

# VERIFIED TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2010–11

Melbourne — 19 May 2010

#### Members

Mr R. Dalla-Riva

Ms J. Graley

Ms J. Huppert

Mr W. Noonan

Ms S. Pennicuik

Mr G. Rich-Phillips

Mr R. Scott

Mr B. Stensholt

Dr W. Sykes

Mr K. Wells

Chair: Mr B. Stensholt

Deputy Chair: Mr K. Wells

#### Staff

Executive Officer: Ms V. Cheong

#### 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 now welcome Mr Ross Kennedy, executive director, gaming and racing, Department of Justice. I call on the minister to give a brief presentation of no more than 5 minutes on the more complex financial and performance information in the budget estimates for the racing portfolio.

**Overheads shown.**

**Mr HULLS** — I have just two slides. Once again, the Victorian government has ensured that our racing industry is, I think, lengths ahead of the nation — excuse the pun. There is no question that we remain the national leader and the Brumby government has consolidated its position. Racing continues to deliver significant economic and social benefits to the state. It contributes in excess of \$2 billion of economic activity annually. Around half of that is in regional areas. The industry is responsible for the employment of over 70 000 people; two-thirds of those are located outside the metropolitan area.

The allocation for the racing portfolio in 2010–11 is \$40 million, which will continue to allow the delivery of key priorities such as implementation of the racing integrity review recommendations. We continue to take decisive action to ensure that our world-class industry leads the field and we will work closely with the racing industry in implementing the recommendations contained in the report by Judge Gordon Lewis to ensure that the integrity assurance within Victorian racing is of the highest standard and also the implementation of the RRIF, the Regional Racing Infrastructure Fund. I think most people who have been to a racetrack recently will see the improvements as a result of that fund. We are committed to funding in excess of \$20 million for a range of capital works projects worth almost \$34 million at thoroughbred, harness and greyhound tracks around the state. This is part of the partnership — \$45 million, government; \$41 million, industry — for this fund.

Included in this funding is a project to install plastic running rails at 25 country racecourses. Rarely has the value of government involvement in racing been more evident than at Flemington on Saturday, 8 May, when the plastic running rails passed their first serious test with flying colours. This only takes 10 seconds; if you just want to have a look at this video you will see how well it works.

**Video shown.**

**Mr HULLS** — Those rails were invented by a bloke by the name of Dan Mawby, who is a Mordialloc plumber. The view he took was the current rails that we have are steel or aluminium uprights, the horse hits them, the spike of the rail goes into the horse or the jockey, they have the potential to maim or kill horse or jockey. These rails, as you can see from the video, have give in them. They are much higher than normal rails, so they are respected better by the horses. A horse hits the rail and is pushed back onto the track, and the rail itself then collapses in its upright. In speaking to jockeys like Craig Williams and others, they say that these rails will save lives. There is interest in them in Dubai and from other parts of Australia. It is a fantastic Victorian story, a fantastic Victorian invention; they are manufactured here in Victoria. It is only because of the government's Regional Racing Infrastructure Fund that we have been able to fund these. The government has put something like \$2.1 million into these plastic running rails, so you can see how well they work.

The other priorities of course are finalising the wagering licence, driving a federal response to prevent unauthorised betting on Victorian racing product and the continued rollout of funding to country race courses. The fact that we remain committed to a strong and growing racing industry will oversee the implementation of strategic plans for RVL, Greyhound Racing Victoria and Harness Racing Victoria to ensure that Victoria continues to have a world-class racing product.

**Mr NOONAN** — Minister, you talked about the plastic rails and the innovation there, and you mentioned that that funding comes from the Regional Racing Infrastructure Fund. Obviously it is a big fund, so I wonder whether you can provide some greater detail for the committee in regard to the benefits that that fund will bring more broadly to the rural and regional racing circuit.

**Mr HULLS** — You are right; it is a big fund. It is \$86 million and we are contributing as a state \$45 million and the industry \$41 million. The benefits of the fund are clear to see. There are capital works worth almost \$34 million at thoroughbred, harness and greyhound tracks right across the state. This financial year alone I have announced 29 regional racing infrastructure projects. As I mentioned, \$2.3 million has been spent on the plastic running rails, and \$2.1 million of that comes out of the fund. That will be rolled out over the next year to 25 tracks throughout the state and that will improve the safety of horse and also jockey.

