

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

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

Melbourne — 15 August 2005

Members

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Witnesses

Mr P. Heagney, Manager; and

Mr S. Vivian, Victorian Sales Manager, William Inglis and Son Ltd.

The CHAIR — The committee welcomes its third lot of witnesses today, Peter Heagney and Simon Vivian from William Inglis and Son. The Economic Development Committee is one of a number of parliamentary committees of the Parliament of Victoria. It is an all-party committee so we have representations from the Government, the Opposition and The Nationals. We have been charged with inquiring into and reporting back to the Parliament on the viability of the Victorian thoroughbred and standardbred industries. I know you have seen the reference and we have been in discussions with Inglis over the last few months about the inquiry. Today is a formal hearing so evidence is being recorded by Hansard. We will produce from that a transcript in about two weeks' time and we will send that back to you for correction purposes. The transcript is one of a number of sources of evidence we use in compiling our report, which we envisage will go back to the Parliament by the end of the year. That then allows the government to come back with its acceptance or rejection of the recommendations which we make. I thank you both, in particular Peter. We have been dealing with Peter on a number of occasions with the visits we have had out to Oaklands — I think Russell and I have been out there a couple of times — and also for the company's assistance in arranging some meetings for us in Sydney. We were up there just before the Easter sales, so we very much appreciated that. I am not sure if you want to open up with some comments or whether we want to start with just throwing questions at you. First of all, we recognise your huge experience — 50 years of looking at and selling horses. Between you, you would have looked at and inspected hundreds of thousands of horses in that time, so we are in awe of the fact that you know a lot more than we do about horse flesh. Perhaps you want to open with some comments and then we will throw questions at you for an hour.

Mr HEAGNEY — Thank you for the opportunity to speak with you. My submission today will be quite brief, but I thought it perhaps timely to give you an overview, not being quite sure on your familiarity with the sales system in Victoria. I thought it perhaps timely to present that overview to you on the sales system and particularly the auction system. Probably what precipitated my point of view was that I sat in on a public hearing earlier and I heard some statements being made by people in authority who I thought spoke outside their field and made some statements that, quite frankly, I considered incorrect, and therefore I thought it was appropriate for me to give you a little background of our situation and explain the auction house's position in this state. If I can just talk for a very short time about Inglis the company itself which Simon and I represent here today. The company was established in 1867, so it has obviously been around for quite a long time, nearly 140 years. In fact the managing director of the organisation is the fifth generation of that particular family, so it is obviously a company that has been based on longstanding integrity, honesty and professionalism and all the other things that go to make a company in existence for nearly 140 years.

In 1994 Inglis purchased the business of the then resident sales company in Victoria, which was Dalgety Bloodstock. Dalgety at that stage had just been bought by Wesfarmers, and Wesfarmers had decided to divest its non-core activities. As a consequence they decided to sell their bloodstock industry. Inglis, which was a Sydney-based company at the time, took it over. At that stage they took over a sales complex that had been built out at Oaklands Junction. It was an adequate and workable sales complex, but quite frankly it lacked any sort of presentation and flair. In Inglis's defence, when it took it over it made a substantial investment into it and have improved that particular selling facility whereby today it is certainly as good if not the best in Australia, and comparable to any in the world. That comment has been passed by a number of people. The interesting thing I think from Inglis's point of view, quite frankly, is that Inglis is probably the biggest single stakeholder in the bloodstock industry in Victoria outside of perhaps the racing clubs. I question whether there is a stud in Victoria that would have the same investment in the industry as we have. But having said that, of course, the sales agency really is only as good as the product it is offered to sell, and in the past it has not always been the case that we have had the best quality to offer. However, in the last five years at the Melbourne Inglis yearling sale, which is our biggest sale of the year, the average price in Victoria has increased by some 69.7 per cent compared to the national average increase in those last five years of some 39.6 per cent, so I think that in itself is indicative of the giant steps that the industry has made and that we as a company at Inglis have been able to foster and promote the yearling sales in particular to the level at which it currently is.

