



PETA

PEOPLE FOR THE ETHICAL
TREATMENT OF ANIMALS

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March 28, 2011

Mr. James L. Gagliano
President & Chief Operating Officer
The Jockey Club
Executive Offices
40 East 52nd Street
New York, NY 10022

Proposal from PETA: “Thoroughbred 360 Lifecycle Fund”

Dear Mr. Gagliano,

The horse racing industry is facing an unprecedented economic crisis. In a depressed horse racing market, the first casualties are “retired” racehorses who often are devalued to less than the cost of their own feed. They are discarded as disposable commodities when owners are unable or unwilling to cover the costs of basic care. The egregious conditions found at owner Ernie Paragallo’s facility were not an anomaly. Last week’s *New York Times*’ investigative report of the neglect and the starvation at the Thoroughbred Retirement Foundation’s facilities exposed how this crisis is systemic:

The cases of neglect, while noteworthy because of the prominence of the organization overseeing the horses, are only the latest embarrassment for an industry that remains vexed by one of its most fundamental challenges: how to humanely look out for horses that no longer have any value at the racetrack or in the breeding shed (March 18, 2011; A1).

According to a study published in the *Journal of Animal Science* in December of 2010, there are more than 100,000 unwanted horses in the United States per year and approximately 21 percent of these horses are thoroughbreds. An estimated 10,000 of these castoff thoroughbreds are sent to slaughter in Canada and Mexico every year; thousands more are abandoned, neglected and abused.

Emergency rescue and retirement facilities do not have the capacity or resources to handle this crisis. In 2010, researchers at the University of California-Davis School of Veterinary Medicine determined that the 236 registered rescue and sanctuary organizations have a capacity of only 13,400 horses a year:

The study concluded that nonprofit equine rescue and sanctuary facilities appear to be struggling with insufficient resources to meet the increasing demand for accepting, caring for, and providing

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sanctuary or finding new homes for unwanted horses in the U.S. Further, without additional resources, these organizations cannot predictably expand to provide quality care and rehabilitation for more horses than they are now (*Journal of Animal Science* 2010 Dec. 88 (12): 4142-50).

Exacerbating the problem, the Jockey Club's projected 2011 North American live foal crop in the United States is 24,900 (27,000 in North America). Even though this is the lowest foal total since 1973, it continues to severely stress an already overpopulated and unsustainable system.

Over-breeding, without adequate retirement provisions, is a lethal cycle. The horse racing industry has the responsibility to protect the welfare of every thoroughbred in the system throughout the horse's entire life cycle, from start to finish, 360 degrees. This is entirely possible through a simple program we propose: The **Thoroughbred 360 Lifecycle Fund** would mandate the addition of a \$360 retirement fee to the Jockey Club Registry's foal registration fee schedule and introduce a \$360 fee for ownership transfers and for stallion and broodmare registration. This fund would provide more than \$20 million per year toward humane retirement.

Although the Jockey Club and its partners have supported initiatives such as the Retirement Checkoff, this voluntary program has not generated sufficient funds to deal humanely with the massive problem of what to do with the tens of thousands of race horses retired every year. In 2009 the Retirement Checkoff program generated only \$52,000 from 34,000 foal registrations, and in 2010, it generated only \$43,000 from 30,000 foal registrations. Combined, voluntary contributions made during 64,000 foal registrations amounted to only \$95,000 or a paltry \$1.50 (one dollar and fifty cents) per horse – less than the cost to feed a single horse for a single day.

Even factoring in the separate supplemental \$300,000 donation made by the Jockey Club since the inception of the Retirement Checkoff program in 2009, this is a drop in the bucket when one considers the enormous annual costs to care for tens of thousands of horses, multiplied by many years of retirement.

Similar voluntary thoroughbred retirement funds internationally have been failures. Of the 13,000 members of France Galop in 2009/2010, only 427 (or 3 percent) signed a voluntary contribution form.

A voluntary fee clearly is not the solution.

This should not be a charity but rather an industry obligation.

(Herb Moelis, Former President, Thoroughbred Charities of America, April 3, 2010 in *The Blood-Horse*)

Scot Gillies, Editor of The Blood-Horse TBH MarketWatch, similarly asserted:

I used to be opposed to mandated participation in a racehorse retirement fund, but I've realized that like it or not, it's the only way to save the sport.

