

VERIFIED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into Budget Estimates 2017–18

Melbourne — 23 May 2017

Members

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Ms Sue Pennicuik

Ms Harriet Shing

Mr Tim Smith

Ms Vicki Ward

Witnesses

Mr Martin Pakula, Minister for Racing,

Mr Greg Wilson, Secretary, and

Ms Cate Carr, Executive Director, Liquor, Gaming and Racing, Department of Justice and Regulation.

The CHAIR — Good morning. I declare open the public hearings for the Public Accounts and Estimates Committee inquiry into the 2017–18 budget estimates. All mobile telephones should now be turned to silent.

I would like to welcome the Minister for Racing, the Honourable Martin Pakula, MP; Mr Greg Wilson, Secretary, Department of Justice and Regulation; Ms Cate Carr, Executive Director, Liquor, Gaming and Racing; and in the gallery Mr Ged Prescott, Manager, Office of Racing.

All evidence is taken by the committee under the provisions of the Parliamentary Committees Act, attracts parliamentary privilege and is protected from judicial review. Comments made outside the hearing, including on social media, are not afforded such privilege.

Witnesses will not be sworn but are requested to answer all questions succinctly, accurately and truthfully. Witnesses found to be giving false or misleading evidence may be in contempt of Parliament and subject to penalty.

All evidence given today is being recorded by Hansard, and you will be provided with proof versions of the transcript for verification as soon as available. Verified transcripts, presentations and handouts will be placed on the committee's website as soon as possible.

All written communication to witnesses must be provided via officers of the PAEC secretariat. Members of the public gallery cannot participate in the committee's proceedings in any way and cannot photograph, audio record or videorecord any part of these proceedings.

Members of the media must remain focused only on the persons speaking. Any filming and recording must cease immediately at the completion of the hearing.

I invite the witness to make a very brief opening statement of no more than 5 minutes. This will be followed by questions from the committee.

Visual presentation.

Mr PAKULA — Thank you, Chair, and thanks for the opportunity to present on the racing portfolio. As you can see from the pie chart, the racing portfolio is about 1 per cent of total justice expenditure at 45 million, the majority of which is VRIF grants, which are about 35 of that 45 million.

The racing industry makes an enormous contribution to the Victorian economy. There is an economic impact in excess of \$2.8 billion per annum. Those benefits are shared across a number of industries, including the fashion industry, our hospitality sector, our tourism sector and our transport sector. There are more than 114 000 people who are directly involved in the industry, either as employees, as participants or as volunteers.

The government has, as members would be aware, made some large strides in regards to the governance of the industry. In 2015 and 2016 we amended the Racing Act to strengthen the governance arrangements for both harness racing and greyhound racing. On 9 May this year we introduced amendments to support improved governance of Racing Victoria. There is a typo on the screen there. It says, 'New arrangements will ensure independence from RVL board'. It is the independence of the board from shareholders and to minimise conflict of interest.

In regards to greyhound racing, the racing integrity commissioner and the chief vet made 68 recommendations in regards to the greyhound industry. We accepted all of those recommendations in principle, and 35 of them have been implemented. The government and GRV are working together to implement all of the remaining recommendations.

In regards to the VRIF, a very important funding source for the industry which returns all unclaimed dividends and on-course wagering taxes to the industry, there is \$86 million which has been committed to continue the VRIF until at least 2019. Since coming to office, \$48 million has been provided for 414 projects valued at over \$238 million; and \$2 million from the VRIF has been provided to the VRC for the Flemington grandstand project, which alone is valued at \$135 million.

Just briefly in terms of VRIF infrastructure, there has been \$22.74 million provided for 162 infrastructure projects. Sixty-one projects are in regional and rural Victoria to improve racing and training facilities and enhance public amenities. That includes, for example, the equine swimming pool and sand fibre track at Warrnambool, the upgrade of race day stalls at Ballarat, the track upgrade at the Mildura Harness Racing Club and generators for the Bendigo and Swan Hill harness tracks.

A very important part of the VRIF is the Raceday Attraction program, where \$10.5 million has been provided through the RAP to support 213 projects valued at over \$24 million as at 1 April. They include, again, the night racing launch at Pakenham, the Kids Summer of Country Racing through CRV, seniors race nights at Tabcorp Park in Melton, the Easter egg hunt at the Melbourne Racing Club through Camp Quality, and the Pink Ribbon Day at Cobram Harness Racing Club with the support and cooperation of the McGrath Foundation.

