

TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Budget Estimates 2019–20 (Racing)

Melbourne—Tuesday, 11 June 2019

MEMBERS

Mr Philip Dalidakis—Chair

Mr Richard Riordan—Deputy Chair

Mr Sam Hibbins

Mr Gary Maas

Mr Danny O'Brien

Ms Pauline Richards

Mr Tim Richardson

Ms Ingrid Stitt

Ms Bridget Vallenge

WITNESSES

Mr Martin Pakula, Minister for Racing,

Mr Simon Phemister, Secretary, and

Mr Peter Betson, Head of Sport, Recreation and Racing, Department of Jobs, Precincts and Regions.

The CHAIR: All right, whilst I am not sure where the opposition are, we have a quorum present and accounted for, so let us get this show on the road. I declare open this hearing of the Public Accounts and Estimates Committee. On behalf of the Parliament, the committee is conducting this inquiry into the 2019–20 Budget Estimates. Its aim is to scrutinise public administration and finance to improve outcomes for the Victorian community, and thank god for the government. The committee will now begin with the consideration of the portfolio of racing. I welcome the Minister for Racing, the Hon. Martin Pakula, and officers from the department, and I thank you all for appearing before the committee today. All evidence given will be protected by the Parliamentary Committees Act. This means that it attracts parliamentary privilege and is protected from judicial review. In case anyone has got a question, ask the former Attorney-General. He will be able to help you on legal precedent. Witnesses found to be giving false or misleading evidence may be in contempt of Parliament and subject to penalty. Minister, I invite you to make a brief opening statement and/or presentation of no more than 5 minutes. Giddy up!

Visual presentation.

Mr PAKULA: Thank you, Chair. I will turn immediately to the first slide about racing's contribution to the economy. It is a significant contribution. It is demonstrated, for example, by the numbers from last year's Melbourne Cup Carnival. In 2018 the value-added economic impact of the carnival was over \$215 million, and that was despite the fact that on Cup Day the weather was—to put it mildly—inclement. There was \$33.7 million in accommodation spending, over \$62 million in fashion-associated spending, \$29.3 million in food and beverage sales and 21 000 people working onsite at Flemington. There was something like 330 000 people attending the carnival, with more than 66 000 coming from interstate.

Moving forward, the government has made some changes in regards to the integrity arrangements for racing by establishing two new integrity bodies—the racing industry board and the racing tribunal. Both of them will come into operation on 1 August. The VRIB will operate across all three codes. It will provide independent oversight of the integrity functions of the racing controlling bodies and it will ensure that integrity staff within those bodies can undertake their roles independently from commercial considerations. The Victorian Racing Tribunal will replace the code-specific RAD Boards. It will hear and determine in the first instance charges in relation to serious racing offences under the rules of a controlling body, and it will hear and determine appeals against decisions of stewards of controlling bodies in relation to non-serious offences.

One of the great elements of our industry is the Victorian Racing Industry Fund. Since we came to government in December 2014 the VRIF has across all three codes provided more than \$53 million in funding for infrastructure projects. That includes funding of \$1.5 million for the Caulfield relocation and \$2 million out of the total government contribution of \$10 million for the Flemington Club Stand and more than \$7.3 million in funding for animal welfare initiatives. In 2018–19 alone—this is up to 5 June—the VRIF has provided almost \$12 million for infrastructure projects across the three codes, including some \$578 000 for track widening at Kilmore, jockey room upgrades at Ballarat and Coleraine, 650 000 for the sand track reconstruction at Wangaratta Turf Club, more than \$430 000 for infrastructure projects for greyhound racing and more than \$730 000 for infrastructure projects for harness racing.

In terms of race day attraction, again the Raceday Attraction program is all about increasing on-course attendance and promoting racing across the three codes. In 2018–19 the RAP provided a bit over \$4 million to support initiatives across the three racing codes. Some of the projects that we funded have included \$48 000 towards Warrnambool's inaugural Jericho Cup last year. That was out of a total project of \$136 000. There was \$10 000 to the 2018 Love Our Seniors Day to the Sale and District Greyhound Racing Club, there was more than \$28 000 towards the Werribee Cup and \$30 000 towards the Mildura Pacing Cup Carnival.

In terms of this budget, it has been well documented that we are providing \$40 million over two years to boost prize money across the three codes. That is about ensuring that we maintain field sizes and the quality of the product to maintain our standing as the pre-eminent racing jurisdiction in the country, to maintain the health of revenue across the industry and to stimulate the breeding industry and the investment from trainers and owners that goes with it. The distribution of the prize money to the three codes across 2019–20—calendar years, that is—is \$33 million for thoroughbred, \$6 million for harness and \$1 million for greyhound racing, but along with that \$1 million for greyhound racing is \$2 million for training infrastructure upgrades across the state and \$1 million for upgrades at Cranbourne and Traralgon to improve safety outcomes for greyhounds. There will be of course VRIF support beyond that, as I have already indicated.

