

INTERNATIONAL FEDERATION OF HORSERACING AUTHORITIES

John Messara - Keynote Address

Ladies & Gentlemen and Distinguished Guests,

Firstly, let me thank Monsieur Louis Romanet and the members of the IFHA Executive Council for this opportunity to address you here today.

BACKGROUND

If you will allow me, over the next 15 minutes or so, I would like to take you on a 30 year journey which traces the development of the modern Australian Thoroughbred Industry through my eyes.

Perhaps like many of you, I feel like a love of racehorses was in my genes as my parents and grandparents before them had raced horses.

And so in 1979, as a 32-year-old stockbroker, I launched myself into thoroughbred racehorse ownership with a sense of “coming home” and familiarity.

The first thing I was to come to understand was that change does not come easily to racing and its institutions.

At the time, emboldened by the confidence of youth I decided the racing industry in Sydney, my home town, could do with a shake up to better prepare for its role on the world stage. I wanted to be part of driving change so I decided to stand for election to the Australian Jockey Club Committee – arguably the most august of racing institutions and the principal club established in 1842.

Perhaps it was to be expected, but my somewhat naïve, if genuine, enthusiasm failed to win over the club membership and I was not elected. Undeterred a short time later another Board position became available I again launched an unsuccessful campaign. I was seen as too young and perhaps too ‘progressive’ in a Club where tradition and incumbency are de rigeur.

AUSTRALIAN BREEDING INDUSTRY

Down but not out I changed my focus from racing to breeding and sought to become involved in the change the industry needed from a different perspective.

It was the mid-80s and the world stage was beginning to come into focus. In the next decade a change in taxation, a single stallion, and a professional marketing campaign would change the face of the Australian industry and provide the bedrock needed for Australia's breeders to begin to keep pace with some of the world's best.

But to understand that trajectory we must start with a picture of our humble beginnings. This is what our industry looked like 30 years ago:

1985 SNAPSHOT

Racing

The average prizemoney in Sydney and Melbourne was \$17,500.

No international racehorses traveled to Australia for our Spring and Autumn racing carnivals.

It would take until 2004 before Australian horses were included in the Official Ratings.

Breeding

17 Australian-bred yearlings were exported.

Only 46 mares were imported into Australia.

The average of the Sydney premier yearling sale was \$22,700 in 1985, a drop in the ocean when compared to Keeneland's US\$544,000.

We were inward-looking and domestically focused, but for those with an eye to opportunity the immense potential for development was unquestionable.

1985 BUDGET CONCESSIONS

The first step in industry transformation came in the unlikely form of a Government taxation concession. In 1985, Australian Prime Minister Bob Hawke, with some gentle prodding from visionary trainer and breeder Colin Hayes, introduced breeding stock depreciation provisions bringing the Australian fiscal regime more in line with that of our main competitor, New Zealand. It was a single action that in one fell swoop, halted the leakage of the best Australian bloodlines to New Zealand in its tracks and enabled Australian breeders to deploy the necessary capital to acquire breeding stock from the best international pedigrees in Europe and America.

DANEHILL

The second defining step was the arrival of the stallion Danehill in Australia in 1989. And the success of his shuttle program between Australia and Ireland had a tsunami effect on the shuttle stallion concept.

A recent study by the Australian Stud Book calculated that 44.6% of the horses in training last season in Australia have Danehill in their first three removes.

Furthermore, five of the top 10 Australian sires last season are his sons or grandsons.

It is not overstating to suggest that the immediate and devastating success of Danehill's progeny on Australian racetracks changed everything.

SHUTTLE TREND

The shuttling of stallions between the Northern and Southern hemispheres had already been practiced by the time Danehill arrived on Australian shores by luminaries like Nelson Bunker Hunt and Robert Sangster, but until Danehill, Australian breeders were generally reluctant to use shuttle stallions. There were of course real and perceived risks.

