

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

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

Melbourne — 22 August 2005

Members

Mr B. J. Jenkins

Mr N. F. Pullen

Mr A. G. Robinson

Chair: Mr A. G. Robinson

Staff

Executive Officer: Dr R. Solomon

Research Officer: Ms K. Newitt

Office Manager: Ms A. Agosta

Witness

Mr B. Scarborough, President, North East Thoroughbred Industry Alliance

The CHAIR — We formally welcome this afternoon Bob Scarborough, president of the North East Thoroughbred Industry Alliance. This is a formal hearing, and as such your comments are being recorded by Hansard. We will make a copy of your comments available to you for the purpose of your correcting them, if necessary. It greatly assists us in our inquiry. You are one of a number of witnesses invited to give evidence. In addition, the Committee is receiving evidence informally, contacting a lot of people and making many site visits. Your comments are covered by parliamentary privilege so anything you say cannot be used against you, but that only extends for the duration of the hearing. Once you repeat them outside the door you do not have that protection. It is an open hearing, so from time to time members of the media come in, and anything you say may be picked up by them. You just need to be aware of that. We received a submission from you earlier in the year and we thank you for that. Please speak to that and then we will fire some questions at you.

Mr SCARBOROUGH — Thank you, and I welcome the opportunity to appear before you. I wear a number of hats, and I wanted to point that out to you. I am a member of the board of Thoroughbred Breeders Victoria. As your, Chair pointed out I am the inaugural chairman of the North East Thoroughbred Alliance, I am a panellist on the racing appeals and disciplinary board, a member of the Moonee Valley Racing Club Committee, and on my own account I am a breeder and the principal of Wood Nook Farm at Nagambie. The important issue is that I am representing the North East Thoroughbred Industry Alliance, but there may be some personal views that I express, and I will point out to you when I am expressing a personal view and when I am generally speaking on behalf of the group or to some extent speaking on behalf of Thoroughbred Breeders Victoria, although on a future occasion they will no doubt have an opportunity to address this committee as well.

The Industry Alliance is a relatively new organisation, the aim of which is to market and promote the thoroughbred breeding industry in the northeast of the state. It comprises principally breeders from within that region, and that region is principally the Shire of Strathbogie, but the peripheral shires are also encompassed within the group that are representative of the breeders. There are a number of supporting industries that are represented by that group, and they include local trainers, veterinarians, farriers, feed merchants and the local country race clubs. In addition we have links to the Wangaratta TAFE — I think it is possibly referred to as the Goulburn and Ovens TAFE now — and we have a strong relationship with the veterinary practices, particularly those of John Hyland and Angus McKinnon. The latter is an internationally renowned equine reproductive veterinarian surgeon.

We have a particularly strong relationship with the Shire of Strathbogie. That shire has been a wonderful financial supporter, has provided a lot of human resources, and some of the impetus to get the group together and keep the group going. It has enabled us to convene committee meetings appropriately, it has provided us with some secretarial support, and we expect that they will continue to do so and we will link with them to enhance whatever we can do within the region to support their tourism activity, educational initiatives and generally link other industries, particularly the vineyard-wine industry with our industry, with some of those common goals. As I have alluded to, we have some strong linkage to the Thoroughbred Breeders Victoria. I am on that board, Michael Becker, who is President of TBV is also on the board of NETIA, and whatever we undertake within that region we will do without conflicting with anything that is the view of the TBV, but the particular focus for us is promoting that particular area, not to the detriment of the rest of Victoria.

We have made a written submission. To some extent it was slightly premature, but I think it highlighted a number of issues we were concerned about. I would like to highlight some of the matters that have been raised there, and I raise a couple of others as we move through. I have highlighted the fact that New South Wales provides enormous competition to this state, particularly with the strength of their stallions. This has resulted in the export of millions of dollars of nomination fees from this state, as mares are shifted to the Hunter Valley to be covered during the season. That in turn has enabled the infrastructure of the New South Wales-based stallions to be enhanced, and surpluses then finally find their way back to Ireland or the Middle East or America. It is a rather disturbing situation but it is probably disturbing also for New South Wales, which probably has a perception that they have a thriving industry but in fact most of the dollars are ending up elsewhere.

