

# Westspeed Discussion Paper

With the first payments of Westspeed Platinum in 2016, there is now circa \$7M in Westspeed bonuses paid to Western Australian bred winners of races each season. Owners, breeders and stallion owners contribute approximately \$2M to the bonus pool through nomination fees. Trainers and jockeys also share in the benefits of Westspeed through payments additional to the advertised bonus levels of 3% and 6% respectively. It is noted since WAs move to the Racing Australia national computer system on 16 March 2019, Westspeed bonus amounts have been 'grossed up' to include the jockey and trainer portion.

Stakeholder views on the structure of the current scheme were identified through industry feedback as being mixed, with some advocating the scheme is imperative to the industry in its current form, while others believe the protectionist nature of the scheme has contributed to a decline in the quality of local bloodstock; other feedback advocates restricting eligibility for Westspeed to foals by a WA based stallion or 'bred-back' to a local stallion.. While there was some suggestions of changes required to the scheme, feedback was unanimous in Westspeed being retained to support the industry.

## Current Bonus Levels

Bonus Level	Advertised Race Stake	Breeder's Bonus (B)	Westspeed Standard Owner Bonus	Westspeed Extra Owner Bonus	Westspeed Platinum Bonus
Tier 1	\$50,000 - \$100,000	\$5,000	\$15,000	\$7,500	\$15,000
Tier 2	\$19,000 - \$49,999	\$2,500	\$7,500		
Tier 3	\$14,000 - \$18,999	\$1,250	\$3,750		
Tier 4	< \$13,999	\$625	\$1,875		

## Westspeed Objectives

1. Increasing the financial rewards associated with owning and racing a locally bred horse and therefore encouraging owners to remain in the industry longer and possibly extend the level of their investment.
2. Providing owners with an incentive to race their horses in WA.
3. Encouraging local breeders to source quality sires and/or dams in order to develop well-bred progeny and improve Western Australian bloodlines.
4. Providing breeders with the opportunity to access an on-going revenue stream from the yearlings they've previously sold, via their racing success.

In order to validate whether the scheme is successful in achieving the above objectives, an assessment of where the bonuses are currently distributed is required; a high-level view is summarised below:

## High-Level Assessment

The breakdown of each category of the Westspeed scheme over the last three seasons is noted below. Over the last three seasons it is evident that:

- 67% of Westspeed bonuses are distributed in a horses' three-year-old season; 20% in a horses' two-year-old season;
- 60% of Westspeed bonuses are distributed via Tier 1 races; 20% via Tier 2 races;
- 56% of Westspeed bonuses are distributed to colts and geldings whilst making up 58% of the population
- 56% of Westspeed bonuses are distributed in sprint races; 31% in middle distance races.

## Prospective Enhancements

Supporting and maintaining the WA breeding industry is vital to providing a sound horse population base. The 2018 Westspeed Scheme Review has provided the basis for extending bonuses to more owners and breeders of WA-sired horses (Westspeed Platinum).

It is proposed that the Westspeed Scheme is split into two distinct streams: Westspeed Platinum (WA-sired) and Westspeed (other sired, mare 50%-owned). Westspeed Extra will be removed to reduce the confusion with Platinum, and to allow for those funds to be allocated to more participants.

The key factor in the new scheme is the WA-sired (Platinum) bonuses filtering down to all meeting class tiers, and horses not sired by a WA-based stallion receiving the same value of bonuses as they do currently, with the exception that they will incur a higher nomination fee, as by choosing to send their mares to non-WA sires, they contribute less to the WA breeding economy.

Giving additional bonuses to those who breed and race locally bred horses at all levels of racing, not only distributes additional income to more owners, but provides them with further incentive for re-investment in the industry.

	Westspeed (Current)					Westspeed Platinum FY20			Westspeed Standard FY20		
Eligibility	WA-Sired &/or Mare 50% WA-owned					WA-Sired			Mare 50% WA-owned		
Bonuses	Total	Platinum	Extra	Standard	Breeder	Total	Platinum	Breeder	Total	Standard	Breeder
Tier 1	\$42.5K	\$15K	\$7.5K	\$15K	\$5K	\$30K	\$25K	\$5K	\$20K	\$15K	\$5K
Tier 2	\$10K			\$7.5K	\$2.5K	\$15K	\$12.5K	\$2.5K	\$10K	\$7.5K	\$2.5K
Tier 3	\$5K			\$3.75K	\$1.25K	\$7.5K	\$6.25K	\$1.25K	\$5K	\$3.75K	\$1.25K
Tier 4	\$2.5K			\$1.875K	\$0.625K	\$3.75K	\$3.125K	\$0.625K	\$2.5K	\$1.875K	\$0.625K

## Trade-Offs

As a trade-off for the Platinum extension to lower tiers, the Tier 1 bonus amount has been reduced from \$15K to \$10K. Further, the Nomination Fee schedule is recommended to be adjusted (noted below), reflecting the two streams' actual contribution to the WA breeding economy. Yearlings by non-WA stallions will attract a higher breeder nomination fee.

