

VERIFIED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2013–14

Melbourne — 10 May 2013

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Witnesses

Dr D. Napthine, Minister for Racing;
Mr G. Wilson, Secretary,
Mr S. Condron, Chief Finance Officer, and
Mr R. Kennedy, PSM, Executive Director, Liquor, Gaming and Racing, Department of Justice.

The CHAIR — I declare open this hearing on the racing portfolio, and I welcome Mr Greg Wilson in his new role as Secretary of the Department of Justice, Mr Ross Kennedy, PSM, Executive Director, Liquor, Gaming and Racing, Department of Justice and Mr Sean Condon, Chief Finance Officer of the Department of Justice. I call on the Premier to give a brief presentation of no more than 5 minutes on the more complex financial and performance information that relates to the budget estimates for the racing portfolio.

Dr NAPHTHINE — Racing is an important industry in the Victorian economy. It has an economic impact of over 2 billion per annum, of which half is in regional Victoria, and employs over 70 000 people, with two-thirds of those in regional Victoria. We in government consider racing not just a great sport, but we see it as an absolutely vital industry and a job creator for our economy. For example, the 2012 Spring Racing Carnival returned a benefit of \$620 million gross economic benefit to Victoria, up 7.2 per cent from the previous year. More than 67 000 people visited Victoria specifically to attend spring carnival events, and that was up nearly 20 per cent from 2011 and the benefits from this go across fashion, hospitality, transport and accommodation, and, for those who are interested, racegoers last year spent more than 53.3 million on fashion items, including 66 000 pairs of shoes and over 80 000 hats and fascinators, and the estimation is that more than 10 000 was spent on personal grooming, such as waxing and other tanning things.

Mr PAKULA — You do not need to tell us. Really it is not an image I need!

Dr NAPHTHINE — The significant change in racing has been the new wagering and betting licence which commenced on 16 August 2012, and this 12-year licence, which from calculations the industry will benefit from by as much as \$700 million more than under the previous arrangement. On coming to office this government established the Victorian Racing Industry Fund, which is about \$79.5 million over four years; the vast majority of that money comes from unclaimed dividends and the other portion comes from a small return of tax payable on oncourse bets at our courses. The Victorian Racing Industry Fund spends about \$30 million over four years on infrastructure, 11.3 million was provided to race clubs to date resulting in a total investment of nearly \$29 million. The projects vary from very minor but important projects at picnic racing clubs to quite significant multimillion-dollar projects for key racing infrastructure and patron infrastructure. The VRIF allows clubs to apply directly for funds and the industry bodies can also apply for funds.

The government has committed \$2.2 million for funds under the Raceday Attraction program. This is a program to specifically try to attract more people to go to the races, particularly outside the peak racing season, so that we can get more people involved to enjoy the great sport of racing and also have those people then potentially as people who work in the racing industry, become involved as owners and trainers and employees. Some of the good programs have been the Sensational Summer for Kids at the greyhound racing. That has attracted a lot of families and people along to the great sport of racing. Traralgon greyhounds had a great night on the night the Great Victorian Bike Ride was passing through Traralgon. They put on a greyhound racing meeting with attractions and free entry for people in the bike ride. Again, many people went along who had never been to greyhounds before, and some of them have developed an interest in the sport.

Echuca harness had a Thongs on Thursday, and that, for those who are concerned, is footwear. Harness racing have had a special night for Colts and Fillies @ the Flicks where they had an open air theatre at the racing. And the Hamilton Racing Club's Party with the Ponies was particularly targeted for people with disabilities and their families. Warrnambool had a great night with the Leila Rose Foundation raising money for a very important charity that involved a number of women. I think about 80 per cent of the women had never been to racing before.

We have provided support for the breeding industry and, particularly in thoroughbreds, that creates jobs and opportunities in central Victoria. For animal welfare, through the Greyhound Adoption Program, Raising the Standards with standardbred horses and Living Legends, and of course we are providing increased money for racing integrity and drug testing. Drug testing is an important area where we have put money — \$4 million over four years — to improve drug testing and research to keep ahead of those who want to use drugs in our racing industries.

The CHAIR — Thank you, Premier.

Mr ONDARCHIE — I am so inspired by this that I am not sure whether to go to the footy tonight or go out to the harness racing at Melton — I am not quite sure which to do now. The Premier touched on drug testing.

Premier, could you outline how the funding the government is providing for the racing industry for drug testing assists with the racing integrity?

