought to be allowed to go on for. At some point, if we want to seriously say that we are going to be the best in the world or the best in the country, against what criteria do we say that?

**Mr BOURKE** — Anne touched on it before with regard to the breeding prior to the transferring of semen, when we were using AI only on the farms where the stallions were. We were getting 98 per cent or something.

**Ms JACOBSON** — Everybody got between 95 and 100 per cent.

**Mr BOURKE** — Yes, they had a 95 to 100 per cent rate. But then, as the AI broadened we were able to get further out. There are two aspects of it: if you have got the preparation right of mares prior to going to stud, and you have got the AI right on the farm, then you can get those very high percentages — and that is as good as anywhere in the world. There is no doubt about that.

**Ms JACOBSON** — I think we answer your question if we progress to the next stage, which is that this time next year we are hoping to have all these things in place where everybody who is involved with breeding standardbreds is licensed and registered.

**Mr BOURKE** — It will be properly regulated.

**Ms JACOBSON** — Then, with the regulations, the results will come in and be official. We will be able to print something at the end of each season to say, 'This was the performance of the industry'.

**The CHAIR** — Is this formal HRV policy?

**Mr BOURKE** — It is a process of developing and adopting it through the AHRC.

**The CHAIR** — Because I think it goes beyond just the AI and the pregnancy side of things — I think it is the same with yearlings. We had the same issue with our friends in the thoroughbred industry. We asked them what the best place in Victoria or Australia is for raising horse yearlings. We said we understand grass growth and bone density — we understand all of that. And everyone says, 'Our own patch'; everyone says that everyone else has got rocks in their head for going elsewhere. Surely, with all the knowledge around, there would be some objective tests here — for example, if you have more limestone, there is the scientific evidence that says why.

**Mr BOURKE** — Most go to Tasmania.

**Ms JACOBSON** — That is it.

**The CHAIR** — Most of the large investment patterns follow people who have been there 100 years.

**Ms JACOBSON** — This is the problem that we run into all the time in the racing industry, which other people, particularly from farming backgrounds, find very hard to understand. There are just too many factors affecting each thing. You cannot say, 'This country grows good foals' because there are so many variables with the production of an animal that is successful at the races. There are too many things that go into it, and this applies to the breeding as well. If you asked a computer whiz to write a program to tell you which is the best cross between a stallion and mare, they cannot do it, because there might be 200 variables within each situation. I think it is exactly the same when it comes to raising horses. It is the same when it comes to training. People say that you must surely be able to pick out who the best trainer is by scientific means, but it is not possible, because there are too many variables and each horse is an individual. You can have full brothers — one is a champion, one runs last. You just

cannot draw any quantitative conclusions from any of these things. That is what makes it so hard, because so much of breeding is just a matter of opinion.

**The CHAIR** — I can accept that we probably would not want to boil it down to a formula.

**Ms JACOBSON** — That would take all the fun out, wouldn't it?

**The CHAIR** — It would take all the fun out.

**Mr PULLEN** — Anne, you mentioned training. Once again, on page 24 of the submission, it says:

Currently, the Bendigo Harness Racing Training Centre in association with BRIT — the Bendigo Regional Institute of TAFE, and the Gippsland Harness Racing Training Centre in association with Melbourne University, offer full-time training to interested participants who wish to complete the Certificate IV in Harness Racing.

I do not know what the Certificate IV is. Also, how long does a course go for, and what do they actually teach? Does anyone know?

