

## Golden days of boom and burnt fingers

**The year 1987 was a golden one for the New Zealand thoroughbred industry. Everyone wanted a slice of the action, but some were badly burned. Wintec journalism student Penny Miles reports.**

THE mid '80s economic boom was like a new gold rush that gripped the country.

Farmers experienced record profits; bloodstock, deer, and kiwifruit matured into profitable industries; and in the cities, yuppies rode the economic wave on the back of primary industry gains.

Mirror-glass office blocks sprung up to fuel the buzzing construction industry.

At the long liquid lunches, cocktail parties and the golf club, conversations turned to shares, racehorses and prestige cars. Soapie Gloss aired on television and there were plenty of real-life Alistair Redferns - dabbling in racehorse syndicates for tax evasion and investing off borrowed cash to make a quick buck.

Waikato thoroughbred owner and breeder Sir Patrick Hogan was also enjoying the boom.

"The sharemarket pushed the economy through the roof and the bloodstock industry was hugely buoyant," he says.

Sir Patrick's super stallion Sir Tristram, then 16, was at the peak of his success. At the New Zealand Yearling Sales in 1987, the stallion's 39 offspring fetched \$9,298,000.

At the same sale, one of Sir Patrick's fillies fetched the top price of \$750,000 (the filly, Trichelle, went on to become a Group 1 winner).

In 1987, Sir Patrick also made the Personal Investor Rich List (later the NBR Rich List). His net worth was estimated at \$40 million. The magazine described him as a shrewd horseman who worked 16-hour days, starting at 4.45am and had developed the most sophisticated commercial stud in the country.

Sir Patrick capitalised on the buoyant mood in the mid-1980s by devising a scheme to attract trans-tasman investors. He hand-picked thoroughbred buyers from Melbourne, Sydney and Perth, for lavish - and free - promotional trips that included first-class travel, accommodation, stud viewings, plus luxury recreational activities on and around Lake Taupo.

The Cambridge Stud VIP trips became highly sought-after. "People were approaching me asking 'Can we be on the trip next year?' I'd say, 'This is not a free lunch; if you're not seen to bid on a horse of mine, or buy one, then you're off the list'," he says.

Sir Patrick told Personal Investor magazine in 1987 that as a direct result of the initiative, between 1986 and '87, he doubled his takings at the yearling sales from \$6 million to \$12 million.



**OWNER, BREEDER: Sir Patrick Hogan at home on his Cambridge Stud property this year.**

Many investors were burned. There had been confusion around investment and conflicting advice given to new investors.

"People were buying \$150,000 horses that were only worth \$50,000 but they didn't have the knowledge or experience to realise what was taking place," says Sir Patrick.

The breeding rate also declined. Ten years after the crash, 5000 foals were born in New Zealand, a third fewer than the boom years of the 1980s; yearling sales figures were \$21.6 million, less than half what they were in 1987.

Two decades on, the thoroughbred industry is again performing at a high rate. At this year's sales at Karaka, sales reached a record \$56.8 million.

Racing Board racing manager Michael Dore says tax changes have helped revive the racing industry over the past decade.

"The tax change that Winston Peters brought in is the most significant event in the history of racing. Prior to that August 2006 tax change, money was tight, but we've been able to lower betting prices," he says.

Dore says funding is again available for marketing campaigns and races like the Auckland Cup have a

Other overseas investors were also attracted, including several sheikhs who bought their bloodstock through Australian trainer Colin Hayes.

In 1987, the premier yearling sales increased by \$12 million to \$44.1 million and the average sale price rose by nearly \$30,000.

Novice investors rushed to join syndicates to get a foot in the door.

Waikato racing writer Philip Quay says many of the first-time investors wanted to make a quick profit. They had little knowledge of the bloodstock they were buying and a short-term investment view.

When the Dow Jones index crashed on Wall Street in October 1987, the fallout was immediate.

Sir Patrick says he was in the foaling paddock attending to brood mares. With an established business, and no shares of his own, the crash did not affect him personally.

But the economic downturn hit the rest of the New Zealand thoroughbred industry hard.

glamorous image.

Philip Quay agrees the tax changes have made the industry attractive again and also created one of the most desirable thoroughbred industry tax environments in the world. Today smart investors take a longer-term view, he says. "They are doing their research, and planning to stick with the investment for at least a couple of decades."

Sir Patrick Hogan agrees. "It's even stronger now than it was in 1987," he says.

This year, the NBR Rich List estimated Sir Patrick's personal wealth at \$70 million.

\* This is the final feature in the 20 Years Ago series written by Wintec journalism students. For further information about the National Diploma in Journalism and the Bachelor of Media Arts at Wintec, contact [charles.riddle@wintec.ac.nz](mailto:charles.riddle@wintec.ac.nz)