

CORRECTED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into 2003–04 budget estimates

Melbourne–30 May 2003

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Mr J. Pandazopoulos, Minister for Racing ;

Ms Penny Armytage, Secretary, Department of Justice; and

Mr Ross Kennedy, Director, Office of Gaming and Racing, Department of Justice.

The CHAIR — I welcome Mr Pandazopoulos, the Minister for Gaming; Ms Penny Armytage, Secretary, Department of Justice; and Mr Ross Kennedy, director, Office of Gaming and Racing, Department of Justice. I call on the minister to give a brief presentation on the complex financial and performance information that relates to the 2003-04 budget estimates for the racing and gaming portfolios. The committee has had an overview of the department, which has been helpful.

Mr PANDAZOPOULOS — We will do racing first and gaming later.

The CHAIR — Will you take no more than 5 minutes for the racing portfolio?

Mr PANDAZOPOULOS — Although they are in the one area we treat them as two separate portfolios. This information forms part of the new gaming and racing industry management output established to combine the previous gaming policy output from the Department of Treasury and Finance with the racing component of the sport and recreation industry output from the Department for Victorian Communities. The performance measure targets are set out. The output provides a leadership of strategic policy advice to me as minister on responsible management and regulation of the racing industry.

You will see that slide during the gaming presentation. The performance measures in 2003— 04 are not expected to vary greatly from the current year. The output cost of \$6.2 million includes a one-off contribution of \$3.75 million towards the Australian Racing Museum at Federation Square and the continuation of funding of \$385 000 for the country racing program, both of which I will refer to later. The balance of \$2.07 million represents salaries and operating costs, including departmental overheads.

I will give a quick overview of the industry. The Victorian racing industry is recognised as a national leader and is a key part of the Victorian economy, community and cultural heritage. It employs over 40 000 people, two-thirds in rural and regional Victoria, with an economic impact of the \$2 billion per annum, half of which occurs in rural and regional Victoria.

Carnivals like the Spring Racing Carnival alone have an economic impact of over \$330 million, the highest impact of any annual event in Australia. The mission is to secure the long-term success and pre-eminence of the Victorian racing industry at a national and international level, and the prime objectives are to ensure the probity and integrity of racing and to maximise racing's contribution to the economy and the community.

The key strategies are about the improvement of industry-governance structures, the promotion of excellence in the management of the racing industry and the establishment of partnerships with key industry sectors such as country racing and the breeding sector.

Achievements in 2002-03 included completion of the strategic research reports for the thoroughbred breeding sector, completion of an operational plan for the control of equine disease emergencies, development of Racing Victoria jockey retirement benefits packages and finalising of a report on the racecourses on Crown land working group.

There has been progress on a national agreement on a product fee for cross-border betting on Victorian racing, and we have led national discussions on the implications of betting exchanges in the Victorian and Australian racing industry. There has been successful implementation of the Living Country Racing program as well as confirming ongoing program funding until 2006-07; proclamation of legislation to enable bookmakers to form partnerships and restricted companies; funding support for the racing museum at Federation Square; and monitoring and support of the consolidation of Racing Victoria Ltd as the new governing body for the thoroughbred racing industry.

Priorities for 2003-04 are to ensure that harness racing and greyhound racing implement stakeholder consultation processes similar to Racing Victoria; monitoring the racing industry's implementation of measures of improved welfare of retired jockeys; coordination and implementation of state-based equine disease emergency plans with other states and territories; facilitating the relocation of the museum to Federation Square; participating in the cross-border betting and betting exchange task forces and implementing appropriate outcomes; establishing criteria for country race clubs to access the enterprise improvement program; facilitating negotiation of long-term tenancy agreements with country race clubs located on Crown land; facilitating development of a long-term strategic plan for the thoroughbred breeding sector; supporting the thoroughbred breeding industry access to the full suite of government assistance programs; and encouraging the racing industry's targeting of participation by women and young people in key industry roles. They are the key overviews.

The CHAIR — You came up the straight in record time. Thank you very much!

Mr PANDAZOPOULOS — You warned me, so I thought — —

The CHAIR — Thank you, Minister. In relation to the Australian Racing Museum you alluded to — —

Mr FORWOOD — You are not doing gaming?

The CHAIR — We are doing racing for 45 minutes.

Mr PANDAZOPOULOS — We were advised that they were separate, and we do treat them as two separate portfolios. I just happen to be the same minister.