So the VRIF is an outstanding fund. It is very important in terms of ensuring that there is appropriate infrastructure across the racing industry through all three codes, city and country, and the ability to allow clubs to attract more people to the races to support this vital industry. With those few opening comments, Chair, I am happy to take questions from the committee.

The CHAIR — Thank you, Minister. You were very efficient; you are about 80 seconds ahead of schedule. On that note, I will hand over to Ms Shing for 9 minutes until 11.24 a.m.

Ms SHING — Minister, I might take you to the question of country track upgrades and the infrastructure upgrades at country racing tracks that you referred to in your presentation. Budget paper 3, page 293, has got the objective of a sustainable racing sector. I would like to get further information and updates from you in relation to what the Victorian Racing Industry Fund is doing in regional areas, and if you would like to focus on Gippsland, feel free. I know that there are a number of areas where racing is very near and dear, whether as off-the-track initiatives or as part of a regular schedule.

Mr PAKULA — As I indicated briefly in the presentation, there has been over \$20 million to regional clubs, for something like 130 projects. The sort of work that is supported by the VRIF is wide and varied, and includes track surfaces; drainage; better public facilities, whether that is seating or other amenities; railings and fences; and importantly water-saving projects.

To give you some examples, we went out to Maryborough to put in solar panels and a septic tank; that was just under \$32 000. We have supported the Stawell Harness Racing Club with a track upgrade, with \$273 000 support; the Echuca Racing Club irrigation upgrades in the vicinity of \$400 000; a sand fibre track upgrade at Seymour of \$600 000; \$200 000 for the upgrade of the public facilities in Geelong; and a range of support — for example, veterinary facility upgrades in Pakenham and mounting yard upgrades at Stony Creek. So we have really spread that support right over Victoria. You talk about Gippsland, Ms Shing — you cannot talk about it without having an appreciation of the economic impact in regional and rural areas. If I go to just Gippsland and Gippsland East particularly, our estimate is that the economic value of the racing industry in that region is over \$100 million per annum. It is a very important industry in regional Victoria.

Ms SHING — Is that trending upwards, Minister?

Mr PAKULA — Given the incredible work that has been done by CRV and the increased attendances that we have seen at both the country races and picnic races in regional Victoria, I think the answer is yes.

Ms SHING — Minister, I would like to take you to a separate part of your portfolio, and this will come as no surprise to you and probably anyone else who is listening intently: greyhound breeding, adoption and integrity and the work that has gone into improving animal welfare, reducing the number of litters and pups whelped and improving on greater integrity initiatives and funding for animal welfare. There has been a huge number of greyhounds that have been adopted throughout the Greyhound Adoption Program, one which I very actively support, and I think there has been around —

Mr PAKULA — Personally!

Ms SHING — Very personally support — there have been around 7000 adoptions, as I understand it; most of them are mine.

Ms WARD — How many of them have you created, Ms Shing?

Mr DIMOPOULOS — Six thousand, nine hundred and ninety-nine are yours!

Ms SHING — Six thousand, nine hundred and forty-two! Now, Minister, I would like to get a sense of the momentum that is continuing to be driven around animal welfare for the greyhound racing industry and for the support being provided as a consequence of the implementation of the recommendations from the chief veterinary officer and racing integrity commission investigation.

Mr PAKULA — As you would be keenly aware, the live baiting scandal was a seismic event for the greyhound industry, and it led to reviews in three states. We did not go down the path of New South Wales in seeking to peremptorily ban greyhound racing; we decided that we would implement those recommendations and make improvements to the industry.

One of the things that was identified out of the two reports was the issue of wastage of greyhounds, and one of the things that was identified was an oversupply of dogs — too many greyhounds being bred — which led to very unfortunate consequences. In the 12 months to 30 June I am happy to report to the committee that the number of Victorian-bred litters decreased from 926 to 634 — that is a substantial decrease in litters — and the number of pups whelped dropped from 5810 to 4068, so a substantial reduction in the number of pups that were born terms of the greyhound industry. The flow-on effects of that in terms of those other numbers I think will be very apparent once the 2016–17 annual report is released.

