

# CORRECTED VERSION

## ECONOMIC DEVELOPMENT COMMITTEE

### Inquiry into the Viability of the Victorian Thoroughbred/Standardbred Breeding Industries

Melbourne — 17 October 2005

#### Members

Mr R. H. Bowden  
Mr B. J. Jenkins

Mr N. F. Pullen  
Mr A. G. Robinson

Chair: Mr A. G. Robinson

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#### Witness

Mr A. G. Cavanagh, Member, Federation of Bloodstock Agents Australia Limited.

**The CHAIR** — Welcome, Tony. Before we get to questions and answers I need to advise you that you are appearing today as a witness at a formal hearing of the Economic Development Committee, which is one of a number of all-party committees of the Parliament of Victoria. We have been asked to inquire into the breeding industry and report to Parliament. In doing that, we are seeking advice through formal hearings as well as informal hearings and information gathering.

Your appearance here today is very welcome. We thank you for your time. We need to advise you that under the Parliamentary Committees Act the evidence you give today will be subject to parliamentary privilege, so anything you say here cannot be used against you in proceedings, but if you repeat it once you are outside the door that protection is no longer afforded you. We do not think you need to worry about that on the subject matter before us but we need to point it out to you. A formal record of your evidence is being made and that will be used to produce a transcript which will be made available to you in two to three weeks. You are welcome to correct the transcript and send it back to us. At some stage that transcript may become available publicly on our web site because it will be formal evidence.

We are pretty informal, so we will start by inviting you to tell us a little bit about yourself, particularly your role with the federation and what bloodstock agents do. Then until 3 o'clock we might ask you questions.

**Mr CAVANAGH** — I am 59 years young. From very early teenage days, from no family background, I just developed a passion for racing and breeding. I went to all the yearling sales and committed the pedigrees to memory. After I left school I spent several years in the public service doing land valuation and then transferred to the Racecourse Licences Board, where I became the assistant secretary, one of a three-man board. It was a very busy and significant time in the Victorian racing industry. We de-licensed 15 racecourses. I was also a government totalisator inspector. After 18 months — at the end of that time I had won my first race in the metropolitan area — I had the good fortune to join Wright Stephenson and Co. and within 18 months became head of the pedigree department.

I then, with a couple of other people in Australia, pioneered the introduction of the new style of pedigrees that we now see. It took me several years to produce it to the standard that I wanted with the indentations, black type et cetera, so that it was highly informative. At the end of the 70s the Victorian catalogues were probably the most accurate, given it was a manual production, without the benefit of computers that we have today. People did not realise the laborious task that it was but it gave me a very good grounding regarding pedigrees.

In May 1978 I left to go to Toolern Vale Park stud, which eventually became the Independent Stallion Station. There was a very interesting group of flamboyant, successful and highly visible racing identities: the late Geoff Murphy, Mark Read as the resident partner, Monty and Albert Millson, David Cookes and Charlie Mantello. I actually became virtually the first person between the owners and the manager working on a stud farm. Normally you would have the owner-occupier or the owner who would have a farm manager — as I said, that was 1978 — and there was no-one in the middle. We sort of broke new ground, although every major stud has a multitude of those people now. I was administration manager. I did that for a year and the partnership broke up and they went their separate ways. Mark Read asked me to help him set up his racing and breeding empire. He bought another farm at Romsey. I came back to Melbourne to live and I helped him buy stables at Flemington from Bart Cummings. After a year I set up my own business in 1980, so it is 25 years since I have had my own business.

The Federation of Bloodstock Agents Australia Limited was not formed until 1988 and I was a foundation member. In those days only a handful of people were agents — they were mainly guys older than me and you would look up to them, and one by one they have obviously all gone — plus the auction houses. Today we have a plethora of people who are wheeling and dealing with no accreditation — or every man and his dog on a street corner can do it. So the benefit of people being involved with members of the federation of bloodstock agents is that we are bound by a code of ethics, the average work experience of the members is probably about 25 years of working in the industry and part of the other criteria is that you must have had your own business for two years. One of the things that you cannot buy in life is time, to get that credibility. There are plenty of other people around and that causes a lot of problems when there are issues with transactions that are less than pleasant. Oftentimes our members are then called in to assist and unravel those things.

During the course of the 80s I guess no-one in Australasia did more in the stallion area than I did. It is interesting with Saturday's Caulfield Cup winner, when you think of patriarchs and matriarchs, I actually sold Emancipation to Nick Columb back in the late 80s. Probably the most significant move that I made with the stallions was sending

to New Zealand a horse called Centaine, who was bred in from New South Wales but was trained and owned in Victoria — everything was Victorian. I had done an overview of the New Zealand industry. They had a lot of great studs and stallions and were famous for their stamina. I thought with the trans-Tasman connection there needed to be an injection of speed. At that stage I think Truly Vain was there — a horse that Norman Carlyon had raced — so I sent Fiesta Star there first and then Centaine. Centaine died only a few months ago. He was probably one of the most significant stallions in New Zealand since the war. When we talk about issues here in Victoria, he was one horse that could easily have been here but had gone away. Stallions are sources of great influence. We could talk about that and come to that later.

