

# 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  
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#### Witness

Mr I. Whalley, Principal and Business Planning Consultant, Panglossian Urbanisme.

**The CHAIR** — The committee welcomes Ian Whalley, a business planning consultant. The Economic Development Committee is one of about 11 state parliamentary committees. It is an all-party committee, and we have a subcommittee dealing with this reference. We investigate references that are given to us by ministers. In this case we have been asked to look at the viability of the thoroughbred and standardbred breeding industry in Victoria, so we are collecting evidence. We have made a lot of site visits, with more to come. We have had some formal hearings, of which this is one, and we have had a lot of informal comment made to us as well. We are out collecting evidence wherever we can. Because it is a formal hearing Hansard will record the proceedings and will provide you with a transcript in a couple of weeks. You are welcome to correct any mistakes. It is a public hearing, so people can come in and out. You may have the media sit behind you and take notes, so you need to be cautious of that. It is also a hearing where parliamentary privilege is extended to you for anything you say here, but that does not extend beyond this room at the end of the hearing. We are very informal, so we might give the chance to have a chat to us. We have about half an hour.

**Mr WHALLEY** — First I would like to thank you for the opportunity to make a presentation and submit some evidence to the Inquiry. As a little bit of background, you have a brief CV of where I come from. I am a strategic planner by trade and I am a small-scale breeder. As I mentioned to a couple of people, they are a little bit pessimistic about Tony Fleiter's views of the plight of breeders, but I shall stay buoyantly optimistic about my future in that area. I heard of the Inquiry when it was announced earlier this year. I took the trouble, as a member of Thoroughbred Breeders Victoria, to cast my eye over the terms of reference. They interested me; I thought they were wide reaching. I suppose my appetite was whetted a little when I received my copy of *Inside Breeding (2005 Edition)*, inside which a press release was included quoting the Minister of Racing the Hon. John Pandazopoulos, MP. I will read those two paragraphs. He is quoted as having said:

While Victoria is leading the way in many areas of breeding there are some areas that need improvement and this inquiry will provide a vision for the future —

I picked up on those words 'vision for the future' —

Breeding has even greater potential for growth and further generating employment and finding a long-term strategic plan for its future—

I suppose my area of expertise professionally is to do with long-term strategic planning and visioning and to try to assist the Committee in avoiding what potentially could be a natural pitfall of being embroiled in a myriad of historical, immediate past, current and emerging trends, because clearly they are issues that have to be addressed. But they should not be addressed, as you would all probably be aware, at the exclusion of other areas. That brings me to the table today.

What I would really like to give the Committee is an insight into a process and I suspect you have picked up a number facets to the process anyhow so it will not hurt me to run over that just to ensure that you are familiar with the process and a blueprint that I think has got a proven track record. This is a process that has been used — it is really a visioning process of preferred futures — by the Australian Business Council when it produced the document *Australia 2010*; Dr Mahathir used it for Malaysia's *Vision 2020*; the ACT government used it in *Canberra 2020 — Vision for Prosperity*; and even Racing Victoria, whilst you do not hear the label thrown around very much these days, produced something that was sort of in that ilk in its document *Leadership 2000* which came out about six years ago.

After the demise of the Geelong Regional Commission and the Greater Geelong City Council was formed I was invited to go down there to head-up a future for the Geelong region project. I was fortunate to draw in Dr Peter Ellyard who had previously been the Executive Director of the Australian Commission for the Future and Professor John Hay, who was the Vice Chancellor and President at Deakin University and is now the Vice Chancellor at University of Queensland, to be involved in that project. It was a fantastic exercise, we learnt a lot from it and it was a process that has a proven track record and is applicable basically to any area. I suppose having known the Minister's interest in long-term strategic planning and a vision out of this project I thought it would be useful for me to make a contribution, roll my sleeves up and see where that takes us.

The phrases have been thrown around over the years. You know the often used Colin Hayes phrase about 'The future belongs to those who plan for it', so I do not think we need any convincing about the need to look to the future. I recently received a copy of what is I think a bit of a treasure trove, the *Pacemaker* international magazine looking into thoroughbred breeding and racing. I have a particular interest in the French breeding and racing

industry, having been there a few times. If you will excuse my French pronunciation, Jean-Pierre Deroubaix, who runs the French bloodstock agency and a number of other areas, was quoted in a recent article and basically it is where I am coming from. It says:

Everything is possible — it is just a question of time, knowledge and money. When it becomes a success then people will say ‘well done’. Look at racing in Hong Kong 15 years ago!