The actions that GRV took to deliver that outcome included the suspension of the Greyhound Owners and Breeders Incentive Scheme but importantly a substantial increase in compliance activity, which you referred to, to ensure that animal welfare priorities were given the attention they deserve. It also ensured that breeders who are not up to code faced increased costs.

In terms of the Greyhound Adoption Program, which is an outstanding program, the number of adoptions in 2015–16 was 895, which was an all-time record, but I can say that that has already been eclipsed in 2016–17 — there has already been 34 more dogs rehomed this financial year than there were last financial year, and there are still some six weeks to go in the financial year. So we have already broken that record, and I think that is only going to continue, because GRV's commitment is that within three years they aim to rehome all dogs bred in Victoria, and I think that will be an outstanding outcome for animal welfare.

Ms SHING — Absolutely. That is an incredibly positive target to be moving towards, and to see that they are tracking towards that so well is excellent. Noting that owners and trainers appear to be moving from a quantitative approach to breeds and litters to a qualitative approach around getting the best dogs they possibly can and that that correlates to a reduction in total dogs in the industry, with the numbers that are increasing in the adoption space, how do we at the back end of it, in rehoming, continue to support people who want to adopt greyhounds? They are a very amazing beast, and how do we make sure that they are given as many opportunities as possible to be adopted, whether through collar-based programs, whether through increased access to tenancy arrangements — the best opportunities for rehoming?

Mr PAKULA — As you would be aware, I announced last year that Greyhound Racing Victoria have opened up a new facility just out of Ballarat, which means that people in western Victoria do not have to go all the way to Seymour if they want to meet and adopt a dog. Greyhound Racing Victoria continues to look at ways that they can expand the Greyhound Adoption Program. The demand for retired greyhounds is very strong, and we need to provide people with the greatest ability they can to meet and hopefully adopt a greyhound, so we are going to make sure that those facilities are available in more areas.

Mr MORRIS — BP3, page 268, particularly the regulation of the racing sector but, Minister, the issue I want to go to is the restructure of the RVL board. I understand that under the proposed changes the advisory committee from which you will take recommendations regarding the board members is still, in a majority, made up of the same industry representatives in that they will have three of the five positions. Is that correct?

Mr PAKULA — Three of the five positions on that advisory panel for the initial appointment round given that there is a brand-new model. Moving forward, four out of five.

Mr MORRIS — So, while you have indicated previously that you did not want the board to be chosen by the industry that it regulates, effectively that is what is still occurring, is it not?

Mr PAKULA — No. Let me give you the background and then explain what will happen moving forward.

Mr MORRIS — Bearing in mind that we only have 9 minutes and there are a few other things I would like to get to.

Mr PAKULA — I will do it very expeditiously. Racing Victoria, as I am sure you know, is a company limited by guarantee, not a statutory authority, so it has shareholders. Whilst it was my view that moving forward it would not be appropriate for those shareholders to choose the board that effectively governs them, equally it was my view that it would not be appropriate to cut them out of the process altogether. The three metropolitan clubs and Country Racing Victoria are the shareholders, and there are other stakeholders, including owners, breeders et cetera. What we are moving towards is a model where, rather than those shareholders and stakeholders choosing the board — so we moved from where they voted for the board to where they chose the board through a selection panel — they are an advisory panel, but the final decision will rest with the Minister for Racing. It is not a role that I particularly — —

Mr MORRIS — Sorry, just to clarify, the minister of the day will need to choose from their recommendations; is that correct?

Mr PAKULA — Those people will be short listed. They will be interviewed. The panel will prepare a report — I think the way that the constitution reads — in the form requested by the minister, and the minister will then be free to choose from amongst those who have been subject to that process.

Mr MORRIS — So they still get to nominate the short list effectively?

Mr PAKULA — They will prepare a report on all of the people they interview and the minister will then choose from amongst those, but the short list that is interviewed is prepared by the minister in consultation with the chair.

Mr MORRIS — Just moving on, in terms of the chair's position, I understand you have determined that you or the minister of the day will appoint the board chair. While it is normal procedure in terms of government boards, it is certainly not the situation now. Why have you decided to go down that path?

