

## The True #1 Risk

Documents leaked to Warmblood Studbook of Ireland (WSI) reveal that the “#1” risk facing Horse Sport Ireland (HSI) is WSI’s complaint to the EU’s Agri State Aid office about unauthorised payments by the Department of Agriculture (DAFM) to HSI. The unauthorised State Aid was given, and continues to be given, by DAFM in the form of millions of euro of subsidies each year to HSI’s Breeding Department and its commercial studbook business.

Why does HSI believe WSI’s complaint is the most significant threat facing the company?

If Agri State Aid officials refer WSI’s complaint to the European Commission for a full investigation, and if the Commission agrees with WSI’s analyses, the Commission must order that the incompatible State Aid be recovered by DAFM from HSI. In plain language this means that DAFM could be ordered to demand repayment of most of the €17.7 million in payments to HSI during 2008 – 2018. And DAFM could be required to demand payment from HSI for the gift it bestowed, without a public tender, of the right to manage two studbooks on behalf of the owner, the Minister of Agriculture.

If recovery of the State Aid is ordered HSI will be bankrupted because historically the company tends to spend all or more than all of its income each year. There are no reserves to repay DAFM for the unauthorised State Aid. And DAFM cannot give HSI money to repay the unauthorised State Aid, as has been suggested, because this would lead to a new State Aid complaint.

There is a way out for HSI. There is no need for a death sentence of bankruptcy to be imposed on the company.

DAFM officials could implement their stated preference that studbooks be spun off from HSI. This must happen via a transparent public tender supervised by a neutral entity (such as a retired High Court or Supreme Court judge), and the tender decision should be made before 1 July 2019 (the date HSI’s licenses to manage the Irish Sport Horse Studbook and Irish Draught Horse Studbook expire). The officials could cease immediately all unauthorised State Aid to HSI’s Breeding Department, and begin negotiations with the Commission over an enhanced and reformed Equine Technical Support Scheme, the Department’s legal (i.e., approved by the European Commission) funding stream for horse breeding. The officials could guarantee full compliance with the 1990 Council Directive and Irish law concerning discriminatory competitions and derogations, supervised by a neutral entity, and commit to a policy predisposition to non-discriminatory competitions rather than restricted competitions. And HSI could close its Breeding Department on 1 July 2019 and turn its attention to its core mission of being the national equestrian sport federation.

If all these conditions are met WSI will suspend its complaint and ask the Agri State Aid Office to give DAFM nine months to create a legal foundation for funding and support of Ireland’s sport horse industry. If not, the true #1 risk to HSI is the Department of Agriculture.

Thomas Reed  
Breeding Director  
Warmblood Studbook of Ireland