Dr NAPHTHINE — When we came to government, through the Victorian Racing Industry Fund, we provided \$4 million over four years to assist Racing Analytical Services Ltd — which is the industry's own drug testing and research authority — specifically targeted towards research. The industry pays for the funding of the drug tests that are taken as swabs from winners, beaten favourites and other animals that the stewards want to swab. But the industry were saying that there was a shortage of money to specifically target research in some of the new and emerging drugs.

As it turns out, RASL, through their work, have been ahead of the game on some of the emerging drugs we are now hearing about across a range of sports — peptides and EPOs. Those are areas where some of the new testing methodologies have been developed, using the funds we have provided, to detect EPO in its synthetic form and growth hormones to develop an assay for the presence of EPO-DPO in equine plasma and a screening method for some of the synthetic forms of these drugs in all racing animals. It is interesting to note that our testing is now being used in other areas around the world for testing.

Finally, the other point I would make is that the racing industry has had a very good history of freezing samples and keeping samples so that the racing industry can retrospectively test samples going back a number of years. They can test retrospectively if somebody has been trying to cheat the system. I am confident, because of our investment in improved testing, because of the work of RASL and great scientists at RASL, that Victorian racing in all three codes is probably the cleanest in the world and people are getting a fair run for their money in Victorian racing.

Mr PAKULA — Premier, I am sure you have seen that story about the decision by the Treasurer to impose the health benefit levy for the full 12 months on Tatts and Tabcorp despite them only operating the EGMs for 46 days. We asked the Treasurer about it this morning, and I am not going to verbal him but he effectively claimed that the government was legally obligated to do what it did. In terms of the racing industry, Mr Saundry, the CEO of RVL, is suggesting that it is an unexpected \$8.5 million slug, 70 per cent of which will affect racing and the rest will be trots and dogs, and it is an impost that they had not budgeted for. My understanding is RVL has a significant debt and was hoping for a significant surplus this year to help pay that debt down. Is the government going to compensate racing for this unexpected and very difficult to justify slug that they are copping as a result of the decision to levy Tatts and Tabcorp for the full year?

Dr NAPHTHINE — Thank you, Mr Pakula, for that question. Firstly, let me say, as I said in my introduction, that the new wagering and betting licence that was struck started in August last year. The estimations are that it will deliver a significant additional benefit to the racing industry across all three codes, so that is a good outcome for racing and a good outcome for each of the codes. With respect to the specific issue you have raised regarding the health benefit levy for the 2013 financial year, can I refer you to a letter addressed to Mr David Attenborough, chief executive officer, Tabcorp Holdings, dated 17 May 2012, written by the then Treasurer, Kim Wells.

Mr PAKULA — I do not have it.

Dr NAPHTHINE — No, but I will happily table it afterwards. Sorry, I have not checked this with Mr Attenborough, but I am sure I can speak for Mr Wells. This letter says, and I quote:

I am writing to clarify the health benefit levy ... arrangements for the 2012–13 financial year.

This is the financial year we are talking about. This letter, as I say, was written in May 2012, well in advance of the start of that financial year. The letter continues:

As you would be aware, I am required as Treasurer to determine the levy in accordance with the time frames and formula contained in section 3.6.3 of the Gambling Regulation Act ... (GRA) —

et cetera. Then further down it says:

The formula for calculating the ... levy in section 3.6.3 of the GRA will not be altered by the bill. Accordingly, the levy payable by the gaming operators for 2012–13 will effectively be calculated on the basis of the sum of the number of gaming machines of the gaming operator that are operating at an approved venue on the first Saturday in each month from December 2011 through to and including August 2012. The number of gaming machines over this period —

et cetera. So the period was declared well in advance to Tabcorp for the year December 2011 to December 2012, including August 2012. It is not 46 days. That is misinformation that has been circulated. The amount leviable is according to the advice given by the then Treasurer to Tabcorp. I would have expected that information to have been passed on in full by Tabcorp to the racing industry.

I have since spoken to Rob Roulston, the head of Racing Victoria. I have spoken to Peter Caillard, and my office has had discussions with Harness Racing Victoria, fully informing them of the basis of this levy. People were informed about this levy well in advance. It is a retrospectively collected levy from a period well before the start of the appropriate financial year that you are talking about. The information was available and was given to Tabcorp. I would have thought Tabcorp should have passed that information on to the racing industry.

