

# CORRECTED VERSION

## ECONOMIC DEVELOPMENT COMMITTEE

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

Melbourne — 24 October 2005

#### Members

Mr R. H. Bowden

Mr H. F. Delahunty

Mr B. J. Jenkins

Mr N. F. Pullen

Mr A. G. Robinson

Chair: Mr A. G. Robinson

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Executive Officer: Dr R. Solomon

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#### Witness

Mr J. Coffey, Marketing Manager, Alabar Bloodstock.

**The CHAIR** — The Economic Development Committee welcomes this afternoon John Coffey, marketing manager of Alabar Bloodstock. Thank you very much for giving up some of your time this afternoon.

As you would be aware, the Economic Development Committee is one of a number of all-party committees in the Parliament of Victoria. We receive references from ministers and carry out inquiries into those references. This committee has been asked by the Minister for Racing to examine the viability of the thoroughbred and standardbred breeding industries, and it is due to report back by the end of April next year.

The committee has decided to split the report into thoroughbreds first and the standardbreds second, so that everyone gets a fair go. In the course of this year the committee has gone around the state and spoken to a great number of people. It has also had the opportunity of visiting Alabar's Echuca stud, and it is very grateful for the assistance it was given there. I think we also visited Alabar and spoke to some people in New Zealand a little earlier.

**Dr SOLOMON** — We spoke to Graeme Henley.

**The CHAIR** — Today, because it is a formal hearing, Hansard is reporting proceedings. You will be given a copy of the transcript in about two or three weeks time, in which you may correct any minor errors and send that back to us. As it is a public hearing the committee reserves the right to make the transcript available publicly — it is probably what we will do, it is what we have done with all other evidence of witnesses — and that will inform us as we go about preparing our report.

Because these are formal hearings today they are covered by parliamentary privilege. So anything you say here is given that protection against anyone who takes offence at your words, but that protection only extends for the duration of your evidence, and once you go out the door you are on your own. We just need to make you aware of that, not that we think that you have something that pertains directly to the subject matter that we are dealing with.

We might just allow you to spend a few minutes telling us a little bit about yourself and Alabar and what you think the main issues are as to the viability of the standardbred breeding industry in Victoria.

**Mr COFFEY** — I do not know whether you have a copy of the little summary I sent down last Thursday, I think, but it contains just some brief points, and I will elaborate a little further.

Alabar Bloodstock started off in the Adelaide hills with Alan and Barbara Galloway — that is where the name came from — back in the late 1950s, and that is with Alan senior, who is now retired. Alan Jr got involved in the family business there and in 1979 decided to shift to Victoria. He purchased a 380-acre cattle farm up at Echuca and brought with him a couple of stallions. It has grown since then to the stage now where there is about 1600 acres up at Echuca, 10 stallions standing there at the moment, a farm on the outskirts of Auckland of some 400 acres, with 7 stallions there, and also an alliance with Tara Hills stud in Ontario, Canada. Tara Hills had been there for some time with some stallions. Alabar provides the technical expertise over there in terms of dealing with chilled semen and shipping of semen et cetera.

That is basically just a very quick overview of Alabar, so it has grown, as you can see, from a small operation to probably the largest one in the Southern Hemisphere at this point in time.

Just to elaborate a little bit further on a couple of issues, you will see some figures there that indicate that back in 1980, some 25 years ago, there were over 18 000 mares being bred in Australia, with some 12 500 to 13 000 foals hitting the deck in the standardbred industry. These days that has reduced down to somewhere in the region of perhaps 8500 mares being bred and only 6000 foals, so there has been quite a drastic reduction in the number of mares bred and the number of foals being born over the last 25 years, and probably that biggest drop has come since the late 1980s.

The big problem of that, and I think one of the major issues facing the standardbred industry throughout Australia and also in Victoria, is that because there are so few foals being born as compared to many years ago and the same number of races are being run, there is a big problem in filling fields. That has an escalating problem in regard to the distribution that is provided to the standardbred industry and the thoroughbred industry from the TABs in the various states of Australia.

The TABs and Sky Channel, the major television network, rely heavily on basically wall-to-wall racing, whether it be dogs, gallops or harness racing for the punters to bet on. Personally I think there is too much racing at the moment. If any of you watch Sky Channel you will see that basically one race finishes and another race starts, and sometimes there are overlaps in between. But anyway the TABs want more and more betting turnover and they want more and more races, so there is a big issue there with the standardbred industry, and they are struggling to fill fields.

I did read a report that was issued by Peter V'Landys, who is the chief executive of the thoroughbred industry in New South Wales, not long ago and they have a similar problem there in thoroughbred racing industry, where they are struggling to fill fields. I think from memory that report indicated that a 12-horse field was about the optimum for punters to bet on to get decent dividends, and probably in harness racing they would be 10-horse fields.

Yesterday I went to the Kilmore Cup meeting, and although the main cup field was a full field many of the other fields on that program, which was a substantial and important meeting, were only six and seven-horse fields, and so there is evidence there. Of course with the small fields the punters only get smaller dividends, so there is less inclination to bet. It is a whole issue that sort of chases its tail, so to speak, but it is a serious problem throughout Australia.

I am not sure whether the administrators of harness racing in Australia through the Australian Harness Racing Council are doing anything about it or whether or not they recognise the problem. I am sure they recognise the problem, but there will be a need somehow or another to try to get more foals being bred.

Victoria is without doubt the strongest breeding state in Australia. As I said even here in Victoria they do have trouble filling the fields, and in some of the other states it is even a bigger problem.

