

# VERIFIED VERSION

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into Budget Estimates 2016–17

Melbourne — 17 May 2016

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Ms Sue Pennicuik

Mr David Morris — Deputy Chair

Ms Harriet Shing

Dr Rachel Carling-Jenkins

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Mr Martin Pakula, Minister for Racing,

Mr Greg Wilson, Secretary,

Ms Cate Carr, Executive Director, Liquor, Gaming and Racing, Department of Justice and Regulation, and

Mr Ged Prescott, Manager, Office of Racing.

**The CHAIR** — I declare open the public hearings for the Public Accounts and Estimates Committee inquiry into the 2016–17 budget estimates. All mobile telephones should now be turned to silent.

I would like to welcome the Minister for Racing, the Honourable Martin Pakula, MP; Mr Greg Wilson, Secretary of the Department of Justice and Regulation; and Ms Cate Carr, executive director, liquor, gaming and racing. In the gallery we have Jed Prescott, manager, Office of Racing.

All evidence is taken by the committee under the provisions of the Parliamentary Committees Act, attracts parliamentary privilege and is protected from judicial review. Comments made outside the hearing, including on social media, are not afforded such privilege. Witnesses will not be sworn but are requested to answer all questions succinctly, accurately and truthfully. Witnesses found to be giving false or misleading evidence may be in contempt of Parliament and subject to penalty.

Questions from the committee will be asked on a group basis, meaning that specific time has been allocated to members of the government, opposition and crossbench to ask a series of questions in a set amount of time before moving onto the next group. I will advise witnesses who will be asking questions at each segment.

All evidence given today is being recorded by Hansard, and you will be provided with proof versions of the transcript for verification as soon as available. Verified transcripts, presentations and handouts will be placed on the committee's website as soon as possible.

All written communication to witnesses must be provided via officers of the PAEC secretariat. Members of the public gallery cannot participate in the committee's proceedings in any way and cannot photograph, audio record or videorecord any part of these proceedings. Members of the media must remain focused only on the person speaking. Any filming and recording must cease immediately at the completion of the hearing.

I invite the witness now to make a very brief opening statement of no more than 5 minutes, and this will be followed by questions from the committee.

**Mr PAKULA** — Thank you, Chair, and I will whip through the presentation.

### **Visual presentation.**

**Mr PAKULA** — You will see that racing is a very small part of the overall pie chart there, but it is an industry that makes a significant contribution to the Victorian community — an economic impact in excess of \$2.8 billion per annum across a range of industries. There are over 114 000 people directly involved in the racing industry. There has been obviously some very large issues for the industry over the last 12 months. Greyhound racing reform has been an enormous part of this job. There were 68 recommendations from the Milne and Perna reviews. A number of those have been actioned through legislation, including bolstering the powers of GRV inspectors, requiring the industry to comply with a new animal welfare code of practice and strengthening live baiting and luring offences. That has been a task across both my portfolio and that of the Minister for Agriculture.

In regard to racing integrity, Paul Bittar was appointed to consult with stakeholders and make recommendations about integrity structures for our industry. That report and its recommendations are currently being considered by the government, and I can indicate that we will be releasing that report very, very shortly.

In regard to industry governance, we have modernised governance arrangements for both HRV and GRV. We amended the Racing Act in regard to that. There was a new seven-person skills-based HRV board appointed in March 2016. That GRV board now has veterinary and marketing experience. A new chief executive officer, Alan Clayton, who is known to many of us, was appointed in August of last year.

The VRIF continues to be a very, very important element of the government's approach to the racing industry, and \$72 million has been committed to continue it until at least 30 June 2019. New guidelines have been developed following extensive consultation with stakeholders, and you can see there the contributions that have been made. Some of the examples: we put \$5 million into track lighting at Racing.com Park, which is otherwise known as the Pakenham Racing Club, to create another night venue for Victoria, and that is already an enormous success. There has been \$700 000 to the Ballarat Turf Club, as just one example, for a range of infrastructure upgrades. There has also been over \$5.5 million provided through the VRIF for the race day

attraction program, and some examples of RAP projects which have been funded since we have come to office are up there on the screen.

We have delivered on some of our commitments to jockeys and trainers. Two-hundred thousand dollars has gone to the National Jockeys Trust. That is an institution which supports injured jockeys and the families of both injured and deceased jockeys; \$200 000 has gone to the National Trainers Trust; and the week before last week at Warrnambool on the Thursday we announced \$260 000 to the VJA to establish the post-riding career employment transition pilot program, which is about finding some alternative career pathways for jockeys after they finish riding. Most of us will work to the age of 65. I hope not too, but I probably will have to. Jockeys on average retire at 35. It is an extremely gruelling career — one which is attended by substantial risk — and the government is assisting the VJA through the VRIF to create a program to help jockeys transition out of riding into alternative careers. With that, I am happy to answer questions.