I am fully aware of some innuendo that has been created within this state about a competitive sales company being established here, and certainly I speak on behalf of Inglis, but also I speak with some 30 years experience in the industry, and I cannot press strongly enough how despite the fact that there has been some attempt at conducting or running two sales in any one state and not just Victoria, but in any state, there is simply not room for two sales companies in any one state. It has been tried in most other states. I have sold, as Simon has also, in most other states as well. We have been on the other side of the fence as well when we have been in competition with the major selling or auction house in the state. It is an extremely uphill battle and, quite frankly, all it does, as we see it, is

divide the industry. Heaven only knows, in Victoria at the moment, we are still battling against our major competitor in New South Wales, in Sydney, and while that is a company that is owned by the same one that runs the auction house in Victoria, while we work in unison, we are in competition to achieve the best results we possibly can. As I say, there will always be — when I say ‘always’, it is highly likely there will be some form of opposition within the state, but that aside our biggest opposition comes from interstate. Today quite frankly there are no borders in the breeding and selling industry. Our biggest competition in Victoria from a selling point of view and from an auction point of view comes from South Australia, from New South Wales and obviously from Queensland as well. Quite frankly, I do not believe there is room to have two auction houses in Victoria. That is not a biased point of view; it is purely from an economical point of view.

It has been asked how we as an auction house can be assisted in improving the standing and the position of our breeders within this state. There is no conclusive answer, in my opinion. At the end of the day we are purely looking from the commercial aspect of the industry. One of the major ways to increase the return to our breeders is obviously to increase our yearling sale prices. How do we go about that? I guess it raises a whole lot of other questions. If we are able to raise our yearling sale prices, in turn it is going to raise the returns to the owners. One of the things that is going to increase the yearling sale prices, of course, is the expansion of ownership. I am sure that has been submitted to you many times before. Obviously, it goes hand in hand: the more people we get involved in ownership, the more people we will have participating in our sales. It has concerned me on occasions that two of our major competitors — those in South Australia and in Queensland — have been getting substantial financial backing from their state government. That has been well-publicised. Only a matter of weeks ago — and I am sure I am not telling you anything you are not already aware of — \$500 000-odd has been granted to the South Australian racing and sales scene to promote their racing and sales carnival over there.

In brief, that is all I wanted to say to you today. I trust you will have some questions to ask me about the industry, but I wanted to put our position, representing the sales company, to assure you that, despite the fact that the company’s head office is based in Sydney, at no time has there ever been any pressure on us, representing Victoria, to kowtow, to play second fiddle to our head office in Sydney. In fact, it is to the contrary — Sydney sales can stand on their own two feet. They are long-established. They are the superior sales in Australia, and in fact it is in our company’s interest to strengthen their position in Victoria, and that is what we are doing. As I mentioned, with the last five, the increase in average is indicative that we are hopefully heading in the right direction.

Mr VIVIAN — Peter and I spoke this morning and I think that pretty well sums up where we are placed. I have only been with Inglis for 12 months, having worked for the three previous years with Magic Millions. My reasons for moving to Inglis are that I have a longstanding relationship with Peter and Ian Beard and the other members of the staff there, but also I saw an extraordinary future in Victoria with racing as it is, and its breeding as it can be and should be. I saw a great deal of blue sky with Victoria, so that is probably my principal reason for moving from the opposition sales company to Inglis. So I probably showed my support of Victoria and the company by actually moving here.

The CHAIR — Thank you for your opening comments, Peter. Can I ask you, in all your experience of working in Victoria and being associated with the major Victorian sale, reflecting on the types of horses that have been presented — which might in itself reflect the level of skill or the level of resourcing that breeders have brought in the form of the yearlings to the sale — do you think that the standards are lifting on behalf of breeders over that time, or do you still see too many horses being presented by breeders who are hopeful of getting into your sale, or anyone else’s, where you just think that they have not picked up enough information and learnt the lessons about what makes a good horse, given that they are presumably choosing to breed in the first instance to sell?

Mr HEAGNEY — Unfortunately, I would have to agree with you that the gap between the professional and non-professional is getting very much wider. Our most professional and commercial breeders are as commercial and as professional as any in Australia — probably as any in the world, quite frankly — but we still have a tail and those people are not quite keeping up to speed, so to speak. In that regard, it has been suggested that it might be opportune to in fact have some sort of advisory group that might be able to assist these people. As I am sure you are also aware, unfortunately it is the sort of industry that attracts a lot of people who see the glamorous side of it. People see it as being a very glamorous industry; they see the bright lights and the big dollars at the end of it.

