

# CORRECTED VERSION

## ECONOMIC DEVELOPMENT COMMITTEE

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

Melbourne — 1 August 2005

#### Members

Mr. Tony Robinson, MP      Hon. Bruce Atkinson, MLC  
Hon. Noel Pullen, MLC      Hon. Ron Bowden, MLC  
Mr. Brendan Jenkins, MP

Chair: Mr. Tony Robinson, MP  
Deputy Chair: Hon. Ron Bowden, MLC

#### Staff

Executive Officer: Dr R. Solomon  
Research Officer: Ms K. Newitt  
Office Manager: Ms A. Agosta

#### Witness

Mr D. Higginbottom, Director, Competitive Edge.

**The CHAIR** — I welcome David Higginbottom, Director of Competitive Edge. David, as you would understand, this is a public hearing of the Economic Development Committee, one of a number of all-party committees of the Parliament of Victoria. We have been asked to look into and report on the viability of the Victorian thoroughbred and standardbred breeding industries, which is a terrific reference. We welcome you here today to a formal hearing. We are collecting evidence through both formal submissions and hearings like this, and a range of informal activities. This being a formal hearing, your comments are being recorded by Hansard. In a couple of weeks you will receive a copy of the transcript. You will be able to make corrections and send that back to us, and it will then be incorporated into the evidence of the committee's inquiry. As a consequence of this being a formal hearing you are covered today by parliamentary privilege, not that we expect that anything you say would require that protection. But it does apply, although only for the time you are in the room talking to us. We have received your submission; thank you very much for that. We heard your comments a few moments ago that you would like to talk more on the improvement suggestions. We will let you tell us a bit about yourself and Competitive Edge, and then we will get into the suggested improvements, if you like. Over to you.

**Mr HIGGINBOTTOM** — Competitive Edge has been going since 1980 — I started it after I re-expatriated back to Australia — and it is mainly about business consulting and marketing consulting. I have worked across a range of industries over those years — nearly every industry. I am still working in the business. I came across the horseracing industry with OzHorse when I worked with Austrade. I have recently been involved with launching its 2004 Doubling of Exporters program around Australia. It was in relation to forming consortia or networks to help SMEs and some of the breeders that OzHorse was formed. It went out of my mind and disappeared until I met with John Messara in Sydney last year. That was in relation to OzHorse being purchased or transferred from a formal sort of organisation under racing — I think it was under the Australian racehorse industry; I do not know about the exact entity structure — back to that group. They have been dealing with a lot of inbound buyers, bringing them from Chile, from overseas, and successfully running the OzHorse program, which is a consortia to pool and improve Australia's marketing of horse and breed stock throughout the world. It was at that time that another gentlemen, Derek Widden from the Scone area, also contacted me. I will think of his stud in a minute. He also asked me about export market development grants. So I started to look into it and did quite a bit. I then recall that when I had been working with the Mornington Council I had done some work on horseracing down there because they were looking at the capacity and capability of the Mornington Peninsula. I started to look wider than that, because I had had this interest in horses since 1999, 2000, and I became interested in what the structure was for the industry, finding out that it was the second-biggest in the world for race numbers after the United States, and that it was the third or fourth biggest in Australia. So I looked at the export market development grant situation, and that brings me here as Competitive Edge, which I will talk to.

The other bit about me being a private individual is just that I dealt with a lady who was working for a private school. We worked in that area, helping with a co-education move. She had a horse and I said, 'Gee, I would love to have a picture of a horse over my mantle shelf' — and there I was with about nine horses in about another month. I was lucky with this person because she has guided me through all these problems I have had with a horse. I have actually been useful to her in helping her write letters to studs and agistment places for people who are suddenly facing horses being put down by vets with huge fees and all sorts of things. It was through that that I as an individual have come across what I believe are a number of changes needed to the industry to attract more breeders, if we are going to have that critical word 'viable' as well as be competitive in the world and in relation to other states. Last week I was on the Sunshine Coast, and lo and behold the Queensland Government is running an inquiry into the racing industry too, and is eyeing it off as a development, and I understand that if it is not doing it now, New South Wales has just recently done one. So it is very competitive on the eastern seaboard.