Mr PAKULA — Because, Mr Morris, as I think should be apparent, the most fundamental relationship between government and the racing industry, in my view, is the relationship between the minister of the day and the chair of Racing Victoria. I think it is exceedingly important that there be a good, strong working relationship between the minister of the day and the chair, and we have put in place an arrangement whereby the advisory panel, having interviewed persons, will effectively indicate which of those in their view would be appropriate and capable of carrying out the chair's role but that ultimately that decision should be a matter for the minister. As you say, that is the norm in relation to government boards. This is not a government board, so it is a variation on that. But I do believe that it is critical that there be a strong relationship between the minister of the day, whether it is me or anybody else, and the chair of Racing Victoria.

Mr MORRIS — Can I move on to a different subject; we were both down at Warrnambool a couple of weeks ago. I know you have said in the past that the decision to continue jumps racing in Victoria is a matter for Racing Victoria. You have expressed fairly strong views on the composition of the RVL board, most recently a couple of moments ago, and you have expressed views on the continuation of greyhound racing, but you distance this one to Racing Victoria. Do you support the continuation of jumps racing in Victoria?

Mr PAKULA — Mr Morris, the statements that I have made about jumps racing are just a question of fact. They are a question of fact to the extent that the decision about it is a decision for the board of Racing Victoria. Having said that, if you believe that I have not expressed personal views about it, you were not at Warrnambool — although in fact you were.

Mr MORRIS — I was deliberately not referring to that particular comment, because it was not made in a public space.

Mr PAKULA — Well, I made comments to the local press. I made comments to the *Herald Sun* when, for example, the Coalition for the Protection of Racehorses called for Thursday at Warrnambool to be called off, and I said that will not be happening. I have made comments both in those events and also indeed on Warrnambool radio to the former Premier, Dr Napthine, a week or so ago, where my comments were

effectively these: if you call for a ban of jumps racing in the light of something like the Warrnambool carnival, it is a demonstration to me that there is neither an appreciation for history or tradition nor for the extraordinary economic impact that an event like the May Racing Carnival has on a place like Warrnambool. So there have been absolutely no moves or attempts by myself to take any action against jumps racing — —

Mr MORRIS — I appreciate that. You do support it?

Mr PAKULA — I think I have been on the record as a supporter of it.

Mr MORRIS — Thanks. Just in the very limited time remaining, the proposed point-of-consumption tax — I am just wondering whether, given that it obviously is relevant to the racing industry in terms of wagering, can you indicate to the committee what consultation was undertaken with the racing industry before the decision was taken to introduce the tax? I understand the tax is a work in progress, but the in-principle decision, as I understand it, has been taken, so I am just wondering what consultation occurred prior to that.

Mr PAKULA — This is really a matter for the Treasurer, but my understanding is that what has actually been agreed is that there has been an agreement amongst state and territory treasurers with the federal Treasurer that there should be a move towards a nationally consistent point-of-consumption tax. Obviously in the design of that there will need to be consultation with not just the Victorian racing industry but the racing industry around the country to ensure that racing is no worse off.

Mr MORRIS — Okay, so not yet. Without verballing you: not yet, but likely to occur.

Mr PAKULA — Well, I know that in my conversations — —

Mr MORRIS — I do want to move on. So is that fair?

Mr PAKULA — Sorry. I know that in my consultations with the chief executive of Racing Victoria they have a very keen interest in it and will be heavily engaged in any issue that might involve changes of funding to the racing industry.

Mr MORRIS — Given that it is likely to raise 150 million, what will go back to the industry in terms of reimbursement? This income stream is generated by them.

Mr PAKULA — It is a complex question, Mr Morris, which will require longer than we have, but the baseline must be that racing is no worse off. But it needs to be seen in the context of the wagering licence which currently exists and which will expire in 2024 — —

The CHAIR — Order! I would like to thank the witnesses for their attendance: the Minister for Racing, the Honourable Martin Pakula, MP; Mr Wilson, Ms Carr and Mr Prescott. The committee will follow up on any questions taken on notice in writing. I understand Ms Pennicuik has some questions which will be provided —

Ms SHING — And potentially Ms Patten. We do not know.

The CHAIR — and potentially Ms Patten as well. The response, answering the questions in full, should be provided in writing within 10 working days of the committee's request.

Witnesses withdrew.