**Mr McPHERSON** — I do not know unequivocally, but I can give you a reasonable idea. It used to be a nearly 12-month full-time course at Bendigo, but a lot of that was on-the-job training out in stables. You can do that for as long as you like. They have taken that same course, converted it into a Certificate IV, and they work their way up to that. Basically, at the end of a period of time of the course — and a lot of students can even do it on the Internet — you basically know enough to be dangerous. It will give you an introductory level of knowledge to go into the training of a harness horse. Some will go into driving, but a lot of them are not interested in driving. They are older people, or maybe they just do not want to drive. But it gives someone the necessary knowledge and practical experience to start in harness racing. They are on the diving board; where they dive off and land is — —

**Mr ANDERSON** — As it stands at the moment it has very little application to breeding.

**Mr DELAHUNTY** — I am really disappointed at HRV's position on that, whether it be on the breeding side or the harness racing side. If we do not improve the skills, we do not improve the industry, and we do not grow the industry. Noel talked about the fact that you have an involvement with TAFE. I notice you have a reasonable association with the University of Melbourne, but we know what it is about to do in country Victoria — it is similar to what HRV has done. But at the end of the day, what is HRV going to do to make sure that it has the skills both on the breeding side and on the racing side? We did not seem to get a very strong submission in relation to that. We are making recommendations to the government, and skill development is a growing need in a lot of industries. We believe this committee can make some recommendations to address that issue, but we need the information from you.

**Mr BUSSE** — We certainly agree with that, and that is part of the submission that Anne is in the process of developing, and that will be a follow-up submission on education. We think that is one area where the government can support the industry, and work with the industry, to improve the areas of skill development through the education system. That is where we can make a difference to up skill people to be involved in the industry. Anne is at the forefront in this area.

**Ms JACOBSON** — Yes. It has really come into focus for us recently because harness racing is looking at it nationally through the Australian Harness Racing Council. Ultimately it would be good if all horses were registered nationally, rather than state by state. It would facilitate the movement of horses between states and so forth. We are not talking about the sharing of revenue or anything like that, but simply the registration so that they are spread around. The fact that the breeding is so badly in need of regulation has brought to our attention the fact that it is no good saying to somebody who is running a breeding enterprise, 'You need to have a licence to do that, and to get that licence you need to be able to pass this test'. Yet they have absolutely nowhere to go to educate themselves on how to pass the test. We definitely need to redress that. There will probably be a reasonably large percentage of people in the breeding industry who are already participating, and who will be able to pass the test just on the experience that they have so far, and obviously we would not exclude someone who has been a studmaster for 20 years because he had not been to school and found out about things. We would make it so that if they have the appropriate level of knowledge and experience, they more or less sail straight through. But we could not agree with you more that we need this — —

**Mr BUSSE** — Focus on education.

**Ms JACOBSON** — Yes. We need to be able to — —

**Mr DELAHUNTY** — I am a bit worried that with what is going on with Melbourne University — and we will hear about that on the 18th — whether it is the university or some organisation — —

**Mr BOURKE** — Glenormiston was — —

**Mr DELAHUNTY** — You are talking about Glenormiston , and McMillan, I believe.

**Ms JACOBSON** — In the past Glenormiston ran an AI technicians course, but we think even that is only scratching the surface because, as Peter said, the transport of semen, and how you manage your livestock over the stud season is important, which an AI technicians course will not touch on.

**Mr DELAHUNTY** — We are talking about education including Harnessing for the Future for younger students. You say in your submission that 35 000 students have attended these courses and that Junior Harness has 1000 members. Where are these predominantly run? Is there more interest in certain areas — either Great Western or Murray Valley, or is it — —

**Mr ANDERSON** — It is right around the state. It is around the — —

**Mr DELAHUNTY** — So that is where the focus is. Do the schools in those areas tend to pick up those programs?

**Mr ANDERSON** — Yes, they do. They are super popular as well.

**Mr DELAHUNTY** — In Hamilton?

**Mr ANDERSON** — Yes, Horsham and Hamilton.

**The CHAIR** — I want to ask a question about AI. I am just bouncing something back to you from the thoroughbred industry.

**Mr BOURKE** — Are they using AI?

**The CHAIR** — In the context of the bloodlines in thoroughbreds. If I understand it correctly, there were four foundation stallions in the 17th century and, of those, one has more or less gone and there are now three. Everything that is bred in thoroughbreds is horribly overexposed to Northern Dancer. It has 2, 3 or 4 crosses. From what I can tell one of the strongest arguments about the pitfalls of AI is that it would further diminish the genetic diversity in thoroughbreds. It would accelerate even further the exposure to this one main line. Are standardbreds different in terms of the foundation stallions? Is it exactly the same argument? Could you fill me on this because I do not know enough about it?

