

# ***AUSTRALIA'S THOROUGHBRED RACING INDUSTRY: THE AUSTRALIA-ASIA CONNECTION***

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## **Introduction**

It could be argued that no other country in the world has such a deep rooted affiliation between horse and society than Australia. It is impossible to look at our early history without some reference to horses. No section of society, rural or urban, could function without them. They helped to open up the country for settlement, and were indispensable for the maintenance of law and order and likewise for the bushrangers who repeatedly stole the best thoroughbreds. The army used them extensively for mounted troops and transport. They were the main means of transport in all walks of life until the coming of the railways in the latter part of the nineteenth century and the advent of motorised transport early in the twentieth. In horse related sports they were the backbone of the breeding and racing industries, Drovers, stockmen, shearers, bushrangers, police troopers, squatters, swagmen, clergymen, doctors, and their horses, are all part of the mosaic which will always be part of Australia's unique historical heritage. Indeed, even A.B. (Banjo) Paterson (1864-1941), probably the best known of Australia's poets, had a nickname that was acquired from the thoroughbred named 'Banjo', a stallion on the family rural property near Obley in the central west of New South Wales.

This long history of close involvement with horses, in both their breeding and use, which led to a high level of expertise in the production of thoroughbreds, coincided with dramatic economic growth in a number of Asian countries from the 1950s. The consequent demand from Asia for thoroughbred racing horses, for reasons of both financial gain and prestige, has led to a substantial impact in this industry in Australia. It is the purpose of this paper to set out the Australia-Asia connection in the Australian thoroughbred racing industry and suggest reasons for Australia's increasing profile in this area.

## **Early Australia-Asia Connections**

Two factors combined to create Australia's horse connection with Asia. The first was that, following early imports of thoroughbreds from India, England and America, by the 1830s Australia had a surplus of horses for export. The second factor was that vessels sailing from England to Australia found back loading difficult and freight rates were low, so exporting Australian horses to India was more cost competitive than shipping horses from England via the Cape. A group of entrepreneurial army officers in New South Wales sent a trial shipment to India for cavalry remounts in 1830. This was a successful

experiment as the horses were well received by the Indian army authorities and exports of horses to India continued until the 1930s.

The average quality of the horses, mainly because they were bred in Australian climatic conditions not dissimilar to those in India, made them a preferred option to the English horses and thus a flourishing trade developed. Also, as racing was already established in India, the better class horses were selected for this sport. After initial successes, a market was established for thoroughbred racehorses. Singapore, Malaysia and Hong Kong, being British colonies with racing as a part of the local imported culture, also became buyers.

Japan, too, was an early customer when, in 1904-5, their military purchased a consignment of 11,000 Australian horses as remounts for the Japanese army during the Russo-Japanese war. Large quantities of horse feed, fodder and grain were also purchased and a market was established for further supplies of these stocks.<sup>1</sup>

Between 1914 and 1918 Australian horses played a significant part in World War I in West Asia, with more than 120,000 horses being shipped from Australia. The following comments from Douglas Barrie, a well-known authority on thoroughbreds, gives us some idea of the quality of horses used by the Australian Light Horse.

Their records showed that the better bred they were the better they performed. They outlasted and outran the Arab, they carried more weight and with less distress than the weight-carrying hunter. Their performance has 'seldom been equalled and never excelled'. Endurance, speed, strength and courage are thoroughbred attributes, and the Australian bloodhorse has them all.<sup>2</sup>

Horses from the Australian Mounted Division, during rests from the front, competed favourably at race meetings in Egypt. At the Victory Meeting at Heliopolis race course, Cairo, in 1919, racing against local Egyptian racehorses and other thoroughbreds, they won five of the six events on the card.<sup>3</sup> Because of their successes, Australian horses were put in a class of their own at Cairo race meetings. Apart from Australian racehorses running in India, Singapore and Hong Kong, this is the first recorded instance of Australian horses running in West Asia. At a later stage they were also competing in South Africa and Mauritius.