Although Westspeed Extra served its purpose when introduced in 2011, the introduction of Westspeed Platinum has largely reduced the need for the category.

## 4YOs

Given the bulk of horse's race most frequently at their 3-4YO seasons, it is recommended that the Westspeed Platinum stream is extended to include bonuses for 4YOs.

While the financial impact of the extension is substantial, the positive effect of this will result in the extension of the racing careers of more WA-sired horses (better utilisation of the current racehorse population); which in turn should see increased field sizes across all tiers of racing. The following conditions should apply:

- 50% bonus for winners of races less than 1,750m
- 100% bonus for winners of races greater than 1,750m
- Connections will be required to indicate their intention to access the 4YO Platinum tranche prior to the beginning of the horses 3YO season, and pay an additional nomination fee.

## EPONA Equivalent

Enabling re-investment and retention of the current breeding industry is a way of securing an established horse population from which to draw upon. Therefore it is recommended that an equivalent EPONA scheme (as what is done in harness racing) is made available for connections of thoroughbreds. Put simply:

- 10% of advertised winning stakes can be accumulated as a line of breeding credit by any mare who wins a WA race (excluding Country and Community meetings);
- Mare owners can only redeem the accumulated credit through the payment of WA-based stallion service fees;
- Breeding credits are capped to a maximum of \$10,000, and do not have to be used in a single season;
- Payment is made by RWWA upon appropriate live foal return via the Australian Studbook.
- Further conditions could be built into the subsidy whereby they resultant foal must have its first 'x' starts in WA.

Currently, WA sires service fees range from \$500 - \$11,000. It is envisioned that this scheme will be announced ahead of the FY20 season, in conjunction with the rollout of an increased number of mares only races from 1 August 2019.

### Fees Summary

	Westspeed Platinum	Westspeed Standard	Conditions
<b>Breeder Fee</b>	\$650	\$1,000	Increased fee for non-WA-sired horses
<b>Basic Nomination Fee</b>	2,000	\$2,000	<ul style="list-style-type: none"> <li>• Payable by 31 July of horses' 1YO season.</li> <li>• All participating two and three year winners of any TAB covered race conducted in W.A. for which the advertised stake money falls within the parameters defined above.</li> <li>• All wins recorded by participating gallopers at four years of age in TAB covered events conducted over a distance of 1750 metres or more, for which the total advertised stake money falls within the parameters defined above.</li> <li>• WA-sired (Platinum) and Non-WA-Sired (Standard) horses are eligible</li> </ul>
<b>Full Nomination Fee</b>	3,500	N/A	<ul style="list-style-type: none"> <li>• Payable by 31 July of horses' 1YO season</li> <li>• All participating two and three year winners of any TAB covered race conducted in W.A. for which the advertised stake money falls within the parameters defined above.</li> <li>• All participating four year winners of any TAB covered race conducted in W.A. for which the advertised stake money falls within the parameters defined above receive the following bonus amounts: <ul style="list-style-type: none"> <li>○ 50% bonus for winners of races less than 1,750m</li> <li>○ 100% bonus for winners of races greater than 1,750m</li> </ul> </li> <li>• Only WA-sired (Platinum) horses are eligible</li> </ul>
<b>4YO Extension Late Fee</b>	2,000	N/A	<ul style="list-style-type: none"> <li>• Payable by 31 July of horses' 2YO season if only Basic Nomination Fee is paid.</li> <li>• All participating four year winners of any TAB covered race conducted in W.A. for which the advertised stake money falls within the parameters defined above receive the following bonus amounts: <ul style="list-style-type: none"> <li>○ 50% bonus for winners of races less than 1,750m</li> <li>○ 100% bonus for winners of races greater than 1,750m</li> </ul> </li> <li>• Only WA-sired (Platinum) horses are eligible</li> </ul>

\* all fees are exclusive of GST

Stallion owners currently pay the service fee amount or \$5,000 (whichever is higher) to be eligible for Platinum, and they don't currently receive any bonus amount. It is proposed that this situation will remain in place, as the benefit to stallion owners is in the resultant demand for their sire's progeny through receiving bonuses.