I suppose the two examples used in this article are the work that the French bloodstock agency is doing. It has basically set up a racing industry in Turkey, and it is in the middle of a racecourse development in Qatar. We have been blessed in Australian racing and breeding to have visionaries like Colin Hayes, Robert Holmes a Court et cetera, so I suppose it is that tradition that encourages me to invite the committee to take a really visionary stance in the opportunity that is presented by the Inquiry here.

In the brief notes that I provided, just to give a little background which I have titled, ‘Overview of evidence’ which you would have seen, I have talked a little bit about the process. Obviously our destination is to create a breeding industry that will flow through to the future and is a sustainable success. When I talk about the terms, any one of us can write a dissertation on where the breeding industry was vis-a-vis the racing industry, 10 years ago. It would not be all that difficult, particularly with the evidence collected by the Committee, to write one about where we are right now. I think the real trick to the exercise for innovation and sustainability lies in a couple of areas. One I see as being what is often termed the ‘probable future’. This is really just — if you use the analogy of a boat or a yacht — the probable future is where we end up if you get taken by the wind and the tide. It would not be difficult I suspect on the weight of evidence to write, ‘Let us unshackle ourselves from the current and throw ourselves 10 years forward’. It is now 2015, we have just got ourselves a little bit untangled from the day-to-day issues and we are getting our head around long-term sustainability. It would not be all that difficult, I suspect with the information the Committee has collected to date and will collect before it concludes its work, to write a really detailed probable future that articulates where the industry is likely to be. In strategic planning jargon that would give you a sort of case for action. I suspect, because there is a little pessimism about where we might end up in 10 years time, it is one of the reasons why we have got an inquiry here so that we can actually embrace, harness and enhance the potential of the breeding industry under the Racing Victoria banner.

Knowing where we might end up without that intervention actually does not help us. If we are going to be vision led, which is what the Minister wants us to be, the real trick to the exercise is about what is often referred to as ‘possible and preferred futures’. I do not want people to get caught up in the jargon because it really does not matter; the explanation is probably more important. The possible future is really just to have a clear understanding of what is possible and that is what most people are not really good at. People can give you chapter and verse about every little component of the industry — now, past et cetera. There is no reason why the detail and articulation for the possible future, let us say 10 years hence, 2015, cannot be written in the same degree of detail that we can for what happened 10 years ago and what is happening now, and where we might end up. It requires a little bit of lateral thinking, it requires tapping into a range of experts in all areas and allowing them to really get their thought processes running.

There are often critics of the visionary approach. I recently attended the Racing Victoria seminar at Mornington which whetted my appetite even further and there was much discussion around the table about current day-to-day issues, about this and that. There you had some hands-on breeders; you had a very small representation. You would wonder smack-bang in the Mornington Peninsula why would there be just three or four people sitting around a table? Because so many people as with most businesses are embroiled in the day-to-day battle to make a living, it is not easy, particularly in the racing industry as we probably all well know. But the real potential, to avoid the criticism of, ‘What is the point of having a document and the potential loss of credibility’, to put out a document that basically says this is the racing and breeding industry in Victoria 2015 and it deals with a whole range of issues that are not currently at the forefront of people’s thinking. The very reason why that is often criticised is because they can be a little too far-fetched and they can run on a little bit. The trick to the exercise is what we call ‘reality testing’ which is basically that you have got to go out there to explore the possibilities, the potentials, the alternatives and then somebody has got to pragmatically sit on that and say, ‘All right, what is realistically achievable and is something that is going to be owned by the key stakeholders in the industry?’. That is the trick to the exercise. It is a simple exercise, but it is often overlooked.

**The CHAIR** — Your practical experience as a small breeder — we accept that hobby breeders, and I think I am right in classifying you as a hobby breeder?

**Mr WHALLEY** — I think I have just converted, the ATO says I am a business now, it allows me to accumulate losses.

**The CHAIR** — We will call you a small breeder and we want to continue to see lots of small breeders in the industry, what sorts of things in practical terms do we need to be doing more of to encourage people to come into the industry, stay in the industry and have success in the industry? Are there any glaring weaknesses that you can see from your experience?

