

VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2007–08

Melbourne — 30 May 2007

Members

Mr G. Barber	Mr G. Rich-Phillips
Mr R. Dalla-Riva	Mr R. Scott
Ms J. Graley	Mr B. Stensholt
Ms J. Munt	Dr W. Sykes
Mr M. Pakula	Mr K. Wells

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Witnesses

Mr R. Hulls, Minister for Racing;
Ms P. Armytage, secretary; and
Mr R. Kennedy, executive director, gaming and racing, Department of Justice.

The CHAIR — I again welcome the Honourable Rob Hulls as the Minister for Racing, Ms Penny Armytage, Secretary of the Department of Justice, and also welcome Mr Ross Kennedy, executive director, gaming and racing, Department of Justice. We have probably less than 30 minutes allocated to the racing portfolio, so we had better get onto the starting blocks. Maybe you, Minister, can give us a 1 minute introduction.

Mr HULLS — I will be very brief. There are a lot of slides, but I will not go through them all because I know there are no doubt a number of questions.

Overheads shown.

Mr HULLS — If we just go to the second slide, it shows that the budget for the gaming and racing portfolio is \$64.1 million, of which 10.25 is directed to the government's racing program. So it is actually a fairly small part of the overall budget.

The next slide shows that in the financial year 2007–08 the total appropriation for the Office of Racing is \$10.25 million, 9.3 for the Racing Industry Development program, 0.4 for the Living Country Racing program and 0.55 for the racing program administration.

The next slide just deals with what the Office of Racing is responsible for. The next slide talks about the racing industry overview. It is responsible for the employment of 70 000 people, two-thirds are in country Victoria, and has an economic impact of 2 billion per annum. The next slide deals with some of the legislation regulation. The next slide deals with industry development; it touches on the racing industry review, bookies and the breeding report.

The next slide simply deals with funding support — those programs I have spoken about. The next slide deals with our continued support for the racing industry and our commitments to the racing industry. The next slide deals with the industry review and the bookmakers' working party. There might be some questions about the review.

The next slide deals with some of our priorities, including welfare, improvement for trainers and stable hands and the like. The next slide is the final slide and the conclusion. It basically says we have a sound legislative framework. We want to maintain public confidence in the sector and promote the future and growth of a vibrant racing industry.

The CHAIR — Thank you very much, Minister.

Mr PAKULA — Minister, I notice that budget paper 3 on page 170 talks about the outputs for DOJ in relation to racing. The racing industry review, which we have heard so much about — how much of that is being undertaken by DOJ, if any? And if it is not DOJ doing it, who is doing it, and what do you think is going to be achieved by it?

Mr HULLS — That is a very good question. In the next decade — I think we would all agree; anyone who is interested in racing — that industry will face challenges and opportunities, I think, unprecedented in our history. As a government we are concerned to ensure that the industry is best positioned to respond cohesively and effectively, particularly in the context of changes to the industry, wagering and licensing and also competing for that discretionary dollar out there basically.

That is why the government made a decision in early 2006 to undertake what was called a capacity review of the whole of the Victorian racing industry. John Pandazopoulos was the minister and decided we needed to see where the future directions of racing were going, and there was this capacity review. That review was undertaken by Ernst and Young on behalf of the government, and the purpose of that review was to identify challenges facing the industry and ensure that it was best placed to make informed decisions about its future.

Issues highlighted in the review included questions about the current structure of Racing Victoria Ltd (RVL) and whether it is properly empowered to effectively deal with the thoroughbred racing industry. For those who can remember, RVL was established in 2001 when I was previously the racing minister, and it is broadly acknowledged across the industry that whilst the establishment of RVL was a gigantic step forward, it is not a truly independent body, and we need an independent body to lead racing into the 21st century.

You have asked whose review is the one we are reading about in the paper. It is not the government's review, it is RVL's review. It decided to conduct its own review of the thoroughbred racing industry. That decision was

endorsed by RVL shareholders, and that includes the Victoria Racing Club, it includes the Melbourne Racing Club, the Moonee Valley Racing Club and Country Racing Victoria. It was strongly supported by stakeholders — that includes trainers, owners, jockeys and breeders.

The focus of their review was the industry structure and governance. The industry engaged a fellow called David Crawford to carry out that review — he also did the AFL governance structure. David Crawford has now made recommendations, and RVL also prepared a business case designed to identify potential areas of improvement in the three areas — namely, asset aggregation, wagering growth, and racing program and shared services.

RVL made the Crawford recommendations public on 14 May, and shareholders and stakeholders were given a period of two weeks to formally respond to that report. RVL set the date of 7 June, and I have been advised that I, as minister, will receive a report from the RVL board shortly after 7 June. So I have got to make some decisions once I get those recommendations.

Where is it going to go? Those recommendations will either be unanimously supported or they will not be. Reading, as we all have, some of the reports of concerns that have been expressed, the likelihood of consensus recommendations obviously is a matter for the stakeholders, but they may not get consensus, as we read between the lines.

