

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2009–10

Melbourne — 14 May 2009

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Witnesses

Mr R. Hulls, Minister for Racing;
Mr R. Kennedy, Executive Director, Gaming and Racing; and
Ms P. Armytage, Secretary, Department of Justice.

The CHAIR — I welcome the Minister for Racing, Mr Ross Kennedy and Ms Penny Armytage.

I now call on the minister to give a brief presentation of no more than 5 minutes of the more complex financial and performance information relating to the budget estimates of the racing portfolio.

Overheads shown.

Mr HULLS — I have got just a couple of slides on the racing portfolio. If we move to the first slide, it makes it clear that Victoria is recognised as a national leader. It is a huge employer — 70 000 people, two-thirds of them in country Victoria, \$2 billion per annum economic impact. There is no question that racing in Victoria remains a national leader under the Brumby government, and we have consolidated its position as a national leader. It does, as you can see, return enormous economic activity in this state, around half of which is accrued in regional areas, and two-thirds of the employment in the racing industry occurs outside the metropolitan area.

The next slide shows the racing slice of the justice pie, so to speak, and it constitutes 0.8 per cent of the total budget. When combined with gaming, it is 3.1 per cent of the department's total budget. The allocation for racing will support funding programs such as the Regional Racing Infrastructure Fund and the Living Country Racing program. The objective of these programs is the development of rural and regional racecourses throughout the state, and it addresses things such as regional racecourse capital and infrastructure needs, occupational health and safety concerns, drought-proofing, water-saving initiatives and the like.

The next slide talks about the racing and training infrastructure plan that was released on Tuesday of this week by Racing Victoria. That plan will sustain country racing well into the future. The plan includes a five-year summary of funding for every Victorian racecourse as well as details of proposed race dates for the same period.

Harness Racing Victoria has been working hard to implement its strategic plan, which includes the development of the harness racing centres of excellence. The jewel in the crown is Melton. That opened recently; it will have its first meeting in July.

Greyhound Racing has continued with its process of renewal of regional greyhound racing centres to ensure they deliver a safe and professionally run industry.

The next slide shows some of the support frameworks we put in place for the industry. We introduced legislation to reform the Victorian bookmaking industry so that bookies could effectively compete in the national wagering market. We also commissioned Judge Gordon Lewis to undertake a review of the integrity assurance of the industry. He made 63 recommendations. All have either been accepted in full by the industry or modified with the agreement of Judge Lewis to more effectively achieve the outcomes sought.

The Regional Racing Infrastructure Fund is an \$86 million fund, of which the government contributes \$45 million, with the remainder coming from the industry to support regional and rural racing in this state. That is the presentation.

Ms MUNT — Minister, can I refer you to budget paper 3, page 161. Under 'Regulating Gaming and Racing' in part it says:

The output ... supports the racing industry through a range of advisory, administrative and regulatory services, and selected initiatives.

Can you please tell me how that funding and other support will impact on the thoroughbred racing industry in the next financial year?

Mr HULLS — I have to say that the racing industry — Racing Victoria Ltd — released its plan for racecourse and training facilities, called the Racecourse and Training Facilities Infrastructure Plan, a couple of days ago. It provides each club with a five-year blueprint, gives industry certainty and I believe a secure future.

The media is reporting that racing clubs are very pleased with the directions plan. I notice the *Herald Sun* saying that the plan is a winner for RVL. It also says that it is a testimony to the state government's commitment to racing.

There are a number of clubs that have come out already and supported the plan. I notice that the CEO of Country Racing Victoria, Scott Whiteman, has said that they are satisfied with the outcome that has been reached through this process. CRV requested the development of a long-term plan, and this plan provides all clubs with certainty and a framework to move forward. He also said that as long as the community supports the race meetings, every country club has a place in the Victorian racing calendar. I will not bore you with all the other articles that have appeared supporting this plan.

We think that RVL has shown leadership; they have consulted very widely, and Benalla, Geelong, Tatura and Bendigo racing clubs are already reported as saying it is a positive outcome for their clubs, and I expect there will be more positive media over the next period. I notice that the shadow minister slammed the plan, but he seems on his own on this issue.