The CHAIR — We can split it. In relation to the Australian Racing Museum at Federation Square you have allocated \$3.8 million in the budget. Could you please give us some indication of whether any funding is being provided by Racing Victoria, and could you also tell us what measures have been put in place to ensure the costs of project are contained.?

Mr PANDAZOPOULOS — The first thing to say is that it is not a state government project; it is a project of Racing Victoria. At the moment the Australian Racing Museum is in a tiny little spot out at Caulfield racecourse. I remember it very fondly from when I used to be the shadow minister and had discussions out there in those late 1990s about the need to showcase the heritage of racing in a more prominent and serious way. It was great to be able to work a mechanism for us to be able to provide a grant of \$3.75 million to Racing Victoria to make the Racing Hall of Fame and the Australian Racing Museum happen.

It is a national effort. There is agreement that the Australian Racing Museum and the hall of fame, which is recognising the greats in racing — the horses, the trainers, the jockeys, the wide variety of people involved — be located in Melbourne. It is a great cooperative effort around Australia, and it has been secured for Federation Square. Racing Victoria will match dollar for dollar. They are responsible for the whole program; it is their museum. We have certainly said that we want to make sure that all of racing is showcased. There are opportunities there for harness racing and greyhound racing to be showcased. Federation Square is Melbourne's biggest tourist attraction, and it is estimated that about 300 000 people are expected to visit the museum each year, which will make it another great tourism asset for Federation Square and for the state.

Access will be free of charge for the general display areas, I am informed. For special exhibitions, in line with what the National Gallery of Victoria and the museum do, there will be pricing policies to set a charge for that, but predominantly there will be free entry. I think all that reinforces that we are the undisputed capital of racing in Australia. They are looking very much at what we are doing over here in the racing museum, and that helps reaffirm what we are doing.

I wish to remind the Public Accounts and Estimates Committee that some legislative change will be required because we will be changing the way unclaimed dividends are collected. At the moment they are paid to Treasury after 12 months and in the future, once legislation is passed, they will be paid to Treasury after six months, and that one-off windfall will help pay for our contribution to the racing museum.

The CHAIR — And the second component?

Mr PANDAZOPOULOS — Yes; I just wanted to highlight that.

The CHAIR — How will we ensure the costs are contained?

Mr PANDAZOPOULOS — As I said, Racing Victoria is responsible for the project. It is its project. Our contribution is capped at \$3.75 million. It has a roll-out plan for that. It expects to open the museum later this year. Its fit-out is occurring. Predominantly it will be an exhibition facility — a three-level facility with exhibition space, interactive facilities, and on the costs, anything above the \$3.75 million is met by Racing Victoria.

Mr FORWOOD — A quick follow-up: how much money is in the unclaimed dividends fund at the moment? If you take \$3.75 million out and Kerry Packer comes in to claim his dividends, will Treasury advance you back the money?

Mr PANDAZOPOULOS — The way the mechanism is, it is not taken from unclaimed dividends. By bringing forward a payment, there is a payment of around that order, \$3.75 million, that they would suddenly have to make, because basically Tabcorp has been sitting on that money, and pay it after the year.

Mr FORWOOD — It is only TAB money, not bookies' money?

Mr PANDAZOPOULOS — It is the unclaimed dividends contribution — basically anything that goes into unclaimed dividends from the racing product, Tabcorp is the one that pays that into the unclaimed dividends fund. I am not sure what the total amount is. It is more of a Treasury-type question, but we do know in terms of the mechanism and how we have been able to work with Treasury on the matter, it is simply saying it is a forward payment that is being made rather than Tabcorp holding it in their books and then returning it after a year, they are paying it initially so it is not money drawn down from any — —

Mr FORWOOD — It is nowhere in the budget papers?

Mr PANDAZOPOULOS — It is not drawn down from the existing unclaimed dividends fund, so if Kerry Packer suddenly finds his winning ticket of that it was two years ago it will not come out of that. Tabcorp has been very cooperative. We have been very pleased that it is a supporter of the museum. It means that money it held onto for a year that it normally invests it will only hold for six months — —

Mr FORWOOD — What about the use of the money for the museum? I guess my question is: will we in future see more money being used out of the unclaimed dividends fund for initiatives in the racing sector?

The CHAIR — Acknowledging the Chair is being lenient.

