

**AUSTRALIAN STANDARDBRED BREEDING PANEL**

**SUPPLEMENTARY REPORT**

**TO THE**

**JULY 2011 REPORT ON THE AUSTRALIAN BREEDING INDUSTRY**

**SEPTEMBER 2011**

## **Background**

The Australian Standardbred Breeding Panel (The Panel) tabled their *“Report on the Australian Breeding Industry”* (The Report) with the Harness Racing Australia (HRA) Executive on 22 July 2011. The Executive noted the contents of the report and approved release of the full Report for public comment by 31 August 2011 in advance of consideration by Members at the HRA Annual General Meeting on 10 October 2011.

Subsequently, the Report was published on the [www.harness.org.au](http://www.harness.org.au) website and direct links provided to over 1200 participants in the original survey and submission components of the consultative process via email, while breed associations and government departments were provided hard copies.

During the public comment stage, almost seventy written responses were received.

A small number of these can be dismissed as serial agitators, but a number of responses provided lengthy and well constructed positions. Overwhelmingly, the response was extremely positive, with some responses being a blanket support of the entire document.

The strongest dissent was from the New Zealand Standardbred Breeders Association (NZSBA) who not only provided a strong response, but waged a misguided and aggressive campaign against Import Fees and Semen Registration Fees to the highest offices of New Zealand Government, claiming anti-competitive behavior and a breach of the thirty year old Closer Economic Relations Treaty (CER).

It is important to note that should HRA impose such Fees, it is in strong legal position to do so.

Similar Import Fee concerns were raised in a number of other responses, with suggestions that the quantum (\$5000 for permanent Colts & Geldings) was too high and highlighting the wagering impact any reduction of imported horses might have on field sizes in the short term.

Given the small number of responses in comparison with the number of persons actively engaged in the process, coupled with the nature of the issues, the case can be made for a large vote of confidence in the recommendations from a silent majority.

The Panel met on 26 September 2011 to consider the responses received in order to provide this Supplementary Report and provide an update on their views to the HRA Executives and Members following this latest round of consultation.

## **Increased Fees**

The Panel had always understood that increased Fees would be a contentious issue. However, in order to advance changes and the implement of what have, in the main, been considered positive recommendations, funding has to be sourced.

### Import Fees

The highest profile issue raised in responses to The Report was the lifting of Import Fees from an average of \$500 to as much as \$5000 for permanent Colts & Geldings. Such Fees have been in operation for decades, with international jurisdictions, including Harness Racing New Zealand, imposing such a Fee.

The Import Fee has however remained stagnant for much of this time and not kept pace with general economic increases. For example, in 1996-7 the State based Importation Fee varied between \$650 and \$950, with NSW being the most expensive at that time. Since then the average wage in Australia has increased from \$578.40 to \$1,359.10, an increase of 135%. Such an increase would have lifted the NSW Importation Fee to \$2232.50 today.

Quite aside from the illustrative financial purposes of this simple example, is the fact that the Import Fee covers two important, but separate administrative requirements – that of registration, identification and assessment for racing purposes; and that of registration, statistical performance and linkage for Stud Book purposes.

It is also important to recognise that the collection of Import Fees is not designed as a profit making exercise. Import Fees are a cost recovery fee which is funneled as a source of funding to the National Broodmare Credit Scheme (NBCS) and any reduction in this would lead to additional funding sources being found.

On a related front, national Standardbred re-training and re-housing programs are being designed to tackle public and animal welfare group perceptions of the harness racing industry in an effort to extend the life and well being of ex-racehorses. The importation

of geldings in particular will continue to place a burden on these programs which are largely volunteers based and donation funded.

However, The Panel appreciates and is extremely mindful of the many other existing financial requirements of horse importers and the burden such a large Fee would have on a small number of industry participants, as well as the potential impact on wagering activity should field sizes decline in the short term.

In addressing the serious issue of balance, it is recommended that the Import Fee for permanent colts and geldings be reduced to \$2000. Further, while The Panel recommends an immediate introduction of this Import Fee, the quantum should be stepped over a three year period to smooth the transition.