The CHAIR — Without provocation!

Mr HULLS — I also note that the \$86 million in the Regional Racing Infrastructure Fund, \$45 million of which has been contributed by the state government, will ensure that country racing flourishes well into the future. The infrastructure projects that we have worked up as a result of that funding will create hundreds of jobs, and the enhanced facilities will also protect the existing levels of employment across the Victorian racing industry, and there will be an enormous flow-on effect to local communities.

The key positive impacts that will arise from this funding will be significant improvement to regional and rural infrastructure at racecourses leading to improved racing, increased participation, which of course then creates employment opportunities, better and much safer facilities for racing participants, better-quality racing, better size fields and the like, and also the ability to drought-proof a whole range of courses to reduce reliance on town water supplies.

In addition to this funding, the government also has its Living Country Racing program, which, since 2001, has delivered some \$3.5 million to 303 projects at Victorian country racing clubs across all three codes. Whether it is building new toilets at a race club or new running rails or judges' towers or the addressing of health and safety issues, these are projects that often small country clubs cannot afford on their own, and this fund is a real bonus for them.

We will continue to support country racing. I think, because of our support, the recent figures of country racing are very positive. More people are going to country racing than ever before, with attendances at country race meetings growing 25 per cent in the last five years, so whilst there are some doom-and-gloom merchants out there who continue to talk down the industry, I have to say that we are not in that game. We will continue to support the industry, to talk it up, and we ignore the falsehoods that are out there, particularly the opposition spokesperson on racing who seems to have a penchant for talking down racing in regional Victoria.

Ms MUNT — It can be a fabulous family day out at country racecourses.

Mr HULLS — Indeed.

Dr SYKES — Minister, my question relates to the future of country racing and, for a reference point, we can look at budget paper 4, page 45, and the calculations of tax revenue. However, I preface my question by reporting that in 2005, seven country harness racing tracks were closed; in June 2009 the Wangaratta greyhound track will close; in the past two years, 66 — I repeat: 66 — country thoroughbred race meetings have been removed or downgraded; and this week it has been announced that nine country racing centres will be defunded or cease to exist in the next five years, and that includes Mansfield in my area; and 10 country thoroughbred racing training centres will be denied access to any capital works funding, and that includes Benalla in my area, thereby affecting their ability to retain the track trainers.

Is this gutting of country racing during the term of a Labor government one of the main reasons for a reduction in budget projections for gambling tax revenue as shown on page 45 of budget paper 4, in comparison with the like projections on page 43 of budget paper 4 of last year? Further, what will be the impact of these track closures and meeting downgrades and removal of race meetings on employment and wealth generation in communities such as Mansfield and Benalla and like communities around country Victoria?

Mr HULLS — There are a couple of things. First of all you need to get your facts right. If you are going to ask a question, you need to get your facts right.

Dr SYKES — What facts have I got wrong?

The CHAIR — The minister, to answer.

Mr HULLS — Country racing has never been healthier. Country racing and the attendance figures at country racing show — —

Dr SYKES — So why are we — —

The CHAIR — The minister, to answer.

Mr HULLS — Country racing is booming. That is the first thing. The second thing is no government in Victoria's history has ever put as much money into infrastructure at country tracks than this Labor government.

The next thing you need to understand is that certain people have actually made public comments in the past that if country clubs continue to be a drag on the industry, you have got to question their ability to survive. That is not a view I take; that was a view that the current shadow minister for racing took in 1995. We take the opposite view.

We take the view that every country track and every country club has a role to play. That is the view that RVL takes. Indeed, the setting of race dates is not a matter for the minister of the day. If you think otherwise, you should say so publicly. The setting of race dates is a matter for the independent body that runs racing in this state, which is RVL. I do not believe there should be political interference with the setting of race dates, and I hope you would agree with what I am saying. RVL is an independent body that makes decisions for and on behalf of industry. Having said that, the plan that it has released yesterday or the day before has been widely applauded by the industry, widely applauded as a way forward for the sustainable future of racing in this state.