I was fortunate enough to win the Blue Diamond with a horse called Let's Get Physical, which I bred and raced. It was for a family that I had had a connection with back in my time at Wright Stephenson's. I loved the Teppo family, the main part of which had come originally from the Northwood Park Stud at Seymour. That mare was imported in 1908 by E. E. D. Clarke. I just had great faith in the family.

The first two stallions that I bought were both greys from South Australia. The first was Sovereign Rocket, who was subsequently a half-brother to Rory's Jester. The next one was Oenjay Star, who was defeated gallantly when he ran second to Manikato in the Freeway Stakes. I observed him that day and he had his heart broken, I think. Robert Sangster offered a lot of money for him. I always had a connection and I thought, 'I'm going to do something about you at some point in time', and sure enough a year or so later it came up and I put together a deal. It was sent to a client of mine in New South Wales, Dan Buffier, who had bred two Golden Slipper winners. I sent my mare La Star from the Teppo family and I was fortunate enough to breed and race the Blue Diamond winner in Race record time.

From a provincial point of view in Victoria, I had given it to Robert Smerdon, who was then 29 years of age. I guess one of the things I am really interested in is that you realise how you can affect the lives of others, from Robert Smerdon and John Sadler to the other trainers. I would also help Gary Murphy out, and he had had two life-threatening accidents and come back. He rode the horse, and it was a fantastic thrill. It taught me a lot about never giving up. It also taught me a lot — because Lester Piggott ran second, and people like Laurie Connell and others had horses in the race — about persistence and faith and that there was always someone who could come from nowhere to do something. It was a very popular victory, and then I sold him.

**The CHAIR** — This was in 1982, was it not?

**Mr CAVANAGH** — It was 1985. I had sold Mike Willessee — who was a client of mine at the time — Sir Dapper, Cerreto and many other stallions. He actually bought from me and — this is a different twist — from Chris Rogers, who raced the horse with ourselves and our wives. He was sold straight after the Blue Diamond. He was actually scratched on the morning of the Golden Slipper. He was the short-price favourite but he picked up a virus during that week. He went on, and eventually I bought him back again later on and he went to stud.

Also in those days, in 1984, I joined the Victorian Bloodhorse Breeders committee. I was on that committee between 1984 and 1992. In 1985 Mark Read decided to go to Sydney and the stables I had actually bought from him, my then wife and the Cockram family bought those stables. The Cockrams got out a year later, and my wife took out their interests. I enticed John Sadler up from Colac and introduced John Sadler to Robert Smerdon. Ultimately I renamed the stables Aquanita, because as a kid I used to go and peer through the fence, and that is where that horse was trained. I am very passionate about the turf.

**The CHAIR** — We can gather that.

**Mr CAVANAGH** — So the stables were named Aquanita Lodge. Bart Cummings had a great record there, and Roy Shaw; they were very historic stables. I also bought Huntly Lodge in Sunbury, which I developed; I probably developed a five-star equine Sunbury Hilton in a way. It was a standard-bearer place for the Victorian industry at the time from the point of view of agistment and set-up. It was well ahead of its time.

So I had the stables at Flemington and the farm. Then a couple of things happened with Black Tuesday and other things. The next minute I found — from starting here and going up there — I blinked, and I got married in 1985 and had three children. A decade and a half goes by and it is a pretty horrendous time in your life. It has only been in the last two or three years that I have well and truly regained my self-esteem and come out of it and moved on.

I kept going and I sold the farm and I sold the stables. In 1986 I had been to Saratoga and I had met Dermot Weld there. I am his sounding-board and confidant here in Australia, and his great friend. When he won the Melbourne Cup it was interesting because on that night I said to some people, 'We must organise to get the keys of the city of Melbourne. This goes way beyond racing; this is commerce, this is development between countries and many other things'. So 36 hours later I was at a private function at the town hall where the keys to the city of Melbourne were presented to Dermot and the Smurfit family; the owner had gone back to Hong Kong at the time.