**The CHAIR** — The range of suggestions you have made match some of the things we have been talking about, particularly the Stud Book and accreditation. Can I talk to you about accreditation to start with because you have suggested in your submission to us that a lack of accreditation for agistment and breeding establishments is a weakness in the industry. Upon asking breeders — and Victorian breeders, not surprisingly, regard themselves as doing a pretty good job, as much as they live in the shadow of the New South Wales industry — what it is that they would put on a blank sheet of paper to describe the Victorian industry, which ranks them among the world's best, we are pretty much left with a blank sheet of paper. There are no objective measurements by which we can judge how well we are doing compared to the rest of the industry. Live birth rates are a bit of an indicator, but that is about it. Therefore, the issue that I have run past them has been: how would you accredit yourselves to an international standard? How would you tell the rest of the world that what you are doing is as good as that of everyone else? They are not quality rated in any way, shape or form. There is no way that anyone off the street who

is looking to send a broodmare up to a farm could necessarily judge, as an outsider, which venue or location would give them a service that they would be satisfied with. But how do you introduce that standard? We have asked a few people this. Right across the world I do not think stud operations are accredited or rated to any standard in particular. I am not sure how we go about it, unless we have to devise and implement our own world-first benchmarking. So if you have any ideas on how we actually rate them or how they rate themselves, I would be interested to hear it.

**Mr HIGGINBOTTOM** — I think it is a great opportunity, Tony. I just found out recently that there was a thing called a contract for agistment. I have been agisting now for six years and probably paying money for seven years. You pay \$4800, roughly, to agist a horse at \$13 to \$15 a day. I tried to talk to some people once about return on investment, which they would not hear about. As the lady previous to me has said, the industry has been controlled by an old boy network. It has been product-centric; it has not been customer focused. Accreditation is not just there to control the industry. It is also there to give customers a CRM system, in the same way as a Snickers bar or a Mars bar can be recalled all the way back to its bar code.

**The CHAIR** — What does CRM stand for?

**Mr HIGGINBOTTOM** — Customer relations management. For instance, a company like Nestlé tries to look at its return on investment from Mars bars, given to you through three or four generations. It engages everyone in the supply chain in knowing where the product goes. What is lacking from the industry — and I am talking about accreditation — is a customer focus. They think if they took all these horses and bred them on a desert island they would still be a great industry. Without customers and without breeders there is no industry. I have here the news from a survey on the Stud Book which said that something like 75 per cent — 360 — of breeders contacted said it was economic conditions that would stop them going ahead with breeding and it was cheaper to buy a horse that was already bred up than go through the business of Stud Book registrations, microchips, the whole lot. There is an emerging trend there, plus the trend in downward gaming revenue to the industry, which means that if they do not get customer focused they will be in trouble. Accreditation, to me — getting to your question — has to be about letting people know what are the standards against critical success factors. It is the same as if you go to the Hilton hotel and get a 5-star room: you know what you are going to pay for and you know what you are going to get. If you get a room in a 2-star or 3½-star hotel in Sydney like I did on Friday night you know what you are going to get and you are going to go to bed late and get up early because there is nothing else there. The RACV does this with cars and crash-test dummies and everything. It is really a system that looks at critical success factors and I have alluded to a few. For instance, I found out that pasture matters, but I do not know anything about pasture — an agronomist would. I found out that fencing matters. I found out that handling the horse matters because when a horse gets on a float and has not been handled, even though it has been agisted and put in a paddock, it can kick up and ruin itself and your \$26 000 — if you are in your third year — is down the drain. I found out that what they feed horses matters. I found out that when and how often they call the vet matters. I found out that whether they have permission to call the vet is important. For example, in our body corporate you cannot spend over \$4000 as an executive member. It seems that they can do whatever they want to in the industry and then call you up. I had a situation recently, as I said, where a horse was branded without anyone taking care to call me or even look on the brand register — which these people must belong to. The way I would set it up would be similar to a CPA or anything else. I had the luxury of working during the 1980s when the CPA were trying to pull in the affiliates of accountants and they eventually did that. The other chartered affiliates never got together. Basically what they have is a code of practice or a set of critical success factors they measure and rate the industry on.