Just going through those points — and I will go over some of these very quickly — I will go to the next one. The standardbred industry in Australia depends heavily on stallions coming from North America. Most of the stallions that were purchased and brought out from North America for Australia throughout the 1960s right through the 1980s and probably into the early 1990s were pretty cheap racehorses. They might have had a bit of breeding behind them, but they were very ordinary performed racehorses, and because a high number of mares were being bred — as I mentioned, up around 12 000 to 13 000 mares — it was economical for people to bring out a horse for maybe \$20 000, the most expensive part being probably the air fare or the ship fare out here, and consequently I think our industry suffered in those 20 years through these poor-quality stallions that were imported into the country.

I just put in brackets there in my notes that a horse called Thor Hanover in fact was the leading sire for nine consecutive years. That is not denigrating Thor Hanover; he was probably quite a good racehorse and probably the best one that came out, but the fact that he was able to be the leading sire for nine years sort of highlights the issue that the opposition was pretty ordinary.

I will just refer back to that little issue later on, but after 1980 there was the Newbound brothers who were based at the time in Chiltern in north-eastern Victoria purchased a horse called Windshield Wiper, which was a very high-profile USA racehorse. Probably he had been standing at stud for some time and may have been seen by the North Americans to be perhaps not measuring up. But anyway he was the first significant stallion to be brought into Australia and was syndicated.

In those days, we were allowed to syndicate horses amongst the harness racing fraternity without the rules and regulations that are now put in place by the people that are going to come here later in the day and have made syndication pretty difficult now. But anyway it was allowed back in those days and that was a successful syndication and the horse did a very good job in Australia and became a leading sire. Because that horse came along the opposition studs then decided to jump in and Alabar jumped in in 1987–88, or in the late 1980s, by purchasing three high-profile racehorses from North America.

In the interim by the way this is what happened to the Newbounds, who I mentioned stood that horse in Chiltern in Victoria, I think in the first or second year that they actually had the horse up there was the year we had a terrible drought in Victoria. They had been in the business for a long time and I think they were starting to get on in years a little bit, and the drought basically finished them off. At that stage, Alan Galloway with Alabar was the new kid on the block and looked to be the whiz kid. He was offered Windshield Wiper to stand at stud, so that horse actually

spent the rest of his career at Alabar. That obviously helped to kick-start and get Alabar established into the harness racing business.

So, as I said, competition got a little bit stronger, and the other studs decided to all lift their rating as well, and through the 1990s and certainly these days the quality of the horses that have been imported into Australia and New Zealand rose considerably. I am sure we are seeing now the benefits through having better quality horses on the racetrack.

The other important thing happened in 1996. Prior to then, stallions in Australia were only allowed to serve 125 mares a year. I think the limits in New Zealand had altered sometime before that, but in Australia limits were put on of 125 mares per stallion. In 1996 the Australian Harness Racing Council lifted those limits and just took them off completely so that if a stallion was capable of serving 400 mares, then in fact that did happen as the years have gone by with a fertile horse.

Although that particular issue or decision has probably had some downsides — it has probably helped to put a lot of the smaller studs out of business to a degree — it also allowed the major players in the industries in Australia and New Zealand because if their stallions were fertile enough they could serve more mayors and generate more income, they could afford to go to North America and instead of spending \$200 000 to buy themselves a horse they could spend \$1 million and get a better quality horse.

Those are the issues that have happened over the past 10 years particularly. In recent times a lot of these stallion owners in North America have come to read about our industry down here and some of these stallions serving 400 and 500 mares a year. I am not sure whether they think it is a land of milk and honey or not, but a lot more have come to the opinion that there is a very lucrative market down in the Southern Hemisphere while the stallions would normally be resting up in North America. There are somewhere in the vicinity of 30 of the major stallions standing in Australia and New Zealand in this current season that are still in fact owned by North Americans. So they are having quite a significant impact on our industry down here.

This has probably been the most significant year for North Americans wanting to shuttle their horses down here. Prior to this a lot of them had been a little negative about sending them to a country on the other side of the earth, but they seem to be accepting that more now. There is a bit of a glut of them down here this year so it will be interesting to see at the end of this year just how they all figure out and whether the costs — which are not insignificant — of sending them down here are covered and everybody makes some money out of it. I guess in the long term it would have a benefit to our industry down here. I will go back at the end and cover some of the opportunities available there through those decisions.

Regarding the opportunities that our colonial or Australian and New Zealand-bred horses over the years get at stud, a lot of our top racehorses back during the 1960s to 1980s — there were several of them — were not freaks but they probably did not have a lot of breeding behind them; they were just champion racehorses. A lot of them got a go at stud but probably through lack of opportunity more than anything, but perhaps because of their breeding also, they did not get a go; they did not succeed at stud.

With the better-quality horses that have come into Australia and New Zealand over the last 7, 8 or 10 years some of the best sons of those stallions are now getting a really good go at stud. There is a horse in New Zealand called Christian Cullen that is the perfect example. He was probably one of the greatest racehorses I have seen in this part of the world. He is now becoming probably the best sire in the Southern Hemisphere. Probably this year he will earn more money than any other stallion in harness racing anywhere in the world. He is covering 300 mares at a \$15 000 service fee, which is good money for the bloke who owns him. It will provide more income than even the most popular stallion in North America. So that is the impact he has had on this industry in this part of the world.

