SENATE EDUCATION, EMPLOYMENT & WORKPLACE RELATIONS COMMITTEE

Industry Skills Council Inquiry

Submission of

AUSTRALIAN RACING BOARD

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i Introduction and approach

The following submission has been prepared by the Australian Racing Board Limited (**ARB**), a public company limited by guarantee, which is the national body formed by and representing the thoroughbred racing Controlling Bodies in each State and Territory of the Commonwealth (**Controlling Bodies**). The Controlling Bodies are all either established or recognised by State or Territory legislation, and each is responsible for doing all that is reasonably within its power to develop, encourage and manage the thoroughbred racing industry in its jurisdiction.

This submission addresses each of the Terms of Reference established by the Committee:

- Background on Australian thoroughbred industry and broader horse industry.
- Role and effectiveness of Industry Skills Councils in the operation of the national training system particularly as it relates to States & Territories and rural and regional Australia.
- Accountability mechanisms in relation to Commonwealth funding for the general operation and specific projects and programs of each Industry Skills Council.
- Corporate governance arrangements of Industry Skills Councils.
- Commonwealth government processes to priorities funding allocations across all Industry Skills Councils.
- Industry Skills Council network arrangements and Co-operative mechanisms implemented between relevant Boards.
- Accrual of accumulated surpluses from public finding over the life of each Industry Skills Council's operation and its use and purpose.
- Effectiveness of each Industry Council in implementing specific training initiatives, for example the Skills for Sustainability initiative under the Green Skills agreement.
- Any related matters.

The ARB would welcome the opportunity to attend the Committee's public hearing and speak to this submission.

1. Background on thoroughbred racing industry and broader horse industry

1.1 General

The first observation that should be made about the horse industry is its scale and diversity.

Number of Horses in Australia and NSW

Type	Estimated Numbers in Australia
Thoroughbred (racing)	32,039
Thoroughbred (breeding)	68,199
Standardbred (racing)	13,954
Standardbred (breeding)	33,080
Arabian horses	42,101
Arabian derivatives	60,333
Australian Stock Horse	145,000
Australian Quarter Horse	87,000
Warmblood	10,000
Appaloosa	34,000
Paint Horse	6,000
Australian Pony	79,800
Miniature Horse & Pony	5,000
Heavy Horse	Average 5000 per colour (4) 20,000
Coloured Horse	Average 5000 per colour (4) 20,000
Other breeds	Average 1000 per colour (8) 8,000
TOTAL	**Approx. 664,506**

Source the Horse Industry: Contributing to the Australian Economy CIE 2001

Other estimates have put the total herd at about 1.2 million horses across Australia including some 400,000 brumbies and 316,000 horses on agricultural properties.

What is sometimes referred to as "the recreational horse" sector includes show jumping and eventing, endurance riding, polo and polo-crosse, pony clubs, working horses, breed societies and camp drafting and rodeo interests.

An examination of the Australian thoroughbred sector (ATS) provides a useful indication of this scale and diversity.