Mr PAKULA — Thank you for the clarification, Premier, I was going to say to you that on that basis it is difficult to understand — and I do not think either of us would dispute Mr Saundry's bona fides — how the racing industry has been effectively blindsided by this. The point I would make based on that letter, as I raised with the Treasurer this morning, was that last year's budget papers only anticipated the state raising some \$15 million in total from the health levy. I understand that there was an update provided some time later, but it was well after the date of that letter, so in those circumstances it is probably not that difficult to understand how confusion has emerged.

Dr NAPTHINE — I do not think this letter is confusing at all. This letter makes it very clear to Tabcorp what its responsibilities are.

Mr PAKULA — The budget papers said something otherwise.

Dr NAPTHINE — I understand that, as you say, there was an inconsistency in the budget papers that was clarified — —

Mr PAKULA — October or November.

Dr NAPTHINE — in the midyear financial update.

Mr PAKULA — Right.

Mr ANGUS — Premier, thank you for your presentation. You touched on a number of events at the various tracks throughout the state. Can you outline for the committee what benefits the funding for Cranbourne racing centre provides to the racing industry and indeed the broader community?

Dr NAPTHINE — Thank you very much, Mr Angus. As you would be aware, the Cranbourne racing and training centre is one of the most significant for the Victorian racing industry. Indeed all three codes race at the Cranbourne racing centre. They have greyhounds, they have the harness racing and they have the thoroughbreds all racing at that complex. Not only that but adjacent to the racing complex is the Cranbourne training centre, which is for thoroughbreds, which is the largest employer in that very fast-growing region of Victoria.

On that same site, in conjunction with Harness Racing Victoria, we have funded a significant training facility for the harness racing industry. That is a significant investment from the government and Harness Racing Victoria, with stabling, swimming pools and everything for the horses, to encourage harness racing training on that site.

Those who know the harness racing industry know that traditionally harness racing trainers have operated on their own properties, whereas the tradition for many of the thoroughbred trainers is to operate out of leased boxes or leased stables at Flemington, Caulfield or many of the country and regional locations. When you have to buy your own property to run your own training there is a huge barrier to entry, which is stifling the growth of harness racing training. This training facility for harness racing has been a godsend for the harness racing industry.

You ask about a further development at Cranbourne. As you would be aware, this government, along with the racing industry, funded lights at the Cranbourne racing centre, which means we now have night thoroughbred racing at Cranbourne which complements the night-racing season at Moonee Valley. That has been a real boon to racing in Cranbourne and to the Cranbourne racing centre.

But if you have over 100 race meetings at that centre — greyhounds, harness, thoroughbreds and night thoroughbred racing — it is important to have appropriate facilities for patrons. That is why earlier this year the government announced, from the Victorian Racing Industry Fund, \$1.8 million to go towards a \$3.6 million makeover and upgrade of the grandstand of patron facilities and also to create a large-scale function centre for the Casey community. This will create 85 jobs and 55 ongoing jobs. It is a 400-seat function centre for racing and non-racing days and will include tiered race day seating for patrons, extended corporate hospitality and modern facilities to service that facility. What you have is a much better facility for race day patrons or race night patrons. They will be able to enjoy a meal and also enjoy the racing, but also it is a facility that has benefit in the growing Casey community. There are many schools, many employers and many events that simply cannot be held in that area because there is not a big enough facility. This is a facility that is being funded by racing that is going to have broad community benefit as well as significant benefit for racing. That is what we are about when we say that racing is an economic portfolio, not just a sport. That is why we have racing as a separate portfolio. It is about jobs, it is about the economy and it is about broader community benefit, and Cranbourne is a classic example.

Mr PAKULA — Premier, just in regard to your presentation, on page 9 you have dealt with racing integrity. The Perna recommendations were handed down I think in late January, almost four months ago, and I understand that they have been worked through. I am not asking you to tell us whether you are going to accept them or not; I am sure I know what the answer to that will be. What I am asking is whether you can tell us whether you will have made decisions about what you will do and whether you will have implemented those decisions in time for the next Spring Racing Carnival.

Dr NAPHTHINE — Thank you, Mr Pakula, and thank you for your ongoing interest in our great racing industry and in the integrity of our racing industry. I think that is very — —

Mr PAKULA — I will be there tomorrow.

Dr NAPHTHINE — Mr Perna handed down his report in late January or early February this year. He found that race fixing is not systemic in Victoria, and I think that is an important finding for all Victorians, particularly those involved in the racing industry or those who have the occasional wager on our racing. They can have confidence that they get a fair run for their money.