**The CHAIR** — Let us just play that out. Say we recommended that there ought to be a system of accreditation. Currently there is no one body around that would actually discharge that so that would be an issue. There is no accepted statutory body that oversees the breeding industry per se in Victoria. Let us assume that the industry itself says, 'Yes and no, we are not that interested'. Unless all of them take it up it is not going to have the impact you would want. How then do you impose that upon them and by what means?

**Mr HIGGINBOTTOM** — Market forces, as the lady before me said, are very important in this industry. You will not get there through regulation. I am here complaining about the regulation of the Stud Book and a monopoly. What you do is allow people like me — if I have seven horses, and I have not got any on my property at Bright, and they are costing \$480 a month to put out whether they are syndicated or not, or shared or whatever, that is a lot of investment. You cannot let a financial broker or a financial controller or anyone else take your money off you without disclosing who they are and what they do et cetera. But I believe more importantly that if you tell people that they are 3-star or 4-star they can make informed decisions. At the moment they have no idea except for

the daily rate which is pretty much a line-ball market rate. It is a matter of getting it to a market system and getting the customers — doing the pull factor. It is not a push factor where you push legislation; it is a pull factor where people start and want the star rating.

**The CHAIR** — I like your suggestion about information for dummy breeders. Noel and I own horses; we think we could write the book on information for dummy owners. Lots of people go into the breeding industry thinking they will have a horse that they can sell in the Sydney ring for \$500 000 and it rarely, if ever, works out that way. That sort of ties in with some of the thinking we have done so far on the need to provide participants with more information. With respect to the Stud Book, we have not had a chance to talk to either the AJC or the Australian Stud Book. We have had people raise with us their concerns about the way it operates and the way it is owned. Do you want to talk to us a little more about your thoughts on the Stud Book and your experiences in dealing with them?

**Mr HIGGINBOTTOM** — They are like the worst bursars you ever had in one of the oldest schools in Australia on the phone. If you have anything to do with private schools like we have recently, you will find out that kids make the decision about which school they go to and the old idea of the bursar has now gone. We are living in changing times. Talking to people as if they are in VicRoads or in some sort of locked-in bureaucracy is not the way to win people over, so I am not a member of or a subscriber to the Stud Book — my advisers are. I probably do not need them because I have found that the most useful information I get comes from the *Turf* magazine. I would not have known about your inquiry unless I had written an article and then read about it in that magazine. The news it gives is very industry and, as I said, product-specific. They are now saying that because 55 per cent of their own survey — and as a market researcher with 22 years in the industry I know that you cannot run your own surveys and be independent; and I live in the city of Boroondara where they even say if you do not reply you have said yes — have said they would like to go online. If they put these people online they will lose a lot more people. In some of the areas I work in such as Horsham and Bairnsdale and those areas if you put it online and make it too flashy people will not even get the thing, let alone stay online long enough to fill it in. I know what I am talking about because I have just been involved with a Department of Transport and Regional Services sustainable development program in Bairnsdale where we put broadband into the area, but it is still very hard to get things through.

The thing about the Stud Book is that they are not customer oriented. They seem to be running a single ship. They are a kind of a quango that have almost a VicRoads — to use an analogy — licensing structure. When you look up the site there is a significant number of fees you can pay. For example, I have a no-name foal at the moment so I am up for another \$110 because I did not get around to naming the foal, but I registered it in time. I happened to be travelling at the time and could not do it and then there were forms involved. I was given a little card that I could easily lose; it has 'no-name foal' on it. It is as though no-one has sat down and drawn a line around the wall and said, 'You start out as a breeder. You end up there at 2, 2½, 3 or 4 years. Here are all the things that can happen to you. Here is where we will talk to people. Here is where we will amass the services and package it all up and we will not keep worrying busy people with all these little bits and pieces that come through the system'.

**The CHAIR** — I want to clarify something you said at the start of your most recent comment. You said that you do not subscribe to the Stud Book because you get most of your information out of the *Turf* magazine.