Mr DELAHUNTY — Fashionable.

Mr HEAGNEY — Fashionable, very much so. Of course that aside, there is a lot of hard work that goes into it and a lot of heartbreaks and it is not a business where two and two necessarily make four. A lot of people who come into the business do have trouble accepting that. Yes, there is a gap between the professional and the non-professional.

The CHAIR — One of the things we are hearing is that the breeders do not necessarily take enough time choosing the broodmare. The industry talk in Victoria is dominated by perspectives on stallions. ‘We cannot get enough good stallions and when we get them we cannot hold onto them’ is half or some proportion of the challenge, but if you have good stallions and very underachieving mares or a broodmare population, I do not think we have addressed the problem, have we?

Mr HEAGNEY — No, but interestingly we have a theory in our business that stallions sell yearlings. While that does not exactly answer your question, I am alluding to the fact that stallions can make broodmares. If you have a run of successful stallions, they improve your broodmare quality. Until you have successful stallions you are not really going to improve the produce record of the broodmares that you have. To buy good race mares is the first criterion — if it is possible — but unfortunately when we are competing against our northern neighbours who are seen to be for whatever reason in a stronger financial position in their breeding enterprises, they are usually in a better position to acquire those better-bred mares. Thereafter once those mares start going to stud, if they are going to non-performing stallions, the mares’ progeny becomes non-commercial. Again, what I am saying is that if you have a successful stallion, if I can cite one of the greatest stallions without getting technical about the whole thing — one our most successful stallions in the southern hemisphere in Sir Tristram in New Zealand and it has applied to a number of others too — is that those stallions virtually made those studs and made the broodmares on those studs because they were so dominant and produced so many good winners out of the current band of mares that the studs had.

The CHAIR — We did visit Sir Patrick Hogan and we were amazed by that story and his persistence with Sir Tristram. He defied every known rule of the breeding game by choosing that horse, but it paid wonderful dividends. I want to ask one more question and then pass around, and this again is to me a question that needs answering. I am not sure whether it can be answered or whether people do not want to answer it. The company would have horses with yearlings presented to it for sales right across Australia, and so you see yearlings raised in all sorts of climatic conditions, in all types of pasture and rainfall areas. One very respected trainer said to me recently that typically he could spot the Hunter Valley yearlings at a sale as opposed to Victorian yearlings: they tended to be bigger and stronger and more forward, and he put that down to the fact that the climate there is more conducive to bringing yearlings into the marketplace — whether it is the pasture type or the sun — compared to most Victorian studs. Are there definitive qualities about pastures and land and farms that will tend to produce better horses? Everyone that we have spoken to or who has sat where you are has told us that their little part of the world is definitively the best for raising horses, but no-one has the formula. What is your perspective on this?

Mr VIVIAN — I do not strictly agree with the comment that was made to you by the trainer.

The CHAIR — That is why he remains nameless.

Mr VIVIAN — The first thing I would say is that horses tend to be a bit like kids: you find that your son might be the same age as mine and mine is taller than yours, but eventually they all end up being roughly the same height. You find that quite often New Zealand horses are reared slightly differently and tend to be slightly later foals. At yearling sale time they would be regarded as a little less mature, but by the time they find their way to the racecourse they have well and truly caught up and have been very competitive over the years. What Peter said before about the stallion factor comes more into play: the reason that maybe the general husbandry of very valuable horses might be slightly different in areas like the Hunter Valley, so if, for example, the Danehills, Redoute’s Choices and these sorts of horses were based here, the quality of husbandry might be slightly superior across the board. But I would think overall the quality of horsemanship right around the southern hemisphere is fairly even at comparative levels.

The CHAIR — I will rephrase or just refine my question to Peter. We went out to Balmoral recently to Greg Daffey’s Claremont Thoroughbreds where they have spent a lot of money there doing it up. You know that

area reasonably well, Peter, because I think Gatum Gatum was bred not far from there. Greg's view is that that is a particularly great area for raising horses — —

Mr DELAHUNTY — He has a good local member.