**Mr WHALLEY** — It is probably primarily not the reason I am here today, but I am happy to answer the question. I think the sort of genuine barriers to entry are in terms of information, education et cetera to get in. I basically bought a filly at William Inglis in the late 1980s, raced it with three friends, it had a paddock accident, you let your heart rule your head, you say let us breed from it and then you end up a few years later with a few fillies. Then you buy a few more and you race a few more and suddenly you think, 'Can I turn this into a business; is that sustainable?'. It is like any small business I suspect. It needs good management and good luck.

**The CHAIR** — There is no problem in attracting people to the idea. It is a very attractive proposition.

**Mr WHALLEY** — No, there is not. It is part of the Australian culture. We have a racing culture.

**The CHAIR** — It is not like setting up a metal foundry or something like that. It is actually something that they can readily associate with, so that side of it is quite good in the longer term. We do not have a problem there. Information and skills, because everyone who participates requires some degree of skills, or they need to be able to learn.

**Mr WHALLEY** — I have got a pretty inquiring mind and it has been a long hard road to — —

**The CHAIR** — Paddle your way through?

**Mr WHALLEY** — I think it is a lot better now. I think there is a lot more assistance, such as owners promotions, sessions before yearling sales — —

**The CHAIR** — It is getting better than it was?

**Mr WHALLEY** — Yes, I think traditionally the thoroughbred industry was a bit of a wink, nudge sort of thing and you did it through your networks and who you knew and that sort of thing. It is a lot more transparent and accountable now, which is a good thing.

**The CHAIR** — Do enough people who have come into it your way, with hindsight, which is a wonderful thing — you have bought a horse to race, then you thought you would breed, and you end up with more horses — make the decision early on to say, 'I am in this, my business plan is ...', because even if it is a hobby it is an expensive hobby, and 'I am doing this because I want to become a breeder, therefore I am going to sell, and that is my plan'? Then they find themselves later on saying, 'I could not sell it so I will race it' and multiplying out their loss and end up in the industry for less time than they otherwise would?

**Mr WHALLEY** — I do not think many people on a small scale come into the industry and say, 'I am going to be a breeder', although there is an article written just in the last week, I think in the *Sportsman* on Friday, that basically says that if you were going to buy into the industry, breeding stock is probably the smartest thing you could do rather than buy a yearling, or a share in a stallion, because there is some residual value there. For me personally, I have been breeding for a while on a small scale and the ultimate experience for me is the race-day experience, but I like to be able to control my own destiny. I like to be able to breed my own. I like pedigrees. It allows me to produce a product that I live or die by. If it has some commercial merit to it, all good and well. It sustains me in the long run, but my interest is principally in racing. I do not come from a farming background. It may be different for farmers. I confront commercial costs on every aspect of my racing operation day in and day out. I am not a hobby breeder, I am not an owner trainer, so I am at the rough end of the pineapple in terms of that point of view. I can understand how people may come into it who have got a farm; they want to agist a broodmare out the back; and they either race or sell the progeny. I think people come to it from a whole different set of roots, I suspect.

**The CHAIR** — Earlier today we were talking to people from NMIT and Marcus Oldham College about pasture management. It was not until Friday, out at Oaklands, I ran into someone and she stressed the significance

of good pasture management in raising yearlings, and this very much impacts on their growth, strength and all of that. It was interesting because up until then, through the course of this whole inquiry, no-one, not even the top breeders that we have spoken to, have stressed or made a point — that is not to say it is not an important factor — of saying to us, ‘This is the standard by which we maintain our paddocks, this is the benchmark we aim for, this is world best practice, or it is Australian best for these conditions’, things like that. It would seem to me it is very difficult for people coming into the industry. We ask them to make all these decisions about where they are going to send their horses or what they are going to do on their own properties, and I am not sure we are getting the best value.

**Mr WHALLEY** — I still think though it is like anything, whether it is a trainer, whether it is a broodmare, stud farm, whoever it is, you do your reconnaissance in terms of looking at somebody’s reputation and track record, you forge a relationship with them until they give you reason to think otherwise, you are loyal to that relationship, you pay your way and then at various times — I have had a hearing with John Goldstraw where I had fallen out with the syndicator I had supplied the horse to. There are mechanisms in place by which you can actually get some justice.