The shuttle trend Danehill ignited has brought a staggering 293 Northern Hemisphere shuttle stallions to Australia. No less significantly, it has also encouraged Coolmore, Darley and several

other major international breeders to establish bases in Australia; most recently, US powerhouse Spendthrift Farm.

This wave of international genetics and investment has had a major impact on the global performance of our racehorses. From Choisir's milestone Royal Ascot victory in 2003, to the successes of horses like Black Caviar, Miss Andretti, Ortensia, Scenic Blast, So You Think, Starcraft, Starspangledbanner & Takeover Target – every single one of these is either by, or descended from, a stallion shuttled out of Europe.

In a way, the recent announcement that Al Shaqab's champion Olympic Glory, by Choisir, had joined the shuttle program completes the circle. He is the embodiment of the vision in Bob Hawke's tax initiative in 1985... to bring the world's best bloodlines to Australia, and send our best horses back to the world to create a new kind of global thoroughbred.

MARKETING THE AUSTRALIAN PRODUCT

By the 1990s this new wave of international sire-lines had established Australia as a thoroughbred industry to be watched. But as with any new "product" we now had to take our product to market.

A small team of like-minded commercial breeders established the Commercial Thoroughbred Breeders Association in 1993, with the express purpose of promoting the Australian horse to the rest of the world. Among the many marketing initiatives undertaken by the Commercial Thoroughbred Breeders Association was a sale for Australian yearlings in Hong Kong.

So the tax changes, the arrival of Danehill and a new commercial approach to marketing all played critical roles in the internationalization of Australia's thoroughbred breeding industry.

AUSTRALIAN RACING INDUSTRY

But breeding and racing are like hand in glove and the developments in the breeding sector needed to be matched by the racing jurisdiction.

In the early 90s Australian racehorses were still not being recognized as world class performers, and Australia's racing carnivals still consisted almost exclusively of New Zealand

and Australian trained horses. It was the racing sector's time to apply a new lens to its efforts to modernize the sport.

PRINCIPAL RACING AUTHORITIES

Structural change came first and again the government was pivotal in establishing legislation that would separate the governance arm of racing from the operational aspects of race clubs.

Each state government appointed a governing body (known as a Principal Racing Authority or PRA) which assumed responsibility for managing strategic industry initiatives and the supervision of all integrity, licensing, advocacy, welfare, marketing and educational functions.

Freed of these regulatory responsibilities, major race clubs could begin to focus on their own businesses.

VINTAGE CROP

As it so often happens in our industry it took just one horse to change the world's attitudes and what Danehill did for the shuttle process, the Irish horse Vintage Crop did for Australian racing.

The year was 1993 and Vintage Crop's victory in the Melbourne Cup demonstrated, in a way no marketing campaign ever could, that the best in the world could overcome the internationally held perceptions about long-distance travel & tough quarantine protocols. Vintage Crop franked Australia's most famous race, the Melbourne Cup, as a truly international race, and Australia as a genuine target for the world's top racehorses.

The international attention has helped to drive the expansion of the entire Melbourne Spring Carnival, which now attracts an attendance of more than 325,000 local and international visitors over just four days and makes an annual contribution of \$650 million to the economy of the State of Victoria.

INTEGRITY

Meanwhile, the PRA's went about enforcing tough standards of integrity. You will have read online that the repercussions of our strict policy are being felt right now by those in our

industry who thought high standards of racing integrity did not apply to them. Regrettably, they have had to learn the hard way – and sentences handed down after the recent enquiry into cobalt positives include 6, 9 and 15 year disqualifications.

RACE FIELDS CASE

But governance is not just about policing industry ethics, just as critically the PRA's have taken up the mantle of fighting the industry's battles to secure the financial future of the sport for all its stakeholders.

First the Board of Racing NSW took on the corporate bookmakers and betting exchanges.

We took the view that we had copyright over our product, and our argument was supported by the State Government of NSW (Australia's largest racing jurisdiction) which changed the law to force wagering operators to pay a fee on bets on New South Wales races. Just as importantly, it compelled them to provide details of betting activity to our stewards which has turned out to be a valuable integrity tool.