Mr PANDAZOPOULOS — This is a one-off for the museum by bringing payments forward

Mr RICH-PHILLIPS — A one-off cash flow benefit?

Mr PANDAZOPOULOS — Yes.

Mr RICH-PHILLIPS — I ask you about the health benefit levy, I think it is called, that flows to racing clubs from the electronic gaming machine (EGM) levy. Given the projected decline in revenues from the EGMs, is that going to impact the fund that flows through to racing clubs or is that going to be maintained? I think it is a \$4 million figure annually that flows. What is the mechanism by which the \$4 million is set? Is that going to decline because revenue to government is declining or will that be maintained at that level plus?

Mr PANDAZOPOULOS — No, there is a commitment to provide that amount each year and for it to be reviewed in 2004–05 as part of the budget process. That was part of the agreement creating that levy with the racing industry, where it was supposed to be cost neutral to the industry. That is up for review in 2004–05. The government certainly felt at the time that the levy would impact on the racing product, and it was not its intention to take away from it. They simply pay in and they are paid back the equivalent which is around \$4 million. It is to be reviewed in 2004–05.

Mr RICH-PHILLIPS — What is the mechanism? Is it tied to turnover? Where you get the \$4 million from?

Mr PANDAZOPOULOS — It is per machine. You are talking about what the actual racing clubs get or what the racing product gets?

Mr RICH-PHILLIPS — We you get the \$4 million figure from? Is that a dollar figure per machine?

Mr PANDAZOPOULOS — It is worked out on the number of machines that they have in their clubs. It equates to around \$4 million, and \$4 million is in the forward estimates.

Mr FORWOOD — Sorry, I missed that.

Mr PANDAZOPOULOS — It makes it 25 per cent because they are a joint venture shareholder with Tabcorp, of course, so it is at that 25 per cent level. It is not the full amount of money, but there is 25 per cent where they benefit as part of the Tabcorp-shareholder relationship.

Mr FORWOOD — If it is in the forward estimates which output group is it in? Do you want to take that on notice? One interesting question we have been asking is: of each output group, how much is appropriation and how much comes from other sources?

Mr PANDAZOPOULOS — We will try to find it for you.

Mr FORWOOD — Take it on notice and get back to us, if you like.

Mr PANDAZOPOULOS — We will get back to you.

Mr MERLINO — Minister, in your presentation you gave us a broad outline of the economic impact of the racing industry in Victoria being \$2 billion per annum. Would you be able to provide the committee with further details about the economic impact of the racing industry in this state?

Mr PANDAZOPOULOS — Yes. You are right, I did say \$2 billion and 40 000 jobs. It is interesting that obviously by the nature of its product so many of these jobs are in regional areas. We are very conscious of that. The events themselves generate a whole lot of activity. I mentioned the Spring Racing Carnival, but there are a whole lot of country cups. Many are trying to leverage opportunities and many are also involved in tourism, so it is great to have that relationship wearing both hats.

It has contributed not only to the racing industry but the flow-on effects for tourism, hospitality and the agricultural sector are also part of all this. In many regional centres there are very well-known events, and I had the opportunity to visit Warrnambool recently. I understand there was some comment in the house about that, but it is their biggest racing and tourism event. The reality is that the Warrnambool event is the biggest provincial racing event in Australia.

Mr FORWOOD — Is it?

Mr PANDAZOPOULOS — Absolutely. We have some of those events here in Victoria. When I say we are the racing capital of Australia, we certainly are — —

Mr FORWOOD — You would have an argument with South Australians over the Easter Oakbank event, I think.

Mr PANDAZOPOULOS — If it were not Easter, who would go there, of course? That is another story.

What happens is that as part of being able to grow the economic impact we have been encouraging race clubs to think more about the fact they have got the brand but how can they differentiate to grow the product? That is where tourism comes in very strongly. Out at Ararat, for example, in November you have the Chinese festival. Ararat was discovered by the Chinese and they are building it with that flavour and working with the Chinese communities. It becomes a whole Ararat-Chinese festival, and in the end one of the events is the race. It actually started as a race and now it is a whole community event. The whole town benefits from that.

I was at the Avoca races, which is one of the great food and wine events at one of our picnic tracks. It is well-positioned and thinking about how it will grow the market. Another interesting one I was at earlier in the year was Camperdown, with its eat-bull, talk-bull competition. They are trying to differentiate by getting people in between races to come up to a microphone and give a yarn for a couple of minutes. At the end of the day they are judged on who has given the best yarn.