(July 20, 2009, BloodHorse.com)

The Jockey Club is the only horse racing authority that is properly positioned to unilaterally impose and enforce a non-negotiable fee, as all racing thoroughbreds must be processed through the Jockey Club Registry. This provides a centralized mechanism—the foal registration process – to collect mandatory fees, applicable to all U.S. thoroughbreds, across all jurisdictions. Initiatives in state-bred programs, such as Oklahoma Horse Racing Commission’s February 18, 2011 announcement that it will double registration fees in an effort to address the retirement crisis, demonstrate that horse racing industry stakeholders are receptive to compulsory measures.

The following proposal briefly details fees and projected total revenue.

1. \$ 360 Mandatory Registry Fee (effective January 1, 2012)

The compulsory \$360 fee could be added immediately through the Jockey Club Registry’s fee schedule. This would generate more than \$8.9 million per year based on the Jockey Club’s 2011 projected North American foal crop (\$9.7 million based on the estimated North American foal crop).

A \$360 fee toward humane retirement options is less than \$1 a day for a single year – a tiny fraction of the cost of proper care. Any thoroughbred foal owner who would balk at paying such a nominal fee to ensure the lifetime welfare of these horses, is neither financially nor morally equipped to own racehorses.

The money raised through these mandatory fees primarily would go directly to accredited thoroughbred rescue and retirement organizations (such as the money designated to current recipients of the Checkoff proceeds: the Thoroughbred Charities of America and the Thoroughbred Retirement Foundation) and deserving individual rescue and retirement operations. However, in light of the horrific neglect and abuses exposed at the Thoroughbred Retirement Foundation facilities, any recipient organization, including their satellite facilities, would have to agree to independent review, including regular unannounced site inspections, veterinary inspections and financial audits conducted by experts contracted by the Jockey Club’s **Thoroughbred 360 Lifecycle Fund**. We recommend equine veterinarian Dr. Sheila Lyons, the Founder and Director of Homecoming Farm Inc., be consulted in the formation of the veterinary inspection team and to help design enforced care standards and site inspection criteria.

Additional money would be designated to provide emergency euthanasia when necessary, emergency veterinary care, emergency food and temporary shelter, and transportation to rescue and retirement facilities.

Some funds could also be allocated to the education of prospective new owners, including seminars emphasizing the anticipated costs over a horse’s career and retirement and accentuating the epidemic of slaughter and neglect. Detering irresponsible ownership and over-breeding is essential to an effective retirement fund.

2. One-time Stallion and Broodmare \$360 Registration Fee (effective January 1, 2012)

We recommend that the Jockey Club also introduce a mandatory one-time \$360 registration fee for stallions and broodmares modeled on many current state-bred programs that require such a fee. This one-time fee is only 2 percent of the average U.S. stud fee.

The responsibility for the overpopulation crisis must be shared by owners of stallions and broodmares. While at least 27,000 new thoroughbred foals flood the market every year, more than 10,000 older thoroughbreds are slaughtered and thousands of other unwanted horses are abused or abandoned.

In the 2010 in the United States, 39,403 thoroughbred mares were bred to 2,361 stallions. Based on these totals alone (not even factoring in broodmares in the system who were not bred in 2010), a \$360 one-time registration fee for broodmares and stallions would generate a one-time payment of more than \$15 million dollars toward the **Thoroughbred 360 Lifecycle Fund**. In subsequent years, additional \$360 one-time registration fees would be collected only for new stallions and broodmares who enter the breeding system or are reactivated.

3. Transfer Fees: \$360 for every ownership transfer (effective beginning January 1, 2013)

The original owners, who process horses through the Jockey Club Registry, should not bear the financial responsibility alone for the safety and welfare of those horses in retirement.

Liz Harris, the new Executive Director of Churchill Downs Incorporated Foundation, claimed in an article on BloodHorse.com that the real solution to the retirement crisis is:

‘...for the industry itself to look at every layer and fund for this,’ including
‘‘incremental funding from the beginning’’ (BloodHorse.com, July 20, 2009).

Rampant ownership turnover is a significant contributing factor to the crisis, as there is little continuity and accountability over a thoroughbred’s lifetime. Most thoroughbreds are bought or claimed multiple times during their careers. Owners, often have only short-term financial interests in these horses, and thus have a limited commitment to the horse’s long-term welfare.