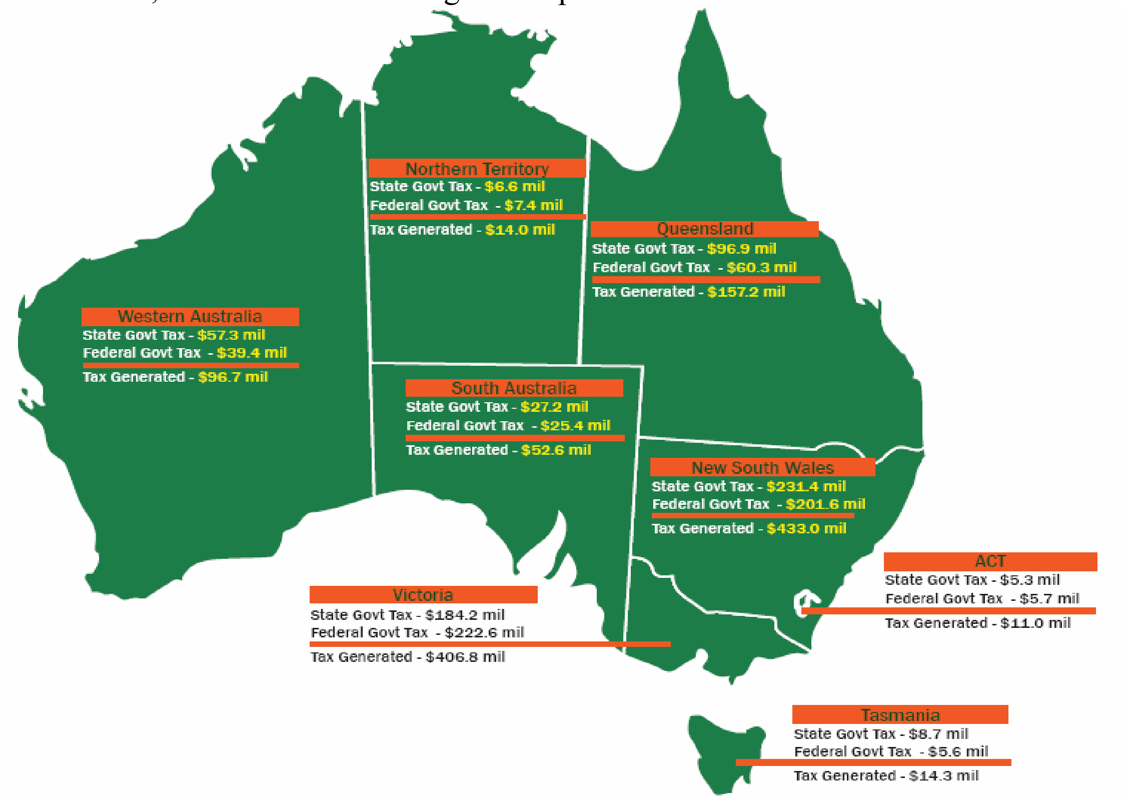
The impact of the ATS extends far beyond 'declaration of correct weight'. The ATS fills an integral place in the sporting life, cultural traditions and everyday economy of Australia. From the first official race meeting staged by Governor Macquarie at Hyde Park Sydney in 1810, Australian racing has grown to a scale that would have been difficult to imagine two centuries ago, and has few equals anywhere in the world. Today, Australian racing spans both the calendar and continent: over 17,000 thoroughbred races are held each year, staged in almost every part of Australia. On any given day there are between 40 and 300 races run, which as George Johnston observed *"is a pretty deafening thunder of hooves by any standard"*[*].

Today, about 2 million Australians attend a thoroughbred race meeting at least once per year, ranking it second only to AFL in terms of attendance[†]. While racing's best known event, the Melbourne Cup, is now an international spectacle viewed by 700 million people, at the same time racing continues largely unchanged in picnic meetings run throughout country Australia where almost every place big enough to be called a town – as well as in some that are not – has its own racetrack. For many rural communities, their Cup race day remains one of the social highlights of the year.

Racing also has a cultural significance that poker machines and casinos cannot begin to imitate, with our champions, such as Phar Lap and Bart Cummings, part of the national identity, and writers from Banjo Paterson, C J Denis and Breaker Morant through to Frank Hardy, George Johnston, Gerald Murnane, Peter Temple, Les Carlyon and David Williamson mining its rich lode of characters and stories or documenting its place in the national physce.

Indeed, it can be said that Australia has three truly national days: ANZAC Day; Australia Day; and Melbourne Cup Day.

A 2007 report prepared by the Melbourne-based economic research company IER found that the ATS generated nearly $1.2 billion in taxes each year. Taxes on wagering comprised almost half of this amount, with GST the next largest component.



There are 379 thoroughbred race clubs in Australia, which is more than any other country in the world.

[*] George Johnston, The Australians
[†] ABS Attendance of Sport.

On a per capita basis Australia has arguably the strongest racing industry in the world. Even in aggregate terms the ATS ranks in the top 3 racing industries in the world on all industry indicators notwithstanding its much smaller population and economy *vis a vis* competitors such as the US, Japan, Great Britain and France.

Australian thoroughbred racing on a world stage

Rank	Starts	Black type races	Prize money	Foals born
1	USA	USA	USA	USA
2	Japan	Australia	Japan	Australia
3	Australia	Great Britain	Australia	Ireland
4	Great Britain	France	France	Japan
5	France	Argentina	Great Britain	Argentina
6	Chile	Japan	Korea	Great Britain
7	Argentina	South Africa	Turkey	France
8	Italy	Brazil	Hong Kong	New Zealand
9	South Africa	New Zealand	Ireland	Brazil
10	New Zealand	Ireland	Italy	Canada