Whilst this had been going on I had been working with a very close friend of mine in Tasmania about pioneering a new concept. In 1995 I launched the International Thoroughbred Racing and Share Trust — which was the first of its kind in the world; it was actually too far ahead of its time — Half the funds went into equities and the other half went into racing. Ultimately only 10 per cent of it went into acquisition of horses. This was the one and only time in Dermot Weld's life that he put his name to anything. He was coming out the following March after the Melbourne Cup to get the racing Personality of the Year. But we decided to fly to Ireland a few days earlier to be there for two days of meetings. He signed and in January 1995 we launched. We bought only one horse. He won the stakes race in Brisbane at his first start and then ran in the Hong Kong Bowl a few months later. Lee Freedman and David Hayes were involved, as well as David O'Sullivan in New Zealand. It was the most scrupulously honest document there was; it pioneered the documentation for many of these other racing clubs and variations of that.

From that I would speak to Dermot daily. We developed a great friendship. Through that I Australianised him in many ways. I could see that in the years to come he would be a great asset to the Victorian industry because of his great love of Australia generally, his connections with the industry and the fact that he was a Vet and everything else. He has gone on to win other cups and he is always the key to the carnival here.

During the mid-90s I also became involved in the art world. You might say that is a strange thing, but my major horse client, Rod Menzies, set up Deutscher Menzies in the art world. Part of the journey in life in racing, which I can touch on a bit later, is that I think racing industry participants need to have other outside interests. You need to have a balance in life. I think racing industry participants have a very difficult task, especially people attempting to raise young families, with the pressures that are on seven days a week, morning, noon and night. So we set up Deutscher Menzies, and then I was involved with Lawson Menzies. Eight years on those entities have revolutionised the art market and have taken half the market share away from Sotheby's and Christie's. I brought a lot of racing people across into the art world.

I think it is also interesting, with the crosspollination of the racing industry into other areas, that you now see race clubs exchanging relationships or memberships with football clubs and all that. The racing industry at all times needs to be going outside the square to find other things. What is interesting is that in 1992, after I was on the extra subcommittees — many subcommittees — I knew I was heading towards an even more horrendous time of my life. It had been pretty difficult; my marriage actually broke up in 1995 — but I have a fantastic relationship with my former wife and children. She had run the Melbourne Tourism Authority and had been the first woman in business to break down barriers for women, particularly in tourism. Her name is Sue Calwell. She had owned the stables at Flemington with me.

On 4 August 1992, it was probably the most significant time in Victorian history because she and I had to go out with a political person and his wife to talk about the upcoming election, which had not been announced at that stage, and to talk about some tourism issues. At the end of the night the person said to me, 'Now what are you guys doing about racing?'. I said, 'We get along well with Neil Trezise and Tom Reynolds'. He said, 'You really need to be doing something about lobbying'. At that stage I was very frustrated with the direction of racing, because essentially there might have been a grandstand for Flemington, but there was no vision; it was just going along. In the past things had been done, and someone had said, 'Has there been a report done?' and so on. Someone had probably been paid a quarter of a million for a report and it was in someone's bottom right-hand drawer with a tick. I wanted to leave a mark so I said, 'No, we have to do something'. The next morning I rang colleagues of mine and friends from the owners, breeders and trainers — unofficially. I said, 'I am going to have a private meeting at Parliament House next week and I am going to form a group which will be a pressure group, which has never happened before. I want you to join'. These were people on all sorts of other committees and everything else, such as racing club committees. They came along.

Come the Saturday I had three days to go and I knew I had to get someone as a chairman. I had walked the beach at Anglesea thinking out loud trying to get some inspiration. I went to the races and Colin Little, who had the favourite at the Caulfield Cup on the Saturday, invited me down — the grandstand had just been opened and we

went downstairs into the owners area. Rod Fitzroy was there. Rod Fitzroy was a friend of mine; I knew him through Colin. I realised he was an owner and breeder but not affiliated. I then said to him, 'Would you like to become unofficial chairman of this group and come along next Tuesday?', which he did. After we had the meeting we went across to the Windsor. He had become chairman of that group, and Paul Leeds, who is now on the VRC committee and who I had been at school with — he was then head of DDB Needham — assisted enormously with a lot of research and production of information. We put together an industry video from this group called Victorie (Victorian Thoroughbred Racing Industry Employers).

That put omnipotent pressure on the clubs that they had never experienced before. The election date was announced, we saw Jeff Kennett three days before the election which he won and the business plan then happened because he was on about that. I resigned from all my committees in 1992, and 18 months later the revolution took place and six committee men of the VRC walked. At that point in time I guess I had created a victory — put Rod Fitzroy in place — but if I had not been asked to attend a meeting that night about a tourism matter, then one could say there might not have been a Racing Victoria. It is very interesting; it was very pivotal. Now I am not on any committees, because I have gone past a lot of it and I prefer to work outside the square doing interesting things. I think you can be there for a while, and I think you need to move on.

**The CHAIR** — I am conscious of time, Tony. I will throw the first question at you. With the breeding industry today, in Victoria in particular — and I know it is difficult to isolate Victoria from what is really a national business; it really goes across the Tasman as well — what do you think are the most pressing needs of the breeding industry?