## Appendix: Validation of Westspeed Objectives

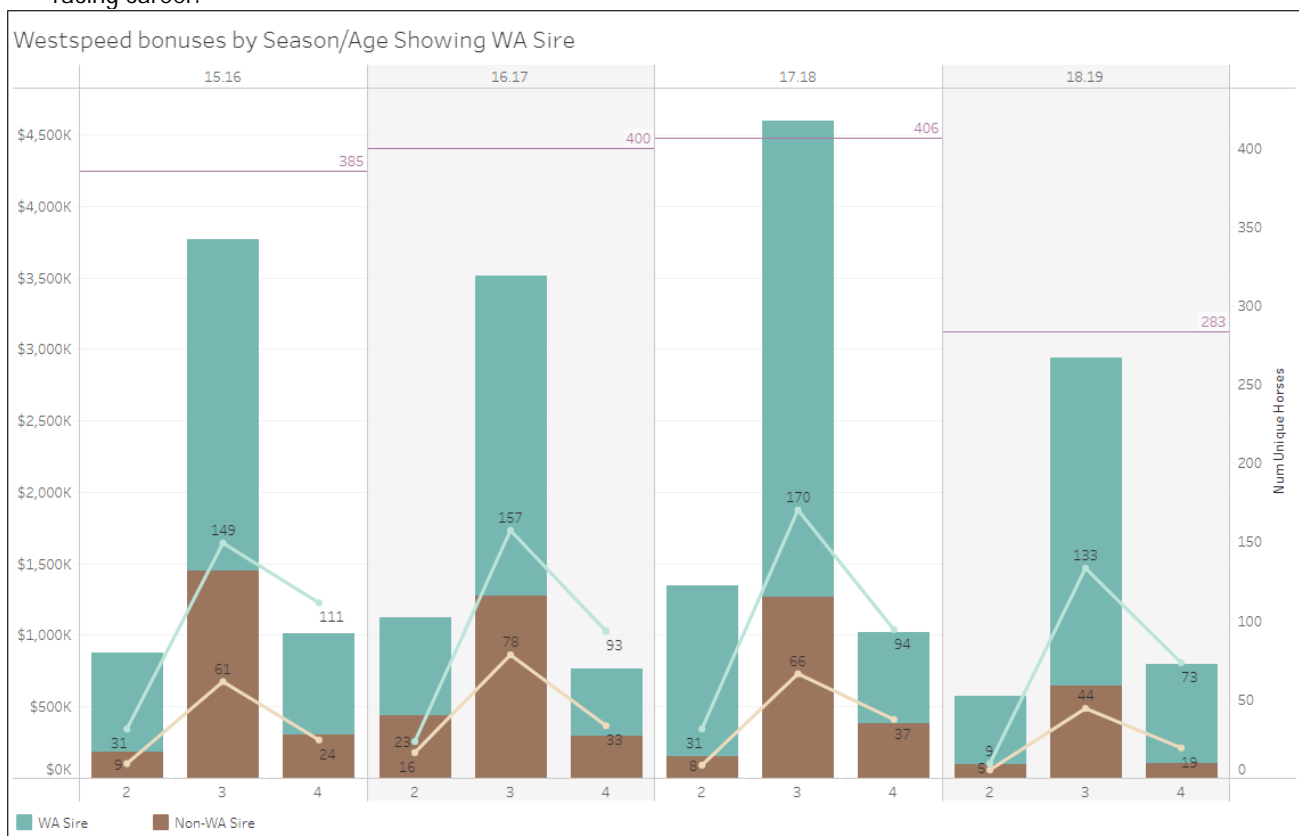


*Increasing the financial rewards associated with owning and racing a locally bred horse and therefore encouraging owners to remain in the industry longer and possibly extend the level of their investment.*