In terms of—I have only got a couple more slides, Chair—the three codes in regard to greyhound racing, some of the key things that I think should be focused on is the fact that in 2017–18 over 2600 greyhounds were rehomed, with more than 1100 of those through the GAP program. There are also non-GAP channels for adoption through third-party organisations like Gippsland Greyhounds, the Greyhound Safety Net and the RSPCA. The number of racing greyhounds that have been rehomed each year has increased by more than 50 per cent from 1755 in 2015–16 to 2641 in 2017–18. So that is an excellent outcome, and as a consequence we have seen a substantial fall in euthanasia rates for racing greyhounds by something like over 35 per cent. We have now since December 2014 provided over \$3.7 million for infrastructure projects for greyhound racing.

In harness racing we have provided \$6.9 million for infrastructure since 2014. Last year we allocated \$1 million to HRV to support country clubs' breeding costs and marketing. As I have said, we have included a \$6 million boost to harness racing prize money and \$500 000 to the HRV HERO program.

In regards to thoroughbred racing, we have committed \$17.5 million to assist the relocation of training activities away from Caulfield within five years, and that will enable RV to upgrade training facilities at Cranbourne and Pakenham. We have provided \$4 million towards the construction of a new synthetic racing surface at Ballarat, and it has had its first few meetings on that synthetic in the last couple of weeks. That replaced the Geelong synthetic, which had reached the end of its usable life. We have committed money for an equine limb injury prevention research program as well, which is a partnership between RV and Melbourne University. So there are many, many initiatives occurring in the racing industry, Chair, and I will be at that point happy to answer any of the committee's questions.

The CHAIR: That is very kind of you, Minister. Thank you for your preparedness to take questions on today. The first ones will go to Ms Richards.

Ms RICHARDS: Thank you, Minister, and to the officials for appearing this afternoon. As everyone knows, I have a tendency to be a little bit parochial, but I was really pleased to be able to identify Cranbourne as the largest employer in the electorate, so I am very happy to have you here.

I am going to refer you first to budget paper 3, page 68 and particularly the funding directed towards boosting jobs and investment in Victorian racing outlined at table 1.13. I am interested in having you explain what this output relates to and how it is going to assist the Victorian thoroughbred industry.

Mr PAKULA: Thanks, Pauline. In October last year we made an announcement that if we were re-elected we would provide \$33 million in additional prize money for Racing Victoria for the calendar years of 2019–20. RV supplemented that with \$7 million of their own, which meant that the total increase of prize money over those two years was \$40 million. So that election commitment is acquitted in the budget. It was in the Labor financial statement, so there is \$112 million for boosting jobs and investment in Victorian racing; \$33 million of that goes to Racing Victoria across 18–19, 19–20 and 20–21 to deliver on that election commitment.

There has been obviously a lot of discussion in recent times about prize money, and of course it is only one element of the entire story about what makes racing in Victoria as strong and as pre-eminent as it is. But it is a key lever for distributing revenue to owners, and it is the primary mechanism for lifting levels of returns to all parts of the industry. Owners obviously receive the lion's share of that, but jockeys and trainers as well. It lifts the return to secondary participants, being track riders and stablehands and the breeding sector. So following the election and the delivery of our commitment, Racing Victoria announced that from 1 January there would be increases as follows: standard country TAB races from \$20 000 up to \$22 000; premium country TAB races

going from \$25 000 to \$30 000 up to \$35 000; standard Saturday metro races, up from \$100 000 to \$125 000; and metro three-year-old and staying races, up from \$120 000 to \$135 000, amongst a range of other increases. RV made a specific determination to focus on three-year-old racing, as we see that as one of our strengths.

There was also of course the introduction of the All-Star Mile, which was a great success. So Victoria will now be offering over \$255 million in prize money and bonuses a season, which is a 47 per cent increase since 2015. That is great news for all of the people employed in the industry. It is a \$3 billion industry, and Racing Victoria of course are responsible for the specific allocations of prize money, but the support of the government is obviously a very important part of their capacity to deliver increased prize money across the industry.

I think the government has been extremely supportive of the industry. I note today that the Victoria Racing Club has announced an increase in the prize money for the Melbourne Cup to \$8 million, and as I have indicated in public comments in the last few days, there will be in my view further announcements about this spring to come.