**Ms JACOBSON** — There is absolutely no basis for concern that AI will make any difference to the genetic make-up of the herd. Basically every thoroughbred in the world today is descended from 3 stallions and 45 mares, or something like that. But they are obviously still genetically different enough to race. If you took a horse that was bred in Australia and put it next to a horse that was bred in Ireland, you would see that they have diversified within that gene pool. Just because those are the genes they started with it does not in any way mean that it is detrimental. Standardbreds are no different. If you could trace them all back, you would probably find a similar number of horses. The reason why they have been more successful is that they have the genetic make up which allows them to run fast, and that is the only thing that we have bred for in thoroughbreds. With standardbreds you have to throw in the fact that they have to have the temperament to cope with wearing all the gear and having a cart behind them and so on. So we have tended to breed a slightly more sensible horse. The ones that can run fast and are mad will get a go at the gallops, but they will not get a go at our sport. There is no scientific basis for any argument against AI at any level of breeding horses. The people who are most vocal about it in the thoroughbred industry do not have the scientific information to back that up. It is just rubbish.

**The CHAIR** — So in plain terms your view is that it is nonsense to try and legislate against overbreeding, in a sense, when you have such a diversity of choice?

**Ms JACOBSON** — Absolutely.

**The CHAIR** — There is no evidence whatsoever that this has been a problem?

**Ms JACOBSON** — No.

**Mr BOURKE** — A classic example is that Danehill was standing out here for \$4000. They have no ceiling on how many mares you serve. He probably would have had 90 per cent of the breeding stock in this state to breed to him, and that is clearly the same in harness racing. There are stallions that are very successful. They cross well with certain bloodlines and there is a rush to get to them. They will get a book of 200 or 300 mares, whereas other stallions will be flat out getting 20 mares. It is the popularity of the breed, and if it crosses well then you are a fool not to patronise that line.

**Ms JACOBSON** — We have been going long enough now that we can tell what has happened. The first horse to break the mould was a horse called Vance Hanover in New Zealand. At the time they argued with the limit of 100 or 125 or whatever it was, and they successfully argued that they should be allowed to serve as many as they liked. For a couple of years he was serving over 300 mares each season, and I think in one year he went over 400. If you look at the broodmare population of New Zealand you would expect every second broodmare to be by Vance Hanover, but that is not the case. It works itself out because the ones that can run fast are the ones that are bred from, and nothing else matters. You do not breed from them because 6 out of 10 are by Vance Hanover. You do not breed in proportion. It is a self-selecting and self-regulating process.

**Mr McPHERSON** — That same claim was made in America in the 1970s. They had a dominant harness stallion called Meadow Skipper and his sons went on to be super sires, and at the time they had a concern about limiting the genetic diversity of their herd. Again, the proof is now in the pudding. They got to a certain point where all the breeders breeding from the sons of Meadow Skipper were looking for outcross broodmares to breed back. They did that, got certain results and they would go out further. In some regard you could actually argue that it increased the genetic diversity when they went into artificial insemination. Now, rather than the one stallion line there are numerous stallion lines operating out of the US and most of those are the ones that we tap into here. Added to that, we have the colonial families of Australia and New Zealand, and the permutations are just infinite now.

**The CHAIR** — The move towards AI was in the early 1990s and was initiated in America. Was that where the push came from or was it initiated in Australia?

**Ms JACOBSON** — My recollection of the early part, particularly with frozen semen, is that it was European, to do with that warm bloods and showjumping, which is enormous in certain parts of Europe. In the Netherlands and Germany they have warm blood stallions that are like our racehorses — they have big service fees. They perfected the freezing technique. I think the chilling probably came mainly from the US. They were certainly shipping chilled standardbred semen around their country a long time before we were. We have sort of picked up from them.

**Mr PULLEN** — I am interested in the breeding statistics in the fourth paragraph on page 9, which says:

Foalings recorded by AHRC under 'Victoria — other foals whose birth was officially registered by HRV'.