Mr FORWOOD — Did you win?

Mr PANDAZOPOULOS — I was one of the judges, but I can tell you there was a lot of competition. You might be surprised that a local from Camperdown won, so obviously he had a lot of people in the crowd convinced, which of course was a large Camperdown crowd. The reason I raise it is to highlight that different communities, irrespective of whom they are, are trying to say how can they be different to grow the profile of their event because they see their opportunities to grow the economic impact of their events and to show off their towns. In Ararat it is part of their Chinese heritage while in Camperdown it is a bit of larrikin humour out west, which is part of the atmosphere in those communities.

When we talk about the racing industry it is not just thoroughbreds. Harness is doing similar things — in recent times, we have seen that harness has been able to improve its performance, its market share. Greyhounds is as well. All our three codes are doing very well.

Obviously, there are the events that are well known, the cup events. There are a whole lot of other events that are not as well known but, I tell you what, they carry a lot of bets over the TAB and those communities are benefiting — whether or not people are on the track, they benefit by people betting on the product away from the track. Certainly everyone's objective is to increase visitation on the track — everyone would like to see that.

There have been some encouraging figures on growth in attendances at country racetracks where a lot of these events, beyond just making it a racing event, are working much better, so it is an integral part of us. The amount of \$2 billion is nothing to cry about. It is something we have to sustain because it is a competitive industry. While we are leading the way it does not mean we cannot keep on trying to lead the way. It is just harder trying to read the future, I guess.

Mr FORWOOD — I would like to follow up, Minister, the issue of country races as well. Sometimes, being the new minister, you have to pick up stuff left undone by your predecessor. Two years in a row this committee had conversations with your predecessor about the tenure of country racing tracks. Last year Mr Hulls said:

We have agreed to establish a joint government racing industry group to examine the issue with a particular view to developing model leases for racing clubs ... It is anticipated that the model leases will be finalised within the not-too-distant future ...

You would be aware of concerns of places like Swan Hill, Echuca and others about this issue. I think I am right in saying that those model leases have yet to appear and I wonder where we are up to in trying to solve this vexed issue in country racing?

Mr PANDAZOPOULOS — They are certainly in progress. You have identified key issues. These have been outstanding issues for a very long period of time, not necessarily with just my predecessor. There are very many mixed local arrangements about the leasing requirements on Crown land as well as in the relationships with committees. That is why there has been — I would not say an exhausting process in terms of discussions, but now we have an outcome paper. The planning minister has endorsed the report of the working group — —

Mr FORWOOD — Is that a public document?

Mr PANDAZOPOULOS — It has not been launched yet. My department is meeting now with Crown land's management staff to discuss the options for implementation. There is a great opportunity to be able to better reflect the committee of management relationships with what is currently occurring on sites through longer-term leases. Clubs are after 21-year agreements to provide certainty for them to plan ahead and for capital investment, so we are very conscious of that. The work has been done now; it has to be rolled out. There is agreement on what the standard lease is.

Mr FORWOOD — Agreement between?

Mr PANDAZOPOULOS — Through the working group. The working group has agreed on what the format of a standard lease should be. Obviously that has to be adopted at the local level, club by club, and they have different relationships with each other. There are some — —

Mr FORWOOD — Was the racing industry on the working group?

Mr PANDAZOPOULOS — Yes.

Mr FORWOOD — So they are happy with where we have got to?

Mr PANDAZOPOULOS — Yes, it is a unanimous report of the working group which involved different stakeholders. There are some committees of management where there is only a race club; there are some that have three of the race codes; there are also some that have different sports users; and there are some that have different relationships with their local councils that also want to be on the management committee. It is a matter of using the template and transposing it locally to create a lease for each of those individual sites to make it all happen so that it is not the same situation in every racecourse. If you take Cranbourne, for example — —

Mr FORWOOD — Well, they are special.

Mr PANDAZOPOULOS — They are, like a lot of them, but the complexity of three different race codes, a range of different sports club users and the largest training complex — now that a lease is negotiated to meet the needs of all of those — the template is there but we will have to negotiate the outcome that they need as well. However, we have the template — that is what everyone was arguing about; they wanted some standardisation. The standardisation is there and we will roll out the implementation.

Mr FORWOOD — When will the standard lease will be made available?

Mr PANDAZOPOULOS — It is available to the clubs now.