**Mr CAVANAGH** — We have always had a terrific bonus scheme with the VOBIS. I think there could be others, and obviously other initiatives are taking place. We have got the selling situation and the drain of horses that en masse go out to other sales from Victorian breeders. We have a selling agent in William Inglis. I think there needs to be a marketing board. It is interesting today that we are talking about Saturday. If any one of you said to me now, 'We want to buy a horse to race and export it', I could call up the pedigree, but that will not have last Saturday's information in it, because that will not go through "Bloodhound" of the Kelly brothers, to which I subscribe, until tomorrow afternoon.

**The CHAIR** — Is that right?

**Mr CAVANAGH** — This is 2005.

**The CHAIR** — Why is that?

**Mr CAVANAGH** — I do not know what it is due to. I have spoken at length and I have lobbied. I do not know if it is cost factors at the Racing Services Bureau, or they have to wait for other results from far-flung areas in Queensland, but whatever goes, I can tell you that it should be an overnight situation, even if they have to let country results go for 24 or 48 hours or whatever. I do not think it is acceptable to have information like that coming from last weekend. You can certainly speak to Brian and Tim Kelly out at Moonee Ponds. They run a big computer bureau and are highly respected. They have been around a long while.

**The CHAIR** — What do they run again?

**Mr CAVANAGH** — Their program is called Bloodhound. It is a statistical bureau. If you look in the *Australian Bloodhorse Review* you will find that they do a lot of pedigree work and statistics.

**The CHAIR** — Do they understand what the actual impediment is?

**Mr CAVANAGH** — Absolutely. In the last few days I have talked to them again, and they have mentioned it. It might be some matter of penalty costs or whatnot, but it pales into insignificance.

**The CHAIR** — We might follow them up.

**Mr CAVANAGH** — I think there needs to be more and more waving of the flag about the Victorian product. If we talk about your export situation, the development of more and more barrier trials is very good; however, there are some barrier trials conducted in the country without videos. It cannot happen.

**The CHAIR** — This all reflects the lack of integration of the racing and the breeding sales scene, does it not?

**Mr CAVANAGH** — Yes, there is a mixture. I am going across a bit, because these are miscellaneous things that come in and impact on a breeder. There might be a horse that he has bred that has trialled at Wangaratta, and there is an order to go to Macau or somewhere or other, and they say, 'Send me the video'. It may have won by eight lengths, and there is no video. Wherever there are official trials, and it might be a private person doing a couple of them, there should be official video people there throughout the country. Whilst we are on the country — I will come back to the other issues — but I do think that with racecourses — apart from the courses where they have buildings now for other amenities, exhibitions and catering or whatever — politically it would be very good to have more and more the development of racecourses as the bigger hub of the town, far more than ever before. Increase whatever is being done now, because I think it is a very pivotal thing in a town.

**The CHAIR** — There is problem with that, is there not? I know Hugh can talk about this at length. Hamilton is a great example, and we have been out there — it is in Hugh's patch. Often co-location will be the answer. If you look at the way in Hamilton in which the racetrack is now being absorbed by the city, you see it now has a problem with its harness facility on the other side of town, which is too small. We have had some people give us not-so-flattering comments about the state of the Hamilton track. In the longer term it probably makes sense to put the two together.

**Mr DELAHUNTY** — Horsham has.

**The CHAIR** — Some places have, but at the moment they would both have to go off and work through their own statutory body — would they not? — and the two would not necessarily talk to each other. Both of those agencies would have to go off and get permission from the department, because it is on Crown land and there is lease involved. It is a very cumbersome model.

**Mr CAVANAGH** — Sure. But getting back to the industry, with the marketing — there is the association with Inglis, who have spent a great deal of money on the complex out there — whilst Victorian sales have increased in stature from where they were, you can still go up many, many notches. Certain people might say that in practical terms if a stallion is not bought through the Auction House, then they may not get supported with broodmare bookings. There has to be a very strong and even greater level again in the marketing push of the Victorian product.

The New Zealanders are showing us the way; they are fantastic marketers. It hit home to me a year or two ago when New Zealand had sent a delegation to Europe — it had come back via another channel. They had worked out who the key people were they were going after to try to come back out and attend their yearling sales. They worked out the interest of the wives and they had done everything to the nth degree to hit home hard on this, and they succeeded! — away they went. It is in the general rural community that they were great marketers, and they are in their thoroughbred scene as well. I think we must constantly expand our marketing profile. From a Federation point of view, there are 10 of us out of the 26 members in Victoria. If one is expanding and looking at countries overseas — as with Racing Victoria and Bahrain, or whatever it is — then I think we need to have greater input and be in the loop, because we represent a great deal of experience, especially in the selection of bloodstock.