Some of these foals may be born outside Victoria but are notified to HRV either to meet eligibility criteria for the Vicbred program — which is fair enough —

or simply because it is cheaper to do so.

The fees in Victoria are cheaper than interstate, are they?

**Mr McPHERSON** — In the main, yes. Our foal notification fee is cheaper than in most states, but they fluctuate annually — some of them will reduce fees. I could not say that unequivocally, but for the most part, yes.

The other part is that if you notify your foal interstate and pay around about \$200 or \$250, you also then have to pay Victoria \$198 to enter the Vicbred scheme, whereas if you notified in Victoria you get that as a bonus.

**Mr PULLEN** — Another thing I am interested in is the Stud Book because there are problems with the Stud Book as far as thoroughbreds go, from what we have been able to ascertain. What sorts of fees and so on like that are involved with the Stud Book?

**Mr BUSSE** — Mr Pollock is the expert on Stud Books. He compiles the National Stud Book and he can answer all those questions.

**Mr PULLEN** — We will leave that. I have two other things. On page 21 it says that HRV has resolved to invest \$20 million — a huge amount of money — in the next seven years to upgrade regional centres, including Bendigo, Warragul, Mildura, Nyah, Swan Hill, Ararat, Stawell, Echuca, Cobram and possibly Wodonga. This follows \$4.5 million in recent capital works in Terang, Shepparton, Charlton and Yarra Glen. We have today's press release, too, which has staggering figures for the St Arnaud meeting turnover and some of the other ones since some of the meetings have been transferred. Is the aim basically to further reduce the tracks — you do not have to answer that if you do not want to — but to develop major regional trotting centres?

**Mr ANDERSON** — Speaking on behalf of Neil, it is a seven-year plan and we have committed ourselves to the clubs that you have just mentioned that are in the release.

**Mr BUSSE** — Just to clarify the record, I think it should be said that over the last four or five years harness racing has spent in excess of \$10 million upgrading infrastructure around regional and country Victoria. I am not aware of any other sport that has spent that sort of money in capital infrastructure. Over the next seven years \$20 million is at the minimum end of the scale. I would think it will be more like \$25 million plus. It is also about complying with occupational health and safety regulations, which is a key issue and concern for our industry. We do not write the rules on occupational health and safety but we are committed to complying — for example, to build a barn that will comply with OHS will cost us \$500 000-plus at each venue. You can write a manual, but until you actually have some practical experience on the ground you do not know what you are up for in regard to OHS issues. So that \$20 million is a conservative figure and we would think it is more like \$25 million that we will have to spend over the next seven to eight years to get our infrastructure up to full speed. In terms of looking at the breeding industry, as we improve the breeding of the horses and the horses get faster, it is an important welfare issue to have very safe, big tracks, firstly, for the welfare of the animal, and secondly, for the welfare of the participants. It is a key strategic issue for HRV in terms of upgrading our infrastructure around regional and country Victoria to make sure that we comply with OHS issues and look after the horses and the horse people. It is absolutely critical.

**Mr PULLEN** — I notice the same thing happening with thoroughbreds with the number of farms. In 2001–02 there were 85 farms; in 2002–03, 80; and in 2003–04, 77. What is the reason behind the trend? Are the bigger ones absorbing the others or are people just going out of the industry?

**Mr BOURKE** — Semen.

**Ms JACOBSON** — One effect of the semen transport is that with the more popular stallions being able to serve as many mares as they can, the less popular and less well-credentialed stallions, which in the past might have served 15 or 20 mares because they got the overflow from everybody else, are going out of commission under semen transport. We do not consider that a bad thing because you are probably looking at the poorer genetic stock that you are getting rid of. But I think the drought has also had something to do with that, because there are fewer people. The only way to turn it around is by increasing the amount of money that people can make out of breeding and owning standardbreds. That is what we are trying to emphasise: that returns to the owners is by far the most important thing as far as helping the industry. If we can increase the returns, through breeder bonuses or whatever, to the people who are actually out there and breeding the horses, the ones with sufficient interest and who are actually doing that work, they are the ones who need the encouragement and financial help and our whole industry is going to depend on them, basically.