I should also say that in regard to picnic races, the minimum prize money on offer for Victorian picnic races is at least the equal of the nation's best across all levels of the sport and is far beyond that which is on offer for picnic races in New South Wales—

Mr D O'BRIEN: Why didn't they get an increase, though?

Mr PAKULA: where the minimum is \$2000.

Mr D O'BRIEN: It didn't get them an increase.

Ms RICHARDS: Thank you, Minister. Just to continue the questions I have in the time allocated to me, what further support for key projects has the Victorian government delivered for the thoroughbred industry to ensure that Victoria remains the pre-eminent racing state in Australia?

Mr PAKULA: I think obviously the other important initiative that the government has continued throughout this term is the Victorian Racing Industry Fund. Now, interestingly, under the previous government that was effectively tied to the level of unclaimed dividends and on-course wagering taxes. If this government had maintained that approach, you would have seen the VRIF value continuing to drop, because as more people bet online through corporate accounts obviously the level of unclaimed dividends is declining quite significantly. So the government took the decision not to tie the level of the VRIF to unclaimed dividends but instead to maintain it at \$18 million per annum, or \$72 million over four years. That means the industry has greater certainty rather than having to worry about the fact that the VRIF might decline in line with the decline in unclaimed dividends.

So some of the projects that we have supported through the VRIF include the synthetic track that has just opened on the weekend at Flemington, which is a great boon to the trainers there at Flemington; \$1.1 million for the Geelong Racing Club sand track project; and \$300 000 towards the Warrnambool Racing Club for the upgrade of the Matilda Room. I know you, Ms Richards, are very keen on projects at Cranbourne, so we have provided \$295 000 for on-course stabling for a \$640 000 project at Cranbourne; and \$250 000 towards an upgrade of the public bar and club facilities at the Sale Turf Club—

Mr D O'BRIEN: Hear, hear.

Mr PAKULA: Well, I am glad to do something that meets your approval, Mr O'Brien.

Mr D O'BRIEN: Barely got started, Minister.

Mr PAKULA: We have also of course announced the major funding, along with Racing Victoria and the Melbourne Racing Club, towards the relocation of training out of Caulfield, which has already been welcomed by the local community, because ultimately it will mean much more community usage of the centre of the racetrack there at Caulfield and a significant contribution to the building of new training facilities at both Cranbourne and Pakenham. It also secures of course horseracing at Caulfield for the next 65 years through their new lease.

Ms RICHARDS: Music to my ears. A recognition that it does not stop at Cranbourne, are you able to identify what other projects in regional locations the government has provided funding for and what this investment alongside the increases in prize money means for the thoroughbred industry?

Mr D O'BRIEN: Talk about Sale again, if you would like, Minister.

Mr RIORDAN: Camperdown.

Mr PAKULA: I think I will focus on Ballarat for the time being, Mr O'Brien.

Mr RIORDAN: What about Camperdown?

Mr D O'BRIEN: For a Labor minister, who'd have thought?

Mr PAKULA: Of course Camperdown has done very well, Mr Riordan, as you well know.

Mr RIORDAN: Yes.

Mr PAKULA: But the VRIF grant to the construction of the synthetic track at Ballarat has already been incredibly important. It actually had its first meeting early because there was a meeting scheduled on the grass track which would have been washed out were it not for the fact that they could transfer the race to the synthetic track on that day, so it actually raced a day earlier than it was meant to.

I was at the Ballarat Turf Club along with, in fact, some members of the opposition on 17 May for the opening of the synthetic track. On that day Tony McEvoy, one of the country's leading trainers, announced that he was going to move the bulk of his operations from South Australia to a new 100-box facility at Ballarat. That of and by itself is an outstanding result. He now joins trainers of the likes of Archie Alexander, Matt Cumani and others, including Ciaran Maher, who of course has taken over stables there as well. That will mean the creation of jobs during construction and 30 ongoing jobs when the McEvoy training complex is up and running. So I think his decision to move his operations to Ballarat is a massive endorsement of the work of the Ballarat Turf Club, but it is also an endorsement of the fact that the continued investment by the Victorian government in those facilities is one of the reasons that trainers are prepared to move there. That has been done through the VRIF. It is a unique fund throughout Australian racing, and the continuation of that fund and our investment in prize money and our support for the industry generally are critical parts of our work to ensure that we remain the pre-eminent racing state in the country.

Ms RICHARDS: In the very short amount of time I have left I would like to just head towards the greyhounds just very quickly—again budget paper 3, page 68—and the funding directed towards boosting jobs and investment in Victorian racing and explaining how the output will both assist racing industry participants and improve animal welfare outcomes.