**The CHAIR** — Thank you, Minister. Ms Shing until 11.01 a.m.

**Ms SHING** — Thank you, Minister. I would like to turn rather unsurprisingly to the page in your presentation which deals with improved governance arrangements for Harness Racing Victoria and Greyhound Racing Victoria, along with changes to the GRV board to include veterinary and marketing experience appointments from October of last year, and changes to improve animal welfare as well as transparency in the industry following live baiting as it rocked the industry and undermined the good reputation of many of the owners and trainers that operate within the industry.

Can I take you to budget paper 3, page 262, and the reference to a sustainable racing sector. Given the threat to this industry in light of the investigations and the Perna report in 2015, what is GRV and the government doing in substantive and operational terms to ensure that this industry has a secure and sustainable future, not just for owners and trainers, but also for dogs involved in the industry?

**Mr PAKULA** — Thanks, Ms Shing. I understand very well your devotion not just to greyhound racing but to greyhounds more generally and your strong desire to see them well looked after. I think it is fair to say that racing of any code operates under social licence. I think that social licence was at risk after the live baiting scandal erupted, and that is not at all inappropriate. We worked very hard to address those allegations. We commenced reviews by both the racing integrity commissioner and the chief vet. Sixty-eight recommendations were made; 28 of those recommendations were directed to government, and a range of those recommendations have been implemented, as I said, by legislation. GRV responded, I think, very appropriately and swiftly, particularly once there was a new board in place, first under the chairmanship of Ray Gunston, who sadly was recruited back to the AFL — understandable from their point of view — but then under Bernie Carolan and later Alan Clayton, the CEO.

One of the things that GRV did was that they suspended the greyhound owner and breeder incentive scheme, which was previously being supported through the VRIF. That was consistent with the recommendations of the chief vet that breeding numbers for greyhounds were too high and the last thing we needed to do was provide incentives for the breeding of even more greyhounds. So that scheme is no longer in operation.

The board is looking at alternative uses for those funds to support animal welfare initiatives instead. One of those might be increasing the capacity of the Greyhound Adoption Program. The Greyhound Adoption Program is a remarkable success, as you tried to tell me before I was the minister.

**Ms SHING** — I will tell just about everybody that that is the case, Minister.

**Mr PAKULA** — As I was, before I was the Minister for Racing. Last year, Ms Shing, the GAP achieved just under 850 adoptions, which was a record number by a long way. The most recent adoption day was held on 1 May at The Meadows.

**Ms SHING** — Seventy out of 70 adoption rate, minister.

**Mr PAKULA** — Correct. There were 70 dogs up for adoption, and every one of them was adopted. These are beautiful, placid animals, and every bit of evidence suggests that they make great pets. So the implementation of the Milne and Perna reviews continues with great force and speed by both GRV and the government. As you have indicated, the board now has animal welfare expertise in the form of a veterinarian on

the board. It is an entirely new board, new senior management. The changes are ongoing, but they are already substantial, and I think they have led to a great improvement in what has been going on.

**Ms SHING** — So just further to your comments then, Minister, how does the industry, in combination with GRV and your portfolio, intend to create an environment which incentivises or encourages good practice in the ownership and training and breeding of dogs on the one hand, whilst also cracking down on inappropriate behaviour that might include but is not limited to the sort of thing that was exposed as part of the Perna and Milne reviews last year?

**Mr PAKULA** — Well, in terms of the incentive, I think the greatest incentive for those who are participants in the industry is that if they want a strong and continuing industry, there needs to be a recognition of the fact that these types of practices cannot occur, because for a period there it was hanging by a thread.

In regard to stick rather than carrot, on 23 December, amendments to POCTAA came into effect. They increased fines and penalties for live baiters; they strengthened baiting and luring offences; they outlawed the presence of certain animals, dead or alive, at venues being used for greyhound training and racing; and they introduced a new offence under the POCTA Act for being present at a place where live baiting is occurring.

But there has also been, under amendments to the Racing Act, extension to the powers of the Racing Integrity Commissioner. There has been alignment of penalties for offences in the Racing Act with those in the POCTAA. We have increased the hours during which GRV inspectors are able to access properties to conduct inspections, and we have extended the time limit for commencing proceedings under the POCTAA for baiting and luring offences from 12 months to 3 years. So this is a combination of better enforcement, stronger powers for stewards but also much harsher penalties for those that transgress.

