

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

2021–22 Budget Estimates

Melbourne—Tuesday, 29 June 2021

MEMBERS

Ms Lizzie Blandthorn—Chair

Mr Richard Riordan—Deputy Chair

Mr Sam Hibbins

Mr David Limbrick

Mr Gary Maas

Mr James Newbury

Mr Danny O’Brien

Ms Pauline Richards

Mr Tim Richardson

Ms Nina Taylor

WITNESSES

Mr Martin Pakula, MP, Minister for Racing,

Mr Simon Phemister, Secretary, and

Ms Penelope McKay, Associate Secretary, Department of Jobs, Precincts and Regions.

The CHAIR: I declare back open this hearing of the Public Accounts and Estimates Committee with Minister Pakula, this time for the consideration of the racing portfolio. We again invite you to make a 5-minute presentation. This will be followed by questions from the committee.

Visual presentation.

Mr PAKULA: Thank you, Chair. The industry is a huge contributor to our economy. It injects \$4.3 billion annually into the state's economy, it sustains more than 33 000 full-time equivalent jobs and there are 121 000 participants. It is particularly important in our regions, where more than 100 clubs support almost 10 000 full-time equivalent jobs and provide over \$1 billion annually in economic value. Racing was able to continue right through the pandemic without crowds because of the strict biosecurity protocols they already had in place, and that included health checks for participants entering meetings. The economic impact on the industry nevertheless has still been significant.

I will just make some comments about some parts of the budget. The VRIF is now a well-established part of the industry. We have supported since last July a number of projects through the VRIF, including the new J track at the Traralgon Greyhound Racing Club, with a project valued at over \$5 million; \$730 000 to support new stabling and community facilities at Terang Harness Racing Club—I was there only a few weeks ago to announce that support; funds to upgrade the course proper at Seymour, with a total project value of more than \$1.9 million; and more than \$660 000 to construct new stables at the Geelong Racecourse. We have also upgraded the water storage down at Colac with \$40 000 of support; we have renovated the Mildura Racing Club, which will be completed in time for their July carnival; upgrades to Towong; and in harness racing, stewards towers at Geelong, Kilmore and Tabcorp Park in Melton.

In terms of the race day attraction program, another important part of the VRIF, we have supported a range of events even through COVID, including the Terang harness pacing cup, the Tricodes race day at Cranbourne, the Yarra Valley Cup, \$30 000 to support the Mildura Pacing Cup Carnival, \$10 000 to support this year's Warrnambool greyhound cup and support also for the Easter extravagance race day at Sale greyhounds.

In this budget we continue our support of Harness Racing Victoria, their 2026 program, which is about growing revenue—it is really their transformation program. We are starting to see some really strong results coming through from HRV, which gives me great confidence about the future of harness racing in this state.

We have announced that we will lift the amount of net wagering revenue that is returned to the industry from 1.5 to 3.5 per cent through the increase in the point of consumption tax from 8 per cent to 10 per cent. That higher government contribution brings us into line with the rate paid in New South Wales. It is about ensuring that we remain Australia's pre-eminent racing state and ensures that our industry can compete on an even playing field with New South Wales. Our smaller wagering operators, including our licensed bookmakers, who predominantly operate on course, will continue to be protected by a \$1 million tax-free threshold.

Rather than take up the full 5 minutes for the presentation, Chair, I might stop there and allow members of the committee to ask me some questions.

The CHAIR: Thank you, Minister. Mr Richardson.

Mr RICHARDSON: I will gallop straight in, Minister. Are you able to give some context in relation to Harness Racing Victoria's transformation plan, for the committee's benefit—what the Harness Racing Victoria plan is and its benefits?

