

CORRECTED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2011–12

Melbourne — 10 May 2011

Members

Mr N. Angus

Mr P. Davis

Ms J. Hennessy

Mr D. Morris

Mr D. O'Brien

Mr M. Pakula

Mr R. Scott

Chair: Mr P. Davis

Deputy Chair: Mr M. Pakula

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Executive Officer: Ms V. Cheong

Witnesses

Dr D. Napthine, Minister for Racing,

Ms P. Armytage, Secretary,

Mr S. Condrón, Chief Finance Officer, and

Mr R. Kennedy, Executive Director, Gaming and Racing, Department of Justice.

The CHAIR — I now welcome Penny Armytage, Secretary of the Department of Justice; Ross Kennedy, executive director, gaming and racing, Department of Justice; Shaun Condron, chief finance officer, Department of Justice; as well as Ms Ann Crouch, manager, planning, performance and projects, Department of Justice, who will be operating the presentation only. I call on the minister to give a 5-minute presentation followed by questions.

Overheads shown.

Dr NAPTHINE — Thank you, Chair. Racing is an industry of importance to the Victorian economy as well as to our cultural heritage. Indeed racing is a way of life for many Victorians. Racing delivers significant economic and social benefits to the state. It contributes in excess of \$2 billion in economic activity annually, of which about half is accrued in regional Victoria. The racing industry is responsible for the employment of over 70 000 people, two-thirds of whom are located outside the metropolitan area. The bulk of racing's economic benefits are derived in regional and rural Victoria, including a vibrant breeding sector. The benefits flow to diverse allied industries, including tourism, hospitality, manufacture and agriculture.

Included in this budget are funding commitments to the racing industry totalling \$79.5 million over the next four years. The return of unclaimed wagering dividends for racing is long overdue and will provide support for a number of priorities identified by the government, including infrastructure at Victorian racetracks and training centres, and support for breeding industries across the three racing codes and for jumps racing. The government also provides support for retired racehorses and greyhounds and ensures that the race industry is a leader in drug testing of animals and in animal welfare. It is important to note the return of unclaimed dividends to the racing industry will have no impact on the right of punters to lodge a claim with Treasury for unclaimed wagering dividends at any time.

One of the biggest challenges facing the racing industry is to encourage punters back to the track, especially outside peak racing periods. In addition to the broader competition for the leisure dollar, increased options for racing broadcasting and wagering have led to a dramatic reduction in on-course attendance, especially outside cup carnivals and other feature days. The coalition will use wagering taxes from on-course totalisator betting to fund a range of strategies to get people back on course. Both unclaimed dividends and on-course wagering will be credited to the new Victorian Racing Industry Fund within my portfolio. These new commitments are in addition to the existing provisions in forward estimates for the Regional Racing Infrastructure Fund. I can assure the committee that the Regional Racing Infrastructure Fund will not be used without the leadership and advice of the three racing codes.

Since November last year the government has provided the following funding to racing through the Regional Racing Infrastructure Fund: \$1.75 million to the thoroughbred industry, \$1 million to greyhound racing and over \$2 million to harness racing. Clearly the feature focus of the government's racing portfolio will be about racing industry development as well as industry co-regulation.

Since coming to office, with the support of the Australian racing ministers council, I have presented a paper to the COAG select committee on gambling reform to support a nationally consistent framework for racing product fees. To this end, we will call on the federal government to use its banking telecommunication powers to support the enforcement of state-based race fields legislation and put an end to free riding on the Victorian racing industry by interstate and overseas bookmakers.

There are many challenges facing the racing industry. High among these is the need for wagering service providers, who base their businesses here and utilise Victorian racing to make their profit, to make a fair and reasonable contribution to the Victorian racing industry. It is important that we put an end to the costly stream of litigation through which corporate bookmakers located in the Northern Territory and Tasmania seek to delay or avoid altogether making a fair contribution back to the racing industry.

The government will also ensure through future licensing arrangements that Victorian racing infrastructure is maintained and that Victoria is certainly one of the leaders, if not the leading racing state, not only in Australia but across the world. We need to get people back to the track, support the racing industry and recognise that racing is not just a great sport but an important part of the economy and the job creation opportunities in Victoria, particularly in country Victoria.

The CHAIR — We have now nearly 25 minutes for questions. Minister, what actions are being taken to assist Victoria's breeding industries, and how will this benefit regional Victoria?

