

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Budget estimates 2020-21 (Pakula)

Melbourne—Thursday, 3 December 2020

MEMBERS

Ms Lizzie Blandthorn—Chair

Mr Richard Riordan—Deputy Chair

Mr Sam Hibbins

Mr David Limbrick

Mr Gary Maas

Mr Danny O'Brien

Ms Pauline Richards

Mr Tim Richardson

Ms Nina Taylor

Ms Bridget Vallenge

WITNESSES

Mr Martin Pakula, MP, Minister for Racing,

Mr Simon Phemister, Secretary,

Ms Penelope McKay, Associate Secretary, and

Mr Peter Betson, Associate Deputy Secretary, Sport, Recreation and Racing, Department of Jobs, Precincts and Regions.

The CHAIR: Thank you, Minister, for joining us again—this time in your capacity as the Minister for Racing. We invite you to make a 5-minute presentation. I understand before that you would like to provide an answer to a question asked by the opposition in the last session. Following the 5-minute presentation, there will be questions from the committee members. Thank you.

Visual presentation.

Mr PAKULA: Thank you, Chair. Well, thankfully horse and greyhound racing have been able to continue to operate safely as authorised activities throughout the coronavirus pandemic. The three controlling bodies implemented extensive protocols to manage the risk of coronavirus. That included restricting access to race meetings and training facilities, exclusion of spectators, establishment of jockeys in teams, mandatory temperature checks at venue entry points. I think racing was uniquely placed to put strong biosecurity measures in place. The industry accounts for more than 33 000 full-time equivalent jobs, with 121 000 people employed, volunteering or participating in racing industry activities, so it has always been critical to retain every job where the risk can be safely managed.

Racing has proceeded under those strict protocols to ensure the health of the industry participants and the public. That has included restricting entry to necessary personnel only. So the carnival went ahead without crowds but was still a success. The industry secured a five-year deal with Channel 7 to broadcast 21 premium Victorian race meetings free to air. Seven's broadcast of the Cox Plate increased its average audience by more than 25 per cent. In 2020 more than 2 million Australians tuned into Channel 10 to watch the 160th running of the Lexus Melbourne Cup, and the VRC, MRC and Moonee Valley Racing Club delivered more than 5000 hospitality boxes to racing fans in their homes over the carnival as well.

The industry, notwithstanding that, has faced some significant financial pressures to continue to operate and support its participants, despite the measures already taken to reduce costs and to draw on cash reserves. We announced a \$44 million package for the industry in May that ensured that prize money returned to participants could return to pre-COVID-19 levels, protecting jobs in racing and in associated industries, but more importantly to ensure that clubs could remain operationally viable throughout the period and maintain safety and quality racing and training facilities so that they were ready to open their gates to the community, as they are now in a limited sense, and also to ensure that animal welfare centres in the industry were maintained. Greyhound racing got a bit over \$3.4 million, thoroughbred racing \$16.5 million, and \$24 million in emergency funding support was provided to Harness Racing Victoria to secure their immediate financial solvency and allow them to retain staff during the pandemic.

I will briefly touch on the VRIF. It has been a very popular program, returning racing industry money to the industry—almost \$60 million in funding for infrastructure projects since 2014 across all three codes and more than \$16 million in funding for animal welfare initiatives. In 2019–20 that program has provided nearly \$5 million in infrastructure projects across the three codes as follows: nearly \$3.3 million in thoroughbred, including \$60 000 for upgrade of the maintenance compound at Kyneton; \$300 000 for track irrigation at Wodonga; more than \$45 000 to renovate the owners room at Bairnsdale; \$150 000 to upgrade facilities at Benalla; and \$175 000 to construct an entertainment centre at the thoroughbred and harness venue at Horsham.