There are some figures. You might be more familiar with them than I am — they are two years old now — but we believe that \$22 million in total fees were exported to New South Wales in relation to nomination fees paid on behalf of the Victorian broodmare owners. I would think that that number has substantially increased. There was an estimate done for the north east alone of \$14 million. I believe that that is probably higher, and speaking personally, I will spend \$2.6 million in the current breeding season on nomination fees to New South Wales for my mares. I am not proud of that. The shuttle stallions that frequent Victoria are foreign owned. They provide minimal economic benefit to the Victorian-based studs. If they are successful, then they are in the main likely to move to

New South Wales. We have one glaring example which has no doubt been referred to on many occasions in the form of Encosta De Lago.

With regard to the perception of the Victorian breeding industry, on an international basis we do not exist and on a national basis we do not matter. On an international basis no-one has heard of Victoria and certainly have not heard of the breeding industry in Victoria. Fortunately they have heard of Victoria from a racing perspective and we have some opportunities in the future to get some benefit from the health of our racing industry, and ultimately that may flow to our breeding industry. On a national basis we do not matter. Breeders in New South Wales rarely support the Victorian product. Encosta De Lago may have been an exception in his last season at Blue Gum.

The consequence of this is that we have to establish a Victorian thoroughbred marketing board along the lines of the New Zealand Thoroughbred Marketing Board, which has been hugely successful. I see this as a very important aspect of what we need to do from a positive point of view. I am unsure of whether it needs to come out of perhaps a pool of funds that may be made available as a result of the conclusions you may come to as a committee in your recommendations to government or whether it could come out of another pool that is trade related, but I would hope it might be able to come out of another pool and provide an amount of a million dollars over a three-year period, and that thereafter the industry itself would need to find the means by which it can continue to support that marketing initiative.

If we establish a board — and this is a personal view because I think the industry will lack the gumption to do so — in my view we must have a new sales company. It is very clear that we need to exclusively support the Victorian breeders, and that what is currently happening is that we need to stop the New South Wales-based sales company preferring their Sydney sales, and I believe that they do, and we must stop them allowing the New South Wales studs to dump inferior yearlings onto the Victorian market. Both of those issues are of enormous importance to the Victorian industry. To have a marketing board that, for example, encourages overseas buyers for our yearling product, who are capable of diverting them to a Sydney-based sale, would be absolutely absurd. The linkage between a marketing board and a sales company is critical, and it would be foolhardy to embark on a marketing board if we did not have a sales company that could benefit from what might be achieved by a marketing board. It is essential that we improve the quality of stallions in this state. That means buying single stallions in the order of \$10 million to \$20 million. We have the breeders with the money, but they will not invest if they do not believe the industry is viable in this state.

I do not believe it is an issue of money; I think we can get together syndicates of breeders in this state, or individuals, who would be willing to part with enormous sums of money to introduce these stallions, and if those stallions were introduced there would be a trickle-down effect, with mid-range stallions, and again if the higher-quality stallions were here, the same studs would also encourage the middle-range horses to stay here as well, and again we would get a broader range of stallion available across the broad section of the broodmare ownership in this state, and that is clearly an issue.

We must attract the quality mares to these stallions. We already have quality mares in this state — that is quite obvious — and we have the breeders in this state who would invest more money to acquire more mares if the incentives were in place. To achieve quality stallions and keep the quality mares in this state and improve their quality, we need to do one single thing. The only thing I believe we can do is enhance the Super VOBIS scheme. It is critical. If we could start from where it is for the time being, we need to enhance the existing scheme exactly as it is. This would encourage more owners and more trainers to buy the Victorian product. To that extent we need to do something to perhaps increase its value in some form or another by slightly increasing the benefits or broadening the benefits so that a greater range of people who have participated in the scheme get something out of it. Then we need, rather than throwing the scheme upside down and , to go through a laborious process of completely changing it.