It understands, as I thought you might have understood, that racing is in a very competitive marketplace. It is competing for that discretionary dollar that is used at gaming machines, that is used to buy DVDs, that is used for theatre tickets and the like. It has got to be innovative; it has to change. Just because things have been done for 100 years does not necessarily mean that it should continue to run in the same way.

Ms PENNICUIK — I absolutely agree with that.

Mr HULLS — Things need to change. The governance structure of racing in this state has changed dramatically, as you would know. It used to be run by the VRC. The VRC used to be the principal club running racing in this state. When I first became racing minister I saw that as a clear conflict, where you had, if you like, Collingwood running the AFL. Some say they do!

Dr SYKES — They do — we agree on that!

Mr HULLS — You cannot have an individual club running the entire industry, so we set up an independent structure, which is RVL. Whilst people may not necessarily agree with all the decisions that RVL makes, the fact is that it is there to make decisions for and on behalf of the industry. It was supported by all parties in the house when the legislation was passed. I do not take the view that some do, that the Minister for Racing should be the one who decides what clubs have what meetings on what days. I think that should be done by an independent body, which is RVL.

I conclude on this note: RVL took a leadership role in developing this plan. Not only does it have the support of most clubs, it also has the support of the peak body that is the lobby group, if you like, for country racing in this state — this is, CRV. CRV represents the country clubs. The CEO of CRV has made public statements that this blueprint is an appropriate blueprint for the future of racing in this state, and I agree with him.

Dr SYKES — Chair, with respect, I asked two questions and I have not been given an answer. What I have had is a spruik by the Minister for Racing. My questions were quite specific, Minister. What is the impact of these track closures and meeting downgrades on country communities in terms of wealth generation and employment? I will give you an example — —.

The CHAIR — No, we do not need the examples. We just need the answer.

Dr SYKES — With respect, Chair, Mansfield has had a 20 per cent cut in funding, and funding ceases in five years time. That is hardly good for Mansfield.

The CHAIR — The minister, to answer.

Dr SYKES — Benalla has had a removal of infrastructure funding. That is hardly good for Benalla.

The CHAIR — Dr Sykes, you have had your question.

Mr HULLS — My understanding is that Benalla supports the plan, firstly.

Dr SYKES — I ask the question: has Benalla had a removal of infrastructure funding?

Mr HULLS — Can I say to you — you asked the question about employment — \$45 million plus \$41 million — —

Dr SYKES — My question is: what is the impact of these downgrades?

The CHAIR — We have had your question three times.

Dr SYKES — The minister is not answering the question, because he knows that he has contributed to the gutting of country communities.

The CHAIR (to Dr Sykes) — Show a bit more respect, please.

Mr HULLS — Forty-five plus 41 equals 86 — \$86 million in infrastructure is the biggest infrastructure spend in country Victoria in its history.

Dr SYKES — How much is going to Benalla in the future?

Mr HULLS — Guess what happens when you spend \$86 million in regional Victoria? You create employment.

Dr SYKES — So what is going to happen when you remove access to money in the future? You lose employment.

Mr HULLS — I do not believe that country clubs are a drag on the industry, as the shadow Minister for Racing does.

Dr SYKES — Why are you closing Mansfield?

Mr HULLS — I believe — —

Mr WELLS — You said 1995.

Dr SYKES — You are closing Mansfield. You are overseeing the closure of Mansfield.

Mr HULLS — I believe this government has shown a clear commitment to country racing and also a clear commitment — —.

Dr SYKES — You want it each way — you take the good points but will not accept responsibility for closing Mansfield.

Mr HULLS — It has shown a clear commitment to the independent governance structure.

The CHAIR — Mr Noonan — and I hope you will behave yourself when you ask your question.

Mr NOONAN — I will do my best.

Dr SYKES — He has not had his country race clubs gutted. He will be able to behave himself.

Mr NOONAN — If I can get a go. I am interested in the harness racing industry. I note with interest the harness racing centre of excellence in Melton, which I think, as you said, is about to have their first meeting in the not-too-distant future. I refer to the outcomes and deliverables Ms Munt referred to in budget paper 3, pages 161 and 162. I ask whether you, Minister, can report on the impact of the government's ongoing support for the harness racing industry.