**Ms SHING** — What about — in relation to those who have transgressed, Minister — those who might transfer ownership to somebody else for the purposes of having a greyhound trained and then start racing, albeit under the formal ownership of someone else? It might then enable someone who has otherwise been banned to continue in effect operating in the industry from which they have received a sanction. What are the proposed responses to that as an issue?

**Mr PAKULA** — Well, GRV are responsible for that, but you would be aware, I imagine, Ms Shing, that there have been some attempts by some to effectively —

**Ms SHING** — Outsource.

**Mr PAKULA** — get around those provisions by transferring ownership, and those attempts have been curtailed by GRV.

**Ms SHING** — Is the industry helping in terms of being able to identify inappropriate or unsavoury conduct post the Perna and Milne reviews as part of self-regulation? Because that is a big part of this in terms of lifting the overall standards.

**Mr PAKULA** — Well the board has, effectively, an advisory committee that they work with, and the advisory committee is comprised of people that I would suggest have the very best interests of the code at heart. There has been a series of consultations, which have been conducted right around Victoria by the board, and I think there is great clarity amongst those that are involved in the industry that there needs to be a change in attitude and culture. It is very difficult for the board or the executive of GRV to fight against an entrenched culture of ‘She’ll be right, mate’, and I think there is a recognition of the fact that that culture needs to change if the industry is to have a strong and viable future.

**Ms SHING** — Thanks, Minister. I look forward to continuing to see progress that enables greater animal welfare concern to be addressed as well as more greyhounds being rehomed, and I would encourage everyone in the gallery and listening at home to think about taking one on as a pet.

**Ms WARD** — Thank you, Attorney-General. Thank you, Chair.

**Ms SHING** — Minister.

**Ms WARD** — Minister, sorry. It is only Tuesday. I am interested in regional and rural areas and the race day attraction program. On the doorstep of the Yarra Valley, I have a number of racing clubs both that my community feeds into as well as that of my parents who live in Gippsland. I refer to budget paper 3, page 284, and the reference to racing industry development initiatives delivered by the Victorian Racing Industry Fund. Are you able to let us know how this fund is used to support racing events and what this means for the communities that they are held in?

**Mr PAKULA** — Well, thank you, Ms Ward. The RAP is a fantastic initiative. It is intended to bring people back to the race track. It funds family-friendly events. It highlights not just the racing but the towns and the regions and other events that might be occurring in the industry that the race is being held at. Since we have come to office we have put \$5.5 million into 118 different RAP projects. It has been allocated to clubs — large and small — across the state. Whenever I can, I go to those events to try and announce them personally because (a) it is enormously enjoyable to go to country racing, but also they like to see members of the government at as many events as possible — —

**Ms WARD** — Attorney-General, I am sure it is really enjoyable. What are the economic benefits?

**Mr PAKULA** — The economic benefits of racing more generally I went through in my presentation, but some of the funding that has been provided: Boort Trotting Club got \$12 900 for the 150th Boort Cup; Mortlake Racing Club for its Make it to Mortlake race day got \$20 000; \$16 000 to Apsley for the Apsley Cup; St Arnaud Harness Racing Club received over \$6000 for its Diamonds are Forever race night — —

**Ms WARD** — So how did these help these towns' economic development?

**Mr PAKULA** — They helped them, Ms Ward, by ensuring that these race days that some of these towns have — and there might only be one or two — are as well attended as possible, and that bleeds out not just from the racetrack but out into the community, into restaurants and hospitality — —

**The CHAIR** — Order! Mr O'Brien until 10 past 11.

**Mr D. O'BRIEN** — Minister, I want to continue along the lines of what you were just talking about — that is, country racing — and return to an issue that you and I have discussed before. You talked before about the social licence for operating, and I think it is important that the industry has a social licence from those country clubs as well and the support that those country clubs deserve. Since 2003 there have been 57 meetings lost from the small country clubs to the big major regional ones or to the urban ones — —

**Mr PAKULA** — Since when, sorry?

**Mr D. O'BRIEN** — Since 2003, just by way of background. But my question is: I understand that racing dates are set by Racing Victoria, but what is it that you are doing to help ensure that those country clubs get some of those meetings back and do not lose any further?