**The CHAIR** — I want to ask a question about the wagering turnover growth. You made the point earlier about the fixture being more or less at capacity, that you cannot get more races into the fixture. It is a great example



of the connection between the racing side and the actual breeding side and how they support each other. Turnover growth has been good for harness racing in the last few years and that has allowed you to do things with VOBIS and on the capital side. Looking through to the renewal of the licence for 2012 — I can see Ged at the back, shaking his head — is HRV looking forward to that as to how from your industry's point of view you might get more fixtures in or do you not want more fixtures or is it just too fiddly?

**Mr BUSSE** — I think that given the horse population numbers right at this point in time and the limited opportunities through Sky Channel to put on more racing, if we could get better dates and so forth out of the racing industry, maybe we would look at that. But the thoroughbred industry has the first crack at the best dates that are available to program their racing across Australia, particularly in Victoria, which limits our opportunities. We come in second all the time. We would like to race every Friday night at Moonee Valley, but because Moonee Valley Racing Club has racing on those odd nights, too, we have clashes there. There are limitations in Victoria in terms of the number of meetings, the opportunities to race at preferred times and the racehorse population. Duncan is the expert on the program nationally. I defer to him.

**Mr McPHERSON** — I agree with what you are saying. Right now we have not got the capacity even if we had the opportunity. It is also worth saying if we had not improved the breed to the point we have in the last 10 or 15 years through the access to much higher quality stallions — apart from pure speed we are getting much more tractability, conformation and, as Anne was saying, level-headedness — we would be really struggling to service the racing product that is required of us now. Our horses on average start nine times a year. It does not sound a lot, but we have horses that go round 45 times a year — they will race nearly once a week. They are very tough animals. It is a combination of all these things we have spoken of — good tracks and everything that goes with that. If we had not had access to these better quality stallions and bred more of them, it is quite problematical, but I would suggest we would be struggling to populate our race fields right now.

**Mr ANDERSON** — Just one final point on that, which I think we made mention of here. When we talk about turnover, growth and so on, only 50 per cent of the turnover is from Victorian racing. We are heavily reliant on interstate racing and that is a major concern for us strategically going forward. Part of the emphasis on breeding from our point of view is supplying racing product not just for Victoria but for other states. South Australia's racing population is critical. Similarly Tasmania needs more horseracing there otherwise we lose out.

**Mr BUSSE** — Just talking about turnover, our turnover figures have been sustained or maintained on virtually the same number of races. The growth in the greyhounds and thoroughbreds to some degree is based on an increased number of races. We are virtually stagnating or flat-lining in terms of the number of races we are conducting compared to the greyhounds. That is where they have their great growth — through the increase in the number of races.

**The CHAIR** — That reflects well on HRV's ability to market.

**Mr BUSSE** — Our Programming Subcommittee does a fantastic job in identifying programming opportunities and being fairly aggressive in marketing our product particularly in regional and country Victoria.

**The CHAIR** — Do you have a magic number in terms of race fields? I think with the thoroughbreds it is 12.

**Mr McPHERSON** — We have a limit of 11.

**Mr BUSSE** — The average size of race fields is between 8 and 10.

**Mr ANDERSON** — Our average in the country is a bit over 9. Our average in the city is a bit over 10. That has slightly increased. South Australia conducts 23 per cent of its races with less than 8 horses.

**The CHAIR** — That is disastrous for turnover.

**Mr ANDERSON** — We are holding here. We have not dropped at all in the last 12 to 18 months. Our emphasis is on quality of racing not quantity. We are at the point now where we have to assist other states as well as our own.

**The CHAIR** — One more question and then I know Hugh has one to wrap up with. Quite a number of yearling standardbreds are exported, go abroad. Victoria does very well and New Zealand does very well. Has there been any informal involvement with government at a federal or state level in export assistance, export programs, marketing or anything like that in the last umpteen years?