Mr HULLS — I do not know if anyone here has had the opportunity to go out and have a look at Melton, but you should, because it is a fantastic complex. We have a very vibrant harness racing industry in the state. It employs 2300 full-time equivalent jobs. It contributes about \$257 million to the Victorian economy. In 2001, following a harness racing industry summit convened by the government, Harness Racing Victoria developed a five-year strategic plan. Key recommendations included having harness racing centres of excellence in strategic locations in this state. Since moving its metropolitan racing from the showgrounds in 1980 — and we all remember those days; Penthouse Club and Mary Hardy and every second horse was 'something Adios' —

The CHAIR — Paleface.

Mr HULLS — There have been substantial changes to the industry. Melton is an ideal location for the new home of harness racing in this state. It is a \$45.1 million complex. It is in one of the state's fastest growing municipalities and has the highest concentration of harness racing horses and trainers in the state. The government provided some \$453 026 through the racing industry development program, about which I spoke earlier — that great program that is supported by the member for Benalla.

In March, Tabcorp Park, as it is known, was officially opened at Melton. The complex will provide Melton and the broader community with a multi-purpose venue, a state-of-the-art facility, a 41-room 4-star motel, conference and function facilities for 750 people, and the like.

There will be 60 full-time-equivalent jobs created by the project, and the first harness race meeting at Melton will be held in July. I look forward to being there, except that it is the same day that Geelong plays St Kilda; but I will be at Melton. I think it is going to be a great day. The government is certainly very pleased to support this very important step by HRV to enable harness racing to really take control of its future.

The CHAIR — Thank you very much. It is a great sport.

Mr RICH-PHILLIPS — I take you to page 45 of budget paper 4, which shows the taxation revenue estimated for the outlook period. The gambling tax revenue from racing for the three years shown in this budget paper are lower estimates than were projected in last year's budget paper, 2009–10, 2010–11 and 2011–12 all being lower.

My question to you is: does that reflect a loss of wagering revenue interstate from TAB and Victorian bookmakers to interstate bookmakers, and what action is the government taking to protect the wagering revenue stream for Victorian racing?

Mr HULLS — In relation to that, you probably remember in April 2008 we announced changes to the gaming machine licence arrangements post-2012, and because of those changes the government made the decision that funding for the racing industry post-2012 is to be from wagering to the greatest possible extent. As you know, currently it is funded through a combination of wagering and gaming machines.

In keeping with the legislative requirement that the rearrangements between the new wagering licensee and the racing industry be no less favourable than those currently in place, the government made a decision to lower the parimutuel tax rate from 19.11 per cent to 7.6 per cent to provide funding equivalent to what the racing industry would have received if the gaming licence had remained the same. This equates to about \$80 million in today's dollars. The tax rate for fixed-odds wagering will also be reduced from 10.91 per cent to 4.38 per cent to increase competitiveness with Northern Territory corporate bookmakers, who operate, as you would know, at a much lower tax rate.

Due to the difficulty in projecting gaming and wagering revenues this far in advance, the government also decided that the tax rate will be reviewed in 2012 with a view to considering the rate in the context of the actual figures. We have had discussions with the racing industry in relation to that, and they are happy with that

arrangement. The requirement for a review and its terms of reference will be placed in legislation, and consultation with the racing industry on the post-2012 arrangements are ongoing.

But, in a nutshell it is because of the changed tax rates that were announced, and we believe that the agreement, the consultation and as a result, the arrangements that have been made with the racing industry will ensure that the industry is no worse off and dealt with on no less favourable terms post-2012.

Mr RICH-PHILLIPS — As to the issue of the immediate revenue protection vis-a-vis interstate leakage, what action is the government taking there?

Mr HULLS — There is a whole range of issues that we are looking at and indeed addressing, but one of the difficulties we have is the issue of the leakage from interstate and — it gets a bit complex — the ability of corporate bookmakers interstate to offer tote odds and not really set a book appropriately. All jurisdictions are grappling with that. There have been preliminary discussions with the federal government in relation to whether there can be a federal approach in relation to addressing that issue. I am continuing to get legal advice in relation to what action we can take.