Mr PAKULA: I will start by talking about how critical harness racing is. It supports 4300 full-time jobs. It is worth \$600 million to the economy and it is particularly important in regional Victoria. It is a code which has

one metropolitan track and all of the rest of it is conducted in our regions. It provides 2100 jobs in regional Victoria, and that does not really contemplate the significance of local clubs in regional communities across the state. There have been some really significant challenges for harness racing in recent years: increased competition for the wagering dollar; and the sport has been seen as lacking innovation and that has put real pressure on wagering turnover, which in turn has affected their share of the joint venture distributions from Tabcorp.

We provided \$24 million through the experience economy survival package for harness, and that was about ensuring that they remained solvent during restrictions. They were able to maintain prize money returns to participants, they were able to ensure the viability of clubs across regional Victoria, they could maintain animal welfare and integrity standards, and all of that was really important. We needed to maintain that full complement of staff to ensure that integrity and animal welfare matters did not suffer in any way during the pandemic, so that was an incredibly important part of what we did last year.

This year in this budget we have provided \$4.1 million for the transformation strategy, and that will enable harness racing to focus on training infrastructure to support younger participants and their entry into the sport, a strategic focus on product development so that the product can remain innovative and attractive, and a focus on the regional racing club network so that they can remain engaged with their local communities. As I say, under the leadership of Dale Monteith as chair and Dayle Brown as CEO, some of that innovation is really starting to bear fruit and I think we are seeing harness on an upward curve, and I would expect that to continue.

Mr RICHARDSON: For the committee's benefit, Minister, are you able to outline some of the early outcomes of the harness racing transformation strategy in Victoria?

Mr PAKULA: Yes. I have had some recent conversations with the chair and CEO, and they have indicated to me that from April last year to April this year we have seen a 25 per cent increase in average wagering turnover per race; a 23 per cent increase in race field revenue, so that is the support that is coming through from the corporates; a 3 per cent increase in race field sizes; and a 10 per cent increase in mares serviced, which demonstrates a greater degree of certainty in the industry and that is encouraging participants to invest in the sport. We saw those breeding numbers really taper off over the last few years and it was really creating some concern about the long-term viability of the sector, so that has been very encouraging. That increase in turnover has been highlighted by key race dates like the Vicbred series on New Year's Eve, which was up almost 90 per cent year on year. The Breeders Cup final in November recorded the second-highest turnover for a Victorian harness event, only behind the Inter Dominion in 2018, and we have seen regional cups like Ballarat and Wedderburn up 38 per cent and 28 per cent respectively. We have also seen—and I think this is one of the great innovations that they have brought in—that expansion of vision into the American market in 2020. That has driven interest in the code and revenue. It has showcased our product to a large potential investment market.

We have also seen an expansion of the Harness Education and Rehoming Opportunities program, the HERO program. That has seen a substantial increase in the number of retrainers across the state, so we would anticipate a doubling of the number of horses that will be rehomed through that program. So all of that work I think has been really important and, as I say, it drives a great deal of confidence in the future of the code.

Mr RICHARDSON: You talked a little bit about some of the investments and why they are important. This is a significant investment in harness racing in Victoria. I am wondering if you could elaborate a bit more on that for the committee's benefit?

Mr PAKULA: Well, as I say—I will give you some of the key figures about the trots: 4300 jobs and \$600 million in economic activity across the state; more than half of the economic impact generated in regional Victoria, where there are about 2200 full-time equivalent jobs; more than \$60 million in direct spending each year, about 40 per cent of that is in the Shepparton region; and there are 3500-odd participants in the harness breeding sector. You have got 12 000 racing club members across the state, 44 clubs, 10 000 participants and volunteers, 4500 owners and syndicate members who participate in the sector and invest in the industry. So it might not have the profile or the glamour of some other parts of the racing industry, but from a grassroots perspective, from an industry participant engagement perspective and from a regional-metro spread, harness racing—it is not an overstatement to describe it as the sort of social and cultural lifeblood of a number of regional communities, and our support for it and its survival and its ability to thrive is a very important thing to this government and to me as minister.