Mr FORWOOD — Can I have a copy?

Mr PANDAZOPOULOS — We can provide a copy.

Mr RICH-PHILLIPS — Will the minister inform the committee on what steps are being taken to ensure the safety of riders and horses during jumps racing?

Mr PANDAZOPOULOS — The committee will be aware that there has been a lot of debate on jumps racing, including recently in the papers. Yes, you do inherit things from your predecessors, and it is really good that there is a really strong focus on the whole jumps issue from an industry point of view and an animal welfare point of view.

Of course, animal welfare is the priority of the racing industry because the racing industry understands that in loving the sport people love the animals as much. There has been very good cooperation with industry to have a good look at the safety issues of both horses and riders involved in jumps racing. We know that when incidents occur they are very high profile in the media.

In May last year RVL announced a review of jumps racing. That review has now been completed. RVL released it for public comment. The outcome identified different things. It identified the season in which jumps racing should occur, the season being the most suitable time of the year from a safety point of view for the horses and the jockeys. The current proposal is to hold all the jumps racing from about six weeks prior to the Easter meeting at Oakbank until the end of October. It is believed this will minimise the likelihood of injury to horse and rider. The tracks are not as hard as then and there has been a lot of work done on what is the right time of the year to do that.

There is also a raft of alterations of conditions under which jumping should be seen. For a period of weeks at Cranbourne there has been trialling of the new design of jumps.

There is commitment to detailed reporting and analysis of all jumping incidents so there will be a better understanding of what happens when incidents occur. In the metropolitan area the minimum distance of jumping races will increase to 3000 metres — it was previously 2800 metres. That will ensure that jockeys reduce the race tempo. RVL has also announced a lot of changes to the guidelines of hurdles and fences themselves.

We believe this is leading the way in terms of welfare for jockeys and horses. It is certainly something that is being progressed in its implementation although it has not been fully progressed for implementation yet. Other jurisdictions overseas are looking at it. There is no doubt that there are well-known branded events like the Warrnambool steeplechase events — that is very well known around the world. There was a person there from the Japan racing club who is interested in the event at Warrnambool and in the opportunity of bringing jumps horses from Japan and involving the Japanese racing industry more. There is worldwide attention on what we are doing because of the great reputation we have and what we are doing in the welfare area.

Mr RICH-PHILLIPS — I would like to ask you about the Living Country Racing program. I understand the funding in this year's budget is \$1.5 million over four years, or \$375 000 per annum, down from an existing half a million per annum over the previous three years. I note also the targets on page 238 show a reduction in the number of applications under that program from actual in 2001–02 of 140 to a target for the coming year of only 70, so a halving of the number of applications. Can you explain why that is, in the context of the apparent funding reduction, and why the number of applications are down under that program?

Mr PANDAZOPOULOS — Firstly, the Living Country Racing program was a new initiative of the government when we were elected in 1999. It did not exist prior to then. It represented the biggest single capital injection into racing since 1994.

It is focusing on those upgrades that involve a broader community benefit. As we were touching on in the Crown land issue, many racing clubs have other users of their facilities and sometimes it is expected that racing clubs will do upgrades for the benefit of other users of the site or sometimes they get overlooked by local councils where they think that someone else has predominant responsibility over the facility compared to others. This program is about fixing up a number of those areas that have the broader community benefit.

The amount was \$1.5 million over three years and now it is \$1.5 million over four years, so on an annual basis there is a lower amount for the grants program, reflected in relation to the indicators. There has been much catch-up work done in relation to different facilities across country race programs but it is good that we have been able to secure that funding for another four years.

That program is popular among the racing clubs. They look forward to it being continued, and I am talking not only of race clubs along the three codes — thoroughbred, harness and greyhounds — that have many race events during the year but also in terms of the thoroughbred picnic races. Those events were not getting a razoo.

Places such as Avoca — what did they have access to? What about Swifts Creek and Tambo Valley? They do not have many events as picnic sites. They are the ones at which we have been able to do a lot more work, and we will continue to do work there. It allows us to take into account the broader community needs. At Pakenham we helped, with the Pakenham Racing Club, to fund a new playground for the very large young family population out in that growth corridor in the south-east. That is a broader community benefit and it is of benefit not only to the racing club but also to the broader community at tracks across many different locations such as Mansfield, Healesville, Edenhope, Coleraine, Casterton, and Alexandra.

