

## **TO WHOM IT MAY CONCERN**

Cambridge Stud is a large commercial thoroughbred operation based in the Waikato valley. It comprises 700 acres of equine grazing, a high standard of equine infrastructure, five stallions during the breeding season, 150 owned mares and a further 250 mares during the breeding season (1 August – 31 December), 100 weanlings/yearlings and we maintain a string of 45 racehorses, some at a private stable near Auckland and the rest spread among the public trainers of New Zealand.

The operational side of the business is run in conjunction with a number of equine professionals – farriers, nutritionists and, most importantly, veterinary practices. Cambridge Stud is currently serviced, predominantly, by Cambridge Equine Hospital but we also use the services of Matamata Vet Services, mostly for yearling and racing work and we occasionally use the services of Waikato Equine for a second opinion or for surgery. We also use Auckland Equine Performance Vets and Vet Associates.

[REDACTED] There are a number of cost components, drugs and antibiotics, travel, injection fees, consultations, surgeries and so on. The annual spend has led us down the path of looking for an inhouse vet, something that you have alluded to in your document. The appointment of a vet under the Cambridge Stud employment banner would have its most significant advantage in our ability to order drugs/antibiotics and medications at wholesale prices. The scale of Cambridge Stud would also mean there were other savings in terms of travel costs, injection fees and other items that are incurred using a public practice.

In terms of answering the question – would the prospect of a further merger and the potential for price fixing within that merged group lead us to look for an inhouse vet, my answer would be that the merged entity is less important than the individual cost base. By way of example, if there was only one vet practice in the Waikato and no other competition, we would still be looking for an inhouse vet. That direction is determined by the costs applied by all practices and not because of any potential merger.

In assessing the risk to competition and the potential impact on us as a customer, I have the following observations:

In your document you mention the figure of a 5-10% rise in costs being enough to persuade us to look elsewhere for specialist veterinary cover. There are viable veterinary practices within an hour and 15 minutes of Cambridge in Auckland with fully equipped operating theatres and other forms of equine support. However, the advantage for us in having three vet practices in the Waikato is the range and depth of expertise within easy reach. The alternative in Auckland would be a reasonable offset if local costs became too onerous but, in my experience, that is unlikely to happen.

From the perspective of availability of general equine vets we are aware of the skillset of the ambulatory vets who are based further north ie Auckland Equine Performance Vets, Vet Associates, and Franklin Vets (their network extends into the Waikato). There

are also other existing, experienced independent practitioners in the Waikato such as Michael Hurley, Ian McKay and Brian O'Shea. Further, over the years I have witnessed many equine vets who have left a practice to start out by themselves, or joined a rival practice with or without the support of existing clients.

We also engage specialist or experienced equine vets from overseas for advice and consultation. At times, this extends to these vets travelling to NZ to attend our horses.

You proposed in the document that a larger commercial entity (such as Cambridge Stud) might be able to negotiate a discount through the volume of business generated for the practice and would those discounts be available to smaller operators. I cannot answer for the smaller studs but every year we discuss costs and ways in which they can be mitigated by each practice in order to get as good a deal as possible. This includes consultation with Auckland based providers.

The thoroughbred industry is now a high value, complex business where clinical support for breeding farms and racing stock has gained a high level of importance. We see significant advantages in having access to the expertise that is contained within MVS, CEH and WEH. For our part, while CEH is our preferred practice, we routinely refer to their competitors for consultation and second opinion. In a way that would not have been possible 20 years ago, the senior partners at those practices are collaborative in their approach to problems and there are a number of synergies in having them under one roof. I have discussed with all three the next five to ten years and the importance of continuing to evolve in the way that we assess and manage our stock. A critical part of that evolution is the emerging problem around animal welfare and the way in which injury is determined and treated. Recent publicity around runners in the Melbourne Cup highlights the importance of New Zealand obtaining and installing an advanced imaging and MRI centre (in the Waikato) that can pick up potentially catastrophic injuries in racehorses. One practice alone could not hope to construct and fund such a centre but three merged practices run under a corporate banner would be well placed. Thus, there are distinct benefits to the clients and the industry from such an initiative.

Another consideration is that of relationships developed between vets and equine practitioners, not unlike human interaction with the local chemist – while you can probably get a better deal at Chemist Warehouse, the fact that other pharmaceutical brands remain in business points to the importance of relationships. That being said, we are aware that we could use an on-line wholesaler to purchase drugs (with a prescription) if our veterinary supplier was deemed too expensive.

In summary, for Cambridge Stud, at this time, the status quo is likely to be maintained because of relationships and geography. Whether MVS merges with CEH and WEH is less important in my opinion than the three practices continuing to provide service and support to a vibrant, regional industry. There is the potential for the group to increase costs across the board but, as I have outlined, there are viable alternatives for customers who are impacted by those rises, in the alternative options detailed above, or through the appointment of an in-house practitioner.