Dr NAPTHINE — Victorian breeding industries across the three codes — the harness racing industry, the greyhound industry and the thoroughbred industry — are largely based in regional and rural Victoria; therefore programs that benefit the growth and development of our breeding industries create jobs and opportunities and economic benefit in regional and rural Victoria, which is consistent with the government's view that we need to grow and develop opportunities in country Victoria. Unclaimed dividends are punters' money. Occasionally people who bet on the races, for some reason, forget to collect their dividend. They are winning punters who forget to collect their dividend.

Mr PAKULA — It never happened to me.

Dr NAPTHINE — I know Mr Pakula would find that difficult to believe but there are a number of punters in Victoria who forget to collect their dividends. If they fail to collect their dividends within six months, they go into a pool of what is called unclaimed dividends. What we have done as a coalition government is take the initiative of using that money to grow and develop racing.

Part of that is to provide \$2.5 million a year out of those unclaimed dividends to our three racing codes to boost breeding. Already across the codes there are programs that encourage breeding of stock within Victoria and the sale of stock within Victoria, be it the VOBIS scheme in the thoroughbred industry, the Vicbred scheme in the harness industry or the GOBIS scheme in the greyhound industry. We are looking to boost those schemes. We are looking to work with the people involved in the breeding industries across all three codes to identify further opportunities to provide incentives for people to breed in Victoria.

Unfortunately there are 4000 mares a year in Victoria that are owned by Victorians and normally reside in Victoria who go north of the Murray River to be serviced by stallions, and many of them stay there for foaling. These are mares that I believe we should seek to attract to remain in Victoria and have Victorian-based stallions and a Victorian-based breeding industry so not only is our racing the best in Australia but our breeding is the best in Australia, creating jobs and opportunities in this state.

The CHAIR — Thank you, Minister.

Mr PAKULA — I will just say that I do not win often enough to forget to collect when I do generally. Minister, in the presentation you have given to us you talk about jumps racing in terms of the \$2 million commitment, and on the last page you talk about the government wanting a growing jumps racing sector. I think you said in your election policy that you strongly support the continuation of jumps racing, or words to that effect. As a threshold issue, for the sake of clarity for the committee, is it your position that jumps racing will continue in Victoria under your watch no matter what?

Dr NAPTHINE — Mr Pakula, you would understand, being shadow Minister for Racing, that it is Racing Victoria, the independent body, that determines the future of racing in this state in terms of what types of racing is conducted, where meetings are held and the program. They are the ones who make decisions on those issues. As I best recollect, the decision they made with respect to jumps racing was made while the previous minister and the previous government were in office, and the decision they made was that hurdle racing in Victoria would continue for three years — as in this season and for two seasons thereafter — and that steeplechasing would be conducted this year and re-examined at the end of this year. Racing Victoria will continue to examine those issues in that framework.

The CHAIR — Do you have a follow-up?

Mr PAKULA — Yes. Given that you have said it is Racing Victoria's call, if Racing Victoria tomorrow said, 'We think this is doing too much damage to the image of the industry; we are going to end the trial and stop jumps racing', is your position that they would be entitled to do that unencumbered by any view you might put to them? It is their call.

Dr NAPTHINE — That is a hypothetical question.

Mr PAKULA — Not really. You are saying it is their call.

The CHAIR — You have asked the question.

Dr NAPTHINE — There is no suggestion that Racing Victoria would make that decision. Indeed, their recent comments have been to the contrary of that proposal. It is a hypothetical question based on a nonsense.

Mr PAKULA — Indulge me, Minister. You will not step in.

Dr NAPTHINE — Let me answer the question. I have made it clear that I support jumps racing. The government supports jumps racing. I have also made it clear that it is the independent Racing Victoria that makes those decisions.

The CHAIR — Did you want to follow up?

Mr PAKULA — I think that was my follow-up.

Dr NAPTHINE — He has had about three follow-ups.

The CHAIR — He is chopping away, and I have been advised that Mr Pakula is going to take all the questions for the opposition.

Mr MORRIS — Minister, can you indicate to the committee exactly what the government is doing to support and develop racing infrastructure in Victoria?

Dr NAPTHINE — Thank you very much, Mr Morris. The coalition government understands the importance of racing in terms of jobs, opportunities and the economy of this state, and therefore we are committed to making sure that our racing and training infrastructure is up to the standard required to make sure our three codes of racing deliver a quality product and grow at every opportunity.