We should have another aspect to it, and that is have a segment with a bonus attached to the stallion, and a nomination of that stallion based on either a percentage of the stallion's nomination fee or some other criteria which is equitable across the broad range of stallions that might apply to be part of the scheme. We should do something that encourages the broodmares in this state to stay with those stallions, and in the same stallion component we should have a section for broodmares that enables the broodmare owner to use the nominated stallions; and as a result the progeny of those matings get an additional bonus out of that extra segment to the bonus scheme.

As an alternative to the broodmare dollar component perhaps we could introduce a segment where the broodmare owner would get a bonus that is equivalent to twice the dollar sum, but could be used to offset a nomination fee to a stallion nominated to the stallion bonus scheme. I have raised, in the written submission, issues around education, linkages to tourism and some general industry issues around upgrading veterinary best practice generally. I think you will have heard these elsewhere, and I do not think I need to elaborate on those.

We are highly supportive of them and will do whatever is necessary to assist that. We will do whatever is necessary to assist employment within the industry also. At an Alliance level we are linking with the Wangaratta TAFE and hoping to encourage other work experience schemes within the region. We would be very supportive of whatever could be done within the state on all of those levels, but I would not like to see funds diverted from the principal purpose of this inquiry, and that is the breeding industry, to be diluted by issues associated with research or education. There are already existing pools of funds available to support that activity.

In terms of linkages with tourism, I think the Department of Tourism — and I suspect it is linked to another area of activity — and those sorts of things can come from within those portfolios. I would like to see that this inquiry finds specifically in relation to the breeding industry, and leave it at that. I thank you very much for your time in listening to these views.

The CHAIR — Thank you, Bob, that is very succinct. In terms of the Stud Book, a number of people have commented that the fees charged are excessive. You own quite a few broodmares and probably fill out more than your fair share of paperwork for the Stud Book each year. What is your view, as a practitioner?

Mr SCARBOROUGH — They are excessive. It is ludicrous that the Victoria Racing Club and the Australian Jockey Club should be the proprietors of it. There is a move afoot to try and bring a lot of that income back into the state associations and Thoroughbred Breeders Australia itself. I would like to see that happen and see the sheer cost of the administration go to an administrative body, even if it is incapable of being moved from the current structure of the VRC-AJC. I do not know exactly, but it is around \$100 in returns for fees, and perhaps \$30 could deal with the administrative aspect and \$70 could come back to the state associations. That would be a wonderful outcome.

The CHAIR — I want to ask you a question about something that intrigues me. This is a huge industry but perhaps ‘industry’ is the wrong word. It is a collection of industries and practices and pursuits. We spoke to Reg Inglis earlier this year up in Sydney, and asked him for his comment on the relative difference between the Victorian and New South Wales breeding industries. He was pretty much to the point. He said the stallions in Victoria are not good enough and the breeders in Victoria are not professional enough. It was a blanket statement. Our instinct, of course, was to disagree with him. But upon going around the state and talking to a large number of people and challenging people to come up with dot points that we could put onto a piece of paper and tell anyone in the world that would demonstrate how good we are compared to whatever benchmarks the industry operates by internationally, we still pretty much have a blank sheet of paper. This came to the fore again recently when I spoke to a fairly senior trainer who said that his experience was that typically at a sale he could pick the Hunter Valley yearlings from the Victorian yearlings. They were just bigger, stronger and better developed at sales time, which he put down to the climate, grass types and pasture management and all of that in the Hunter Valley.

As one question that might deal with this, we have not had anyone up until now say to us what is best practice with pasture types or pasture management. I am intrigued by that, because obviously that is an ingredient, and you would no doubt spend a fair bit on pasture management yourself; but across the Victorian breeding industry no-one has come to us and said, ‘This is the standard we apply’. We are intrigued by this because we actually do not know what are the best standards going around. I come back to my first point: it is an industry, but it is an industry that seems to lack the external benchmarks a lot of other industries would have. Do you have a comment on that? Is it something that is discussed within TBV or up in the north-east? The north-east is probably the better land for breeding in the state, but we are intrigued as to the relative absence of benchmarks.