This is a great program and it is very popular. The allocation is a bit smaller than the initial \$1.5 million over 3 years but \$1.5 million over 4 years will still do a lot of work, and it did not exist prior to 1999.

Mr RICH-PHILLIPS — I am surprised, though, at the drop off in the number of applications. Is it an issue about the need to promote the program better among racing clubs?

Mr PANDAZOPOULOS — No. You will notice at the bottom of the page that it is underlined as being only six months data.

Mr RICH-PHILLIPS — Yes, but I am looking at the target for the coming year, which I assume is a full year target?

Mr KENNEDY — I think you will find that in the 2001–2002 period there were actually two funding rounds open. The figure actually represents the number of applications processed as distinct from grants made, and the target in the following year is based on one funding round in each of those years.

Mr RICH-PHILLIPS — But given the minister's answer that the 2002–03 expected outcome is based on six months because of machinery of government changes, you could expect the whole year outcome to be around 140 applications in the current department and the previous department, and therefore in the new year we are talking about we are looking at only 70 applications. So next year's target is half what the current year's expected outcome is likely to be when you add the two departments together — the old and the new, if that is a six-monthly figure.

Mr KENNEDY — I guess it depends on where in the six months the grant applications were processed.

Mr PANDAZOPOULOS — We can provide you with an answer on that.

Mr KENNEDY — There is only one hit, you see — one date.

The CHAIR — By way of supplementary question, you mentioned that what was funded in a couple of places was playgrounds; is that correct?

Mr PANDAZOPOULOS — I was just giving an example for Pakenham.

The CHAIR — Are they accessible playgrounds? That is something you might like to take on board — whether they are access-for-all-ability playgrounds, for people with disabilities or those who might be mobility impaired who want to be there with their grandchildren. That is just a personal plug.

My question relates to the priorities for 2003–04, where you have outlined in your presentation that you want to facilitate the development of a long-term strategic plan for the thoroughbred breeding sector and support thoroughbred breeding industry access to the full suite of government assistance programs.

Minister, I know that in April 2002 funding was provided to Thoroughbred Breeders Victoria to commission an analysis of the breeding sector and document its value to the economy and community. The results of the study were to be used to help develop a long-term strategic plan. What were the key findings of the study, and what is the status of the strategic plan?

Mr PANDAZOPOULOS — There was a partnership with Thoroughbred Breeders Victoria, whereby we provided \$10 000 from the enterprise improvement program which was matched by Thoroughbred Breeders Victoria. It was, in effect, a snapshot-in-time study of the thoroughbred breeding industry in Victoria, and it was

prepared by Sinclair Knight, Merz. It analyses the breeding sector and its value to the economy and community. It is about providing additional information to the industry about how they can plan their future and further work that needs to be done.

Of course, thoroughbred breeding is a key part of the racing industry. It is an area that we should not forget. Its own economic contribution and the great Victorian horses that are housed in Victorian studs are renown and it is important that we continue to be competitive. The thoroughbred breeding industry contains the very well-known breeders along with a lot of individual owners, and that is the great thing about the horse industry — the partnerships available to joint owners of horses.

We are trying to give the annual yearling sales a better profile in terms of their competitiveness. The yearling sales earlier this year had a significant increase in sales and interest from interstate and overseas. A large number of people came from interstate and overseas to look at buying or investing in horses that have been bred in Victoria. The economic benefit flows down to localised communities because the breeding sector is in regional areas that are very well-known branded areas, in the Euroa region and the Mornington Peninsula. They have great studs.

The report tells us that the thoroughbred breeding and racing industry injects \$1.2 billion into the Victorian economy. It helps attract tourists to the state as a result of the reputation of the horses. The annual yearling sales recorded a 12 per cent increase on last year's average price — an 18 per cent increase in overall figures of the sale. Fourteen horses sold for more than \$100 000, which is a lot of money for many of these horses.

In terms of the next step in the strategic planning process, we are awaiting advice from Thoroughbred Breeders Victoria — because it is their report, we just provided funding to them — about what they want their priorities to be out of that report, before considering further avenues where the government can assist. The thoroughbred breeding sector is an area we are wanting to help become more competitive so that we can improve our profile as the racing capital of Australia.