Getting back to other things that might attract the level of numbers and quality in the bloodstock industry, only today I was talking to someone in New South Wales to whom I sold a stakes-winning mare by Encosta de Lago. This person is a very successful private breeder who is working out where he is going to sell it. He will probably go to the Magic Millions. He said to me, 'If there was an additional tier' — he is paying extra because he is rearing it in New South Wales — 'an extra carrot for someone like myself interstate with a high-quality Encosta de Lago for me to come and send it down the road and not up the road' — you know? You could magnify that out many times, so it is probably not a government thing that could assist, but I think probably some of the initiatives in the Super VOBIS board could.

**The CHAIR** — Tell us about your experience going to sales. Typically in Victoria there are lots more hobby breeders than perhaps in New South Wales and Queensland.

**Mr CAVANAGH** — Yes.

**The CHAIR** — Hobby breeders can be a great strength — the next great champion will probably be bred by a hobby breeder. But those hobby breeders breeding to sell at the sales typically seem to make mistakes. They overestimate the quality of the horse they breed for commercial purposes. A number of people have said to us one of the problems with the Melbourne sales, whilst the top end is quite good there is not much of it. It has a very, very long tail. There are a lot of people trying to sell horses in that sale who would be better off not selling them in the sales. Is it a question of trying to provide better information to our big hobby-breeding population in Victoria and get them to think about the decisions they are making?

**Mr CAVANAGH** — Forgetting whether they are good rearers of horses or not and those issues, people should be told that when you buy a mare and put it to stallion, regardless what it is, there is life after a yearling sale. You do not have to sell at a yearling sale. More people should be contemplating breeding race horses, with the emphasis on 'race' rather than mainly heading down the yearling sales path. Time and time again the available pool of buyable horses, from my point of view when you are looking at tried horses, is not that big. And people do not have stock on the shelf.

Australians are probably not as great a trading nation as the New Zealanders and Irish. They do not want to sell it to the next person because they are afraid it will win races. We need to develop a greater trading mentality. Breed a race horse, change your infrastructure, be confident your product can produce a runner because at the end of the day if someone from overseas brings me or someone I am dealing with and they have half a million dollars or \$1 million or whatever it is to fill an order, cosmetically it might be good if it was by a Danehill or whatever. But if it was by something totally remote, and they have seen it win by many lengths and it has broken track and race records, done whatever, it is a cosmetic thing.

A lot of horses are getting over-mated and the competition is ferocious so you are getting mares going to stallions way beyond what they should have been to. You will find with foal shares where people have done so many deals with all these studs they will not be able to be supported and a lot of them will be sold as weanlings; in many cases they will have to be sold. For the astute buyers there will probably be some weanlings at reasonable prices. The big are getting bigger. There is no question about that, but quite refreshingly I have just sold a stallion to Balmoral — Greg Daffey, Breeder — Green Perfume (USA) by Green Desert.

It is very interesting because I bought it off Jim Campin and his former wife, Jenny. I have known Jim and his first wife for 25 years and he and his second wife are now divorced and this is part of their stock. I had tried to buy Jadescent earlier this year with a huge offer and it was increased again. I could not get that and I really loved that filly. So the next thing I could do was buy her dam which I did for someone else. I thought had better keep going and I had better try to buy the sire. So it took me about another three months to put the deal together. It was one of the hardest stallions I have had to place in 25 years and cheapest and probably one of the most refreshingly rewarding and satisfying things to do. I arrived here a few days before Jadescent came out.

Greg Daffey is creating a breeding-to-race market – Green Perfume (USA). As we speak I have not met him. I have spoken to him many times on the phone and I am yet to go there. It is terrific to be involved with someone you have given a lift to. He has got the market just like the market I dealt with down in the western district with Peter Woodard at Yallambee. There is a market for those breeding-to-race people. Horses might have a value at a certain stud catering for a particular market. They do not achieve the required success and they get sold. They go somewhere else. It is the same horse with the same results. They are catering for a different market at a different price now and they can still make the exercise a success in the new environment.

There is competition and these stallion deals happen pretty quickly. Sometimes they have to be funded. We are trying to get the best prospects that are available and it would be very interesting if there was a government facility, some sort of funding, a 'bank' as such to assist.

**The CHAIR** — Even though the Treasurer's office is half a kilometre from here, the red light has gone off. Let me introduce you to Greg Daffey's local member. We have been there.

**Mr DELAHUNTY** — What we have heard, Tony, is the main concern across Victoria is how do we hold stallions here in Victoria? You have a length of experience in that area. Have you got any thoughts on how we can do that? You have talked about the financing. We know from New Zealand, for instance, that the association helps finance breeders.