There has been more than \$1 million for infrastructure in greyhound racing and almost half a million for infrastructure projects in harness racing. There has also been substantial work done through the Raceday Attraction Program to increase on-course attendance and to promote race days across the three codes, including support for the Biggest Ever Blokes Lunch at Swan Hill, which saw an attendance spike of 26 per cent from the

previous financial year; more than \$4000 to support the Women on Track at Healesville greyhounds, which saw an attendance increase of 200 per cent from the previous year; support for the Hamilton Cup, which saw an attendance increase of more than 10 per cent on the previous year; thousands of dollars to support Christmas races at Bendigo harness, which saw an attendance increase of 13 per cent on the previous financial year; support at places like Dederang, which saw similar numbers to the previous year despite bushfires; and \$13 000 to support the Moe Christmas races, which saw an increase of 27 per cent on the previous financial year.

In terms of prize money there has been distribution to the three codes across the 2019 and 2020 calendar years that was a commitment in last year's budget: \$33 million for thoroughbreds, \$6 million for harness and \$1 million for greyhounds along with \$2 million for training infrastructure upgrades across the state and \$1 million for upgrades to key racetracks.

Finally, on integrity the Victorian Racing Tribunal commenced operations on 1 August. It is chaired by Judge John Bowman and replaces the individual racing codes, racing appeals and disciplinary boards. On 30 July 2019 the Racing (Integrity and Disciplinary Structures) Regulations came into operation to support the operation of the tribunal, and the Victorian Racing Integrity Board commenced operations on 1 August. That is chaired by Justice Jack Forrest. The first annual report of the VRIB was tabled in Parliament on 29 October 2020.

Chair, just to deal with a matter I took on notice in relation to Marvel Stadium in the previous hearing: of the \$225 million committed, \$25 million has been paid to date; \$200 million remains.

The CHAIR: Thank you, Minister. I will pass the call to Mr Tim Richardson, MP.

Mr RICHARDSON: Thank you, Chair. Thank you, Minister and department representatives, for joining us today. Minister, can I refer you to budget paper 3, page 274, and the performance measure relating to racing matters processed. Are you able to identify what support has been provided to the Victorian thoroughbred racing industry and why this support has been necessary?

Mr PAKULA: Thanks, Mr Richardson, for the question. Of the 33 000 jobs I talked about, about 25 000 of them are in the thoroughbred industry, and it contributes over \$3 billion to the economy. That is why we were pleased to acquit the election commitment regarding prize money contribution to thoroughbred racing. It has been an important initiative which has played a very important role in ensuring the ongoing pre-eminence of Victorian racing, despite the lack of crowds and the significant impact on racing clubs across the year. In a year where a lot of industries were in hiatus the ability of racing to continue under strict protocols, I think, has really been an incredibly positive reflection on all of the participants across the three racing codes, and the continuance of racing and the distribution of prize money has played an important role across three broad areas.

Firstly, it has ensured that the thousands of jockeys, stablehands, trainers and owners across the state, most of whom are in regional Victoria, can continue to benefit from the distribution of that prize money and the wages that come from it. Secondly, it has ensured that we remain an attractive proposition for overseas investment and relocation, so trainers like Mike de Kock, who have gone into the training centre at Cranbourne in Ms Richards's electorate, and others—in fact I ran into Tony McEvoy just last night, who is moving from South Australia and establishing himself at the facilities in Dowling Forest in Ballarat. Thirdly, the continuance of racing has played an important welfare role for training and the wellbeing of horses and participants alike. So while racing has continued it has been really important for us to continue to support Racing Victoria and the clubs that they support, both the metro clubs and the country clubs, to invest in the world-class facilities. So the Caulfield relocation project, which was announced back in 2018, is a really important project for that local community but it is also going to have benefits for both Cranbourne and Pakenham.

Some of the projects that we have supported over the years have reached some really important milestones. So the tunnel, the inside training track and the synthetic training track at Cranbourne, which was an \$8.5 million component—that was completed in parts in March and in July–August respectively. And the equine pool at Pakenham, which was a \$1 million component of the Caulfield relocation project, was completed in March of this year as well. So the benefits for Cranbourne and Pakenham are readily apparent. The ultimate beneficiaries, which will be in some respects the local community in Caulfield, who will have much greater access to the interior of that racetrack in the future as a community facility, also should not be understated. That has been a wonderful project, but it is just one of many.