There is another stallion in New Zealand by the same sire that has two-year olds about to go to the races and there have been huge and enormous reports on him. This is a horse called 'Courage under Fire' that was an unbelievable racehorse, and I have no doubt he would have competed with the best anywhere in the world as a two and three-year-old if he had gone to North America. So it is great for our industry that some of these local or colonial-bred horses are now getting an opportunity at stud.

The standardbred industry varies quite differently from the thoroughbred industry in that respect because over the years the thoroughbred industry has actually patronised the best of their racehorses, the Australian-bred racehorses. I do not know the thoroughbred industry well enough to name them all, but I know there is a horse called Redoubt's Choice at the moment that I think stands at \$200 000 and is probably the most expensive horse standing in the Southern Hemisphere. He was bred here and raced on tracks in Sydney and Melbourne. There have been plenty more before him as well. The thoroughbred industry has supported its own local product to a degree. It has relied on the shuttle horses as well. I know Danehill has had a huge influence on the thoroughbred industry down here when he started shuttling from England or Ireland, or wherever he came from. Many of his sons are now standing at stud. The standardbred industry has been slow to accept our own great racehorses but that is changing around now. That has been a big plus for our industry down here.

In regard to the actual industry here in Victoria, I mentioned earlier the breeding industry here is without a doubt the strongest of any state in Australia. In fact it is head and shoulders above every other state. It is probably also the strongest in terms of its racing product, although Western Australia does have a very strong city-based racing product. Probably the biggest strength in Victoria over the years with the racing product is that the people who administer the sport here in Victoria have always looked after the country clubs. I think it is the only state in Australia that actually provides more prize money for their country tracks than it does for its main track at Moonee Valley.

Places like Bendigo, Ballarat, Geelong and now Shepparton are all strong regional areas that have very strong harness racing clubs, and in fact the harness racing board in Victoria runs many of its major races at those country centres which often attract better attendances and equally as good a turnover as it does at Moonee Valley. I think the board here in Victoria is to be congratulated for the way it has run the racing industry. I guess the two industries, racing and breeding, go hand and hand to a degree because to have a strong racing industry you have to have a strong breeding industry as well.

I think it is important maybe to stimulate and help get more foals on the ground. I know there is only a certain amount of distribution through the TAB that goes back to the three codes. Probably one way the racing and breeding industry could be stimulated even further here in Victoria is through the sire stakes scheme. I am not sure if you are familiar with the sire stakes scheme, but many years ago it was set up to encourage stallion owners or farm owners to bring decent stallions into Victoria. That has certainly worked and Victoria has for the last 25 years had a very strong sire stakes program. It has been a series of races that has been restricted to the progeny of stallions standing exclusively in Victoria. That ruling in Victoria was changed three or four years ago, as we mentioned. Back in 1996 the open books came in and semen transport was allowed so that anyone in Victoria or any state of Australia could access semen from any stallion in the Southern Hemisphere — and there has been a lot of that go on. The Victorian sire stakes scheme has been changed so that it is now basically a mare-based scheme. Providing the mare is in Victoria and breeding her foals here in Victoria, and they are being branded here in Victoria — and obviously after that raised here in Victoria, which obviously helps the Victorian economy — then those horses are eligible for the sire stakes scheme. That is an area that could be grown.

We do not always have to copy what is done overseas but in the state of Ontario, Canada, they introduced a sire stakes scheme up there I think in the late 1990s and they had some assistance from the government there. In Ontario not only did the government reduce the turnover tax on betting quite substantially to give the racing codes a big kick-along, but it allowed I think in the late 1990s for racetracks to have exclusive rights to the poker machines — and we all know what poker machines do for any economy. The racing industry in Ontario in particular has probably doubled — in fact it has probably grown by 20-fold the last 10 years due to a few of those decisions. They have a very good sire stakes scheme in Ontario where they have a series of races through the year that are worth \$100 000, and they might go through the racing season culminating with a final at the end of year worth \$300 000. I am not suggesting that these figures have to be accepted in Victoria, but to go hand in hand with that they also have what they call a grassroots level. If an owner thinks his horse is not right up with the very best or he cannot compete with the major stables, he can go in the secondary system. It is a system I think that helps spread the money widely through the owners' pockets up there so that everyone is getting a little bit of income out of that.

It is amazing with horse owners. I do not know whether you guys own horses or are involved in the racing industry, but I have known people who will go 10 or 20 years without winning a race. As soon as they win one race that will keep them going for another 20 years.

**The CHAIR** — You are really depressing us here! Noel and I were hoping we would not have to wait that long!

**Mr COFFEY** — That is probably the extreme but once people get involved in horse ownership they really do have a passion for it and just a single win out on a country track somewhere can just do wonders in keeping them sustained.

**The CHAIR** — We want to fire some questions at you, John.

**Mr COFFEY** — Can I just cover one more little issue?

**The CHAIR** — Just one more, then we will ask some questions.

**Mr COFFEY** — That is one issue. The other issue is the future investment into the breeding industry here in Victoria, and I know that governments are probably always interested in looking at investment from overseas. As we mentioned earlier, the whole industry has changed in terms of what North American stallion owners are now prepared to send their very best horses down to this part of the world, whereas years ago they were basically just their rejects or lesser performing stallions.

I think there is an opportunity for the industry here in Victoria — and New Zealand but we will talk about Victoria. Because their very best horses are coming off the racetrack up there and coming down here and doing dual hemispheres, the American owners will now recognise the progeny we are breeding in Australia as equal to their own. They are by the very same top sires as they are using, so there is an opportunity here in Australia and New Zealand to even get some of those owners to breed their horses here in this part of the world.