Although regular shipments of racehorses to Hong Kong, Singapore and Malaysia were discontinued after 1940, the post World War II exports of thoroughbreds to Asia grew quickly. In the 1950s and 1960s thoroughbreds were sent to Thailand, Japan, Indonesia and the Philippines, and customers included many of the elites in these countries<sup>4</sup>

Since the early 1970s the Asian connection with Australian racing has grown considerably. Australian jockeys have ridden horses in Hong Kong and on the Malaysian Singapore racing circuit, which comprises four racecourses,

namely Singapore, Ipoh, Penang and the Selangor Turf Club at Kuala Lumpur. Australians have a long association with horse racing in Hong Kong in particular. Since 1971, when racing in Hong Kong became a professional sport, the most successful trainer has been George Moore, a leading Australian jockey associated in his early days with the legendary Sydney trainer T.J. (Tommy) Smith in Sydney. George Moore went to Hong Kong in 1972 after an illustrious career as a jockey with a world wide reputation. The supply of horses was subsidised by the Hong Kong Jockey Club and, at that time, Arundel Stud Farm in Keilor, Victoria, won a contract to provide mainly three, four and five year olds. In the 1970s approximately 100 thoroughbred horses were exported from Australia to Hong Kong each year.

It may be seen, therefore, that there has been an Australian-Asian connection with horses and racing since the 1800s. It has grown in both size and complexity, mirroring the development of Australia-Asia trade in general.

### **Contemporary Australia-Asia Connections**

Two distinct bodies formed in the 1990s have their origins in the increasing participation of owners from Asia becoming a permanent part of the Australian racing industry. One of these organisations is the Asia-Pacific Racehorse Owners Association (APROA), reflecting Asia's increasing presence in this area. Another group formed to promote Australian-Asian racing interests is the Asian-Pacific Racing Forum. The initial gathering for this organisation was in Melbourne in 1994.

The Asia-Pacific Forum represents an important opportunity for owners, their major suppliers, breeders, and all parties involved in the future and welfare of this huge global industry to communicate with each other at a meaningful and strategic level. Horse racing is on the threshold of globalisation and will resolve the issue of quarantine protocols within a short period of time so that horses can travel safely and freely, from country to country, to compete openly.<sup>5</sup>

It is important to recognise that the greatest future for racing lies in the international arena with close cooperation between all participating parties. Development of racing in the Asia-Pacific region is growing at a faster rate than anywhere else in the world.<sup>6</sup> Whilst British racing is in the doldrums and countries such as France, Italy, Ireland, Germany, Canada and USA are maintaining the status quo, Asian development plans for future expansion are substantial. This is, naturally, associated with the rapid economic growth of Asian economies over recent decades. A recent study by Merrill Lynch and Gemini Consulting adds that:

Asia's rich have grown at the much faster pace of 9 percent a year over the past decade and now amount to more than \$US4.2 trillion. Wealth is growing especially fast in such

countries as South Korea, Hong Kong, Singapore and Thailand.<sup>7</sup>

What are the implications of the high concentration of new wealth in South Korea, Hong Kong, Singapore, Malaysia and Thailand for the export potential of the Australian thoroughbred racing industry in Asia? Essentially, the dramatic economic growth in Asia in the latter part of the twentieth century, especially in Japan and the Newly Industrialising Countries, has produced a situation not unlike that of England in the late nineteenth century in relation to the thoroughbred racing industry as it now exists in the Asia-Pacific region in the late twentieth century.

In England in the late nineteenth century it was believed that racehorse ownership accompanied both wealth and social position. This tempted new owners, who had been successful in commerce and industry, to come into racing. If racehorse ownership was a symbol of high society, newcomers to the industry reasoned that the world would see their ownership on the race card together with names of the nobility. Industrialists and successful business people's main concerns were the social returns of money invested in horses.<sup>8</sup> This attitude is consistent with thoroughbred ownership in Asia in the 1990s more than a hundred years later.

There are, of course, economic considerations as well. Consider Asian ownership and interests in recent Australian racing events. For example, commencing with the Caulfield Cup on 19 October 1996 and finishing on 9 November, the last day of the carnival, six race meetings were conducted. There were 49 races contested by 758 horses of which only 69 horses were owned by Asian interests, who contested only 34 races. An aggregate of the results of the six meetings show that Asian interests won 80% of the feature races, including the Caulfield Cup, the W.S. Cox plate, the Melbourne Cup and the Oaks, with approximately 9% of the total starters they won 45% of the prize money (i.e. \$4,220,000 of a possible \$9,432,000).