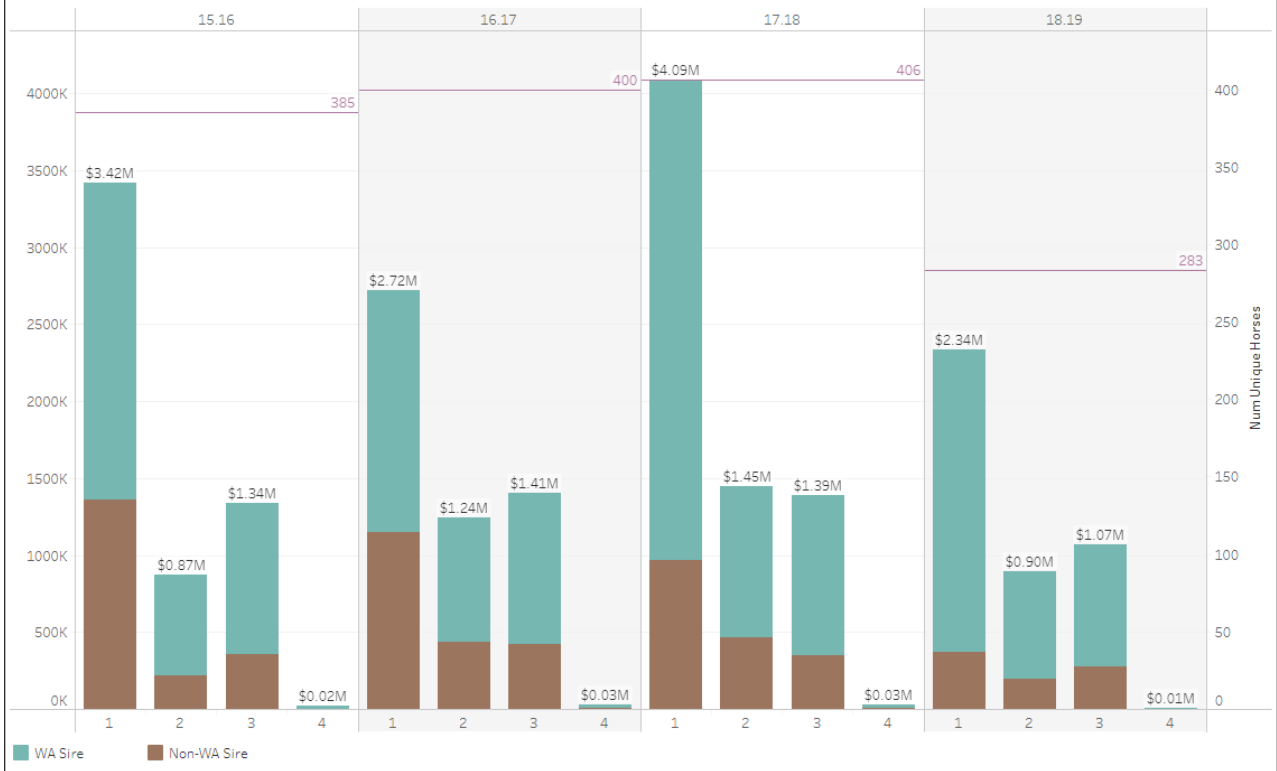
Over time, the average financial rewards (inclusive of stakes) of owning a Westspeed horse exceeds that of owning and racing a non-Westspeed horse in WA. It is difficult to measure the extent to which the scheme encourages owners to remain in the industry.

Further, the inception of Scheme enhancements over time has only further increased the scope of which owners can earn further rewards by racing a locally bred racehorse. For example:

- 605% increase in bonus payments since RWWA assumed the responsibility of the scheme.
- Westspeed Stayers Bonus – eligibility to earn bonuses extended into the horses four years old season for all races of 1750m or further.
- Westspeed First Win Initiative – horses earn a 50% consolation bonus if achieving their first career win at four years of age. This provides that in the majority of cases a horse earns a bonus equal to or exceeding their nomination fee if able to win a race before the end of their 4yo season.
- Westspeed Extra – Owners have the option of paying an additional nomination fee to receive a 50% increase in the Owners bonus for all Westspeed eligible Tier 1 (prime metropolitan) races.
- Extension of race eligibility – bonus eligibility for two years old and three years old horses extended to include all races rather than only those restricted to their own age group.
- Trainers & Jockeys – payment of 3% and 6% respectively, additional to the bonus paid to the Owner and Breeder.
- Westspeed Platinum - further bonus for each prime metropolitan win if the horse is by a Westspeed nominated stallion.
- Broodmare Service Subsidy – subsidy payable to registered breeder depending on the level of black type achieved in mares racing career.