The CHAIR — He has a good local member. It has good rainfall. He has redone the pastures in a way that he thinks will raise great yearlings. He could not answer the question why historically breeding that had been there for a while had dropped off the map over that way. He would be adamant that that will raise better yearlings than some of the hungrier, drier country around Diggers Rest and Toolern Vale where we have long established studs. To me, if we are serious about the industry and it is a capital-intensive industry; we need people to be pouring lots of money into facilities, and just going where people have been for a long time does not of itself to me make a lot of sense. Would you really not want to try and get an edge and make sure that the choice you are making is for good, objective, scientific reasons? Any theory on that?

Mr HEAGNEY — I concur with Greg, quite frankly. What amuses me is that there are not more studs in that part of the world and in the Western District of Victoria. As you said, over the years there have been some wonderful breeders; some of the best have been there. But, a bit like the horse industry, the stud industry is almost fashionable too. You made mention of Diggers Rest. You gentleman may well be aware that one of our greatest stallions in Australia, Showdown, stood at Diggers Rest, which just happens to be not terribly far from where I live. Quite frankly, in the middle of summer it is a desert, but he was the best stallion in the country, and as a consequence a number of other studs evolved in the area as well because it was perceived as being a good area to breed horses; good horses were coming from there. I think there were coming from there because Showdown was there and not necessarily because the country was particularly good, but that became the fashionable part to be breeding horses. Since then, as you are aware, the Euroas and the Nagambies of this world have become the fashionable places to breed horses. With the Hunter Valley obviously in New South Wales, I question whether it is the ideal place if it were not for its irrigation. It does have its irrigation and we cannot take that away, but I am not necessarily convinced that the country is very much better. The other thing is, to be perfectly honest, these days probably what is in the feed bin has as much impact as what they get out of the pasture. I might add that is not my field of expertise, but purely my own opinion.

Mr DELAHUNTY — Peter and Simon, thanks for your submission. When it comes down to the end of the day, Victoria is second to New South Wales in relation to breeding and also sales, and I would say that with Magic Millions and South Australia there is a lot of competition. Whilst we have in Victoria the best racing, the best fields and the best prize money, in breeding and sales we are well behind the others. How do we turn that around? Is it in linking our sales to the spring carnival? We talk about fashion; we spoke to people up in Sydney and it was very much fashion, et cetera, and people go to those sales and push the prices up, sometimes unrealistically. At the end of the day it still has that focus. How do we get it? As you said, Simon, you capitalise on the extraordinary future that you believe breeding has in Victoria. How do we put that into a report that capitalises on that?

Mr HEAGNEY — There are probably two issues there. Firstly, where we lag behind New South Wales is in our breeding and our sales, and we are. It has always concerned us greatly that we have not been able to capitalise on the Spring Carnival to the maximum, but that is probably a slightly different issue from the actual lagging behind of general sales as they stand at the moment. I think there is a lot of history involved and I am sure that you have heard it from breeders as to why New South Wales is in the position it is at the moment and we are lagging behind. Do you want me to recap or have you heard enough from other people?

Mr DELAHUNTY — No, but seriously, why can we not have yearling sales in the Spring Carnival because we have an enormous number of people coming from around the world with dollars in their pocket.

Mr VIVIAN — The horses are simply too young — too small.

The CHAIR — Too young or too old?

Mr VIVIAN — You will not have a two-year old sale, but your yearlings are at that stage basically — it is like looking at them now — like little foals, overgrown foals.

Mr DELAHUNTY — I expected that answer, but is there one way of getting around that issue?

Mr VIVIAN — I think the two-year olds in training sale or Ready to Run sale is probably the compensating sale. It is going to be held as you are aware at the Spring Carnival the day after Derby Day and that is the sale that probably can gain momentum and give people an alternative way to market their horses if they do not particularly want to sell them as yearlings.

Mr HEAGNEY — I do not believe it is practical to conduct a yearling sale then, for the reasons that Simon just said. Also, of course, it is right in the heart of the stud season when studmasters are absolutely flat strap in conducting their normal stud business over that period of time. It is impractical these days, as a yearling preparation takes 10 to 12 weeks. It means the yearlings have to be stabled for 10 or 12 weeks during the stud season. They do not have the facilities or resources to be able to do so. It has been tried once. In the Dalgety era we had a yearling sale at Melbourne Cup time. There was a small number of horses — I cannot remember exactly how many now, but it was only a smallish number of horses — and it was okay, I have to say. It was a one-off.