**Mr CAVANAGH** — The selling agency.

**Mr DELAHUNTY** — Have you got any thoughts about that? Any question mark we hear is the lack of capital is a problem for holding stallions in Victoria.

**Mr CAVANAGH** — That is quite true. We have lost various ones before they started at stud or whilst they were here. There is always a chance a stallion might kick. You have got omnipotent wealth in the Hunter Valley. You have got overseas consortiums as well. What is happening in the north-east is very good, but it has to be right throughout the state as well. To be able to make a quick decision and have financial clout to act is one thing.

**Mr DELAHUNTY** — It is going to be hard to compete against the Hunter Valley — we appreciate that, but at the next level down, is there one way whether we from a Victorian point of view — governments cannot do everything — talk about VOBIS and Super VOBIS? You highlight in some of your reports we have read that you work outside the square. We are trying to cap into those ideas.

**Mr CAVANAGH** — What I said a few hours ago is a chap who knows Victoria very well is Parker at Hunter Lodge and knows the scene and that was his thing. What other initiatives are happening now? I know they are possibly going to expand again back into the stallion area, but he was looking for something as an extra carrot in his position to make him want to come down here and head the other way. Probably in the VOBIS-sort of area as initiatives.

**Mr PULLEN** — Tony, if I can just follow up what Hugh said particularly in the financing area, if people want to purchase horses, overseas people can actually use the horse as security and we do not have anything like that. I thought we did a few years ago but I do not think there is anything like that now.

**Mr CAVANAGH** — No. A huge number of finance companies mushroomed in the 80s and the halcyon boom years, and then for a period of time it was virtually un-financed. Now there are some finance companies around, but it really depends on the strength of your real estate holdings and whatnot.

**Mr PULLEN** — Also there are overseas interests in the Hunter Valley, as we know. Possibly with overseas interests, say in the United States, if something like that was encouraged to come to Victoria, do you think that would be a good or a bad thing?

**Mr CAVANAGH** — I think it would be very good. Obviously, with the development of the Spring Racing carnival that is happening now, more and more people are coming to Victoria. You just never know the impact from these people and what they represent.

There are never enough territories we can go to, so any initiative overseas is welcome. There is one thing we have to look at — and we are seeing Starcraft and others now in the sprinter-miler area overseas — but in the black-type area and the grading of races between 1600 to 2400, as it progressively gets up, we do not compete. I know we have had Strawberry Road, Better Loosen Up and others, but whilst our sprinter-milers can hold their own globally I do not think we are up to it. The authorities, black-type and Race Club Committees, are putting more emphasis on two-year-old racing and threatening to downgrade races like the Metropolitan etc, so if we are looking at wanting to have overseas participation by our bloodstock, — and it is terrific that these horses are going away; fantastic — we have to prove our worth in the area of 1600 to 2400 metres. There has been an influx of the shuttle horses coming here; some work, some do not. This has obviously given us a very good new pool of bloodstock and people coming to buy at the Sydney sales and the Magic Millions to race here, and I think that is very good.

**The CHAIR** — Let me ask you about how the industry continually improves itself. When we go around the state we talk to all sorts of people. It seems to us as a subcommittee that beyond the individual stallion statistics which are readily available to anyone — there is not much else in the way of externalised benchmarks or quality rating of studs or practices that are used in studs that would help a discerning investor to decide where they wanted to plonk their money — not, perhaps, without the help of an agent. With something as simple as pasture



management, the commercial studs in Victoria and the Hunter Valley are competing against each other. If it was any other industry they would be promoting what it is they do that is better than their competitors. They would be quite outspoken about the fact that they have a better percentage strike rate with this, that or the other. They do not do any of that; it is all based around stallions. This is fine if you are standing stallions, but with all those broodmare farms, we would not be able to discern what they are doing really well and what they are not doing so well.

**Mr CAVANAGH** — You are correct.

**The CHAIR** — Not one interest in this industry has volunteered or said to us that pasture management — which is a key consideration — this is why we are better than anyone else. It is because we manage our pastures better. We have had to dig that out as even a factor.

**Mr CAVANAGH** — Animal husbandry is very important.

**The CHAIR** — Why is that? This is an industry that has a huge wastage rate to begin with.

**Mr CAVANAGH** — And always has.

**The CHAIR** — It soaks up huge amounts of capital, so you would reckon you would have to be smarter than most and you would have to hustle up the investment. But the industry does not even talk about these factors, other than the stallion stats. Why is that? Firstly, are we right? Is that a fair reflection of the industry?