Source: ARB Australian Racing Fact Book

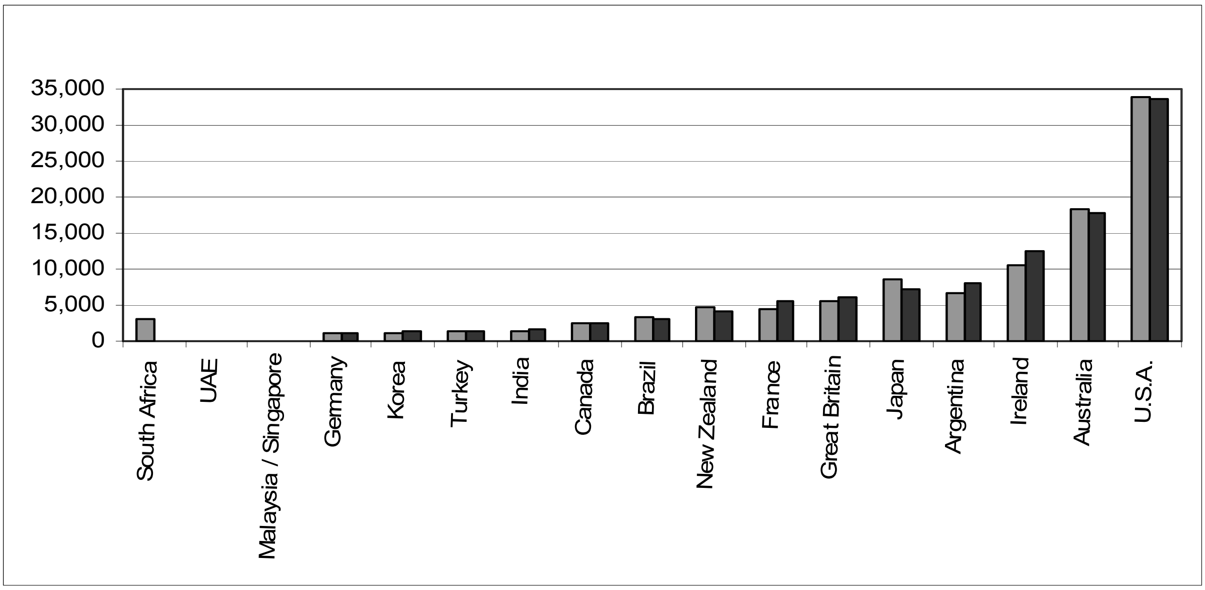
1.2 Wider economic impact of thoroughbred sector

(a) International trade

The thoroughbred sector is the foremost element of Australia's trade in horses.

Australia's breeding sector is one of the largest and most successful breeding industries in the world. Australia currently makes the second largest contribution to the world's thoroughbred foal crop.

International Thoroughbred Foal Crops 2003 v. 2008



Source: Australian Racing Fact Book

Exports are an important and vibrant component of the Australian industry with Australian bloodstock highly regarded internationally.

There is also significant potential for future growth with Australia's world best practice improvements in reproduction technology and pasture management, and the recent international successes of Australian-bred horses all combining to substantially enhance the marketability of Australian bloodstock.

Number of Thoroughbred Horse Exported 1998/99-2008-09

Source: Australian Racing Factbook

The spread of export markets for Australian horses is wide and growing.

Australian Thoroughbred Exports by Country 1999/00 - 2008/09

COUNTRY EXPORTED TO	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	Total
NEW ZEALAND	438	497	512	507	475	557	575	1002	185	883	**5,631**
SINGAPORE	336	363	183	176	145	145	195	212	190	346	**2,291**
KOREA	151	127	39	5	54	115	184	198	94	107	**1,074**
MALAYSIA	296	298	214	257	194	148	152	178	7	243	**1,987**
HONG KONG	141	197	144	135	140	121	118	130	119	160	**1,405**
MACAU	113	150	171	117	141	155	102	86	56	68	**1,159**
CHINA	195	244	101	0	78	18	0	3	1	80	**720**
THAILAND	0	8	6	46	29	26	24	21	18	43	**221**
SOUTH AFRICA	87	19	5	34	59	60	104	190	85	107	**750**
PHILIPPINES	0	15	63	46	72	101	105	179	143	128	**852**
USA	17	30	23	35	42	33	37	33	37	37	**324**
INDONESIA	0	0	0	0	0	0	0	11	0	11	**22**
JAPAN	6	23	13	17	34	33	16	46	22	19	**229**
IRELAND	2	21	7	9	26	0	20	29	24	32	**170**
UNITED ARAB	1	25	10	3	7	6	16	23	1	13	**105**
GREAT BRITAIN	2	9	4	4	17	19	27	23	25	15	**145**
INDIA	0	2	0	0	0	0	0	2	1	0	**5**
SAUDI ARABIA	0	0	0	0	4	0	0	0	0	0	**4**
OTHER *	97	29	0	10	0	11	20	17	53	42	**279**
TOTAL	1,882	2,057	1,495	1,401	1,517	1,548	1,695	2,362	1,061	2,334	17,352

Source: Australian Racing Fact Book

Moreover, the global equine market has been estimated to be greater than US$250 billion. Examples of opportunities, recent and future, to generate export revenues from R&D outcomes include:

- Development of race tracks in Vietnam, China, UAE, Mongolia
- Worldwide demand for enhanced safety gear for riders

(b) Markets related to the thoroughbred sector

There are a number of markets that are either wholly derivative from or significantly affected by the horse sector. These include:-

(i) Wagering

Horse racing was the first medium for organized gambling in Australia. In 2009 the Australian market for wagering on racing (3 codes) stood at approximately $19.3 billion.