**Mr HIGGINBOTTOM** — Yes, I ring people up and talk to them.

**The CHAIR** — I want to clarify something. You have to register your broodmares and your yearlings with them.

**Mr HIGGINBOTTOM** — Yes.

**The CHAIR** — Then you have the option of being a subscriber to them, and it is the subscriber option you do not take up.

**Mr HIGGINBOTTOM** — That is right.

**The CHAIR** — If I have broodmares and I am paying them \$110 a return for a broodmare each year, I am paying them something for the yearlings and if I have a stallion share I am paying something for that, that does not get me information automatically. I have to pay for that separately.

**Mr HIGGINBOTTOM** — That is right. But I can go to New South Wales racing and get all the statistics on horses. I go in there and get those stats. I work around the system. Basically their site is all about registering the car. It is all about the legislation. I put in my submission about CityLink because CityLink used to fine you and they have had such a rebuff on this kind of bureaucracy and monopolisation of the system that they are now giving — I saw it in the paper the other day — you 14 days to let you know that if you pay you will not get another \$100 fine. The Stud Book is really good at whacking you with huge bloody costs.

**The CHAIR** — Someone mentioned this and none of us has had first-hand experience of the Stud Book so we are getting it second hand. It seems that, for example, if you have a broodmare you are required by the Stud Book to submit a return saying, ‘Yes, this mare is not in foal this year’ or ‘This mare is in foal to such and such’ and if you are a week late they will charge you your \$110 plus a late fee.

**Mr HIGGINBOTTOM** — That is right. If you do not put the microchip in on time they will fine you again. If you are busy like I am — I travel; Australia is my market and 80 per cent of my work is export — it is really hard. The horses are fantastic and you want to do it, but you either have to be in it 100 per cent or not at all. That is what it is going to come down to. I would not see this as a retirement proposition because you have to be right in there. I thought it was going to be enjoyable. I used to race motor cars. I brought along a copy of the CAMS 1996 manual of motor sport. That is the 1996 edition. I stopped racing the open-wheelers at Adelaide and Melbourne. That tells you everything about it. You pay a fee — it is all in there. They are not out to catch you; they are out there to get you to comply because they want cars on the grid. If they do not get cars on the grid they do not get a race.

**The CHAIR** — In the time you have been involved in breeding — the last four or five years I think you said — has the Stud Book’s performance changed for better or worse? Has it become more complicated or less complicated? Can you give an opinion?

**Mr HIGGINBOTTOM** — The more horses I have the more complicated it has become because there is that fine and that fear that I am going to miss a deadline and miss something. As I said, I have some friends who kind of look after it for me. I did not know about them for the first two years; they were sort of on the sidelines because I was racing mature horses that I had bought a share in. It was only when I started becoming a breeder and I started foaling out that I started to realise that there were all these things I had to comply with and the file in the filing cabinet got bigger and bigger. That is really about it. If you have a partner around like a wife, she does not want to see the fines coming in as well as the money going out.

**The CHAIR** — We hope to be talking to the Stud Book people and people from the AJC. Our understanding is that it is actually owned by the AJC and the VRC and they get a proportion of the distribution of whatever profits it makes, but it does not publish extensive financial — —

**Mr HIGGINBOTTOM** — It is not transparent and it is not customer-relations managed. I do not see anything in there for the customer. You only have to look at their *News*, which I brought along today and could file, to see it is all about what they are going to do to you. There is nothing in it about how you are going to get something out of it, and here you are, putting in the stats like the ABS, under threat of a fine, almost. At least with the ABS you can pay a fee and get to see what your stats look like when they are amassed with everyone else’s in the furniture or dive industry or whatever. You do not get anything from them.