As you are probably aware, North America and Europe have very harsh winters. They are not ideal breeding conditions — to be raising a horse in ice and snow for five months of the year. Australia and New Zealand, or particularly Victoria and New Zealand, probably, I would imagine, because of the climate and the grass factor and the good land et cetera, are the best places in the world to be rearing horses.

**The CHAIR** — Just let me follow that through, John. Are you suggesting that people from the Northern Hemisphere — America — are actually contemplating breeding horses here because of the conducive climate to the Northern Hemisphere season, so that they would be breeding them out of season here, or breeding them in our season and then going up there, losing a year with the — —

**Mr COFFEY** — They would probably be — and I know it is happening in New Zealand already. They are breeding horses. The American horse birthday, if you like, is on 1 January, whereas ours is 1 August, or in the harness-racing code 1 September. But there are owners in New Zealand who are now breeding horses after 1 January so they foal after 1 January with the option then of taking them to North America to race in some of their huge prize money races for two and three-year-olds.

In fact one of the best two-year-olds in America this year, a horse called Bartolomeo, was bred in New Zealand and did just that. He had his first few race starts in Auckland and then the owner took him up to North America and he raced successfully up there. He has since been sold for a quarter of a million dollars. So there is an opportunity there because we can breed and rear our horses down here far cheaper than in North America. It is all so labour-intensive up there because they live in barns and boxes for six months of the year so you have to employ so many more staff. All their costs are much higher than what we have here in Australia.

One of the stallions we own here in Australia — sorry, we do not own him, he is standing at Alabar this year but he is owned by some North Americans. The two guys are actually coming down here either next month, in November, or in January after Christmas, purely to have a look at this situation, because they breed. I think they have probably got 100 mares on their farm in Kentucky and they are looking at maybe basing 10 or 15 of their mares here in the Southern Hemisphere just as an experiment, if you like, to see if they can in fact breed horses here. They will probably get them broken in here, do their early education and then ship them up there. I think now that we are dealing with the very same stallions they are dealing with, they recognise them.

In years gone by if you rang up a North American and said, 'I have got a great horse here', you know, by some tin-pot sire that they would have deemed or looked at to be an absolute failure, you would not be able to sell it to them. But now if we are offering to the North Americans the progeny of these horses that they recognise as being the great racehorses that came off the track three years ago, it is going to make it so much easier for us to market our horses into North America. So I think there is an opportunity there, and I am not sure where it should be pushed along from, but it probably needs to be a joint effort by perhaps a breeders' association in New Zealand and perhaps here in Victoria to pursue this, but I think there is scope there for really developing a market for horse racing for horse owners in North America.

**The CHAIR** — Thank you for that comprehensive summary, John. It has been terrific. There is a huge amount of detail there for us to think about. I want to open up the questions.

One of the things through this inquiry that has puzzled us somewhat is that in both standardbreds and thoroughbreds — more so in thoroughbred industries which are collectively worth billions of dollars in turnover each year there is very little explicit research undertaken into the biomechanics of horses, things that cause them to break down, you know, colic and shin soreness and so on.

I will qualify that comment by saying that in the standardbreds there is a lot of research and development being done with regard to AI, and Alabar certainly is in the forefront there, but AI aside, I wonder whether the commentary about the lack of research applies to standardbreds as it does to thoroughbreds, and what can we do about that?

For an industry that is very capital intensive, that is working with animals that have a wastage rate anyway that is pretty much built in to the creature, there ought to be more of an imperative about trying to enhance the production and management procedures with these animals. We cannot become totally business; you are always going to have compassion and there are always the variables. Why is it that historically in the horse industry there has not been much research? Putting aside the AI side of things, why has there not been much research done?

**Mr COFFEY** — Obviously, to do research it needs a substantial amount of money and I would think that most governments have looked upon the horse industry as a leisure industry, if you like, and perhaps one that is not hugely important to the economy of the country. That is probably changing as time goes on, but I think that is one of the big problems; it is probably the horse industry itself.

I know there are some little funds set up for some money to be put into research but it is only a very minute amount and when you are talking about veterinarians that you probably want to be using to do all this research into injury et cetera it is going to need a substantial amount of money. There are little bits and pieces done, I think, through some of the universities et cetera and of course there is probably a lot done overseas as well. A horse is a horse whether he lives in Ireland, North America or Australia, so we probably feed off some of the research that is done overseas.

But there certainly does need to be more because the breakdown factor in horses is quite critical and no-one wants to put all this money into rearing a horse and training it for two years and then it gets to the peak of its maturity and breaks down.

**The CHAIR** — As an indication — and I will quote some figures from the thoroughbred side — the thoroughbred industry distributes about \$130 million in prize money per annum in Victoria. I think that is about right, that is their share out of the TAB.

**Mr COFFEY** — Yes, I think that is about right.

**The CHAIR** — We have been able to identify about \$400 000 to \$500 000 a year that is spent on research projects, half of that in Victoria and half through RIRDC in Sydney. That is just the return to the industry. The actual investment in service fees spent on thoroughbreds was about \$200 million a year. That is a pittance. Yet this is an industry which for every \$100 invested in it a very high percentage is effectively wasted because it does not produce horses capable of running on city tracks regularly which is what every owner goes into, hoping he can get something out of it.

I guess the reason — and it could be circular logic — is that governments do not do much about it because the industry does not demand that governments do much about it. We talk to trainers and they say some trainers do not believe in this sort of science. They have been doing things the same way for 50 years and why should they change? It seems to us that we need to embrace the research side of things a bit more than has been done to date.