Mr RICHARDSON: Minister, I want to take you to the topic of the point-of-consumption tax, and I refer to budget paper 3 at page 71. Could you please explain for the committee's benefit how the output initiative 'Backing Victoria's racing industry', increase to the point-of-consumption tax payment, in table 1.16 will support the Victorian racing industry?

Mr PAKULA: Yes. Well, the POCT is an almost unique event in as much as there was a 2 per cent increase in a tax rate of which the Treasury kept none. So there was an agreement that that would be all passed through to the industry, and when we introduced the POCT we gave a commitment that the three codes would be no worse off. So the increase in the racing industry's share of the POCT is an important step in closing a gap with New South Wales, because that legislation, which has now passed through the upper house, amends the POCT from 8 to 10 per cent, which is the same rate that applies in New South Wales. In other states it is 15—in Queensland, I think, and South Australia—but in New South Wales and Victoria it is now 10 in both, and we have committed that the pass-through rate will be increased from 1.5 to 3.5.

What we have seen over recent years is that some favourable funding arrangements have enabled New South Wales to really aggressively chase market share and participants from Victoria and to put on, you know, milestone events in direct competition to our significant racing days, and that has a potential impact on visitation, on jobs and on the profile of our industry. So the increased pass-through, the additional 2 per cent, will allow the industry to fund its operations, to support jobs across the state, to maintain its investments in prize money, to maintain its investment in animal welfare and participant welfare initiatives, to maintain its development of world-class infrastructure and training facilities.

So we would expect that the VRI's net improvement as a result of the point-of-consumption tax over the next few years at least until the end of the current wagering licence will be at about \$20 million a year net, and that is a very important uplift. We think that, as I say, actual improvement will be about \$20 million. There is an expectation that wagering might soften over the next 12 months as against the last 12 months, but notwithstanding that, there will be a significant improvement in the industry's economic viability and its ability to support its participants.

Mr RICHARDSON: In the time I have got remaining, Minister, I want to take you to budget paper 3 at page 83, and I note the description of increase notes that whilst the gross contribution to the industry is around \$50 million per year, 'the net benefit to the racing industry is lower'. Are you able to explain to the committee why this is the case?

Mr PAKULA: Yes, I will give you the 38-second version. Under the joint venture it is up to the industry to make Tabcorp whole effectively, which is a reflection of the licence agreement we have with Tabcorp. So as the impost on Tabcorp increases, they need to be compensated for that, which means that the net benefit to the industry is less than the gross. But I make the point that the current arrangement with Tabcorp ends in 2024—there is a new process under way for the next wagering and licensing agreement—so that is something that will be an obligation on the industry for 2022, 2023, 2024, but not necessarily beyond that date.

Mr RICHARDSON: Thank you, Minister.

The CHAIR: Thank you. Mr Richardson. Mr O'Brien.

Mr D O'BRIEN: Thank you, Chair. Minister, budget paper 3, page 250, refers to the sport, recreation and racing output 'providing strategic leadership and investment in the sport', so I want to ask: you are probably aware that this Saturday greyhound owners and breeders have a day of action where they are boycotting entering dogs at Ballarat, Cranbourne and the Meadows as a result of disenchantment with GRV. Their issues are around track safety, poor returns to owners, unfair treatment on cross-contaminants and particularly the spiralling admin costs of GRV. What action have you taken to avoid this greyhound strike this weekend.

Mr PAKULA: I am aware of it. I regret it. I do not believe it is necessary. I would make the point to you that only a few days ago, or a week or two ago, GRV announced a 12 per cent increase in prize money to \$58 million, which was on top of a 13 per cent increase the previous year—so a 25 per cent increase over the last two years. Now, I understand that GOTBA, or certain individuals within GOTBA, want GRV to mandate 50 per cent of total revenue for prize money which, I would make the point, is not mandated by Racing Victoria, it is not mandated by Harness Racing Victoria and it is not going to be mandated by Greyhound Racing Victoria.

Mr D O'BRIEN: But the question is what have you done? Are you mediating? Are you trying to work with GRV to fix this?