**Mr CAVANAGH** — I think that is. People do not talk about it that much. Let us create a hypothetical situation. Someone buys a part of a horse and they have success. They then want to get a horse themselves, then they get several. Then they have fillies breaking down and they say they will become broodmares. Then they buy broodmares. All of a sudden that is expanding. Then they say, 'I had better get a property'. Then they say, 'I had better get a stallion'. Then they get two stallions, and this whole thing escalates. He might not be a Collins Street farmer but he may be a smart businessman; you may get someone who listens to people and they may be okay, or whatever. It is just like having a sixth sense; having an eye for a horse or being intuitive about a stallion. A lot of people are not farmers. They employ people; whether they have the right people. I agree there are a lot of practices, that could be improved and that is probably one area in the agriculture department.

**The CHAIR** — For example, we asked people what is it that makes their particular patch the best for raising horses. Within an hour of each other we will have someone sitting in that chair who will tell us, 'You can breed them well in colder weather, and you supplement them with that'. We will have others who say, 'You cannot breed anything decent below the Great Dividing Range because you do not have enough sunshine'. You get people with mutually exclusive ideas. The business has been going along for many decades and this is a point of contention. There is no-one who is able to hold up a piece of paper and say, 'We have proved definitively, because we are studying it, that you need an ambient temperature of this much, and you need this many hours of sunlight if you want to get a good two-year-olds. These are the optimum conditions under which to raise a horse'. No-one does it.

There are a lot of places in Victoria, and indeed across Australia, where we still have stud farms because they were there 120 years ago. We just cannot fathom why it is that research and science do not seem to have caught up in an obvious way with the industry.

**Mr CAVANAGH** — I think that is a very good point.

**The CHAIR** — So you do not have any answers for us on that one; it is a state of being with the industry in many respects.

**Mr DELAHUNTY** — The question I was going to ask is why did you buy the property in Sunbury? Was it particularly because of its soil type, because of weather conditions, or was it for other reasons?

**Mr CAVANAGH** — No, I have since sold it and leased back the house and the infrastructure. I bought it because it was a time in life when I needed to have a go. It had a good brand. Many good horses had been bred down there. It had been very much unloved in more recent years. Don Newell had the property when it was on the Calder Highway. He was about the second or third person I met in bloodstock in the 60s, so I had a long association with him; I used to do all his stallion brochures in the 1970's, for instance. It was just one of those things. I decided to do it, but I have now sold it. I am just living there; I do not have any horses on it and it will eventually go for housing down the track. That was just a personal thing because of a turf situation.

I think that you have probably hit on something there. But also, things go in fashions. If you are talking about Sunbury, Toolern Vale, Diggers Rest, Melton, Bacchus Marsh; they are all great areas. But now most breeders have moved out and gone to Nagambie, Euroa and all that sort of thing. But the Western District; my God! In the halcyon days in the late 1800s — and I have been down to places which were fantastic studs. The nouveaux of today would not understand or care. Geographically, maybe it is out of the Calder, it may be out of the mainstream, grazing families have come and gone and that is all changed. Now you have the likes of Tony Santic going down to Winchelsea. It might only take a sheik or someone like that with all the money in the world to go into the bowels of the Western District and that could change the whole infrastructure.

**The CHAIR** — The industry is easily led in a sense, is it not? It is a fashion statement, but it does not take much.

**Mr CAVANAGH** — Absolutely.

**The CHAIR** — People have said to us, 'If you have good stallions, the rest follows'. You could have good stallions based out of Alice Springs. If you had the top stallions in Australia you would have a breeding industry at Alice Springs.

**Mr CAVANAGH** — And they will go there on Christmas Day and buy them.

**The CHAIR** — Yes.

**Mr DELAHUNTY** — Tony, you are strong in the area of marketing and promotions; do you believe there is any scope in improvement of the Melbourne sales or any alternative sales — looking at the hobby breeders, too? There are probably two parts to that question.

**Mr CAVANAGH** — As I say, I think the development of a marketing board for the Victorian industry and embracing —

**Mr DELAHUNTY** — Who do you believe should run that — the thoroughbred breeders association or Racing Victoria?

**Mr CAVANAGH** — I think a composition. I think it should be a bit independent and have a mixture. It could not be a totally bureaucratic thing; it would have to have the right mix. It does need to happen because you have the breeders trying to do the best they can — you have the inglises, but I think a lot more could be done, getting back to that very fundamental thing, as I just said. There is a marketing issue — proper information.

**Mr DELAHUNTY** — How would you fund that?

**Mr CAVANAGH** — That should come out of Racing Victoria, from the pool. On the one hand you have AusHorse, which is pushing the national breeders thing. We are trying to nationalise the industry, but Victoria has to push its own banner. It might be only six or eight people, but it needs to be a very efficient marketing board.