**Mr COFFEY** — I would agree wholeheartedly with that. I would like to see a lot more done. You are right when you mention a lot of the trainers. The horse industry is a funny industry in a lot of ways. It is based on tradition. You know, there are a lot of old trainers out there and of course their sons come through and they train the horses the same way. You will probably find that the guys who are the successful trainers these days are the ones who have turned to the human athlete coaches and have used a lot of the techniques that the human athletes are working on. There is so much tradition in the horse-racing industry that you will still find, if you went down to the track on any given day and interviewed trainers about how they train their horses, half of them would be doing it exactly the same way they trained their horses 25 to 30 years ago.

**The CHAIR** — We sense there is a need for someone or something, an entity, whether it be a harness-racing board or some unit within the industry, to play the role of a best practice exemplar. We concentrate very much on the stallion performances in this business and to some extent the brood mares but when it comes to all the other ingredients in producing a quality horse — the way the horses are reared on properties, the quality of soil, the grass, the way the buildings are constructed and horses are programmed during the day — no-one is out there publicly saying, ‘This is what is world best practice’ or, ‘This in Victoria or this in northern Victoria is the minimum standard for pasture management’ or, ‘These are the quality exercises for the horses’. You know, it is rather dubious. No-one is out there saying that.

Again, I go back to your comment that it is a strange industry. It operates almost on a village mentality of, ‘We have been doing it this way for a long time’. How do we get more of an emphasis on best practice and how do we externalise that in a sense? We talk to lots of people and they say, ‘He does his pastures this way and you get to know who does them better’. In any other industry you would be out there advertising the fact that, ‘My pasture management skills are rated higher than anyone else in the industry so if you are interested in that, come and see me’. But no-one says that. Yet you at Alabar specialise and your company has made its reputation on doing things to a very high level, but you see other people in the industry and you just scratch your head and say, ‘That is money down the gurgler’.

**Mr COFFEY** — I do not know. There are so many examples. I can think of a horse trainer here in Victoria, a guy called Peter Manning, and you have probably read about his daughter, Kerry Manning, who is just an absolute wonder with what she has done in basically a male-dominated sport. I am sure the huge success that Peter Manning has had training his horses — and if ever you went to his property you would die because for all the hard work he does and the ideas he has on training horses, which are quite unique, he is not what you would call a very professional person in the way he keeps his property.

**The CHAIR** — Hillbillyesque?

**Mr COFFEY** — Not very tidy, but he has got a unique track out at Great Western where he is. I do not know whether he went there deliberately because he had this idea in mind to train horses, but it does go up and down hill. You guys can probably remember some of the athletes in years gone back. I can remember Percy Cerutti who used to train those guys up and down the hills, Elliott and Lincoln and those fellows at Portsea. Maybe Peter Manning has gone to this sort of an idea.

He has had a huge amount of success with horses, and I am sure it is all due to his track that he uses and his training techniques. Yet you will hear half the other trainers and horse people in Victoria just laughing and scoffing at him and thinking he is probably using drugs or something like that to get his better performances.

**The CHAIR** — Industries are reluctant to embrace or endorse or even acknowledge — perhaps this is it — best practice. We can see people who are good at it but it seems to be a very slow process for others to identify them as doing their thing better than others and taking a lead, and saying, ‘I am going to quickly adopt that or this’. Habits seem to change very slowly.



**Mr COFFEY** — Yes, they do. As we mentioned before, it is an industry based on tradition, largely, even with feeding practices. There are still guys who will feed their horses exactly the same grain or whatever their fathers were feeding them 25 or 30 years ago. We all know human athletes now go onto all special diets and all sorts of things using carbohydrates and all the rest of it. Some of our smarter trainers will, but to get published, as you say, a best practice regime for horse trainers to follow — I mean, I do not say that we should not be doing it, but I do not know how the industry would accept it.

**The CHAIR** — I think we need to be saying to the industry — to the participants, to the people who are paying the bills, ‘These are the sorts of things you should be asking your trainer or you should be asking your breeder’. If you are not asking about pasture management, and if they are not resowing paddocks every couple of years, you should be asking them why. If they are not prepared to disclose to you what their injury rate is with horses through this training regime, you should be asking why. If they have a win rate below a certain level for the number of horses they are training, you should be asking why.

**Mr COFFEY** — Yes.

**The CHAIR** — And just be putting on the pressure so that people are asking why and are pushing themselves and their own industry to do better. It is not about saying that formula A, formula B or formula C is a guarantee of success, but that if the formulas being followed are clearly less effective and are not producing results that are reasonably expected, we should be asking why.

**Mr COFFEY** — Yes.

**The CHAIR** — Noel has a question.

**Mr COFFEY** — Can I just expand on that a little bit more? One thing the industries can be doing — and the Harness Racing Board here in Victoria is actually the leader, once again, in track design in Australia. I mean, that is the other issue, about where a lot of the breakdowns occur. They are not just through the training techniques.

**The CHAIR** — No.

**Mr COFFEY** — They are through the actual tracks that the horses are being trained on.

**The CHAIR** — Yes, good point.

**Mr COFFEY** — These days the horses are all going a lot faster than they were 10, 20 and 30 years ago, but often the guys are still using the same tracks. We now need to have tracks with a much bigger camber on them so that when horses are going around bends they are not putting a huge pressure on joints et cetera.