Mr PAKULA: No. I have full confidence in the board and the administration of GRV. My office has spoken on numerous occasions to GOTBA. I have met with Mr Hogan in the past. They have had a series of issues that they have raised, including things like GRV board membership. But, as I have indicated, I think that the increase in prize money is significant. Greyhound Racing Victoria—

Mr D O'BRIEN: That was commensurate with more races, though, Minister, too, so it wasn't actually an increase per race.

Mr PAKULA: Well, there has been an increase per race. Of course there has. And that has all been clearly laid out in GRV's announcement about prizemoney. I would also make the point that in regard to what you say about penalties, all participants in greyhound racing need to be aware of their obligations under the rules of racing set out by GRV. If there are serious charges, they are heard by an independent tribunal—the VRT. They have a right of appeal on penalty to VCAT. And in regard to expenses, which you referenced in your question as well, GRV has indicated their intention of making \$1.5 million in administrative savings over the next 12 months. So prize money is up 25 per cent over two years. GRV has indicated that they intend to make \$1.5 million in savings. In regard to track safety, if you look at any of the metrics—

Mr D O'BRIEN: Can I just—

Mr PAKULA: Mr O'Brien, you have asked me a question. I am going to answer it.

Mr D O'BRIEN: Yes.

Mr PAKULA: In regard to any of the metrics, if you have a look at fatalities and injuries, there were 107 in 2017–18, 82 in 2018–19 and 69 in 2019–20. They have been coming down year on year. So I do not accept the argument about prize money. I have indicated that GRV are going to reduce their expenses—

Mr D O'BRIEN: Okay. You have answered. Well, can I—

Mr PAKULA: Safety is improving—

Mr D O'BRIEN: Can I pick up—

The CHAIR: Mr O'Brien, can you please stop interrupting the minister.

Mr PAKULA: I am finished.

The CHAIR: Thank you.

Mr D O'BRIEN: Thank you, Minister. On the question of admin, you told us in the coronavirus hearings last year that all three codes were reducing their admin costs, and indeed on notice we got an answer that said GRV had advised that they were reducing their admin cost during the pandemic by about \$860 000 per month. You are now telling us they are saying they will reduce it by \$1.5 million over the next 12 months, but the GRV annual report, on page 50, shows that total admin costs for GRV actually went up \$1.7 million.

Mr PAKULA: Which annual report is that?

Mr D O'BRIEN: The most recent one.

Mr PAKULA: Which year is it?

Mr D O'BRIEN: It is a most recent one, 2019–20.

Mr PAKULA: 2019–20. We are now talking about 2021–22.

Mr D O'BRIEN: It went up \$1.7 million.

Mr PAKULA: It is an annual report that is for the period from the middle of 2019 to the middle of 2020, so it only took into account about three months of COVID.

Mr D O'BRIEN: It was May last year that they told us they were reducing it by \$860 000 a month, and yet it actually went up for the last part of that year.

Mr PAKULA: Mr O'Brien, I can only tell you in regard to the next financial year GRV has indicated to me that they expect to make \$1.5 million in administrative savings. They have indicated that to me because I have asked them specifically that question, and it is my expectation that they will hold themselves to that figure.

Mr D O'BRIEN: Okay. Well, again, you said that all codes were reducing it, and they clearly did not in that last year that we have figures for. Likewise, the annual report showed an increase in board wages and expenses from \$671 000 to \$836 000, execs remuneration went from \$2.34 million to \$3.04 million and the number of execs went from nine to 12. Can you understand why the industry therefore is frustrated that there seems to be a fair bit of fat at GRV and nothing being done about it?

Mr PAKULA: Well, I do not accept the characterisation. Board expenses would be because the board was expanded in accordance with the review—and, might I say, with the support, as I recall it at the time, of GOTBA—because they wanted more people with greyhound industry experience on the board, and that is what happened. I cannot speak directly about executive numbers, but I am happy to take that on notice and come back to the committee with an explanation.

Mr D O'BRIEN: Okay.