**Mr PAKULA** — I am appreciative of the question, and, Mr O'Brien, you probably would not be surprised to know that when a regional club has a meeting taken from it — and sometimes that is temporary; it might just be for a year or two — it is not uncommon for them to contact me, seek a meeting and ask me — —

**Mr D. O'BRIEN** — Or local members to contact you.

**Mr PAKULA** — Or for them to contact local members or local members to contact me and seek my intervention. It is open to me to raise those matters with Country Racing Victoria; it is not open to me to make the decision for them. When a country club comes to me, as some have — some in your electorate indeed have — I do raise those concerns with Mr McMillan, the chairman of CRV, with Mr Whiteman, the CEO of CRV, and I make sure that I convey to them the rationale that has been put by the country club in question. It is also true to say that, having received those representations, CRV will then make its own decision, and that is a demonstration of the independence of the role that they and Racing Victoria have in regards to the setting of race dates. So it is true that there are some country race clubs which over the — well, you refer to a 13-year period; I do not have the figures for the last 13 years — some clubs have seen some reduction. Other clubs have seen some increase, but most — —

**Mr D. O'BRIEN** — It is the small country clubs, though. They are the heart and soul of country racing — of racing generally — and they are not getting the support to host those meetings.

**Mr PAKULA** — I appreciate those concerns, and, as I have said, I will always advocate to the decision-makers in that regard when a strong case is put in regard to that. CRV and Racing Victoria, though, as I am sure you appreciate, Mr O'Brien, have broader considerations that they need to factor in, and one of those considerations is wagering. It is because the industry is funded via the joint venture that all of the money we are talking about, whether that is VRIF or other funds that are available for prize money, is generated by wagering turnover. So many of these country clubs that might have a view about meetings also have a view about wanting increased prize money, and without increased turnover that increased prize money is not available.

When the industry, as it has, has made a decision that it wants to create a country racing hub at a place like the Pakenham Racing Club, at Racing.com Park, and spends an enormous amount of money in doing so to put down Polytrack, to put lights in, it follows that they will then seek to maximise turnover by putting more meetings at that place, and Pakenham has received a very large increase over a period of years in the number of meetings. But the turnover that that generates ultimately benefits racing more generally.

**Mr D. O'BRIEN** — But we still continue to lose country meetings from the smaller country clubs. Will you, as the minister, and the government, do anything to assist those meetings to be reinstated, in a financial sense? I do not just mean lobbying CRV but in a government sense.

**Mr PAKULA** — Well, it is a zero-sum game to this extent, Mr O'Brien: if you add a meeting to a country club, you are taking it from another country club, from somewhere else, unless you just want to have —

**Mr D. O'BRIEN** — You do not need to.

**Mr PAKULA** — Unless, Mr O'Brien, what you want is to have more and more meetings on the same day competing against one another — and there are only 363 racing days in the year; I cannot increase the number of days — generally if a club gets an additional meeting, it is generally at the expense of another club. But having said that, the VRIF is a very flexible fund, and it is open to clubs to make application to that fund for anything they desire.

**Mr D. O'BRIEN** — That is a nice segue into my next question, which is about VRIF. Last year you confirmed that the expenditure from VRIF would go towards industry compliance officers in the wake of the greyhound issue and investigators and that less funding would therefore be available to greyhound clubs. Is that still the case? Are they still funded from VRIF, therefore reducing the funds available to greyhound clubs for infrastructure, including in my own electorate of the Sale club?

**Mr PAKULA** — The answer I gave to the committee last year remains the case, so those additional compliance officers are funded from the greyhounds' component of the VRIF. But I would say two things in response to you. One is, as I have already indicated, that GOBIS is no longer being funded through the VRIF, so that creates some additional capacity. But secondly, let me say I am not aware of any application for VRIF funds, whether it is for infrastructure or for RAP, that would be recommended for approval — not everything gets recommended because they are not appropriate applications or some things get knocked back by the committee because they are not fully fleshed out or because there has been some misconception about the guidelines — which would have otherwise been approved in your electorate or anywhere else that was not approved because of a lack of funds.

**Mr D. O'BRIEN** — Are these compliance officers going to be continually funded from VRIF or is there a decision pending on where their ongoing funding will come from?

**Mr PAKULA** — Well, as I recall it, and I am happy to check this, when it was announced, it was announced for a period of years; I think it was three or four years. It was over the period of the VRIF, which was up to the middle of 2019, and that is the situation as we currently stand. What may happen in the future will be a decision for a future budget and, maybe even, a future Minister for Racing.

**Mr MORRIS** — Just a quick one. BP3, page 264, table 2.14 down the bottom of the output summary, the gambling, liquor and racing output is down 6.3 per cent as is identified in the table, and there is a footnote that says:

The lower ... target reflects a rephrasing of funds to align with the expected timing of racing grants.