**Mr JENKINS** — One question that arises about giving a star rating is who is going to give a star rating?

**Mr HIGGINBOTTOM** — I thought it would not be hard. There is a lot of expertise in this country. It is probably one of the most expert in horseracing in the world, I think, and it runs a lot of races. They designate what is a wet track, where a picnic race can be run, whether a horse has been drugged and whether people are following the rules. Can they not put together critical success factors for good agistment premises and property and give them a rating, just the same as the hospitality or car industry? I should imagine there is expertise there. The body that I would say would do it would be the Thoroughbred Breeders, because it is in their interest to grow their organisation. They can be audited just like anyone else, because in terms of corporate governance — we have seen recent examples in the last three weeks in the papers about insider trading and these things — you cannot depend on people to do the right thing; we are all a bit greedy at times. We will have somebody to look over their shoulder, but basically you could do a rating and I think it would be very sensible.

**The CHAIR** — We had a good example at Chatswood Stud when Greg Willis told us about one of his broodmare owners who refused to pay a foaling down fee, so the poor old mare struggled all night with the foal and just about died and the foal just about died. He talked about the psychology of an owner who would have all that money tied up in a broodmare and service fee and associated costs but refuses to pay the \$300. The more I thought about that the more I wondered why in fact a broodmare farm operator would even give an owner the option of paying it or not, because to me that is just dumbing it down to the lowest common denominator and inevitably will lead to a situation like that. Talking to people across the industry, some say, 'Oh, well, it is a very competitive market. If you impose it all the time they will go elsewhere'. Others just scratch their heads and say, 'These standards vary too much across the industry'. I imagine that sort of not giving people the option is something that you would end up incorporating into a benchmark, saying, 'It is about customer management. We are not going to give them the option of losing the foal in that way'.

**Mr HIGGINBOTTOM** — It is very interesting. Apparently you can pull off lease agreements online but I have never seen an online agistment agreement. I think the industry is very focused on the racing part of the business. People in the industry are not focused on where you get your stock from and how the horse gets to race. The veterinary people, who do a good job — I have had excellent veterinary help — are called in by the agistment people. When you have professional bodies being controlled by people without codes of practice, accreditation or templates for contracts, and you have a situation like the \$300 foaling down, which should have been signed up as a contractual agreement, then you have a hole in the account in terms of the racing industry.

**Mr PULLEN** — If there is any success in getting a star rating set-up going, let me know, because I have had an issue over two years trying to get the window technicians and door technicians some sort of a rating system and the bloke reckons I am not doing anything for him, but I do not even know where to turn to, and I have tried everywhere. If you have any success, let me know because I can then put him onto them. The other comment is that on page 2 you mention the Stud Book and you have covered it pretty well, but you say it needs competition. I would be interested to hear how competition would work. I doubt if the AJC or VRC would give it up easily. Do you have any ideas on competition with it?

**Mr HIGGINBOTTOM** — Yes. Something just flashed into my head — conveyancing, which the legal profession held onto for years and years. There is no need for me to go through a Stud Book to get a microchip to put in my horse; I can go to the local veterinary people at Goulburn Valley or the Melbourne veterinary centre down at Werribee to do that. So there is one service that could be split open. What I am saying is that when you have concentrated power and all hands on the whip handle, you have a channel captain — and we know that the supermarket industry is starting to worry government because of that situation — who controls everyone down the line in the channel and in the end people feel a sense of helplessness. When you have SMEs, which mainly make up this type of industry, especially in that next 50 per cent of the breeders — and they are in regional centres and they have huge, crippling bills and they can do stuff locally and really do not want to go to a city central body, you get a kind of downturn in optimism in an industry. If you freed up just some of the services and spread them out so they did not own everything, it might help them to realise that they are not the total industry. When they hold everything, it means they can do just whatever they want to do. I would be thinking microchipping and whatever other services. Naming the foal — there could be a central registry that you could go online to and that could be run by somebody with a contract. Statistics on racing could be put out to the industry on a fee basis, like the ABS. That could be run by somebody else, like a university — not necessarily a university; I do not want to go straight for authority groups again — or someone like that. Just thinking about the stats, the other thing is that there is a group run by two brothers in Essendon called TTOL that do hypothetical matings. I helped them initially with a bit of Web work. You can pay online and get hypothetical matings for horses. That is outside the system and it works well. If we went inside and looked at the services they need for statistics and keeping the industry on the straight and narrow so we knew — like an ID card for humans — what a horse was, that would be great. We could farm out some of the other services so the industry could take part in it.