Mr VIVIAN — It made no impact.

Mr HEAGNEY — It made no impact and it certainly did not warrant continuing the process.

Mr PULLEN — The alternative could be Victoria trying to develop another carnival around those times. Nothing happens in Australia in June, to my knowledge.

Mr VIVIAN — June has the biggest carnival in Queensland.

Mr PULLEN — I have not been out to Oaklands, but you said that the facilities are the best in Australia.

Mr HEAGNEY — Yes, they are. Not that that is not an arguable point, of course, but they are certainly as good as any — and that is generally recognised.

Mr PULLEN — You mentioned that in the last five years of Melbourne sales the money has gone up by 69 per cent compared to the rest of Australia of around about 40 per cent; is that right?

Mr HEAGNEY — Yes.

Mr PULLEN — That is incredible.

The CHAIR — I want to get your opinion on the connection between the race program and the breeding side of things. Increasingly we see them merging — for example, in the way that Magic Millions sponsor races and Inglis have done the same to some extent. In Ireland they talked to us about the level of black type races, where they make a conscious point of trying to weed out underperforming horses in a way that I do not think we would accept here, but again it shows that linkage. On the Victoria Derby and the AJC Derby — I know I am opening a can of worms — it would seem to me that historically the Derby was to find the champion colt and the colt would then go on to be an outstanding success at stud. For a long time geldings were not allowed to run in them, and all that. I would like to get your opinion on this: today typically the Victoria Derby does not throw up a champion three-year-old; it is won by a gelding. The better horses seem to either skip the Derby or they emerge through the AJC Derby four or five months later, when they have grown a lot more. To me — I am not a purist on this — but with the derby distance of 2500 metres, the breeding industry might ultimately get more value if the Victoria Derby was 2000 metres and did not burn out horses, as it tends to. There is a view that it does and one that it does not, but I tend to subscribe to the view that it does. Do you have a view on this?

Mr VIVIAN — My personal view is that I agree with you totally.

The CHAIR — You can plead the law against self-incrimination here.

Mr VIVIAN — You are trying to change history. I think that is the biggest problem. Logically the AJC Derby is run when horses are effectively three and a half years old; we are doing it when a lot of them have just turned three — they are still quite young. Firstly, the age factor is asking some rather average horses to compete in a race, because that is the best that is available. If it were to be pulled back to a race over 2000 metres it would probably improve its quality. At the moment, over the last probably 8 or 10 years, a race like the Caulfield Guineas, which is run over 1600 metres, again leading up to that period of time, is starting to eclipse the VRC Derby as a profiled race and a preferred race to win as an ongoing stallion situation, whereas now to win the VRC Derby as a

colt does not stand you in any favour when it comes to going to stud. It is a bit like winning the Melbourne Cup as a colt.

Mr HEAGNEY — I agree totally.

The CHAIR — I think this year in France they changed the distance of one of their big three-year-old races.

Mr VIVIAN — The French Derby.

The CHAIR — From 2400 or 2500 down to 2100, or something like that. Obviously there was some controversy at the time, but it seems to have gone off quite well.

Mr HEAGNEY — As Simon said, it is purely tradition really. I am sure that people thinking logically would reduce the distance of it in November, but it is traditional and it is going to be very hard to change.

The CHAIR — We understand that RVL or the Horse Council is working on a code of practice for sales or that there is some move towards a common code of practice for sales. Has this been discussed in the industry?

Mr HEAGNEY — Yes, it has. It has been instigated, I think, by one that they are investigating in America at the moment. Frankly, I am not too sure what the state of play is at the moment, but yes, there is some discussion is occurring about that. I might add on a slightly different subject and expanding on it a bit, recently we have been fortunate to have been involved in discussions with RVL, which have included the Owners Association and Thoroughbred Breeders Victoria. While only in its infancy, we have at foot a plan to work as a team to promote the sales further and in fact make a carnival atmosphere because, as we spoke about before, we have not been able to capitalise on the Melbourne Cup Carnival, which has depressed us no end. If we can make an event and carnival out of our sales and the racing in autumn, that is something that we are aiming towards. As I say, at the moment we are at just the draft stage of putting things together to work together in that respect.