Mr PAKULA: I will be very quick, as I must be. Out of that \$4 million there is a \$1 million boost to prize money, there is \$2 million to upgrade training facilities across the state and \$1 million for track upgrades to improve safety at Cranbourne and Traralgon. You asked as part of your question about animal welfare outcomes. Those track upgrades are as much about animal welfare as they are about anything else, because the surface, the camber and the run-off areas all have an impact on greyhound safety during the race. So we have been very pleased to make that commitment. We recognise that the industry contributes half a billion dollars to our economy and it supports over 4300 jobs across the state, many of those jobs in regional areas. It is why we are committed to maintaining the support for greyhound racing.

The CHAIR: That is fantastic to hear, Minister. We now move to Mr O'Brien.

Mr D O'BRIEN: Good afternoon, Minister. Your introductory presentation talked about the breeding and sales program. I am sure you are aware that there is an issue at the moment where there is currently an exemption from livestock insurance stamp duty—so an exemption from the 10 per cent stamp duty tax that applies to cows, pigs, sheep, alpacas and even bees but not to thoroughbred horses. Why is that the case?

Mr PAKULA: I would assume that you would have taken the opportunity to address that question to the Treasurer when the Treasurer was here, because the way that the State Revenue Office makes determinations about what does or does not constitute livestock for those purposes is a matter for the SRO and therefore the Treasurer. I have had meetings with TBV about this matter—they have raised it with me in the past—and undoubtedly they have made representations to the SRO as well, but at the time that that exemption was provided the SRO made that determination about who was and was not covered by it.

Mr D O'BRIEN: So, Minister, Thoroughbred Breeders Victoria actually had in writing confirmation that horses would fall under the definition of livestock, and then it was reneged on six months later. What action therefore did you take to speak to the Treasurer on behalf of the industry?

Mr PAKULA: Who did you say they had representations from?

Mr D O'BRIEN: They had written assurance from the SRO.

Mr PAKULA: The SRO, as I am advised, has not accepted TBV's assertions in regard to that. If your question to me is—

Mr D O'BRIEN: What action did you take to lobby the Treasurer to ensure that the thoroughbred industry would also receive the exemption that alpacas and bees get?

Mr PAKULA: Mr O'Brien, I think what you are now inviting me to do is to provide you with an insight as to what representations or bids were made—

Mr D O'BRIEN: That is the question I asked.

Mr PAKULA: during the budget process—

Mr D O'BRIEN: Irrespective of the budget process, the industry have got an issue. I am asking what action you took to try and make sure that their issue was addressed.

Mr PAKULA: If you would let me finish, Mr O'Brien, what I have started to say is that if you are asking me to provide you with an insight into what bids I may have made during the budget process—

Mr D O'BRIEN: No, I didn't ask you that.

Mr PAKULA: or what representations I may have made to the Treasurer during the budget process about particular items, I am not going to do that.

Mr D O'BRIEN: Well, have you made any effort to try and address this issue for the industry?

Mr PAKULA: I make efforts on behalf of the industry in regards to all important matters for the industry, and you can be assured that this matter is no different.

Mr D O'BRIEN: Okay. Minister, on that basis then you talked about the issue of prize money being current, and particularly with respect to New South Wales. In New South Wales the duty on thoroughbreds is zero for livestock insurance. Wouldn't you agree that it is very important in the current climate that Victoria is not in any way disadvantaged compared to our main competitor, New South Wales?

Mr PAKULA: Well, Mr O'Brien, if you are talking about the prize money discrepancy between Victoria and New South Wales—

Mr D O'BRIEN: No. I was talking about the livestock insurance issue that we are talking about.

Mr PAKULA: Sorry. You made reference to the prize money differential and the competitiveness, and I would simply make the point as part of that that the biggest difference at the moment is the fact that their point of consumption tax rate is 10 per cent and ours is 8 per cent. That difference, that 2 per cent differential, is basically all passed through to the racing industry. That is the biggest difference. In regards to support for the—

Mr D O'BRIEN: Well, that is industrywide for breeders, Minister. The question is: in New South Wales they do not pay the tax. Do you think that is fair, and what will you do about it to make sure that our industry is on a level playing field?

Mr PAKULA: Well, in Victoria, Mr O'Brien, we provide some \$10 million over four years through the VRIF towards the VOBIS scheme, which is all about supporting the Victorian breeding industry.

The CHAIR: Minister, sorry to interrupt you in your flow, but for the sake of Hansard can you not use acronyms—the names

Mr D O'BRIEN: Victorian Owners and Breeders Incentive Scheme, I think.

The CHAIR: Yes. Thank you.