Table 1: Australian Thoroughbred Racing Statistics<sup>9</sup>

	1988-89	1989-90	1991-92	1995-96
Number of race clubs	496	492	491	459
Number of race meetings	3,701	3,715	3,695	3,335
Number of races	24,669	25,214	25,062	23,280
Number of starters	234,840	243,021	246,815	225,233
Number of individual horses	n/a	37,264	38,139	33,551
Total prize money (\$ millions)	167	190	198	240
Average prize money (\$)	n/a	7,555	7,936	10,308
Average prize money per horse (\$)	n/a	5,097	5,215	7,152

Table 1 presents thoroughbred racing statistics from the late 1980s to the mid 90s. It is clear that, although there has been a slight decline in the number of races, prize money has shown a substantial increase, up almost 44 percent, from \$167,000,000 in 1989 to \$240,000,000 in 1996. This increase is naturally one of the big attractions for Asian investment and involvement in Australian thoroughbred racing.<sup>10</sup>

All of the examples quoted are evidence of the strength of Asian financial involvement in Australian thoroughbred racing. This relationship is both complex and very important for both Asia and Australia. Asian capital invested in this Australian industry appears to have been a sound investment and the opportunities of substantial rewards have already been demonstrated. From Australia's point of view our racing infrastructure can supply all our domestic needs and still has the capacity to meet external demand and earn a substantial export income.

### **Discussion**

The thoroughbred horse racing industry in Australia, in its many subsets, reflects the increasing complexity of the global marketplace. Not only are horses being bought and sold, but studs are mobile, as are trainers and jockeys, and merchandise exports in supporting industries are finding their way around the globe. It is therefore important to understand why Australia is doing well in this industry, and a useful framework of analysis is that of comparative advantage.

Comparative advantage is a straightforward theory of commerce. 'In essence, for a country to produce those things in which it has a comparative advantage means nothing more than the country is doing what it can do best. Hence, the fundamental concept of comparative advantage is that of micro- and macro economic efficiency'.<sup>11</sup> Within this analytical framework it may be seen that Australia has been relatively successful in the thoroughbred racing industry. The main areas of comparative advantage are set out below.

#### The Natural Environment

The Australian thoroughbred racing industry reaps the benefits of Australia's natural environment. It has a moderate climate and there are relatively few diseases that affect horses. It also has relatively inexpensive land, particularly outside the major urban centres and an efficient grain farming industry.<sup>12</sup> However, climate alone is not sufficient to make a country competitive in this industry – it simply sets a favourable base upon which the industry may be built.

#### Size and Complexity of the Industry

Australia has a large pool of trained personnel within the thoroughbred horse racing industry, a result of the natural conditions noted above as well as historical considerations. As noted earlier in the paper, the early dependency

of Australians on horses for transportation, and farm and ranch work, led to the early export of horses and growth in the associated racing industry. Over time horses and horse racing came to play a central role in Australia's culture and economy, and the size of this industry is much larger than Australia's population would warrant. Hence, on a per capita basis, Australia is today one of the world's leading producers of thoroughbreds, and there has been a concomitant growth in the pool of expertise in this area.

To ascertain how large the industry is on a national basis, the Department of Industry, Technology and Commerce in 1991 released a report on all facets of racing. It defined the industry according to nine main activities of administration, breeding, owning, training, riding, veterinary, farriers, clubs and race gambling. In terms of size, while noting that it is difficult to make exact estimates, a broad estimate shows that the industry has an annual turnover of about \$15 billion and employs 25,000 people full time and 70,000 part time.<sup>13</sup>

Table 2: Number of People Directly Employed in the Racing Industry, by State and Occupational Category<sup>14</sup>

Sector	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUST
Admin.	280	200	170	70	50	30	20	10	830
Breeding	1,750	2,000	1,550	1,000	1,500	250	20	40	8,110
Owner	6,000	3,200	3,000	1,500	1,500	300	100	150	15,750
Training/ Keeping	16,400	13,000	8,000	4,000	5,000	1,200	150	150	47,900
Riding/ Driving	2,700	1,400	1,000	500	250	85	30	50	6,015
Vet Services	340	500	400	100	120	40	7	20	1,527
Farrier	320	500	200	100	60	50	6	15	1,251
Club Work	13,700	5,500	5,000	2,000	1,850	600	86	50	28,786
Race Gam- bling	8,650	6,500	3,000	2,000	1,000	500	81	180	21,911
Total	50,140	32,800	22,320	11,270	11,330	3,055	500	665	132,080

Table 2 shows the number of personnel and occupations involved in the Racing Industry. Although these figures may include some input from standard bred racing, it is clear that the thoroughbred racing industry is a substantial employer, and this is particularly so in the Eastern states of Australia.

In addition to these types of employment there are a number of ancillary activities and services which the industry requires to function satisfactorily. Some of these can be identified as food suppliers, transporters, the leather industry, accountants and solicitors, various manufacturers who supply equipment such as electric starting stalls, electronic equipment for totalizers, photo finishes and broadcasting.