**Mr McPHERSON** — We are caught between a rock and a hard place on this one. When Rod Pollock comes on he could give you some more figures. Horses we export are generally city-class horses. They are well known to the public and they get to a certain level and disappear across to America. We would really want to retain them here as our own product. By the same token we have breeders saying to us — at one stage it cost \$1000 for the export fee and we are looking at increasing it to try to retain these horses — ‘don’t you dare stop us from developing the market in the US’.

**The CHAIR** — A rock and a hard place.

**Ms JACOBSON** — It all gets back to the more animals we can breed successfully, the better off we are going to be.

**Mr BUSSE** — We should be encouraging export. In an ideal market we should be encouraging it if we can get our race population up to a certain level and sustain it. The export market provides a unique opportunity for our breeders into the future.

**Ms JACOBSON** — It is a very value-added type of export.

**Mr McPHERSON** — Our horses are cheap for Americans. They cannot buy the quality of horse over there they get in Australia for the same price. The greater the fluctuation in the currency, the more it enhances their buying ability.

**Mr BOURKE** — Of course our sales company is also looking at marketing in the future. We have never marketed before into America. We have spent a lot of time and hired probably the best pedigree researcher in the country to put together our new catalogues and we look in the future to market our catalogues with DVDs to some of the major buyers in America. They seem to be able to travel as far as New Zealand, but they cannot take that next hop. They are now a big part of the pricing of the New Zealand yearling whereas ours are a lot lower. It is because of the nature of the buyers in New Zealand compared to us. We are doing a bit of work on that as APG and we hope in the next couple of years to develop a real top-line catalogue with the back-up sales paraphernalia to go with it and we will market it into America.

**Mr DELAHUNTY** — I want to make a quick comment. Anne spoke about the drought and its impact particularly on western Victoria. I was supposed to be with Noel and the other crew to go to your farm, but I went to an event attended by the Deputy Prime Minister and Deputy Premier in Horsham on the Wimmera–Mallee pipeline which hopefully will assist in drought-proofing your area. I want to make a quick comment on the Chair’s comments in relation to V3. I understand lengths of tracks and OHS, but I have to say publicly that I have been disappointed in the process and particularly for the track that I represent in Hamilton. It meets just about all those criteria and it is not given the opportunity to survive. When you talk about the impact on regional Victoria in your submission of 11 000 jobs, 70 per cent of which are in regional Victoria, you can see why those clubs and tracks find it so hard to survive. My question relates to your submission on opportunities for growing the breeding industry. When you say you want to enhance the economic value of harness racing and the breeding sector of regional Victoria, does HRV have a strategy for promoting ownership?

**Mr ANDERSON** — We do and we have only recently sent that strategy out to the industry. It embraces quite a number of issues, but it is probably the first time we have targeted ownership as a major strategy of the board. It is based on research that we have completed over the last four years of what owners want. A response to that is an owners card — when they go to the races they want to be able to go and watch their horse. We are looking at incentives by way of syndication. It is something we can learn from our thoroughbred friends. It is in response to identifying the fact that ownership is a key driver of our business and it is not only on the breeding side; it is also on the wagering side. We have identified that 60 per cent of money invested on a horse is in some way connected to an owner — someone who knows the owner, is an owner, a friend of a friend of an owner. That

connection is so strong it has wide-ranging repercussions on the whole industry. We have actually just recently put an ownership strategy together.

**Mr DELAHUNTY** — Is that a public document?

**Mr ANDERSON** — No, it has only been through the Marketing Subcommittee to the Board at the moment.

**Mr BUSSE** — But we can make copies available to the Subcommittee. Just on ownership, a tremendous amount of research has been done in New Zealand and Victoria on ownership in the thoroughbred industry and it is a very tough area to crack. Syndication seems to be a popular way of going, but obviously that has legal implications and limitations. There is a limited number of licensed syndicates in Victoria. It is an area we would like to explore. Certainly the ownership is a very difficult market to crack, and to attract new owners into the market. We are working on it, but it is going to take a lot of time, effort and resources to crank up our ownership base. On the economic impact of harness racing around Victoria, we see our economic impact growing in regional and country Victoria regardless, and over time we see harness racing as being a major regional and country Victoria focus.