Mr PAKULA: Sorry. The Victorian Owners and Breeders Incentive Scheme. And I do sometimes fall into industry jargon, Chair, so that is a timely reminder, thank you.

The CHAIR: I think it is widely regarded that you are a passionate racing man.

Mr PAKULA: Yes, sometimes too passionate.

The CHAIR: With very bad tips.

Mr D O'BRIEN: Minister, and this will be probably one you will have to take on notice, but can you provide us with the amount of revenue that the government receives through stamp duty on livestock insurance with respect to thoroughbred horses? I do not want a big, long answer. Perhaps we can just take that on notice, if I could.

Mr PAKULA: In doing so, though, let me just say this, Mr O'Brien: the amount of revenue that the government might receive through that stamp duty would be a matter for the Treasurer—

Mr D O'BRIEN: Yes. Which is why I said I am happy for you to take it on notice.

Mr PAKULA: So I may have some discussions with him, and we will seek to provide the committee with more information if we can.

Mr D O'BRIEN: Sure. Minister, you would be aware of a recent *Herald Sun* article about the proposed development of Caulfield, which raised a few questions about the future of Sandown. Does the government support the retention of Sandown as both a race-day course and also a training centre?

Mr PAKULA: Well, first of all you describe it as a training centre. I think I would probably contest the extent to which that is the case. You need to understand that Sandown race track is freehold land owned entirely by Melbourne Racing Club. It is not like Caulfield or Flemington—

Mr D O'BRIEN: In that article they said obviously any future that the MRC looked at they would have to talk to stakeholders, of which the state government is number one. So do you have a view on the future of Sandown?

Mr PAKULA: The truth is: anything that the MRC may wish to do in regards to Sandown first of all would have to go through their members, and ultimately the sort of questions for government would be primarily questions for the Minister for Planning, because no doubt the club would have desires over the planning scheme and planning scheme amendments in regards to that if they were to make a decision about moving out of Sandown.

Mr D O'BRIEN: So have you had any consultations or been approached by anyone from—

Mr PAKULA: I think it should be assumed. I think it would be appropriate for you to assume that the Melbourne Racing Club do not operate in a vacuum and they make sure that others are aware of their thinking as they go through this process.

Mr HIBBINS: Thank you, Minister, Secretary and people appearing today. In your opening remarks you referred to a reduction in euthanasia rates and the number of greyhounds that had been adopted. Can you inform the committee about how many greyhounds have been euthanased in the last financial year?

Mr PAKULA: Well, Mr Hibbins, I think that number is contained in the GRV annual report. I think I indicated at the outset that in the last annual report there was a number in the 900s. I am advised it was 975—

Mr HIBBINS: Nine hundred and seventy-five.

Mr PAKULA: in the last report. To put that in some form of context, in 2015–16 it was over 3100.

Mr HIBBINS: Right. So your government spent \$3.47 million since December 2014 on animal welfare initiatives. We have still got 975 greyhounds on official figures being euthanased. Is it your government's intentions to get to zero?

Mr PAKULA: Well, I think this has been well ventilated, Mr Hibbins, over a long period of time. Greyhound Racing Victoria's objective, which I support entirely, is to get that number down as low as it possibly can, and the best way to do that is twofold—well, probably threefold—

Mr HIBBINS: What do you determine 'low as possible'?

Mr PAKULA: Well, Mr Hibbins—

Mr HIBBINS: Because there are deaths on tracks.

Mr PAKULA: If you let me finish, I will provide you with some clarity. I have talked about the infrastructure improvements that make racing safer. I have talked about the increase in the rehoming numbers, which on any reasonable person's estimation is an exceptionally good result, and it is about making sure the breeding numbers are appropriate. Now, that combination of things has led to the substantial reduction that I talk about, and GRV want to keep driving that number down so that it is as low as possible. Now, in any situation, if the only measure of success from your perspective is zero then—

Mr HIBBINS: Well, I want to know what your measure of success is.

Mr PAKULA: Then I suspect that you will be disappointed, because sometimes there are a range of reasons, including accidents, illness and the like, that mean that dogs may be euthanased. But that is not solely a function of greyhound racing; that happens amongst the normal canine population as well, Mr Hibbins, including at places like the Lost Dogs Home.

Mr HIBBINS: So how many deaths on track? On track deaths, what is the figure for the last financial year?

The CHAIR: I am sorry to interrupt you at that point, Mr Hibbins, but that draws to a close the portfolio of racing. I thank you very much for appearing before us today, Minister Pakula. The committee will follow up on any questions taken on notice in writing. Responses will be required within 10 working days of the committee's request.

Witnesses withdrew.