One notable pinhooker, Murray Smith, for example, recently wrote:

If I’ve got 25 head, I’m hoping for five home runs, five will be somewhere in the middle, five I have to write off as losses, five don’t make it, and five I have to give away because of injuries. (*Paulick Report*, February 28, 2011)

Horses, who are subjected to serial ownership transfers as they plummet through the claiming ranks, are especially vulnerable. From January 1 through March 20, 2011, for example, there were 2,096 thoroughbred claims recorded at U.S. racetracks (compiled on Equibase records). One of those horses, the veteran gelding *Who’s Bluffing*, was claimed on January 28 – it was the 12th claim of his career, including being claimed three different times by owner Michael Gill. A

\$360 fee per transfer fee would produce more options and security for these claiming horses at the end of their careers.

The Jockey Club currently does not require a fee for any ownership transfers. In addition to the initial \$360 mandatory fee through the Jockey Club Registry, the **Thoroughbred 360 Lifecycle Fund** could therefore be extended, longitudinally, to collect fees to process every ownership transfer in the horse's career. Currently several state-bred thoroughbred breeding associations (such as Oklahoma, Colorado, Louisiana) require fees for certain ownership transfers.

A mandatory \$360 fee (paid by the new owner) for every transfer via auction sale, claim, or private sale, would collect an additional \$9.46 million dollars per year for the **Thoroughbred 360 Lifecycle Fund**:

- In 2010, 14,805 horses were sold through the major thoroughbred auction houses. This would have generated \$5.32 million for the fund.
- Ownership transfer fees collected from claiming and private sales would also generate substantial revenue for the fund. For example, the Monmouth 2010 Spring/Summer meet produced 443 claims in just 50 days of racing – an average of almost 9 claims per day at Monmouth alone. This meet alone would have generated approximately \$160,000 in transfer fees via claims. A conservative estimate of 11,500 total horses claimed or transferred via private sales in the United States, would collect more than \$4.14 million per year. And coupled with the auction transfer fees, this would generate more than \$9.46 million per year in total ownership transfer fees towards the **Thoroughbred 360 Lifecycle Fund**.

Ownership Database and Administration of the Fund

One of the challenges to collecting fees for ownership transfers is that, currently, there isn't a Jockey Club ownership database. The Jockey Club stated that "...technology was presently available but little progress has been achieved in forming an ownership registry on a jurisdiction to jurisdiction basis that could be used nationally." (BloodHorse.com, April 5, 2010)

The development of an ownership database, including an online ownership transfer payment system, is a prerequisite to instituting and enforcing these additional compulsory fees.

The present system is inefficient, with little accountability. Foal papers are just now transitioning into the digital age with trials of this new system in Kentucky. An ownership database could be used to confirm that all of the horse's registration and identification papers are valid and that the owner's information corresponds and is up-to-date. And it could be used to process and confirm mandatory transfer fee payments. Horses could be declared ineligible to race without being registered through this system, just as they would be disqualified now without valid corresponding foal papers.

An ownership database would also be a useful tool to identify and contact previous owners to receive vital veterinary information and other pertinent horse care information. This would

provide continuity and consistency during transitions. The Jockey Club has made limited but important strides along these lines with sales history information now being added to its horse tattoo identification service database.

Diana Pikulski, executive director of the Thoroughbred Retirement Foundation, praised the improvements to the Jockey Club's tattoo identification service:

‘...besides tracing past owners, the sale information also can help get broader medical information about a specific horse and make sure it was never mistreated or sold illegally to a slaughterhouse. ... if you got a horse out of a kill pen, you could say, ‘You’re the last person to have this horse. Tell me what happened’” (*Associated Press*, June 16, 2010).

We recommend that new owners, in their ownership transfer registrations, also sign a commitment to humane treatment, including a commitment not to send their horses to slaughter auctions or sell them to brokers who sell at these livestock auctions. If these owners are ever cited for cruelty or if their horses are discovered in slaughter auctions, they would be held accountable and could become ineligible in the future to own or register any more horses through the Jockey Club, which could disqualify them from races just as if they had ineligible foal papers.

An ownership database would also build on the applications of the tattoo identification service by assisting in identifying previous owners who may be interested in adopting or buying back a horse from a later owner, or to sponsor that horse to provide a proper retirement.