**The CHAIR** — But we would be hoping people coming into the industry increasingly do not end up in that position.

**Mr WHALLEY** — They do not. The industry is so large. There are so many players from all diverse ranges of background, from rural people to the top end of town accountants. It is inevitably an industry that is based on hopes and dreams. To me it has always been, with anybody I deal with, an exercise in managing expectations. Your small part-owner of a horse can cop a slow horse if their expectations have been managed along the way. The real pitfalls come when, particularly trainers, have the inability or lack of interest in managing people’s expectations. That is what I have found over probably 20 years of owning.

**The CHAIR** — Someone said to us — in fact a couple of people have said to us through the course of the inquiry — we call it an industry, but in fact it is a series of industries.

**Mr WHALLEY** — Absolutely!

**The CHAIR** — On the breeding side you have got the very serious top end. You have also got the trainers who might do some breeding on the side; they tend in many respects to resemble a cottage industry. The management of the financial side, for example, is something that they just let go and they end up in all sorts of strife.

**Mr WHALLEY** — Absolutely!

**The CHAIR** — Does it suffer in a sense in your opinion because it has got this romantic tradition about it and it is a struggle? Has that precluded the uptake of good business practices across it in a transparent way?

**Mr WHALLEY** — No, I think that is its great strength. We have got a rich Australian cultural heritage in racing. It is the industry of dreams and most people go into it understanding that it is a hobby not an investment. That is once again a bit about managing people’s expectations. I think the industry has just been dragged into the 21st century, but it is now having to be more transparent, more accountable and more business-oriented. I do not think they are mutually exclusive, although I think the people who go in now are better informed and have higher expectations about the performance and operation, be it a trainer or an auction house, be it Inglis or whatever. Your average punter in the street now has a greater expectation about just the way they operate.

**Mr PULLEN** — With your own horses, three broodmares and three racehorses, and two fillies retained for breeding purposes, where do you keep them?

**Mr WHALLEY** — Scattered far and wide. I suppose it is the old adage of not putting all your eggs in one basket. I have Terry Kelly up in Ballarat, also with a property at St Leonards, who trains the three-year-old filly I bought at the Magic Millions Sales. Niall Phillips — who came out here years ago with Vintage Crop and his brother — is based down at Geelong in a little stable complex that the Geelong Regional Commission gave to the racing club many years ago which has now got Jamie Edwards, Craig Conron and Andrew Payne — that is a nice little milieu there of expertise. I have a Sir Tristram mare out at Eliza Park. I have a Lord Seymour mare up at Rangal Park at Euroa. I have got another mare with Monica Cid at Copenhagen Stud at Somerville. It interests me

too because I get a better insight into the potentials of the way different operators operate and then I recalibrate my expectations accordingly. They all do it a bit differently. There are some fundamental non-negotiables that you are not going to accept.

**Mr PULLEN** — You were saying where you would like to be or where would the industry like to be in 2015 in 10 years time.

**Mr WHALLEY** — I will not go into any detail today because I will give you a paper that follows it up, but I just thought I might put down five or six points. Just assuming that we are sitting here and it is August 2015, and Mathew Stewart or Michael Manley has an article in the *Herald Sun* reflecting on the success of the Committee's work after 10 years, who did what and when, and what were particular things. That is what we call a future history because it is quite compelling sometimes if you take people to the end and reflect back on a success story rather than the daunting task of: we are up to our ear lobes in problems at the moment, how on earth do we unshackle ourselves from that.

To me — you asked my opinion and my opinion I think is quite relevant as I am a small breeder — I think the sustainability of the industry lies in kids, teenagers and young adults and capturing their investment decisions and their enthusiasm for racing. I run a bit of a line about the cradle-to-grave approach for thoroughbred racing. I take my nieces to the stud farms and if you see the magic in the eyes of a child or young adult when they see a mare with a foal, when they go to the races, when they go to somewhere eventually, hopefully, like the Woodlands Homestead where the retired racehorses are going to be, there is real magic there in their eyes. There is a rich history with Phar Lap and the museums — you have only got to see that Melbourne Museum will not let go of Phar Lap because it is a big-ticket item for them. We have the fantastic preconditions there and say, 'Those kids are going to make decisions along the way. We know they are captured by the magic of racing and breeding. How do we influence them earlier?'. I think Racing Victoria has done a terrific job in recent years. Twenty years ago you would go to the races and you would have hats and old blokes.