Mr SCARBOROUGH — It is an interesting and valid question. There are different pastures in, for example, the north-east from the Hunter Valley. They irrigate most of their pasture, whereas we do not irrigate a lot of our pasture. When they irrigate they introduce a lot of weed and they irrigate a lot of pasture that is not of great nutritional value — kikuyu and grasses like that — whereas in Victoria my personal practice is to be absolutely fastidious about a range of grasses that would grow across all four seasons. I also grow my own lucerne which does

need to be irrigated, but I have issues around the introduction of weed and couch in particular. But that is common when you irrigate.

With regard to best practice in feed management and nutrition, the feed companies have got their measurement of all the levels of minerals, et cetera, that are necessary in a balanced diet, and I believe the major farms, both in Victoria and New South Wales, would be fairly much using the same sort of balance of elements in the manner in which they feed. I do not believe the comment that New South Wales yearlings are better grown than Victorian yearlings, but if you were to mark yearlings from the major farms in Victoria and yearlings from the major farms in New South Wales I do not believe you would find a great deal of difference. But I think amongst small breeders you would find some very marked differences where they just lose the plot for periods of time and fail to weigh their foal and yearling through the growing stages, perhaps overfeed on occasions et cetera, whereas in a professionally run operation the animals are weighed once a month and their diet is altered accordingly. They have specialist people trimming feet, et cetera. There is nothing that happens with these animals in the growing phase that is overlooked, and this will happen on every major farm, be they New South Wales or Victorian based.

The CHAIR — It might be fair to put that comment of Reg Inglis's into some perspective, noting that Victoria compared to New South Wales would have more hobby breeders, and it might be that at the very bottom end of our sales there are yearlings that are prepared which possibly reflect poor breeding choices or poor pasture management on hobby farms, but that is just a reflection of the breadth of hobby breeders in the industry, which is a strength in many ways. But you are going to get some crosses or decisions made there, which raises the question in my mind that — —

Mr SCARBOROUGH — About Reg's point, I think he sees a lot of these horses in the autumn sale where there are about 500 horses, most of which will not be prepared for the sale because they cannot afford to do it. The cost of doing it adds another some thousands of dollars to the preparation of them, and the breeders cannot afford to do it.

The CHAIR — To what extent does that predicament reflect a lack of advice and information a year earlier or whenever for hobbyists? It is typically hobbyists, I suppose, or the lower end of the commercial market. Are people making bad choices at that point, a year earlier? Are they getting into it without realising what the requirements are, if they want to go to the sales process, of what the sales environment is like, and is this repeating itself with many of our smaller breeders?

Mr SCARBOROUGH — I think so. I think there are lots of people breeding horses who should not be. They do it by default. They do it because they have bought a yearling filly; it has had any level of success from being absolutely useless, but they have spent a lot of money, to outstanding and they might have spent no money, or something in between. They have got no idea about what the breeding industry is. They have no idea what their expectation is. They just suddenly think they have a female that now no longer can run, for whatever reason, so they will breed from it. They do not know where to go. They may give it to someone entirely inappropriate. They may be told that a particular horse is a wonderful stallion prospect, where it is patently already guilty, it is not commercial or its prospects are poor, that the actual mating itself is inappropriate because of the blood lines, that there is no marketing support for the animal, and the progeny of that horse is unlikely to get into a sale. A combination of all those sorts of things can lead people into the industry when they should never have got in there. They should have sold the animal. They can certainly, by all means, become a hobby breeder. Clearly they can do whatever they like, but if you were to treat it commercially they should never have got into it.

The CHAIR — They get into that position ill equipped and under-resourced and suffer the penalty?

Mr SCARBOROUGH — Yes, completely.

