



香港賽馬會
The Hong Kong Jockey Club

15 April 2014

The Hon Brad Hazzard MP
Minister for Planning & Infrastructure
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AUSTRALIA

行政總裁 應家柏
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Dear Minister,

Hunter Valley and Thoroughbred Breeding

I am aware of the current assessment being given to whether to approve open-cut mining to take place in proximity to the Coolmore and Woodlands horse studs. Hong Kong racing has a longstanding and highly valued commercial relationship with the Hunter Valley breeding sector and so I thought it would be of relevance if I identified the potential ramifications of such a development for not only this commercial relationship, but also the Hunter Valley breeding sector's positioning in the international market for the sale of thoroughbreds in general.

By way of background, the Hong Kong Jockey Club is, amongst other things, responsible for the administration of all aspects of thoroughbred racing and wagering in Hong Kong. The Club is the world's second largest totalisator operator on thoroughbred racing – in 2012/2013 our turnover on racing was AUD\$12,900 million. The high standard of our racing is recognised globally. Hong Kong had 21 horses in the 2013 Longines World's Best Racehorse Rankings, and five races in the IFHA World's Top 50 Group 1 races.

We currently maintain a population of 1,200 horses, all of which are imported. Approximately 90 of these horses have been bought by the HKJC itself at overseas yearling sales which are then brought back here for dispersal by auction to those HKJC members whom we have granted a permit to own a racehorse. The balance is imported by individual HKJC Members whom we have granted a permit to own a racehorse. These horses must meet the quality benchmarks which we set as a condition of the permit.

It follows from this the Hong Kong is a significant source of demand in the international market for the sale of thoroughbreds. At present the Australian breeding sector derives the greatest benefit from this, with approximately 40% of the 1,200 horses permitted to race in Hong Kong being imported from Australia. Over the three year period 2010/11 – 2012/13, Hong Kong imported almost 500 horses from Australia at a value of approximately AUD\$90 million. In addition to this, a significant number of Hong Kong racehorse owners have horses in pre training in Australia.

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The Hunter Valley is Australia's pre-eminent breeding region and some 50% of the horses that we acquire from Australia have been bred in that region.

Currently Hong Kong's other sources for acquiring horses are New Zealand (33%); Ireland (12%); Great Britain (7%); USA (4%) and others (4%).

Several observations should be made here. The first is that the quality of our racing is of key importance to the HKJC's global brand. High quality horses are essential to high quality racing and accordingly we have a range of measures in place to ensure that our horse population meets the required standard. These include the benchmarks referred to above.

The second is that the market for the sale of thoroughbred horses is a truly global one. Customers have a wide range of choice, and the competition between sellers is intense.

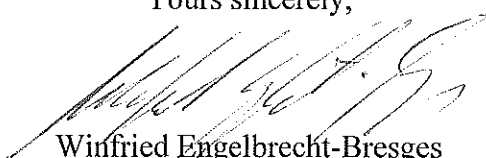
Third, buyer confidence is of paramount importance. If buyers lose confidence in a country or region's breeding then they will not support it. The USA is an object lesson here. The failure of US racing authorities to properly control the use of drugs in racing has created a question mark over the robustness of US – bred horses and international buyer interest has waned accordingly.

Fourth, the breeding of top quality horses depends on a region possessing all the physical characteristics that support the development of excellent bone structure, including pasture and air quality. If these physical characteristics are degraded in any way then buyer confidence will be eroded.

This is the necessary context for considering the potential implications of open-cut mining for the Hunter Valley's positioning within the international market for the sale of thoroughbreds. Simply stated, if the perception takes hold that the quality of horses bred in the Hunter valley has been compromised by the proximity of open-cut mining then this will place Hunter Valley breeders at a material competitive disadvantage. This risk is most acutely understood if one compares Australia, which currently supplies 40% of Hong Kong's horses, with New Zealand, which supplies 33%. In 2013 the average yearling price at the Inglis Easter Sales (which are overwhelmingly sourced from the Hunter Valley) was AUD\$278,409 whereas in New Zealand it was NZ\$158,730. The current strength of the Hunter Valley's breeding sector vis a vis New Zealand clearly turns on prestige and reputation not price. In all other relevant aspects horses bred in the Hunter Valley and horse-bred in New Zealand are effective substitutes – transport costs to Hong Kong, availability and cost of pre-training and agistment are all comparable between the two. The same holds true for Victoria, South Australia and Queensland all of which have substantial breeding.

I hope that this information can be useful to your deliberations. The breeding sector in the Hunter Valley has built up a very strong reputation across thoroughbred racing globally, and it would be unfortunate to see this lost.

Yours sincerely,



Winfried Engelbrecht-Bresges
Chief Executive Officer