**The CHAIR** — That is a good point.

**Mr COFFEY** — That is an issue that the board itself, or whoever is in charge of the industry in each state, can take control of to a degree, by making sure there are sufficient training tracks around each state where a lot of the horses are being trained. Because, let us face it, these days any young guys coming in will really find it difficult to go out and buy 10 acres of land somewhere on the outskirts of Melbourne or Sydney and set up a training place of their own.

The need for having training centres, if you like, will become more and more important. The authorities can make sure, then, that tracks are put in which have the right camber on them, et cetera, which will lessen the breakdown of horses. That is one area that we certainly can take control of.

**The CHAIR** — That is a good example. We have heard that comment about the condition of training tracks repeatedly throughout this inquiry. They vary enormously across Victoria. You are dead right; there is no point getting everything well organised up to the point where you have a horse almost ready to start, and it goes and does a leg because of the training track.

**Mr COFFEY** — Yes. I mean most horses, if they are out exercising seven days a week, only race one day a week on the proper track. It might be a good track, but on the other six days they might be doing all their work on a substandard track.

**The CHAIR** — That is a good point.

**Mr PULLEN** — I am interested in your work as marketing manager in your part-time job with Alabar. Do you try to get more owners into the industry? My understanding of what used to be the position with the harness racing game is that you would have the owner, who would also be the trainer and who would also be the driver. Is there a way that we can get more owners who may be interested into the industry? Is that part of your role or not?

**Mr COFFEY** — Probably — well, not really, but it is an area that I would like to get more involved in. We do to a degree. Part of our marketing strategy is conducting seminars around the states of Australia and also around New Zealand, where we not just show videos of our own stallions but talk about breeding in general and we try to get — it is open to anyone, but probably most of the people who come along to those are existing owners. But certainly new owners are welcome. Yes, it is certainly an area that we need to develop further, there is no doubt about that, because the more owners we can get in — I mean, it is a big industry and it is an important industry; it creates a lot of turnover and revenue for the governments in every state of Australia.

You are not just talking about the trainers and what they are paying out in wages and whatever and what they are earning; there are all the saddleries, the grain growers, the feed shops, and the float manufacturers. And of course the fuel companies must make an absolute fortune out of the horse industry with all the cartage of horses all over the countryside.

So it is a very, very big industry and there is lots of enjoyment out of it. I guess it is a leisure industry; most people only go into it with their spare income and it is not an industry that the country has to rely on. But certainly that is another area that we need to develop further — getting more owners in. Some are quite happy to go and buy a ready-made racehorse or whatever, but with starting from the grassroots level there is really no greater satisfaction in getting a winner at a racetrack than if you have actually bred the horse and raised it yourself. That is the absolute pinnacle.

Our marketing is done predominantly from July, August and September. It is just so heavily focused on promoting whatever stallions we have. I guess the other time of the year — perhaps April, May and June — is when we should be trying to go out and encourage new owners into the sport, when we are not so busy doing the direct marketing of the stallions.

**Mr BOWDEN** — I guess these comments might apply to both the thoroughbred and/or the standardbred aspects. We have seen a very strong interest from European sources — France, Ireland and the UK — in our breeding industry here, and you have mentioned the North American interests as well. I know we have a problem with date of birth and horse registration timing, but could there be some suggestions for what the committee could consider recommending to increase that investment from the US or Canada — America in particular — in Victoria?

I think it was very helpful that you mentioned that Victoria appears to have a good climate for the raising of thoroughbred and standardbred horses. But my observation from the work of the committee so far is that there has been under-investment from the US. The shuttle stallions may or may not help because they are put on a plane, they come down, and they go back. But I do think there is an opportunity for North American investment. I am just wondering: could we do more? Could we consider recommendations? Could the industry do more to get that investment here — maybe to the extent of even negotiating that the birth date of the horses be scheduled to accommodate the US in the Northern Hemisphere?

**Mr COFFEY** — Yes.

**Mr BOWDEN** — The value of the employment and the economic activity are accepted beyond question. I would appreciate any comments you could offer us about how we could consider getting more investment and more activity here in Victoria for either thoroughbreds or standardbreds.

**Mr COFFEY** — Yes. With the standardbred business certainly, a lot of the shuttling of horses from North America has happened only in the last two or three years, so it is still in the early phases. When you go up there and deal with the Americans, of course, most of them think that nothing exists outside America. It is one little issue that is a bit of a problem. But I think they are starting to understand that there is even a country down here called Australia, and certainly with a horse industry in it.

Going back a few years ago the Americans used to have the birth date for their standardbreds as, I think, 1 December — or it might have even been November. I am not quite sure why it was, but they put it forward to 1 January. Whether that was to allow for any horses that were bred in the Southern Hemisphere to go up there, I am not sure. If the Australian Harness Racing council could convince the North Americans to change the birth date of their horses back to 1 December, or even 1 November, to allow for foals bred in this part of the world to go up there and race with theirs, that would certainly be a step in the right direction.

I guess the other issue, once again, will be a money one. I think the more North Americans we can get down here, some of the major owners — it might mean that someone like the Australian Harness Racing Council will have to spend some money to bring out a bunch of owners, perhaps when some of our big racing is on, to show them the opportunities and the studs and facilities that are here. Because I have no doubt that on our major farms our facilities and our practices — I think that was mentioned in the references — compared to their management practices et cetera, and to what is happening in other parts of the world are equally as good, and I think in some areas we are ahead of the North Americans with some of our management practices. So it is probably an education process to get them out here to see just how horses can be reared and raised out here.