**The CHAIR** — Just in closing, some time ago we met the Australian Racing Board in Sydney. There is an agreement in place that at some stage it can introduce a code of practice or conduct. We have had some people say to us over the course of the inquiry that one of the problems about the sales environment is that you can go out and hire an agent, whether they are registered with the bloodstock federation or whatever, who very well might collect a commission from you as the buyer and just collect another one from the seller. That is just an example of several comments they have made about the sales process. Do you believe the draft code of practice that the ARB has put up is a good document? Do you think we need one that will cover the sales side of things in particular?

**Mr CAVANAGH** — We — that is, the federation of bloodstock agents — are bound by our own standard and code of ethics. There are many people out there now with various levels of integrity, or lack thereof and this is where a lot of trouble happens. If I or anyone else who is a member crossed the line, we would be up before our disciplinary board. People have a benefit and comfort zone in dealing with the federation. That list of federation members is in every catalogue.

**The CHAIR** — So you would say that as a minimum anyone who purports or offers to act as an agent for someone at one of the sales ought to be a member of the federation?

**Mr CAVANAGH** — But we may not approve that person.

**The CHAIR** — I understand that, but how do we stop Noel, Hugh or myself putting up a shingle saying, 'Bloodstock expert'?

**Mr CAVANAGH** — People are going to do whatever, but convincing people, I suppose, that they should look — for comfort zone, reliability, integrity, all those things — to members of the federation. I do not think the federation is recognised enough for what it does. With the owners card from Racing Victoria coming out on 1 January 2006, the Federation must be aligned with that so that its members can go into special areas. At the end of the day there are 26 members in Australia and 10 in Victoria. Probably on any given normal Saturday there might be three or four members there. So what extra things Racing Victoria might do for us would be greatly appreciated.

**The CHAIR** — If I had a complaint against a member of the federation because I had asked them to work on my behalf at the sales and I was dissatisfied, what ultimately is the procedure and penalty against someone in the federation if it was found? Presumably you have some self-assurance check in there?

**Mr CAVANAGH** — You would write the letter of complaint to our organisation and then a small group of the committee would deal with that — interview the member concerned — and appropriate action would be taken. To my knowledge to this stage we have never had that situation in 17 years.

**The CHAIR** — Our experience as MPs — although we represent different parties, we have no problem with self-regulation per se — is that often it has been held up as the be-all and end-all by industry associations that do not want anyone to look any further. For them to say, 'We'll have self-regulation' or 'We've got a code', that is fine, but ultimately presumably the test would become how effective the code is. We take it that you are arguing that the code has been quite effective and we have not had any evidence to suggest otherwise. If governments over the years had accepted that from everyone there would not be statutory regulation of anybody. They would all be saying, 'It doesn't need to go any further than self-regulation'. That clearly works in some instance and not in others. We will a bit more thinking about that, perhaps. You have been terrific with your time. We probably could have talked for another hour.

**Mr CAVANAGH** — Could I say just one thing, which is really important?

**The CHAIR** — Yes.

**Mr CAVANAGH** — Because of the that article and another one in *Turf Monthly*, a couple of years ago, which was an honest article and actually inspired a lot of people who have been to hell and back, a lot of people talk to me about their problems in the industry. They are mainly males — and they are high profile, successful and whatever. I think — as I hit on before — that the racing industry does need a lot of assistance in getting through. A couple of years ago I put forward something that stopped within the channels. What has been done with the jockeys welfare is one thing and it is only the infinitesimal. I got involved with the founder of Jesuit Social Services, Fr Peter Norden, who in a lateral thinking sense considers the racing industry as a very interesting target. He was very much prepared to come on board and use the facilities of Jesuit Social Services to assist racing industry participants. I think at a counselling and IT level there is a great area of scope. I see enormous pressure, relationship problems, a lot of difficulties and imbalance in life. That is one area of welfare that you do need to look at.

**The CHAIR** — Thanks very much for your time. We will make sure a transcript comes out to you. It will take two or three weeks. You are welcome to make any alterations and send that back to us. As I said to you at the start, the committee will later consider making that publicly available on the Internet.

**Mr CAVANAGH** — Alterations — does that mean additions or just alterations?

**The CHAIR** — Just if there are obvious mistakes.

**Mr CAVANAGH** — If all of a sudden something has come.

**The CHAIR** — You are welcome to put anything that you thought needed to be added in a written document and send that to us.

**Dr SOLOMON** — Just as an explanation, it is to make it clearer, really, with addition.

**The CHAIR** — If there is a number missing or the meaning is not clear, certainly let us know. It is usually just the obvious errors in the transcript that we ask you to pick up. If there is anything else you want to put forward, just get in touch with Russell. Thank you for your time. We hope to be finished out work by late January and we will make some copies of the reports available to you.

**Mr CAVANAGH** — Thank you. All the best.

**Witness withdrew.**