**Mr PULLEN** — I also want to compliment you on your article on the export market development grants scheme. I used parts of it in a speech in Parliament on 20 July and I complimented you on it at the time.

**The CHAIR** — It is just that no royalties are involved.

**Mr PULLEN** — No. As I am a State Government member, I challenged the Opposition to take it up with their Federal counterparts, and Damian Drum of The Nationals said he would take it up. You have a very good

example there about a foreign student in Australia and the horse-breeding industry. I want to compliment you on that and tell you that Damien said he would take it up with his federal counterparts.

**Mr HIGGINBOTTOM** — Thank you for taking it to that level, because I could not do it individually. If he gets a hearing and the suggestion is not taken up, I am prepared to accept that. The industry has gone from \$150 million in handouts to \$170 million in export market development grants — and last year only 3100 people in Australia shared those grants — and a number of our mature industries cannot get those grants. On Friday I was at Buderim Ginger, which I dealt with when I was in Canada. They have been going for 46 years and can no longer get export development grants. A lot of emerging industries out there have never had a chance at this and the racehorse industry is one of those that we should be supporting. When people like those at OzHorse and on the Gold Coast, like Magic Millions, start bringing in buyers who take serious amounts of dollars out of the country, it is a great opportunity for us to reward them and encourage them to do more and to do it in such a way that we do not send our bloodstock overseas, as we did with the merino and cattle industries, but keep the horses here and allow that crowded part of Asia to enjoy our horseracing and benefit from our vast experience and vast land.

**The CHAIR** — Are you aware of how much of the EMDG funding last year or the year before was directed to the racing industry across Australia or do you know how many successful applications there were for funding through the EMDG?

**Mr HIGGINBOTTOM** — No, I do not, but I got a number of phone calls as a result of that article. I took off my consultant's hat — which I am sure you would be delighted to hear, because most people think consultants charge for everything — and I was impressed with the number of people who rang me who obviously did not know about it. Nathan, the very knowledgeable guy who edits *Turf*, was unaware of it and wanted me to spell it out. I get the impression, with the number of calls and the level of ignorance in the area — Michael Kent did not know about it, and he is bringing in and working with a lot of horses from overseas, as are Bill Mitchell and other people — that it is a very small amount but I do not think it is a published figure. It is probably a figure you can get hold of that would not be available to me.

**The CHAIR** — Off the top of my head, I think New Zealand exports well over 1000 horses — I think it is 1400 yearlings — a year. I think in Australia it is less than 1000 and Victoria exports only about 100 a year. My feeling is that there is a lot of scope for doing work abroad, particularly with such strong racing set-ups in Hong Kong, where they do not breed any of their own — they have to buy them all in — and Singapore and Malaysia, which have a very young breeding industry.

**Mr HIGGINBOTTOM** — But emerging. And in China, with that \$500 million racetrack in Beijing that was built by Australians, I am sure it is going to go there and take well. One of the major take-outs — if I can just move away from the sale point of view, which is pretty important, with Magic Millions and those studs, which favour our northern counterparts more than us — is that if you have approximately \$26 000, which is the figure given by John Messara, who is a very knowledgeable guy from Arrowfield Stud, which is a leading stud, and you have visitations to see that horse, which invariably you have, then a horse could be bringing \$40 000 into our economy. If somebody from Japan buys the horse as a foal or even sires the horse here, leaves the horse here until it is ready to race, then races it at Mornington, Cranbourne, Euroa and then puts it into a Flemington, Sandown or hopefully a Group 1 and then takes it overseas, there is an amazing amount of multiplier in those dollars. That means the silks, shoes and saddles are done here. It is an opportunity we are missing out on. We are not encouraging people purely because of a very ancient philosophy, just as the one on wool, that unless it left the shore it did not attract the grant.