Of course these matters are never simple and the government legislation was challenged by the wagering operators in the High Court, in what has become known as the Race Fields Case. Racing NSW won the case and as a result, the racing industry's annual revenue in NSW was boosted by more than 30%. This legal precedent paved the way for the other States of Australia to confidently charge race fields fees, with a huge positive impact on our national industry revenues.

THE CHAMPIONSHIPS

With the capacity for significant prize money increases secured, it was time to address the major gap in Sydney racing by launching a 'flagship' racing event.

The traditional Sydney Autumn Carnival had struggled to match the status of Melbourne's Spring Carnival as one of the world's major sporting events.

Our new concept, the Championships, seeks to capture the world's attention through the establishment of a 'destination week' held in Sydney each Autumn, with the first two Saturdays

of April book-ending the famous Inglis Easter Yearling Sale. We want to create a festival of world class racing, akin to the Breeders' Cup or Arc Weekend, supported by a feast of other social and sporting activities all in the space of one week.

And this is what it looks like.

***** VIDEO TO PLAY HERE *****

The world's marketing gurus will tell you it can take up to 10 years to successfully establish a new brand but we seem to be tracking ahead of the curve. Two carnivals down and there is a strong and growing awareness of The Championships brand worldwide.

RACING AUSTRALIA

So what's next for Australian racing? As I see it, one of our most important tasks is the achievement of industry unification across Australia. Each State controls its own industry and while no State jurisdiction will want to relinquish control over core assets, it is important that all States within Australia work together to achieve common goals.

In April 2015 we took a significant step towards that unity with the formation of Racing Australia. This new national body merged three of racing's key functions and assets: the Australian Racing Board – responsible for setting the national rules of racing and uniform minimum penalties; Racing Information Services Australia – the national information database; and the Australian Stud Book.

SNAPSHOT COMPARISON

So just as certain events had reformed the Australia breeding industry from 1985 onwards, the establishment of PRA's, the emergence of the Melbourne Cup as an internationally recognized event, the uplift in revenue from the Racefields Case, the development of The Championships and now the establishment of Racing Australia have all played their part in transforming Australian Racing.

And here are the numbers to prove it:

Racing

Average prizemoney in Sydney and Melbourne has increased from \$17,500 in 1985 to \$110,400 in 2015 – over double the rate of inflation.

International racehorses travelling to Australia for our Spring and Autumn racing carnivals has increased from 0 in 1985 to 53 last year.

The number of Australian horses rated above 115 in the Official Ratings has increased from 9 in 2004 to 40 in the 2014 release. In 1985 Australian horses were not even included in the Official Ratings.

Breeding

The number of Australian-bred yearlings to be exported has jumped from 17 in 1985 to 440 total last year.

Only 46 mares were imported to Australia in 1985, last year this had increased to 200.

The average of the Sydney Premier Yearling Sale was \$22,700 in 1985 and in 2015 it reached \$291,000 – almost five times the rate of inflation.

CONCLUSION

With so much transformation and reform behind us, the industry that I described as resistant to change in the early 80's has really flourished and continues to surprise with displays of ingenuity in all sectors of our sport.

“Yes, but what of the future?” asks Monsieur Romanet.

Well Louis, here's how we see it “downunder” in Australia:

We believe in integrity and a drug free racing environment and we will be very tough on enforcement.

We will have rules of racing that represent world's best practice and are consistent throughout our country.

We will continue to work tirelessly to make racing sustainable for our wide range of participants.

We will continue to enhance our major racing Carnivals and welcome international participants with Australian hospitality, competitive prize money and first class quarantine facilities.

We will work to grow the sport of racing and to promote our sport to the next generation, with the use of new technologies, modernization and transparency in the way racing participants conduct their business.

We will continue to address society's expectations on matters such as animal welfare.

And we will play our part in all the international forums and organisations to which we belong, including this one.

Monsieur Romanet, this is our future!

Thank you for your attention.