Mr PULLEN — I was interested in your million dollars over three years for the marketing authority. Whereabouts would you be looking to this being promoted — in the Middle East or Hong Kong or where?

Mr SCARBOROUGH — I think Asia is the place. There is a possibility that horses of racing age could in fact come from Victoria, which is an interesting niche opportunity for this state. Firstly, the breeze-up sales were something conducted at Moonee Valley years and years ago that fell on their face for some reason, because people were not willing to prepare attractive, well-bred horses for them. There was a revival last year, and I gather it was reasonably successful. It is hugely successful in New Zealand, as you may well be aware, where I suspect they end up selling some thousands of horses that are of racing age and ready to run from New Zealand, but they have a

couple of sales that might amount to about 1500 horses. I believe we have a great opportunity to a lesser extent into places like Bahrain but into Korea, and to a lesser extent Hong Kong but into Malaysia and Singapore. I think there is a great opportunity to prepare horses that are specifically bred for and prepared for a ready-to-run sale and to be marketed as two-year-olds and ready to do the job for them almost straightaway. There is that opportunity for the state. Just to get back to your question, I do not want to — —

Mr PULLEN — No, that is all right.

Mr SCARBOROUGH — But I certainly see that as an opportunity.

The CHAIR — We were in New Zealand about a month ago and were very impressed with the job the New Zealand Thoroughbred Marketing Board does. One of the things that particularly impressed me was how administratively light it is. I think it only has two or three staff, hires a journalist on contract who puts together a lot of its material, but they pump out an awful lot of stuff, and everyone is aware of what every New Zealand horse does — every week or every day on the Internet it is being touted.

Mr JENKINS — One of the questions I have is about the amount of employment. How would the increasing activity reflect in increased employment in the industry? Stud fees is one sort of dollar value that keeps getting thrown around, but in terms of the government's commitment to increasing employment opportunities right across the board how are they increased by the north-east being more like the Hunter Valley than the Hunter Valley?

Mr SCARBOROUGH — There have to be staff who deal with every aspect of a growing industry. It will come from the grassroots level of, firstly, the need; therefore education of young people within the region, particularly within the local shire area — younger kids staying there instead of drifting to Melbourne which is something commonly spoken of to me. Hopefully these kids, a lot of them coming off farms, will stay there and come in at a grassroots level handling horses. I see that as something that is desperately needed. A lot of those already there drift to New South Wales, which is disappointing. They see that there are better opportunities there to gain some experience, and then they end up overseas in Ireland or America or somewhere, because if they can write on their CV they worked for Coolmore or Arrowfield or Darley, then they have got some great opportunities.

We would like to see the same reputation develop here and therefore the same sorts of opportunities for these kids to go overseas. We believe at a higher level and at many strata of that level in terms of the administration of these farms there will be increased employment. There will be increased marketing opportunities within the region, and that is important. There will be increased opportunities for staff from veterinary practices — from all those support services, but the veterinary practices I see as important because they need to be able to take on postgraduate students, particularly in the area of equine reproduction. I see that as an opportunity and a benefit to the local TAFE in terms of education for the kids who are going through the breeding industries courses there. I think there are plenty of opportunities from menial tasks to educated and postgraduate people.

Mr JENKINS — Has the Alliance or the local government done any figures on how many jobs there are currently in the industry and what sort of growth in employment there is?

Mr SCARBOROUGH — No, they haven't, but they are trying to put together some figures now from all of the farms within the area. Tony, I don't know whether you have already had the opportunity to have someone present some of this material to you.

The CHAIR — I don't know that we have had anyone from Strathbogie. We will follow them up. I know we have spoken some time ago.

Mr SCARBOROUGH — They are trying to put these figures together now. They have had a slight dysfunction in that the Economic Development Manager within the region, Matt Nelson, has moved from the Shire of Strathbogie to Shepparton, and Sally McDonald starts in the role on 15 September, so there is a little bit of a hole there. But they are undertaking some work to find out that raw data about how many people are in the industry. There was a little bit of work done on some growth projections, but I believe it is woolly, and I would rather not be quoted on the subject.