(ii) Events

The thoroughbred sector is a major source of public entertainment. Racing by itself is the second most popular sport in Australia measured by attendance (ABS 2007). In addition horse shows, equestrian events, polocross, pony club are significant in the market for public events.

(iii)Trading in horses

Australia has a substantial market in the trading of horses.

Australian Auction Sales Results 2008/09

CATEGORY	NO. SOLD	GROSS SALES	AVERAGE	MEDIAN
Weanlings	981	$14,643,750	$14,927	$6,000
Yearlings	4,730	$244,733,852	$51,741	$19,000
2 Year Olds	530	$12,508,800	$23,602	$12,000
Broodmares	2,068	$51,549,659	$24,927	$4,500

Source: Australian Racing Fact Book

(iv) Service providers

So far as the market for services are concerned what should also be understood is the significance of ancillary activities which specialize in providing goods and services to the horse sector, including, most immediately, feed merchants, veterinary services, farriers and transport companies, but extending to an array of activities such as pharmaceutical companies, accountancy, air transport and others.

(v) Markets in tourism and other industries

The markets in fashion, food and beverage, and accommodation are also significantly linked with the horse sector. For example, the Victorian Spring Racing Carnival by itself generates an economic impact of approximately $600M annually (IER: 2006 Spring Racing Carnival Economic Benefit).

More generally the racing carnivals that are staged around the country are some of Australia's most significant annual tourism events. For example, the Darwin Cup Carnival has frequently been recognized in the Northern Territory Tourism Commission Awards (the Brolgas) as the Territory's foremost major festival/ event. Moreover, the Victorian Spring Carnival consistently attracts over 20,000 international tourist visitations, and this year's 150th anniversary of the Melbourne Cup is expected to raise the profile of that carnival to yet another level.

2. Role and effectiveness of Industry Skills Councils in the operation of the national training system particularly as it relates to States & Territories and rural and regional Australia.

The decision to replace the 29 industry advisory bodies with 11 Industry Skills Councils (ISCs) has resulted in a much better structure.

The role of the ISC, as it is currently defined is appropriate.

The ISC with which our sector is associated, Agrifood Skills Australia (Agrifood), has been effective in:

- Providing support for registered training organizations (RTOs) to implement effective strategies addressing their core skills in training and assessment practices.
- Promoting the use of skills sets and unit clusters as an effective means of providing entry to and sustainable pathways within agrifood industry sectors.

Agrifood has enabled the development of the National Training Package for Racing that has brought together the curricula for training in a manner consistent with achieving optimal outcomes from qualification-linked licensing. Moreover this training package is playing a useful role in the up-scaling of those working in the industry and developing better career pathways, enabling the industry to attract more skilled workers.

3. Accountability mechanisms in relation to Commonwealth funding for the general operation and specific projects and programs of each Industry Skills Council.

AgriFood is structured as a not-for-profit company limited by guarantee. Its accounts are audited annually and regular reports have been provided since inception to, in turn, ANTA, DEST and DEEWR, on its activities pursuant to funding agreements.

AgriFood's income is derived largely from the Commonwealth, principally DEEWR and its predecessor bodies, with some funds from DAFF and State Governments. Relevant acquittals have been audited and provided to the funding bodies.

Notwithstanding that it is a private sector organisation, Agrifood's procurement policy essentially mirrors the Commonwealth Procurement Guidelines. Agrifood selects appropriate expertise via formal expressions of interest and panel provider arrangements, with the overarching proviso the delivery of value for money. Consultants are engaged under formal contracts that contain provisions matched to AgriFood's core funding agreement with DEEWR.

Contracts are approved by delegates in accordance with a set of delegations approved by the Board, Contracts above a specified sum are approved by the Board itself.

Regular management accounting reports are provided to the Board, showing performance against budget. Reports are split between Company overheads and projects included in the business plan provided to DEEWR.