The other issue is — I mean, it is helping — that in the last two or three years a couple of horses that were bred in New Zealand have gone up there and competed with their very best as two and three-year-olds. The more that that can happen that will really make the North Americans open up their eyes and think, ‘Hell, they are breeding some good horses down there in that part of the world’. It is probably a twofold thing. Certainly if you could get the foaling date changed, if the Australian Harness Racing council and whatever is the equivalent body over in New Zealand could convince the North Americans to bring their date back a month, that would certainly help with horses going from here up to there to race as two and three-year-olds.

They can go up there once they are older than three-year-olds and it does not really matter, but two and three-year-olds is where all the major prize money is in North America, and you really want to be concentrating on that age market.

**Mr BOWDEN** — Is one month enough? Would two be better?

**Mr COFFEY** — Two would be better. If you got it back to 1 November, that would be great. It would certainly be a big assistance.

**The CHAIR** — It is perhaps more easily said than done.

**Mr COFFEY** — Yes.

**Mr BOWDEN** — How hard that would be, in the view of a professional person in the industry?

**Mr COFFEY** — Probably rather than going at it first up, as I mentioned I think you would have to get some North Americans to come down here and see how we do things down here and grow our horses in our climate et cetera.

**The CHAIR** — Can I ask you a question at that very point, John, because this has come up in relation to thoroughbreds; it relates to the extent to which Australian breeders are represented in international conferences and forums.

Earlier this year we were in Ireland, and the Irish breeders said to us — why they thought we would have an answer, I am not sure — ‘Where were the Australians at the last international breeders’ conference in South America?’ a few months earlier. I said, ‘We don’t know’. People say to us back here, ‘Why would we go over there? We would have to pay our own air fares and accommodation, and we are all busy and have other jobs. We cannot afford to do it’. We run the breeding representation side of things like an amateur hour compared to the other serious players around the world. We are very proud of our product, but we do not show it. Is that the same with standardbreds? Are the Americans and the Europeans all at the international conferences and we are not?

**Mr COFFEY** — No, they have an international conference every two years, I think, in the harness racing world — which is the USA; Canada; several of the European countries, particularly those in Scandinavia such as Sweden, Finland and Norway; and France and Italy. They are the main countries, and then of course there is Australia and New Zealand. So there are probably about 12 countries that have a big harness racing industry

throughout the world. I am pretty sure those conferences are run every two years. But at the last one, which was held in Italy only about three months ago, the chairman of the Australian Harness Racing Council and the chief executive, Rod Pollock, who is based here in Melbourne, were both very key speakers and chaired several of the committees.

**The CHAIR** — So we are well represented?

**Mr COFFEY** — Yes, we are well represented.

**The CHAIR** — So in terms of Ron's question about being able to get this idea up and discussed, it is not like our chair is empty at some of these conferences?

**Mr COFFEY** — No, I think the rest of the world, at the international level, does take Australia and New Zealand very seriously.

**Mr JENKINS** — You talked about the lesser number of foals since the late 1980s. Is that offset at all by the number of those foals that are going on to race, or is it still about the same percentage?

**Mr COFFEY** — I would say that the quality of the product is a lot better now and that people tend to look after them better. So I would estimate that there would be a higher percentage of those foals that are actually going to the racetrack than there was 20 years ago. Probably 20 years ago the farming community were some of the biggest owners. They might have five mares on their 1000 acres. If the foal was born and then finished up ripping a leg off on a fence or something like that, they would just say, 'Tough', but I think people tend to look after their horses now. They have probably spent more on them to get them to that stage and they tend to look after them better and give them more of an opportunity to reach the racetrack. So, yes, I have no doubt that although there are only half the number of foals, there would be a higher ratio that are actually getting through to the racetrack. They are better bred, and this would give them a better chance of getting there.

But it is still a factor. You only have to pick up the *Herald Sun* newspaper any day of the week and have a look through the harness-racing fields anywhere in Australia and you will see that often the fields are struggling to get 10 or 12; whatever the maximum number is. You are right in what you say; there is certainly a higher percentage, but probably not enough at this point in time to still fill those fields and keep the TAB, the people who run Tabcorp and whatever, happy.

**Mr JENKINS** — Just a follow-on from the comments you made, and also the question that Ron raised about how government goes about it, you might be able to assist in terms of getting that North American investment interest here. If you go away and have some thoughts about that, we would be happy to hear from you again.

**Mr COFFEY** — There is a guy in New Zealand, a fellow called John Curtin, whom I have known for a long time — he is a bloodstock agent and a lot of people think he is crazy. If he was talking to you today, you guys would still be here at 5 o'clock.

**The CHAIR** — We will still be here at 5 o'clock.

**Mr COFFEY** — Listening to other people.

**The CHAIR** — I take your point.

**Mr COFFEY** — He spends nearly half of his time in North America; he knows everyone up there. I have mentioned this particular issue to him a few times and he would be a great guy to drive any program. I think the Kiwis and the Australians need to get together on this particular issue, whether it is through breeder bodies or maybe trying to get some government assistance to do a pilot study into it or something like that. But there is definitely — I have no doubt — scope there for some investment, from North America particularly.

The Europeans predominantly race trotters — do you guys know the difference between trotters and pacers?

**The CHAIR** — Yes.

**Mr COFFEY** — The Europeans predominantly race trotters and trotting is not all that big in this part of the world so I do not think we would have — not for many more years — any influence in trying to get Italians and Scandinavians here. But certainly with the pacers, Canadians and Yanks would be a target for sure.