To offset the subsequent reduction in anticipated income and maintain the NBCS, an Annual Starters Fee of \$100 per horse per racing season is advocated. The Annual Starters Fee would be a one-off annual cost invoiced at the time of each individual horse's first race start in a season. It is anticipated this would raise approximately \$1.2m annually and in the case of mares or filly owners, would be compensated via the NBCS when their horse races.

It is important to note that State Controlling Bodies would not lose any income as a result of changes in fee quantum or collection methods. The budgets provided within The Report reflect net figures and recognise that administrative services across the fee spectrum are provided at both the State and National level.

#### Stallion Registration Fees and Imported Semen

There was very little feedback or comment about the application of these fees in the public comment submissions.

The concept of increased Stallion Registration Fees appears to be well understood and that stallion owners and stud masters will see this money invariably return when

broodmare owners utilise their credits toward services, most likely spending more money on services than would otherwise have been the case.

The Panel resolved to leave the proposed fees untouched.

### **National Broodmare Credit Scheme (NBCS)**

The major initiative within The Report is the establishment of a National Broodmare Credit Scheme (NBCS). When considering the public responses, The Panel formed the view that not everyone fully understands the concept and its designs.

It is important to re-visit the NBCS and the underlying principle for its implementation.

The rationale behind the NBCS is that simply programming additional races for fillies and mares has proven to be unsuccessful in getting a significant increase in the number of fillies racing. This is primarily because there has not been any significant increase in the number of fillies and mares in training.

It is the view of The Panel that Owners need to be motivated to put fillies and mares into training and that the best way to do this is to reward them for getting a filly to the races, reward them each time the filly or mare starts and reward them when she wins.

To ensure that the rewards of the NBCS are spread as widely as possible it is proposed to only distinguish between Restricted Class and Other Classes (C and M front races) in allocating credits and to put a limit on the number of credits any filly or mare can accrue both in a year and in a lifetime.

To illustrate, some examples based on proposed funding arrangements are:

Example 1 – A 2yo filly put into training that proves to be of limited ability would currently find it tough to win a race.

Under the proposed NBCS, if, that filly were to start in 10 Restricted Class races she would earn \$100 credits for Qualifying to race and \$500 credits for her 10 Restricted

Class starts (\$50 per start). If she raced 10 times a year for 3 years (2yo, 3yo and 4yo) and never won a race she would retire with \$1600 credits.

Example 2 – a 2yo filly starts in 10 ‘C’ or ‘M’ Class races whether they be Classics or for maidens, she would earn \$1100 credits (\$100 credits for Qualifying and \$1000 credits for 10 starts). If she raced unsuccessfully ten times a year for 3 years (2yo, 3yo and 4yo), she would still retire with \$3100 credits.

Thus, even fillies and mares that initially ‘just make up the fields’ will be motivated to race. It won’t be long before there are enough of them to start programming Conditioned races limited to just these types of fillies or mares.

Example 3 – A typical filly or mare that started 30 times over a 3 year period and won one ‘C’ Class race each year would have accrued \$6100 credits. This would ensure that this mare had value as a broodmare.

By comparison, because of the annual limit of \$3000 credits per filly or mare, the champion fillies and mares can only accrue a maximum of \$9000 credits during their career.

The Panel also acknowledges that dependent upon the funds raised for the scheme, the amounts cited within these examples may increase or decrease. It is however recommended that as many funds as possible be directed to the NBCS and that any adjustments be forecast well in advance.

The Panel also recognises that not all filly’s will race as 2yo’s and as such, recommends that a filly or mare be eligible for the NBCS for three years from the season of her first race start. For example, if she races as a 2yo, her eligibility will span her 2yo, 3yo and 4yo seasons – while a mare who starts racing as a 4yo, will be eligible for the NBCS as a 4yo, 5yo and 6yo.