Mr RICHARDSON: I know the member for Cranbourne is very happy with that, and it is the biggest employer in her patch. Minister, for the benefit of the committee, can you identify any unique initiatives that the government has been able to support over the past year through the Victorian Racing Industry Fund?

Mr PAKULA: Yes. Look, I think the most unique was probably the work that was done at the Buchan and Gelantipy Racing Club, and I attended the Buchan Cup this year along with the Shadow Treasurer and the Shadow Minister for Racing and Jane Garrett, the member for Eastern Victoria. There was a good contingent there along with quite a lot of media. And the reason it was I think so iconic was the determination of the local community to put that meeting on despite the impact of bushfires. So the judges tower, the winning post, the running rails and the home straight were all damaged extensively by fire. A lot of that fire damage was still observable on the day of the Buchan Cup, but the local community rallied together with the support of the local footy club and local tradesmen and they made all of the repairs that were necessary to get the race up and running, even though the winning post was still half-burnt. We supported that with a \$25 000 contribution from the Victorian Racing Industry Fund, and off the back of substantial bushfires that had affected Buchan there were thousands of people in attendance. It was quite an unbelievable afternoon.

We also contributed various support to other meetings which were impacted by bushfires during early February and early March: the Towong Cup, which we supported with over \$19 000; the Lakes Entrance Cup, with more than \$17 000; and the Hinnomunjie Picnic Races, with more than \$14 000. So it is just a snapshot of the sort of work that you can do through the VRIF that looks like it is exclusively for the racing industry but ultimately it is really for the benefit of those local communities for whom the racing club is sometimes the epicentre of community activity, and it is one of the great days out for those communities. And if we can support that through the VRIF and the Raceday Attraction program, I think it is a wonderful legacy.

Mr RICHARDSON: I think the importance in jobs and in employment for those communities is so critical as well. 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: Well, look, since we came to office, Mr Richardson, we have provided more than \$47 million for projects through the VRIF—that has been well over 200 unique projects. There was \$3.3 million for 19 projects across the 2019–20 financial year. That is less than you would normally have, but that is pretty understandable given the impact of COVID and the pause on some projects being undertaken by clubs and codes. Even with the ongoing impacts of COVID, we have had to continue to invest in infrastructure not just for job creation but the maintenance of those projects for the continuation of our pre-eminence in racing, and so there have been a whole lot of really important projects in regional Victoria included in that. So we supported the Stony Creek tie-up stalls project. That is a \$385 000 project to which we contributed \$175 000—we worked with CRV, Racing Victoria and the Stony Creek Racing Club. So that has seen the demolition of the tie-up stalls and the construction of new stalls, and that is nearing completion. We think it will be completed before the next race day on 28 December. I do not think that is in Mr O'Brien's electorate, but it is not far from it.

Mr D O'BRIEN: It is.

Mr PAKULA: It is in it? Right. Then there was \$30 000 towards the Bairnsdale ambulance track, a \$60 000 project—that is in Mr Bull's electorate but not far from Mr O'Brien—and \$41 000 towards a \$91 000 project to upgrade irrigation at Gunbower. And then there has been a whole range of projects at picnic clubs across the state, where participating clubs put in \$150 000, Racing Victoria and CRV put in \$50 000 and we put in \$100 000, at places like Alexandra, Balnarring, Drouin, Dederang, Mansfield, Merton, Omeo and Woolamai. So the money spreads far and wide. Then we put in \$46 500 to support a fencing upgrade at the Terang and District Racing Club, which I think is definitely in Mr Riordan's electorate. So this is a program that provides benefits—

Mr RIORDAN: Was that more money for the trotting track?