Andrew Chesser, customer service coordinator with The Jockey Club, said that:

‘...expanding the tattoo database to include sales history was an effort for the organization to play more of a role in the quest to find homes for retired racehorses’ (*Associated Press*, June 16, 2010).

Diana Pikulski added that, “...a lot of breeders will take the horses back to their farms or make a contribution to help move them on to a second career.”

A portion of the proceeds from **Thoroughbred 360 Lifecycle Fund**, therefore, would need to be designated to the development of the ownership database and the administration of the fund, including:

- Information technology staff to develop and maintain electronic computerized ownership database and an online payment system to collect registration and ownership transfer fees.
- Staff to enter, verify and update all registration and ownership transfer data, communicate with owners, and to process fees.
- Specialists (hired by contract) to conduct veterinary inspections, facility inspections and financial audits of the retirement operations.
- The hiring of a director and appointment of a voluntary board of advisors to oversee the fund and formulate inspection and audit criteria.

Summary

The Jockey Club, in its participation in safety and welfare partnerships, including the Retirement Checkoff program, has recognized that its purview extends beyond the protection of the integrity of the thoroughbred breed. The integrity of the sport demands the protection of the hundreds of thousands individual horses currently in the horse racing system, all deserving of proper care from registry through retirement. Voluntary donations have not been sufficient. The welfare of these horses in retirement cannot be left to chance.

The proposed compulsory fees would generate a total of approximately \$24 million in 2012 (from foal registration fees and the one-time stallion/broodmare registrations); and in subsequent years, starting in 2013, the fund would generate approximately \$20 million per year (from foal registration fees and the activation of ownership transfer fees, plus additional registration fees for new stallions and broodmares entering the breeding system).

These are all modest fees that would not burden individual owners, but collectively would have a profound impact on the individual lives of tens of thousands of unwanted and castoff thoroughbreds every year.

This is a watershed moment for the Jockey Club. Your response to this crisis will have profound implications for thoroughbred welfare, domestically and internationally. We strongly urge the Jockey Club adopt the recommendations proposed in the **Thoroughbred 360 Lifecycle Fund** and institute the initial \$360 mandatory registration fees by January 1, 2012.

Very truly yours,

A handwritten signature in black ink that reads "Kathy Guillermo". The signature is written in a cursive, flowing style.

Kathy Guillermo, Vice President
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Thoroughbred 360 Lifecycle Fund Proposed Fee Schedule and Projected Revenue (US horses only)

2012

| Effective Date | Fee | Projected Participants | Projected Revenue |
|----------------------------------|--|------------------------|-------------------|
| 1/1/12 | \$360 Foal Registration Fee | 24,900 ¹ | \$8,964,000 |
| 1/1/12 | \$360 Stallion/Broodmare One-Time Registration Fee | 41,764 ² | \$15,035,040 |
| Total Projected Revenue for 2012 | | | \$23,999,040 |

2013 and Subsequent Years

| Effective Date | Fee | Projected Participants | Projected Revenue |
|---|--|------------------------|-------------------|
| 1/1/12 | \$360 Foal Registration Fee | 24,900 ³ | \$8,964,000 |
| 1/1/12 | \$360 Stallion/Broodmare One-Time Registration Fee | 2,000 ⁴ | \$720,000 |
| 1/1/13 | Transfer of Ownership Fee – Auction Sales | 14,805 ⁵ | \$5,329,800 |
| 1/1/13 | Transfer of Ownership Fee – Claims and Private Sales | 11,500 ⁶ | \$4,140,000 |
| Total Projected Revenue for 2013 (and subsequent years) | | | \$19,153,800 |

¹ The Jockey Club's projected 2011 foal crop for the US is 24,900 foals (from <http://www.jockeyclub.com/factbook.asp?section=2>)

² Based on the number of active stallions and broodmares in 2010 (from <http://www.jockeyclub.com/factbook.asp?section=3>); does not include thousands of broodmares in the system who were not bred in 2010. In future years the fee will only be assessed for those stallions and mares bred, for whom the fee had not been paid in past years.

³ The Jockey Club's projected 2011 foal crop for the US is 24,900 foals (from <http://www.jockeyclub.com/factbook.asp?section=2>). The North American foal estimate is 27,000.

⁴ Estimated.

⁵ Based on the 2010 number of horses sold through the major thoroughbred auction houses (from <http://www.jockeyclub.com/factbook.asp?section=13>)

⁶ Estimated