Regardless of the final dollar figure available, The Panel advocates the following key NBCS points in terms of final design:

- Credit awarded when a filly qualifies to race
- NBCS eligible for a 3-year period from the season in which the filly or mare first races
- Credit awarded for each start a filly or mare has within the eligible timeframe
- Credit applied for each win a filly or mare has within the eligible timeframe
- Credits applied regardless of the sex front of the race – eg. fillies and or mares receive credits when racing against colts or geldings
- 50% discount on base level credits applied to Restricted race activity
- Establish a per season credit cap
- All surplus funds be directed to the NBCS in additional credits
- States and Clubs encouraged to top up credits or add additional criteria to the NBCS
- Running tally of a filly or mares' credits be publicly available via the website

The Panel was buoyed by the positive feedback and comment to this initiative and further adds to a point made via some of the submissions that under the NBCS, a broodmare, who may currently be worth very little, will increase in value via virtue of her credits and becomes a sales proposition for the non-breeding owner as a result.

There was some minor criticism of the NBCS in that the scheme may reward mediocrity and entice breeders to breed from 'inferior' mares. This suggestion was dismissed by The Panel based on the fact that there were already 28% of mares published in the Stud Book that have never raced and a further 27% of mares published in the Stud Book that have never won a race.

Clearly there are a large number of untried or unsuccessful racetrack mares already involved in breeding activity. Part of the NBCS engineering is to provide assistance for



these broodmare owners to race their horses and have more buying power to invest in stallion services or greater value should they wish to sell.

### **Centralised Administration**

The Panel considered submissions which provided commentary on which entity would be best positioned to provide centralised breeding administration.

The Report recommended centralised breeding administration in order to:

- streamline breeding administration to a central point to improve efficiency and provide industry cost savings
- establish a one-stop-shop for breeding activity to reduce duplication, develop access to real-time data, establish a breeding industry database, manage communication with breeders and set uniform fees
- establish a 'knowledge centre' which can also provide the expertise, education and detailed focus an industry under pressure requires

The merits of the recommendation have not been questioned, but concerns over which entity might perform such duties have been.

The Panel recommends that HRA be resourced to manage the industry's centralised administrative activities and build on existing activities the HRA already manages including the industry DNA contract, the pivotal role in import and export activities, definitive resource for national breeding and performance statistics and the national authority on naming.

The Panel believes these activities can be implemented and managed without impact on State based futurity schemes.

The distinction and separation of management between breeding and racing activities is not only evidenced in the successful operations of international jurisdictions, but also provided for within a number of State Racing Acts.

### **Additional Comments**

In response to feedback contained within a number of submissions received during the public comment period, The Panel wishes to make the following remarks:

- The participants recognise prizemoney as the key driver to most industry activities. Given the difficulties with increasing wagering market share, non-racing and allied commercial activities must continue to be pursued by State Controlling Bodies and Clubs.
- More races could be programmed which are limited to Australian bred only horses.
- Some time ago the North American industry recognised the need to cap stallion books. They were concerned about narrowing the gene pool and the contraction of yearling sales prices due to a lack of differentiation between lots. Since then the stallion books have been stepped down and capped at intervals of 160, 150 and 140 for pacers and 140 for trotters, as is currently the case.
- First time winners should be acknowledged by HRA with a Certificate of Achievement and website recognition.

### **Correction**

On page 5 of The Report, mention was made of an EI-dip of almost 1000 foals in the 2006/07 season. Equine Influenza (EI) broke out in Australia in August 2007 and cannot be solely blamed for this decline in foals at that time. The Panel apologises for any inconvenience caused.

### **Closing Comments**

Breeding in Australia is currently an expensive hobby. It is no wonder, therefore, that the majority of breeders are hobbyists who agist and raise their own foals and who breed to race.

We can implement all the recommendations in this report but the one which will make the most difference to the economics of breeding is the establishment and investment in a National Broodmares Credit Scheme.

The Panel believes that the accumulation of breeding dollars when a filly races and every time it wins will motivate more owners to race fillies. It will give all fillies who race a residual value which will ensure that the majority of them become broodmares.

It is the opinion of the panel that unless we provide this assistance our breeding industry will continue to decline at the current rate and it would not be long before it barely exists.