We have allocated through the unclaimed dividend fund at least \$7.5 million a year for the next four years for racing infrastructure. I would hope as Minister for Racing to negotiate with the three racing codes that they would at least match that dollar for dollar so that you would get \$15 million a year of additional infrastructure funding. This could be used to upgrade facilities for patrons, upgrade training facilities or upgrade tracks. Recently we have spent a considerable amount of money on making sure that we deal with flood damage on tracks. The previous government spent money on drought proofing tracks, such are the vagaries of dealing with infrastructure in racing.

Just since December, since I became Minister for Racing — to give you an example of the sort of funding that we have provided — we have provided a share of the \$3.5 million program to shift the harness racing facilities from Nyah to Swan Hill so that they can be inside the Swan Hill racing track and take advantage of those facilities. It is a great win for Swan Hill and for Nyah harness racing. We have provided a \$4 million redevelopment of the Bendigo greyhound racing track and grandstand, which will not only have benefits to the greyhound industry and greyhound racing in Bendigo but also provide a grandstand that can be used by the broader community. We have provided \$105 thousand to repair flood damage at Kyneton, \$118 000 for new starting stalls at Ballarat, \$308 000 for a drainage system at Benalla, \$320 000 for new lighting and a new generator at Bendigo harness racing, \$385 000 for a new access or new entry to the Ballarat harness racing track, and some additional money at Cranbourne.

Mr PAKULA — Back to jumps racing, Minister. I want to ask you about falls, field sizes and trials in regard to jumps racing. As you know, in the grand annual six horses fell but there were no fatalities, quite apart from the incident where a horse made its way into the crowd. On 9 April at Cranbourne, a jumper, Squire Rex, was killed in a jumps trial — —

Mr ANGUS — On a point of order, Chair, can I inquire as to what this has to do with the accounts and estimates?

Mr PAKULA — Jumps racing is here and it is in the — —

Mr ANGUS — But in terms of that specific angle?

Mr PAKULA — The government has made a commitment to the future of jumps racing in the budget and I am asking about it, and the minister has already answered a question about it.

The CHAIR — The purpose of this inquiry is to deal with the estimates. It is not a general question time, so if you could be a little bit more relevant to the estimates process, we would be more comfortable. Please rephrase your question.

Mr PAKULA — Minister, given the \$2 million you have committed to jumps racing in the budget, which is designed to enhance the future of jumps racing, and given that you have already indicated that the future of jumps racing is a matter for RVL, and as you know RVL has got some KPIs in place, I started to ask you about the falls at the grand annual, the death of a jumper at a trial and also the fact that at a race at Sandown in April a jumps race was cancelled because it only had three starters. Putting all those things in one bucket, I want to ask: are fatalities at trials, field sizes and falls that do not result in fatalities, part of the mix that Racing Victoria is using to determine the future of jumps racing, or is it fatalities in races only? Is it fatalities to the exclusion of falls, trials and field sizes?

The CHAIR — Minister, you may dispose of this question as you see fit.

Dr NAPHTHINE — Thank you, Chair. Those questions are best directed to Racing Victoria, who are — —

Mr PAKULA — You are the Minister for Racing!

Dr NAPHTHINE — Let me make some further comments — —

Ms HENNESSY — What are the KPIs?

The CHAIR — Ms Hennessy, the minister had indicated that he is going to embellish the answer, so just allow him to do that.

Ms HENNESSY — I am sure he is!

The CHAIR — Minister, proceed through the Chair.

Dr NAPHTHINE — I am trying to be cooperative with the committee and, through the Chair, the questions that the shadow minister is asking are best directed to Racing Victoria, and I am sure he will have every opportunity to meet with them and discuss those with them. With respect to some of the commentary that he made, his comments with regard to the grand annual were not accurate. There were a number of horses and some fell and some lost their riders, but to describe them all as falling is inaccurate.

Mr PAKULA — Six failed to finish.

Dr NAPHTHINE — That is right, and there was an incident with respect to the grand annual that was to do with spectator safety, and it is being dealt with as a spectator-safety issue. I have asked Racing Victoria to examine that with respect to spectator safety.

With regard to field sizes, my understanding and my advice is that we have had an interrupted commencement to the jumps racing season this year because Racing Victoria, quite rightly I believe, and that is an opinion of mine, has instituted significantly more stringent trialling and schooling requirements for jumpers prior to them commencing in a race. Those trialling and schooling requirements were introduced and informed to the broader training and jumping community perhaps with the lack of a time frame to allow the trainers to get their horses appropriately schooled and qualified, but I do not shy away from the fact, and I doubt that Racing Victoria would shy away from the fact, that it is absolutely important that horses that are going to be involved in horseracing in this state, whether they be flat-racing horses or jumps-racing horses, are appropriately trialled and schooled so that they can race safely.