The CHAIR — One thing we picked up in both Ireland and New Zealand is the willingness of the industry. Some time ago they took a decision to impose a mandatory levy on all horses sold at their major sales. The funding is used for dedicated purposes. In Ireland I think it is used principally for thoroughbred marketing and in New Zealand it is used for clinical and veterinary support — and something else. In Australia there have been a few goes at this. In Victoria currently we have a voluntary levy, which raises \$40 000 to \$50 000. In Sydney I think it has been tried in a different way. Some levy, in the form of a horseshoe levy or something, was applied and used for marketing purposes. Is that right?

Mr HEAGNEY — It might be; I do not know. If it is, I am not aware of it.

The CHAIR — From your experience there has never been any sustained effort at having a levy that is used for a dedicated purpose?

Mr HEAGNEY — Only in the sense that these days Aushorse, the new body formed by some commercial breeders to market the sales in particular, has a compulsory levy, as I understand. That is the only one that I am aware of at present.

The CHAIR — We will find out a bit more about them in Sydney.

Mr DELAHUNTY — Just following on from Tony's question on the 0.5 per cent levy, I think it is, by TBV, do you see that as a disincentive for sales in Victoria?

Mr HEAGNEY — No.

Mr DELAHUNTY — It is only optional.

Mr HEAGNEY — It is voluntary, so, no, not as a disincentive. I do not think it has any impact at all, quite frankly.

Mr DELAHUNTY — We have heard criticism that there is not enough competition in Victoria, that we need a Victorian-based company and all those things. You have heard it, because you have been sitting in on a lot

of those hearings. Are there any advantages for sales in New South Wales, as compared with Victoria? How do we compare on, say, stamp duty, regulations and those types of things? Is any of those an impediment to operating in Victoria?

Mr HEAGNEY — I do not profess to be full bottle on it, but to my knowledge, there is not. At the end of the day it is the product that will make the sale successful, none of the fringe issues of which you make mention — it is the product that will make or break the sale. Frankly, if at the moment we were totally reliant on the product being produced in Victoria alone, our sales would be at a much lower ebb than they are now. We lose a small percentage of horses to interstate sales, which we are vigorously trying to retain for our sales here. But having said that, at the moment we are more than compensated by horses being sent to us from interstate. Without those, at the moment, as I say, our sales would be at a quite low ebb. Eventually we want to be fully sustainable ourselves, with horses coming out of our own state and still increasing the quality of our sales. That is not the case at present.

Mr DELAHUNTY — You made the comment earlier that you are only as good as the product you sell. I do not totally agree with that. I think it is a very important part of it, but I also think it is about facilities and the way you people operate. There are other compounding factors. When I look back at the history, Inglis was involved in a lot of other things. It sold livestock, horses, vehicles and other machinery and farm produce. There was competition back in those days. I go back to the point that there is no doubt that the product you sell is critical. But whether it is Inglis, Magic Millions or anyone else, a service has to be provided. You have listed all the services you provide, and they are very extensive. We often hear that we need stallions in order to attract the mares to Victoria. Has Inglis in Victoria looked at sponsoring stallions so they are stationed in Victoria? We know that it is done in New Zealand.

Mr HEAGNEY — I am not quite sure about the New Zealand situation that you are talking about — —

Mr DELAHUNTY — New Zealand blood stock agents there sponsor some stallions. They finance the purchase of stallions.

Mr HEAGNEY — Okay. It depends how you define ‘sponsor’. In a nutshell the answer is yes, we have, we will and we do. Having said that, it is one of those delicate lines you have to walk where you are not seen to be biased towards any particular stud. As it is now a head keeps coming out of the sand to be chopped off every day. That is something that we have to be careful about. Having said that, we are very receptive to financing people into horses and assisting people in the acquisition of horses — unquestionably.

The CHAIR — Inglis operates some leasing finance?

Mr HEAGNEY — Yes, we do.

The CHAIR — A subsidiary finance company — can you outline for us the range of financial options for someone who might be interested in buying a horse at an Inglis sale?