Mr JENKINS — Why is the Hunter Valley in the position it currently is and the north-east looking to catch up? Is it purely historical?

Mr SCARBOROUGH — No, it is not. It is interesting — the north east stood some wonderful stallions. On my farm, for example, there were a couple of stallions that led the stallion sires list for a number of years, and a number of other stallions that were highly commercial stood there. Northwood Park, which was the old A. G. Hunter's farm, stood a number of champion Australian stallions there over a succession of time. Then elsewhere in the state we stood stallions such as Showdown, Century and Better Boy, all of whom led the sires premiership for a number of years. We lost the plot, I suspect, or we began to about 30 years ago when Star Kingdom ended up at Baramul in New South Wales, and then a succession of his sons absolutely dominated the stallion ranks in the country and all just happened to be on studs that were owned within the Hunter Valley and its close proximity — Widden Valley et cetera.

So you had the sons such as Bletchingly, Biscay and Todman, all sons of Star Kingdom. They dominated the lists and all tended to throw these precocious two-year-olds, and suddenly Australian racing got centred on two-year-old racing, and the earlier they could come out and earn you a bob the sooner you would get your money back. All of a sudden it twisted to this focus on precocious young horses, being two-year-old racing and early three-year-old racing, and we had suddenly gone from these horses that could produce the all-rounder or the horse that would get a bit of a trip to being almost irrelevant. Suddenly there has been this enormous gap, and it is not for lack of money or resources or facilities or whatever else. It can be turned around.

I think there was a perception by the overseas people that obviously the thoroughbred industry is thriving in New South Wales; that is where we had better go. So in came Coolmore and Darley et cetera, and suddenly all of their 10, 20, 30 and \$40 million worth of horses and infrastructure are going in there, whereas it could have easily gone in here. I think it is just one of those things that happened. It could easily have happened here. For example, Vinery started off here; Tommy Simon started here. He perceived that north-east Victoria was the place to establish his operation, but he could not beat that perception that the Hunter Valley was where it was at, so in the end he relocated everything, bought the Segenhoe Stud and established stallions such as Red Ransom and More Than Ready, which are currently particularly popular. So I do not think it is a situation we cannot turn around. I think it is just one of those things, that the current perception is that it is better there than here.

The CHAIR — On the subject of stallions, we understand the problem well enough. We understand the leakage of service fees to the Hunter Valley from broodmares based in Victoria, and TBV has given us some very accurate figures, and you have quoted those in part today. But the nub of the problem at this point in time would seem to be that the availability of money for capital in New South Wales, in the Hunter Valley, with Coolmore and with Darley, means that at very short notice there is never a problem there in writing out a cheque, so when a stallion emerges in Victoria the cheque is dangled before the owners. Short of a statutory authority or government directly buying a 51 per cent share in every single stallion we have got in Victoria, how do you avoid that stallion going north? How do you avoid the owner realising the commercial gain that such an offer represents?

We met Sir Patrick Hogan in New Zealand, and he told us how he resisted the US\$32 million for Sir Tristram, but I am not sure that my altruism goes that far. If I was offered \$20 million for a stallion, I think, like most Victorians, I would probably take it. How do you avoid that predicament? Because that would seem to be the problem we have at the moment, that the chequebooks up there are always going to be bigger and you are going to have owners here who are put in that position where an incredibly generous offer is made.

Mr SCARBOROUGH — I have not got the answer, but I do believe that there is one thing we can offer which those other two organisations cannot — that is, we can offer the current owner some percentage of the stallion on an ongoing basis, whereas Darley refuses to offer other than for 100 per cent, and the same for Coolmore. They will not buy some percentage of a horse. They want 100 per cent or nothing. So I think there is some opportunity to at least enable the present owner to have an ongoing relationship with a horse, and I think that is about the only thing we can offer here. Whether or not the owner is willing to either enable a Victorian-based operator to match an interstate offer or even take perhaps slightly less than that, I think that is about the only thing that I can see is of any advantage.