So what am I going to do? I am not going to pre-empt the outcome, except to say that anything I do as racing minister and any decisions I make on the Crawford recommendations will be made on the basis that the underpinning of the recommendations are sound. In other words, I will need to be satisfied as minister that the assumptions underpinning the recommendations and the business case have been tested. This may mean seeking external, independent advice before any final decisions are made.

Any changes which are to be made, in my view, have to ensure that the industry grows — and that is, the entire industry. I have said continually that the industry as a whole is bigger than one individual section of the industry. It is important that any changes that are made to the governance structure enhance the growth of the entire industry.

The CHAIR — Thank you, Minister. Mr Barber is not here, so I will go on to the next member.

Mr SCOTT — I would like to ask you about greyhound racing in Victoria.

Mr PAKULA — The sport of kings.

Mr SCOTT — Mr Pakula has referred to it as the sport of kings, but I will continue! Budget paper 3 on page 170 includes outputs and deliverables for the Department of Justice in relation to the racing portfolio. I ask you, Minister, to outline initiatives supported by your department to improve the way in which greyhounds are treated at the end of their career?

Mr DALLA-RIVA — Career?

Mr HULLS — It is a career; in fact *The Castle* was on last night. I do not know how Coco was treated at the end of his career, but some greyhounds are treated very poorly at the end of their career. As a government we certainly support the maintenance and welfare of greyhounds following the end of their racing careers, and for this reason we are strongly supportive of GRV's GAP program — 'GAP' stands for greyhound adoption program. That program is a Victorian initiative, and it is dedicated to finding homes for greyhounds that are no longer suitable for racing.

The GAP program celebrated its 10th birthday during last year, and since 2004 we have provided some \$100 000 in funding for that program. Each greyhound is kept by the greyhound adoption program for a period of six to eight weeks during which they are trained in basic commands and behaviours to make them suitable as pets. I do not know if anyone here has ever had anything or much to do with greyhounds, but they are actually very placid animals — extremely placid animals and very kid-friendly. I am pleased to say that this greyhound adoption program has facilitated over 300 greyhound adoptions per year, with about 50 dogs involved in the program at any one time.

Greyhound Racing Victoria has also a Great Chase series, which is another example of how Greyhound Racing Victoria has affiliated itself with the community. This series helps to raise much-needed funds for disability groups by matching identified groups with greyhounds competing in the series. Indeed, as part of this extremely

worthwhile greyhound racing initiative, I am going to Ballarat tomorrow or Friday — this week certainly — to present a cheque for over \$30 000 to Calkendren, which is a division of Scope, which offers short-break respite for around 60 Ballarat residents with physical or intellectual disabilities. Something like 230 greyhounds have competed in the Great Chase series, and the greyhound that represented Calkendren was a greyhound called Slater, if you are interested. He is a rising star of the industry.

The CHAIR — From Slater and Gordon?

Ms MUNT — It's on 10 per cent!

Mr HULLS — This one has not floated. He has had 27 starts for 18 wins and 3 minor placings. The point about this is that 10 per cent of the stake money that that greyhound earns goes to Calkendren, this really worthy cause. There are some great things happening with greyhounds, but the greyhound adoption program is certainly worth while.

Mr DALLA-RIVA — I think the Greens member has gone out to put some money on Going Green in race 2 at Traralgon!

Minister, I refer you to page 345 of budget paper 3. It relates to revenue initiatives, in particular the wagering commission rate adjustment under the heading 'Other revenue initiatives' in table A.26. I note that over the forward estimates period there is an expected income increase of \$14 million, or thereabouts, starting at 3.9 in the 2007–08 period to 4.3 million in the 10–11 year. I note that this is in relation to a decision to lift the 16 per cent yearly average commission cap on wagering.

In particular, my understanding is that under the current wagering legislation Tabcorp cannot take more than 16 per cent of gambling revenue each year, but obviously under the anticipated proposal the 16 per cent will be abolished and replaced with a specified deduction for each bet, which will now attract a commission above 16 per cent and possibly as high as 25 per cent. I am just trying to work out how you think this has benefited punters, given that Tabcorp and the state government will actually reap about \$4 million more in the commission paid.

Mr HULLS — It is true that we introduced legislation to remove the annual cap on totalisator commissions in order to really modernise the regulation of Tabcorp's commissions on wagering. The current system was introduced in 1994 as part of privatising the old TAB, and the government believes it needs reform to remain competitive in today's international racing and wagering environment. You are right; Tabcorp can deduct a commission currently of up to 25 per cent from any particular type of bet, but its overall deduction averaged across all bets cannot exceed 16 per cent a year.

The changes proposed in the budget will remove that 16 per cent annual cap and will allow Tabcorp to fix the commissions on each individual bet type. The commission on each bet type will be fixed at the current level, and the current level ranges from 14.25 per cent for place bets to 25 per cent for Mystery 6.