**The CHAIR** — We are conscious, John, of the time, but we have also been conscious through the course of this inquiry of the impact that drought can have on the demand for services in both the thoroughbred and standardbred industries.

I think it may be more acute in the standardbred industry because it would seem to us that more of the participants in the industry, the owners and trainers, are based in country areas; three-quarters of the activity would be country based in Victoria — it is one of its great strengths. A lot of those would be farmers, people with a primary-producing background or connection.

It has been put to us on a number of occasions that when drought conditions hit, certainly on the thoroughbred side, a very sizeable number of mare owners will not send their mare for a service that year; they will just leave the mare in the paddock. The inability of those primary producers who regularly produce horses to get any sort of drought relief for that part of the operation is also a concern. My question to you is how many of Alabar's clients who are mare owners would be farmers? Would it be a fair percentage?

**Mr COFFEY** — It would be a fair percentage, but probably not as many as it was maybe 15 or 20 years ago.

**The CHAIR** — It is shrinking in real terms.

**Mr COFFEY** — It is shrinking, I think, yes. Predominantly, a big percentage of our clientele would be city-based people — maybe people who have retired and got superannuation payouts and things like that, so they are just looking for some enjoyment or whatever.

**The CHAIR** — Let me pose the question in a different way. In a bad drought year how does your business suffer in percentage terms? Does it sort of take a 10 per cent hit? I know the company has grown in recent years, but all other things being equal —

**Mr COFFEY** — We had the last drought about three years ago in Victoria and I think our business would have dropped off by 10 per cent. Strangely enough, the yearling sales — which are the people who are actually buying racehorses — I do not think the drought actually affected them. I guess they were buying a product they still wanted to race because the prize money was still there.

I think the trainers were the ones who were worse off because a lot of them did not put their training fees up. They were paying \$20 for a bag of chaff, as opposed to \$10 in normal times and they just absorbed a lot of the cost, but the cost of actually training the horses for their owners did not go up by any substantial amount so I do not think the drought really affected the people who were buying racehorses a great deal. But certainly, back at the other end, right at the grass roots of breeding there was a — not a significant drop off, but certainly a drop off to a degree.

I guess Alabar is at the top end of the market. As I mentioned, most of Alabar's clients are city-based people who were still happy to breed a horse and pay a little bit extra for the agistment to have it looked after because we had to pay more hay et cetera, but they were still prepared to go ahead and breed. I think the studs that would have suffered would have been the ones at the middle or lower end. The guys who had stallions who would maybe stand for \$1500 would have taken a hammering.

**The CHAIR** — More than 10 per cent?

**Mr COFFEY** — Yes.

**The CHAIR** — One more question from me, and it concerns syndication. Representatives from the Australian Securities and Investments Commission (ASIC) were to be here today but they have not attended, so we are going to have to send them a letter. On the thoroughbred side there is a lot of misunderstanding, confusion and aggravation at the rules ASIC puts in place. We have some issues as well that unfortunately we will not be able to have resolved with them today. Does the standardbred industry have similar problems with syndication rules and ASIC's requirements?

**Mr COFFEY** — Yes, I think so. I do not think there is a syndication company in the standardbred industry now, other than where I come from in Perth. The West Australian Trotting Association got a license to do small syndicates — maybe 7 or 8; it might even be 10 years ago now — and it has kept that license going, and it can do a syndication of up to 20 people under that licence.

I know that 12 months ago we were looking at doing a much bigger syndication where we got maybe 500 people involved at a lesser amount, just to get them involved and get new owners et cetera. Under the current rules ASIC has in place it was just about an impossible task, unless someone was prepared to put a bloody heap of money up and put that on the line. ASIC has made the rules too tough at the moment, from what I can gather. I know there certainly have to be rules in place because in years gone by there have been unscrupulous people who have organised syndicates and ripped owners off and that sort of thing, so there certainly have to be rules in place, but I think it might have gone overboard about it now.

It is an area of the industry that really should be flourishing. I would love to get involved in syndicating horses or whatever, or even doing it with breeding stock, because it is an area that you can get people into for an interest without them having to put up a lot of money, but the rules are making it difficult at the moment. In the thoroughbred industry there is, I think, that guy, Harry Lawton, and one or two others, but there has not been new players in the syndication business, or very few even in the thoroughbred industry, in the last 10 years.

Thoroughbred racing — and we are seeing it right at the moment with the spring carnival — has become enormously popular over the last few years with the coverage it is getting, so it is an area where if the syndication rules were just made a little bit laxer than they are it would help to get more owners involved.

There are a lot of people around these days who have spare money and they have to spend it on something. They have made money out of selling land or they are retired. We are seeing all these people who started working in the 1960s and 1970s who are now retiring with superannuation payouts and there is more and more people with spare money around now than there ever was 20 years ago. The horse code is an area that could definitely, with a little bit relaxation of the rules, be grown quite dramatically I am sure.

**The CHAIR** — Thank you very much for your time, John. We will aim to finish our thoroughbred side of things first. Into the new year I suspect we will probably be in touch with you informally. We may write to you as well if there is anything else we need to know that we need to get on the record.

I do not know that we will go back to Alabar but Alabar has been of tremendous assistance to us in this inquiry and we are really grateful. We would also like to send that message back with you to relay to others. When the time comes to present our report we will send lots of copies to you.

The transcript will come out in a couple of weeks and you are welcome to make any corrections.

**Witness withdrew.**