Mr HEAGNEY — In that particular case it is a leasing facility. It is purely the financing of a purchase. But that aside, we will also lend people money for the acquisition of horses if we can see it being a viable proposition: firstly, if it is beneficial to the owner of the horse, and secondly, a worthwhile exercise for Inglis as well.

The CHAIR — We had one chap who came along and gave us evidence early on about the willingness of banks and financial institutions in Ireland and America to lend against the value of a horse. In those situations, does Inglis as the lender, lend against the value of the horse, or must the loan be secured against other assets?

Mr HEAGNEY — No, it will lend money against the value of the horse provided the client with whom you are dealing is sound anyway. Obviously, we are not going to lend money purely on the value of a horse if the client’s business acumen and track record is not satisfactory.

The CHAIR — You are going to be wary of the spivs. I want to ask one more question and then I will pass it over to my colleagues because time is getting on. As to the significance of a state-based incentive scheme, we are up to VOBIS mark 2. New South Wales has the lead sale in Australia. I wonder whether a BOBS-qualified horse might make a bit of a difference at the fringes, but would be largely irrelevant to the conduct of the sale. In Victoria, being second or third-rung sales, Super VOBIS might be a little bit more important. Does it generate

buyers in its own right, and if so, to what extent? The racing industry has come to us and said it needs to be further enhanced. What would be the potential spin-offs for sales if that happened in Victoria?

Mr HEAGNEY — I think it would be quite consequential. Having said that, I am not sure it necessarily affects the top end of the market. I believe if people want to go out and buy a horse to win a Golden Slipper, a Derby or a Group 1 race they are going to buy it almost regardless. But having said that, there are a number of people, particularly syndicators and people at the slightly lower end of the market, who are definitely influenced by an incentive scheme such as Super VOBIS. In fact only on Friday night at the TBV and Super VOBIS awards — which you attended, Tony — the leading country owner for the season said he would not contemplate looking at a horse that was not Super VOBIS-qualified to race in this state. From a personal point of view I feel some frustration seeing our own buyers going out of this state and buying horses that are not eligible for the incentive scheme in the state, which is a fantastic scheme. If they were going out of the state and paying \$300 000, \$400 000 or \$500 000 for a horse I could understand what they are doing, because perhaps there is not enough incentive to encourage them to stay here or buy a Super VOBIS horse. But I see no logic in somebody going out of the state and paying \$30 000, \$40 000 or \$50 000 for a horse that is non-Super VOBIS qualified, and to be honest it frustrates the hell out of me.

Mr VIVIAN — I think it is a fantastic scheme. As Peter said, there are a number of people, like Kevin and Tanith O'Brien, who would only buy a Super VOBIS horse. They want to race for bonuses. They see that as an adjunct to being able to buy for their indulgence in this industry. Prize money in Victoria is fabulous, but Super VOBIS makes it so much more affordable.

The CHAIR — Thinking about their behaviour as potential buyers at an Inglis auction, do you think they would react more if the rejigging of VOBIS was towards a broadening of races that qualify for a bonus, or an improvement upon the bonuses that already operate on that group of races, or a combination of both? Are you able to say what you think it is in that middle to lower range at the sales that motivates a buyer who is thinking about the incentive scheme?

Mr VIVIAN — I do not really know. People like the O'Briens would buy a Super VOBIS horse whether it goes through an Inglis sale or a sale anywhere else because the VOBIS factor is important to them. Because they race very broadly around the state I suppose if there were only X dollars in the pool they could see a benefit in the pool being broadened rather than deepened, if you know what I mean. So perhaps the money spread over more races would possibly be to their advantage.

Mr HEAGNEY — I think I would agree with that, too. Obviously a combination of both would be the ideal, but assuming there were limited resources and on how far you can expand the system, I think the priority is to retain as many racehorse owners as we can. We are more likely to do that by spreading it rather than making it a big carrot at the end for fewer people. I think that is one of our priorities, and I am sure you have had that explained to you before. We have to retain the current owners as well as encouraging new people into the industry.

The CHAIR — One of the features of BOBS, and I think it might be the case in one of the overseas jurisdictions we looked at, is that one of the rewards can be transferred into a credit at the sales. It might be in New Zealand. I think that is being talked about by the Super VOBIS people at the moment. Has that been discussed with Inglis at all? What would the view of Inglis be if that was a potential feature of a newly revamped Victorian system?