Mr PAKULA — One follow-up question. I am interested in all of your commentary about the independence of RVL, Minister, and it leads me to ask you why it was then that as, I think, your first public act as minister you called on the board to remove Mr Duffy as chairman. It was the first thing you did as minister.

The CHAIR — This is a little bit away from the question that you asked.

Ms HENNESSY — No, it is not. His answer clearly went to the independence of the board and we are engaging on that issue.

The CHAIR — I am not going to accept that follow-up question. I move on to Mr Angus.

Mr ANGUS — Minister, can you outline for us how the government is assisting country race clubs in holding additional racing meetings?

Dr NAPHTHINE — Thank you, Mr Angus. The Baillieu government is obviously determined on delivering on all its commitments to regional and rural Victoria and indeed the whole of Victoria. The racing industry is very important in regional Victoria, and many country communities benefit significantly from having an active local race club. Local race meetings are often the focus of social interaction and can deliver significant economic benefits to those areas. Local race meetings are pivotal to many regional and rural communities.

I am pleased to advise that in the lead-up to the election we made a number of promises to country communities in terms of additional race meetings. I promised, as the shadow minister at the time, that if I became Minister for Racing, I would discuss these issues with Racing Victoria, which is the independent body, and discuss them with Country Racing Victoria, and seek to get their agreement and convince them of the merit of making some changes to the racing calendar to look after and better deliver racing to many regional and rural communities.

In particular we were able to get agreement and in the upcoming racing calendar Racing Victoria has agreed that Hamilton Racing Club will have a race meeting the day before Melbourne Cup Day. This is a great opportunity for Hamilton to turn that into a major event day, and it will be the focus of racing in Victoria the day before the Melbourne cup. So you will have the Derby on the Saturday and on the Monday before the Melbourne Cup they will be racing at Hamilton. This is a great opportunity for the Hamilton Racing Club, and I urge them to make the best of that because if they do not deliver in terms of crowds and returns, then obviously it is in jeopardy.

In Bendigo I was pleased to be able to make representations to Racing Victoria and, with the support of the Bendigo Jockey Club, convince them that the distance for the Bendigo Cup should be extended from 2200 metres to 2400 metres to make sure that the cup is a qualifying race for the Melbourne Cup. This will really significantly boost the status and standing of the Bendigo Cup, which is held on the Wednesday before the Melbourne Cup. It is already a great event in Bendigo, but this will really add to the opportunity there. For example, last year there was a horse called Moudre, which was from Warrnambool as a matter of fact. It was one of the early favourites for the Caulfield and Melbourne cups and ran second to Americain in the Geelong Cup. It would have loved the opportunity to run in the Bendigo Cup to qualify for the Melbourne Cup. Given its competitive race with Americain in the Geelong Cup, it would have certainly given Americain a great run for its money.

To continue on quickly, the Latrobe Valley Racing Club made a very strong pitch to have a race day on Caulfield Cup day, and Racing Victoria has agreed to that. That will be a great day. Towong, which used to have two race meetings, had one of those race meetings taken off it under the previous Labor government. We have been able to restore that race meeting, and the day they will have that on is 31 December, New Years Eve. It will be a great day at Towong. It will be great for tourism up there. Finally, one of the greatest achievements has been the ability to get an additional race meeting for Avoca. Avoca is a great club that runs great events. It was cut under the previous Labor government to holding only two meetings. We have now been able to get a third meeting for it, and that will be held on the first Saturday in December. This will be a great event meeting for Avoca, and I look forward to attending in December at Avoca.

Mr PAKULA — Minister, you have mentioned in your presentation a number of initiatives in regional Victoria, including in Swan Hill, Nyah, Cranbourne and Bendigo. Before the election you undertook to reopen Wangaratta greyhounds, and since the election you, I think in the *Wangaratta Chronicle*, have attacked the board of Greyhound Racing Victoria over the decision to close Wangaratta greyhounds. I think you called the decision disgraceful. Is there funding in the budget for the reopening of Wangaratta greyhounds, and if it is not in this budget, are you undertaking that it will be funded in forthcoming budgets?

Dr NAPHTHINE — Thank you, Chair. Wangaratta greyhounds is an important issue. Mr Pakula will recall that he sat idly by when the previous Labor government closed the Wangaratta greyhound track.

Mr PAKULA — I did not realise I was racing minister!