**The CHAIR** — I understand what you are saying, I am just not sure how easy it will be to produce those stats. We did get some good material from Thoroughbred Breeders Victoria, which has looked at the leakage of broodmares from Victoria into New South Wales — into the Hunter Valley. The figure just on service fees I think is about a \$21 million loss per year. About 700 or 800 broodmares go from Victoria to the Hunter Valley. Then you have the multiplier through, onto agistment — —

**Mr HIGGINBOTTOM** — But then you have the marketing. If you take a group like the one around Euroa and Nagambie, the new thoroughbred group which recently gave me an indication to join, because I am at Bright, and they formed a consortium, the same as those in the wine industry — and I have had experience in putting together people in wine regions like those around Rutherglen and taking them to the world markets — and went to Japan, Macau and Hong Kong and sold it as a service, there may be a lot of people who do not want to

stable a lot of horses up there any more and they may be able to proactively market this as a package in Australia, which is in the breeder's interest and the owner's interest.

**The CHAIR** — I am not entirely sure, though, what they would be marketing. We have been up there and spoken to a few of them and I know that some of them have very well-advanced broodmare stocks, and import them from around the world, but they will not send them to local stallions; they will send them up to the Hunter Valley. So they will be sired by New South Wales stallions. They might be raised in the north-east, but it is not like home-grown stallions, in that sense. So I am not entirely sure what they are marketing. Their farms are in the north-east of Victoria but they are heavily dependent upon Hunter Valley stallions. So you have other people saying that they need to get — —

**Mr HIGGINBOTTOM** — They are just one in the supply chain. Like, they do not get the packaging, Visyboard gets that. I do not mind. I put on an Australian hat on this and say, 'Isn't that fantastic that Scone raises them all but cannot agist them all; they come back down here because they want to do Victorian races because they like racing the other way, that we think God intended horses to race'. That is good. I do not think it matters. It is improving the industry. The big thing about export that you learn over many years is that people do not know where Euroa and these places are but they know where Australia is. The package is Australia. Maybe they could do deals with Scone or the Hunter, I do not know. To me it is first catch the rabbit, then we will work out how to stew it — bring it into Australia versus elsewhere.

**The CHAIR** — Do not get me wrong, it is encouraging to see them working together for a change. One of the big comparisons between the New Zealand breeding industry and the Victorian breeding industry is the group cooperation in New Zealand seems to be very well established. That spills over into their marketing work, which leaves us for dead. We have a long way to go to catch up with them — they have given us some good ideas over there.

**Mr BOWDEN** — I have a quick question about exporting the international links with the French and the Irish in particular and maybe the UK breeders. When we went overseas in March and early April we visited several of the major studs in Ireland and France. The feeling there was a lot of goodwill towards Australia — they know our racing, they respect our racing, they are very knowledgeable. I just got the feeling, based on my marketing experience over decades, that you might have some suggestions as to how we could further encourage, broaden and deepen those links. I have the strong feeling, based on those visits, that, firstly, the goodwill is there, and, secondly, there are certain products in the northern hemisphere that we would like to have here, and we should do as much as we can to strengthen and encourage and get those groups together. A good example I will suggest would be the wine industry where the French producers took a serious portion of the Australian industry, and I think that has been to the enhancement of the Australian industry.

**Mr HIGGINBOTTOM** — So do I.

**Mr BOWDEN** — I suggest that as a parallel. I do not have any solutions; I am asking if you have some ideas for what we could consider for recommendations in terms of encouraging a greater linkage between France, Ireland, the UK and anyone else you would care to mention.

**Mr HIGGINBOTTOM** — I do. That is why I wrote — I am not trying to push this barrow too hard on you guys — that EMDG article. When I took Mudgee Wine to London in 1989 nobody wanted Mudgee Wine on the Austrade stand. That is the home of Andrew Harris and Rosemount and several other major winemakers. We sold to a guy in Manchester and not to Harrods. I just know the way I got those guys to do it. You have to do this in regional marketing. You do not have a lot of strength, you have a lot of SMEs, it is hard to do it, but there is sometimes a regional feeling. If you can get these people to pool their funding and pool their marketing, they can do just as well as one of the major studs or one of the major people in Sydney, Melbourne or Brisbane to pull inbound buyers in to look at their stock. Under the Export Market Development Grant, if I bring somebody out to look at my oven-drying equipment for semi-dried tomatoes or something, I can get a deduction on the airfare, an allocation of the hotel allowance and those sorts of things. I would be suggesting developing a regional brand or developing a brand for a group of people, going over and forming alliances with other regions in France, because it is a big country, getting the pooled funding and marketing together and putting down some standards, and then being able to have that dependable alliance or partnership which is built around a formal structure and a very proactive marketing campaign. That is how I would do it. Leaning again on the wine industry, people think the wine industry is cooperative but it is not. It is not always as collaborative as you think, but it realises that when you



go outside it is better to sell in a group than to go it alone. I think we could do a lot more in that regard. Have I answered that question?