**Mr DELAHUNTY** — I hope so.

**Mr ANDERSON** — Just going back to the ownership, it is branded under the name of Racer Pacer. It has its own web site and so on. I will send you all the info on where you can log in and have a look through the whole thing.

**Mr BUSSE** — I think it comes back to a question Tony raised earlier: how does a new owner get into the business? That is a tough question, and hopefully through Racer Pacer that will lead people into it.

**The CHAIR** — We are interested in our report to look at entry points and how they connect with a race club member — what gets you interested in things about owning and what gets you interested in breeding and how easy these steps might be.

**Mr BUSSE** — The other area in terms of education is there are entry points for young trainers and young drivers coming into the industry, and how we keep them in our industry is a major challenge for the industry. A lot of people who come into the industry come through the family network. We want to try to break that nexus to some degree and broaden the base of young trainers and young drivers coming into our business. This is where the drivers fees and increasing training and education opportunities for young people coming into our business comes in. That is our future and these are the areas where we really need to crank up our resources in the education of young people and bringing young people into our business.

**The CHAIR** — In conclusion, thank you for your time. We could probably have spent a bit longer but we have other people we have to talk to. We have not made a final decision but in fairness to the standardbred industry we have been giving some thought to delivering a separate report for standardbreds rather than trying to add it in with thoroughbreds. Many of the issues are the same, but there are quite substantial distinctions. Our thinking was that at this point we would try to get the thoroughbred report done first and then the standardbred second. That would not be through until probably April or May next year, which is longer than we want, but we are finding with both subjects that there is a lot more advice out there and a lot more interest in putting in submissions than we have previously had with our inquiries. We want to make sure we give people the opportunity to get that information in. That is our thinking at this stage. If you have a real problem with that, let us know, but at this stage we think it is more manageable.

**Mr BUSSE** — In conclusion, we would like to thank you for the opportunity of being here today. From an industry point of view, we want to focus on positive outcomes that add real benefit to the industry. We are not looking for any welfare mentality handout. We are looking for something that can go back into the industry at an educational level or to encourage breeders to stay in the industry longer and develop the breeding industry. We are not looking for any sales promotion. We are looking for some sustainable effort of ongoing funding that will help the industry grow and develop in the future.

**Mr McPHERSON** — I wanted to clarify one point from before when you asked a question about the thoroughbreds which cost \$10 500 to prepare a horse for sale, and ours, we believe, is around about \$7500; and you asked what that was exactly. If you own a broodmare and you agist it somewhere, you breed it to a stallion and you raise that foal, by the time that foal goes to the sales it will have cost you \$7500, excluding the value of the mare and the value of the stallion service.

**The CHAIR** — I think the quote I was giving was something that Collingrove had presented. On that occasion the average sales price of the yearling was \$19 500. The sales costs in the lead-up, the nine months beforehand, and the sales commission amounted to about \$10 500, and they were recording a loss of about \$6000, because you had the cost of production on top of that. We are not comparing apples and apples directly, but similar experiences, I would imagine, where some people going through at the lower end into a sale are losing money. That is the point they are trying to grapple with.

**Mr McPHERSON** — I understand that. I just wanted to make sure because I did not think it was apples and apples.

**The CHAIR** — We will make that known.

**Mr McPHERSON** — Obviously a lot of people in the harness industry would not pay that much because they are not paying, they are utilising their own property.

**Mr GLOURY** — For a high proportion of horses that will go through our sales, people at the sales price would be recording a loss.

**The CHAIR** — We are interested in trying to identify ways in which the totality of those losses can be reduced.

**Mr ANDERSON** — They are supplemented a bit by the breeder bonus that comes later after the sale, hopefully.

**Mr BUSSE** — If they get to the races with them.

**The CHAIR** — Thanks very much.

**Witnesses withdrew.**