Dr NAPTHINE — It was absolutely disgraceful. He also sat idly by when his government closed the Wangaratta harness racing track. He did nothing. It was not just Wangaratta; there were other harness racing tracks across Victoria.

Mr PAKULA — Thank you for the history lesson.

Dr NAPTHINE — He sat idly by when they were closed.

Mr PAKULA — Are you reopening Wangaratta greyhounds?

Dr NAPTHINE — Just allow — —

The CHAIR — Through the Chair. Ignore the interjection.

Dr NAPTHINE — I can advise Mr Pakula that, with the local member, I have been up to Wangaratta. I have sat in Wangaratta at Avian Park, where they used to hold both harness racing meetings, until they were closed by Labor, and greyhound meetings, until they were closed by Labor. I sat with representatives of the harness racing — —

Mr PAKULA — I thought it was closed by GRV.

Dr NAPTHINE — It was — —

Mr PAKULA — You have been talking about the independence of RVL — the independence — so when it suits you they are independent, and when it does not suit you they are not independent!

The CHAIR — Thank you, Mr Pakula.

Members interjecting.

The CHAIR — Minister, just ignore the interjection and answer the question in your own time.

Dr NAPTHINE — I will answer the question, but I will just comment on the interjection in that Mr Pakula, the shadow minister, does not understand his industry, because while Racing Victoria is independent, both Harness Racing Victoria and Greyhound Racing Victoria are boards appointed by the minister.

Mr PAKULA — They make their own decisions.

Dr NAPTHINE — So that is quite different to Racing Victoria. He ought to understand the difference.

Mr PAKULA — They do make their own decisions.

Dr NAPTHINE — With respect to that, I have been to Wangaratta. I have sat down with the representatives of the harness racing there, with the greyhounds racing group, and with the local shire and with the local member. What was agreed was that what needed to happen up there was there needed to be broader community consultation about the future developments at Avian Park and some adjoining land — I think it is a former school site or work site. The community is wanting a broader study about the redevelopment of that area with community involvement, grassroots involvement, and that study will be undertaken. In that study will be discussion of the future opportunities for both greyhound and harness racing in Wangaratta. It will be a study by the people, of the people, for the people. It is something that I am proud of.

Mr PAKULA — Thank you, Honest Abe! But where is the money?

The CHAIR — Thank you for your question. We have time for one last question, very briefly

Mr O'BRIEN — Thank you. Following on from those commitments to country race meetings, I would like to ask the minister about additional commitments contained in the budget for picnic racing. In doing so I need to disclose and confirm that I am a member of a small but longstanding country racing club — or picnic racing

club as it is sometimes referred to — and also have a very small and unprofitable interest in a number of racehorses.

Mr PAKULA — Should I have disclosed that I am a member of the VRC?

Mr O'BRIEN — I disclosed that anyway. I am very interested in this aspect of your portfolio, Minister.

Dr NAPHTHINE — Thank you very much. The coalition government strongly supports picnic racing and recognises Victoria has a strong, popular, well-run and well-attended picnic race circuit. We understand picnic race days are essential grassroots racing and absolutely fantastic community events, whether they be at Swifts Creek, Hinnomunjie, Healesville or — —

Mr O'BRIEN — Peshurst, Dunkeld.

Dr NAPHTHINE — The volunteer committees that run picnic races understand and appreciate the benefits that these events provide to their communities through tourism, and local fundraising for many community groups which are involved, whether it be working at the bar, the food supplies or the gate, and they deliver enormous social benefits to the local population. To this end the coalition government will provide \$200 000 over four years to grow and develop picnic races and encourage attendances. This is in line with our overall policy to grow interest and involvement in racing. We believe that picnic races are an ideal opportunity for people to come along in a family-friendly, social way, to come to their first race meeting or become involved in racing so they can actually feel the positive atmosphere and the excitement of racing. Then perhaps I think they will be more involved and then perhaps attend the more professional race meetings and even the larger race meetings on a more a regular basis.

I must say the picnic racing clubs were under threat under the previous government, which did not understand the benefits of picnic races to local communities and did not understand the vital role picnic races play in terms of the hierarchy of racing and attracting grassroots involvement in racing. I am pleased that as a government we are going to be providing \$200 000 over the next four years to grow and develop picnic racing as an essential component of our policy of growing and developing racing in regional and rural Victoria and Victoria as a whole.

The CHAIR — Thank you, Minister. That brings us to a conclusion of the estimates hearing on the racing portfolio. I would like to thank Mr Armytage, Mr Kennedy, Mr Condron and Ms Crouch for their attendance.

Witnesses withdrew.