Mr PAKULA: But in regard to that concern, it might be valid if there was no movement in things like prize money. But as I have just indicated to you, I do not think a 25 per cent increase in prize money over two years is anything to be sneezed at.

Mr D O'BRIEN: Minister, very quickly, will international jockeys, trainers and connections coming for the spring carnival this year have to quarantine for 14 days?

Mr PAKULA: Well, I do not know, first of all, that international trainers and jockeys will come for the spring carnival this year. It might be that the quarantine arrangements—

Mr D O'BRIEN: Will they have to do what everyone else does?

The CHAIR: Mr O'Brien, your time has expired. I will pass the call to Mr Hibbins.

Mr HIBBINS: Thanks, Chair. Budget paper 3, page 269—the total allocation to sport, recreation and racing is \$497.4 million. How much of that is specifically for racing?

Mr PAKULA: Sorry, budget paper 3—

Mr HIBBINS: 269.

Mr PAKULA: I might have to take that on notice, Mr Hibbins. It is probably enumerated at other parts—it is at the top of the page. It may be broken down in another part of the budget papers, but I am happy to take that on notice.

Mr HIBBINS: Okay, thank you. One of the challenges I think racing has faced over the years—and obviously it has been addressed by the racing integrity commissioner—has been the conflation of the promotional aspect of racing and then, I guess, the regulatory, integrity side of racing. Where do you see your role as minister?

Mr PAKULA: Well, effectively as the minister responsible for the act. I will give you an example. In regard to the three codes, for greyhound racing and harness racing I directly appoint the board members of those organisations. In regard to thoroughbred racing, under the constitution of Racing Victoria I ultimately appoint the board members after a process in which the industry is involved. I also appoint the members of the Victorian Racing Integrity Board and the Victorian Racing Tribunal. As the minister responsible for the VRIF I provide some funding—what you would probably describe as peripheral funding given that the vast bulk of the

funding comes through the joint venture. I think, as minister, putting those structures in place and making sure that there are those lines of accountability so that, for example, to take up your point, there is a different dynamic between, say, integrity officials and the principal racing authority who, for example, have the responsibility for marketing the code—that is now there because there is direct reporting line from integrity officials up through the integrity board. That gives them an extra degree of certainty and comfort that was not in place before that was there.

The other role of course that is important is the racing integrity commissioner, which I also appoint and who in fact took office earlier this year when Sean Carroll replaced Sal Perna, who had done a great job for about a decade.

Mr HIBBINS: Given the seriousness of the integrity issues, including animal welfare issues, within the racing industry, do you think you have given too much weight to the marketing and promotional side of this? Do you think you are too much of a booster of the racing industry, given those significant integrity and animal welfare issues?

Mr PAKULA: I do not think there is anything fundamentally wrong with the racing minister being a supporter of racing. I was a supporter of racing long before I was racing minister and will be a supporter of racing long after I stop being the racing minister. I think you need to draw a distinction between my love for the code or the codes and the things that I have put in place as minister. The Victorian Racing Tribunal, the Victorian Racing Integrity Board, the fact that racing integrity officials now have a direct line of communication with an integrity board which is chaired by a former Supreme Court judge who oversees and ensures that integrity-related matters are given due weight as against other matters—that is something that I put in place in my time as minister. That is not consistent with the narrative that someone might want to spin about being too close to the marketing side of things. The integrity structures and the oversight that is in place now are stronger than they have ever been.

Mr HIBBINS: Okay. Thanks, Minister. Thanks, Chair.

The CHAIR: Thank you, Mr Hibbins. That concludes the time we have set aside for consideration of this portfolio—indeed all of your portfolios—with you today. We thank you and your officials very much for appearing before the committee. The committee will follow up on any questions taken on notice in writing, and responses will be required within 10 working days of the committee's request.

The committee will now take a break, and we declare this hearing adjourned. Thank you.

Mr PAKULA: Thank you, committee.

Witnesses withdrew.