Mr DALLA-RIVA — It's a mystery to me.

The CHAIR — It is to most punters.

Mr HULLS — It's not if you pick one. The racing industry, I have to say, has argued very strongly for these reforms, which will improve the viability of the three racing codes in Victoria and ensure that the state maintains its position as national leader.

Over time revenue will increase. This is the issue that you raise. It will increase as more exotic betting products become more popular, and that will give the industry more funds to invest in things like infrastructure, prize money, improvements and the like. The current pricing structure — and this is the reason for the reform — has actually limited Tabcorp's ability to maintain its existing interstate pooling arrangements and has also restricted its ability to pool internationally. If we have a more flexible model for international pooling, that will enable Tabcorp to simply align its take-out rates with the rates of relevant pooling jurisdictions.

The changes — and I need to be clear about this — will not result in any increase to the commission rate for any bet type. Until now Tabcorp has been able to deduct commissions of up to 25 per cent from any individual totalisator. The new legislation will set the maximum commission that can be deducted from each bet type, and these will reflect the rates that currently exist. Any future changes to that will require government approval.

I think these changes provide a much more transparent environment in which punters will know the maximum take-out for each bet type, and they can choose accordingly. Punters will be better off because it will now enable us to enter into, hopefully, international pooling arrangements, which means the size of the pool will be bigger, which means the return to the punter will be bigger.

In fact I was in New Zealand just recently where I signed an in-principle agreement with Winston Peters, the racing minister over there, to pool New Zealand pools into our SuperTAB pool here in Victoria. It also will enable Tabcorp to remain flexible. It will still be able to conduct promotional sales such as its current fat quaddie promotions. I think if you actually had a look at some of the media that has been put out, in particular by all three codes — harness racing, thoroughbreds and also greyhounds — they are fully supportive of these changes; they have been lobbying for them. I do not think the punter indeed does lose out, because if you are able to maximise international pooling arrangements, the punter will actually be better off.

Ms MUNT — Minister, we have looked at how greyhounds are going to be better treated. I would like to ask if the government is giving any thought to jockey safety and wellbeing?

Mr HULLS — Indeed, no jockeys, no racing, that is the reality. We as a government do acknowledge that there are some real inherent risks involved in the sport of racing, none more so than the role played by jockeys, who really are the heroes of the racing industry. They risk their lives every time they sit up on a horse and every time they take the reins. It is vital, therefore, that we ensure that every possible measure is taken to protect our jockeys on the track and ensure they are equipped for life after they give up riding. In 2001 we commissioned a pretty groundbreaking study into the welfare of retired Victorian jockeys. You may not know but there is a very high suicide rate amongst retired jockeys, and that was one of the things that led us to commission that report in 2001. Jockeys can be on the top of the hill 1 minute, they retire and they are jobless. Yes, the great jockeys obviously can make a lot of money, but there are hundreds and hundreds of jockeys out there who are battling and when they retired, they are too big to ride or whatever, they find it hard to get employment, so there is a pretty high suicide rate amongst jockeys.

We commissioned that report and, as a result, the industry, working with the government, developed a range of initiatives to improve the welfare of jockeys. We have contributed almost \$1.3 million in funding to make initiatives like the jockey retirement benefits package available to jockeys.

That package saw the introduction of a unique superannuation fund for jockeys that did not exist in the past. It is called the jockeys super benefits scheme. It enables the jockeys to direct a percentage of their riding fees to a super fund for the first time. The second part of the package was the creation of the career benefits scheme, which encourages jockeys to contribute \$10 per ride to the super fund. RVL will then contribute an additional \$5 to the scheme. Also being set up is a full-time, independently operated VJA, the Victorian Jockeys Association, with offices at the Racing Victoria centre; provision of financial planning and management advisory services to jockeys, which is very important; a jockeys development program, which focuses on education, training, career transition planning, job placement and retraining of jockeys; and also the launch of the young jockeys mentoring program to connect retired jockeys with third-year apprentices to help transition to senior ranks.

We have established a standing occupational health and safety forum specifically for the racing industry, and we have also provided some \$320 000 to support ongoing industry research into general jockey welfare, including ways of providing assistance to jockeys who are forced into early retirement due to injuries. We know they are many of those. So I would not underestimate the amount of work that has been done in partnership with RVL in relation to retired jockeys. Of course further work does need to be done, but they are the unsung heroes of the industry and they need to be looked after, both while they are riding — occupational health and safety issues — and also in retirement.

The CHAIR — Unfortunately that has all the time we have for questions. I would have liked to ask about the trots, of course.

Mr HULLS — They are not called the trots anymore.

The CHAIR — I know. They used to be the trots when I went and watched my cousin who used to be the leading reinsman. I thank the witnesses for their attendance.

Witnesses withdrew.