It is not so difficult for me to take action as racing minister in Victoria for bets that are taking place in Victoria. It is far more difficult, for a whole range of reasons, to take legal action here in relation to the offering of tote odds from bookmakers operating under a tree in Fanny Bay, for instance. But it is not just Victoria that is grappling with this; it is all other jurisdictions as well. It was raised at the last racing ministers conference. I understand it was agreed that a Heads of Treasury group be set up to look at some of these issues. I understand that that will be progressed, and we will continue to have discussions with other jurisdictions to address this issue.

The issue of corporate bookmakers is not going to go away. The issue of telephone betting, internet betting and the like is not going to go away. All states are grappling with how they can protect their revenue base, but in particular the issue of corporate bookmakers from interstate offering not just tote odds but best tote odds in some areas is something that we are attempting to address in all jurisdictions. It is not simple.

Mr RICH-PHILLIPS — When would you expect the Heads of Treasury work to be progressed; what sort of time frame?

Mr HULLS — It is a good question. I am not sure they have a time frame, but they, I think, understand that this is a national issue that needs to be addressed on a national basis.

Ms PENNICUIK — My question would be quick.

The CHAIR — Put your question on notice.

Mr HULLS — No, I am happy to — —

Ms PENNICUIK — You might have to take it on notice anyway.

The CHAIR — Put it in the Hansard transcript and the minister will take it on notice.

Ms PENNICUIK — Minister, I refer you to page 45, to the racing and gambling revenue. My question is: what proportion of that estimated revenue for racing and gambling taxes is derived from jumps racing?

Mr HULLS — It is a good question, and I am happy to — —

The CHAIR — You will have to be really quick, Minister.

Mr HULLS — I am happy to attempt to answer it. I will take the figure on notice, but it is a very small amount. In relation to jumps racing generally — because I think that is really what your interest is; the reason behind the question — I have to say that RVL is to be commended for taking decisive action in relation to jumps racing after the Warrnambool carnival.

The Warrnambool carnival is a great carnival; I have been there before. Unfortunately it usually takes place when Parliament is sitting, so I was not able to get there this year, but there were some pretty tragic scenes screened on our television sets and were in the paper in relation to the recent carnival.

RVL took decisive action to suspend jumps racing following the Warrnambool carnival. They had a meeting yesterday, where they hoped to make a decision in relation to the future of jumps racing. I can understand there are both sides of the argument in relation to jumps racing. A lot of people are dependent upon jumps racing for their employment. RVL considered the issue, as I understand, yesterday and made a decision that they needed further information and will be making an announcement on Monday in relation to that issue.

I have to say — and I conclude on this note — there have been some intemperate comments made in relation to the issue of jumps racing by certain people. It does not behove them well, I have to say. I think people have to take a deep breath and allow RVL to make their decision in a measured and appropriate way. All sorts of accusations have been flying around the place, including ministerial pressure being put on RVL, including horse heads being delivered to the minister and other people, and the like. Not only are those accusations about political interference a nonsense — I think Rob Hines as the CEO of RVL made that quite clear — this is a decision that will be made by RVL on behalf of the industry.

Whilst I understand people's passion on both sides of the argument in relation to jumps racing, RVL will be the ones that will make this decision. RVL independently will make this decision. I support the process and I will support the decision that RVL makes.

But some of the nonsense that we have read about and heard about and the intemperate and inappropriate comments that have been made are just that — intemperate and inappropriate. People need to take a deep breath and allow RVL to independently get on with the business of making what is a very important decision on behalf of the industry.

The CHAIR — That concludes consideration of the budget estimates for the portfolio of racing. I thank the minister and departmental officers for their attendance today. It has been an interesting session. I note there have been a number of questions which I felt were not appropriate for the estimates hearing, but I thank the minister for what I regard as his indulgence in answering them. Where questions were taken on notice the committee will follow up with you in writing at a later date. The committee requests that written responses to those matters be provided within 30 days. Thank you.