### Proximity to Asia

Australia is fortunate in its location. Australian industries, from mining to food production, have benefited from proximity to the fastest growing economies in the world in the post World War II period. Australia is not only close to these countries in terms of distance,<sup>15</sup> but also time zones.<sup>16</sup> As an extension of this trading relationship, it is natural that, given Australia's expertise in thoroughbred production, Asian entrepreneurs would come to Australia for racing horses. In a related development, a number of Asian countries (especially Hong Kong and Japan) are looking to Australia for skilled labour in this area.<sup>17</sup>

Details of Australian thoroughbred exports are shown in Table 3. In Asia, Singapore and South Korea are particularly significant destinations, with Hong Kong and Macao also accounting for substantial thoroughbred exports.

Table 3: Australian Thoroughbred Exports, by Destination Country and Year, 1991-1997<sup>18</sup>

Country	1991	1992	1993	1994	1995	1996	1997
Hong Kong	75	92	33	52	135	111	95
Indonesia	0	0	6	11	11	32	3
Korea	74	235	350	174	259	263	227
Macau	79	168	89	92	49	99	96
New Zealand	356	208	235	254	289	235	243
Philippines	105	31	0	49	1	18	22
Singapore	427	356	475	417	396	393	375
Thailand	2	0	12	45	46	46	10

Racing interests from Singapore and Malaysia have been breeding at studs principally in Western Australia for many years because of its close proximity and easy contact. Other Asian interests are doing likewise in all Australian states. For new Asian buyers who are interested in participating in the racing industry, the nearest and probably the least costly point of purchase is Australia. This solves three problems: 1) they can buy quality racehorses at a competitive price compared to European and American markets; 2) they can buy a property in Australia more cheaply than the USA or Europe and breed their own stock or they can breed in conjunction with a trainer and/or breeder or take a share in syndicates or syndicate their own

horses and; 3) ownership of racehorses implies international social status with recognition and reciprocal membership rights at racetracks all over the world.

### Modern Technology

Australian companies have taken advantage of new technologies. With its small population, a history of relatively high income per capita and large distances between settlements, Australians have had to develop high level transportation and communications facilities. This is reflected in, for example, Telstra Australia's success in Asia. In the thoroughbred racing industry, 'the unique combination of a sophisticated racing industry, the TAB system and Sky Channel means that Australian racing can now be presented anywhere in the world'.<sup>19</sup> The internet, too, is making a significant impact in this area.<sup>20</sup>

The concept of comparative advantage provides a reasonable framework for analysing why Australia is successful in producing and racing thoroughbreds. There are natural conditions which form the basis for the industry, and an historical necessity which laid the foundation for the skills and breeding that is evident in the industry today. With this base Australians have developed thoroughbred horse racing into a multifaceted industry that is among the best in the world.<sup>21</sup>

### **Conclusion**

This paper has argued that there is a strong Australia-Asia connection in Australia's thoroughbred horse racing industry. This is a result of both a long development of Australian expertise in this area and the recent dramatic growth in many of the economies to Australia's north. One of the most striking aspects of this industry is its multifaceted nature. It involves not only racing, but training and breeding, gambling and specialised food production. To this may be added equine education<sup>22</sup> and specialised veterinary services.<sup>23</sup> There is also growth in information about the industry in Asia, as exemplified by the production of *Asian Thoroughbred News* and other specialised publications. Projecting ahead, it is possible to foresee significant tourism potential associated with the thoroughbred racing industry.

The recent economic downturn in Asia does not seem to have had a substantial impact on this industry. Yearling sales in Sydney and the Gold Coast in 1998 demonstrated that 'fears that the well documented "Asian currency meltdown" would have a significant impact proved unfounded'.<sup>24</sup> With respect to Japan in particular, Arrol argues that 'if Japan's once supreme economy is supposed to be in the grip of a recession, the nation's thoroughbred industry doesn't seem to know it'.<sup>25</sup> Thus, it may be expected that this industry will continue to grow, and Australia's demonstrated comparative advantage will continue to ensure its leading role.

## NOTES:

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3. Barrie, *The Australian Bloodhorse*, p. 36.
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18. Digby, *Australian Stud Book*.
19. DITC, 'Backing Winners?', p. 23.
20. Tobin, G., 'Racing on the Internet', *Sunspeed Racehorse*, Winter 1996, p. 43.
21. For a detailed analysis of Australia's comparative advantage, the reader is referred to 'Backing Winners?': The Export Potential of Australian Horse Racing, ACIL Australia, Department of Industry, Technology and Commerce, 1991. This publication looks in particular at Michael E. Porter's ideas on comparative advantage in the context of the Australian thoroughbred racing industry.
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