**The CHAIR** — Come on, Noel and I were there 20 years ago!

**Mr WHALLEY** — I was there too. Some people may criticise the party element at races. I went up to the racing carnival at Easter in Sydney and I was horrified by the drinking enclosures there. The racing was really irrelevant on some of those days and there were jokers here and jokers there who would not even know a race meeting had gone on. But I think there is absolutely a huge investment of energy and thinking that has got to go into how we capture the natural instincts and inclinations of kids.

I will go through two or three others. Quite clearly Vic breeding sits under an international icon and brand of Vic racing. We also have, in conjunction with that, a global sports capital. We have grand prix racing, the Australian Open — we do not have to do anything there. All we have to really do is sustain the international brand, and Vic breeding will piggyback off that, I have no doubt. Clearly in the structure of the process, coming up with a possible future that we think can all be owned by the various key stakeholders, and we can work towards, we have to see what the world of 2015 will be like. Economically, where will Asia be in 10 years time? It is not difficult. People make a living doing economic forecasts. You would have to say there will be considerable potential for thoroughbred expansion through South-East Asia.

At the moment we are struggling with field numbers — I think it is 9.5 horses per race at the moment — so we are not producing enough stock. There will be an increased demand logically, so we will need more stock to service South-East Asia and we are well placed to service South-East Asia. New Zealand has probably had the head start on us for a while, but we also have to service the domestic product. So you would think naturally then that there will be demand there. It is how we position ourselves to be able to service that demand that is important.

I thought I might, just to finish off, give two or three others out of left field. The one you mentioned about pasture management is one. The area of environmental sustainability is an important one with racing. It is very topical in the general community. There surely has to be the potential for some sort of pasture management breakthrough that could occur over the next 10 years. There may be work going into it at the moment. For the life of me I do not know. When Tony was talking about it before, 20 years ago the Hunter Valley was probably no different to the Victorian breeding industry. Then all those people went there. Did they go there for the micro climate? Did they go there for pasture? Is their pasture that much better or is it just a quick drive from Sydney? I am not an expert in that area, but I have had some mares at agistment farms namely, at Riverbank opposite the Benalla racecourse, and I

know people who have hunted around Australia for the best possible property. They all have their theories about not being in windy locations or this or that location, but it seems to me that Gippsland, Mornington Peninsula, north of the divide — any one of them are a possibility. With improvements, investment and research that we put into pasture management, it could allow us to say, ‘This is really just a perception thing about whether the horse prospers better in Victoria or better in the Hunter Valley’.

Of the other two areas I would like to touch on, clearly there is the one of research. With all the stem cell research and the facilities we have here, you cannot tell me that Victoria could not make some significant breakthrough in racing related research that would attract people here. Allied to my thoughts about the involvement of trying to influence the decision-making of younger people is the key area of education. It seems to me that if we could attract some sort of a world-class chair in thoroughbred academia into Victoria, whether it is NMIT, Marcus Oldham College or Wangaratta TAFE, it gives us the ability to retain our best and brightest and attract the best and brightest, and then there is no better placard for the industry than to be able to have people attracted here. It is a footloose industry. There is no particular reason why people study anywhere in the world. It is just as easy to create a centre of excellence here, particularly given this huge advantage of having the international icon which is Victorian racing.

I have just touched on a few. I will put some words to paper and pass it on to you in a few other areas. I do not put myself forward as an expert. I just have opinions on some of those areas the same as anybody else. The trick to the exercise is to get the experts in those key areas of the racing industry to think a bit laterally, and to then apply a little pragmatism and feed it back into the process so you get a nice blend of visioning, and the events that are on peoples plates now. Obviously if you come up with a document that is too vision-led, the people will say, ‘How does that relate to me when I am battling away, week in, week out?’. It is a healthy balance that is required. Not one or the other.

**The CHAIR** — Thank you very much for your time. We are out of time, but we very much thank you for your contribution today. It has been very useful.

**Mr WHALLEY** — I thank the Committee for its time.

**The CHAIR** — We will make sure you get a transcript in a couple of weeks.

**Committee adjourned.**