**Mr BOWDEN** — Thank you.

**Mr HIGGINBOTTOM** — I do not want to lose your thought, Tony, because you pushed me a bit with that point about the supply chain — I think I have lost the point now. I will answer your first point. If we wanted to get those statistics, I really think because I have written an article, and I happen to know from an Austrade person who has also been a client of mine that it has been read in Austrade, I would be going to Austrade and asking, 'How much truth is there in Higginbottom's article? Show me how these people get their export grants.' I would be working with Austrade because Austrade is the facilitator for the Federal Government and its job is to double exports. At the moment they are not going to find any BHP Billitons around the corner. They are looking for every SME and regional person they can to keep our exports alive, because if we do not keep discovering new industries we are in trouble. I think it is in their interest to work with this committee to put forward recommendations that go to the State Government. I know the State Government and Austrade have arrangements in place to try to help regional centres like Latrobe and Euroa. I would be asking them through that channel. I am sorry, I have forgotten the other point so I cannot comment. I am glad you pushed me on the supply chain. I know the point I was going to make. Everybody in the world wants to be an exporter and nobody wants to be an importer. Everybody in the chain wants to cut everyone else out except themselves. I do not like the supply chain mentality we have at the moment; I think it will be very dangerous for our economy. Victoria is one of the states that has adopted it holus-bolus. They are going in and chopping people out of the chain everywhere. Wool had 47 people between the shearer and the port many years ago. Okay, 47 is too many, but you need everyone in the chain with various levels of expertise to help you. I think what we have to do in the racing industry is to have state champions and state events that we agree are left alone, like the Melbourne Cup — just like the Wangaratta Festival of Jazz or anything else — and yet we have to have collaboration because we are up against the rest of the world. I think that kind of attitude can permeate when you try to increase the industry and at the same time take particular positions within it. Maybe your biggest challenge is to choose how we are going to position ourselves against New South Wales and Brisbane rather than how we are going to pinch off each other and lose to the world.

**The CHAIR** — With your horses, are you breeding to own and race or breeding to sell?

**Mr HIGGINBOTTOM** — I am breeding for three areas, because I am going to breed again this year. I am breeding to lease with a good trainer. If I think a horse is really good I am going to lease it to a good trainer, but I am not just going to throw it in the paper. I am breeding to just race some but will probably syndicate with a couple of mates. In a couple of cases I will breed to sell. I know that on the sale I might even lose money because of the service fee and the agistment and everything — I am very new and just cutting my teeth — but it is a case of finding out how the horse looks at the end of, say, two years before you break it in and before I make that decision. I am looking at all three options because I think a bit of diversity is what you need in any business.

**The CHAIR** — So you have not been through the sales experience with Inglis with a horse you have bred?

**Mr HIGGINBOTTOM** — No. I know friends who have but not with any of mine. I have been through the near lease which got aborted, which is in here. The horse was held for three weeks and missed the opportunity.

**The CHAIR** — Thank you very much for today. Your submission has been spot on. A lot of what you have covered have been the sorts of things we are talking about and actively considering so I hope the final report will interest you. I am sure the recommendations will cover things you have covered. We will make sure a transcript comes out to you in about two weeks. You are welcome to correct that for any factual errors and get it back to us. We will make sure copies of the report come to you towards the end of this year or early next year. Thank you for your time today.

**Mr HIGGINBOTTOM** — Thank you very much. Thanks for holding the inquiry. Can I just table this latest news section because I think it pertains to the comments I made about the survey situation?

**The CHAIR** — Sure, we much appreciate it.

**Witness withdrew.**