Mr HEAGNEY — It has not been discussed with us at this stage, and I am mindful of the fact that that is a condition in BOBS in New South Wales; I think it is called the Double-Up Scheme. As I understand it, and I do not profess to be totally au fait with it, you can either take the bonus that is offered to you when your horse wins the BOBS bonus, or you can have a double-up credit to buy a horse at the forthcoming sale. So if you get a \$10 000 bonus when your horse wins you get a \$20 000 credit to buy a horse at the next sale. That is my understanding.

Mr VIVIAN — It has to be a BOBS horse, but that is correct.

Mr HEAGNEY — Yes, it has to be a BOBS horse, but in brief that is how it works. I think it has merit.

The CHAIR — It does not create practical problems for Inglis? What if someone comes along and says —

Mr HEAGNEY — I do not see that, no.

Mr DELAHUNTY — I think you have covered it all pretty well, Peter. I was really inspired by Simon's statement that there is an extraordinary future in Victoria. We all think that; that is why we live here. Have you any other plans to develop or add value to the Victorian sales that you might have missed in your presentation today? You spoke about the fact that the Victorian Government is supporting South Australia and Queensland. Is part of those plans to look for support from the state?

Mr HEAGNEY — Very much so. I would like to see some support. Obviously we are getting some support and I might add that we are delighted to see the interest that is being taken by the Government in this state. It is really encouraging. In terms of what we are doing with the sales complex itself, we are in the process of building new 120 boxes — stables — out there, so we can expand and strengthen the sales. At the moment we have three days of sale, but unfortunately we had to have a lay day between the days so we could get some horses out and get new ones in. By having an extra 120 stables there we will be able to have three consecutive days of selling, which will mean all the horses will be exposed to the buyers at the one time. That has been very well received. That in itself is quite a substantial financial commitment, as I am sure you would appreciate.

As I said also earlier, we are aware that we do want to make an event out of that sales week if we possibly can. In conjunction with RVL and Racing Victoria and the clubs generally, we certainly intend to pursue that further. We intend to expand upon the ready-to-run sale and, again, make it another viable option for people to sell their horses rather than just in the yearling sales. We think that has great potential, quite frankly. At this stage I have to say to you that ready-to-runs have not been entirely successful in Australia. They have been well accepted in other countries, but perhaps not quite as well here in Australia. One of the reasons for that — and it is a bit of a catch-22 situation — is that because our racing is so strong, people are wondering why you should be selling a horse. They ask, 'If you have a worthwhile horse, why are you not keeping it and racing it when there is wonderful prize money on offer in this state?'. So it is a little catch-22, but let us hope that we can overcome that. We also want to expand our overseas buyer markets, and that is the sort of market that is attractive particularly to South-east Asian buyers, that ready-to-run market. Quite frankly they do not really want to buy yearlings if they can avoid it. It is too long term and does not fit with their racing programs. If they can buy horses that are educated and ready to run, then they do not have to keep them as long, and that is preferable for them. That is one reason why we do want to expand our ready-to-run sale, and it is a great time for them to be here in our country, in our state.

The CHAIR — We will put a little ad in for the company. There are sales on Friday out at Oaklands. It is not the lead sale for the year, but a sale nonetheless. I am going to be out there on Friday catching up with somebody for lunch. If Hugh or Noel or Ron are interested — —

Mr DELAHUNTY — I will get out there.

The CHAIR — I am sure we will be able to wander out, and there are sales all year round.

Mr HEAGNEY — The sale on Friday will be a far cry from our yearling sale, needless to say.

Mr DELAHUNTY — I was not putting in a plug for him get finance.

Mr HEAGNEY — Our leasing facility is very good.

The CHAIR — If I went out there and bought horse, I would have to live out there, I can tell you! That would be the end result. Peter and Simon, thank you very much for coming along. We have enjoyed your participation today. We will continue to stay in touch because there is a lot more we need to know as we develop our ideas, and we will probably continue to tick-tack. I think we are also going to be in Sydney on 1 September, but we are not going to that sale?

Dr SOLOMON — That is right. There is no sale on 1 September.

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

Mr HEAGNEY — Thank you very much.

Witnesses withdrew.