4. Corporate governance arrangements of Industry Skills Councils.

AgriFood has moved from the initial representative style Board of 12 in 2004 to the current skills based Board of 9. AgriFood's Board in 2004 was comprised of industry and union representatives, with fixed allocations written into AgriFood's Constitution. This was the result of complex negotiations on the establishment of the ISC. In 2006 DEST commissioned a review of ISC corporate governance arrangements. AgriFood was rated as "Medium Performance", principally due to the size and structure of its Board. AgriFood subsequently made a number of changes to its Constitution to reduce Board size to a maximum of nine, remove the representation requirements, expand eligibility for Company membership and address Constitutional amendment restrictions.

Current Board membership is achieved on merit, through the use of an external governance consultant and a Board selection Committee to screen applicants and recommend appointments to the Board.

The Board's strategic and tactical direction is informed by 5 industry advisory Standing Committees and is supported by professional staff, headed by a CEO who is not a Board member.

The AgriFood Board uses the ASX Corporate Governance Principles as guidelines for its operations and benchmarks itself regularly against best practice in Board operations. Board professional education programmes are in place and annual evaluations of Board, Committee and director performance is undertaken.

5. Commonwealth government processes to priorities funding allocations across all Industry Skills Councils.

On renewal of DEEWR funding agreements AgriFood provides an indicative bid for funding.

AgriFood considers that its current allocation of funding is commensurate with the breadth of its coverage of industries, which it considers to be unique among the 11 ISCs. Industry coverage is rural and related industries, food processing (including beverages, wine and pharmaceuticals), meat, seafood and racing.

It is noted that the Board of AgriFood is not required to provide input to DEEWR on its final funding allocation to ISCs.

6. Industry Skills Council network arrangements and Co-operative mechanisms implemented between relevant Boards.

A collective ISC response has been provided to the Inquiry.

AgriFood has worked collaboratively with all ISCs and on specific projects with a number of ISC's, principally Skills DMC, IBSA and Transport and Logistics.

Officers of the Transport and Logistics ISC share office space and infrastructure in Canberra with AgriFood on a commercial basis.

7. Accrual of accumulated surpluses from public finding over the life of each Industry Skills Council's operation and its use and purpose.

AgriFood is almost totally dependent upon the Commonwealth for funding.

AgriFood received no funds from its predecessor ITABs on commencement. In the 2004/05 financial year its principal source of income was the funding pursuant to the ANTA agreement.

AgriFood has not accrued significant operating surpluses as its funding and grant agreements have required the funds to be expended on agreed projects. Any cash surpluses that have arisen at year end due to project timing issues have been spent in subsequent periods.

The following is a summary of AgriFood's audited published results and income since its first Annual Report:

Financial Year	$ Surplus (Deficit)	$ Income
2004/05	187,583	1,649,805
2005/06	34,460	3,050,351
2006/07	221,911	2,825,083
2007/08	(92,109)	2,565,073
2008/09	(97,952)	3,741,342

AgriFood's accumulated surplus at 30 June 2009 was $253,893 on total income of $13,831,654 from 2004.

Audited financial statements for the 2009/10 financial year will be available in November 2009.

8. Effectiveness of each Industry Council in implementing specific training initiatives, for example the Skills for Sustainability initiative under the Green Skills agreement.

The Australian Government unveiled its Green Skills plan in October 2009 aimed at incorporating environmental sustainability into all levels of vocational training and therefore industry practices.

The Green Skills Agreement was endorsed by the Council of Australian Governments (COAG) with the key objective of enabling individuals and businesses to contribute to a sustainable, low-carbon economy in their workplaces and communities, and the provision of sustainable jobs, services and advice.

The objective is to be achieved by:

- A review of training packages to embed sustainability knowledge, skills and principles
- Embedding skills for sustainability in vocational education and training, within the requirements of the national regulatory framework
- Upgrading the skills of VET instructors and teachers to deliver skills for sustainability
- Implementing a transition strategy to re-skill vulnerable workers.

As its contribution, six of AgriFood's eight training packages have been upgraded to incorporate Skills for Sustainability as a part of their recent five yearly review. The remaining two will be reviewed and compliant by Dec 2010.

AgriFood's development of implementation materials for its updated training packages will address the up skilling of RTO staff to deliver the Green Skills embedded in those training packages.

9. Any related matters.

An issue closely related to vocational educational training is the limitations associated with the Australian and New Zealand Standard Classification of Occupations (ANZSCO). ANZSCO is the classification framework used by the Australian Government to make decisions in the following areas:

- Skills in demand – under the Productivity Placement Program eligible qualifications for funding are at an AQF level of 3 and above.

- Immigration - 457 visas are linked to skill levels.

In our experience the process involved in achieving changes to ANZSCO is slow and laborious.

In the case of our sector ANZSCO fails to recognise the significant skills sets required to operate competently as an industry worker in occupations such as trackwork riders.