The CHAIR — One of the things I think we need to do in Victoria that has become apparent to us is we need to try to develop, for want of a better expression, investment platforms into stallions. Having talked to a few people on the subject as a committee we get the impression that sourcing investment in Victoria at least for emerging stallions is quite a complex process. It is a relatively small group of people, typically broodmare owners and others, many of whom have to get their own advice as to how their tax situation is affected by this potential investment.

In contrast the alternate purchaser is one of these studs that does not need to ask the question in New South Wales. So whether we can make ourselves as a Victorian-based industry more investment-ready by doing some of this work in advance of the stallion prospect emerging or not would seem to be a valid question. It is not something any of us on the committee pretends to know a great deal about, because stallion investment is not something that you can get into every day; it is not offered by every bank over the counter sort of thing. I do not have any more questions at this stage. Noel, do you have any questions?

Mr PULLEN — I have just one. This might be out of left field, but how long have Coolmore and Darley been in the Hunter Valley and what are the chances of them setting up a branch or something down here so we can compete equally against them? Do you have any thoughts?

Mr SCARBOROUGH — Darley only really got going about two years ago. But I must say that in the space of 12 months they turned some fairly unattractive undulating rural country near Aberdeen into something that is of world standard. I could not believe what they achieved with a team of builders of fences and stallion barns and whatever else. Their resources are enormous and their desire to get wherever they want to get to is undeniable. Coolmore on the other hand has been in the Hunter Valley for about 23 or 24 years; I will not be very far out in saying that. As for encouraging them to come here, I think their perception would be that if they did — apart from duplicating infrastructure which they would not be happy to do — because of the perception of the industry here they would feel they would have to stand stallions at half price, so I think the chances of getting either of those organisations here is negligible. In one respect I think that is a good thing and in another I think we have just got full-on competition and it is going to be tough for us to win the battle or get on a level playing field. It will be tougher for us, but at least they will not be down here beating everyone up with a lot of money that makes it tough for others to compete with them. Can I just raise something? You did not quite touch on it but alluded to a national stud concept, which I do not believe needs to be a physical structure. I believe it could be a trust into which breeders in the state could invest and in doing so would get a percentage of all or a particular horse in various proportions that might in fact provide some seed capital to enable the Victorian industry to compete for some of these higher-priced horses.

The CHAIR — Thanks for that. A couple of people have talked to us about the national stud idea, but it is usually presented in a different way each time it is referred to. It is an interesting concept. We have not yet discussed at any length where that might fit into the scheme of things. I go back to the point you made earlier. I think we generally accept there is a need for a body to be doing a lot more work on behalf of the breeding industry. You have RVL and TBV doing some of that at the moment, but I think there is a fair bit more that is not being done yet. I think the industry is significant enough to warrant a body dedicated to just that. The structure and the means by which it is funded — you have alluded to a couple of potential sources — is not something we have yet got our minds around, but I imagine we will be making recommendations that deal with that in some detail. I think that is the key to all this — getting some body entrusted to do this work.

Mr SCARBOROUGH — Yes, it makes an awful lot of sense to me. Whether this body might be one and the same national stud trust, the convenor of a Victorian-based sale as well would be in some respects beneficial. I can assure you I alluded to the fact that there would be many breeders in this state who would be fearful that if there was any support by them for a Victorian-based sales company that they would be persona non grata with Inglis's. They might well be encouraged by Magic Millions, but they would have nowhere else to go but Magic Millions if the Victorian-based company were to fail or took more time to get established than they perceived or initially had some difficulties perhaps in attracting a great deal of response.

The CHAIR — Thank you for your time today. We have appreciated your coming down and have learnt a lot from your presentation which neatly reinforces the earlier submission you made. We will make sure a transcript comes out to you in about two weeks; you are welcome to make corrections and send it back to us.

Witness withdrew.