At the same time, whilst working with the thoroughbred breeding sector, we have also been working with standard bred horses in the harness area. I was happy to launch last week an improved Vic bred breeders bonus scheme, which amounts to a 50 per cent boost in the bonus from 5 per cent to 7.5 per cent. This means, effective from any foals born in spring of this year, the breeder receives an additional incentive from Harness Racing Victoria.

The owner does not lose out. This is topped-up dollars to the breeder as an incentive for the breeder in the standard-bred area. This simply means a significant boost to the standard-bred breeding sector, which is predominantly based around Shepparton and Echuca, which is where most of the standard-bred horse breeding occurs. That means the potential, just with this extra bonus, is an extra couple of million dollars flowing into the standard-bred breeding sector, which is a significant incentive for them, particularly as they have been doing it pretty hard with the drought. So we have led the way in this area, and again other states are saying, 'If Victoria can do it in harness racing, why can't other states?'. I think we might have a bit of pressure on other states to follow our lead.

Mr FORWOOD — How much is going into that last bit for harness racing? Whereabouts in the budget papers is it?

Mr PANDAZOPOULOS — It is Harness Racing Victoria.

Mr FORWOOD — But you said that you announced it.

Mr PANDAZOPOULOS — I announced it on behalf of Harness Racing Victoria.

Mr FORWOOD — But it is its funds?

Mr PANDAZOPOULOS — It is harness racing industry funds. We have been working with both Racing Victoria and thoroughbred breeders and also harness racing about a stronger focus on the breeding sector of our horses, and the process that has come out of it is improving on the incentive.

Mr FORWOOD — Internet betting, bookies — where are you up to with betting exchanges, Betfair, the racing industry?

Mr PANDAZOPOULOS — There is cross-border betting, there is a whole lot. There are two things. I think you probably raised three things in there. One is bookies' Internet betting. There were changes made to the act that allow for it. The big issue is of freeloaders. There are two parts of that. One is cross-border betting where

freeloaders from other states are betting on Victorian product and the racing industry is not getting a red razoo out of it, predominantly out of the Northern Territory.

There was a ministerial cross-border betting task force put in place last year and a working group is due to report by the end of June. What we have done since the issue of betting exchanges has arisen, which is the third issue I think you touched on, betting exchanges, of course, are similar to cross-border betting, but cross-border to other countries where again there are the broader issues of beyond jurisdictions, issues of probity and integrity as well as issues of potential cash impacts on the racing industry. We have extended the terms of reference of the cross-border betting task force to include betting exchanges, so they will be reporting by the end of June to racing ministers. We do not have a racing ministers date yet. We hope we will be meeting in about August.

There has been obviously a lot of discussion about all of these areas, but on cross-border betting there is an in-principle agreement about levies being charged to those interstate jurisdictions that bet on products that are owned by other states, where that levy will flow on back to the racing industry. There is an in-principle agreement on betting exchanges not to issue any licences except for the Northern Territory and the ACT. They are the ones that always drag the chain. But at least from everyone else there is a commitment not to sign any licences. But it is a very serious issue. It is a serious issue of how you can control betting over the Internet. It is the same issue that the federal government has faced in relation to casino and poker machine products on the Internet where it has had the Interactive Gambling Act federally in an attempt to stop Australians betting on product. We know that there are many millions of dollars bet by Australians on those types of casino and pokies-type products on the Internet, most likely legally. There is a review of that act. We have written to the federal communications minister, Richard Alston, asking him as part of that review to also look at the issue of cross-border betting because the Interactive Gambling Act allows wagering to occur online, and therefore technically allows betting exchanges to occur, so as part of that review they should consider whether they want to deal with that.

But, of course, the racing industry is debating quite a lot of about what needs to be done. We will wait for that national working group report before we respond on it, but certainly our key focus will be on the integrity of the racing product; it need not be undermined, and we have to take a very close, serious look at the implications. Some that support betting exchanges are saying that you can be in a position that you get additional revenue flowing to the racing product because you are capturing overseas markets that otherwise would not have been aware of your product, whereas others end up saying that obviously because of the lower cost of running that service, it simply means less money going back to the racing product.

They are the key issues we are facing as part of the challenge.

Mr DONNELLAN — I have a supplementary on that which can be on notice. In turnover betting figures, the Victorian Bookmakers Association is very happy at the moment. I am wondering if you have turnover figures for the last three or four years because I think they have improved massively.

Mr PANDAZOPOULOS — We can provide those for you.

The CHAIR — Thank you.

Witnesses withdrew.