Mr PAKULA: We can come back to the trotting track. This is a program that really provides benefits, not just for racing but to jobs and the development of infrastructure right across Victoria.

Mr RICHARDSON: Minister, in the time I have got remaining I want to take you to racing industry development initiatives, and I refer back to budget paper 3, page 274, and the performance measure relating to

racing industry development initiatives. Are you able to outline for the committee's benefit what actions the government has taken to boost integrity in the racing industry?

Mr PAKULA: Yes. Well, coming out of the Bittar review—we accepted the recommendations that came out of that and passed the *Racing Amendment (Integrity and Disciplinary Structures) Act 2018*. We created the Victorian Racing Tribunal and the Victorian Racing Integrity Board. They both commenced last year. The government has been working closely with the controlling bodies and their integrity department, associated industry groups and the existing appeals and disciplinary boards to deliver that major restructure. Some of the people that we have attracted to those boards I think are just worth mentioning: Jack Forrest, QC, a former judge of the Supreme Court and a director of RASL, who is chair; Peter Young, the deputy chair, a former Family Court judge; Jacqui Billings, who has been heavily involved down at Moe and who is also a magistrate assigned to the Children's Court and a former member of the Greyhound Racing Victoria integrity council; and Elizabeth Clarke from Terang, who has had a longstanding involvement in governance at all levels of harness racing with vast knowledge and experience in integrity matters. They are the sort of people that we have attracted to the integrity board, and I think it is making a great difference.

The CHAIR: Thank you, Minister. I will pass the call to Mr Danny O'Brien, MP.

Mr D O'BRIEN: Thank you, Chair. Minister, budget paper 4, page 19, refers to the taxes raised by racing and other sports, and of course that includes the point of consumption tax. Now, I appreciate the rate that the point of consumption tax is set at is a decision for the Treasurer; however, you will be involved as part of the review that is forthcoming.

Mr PAKULA: I will.

Mr D O'BRIEN: The question I have is: do you believe equity is required with New South Wales given its rate is 10 per cent and ours is currently 8?

Mr PAKULA: Well, that is a good question. I think it is also true to say that in other states and territories the rate is different again. In South Australia it is 15 per cent, in New South Wales it is 10 per cent, in Queensland it is 15 per cent, in Western Australia it is 15 per cent, in Tasmania it is 15 per cent and in Victoria it is 8 per cent. So we have got the lowest pop, and that is good for some—it is probably good for punters. But in terms of—

Mr D O'BRIEN: Are you conflicted in this matter, Minister?

Mr PAKULA: I have been known to have a flutter, Mr O'Brien, on occasion.

Mr D O'BRIEN: Go on. Go on.

Mr PAKULA: But in terms of returns to the industry, one of the consequences of the lower take is that the amount that flows through to the industry is less than it would be in New South Wales. They raise 10 per cent and send 2 per cent through to the industry; we raise 8 and sent 1.5 through. So the government takes more in New South Wales and the industry gets more because they raise more. We raise less. We send as much through—in fact a bit more through—as a percentage, but the total is less. Now, I do not want to prejudge the review, but it is fair to say that at least parts of the industry would see a higher point of consumption tax as being an opportunity for greater tax parity, and I think that is not an unreasonable position for the industry to adopt.

Mr D O'BRIEN: And given New South Wales is our major competitor when it comes to racing, do you concede that our industry is at a disadvantage if we stay at the same rate?

Mr PAKULA: I would concede that at least on some levels if the current rate is maintained, it will mean that the amount of point-of-consumption tax revenue that flows through to the industry will be less than the amount of point-of-consumption tax revenue that flows through to the industry in New South Wales. There is no question about that.

Mr D O'BRIEN: The question is not just about the rate, as you indicated. If the rate does not change, would you look at actually increasing the return to industry?

Mr PAKULA: That one is definitely a matter for the Treasurer.

Mr D O'BRIEN: You have a say in it though.