Westspeed bonuses by Season/Tier Showing WA Sire

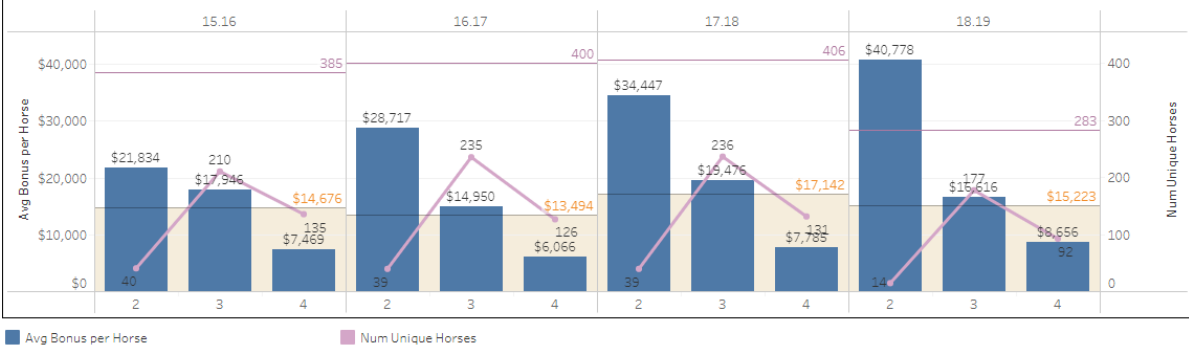


Providing owners with an incentive to race their horses in WA.

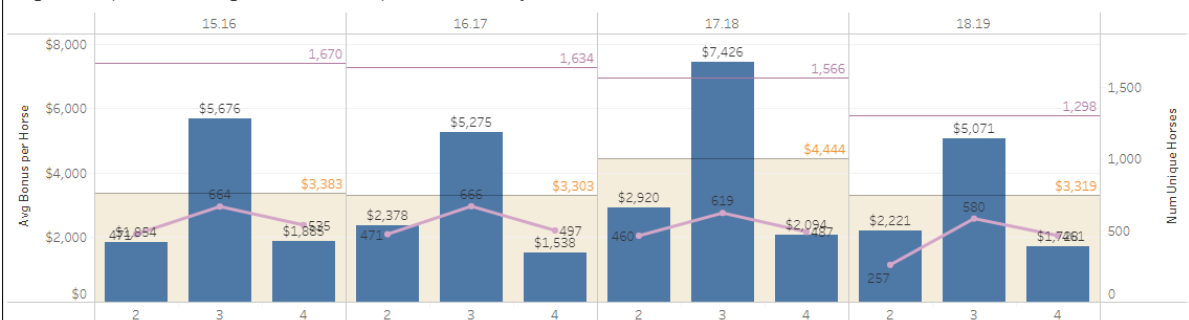
It is clear that the Westspeed scheme provides adequate incentive for owners to race their horses in WA. Specific to Horses and their relative earnings, the scheme provides the following:

- Excluding stakes, the average bonus amount Westspeed winning horses have earned has risen from \$14.6K in 2015-16 to \$17K in 2017-18.
- When including all Westspeed nominated horses racing during the previous three seasons, the average bonus amount earned has risen from \$3.3K in 2015-16 to \$4.4K in 2017-18.