There are a number of recommendations in the report. A number of those recommendations have already been adopted — for example, he recommended that there be match-fixing legislation, and in April this year the Parliament passed the Crimes Amendment (Integrity in Sports) Bill, which implements that recommendation. He made recommendations regarding the way the police deal with the racing industry, and I am pleased to advise that a number of those recommendations have been adopted. While it is not for government to interfere in operational matters that are clearly the responsibility of the Chief Commissioner of Police, it is pleasing to note that the chief commissioner has made significant announcements and comments with regard to the police's renewed interest and activity and focus on issues involved in racing and racing integrity. In addition, on 7 February they announced that they would establish a sporting integrity intelligence unit. This certainly is a step forward, I believe, for all sports but particularly for racing, because within that the chief commissioner has said that there will be a particular focus on our racing codes.

There are also recommendations regarding the elevation of certain offences to serious offences, particularly in the thoroughbred and harness racing code. I am pleased to advise that those processes are in place. It has already happened with Racing Victoria, and I think I signed a letter the other day with respect to harness racing doing the same thing. So a number of the recommendations have been implemented. A number are being implemented, and there is active consideration of those recommendations. This is a matter we as a government and I as the minister take extremely seriously. There is nothing more important to our racing industry than integrity, and Mr Perna's work is appreciated and his recommendations valued.

Mr PAKULA — Just a very quick follow-up. In regard to — as you are well aware, Premier — one of his most significant recommendations, which would have the effect of giving racing integrity officials the power to compel evidence from unlicensed persons, can the government give any indication about whether decisions about that will have been made in time for the spring carnival?

Dr NAPTHINE — With respect to that, it is our advice — clear legal advice that the government receives — that there is no impediment to dealing with those matters currently.

Mr PAKULA — RVL believes otherwise.

Dr NAPTHINE — Well, there is a difference of legal opinion. Mr Pakula, given your legal background, you would understand that there are sometimes differences of legal opinion. We have clear legal advice, and we have discussed this with Racing Victoria, who have a different legal opinion, but I can assure you that we are not sitting back on our laurels. We are examining the matter further, and we will continue to examine the matter. We want to ensure that we get the best outcome for racing, and we want to make sure that there are no impediments to proper integrity processes by stewards and by all of those involved in protecting the integrity of our three racing codes. With respect to this matter, we have taken on notice the recommendations of Mr Perna. We are seeking further advice, and there may be opportunities to adopt a belt-and-braces approach on these matters.

Mr PAKULA — I know we are out of time, but I am wondering if the Premier will take on notice just one question. It is seeking some information in regard to the racing industry fund — if the minister or his department could provide the committee, on notice, with how much has already been expended from the fund and how much is available to be expended from the fund in the 2013–14 year.

Dr NAPTHINE — Yes, I will take that on notice, but I do make the point, and I will try to be brief, that the vast majority of funds for the racing industry fund are from unclaimed dividends and we have to wait six months for people not to claim their dividends before we can actually realise the funds and spend them. So there is a timing issue, and the Treasury is very concerned about us spending money that has not yet been collected from unclaimed dividends. So when we produce the information, it needs to be seen in the context that the funding source is unclaimed dividends, which has a time lag factor in it and an unpredictability factor in it. While we can make an estimate of what we expect unclaimed dividends will be, with the changing nature of how people conduct their wagering over time there may be some changes to the unclaimed dividends that are available. With those qualifications, we will provide the information to the best of our ability.

Mr PAKULA — Thank you, Premier.

Mr O'BRIEN — Chair, I understand my courtesy to Mr Angus may have cost me my question, so I ask the Premier to also take on notice my question, which would have been about the assistance and how the assistance for the thoroughbred breeding industry would benefit Victoria, which I am sure the Premier as a very active minister would have loved to have answered.

Dr NAPTHINE — I will look forward to providing you a golden answer to that.

Mr PAKULA — Without qualifications.

The CHAIR — That concludes the consideration of the budget estimates for the Racing portfolio. I thank the Premier for his attendance for the afternoon and the departmental officers for this most recent session. Where questions were taken on notice, the committee will follow up with the Premier in writing at a later date. The committee does request that a written response be provided within 21 days in order to enable us to report in a timely manner to the Parliament. That concludes the hearings.

Committee adjourned.