Mr PAKULA: As racing minister of course I would always advocate for the industry to be as beneficially treated by the pass through of that rate as possible, but I recognise there are other imperatives for government.

Mr D O'BRIEN: Sure. Okay, thank you. The lead-up to the Cox Plate was an infamous decision that you backflipped on with respect to the crowd at the Cox Plate. Why did you make that announcement that there would be 1000 people allowed?

The CHAIR: Mr O'Brien, this might be a question for the COVID inquiry, but I would ask for a budget reference in relation to the scrutiny of the budget papers.

Mr D O'BRIEN: Budget paper 3, page 253, refers to sport, recreation and racing and how it supports participation in the racing sector. This is a direct question about supporting participation in the racing sector.

Mr PAKULA: Chair, I do not want to cut across your rulings, but I am more than comfortable with the question.

The CHAIR: Thank you.

Mr PAKULA: I indicated at the time, Mr O'Brien, that the decision was a mistake. If you read the transcript of what was a very lengthy press conference held out in front of 1 Treasury Place, I indicated that in terms of—and it was not a decision made by me alone, but as I indicated, I was the primary advocate for it. I think what I said at the time, which I would reinforce now, is that in my enthusiasm to support the industry—and I am a passionate advocate for the industry and the idea of having some owners at least on course for what was an historic Cox Plate, the 100th running of the Cox Plate, was something that I was an enthusiast about—and in coming to that conclusion I think I paid insufficient attention to what would be the attitude of the rest of the community. Even though restrictions had been eased to an extent, they had not been eased sufficiently for the community to think that was reasonable. I think the community response to that was pretty clear and pretty quick, and I suggested to others within the government very quickly that I thought an error had been made and it would be best if we reversed that decision as quickly as possible.

Mr D O'BRIEN: Coming at it from the racing perspective then, the same week there were country cups on, say Bendigo in particular, in areas where there had been no COVID cases for months. Why did you not at least look at allowing owners and associates back on for those cups in the first place?

Mr PAKULA: At that time owners were allowed on track at country races. Now, not every country club took that up, but owners were allowed on track. Fans beyond owners were not—

Mr D O'BRIEN: Members as well, Minister.

Mr PAKULA: No, members were not. Owners were. Some owners attended some country races, not all of them. The broader decision about when crowds could return to racing of course was, like every other decision in terms of the restrictions framework, a decision made by government based on public health.

Mr D O'BRIEN: Do we know when that will be, when we will get full crowds back at racing?

Mr PAKULA: Well, some crowds have now started to return. We have now got, under the tier 3 public event framework—

Mr D O'BRIEN: Uncapped—is it something that we expect the Premier to talk about on Sunday?

Mr PAKULA: No, no. Let me just—I think I will answer your question in the run.

Mr D O'BRIEN: Quickly though, Minister.

Mr PAKULA: It is up to 500 at the moment. In tier 2 there will be 500 to 5000 based on application. We already have a range of applications that have been submitted—22 applications over the next month or two. They will be considered under that public events framework in the coming days and weeks, and we would expect that sometime in the not-too-distant future you will see crowds in that band start to return.

Mr D O'BRIEN: Minister, as the racing minister, do you unequivocally support the continuation of jumps racing in Victoria?

Mr PAKULA: I have always been a supporter of jumps racing, Mr O'Brien, to the extent that I have attended the Warrnambool jumps racing carnival many times—in fact long before I was the racing minister. Having said that, it is always incumbent on the racing industry and particularly those involved in jumps racing to ensure that they make that part of the industry as safe as possible and that they continue to learn from any incidents that occur.

Mr D O'BRIEN: Thanks, Minister.

The CHAIR: Thank you, Minister. Mr Hibbins.