Avg Westspeed Earnings per Westspeed Horse that Earned by Season



Avg Westspeed Earnings for all Westspeed Horses by Season

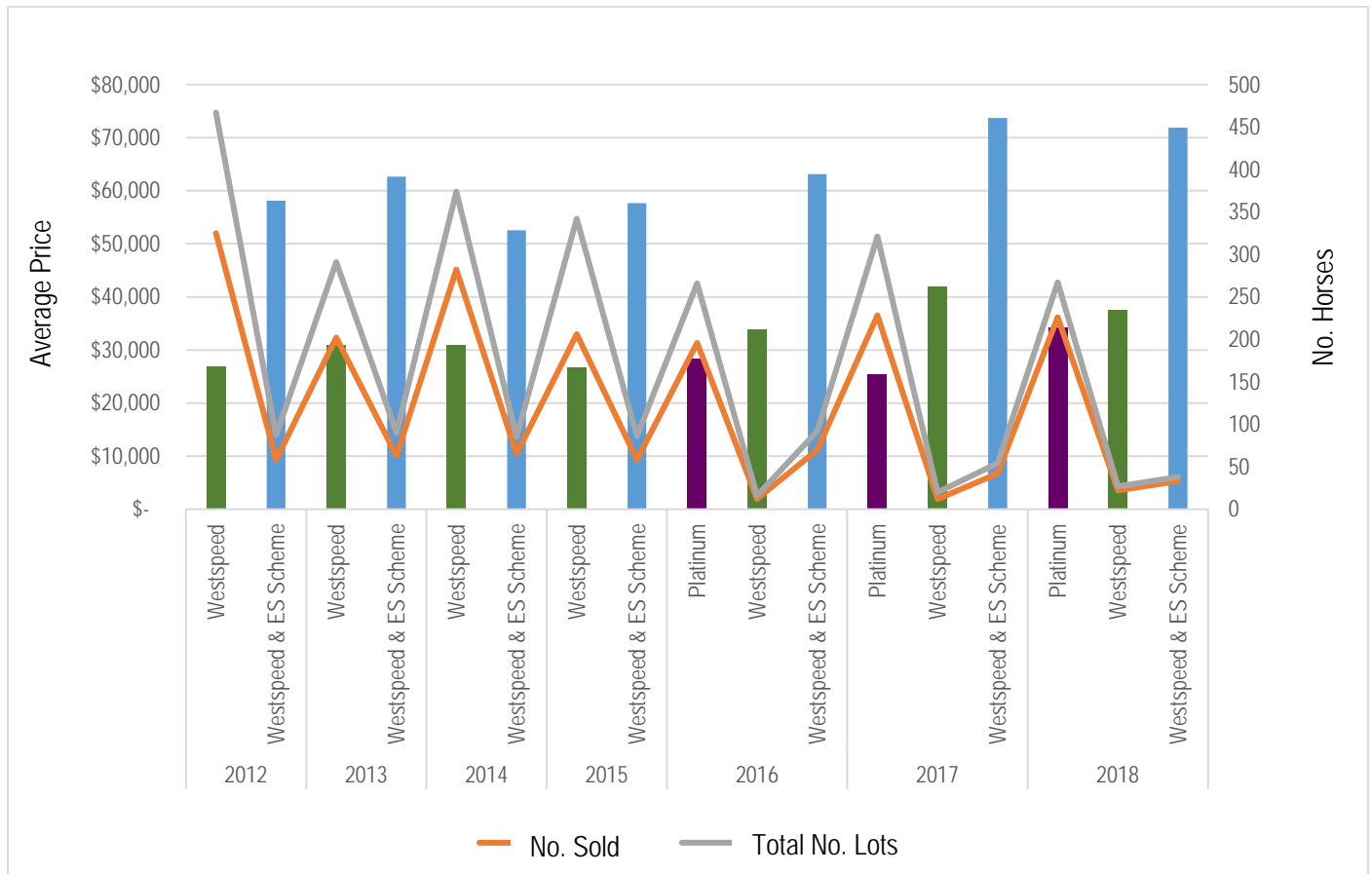




*Encouraging local breeders to source quality sires and/or dams in order to develop well-bred progeny and improve Western Australian bloodlines.*

Measuring quality of bloodstock is very much a subjective assessment; however looking at trends from recent Perth Magic Millions Sales' results it indicates that WA breeders are trying to maximise the quality of their product offering through the eligibility criteria of what is considered a Westspeed horse.

By allowing mares to be covered by any sire, so long as they are at least 50% owned by a WA based breeder; allows breeders to access more commercial sires in the Eastern-States, and thus prospectively increase the quality of the bloodstock produced to race in WA. This is evident by the increasing average of yearlings sold, that are eligible for Westspeed and other breeding schemes throughout Australia.



Quality of sires in WA is also hard to accurately measure. Leading Australian sire tables from prior seasons' show that only one WA-based sire (Blackfriars) has consistently featured in the top 50 (by prize money earned). This is largely due to the exploits of Black Heart Bart's performances in the Eastern-States during recent seasons.

Tyranny of distance and quantity of available broodmares to cover play a large role in the success (or lack of) of WA-based sires, relative to other sires based in other regions of Australia.

It is questionable as to whether the accumulated bonuses WA breeders receive have collectively improved the quality of WA bloodstock.



*Providing breeders with the opportunity to access an on-going revenue stream from the yearlings they've previously sold, via their racing success.*

WA breeders currently receive 20% (approx.\$1M) of all Westspeed earnings distributed each season through the Breeder Bonus, this doesn't include those who are also receiving other levels of the Westspeed bonus scheme through whole or part ownership.