I just wonder if you could flesh out that explanation a bit more?

**Mr PAKULA** — I think with a grant round like the VRIF, Mr Morris, it tends to be difficult to predict exactly when applications will come in and when funding will go out. But the budget rephrasing is simply ensuring that the greatest possible benefit is available from the VRIF and, as I indicated, there has been no issue with any project not being funded — —

**The CHAIR** — Order! Ms Pennicuik until 11.15 a.m.

**Ms PENNICUIK** — Good morning again, Minister, Mr Wilson, Ms Carr and other members of the DJR who are here today. If I could refer you also to budget paper 3, page 262, which Ms Shing directed you to. It refers to the sustainable racing sector.

**Mr PAKULA** — Yes.

**Ms PENNICUIK** — There was a long conversation between you and Ms Shing about improved animal welfare and governance in greyhound racing, about which I could have many comments, but I will not. I will refer to some of the things that were mentioned by both you and Ms Shing, which were about a social licence for greyhound racing.

I draw your attention to the horses that have been killed in jumps racing so far this season. In fact, you mentioned attending the Warrnambool races on 5 May. On 4 May and 3 May — a horse was killed on the track both of those days. That involved euthanasing the horses on the track. I wonder whether that involves a continuation of the social licence. You also mentioned with regard to racing, family friendly events. I am not sure that euthanasing a horse in front of the attendees at the races is a family friendly event.

Minister, 65 horses have been killed in the last 10 years on the track — there are probably a lot more that just never returned. My question really is: you have always said this is a matter for Racing Victoria, but with the terrible events with greyhound racing the government did intervene and did bring about changes. So why will the government not intervene with regard to jumps racing and the continuing injury and death of horses?

**Mr PAKULA** — Thank you, Ms Pennicuik. The events at Warrnambool on the Tuesday and the Wednesday — I was there on the Thursday, as you have indicated and as I indicated. I said on the day that when a horse dies, whether it is in a jumps accident or on the flat as happens as well, no-one is more affected by that than the people who are involved in horseracing — their owners, their trainers, their strappers, their jockeys — who love their horses. I know they are often portrayed by certain people as somehow being monsters who have no care for the animals that they are involved in, and nothing could be further from the truth.

**Mr DIMOPOULOS** — Hear, hear!

**Ms SHING** — Absolutely.

**Mr PAKULA** — It is always unfortunate when an animal dies in a racing incident, but the fact is that the rate of fatal equine accidents in jumps racing has reduced by 70 per cent from 2009 to 2015. The rate of fatal accidents in jumps races has averaged about half a percent of starters over the past six seasons. There has been an average of two and a half fatalities per season over the last six seasons compared to an average of eight per season over the previous six, and it is because there have been a huge number of improvements made to make jumps racing safer. That has been the modification of the design of the jumps, the introduction of new hurdles that collapse when struck and have thicker pads, the introduction of the jumps review panel, much better schooling and trialling, much stricter horse qualification standards — because horses are now required to trial to the satisfaction of the panel over a minimum of 2400 metres and at least once prior to every season — and new riding policies. These are often not referred to, but riders previously if they believed a horse to be fatigued, risked a penalty if they pulled the horse out of the race. That is no longer the case. So all of that has led to a much better outcome in regards to safety and jumps racing.

**Ms PENNICUIK** — Thank you, Minister.

**Mr PAKULA** — It is never going to be without risk, as horseracing generally will never be without risk.

**Ms PENNICUIK** — So we could have a war of statistics here, but we still know that the inherent risks in jumps racing are a lot higher than flat racing, about 20 times higher as has been reported by an academic study into it. There have been academic studies into it that showed that the risk every time horses start is much, much higher than in flat racing. So why has the government continued to just leave this up to Racing Victoria and not intervene itself by banning jumps racing because of the continuing deaths on the track? You talk about how many die on the track, but we also know that many more do not ever appear again, so they are injured on the track and never appear again in a race.

**Mr PAKULA** — You have left me 8 seconds to answer so the very simple response is —

**Ms PENNICUIK** — I gave you a lot of time before.

**Mr PAKULA** — Racing Victoria was set up as an independent organisation to run racing.

**Ms PENNICUIK** — So, the answer is no.

**The CHAIR** — Order! I would like to thank the witnesses for their attendance: the Minister for Racing, the Honourable Martin Pakula, MP; Mr Wilson, Ms Carr and Mr Prescott. The committee will follow up on any questions taken on notice in writing. A written response should be provided within 14 calendar days of that request. Minister, congratulations on your 10th appearance at PAEC.

**Witnesses withdrew.**