Mr HIBBINS: Thanks, Chair, and thanks, Minister, and your team for appearing this morning. Part of the output of the \$779.4 million for sport, racing and recreation is the promotion of animal welfare, but I do not see, in terms of the performance measure, any corresponding performance measure for animal welfare. So I ask: how do you actually measure performance in terms of animal welfare? Obviously one of the most public animal welfare issues is that now six horses have died in the last eight Melbourne Cup races, so are there any particular initiatives you are taking to address that specific animal welfare issue as well?

Mr PAKULA: I will deal with those two matters briefly, Mr Hibbins, because I do not think we have got a lot of time. You are right in saying that they are not specifically referenced in the performance measures, but racing industry development initiatives, some of those are animal welfare initiatives. Some of those racing matters processed are animal welfare initiatives. And indeed, investing in significant upgrades to greyhound-training facilities and greyhound track upgrades at places like Cranbourne, Traralgon, Geelong, Shepparton, Horsham, Warrnambool—a lot of those have an animal welfare frame over them. Beyond that, of course, the three codes have their own responsibilities that do not sit within the budget papers because they sit within the frameworks of those three codes, and it is part of what the racing industry board, the RIC and the stewards and others have responsibility for within those racing codes. There are a whole range of projects, for example, that have been funded through the VRIF that would be broadly described as animal welfare projects, and I could run through them, but it would take up the rest of the time for questions.

Mr HIBBINS: Yes. It is more about: how do you actually measure the outcomes?

Mr PAKULA: In terms of the other matter you raised, which was Anthony Van Dyck at the Melbourne Cup, that was a tragic outcome and it seems, if not clear, at least there are some pretty clear pointers to the fact that there have been issues in regard to international horses suffering catastrophic injuries in that one race. So to put that in context, there have been no incidents with local horses in the Melbourne Cup that I can recall since probably Dulcify in 1979. There may have been one in the intervening period. And there have been almost no incidents with international horses in other races.

There has been a number of incidents with international runners in the Melbourne Cup, and that is why Racing Victoria has, with my full support, undertaken an extensive review of all of the factors relating to international runners in the Melbourne Cup. That will focus in part on Werribee, it will focus in part on many other factors, including the veterinary requirements of horses upon arrival to Australia and before their departure, training facilities, the condition of the race and the track. That review will be supported by Dr David Sykes, but also by Vin Cox of Godolphin and Chris Waller. They have committed to publicly release the findings of that report. I think a lot of people in the industry are equally keen to see the outcomes of that report because there is reputational risk involved as well as, obviously, the tragic outcomes for those horses themselves.

When in 2018 Racing Victoria implemented those measures to improve the safety of international horses, including the requirement that all of their legs are X-rayed and a pretravel examination is undertaken, there was some controversy about that, there was some resistance to it. There was famously some resistance last year, when a couple of horses were scratched on the eve of the cup because of the scan. I think those decisions were proven to be correct. So that review will be very important. Everybody in the industry wants to get to the bottom of why there is an apparent issue with international runners in the Melbourne Cup.

Mr HIBBINS: Thanks, Minister. Now, you indicated one of the achievements was the funding for prize money and that was acquitting an election commitment. That lasted for two years. Does that mean that that subsidy for prize money is no longer continuing?

Mr PAKULA: We have got arrangements in regard to last year and this year, arrangements in regard to future years. We will make announcements about that at the appropriate time. I would simply make the point that prize money support is incredibly important in ensuring the ongoing pre-eminence of Victorian racing. We have a very motivated competitor over the border who would, if they had their way, take our trainers, our jockeys and most of the tourists who come to Melbourne for the spring carnival up there, and it is something that we are intent on dealing with.

The CHAIR: Thank you, Minister. Thank you, Mr Hibbins. That concludes our time for consideration of the racing portfolio today and concludes our time with you for the estimates hearings. We thank you and your officials very much for appearing before the committee today. The committee will follow up on any questions taken on notice in writing, and responses are required within 10 working days of the committee's request.

The committee will adjourn and reconvene at 12.50 in its capacity of consideration of the government's response to the COVID pandemic. Thank you.

Witnesses withdrew.