Other major works undertaken as a result of this fund include the redevelopment of the Warragul greyhound track; that is \$1.8 million, of which the government contributed \$1.3 million. I was at the opening of that. It is quite an astounding state-of-the-art greyhound track. Harness racing has returned to Hamilton. Harness racing stopped at Hamilton for a couple of years. It returned to Hamilton in February thanks to a \$1 million upgrade of the track and the state government part of that was \$419 000. Anyone who has been to Ballarat recently will have seen enormous works going on there for an uphill training track thanks to a \$2.4 million upgrade. The state's contribution to that is \$2.16 million.

The impact of the fund — and I will not go through all the programs that have been supported — means there is significant improvement of regional and rural infrastructure leading to improved racing and increased participation, which in turn creates improved employment opportunities; drought-proofing projects to reduce the reliance on town water supplies; better and safer facilities for all participants in the industry; and much better quality of racing — that is, increased race fields and the like. This funding will also support the value of the Victorian wagering licence to ensure that the supply of quality Victorian racing continues. That is an integral part obviously of the industry.

We think this fund is an enormous boost for regional and rural Victoria, because race tracks, as I have said, are community assets. Most of them are on Crown land, they are owned by the community, they are there for the community and it is important that they be enhanced for the community, so they can be used not just on race days. They can be used for a whole range of other community functions on non-race days as well.

**Mr DALLA-RIVA** — Minister, my question is in regard to revenue and the revenue base. I understand that it is not absolutely clear that VenueNet terminals are allowed to operate in Victoria and in Victorian hotels, and that is having a big impact on the revenue to the state, revenue for Victorian racing and issues for the Victorian wagering licence. I wonder if you can perhaps explain to the committee the impact of not allowing VenueNet terminals to operate in Victoria and in Victorian hotels.

**Mr HULLS** — You say it is having an impact. The fact is that the Gambling Regulation Act is the primary source of statutory regulation of gambling in Victoria. It creates a number of gambling offences and provides for authorisation and licensing of persons to carry out lawful gambling activities in Victoria. So that is a framework under which we operate. There is also the offence of unauthorised betting under the Liquor Control Reform Act.

Currently Tabcorp is the only entity in Victoria allowed to operate wagering facilities in hotels and clubs and is authorised to offer wagering services via the telephone and the internet. That is what the exclusivity is all about. The fact is that the presence of what you have described and what can be described as an interactive touch screen internet kiosk, I think it was at the Rising Sun Hotel, came to the attention of the Victorian Commission for Gambling Regulation and the director of liquor licensing. The VCGR confirmed that hotel patrons who held an account with interstate bookmaker, Sportsbet, were able to place bets on racing and sporting events using this terminal.

Obviously Tabcorp was of the view that that was impacting on its exclusivity. The VCGR and the director of liquor licensing are each independently investigating the matter, with a view to determining whether the operation of this terminal breaches any of the legislation — that is, the Gambling Regulation Act and the Liquor Control Reform Act. As a result of the investigation — and I am sure you have read about this — a court-issued warrant was obtained and the terminal was seized by VCGR inspectors in August of last year. I have received a briefing on the matter and will be further advised on the result of the examination of the terminal. The investigation is continuing and it is very likely that this matter will ultimately be determined by a court, so I do not think it is appropriate to make any further comment in relation to the matter. The fact is that whether or not it is impacting on fees government would get from racing is yet to be determined. Taxes from racing advised in 2009–10 were \$132.1 million; and in 2010–11, \$139.3 million. This particular matter will end up before the court — sorry, may well be decided by a court — so I do not want to say too much more, except that the government is well aware of the exclusivity arrangements that exist with the current licence.

**The CHAIR** — Does not Sportsbet now have its office in Melbourne?

**Mr HULLS** — The fact is that there is nothing stopping other organisations taking bets from being here. There are a lot of corporate bookmakers in Darwin that have head offices in Melbourne, but whether or not

VenueNet is infringing upon the legislation that makes it quite clear that Tabcorp is the only entity in Victoria allowed to operate wagering facilities in hotels and clubs, and whether or not this particular interactive touch-screen device is infringing upon the legislation is something that is currently being argued.

**Mr DALLA-RIVA** — Is it a touch-on, touch-off system?

**The CHAIR** — We will ignore that one.

**Mr SCOTT** — My question is regarding racing integrity. Minister, I refer you to your presentation, in which you mentioned the Lewis report. I ask: what other recommendations from the report has the government implemented, and what do they mean for integrity in the racing industry?

**Mr HULLS** — You do not have a racing industry unless integrity can be assured. It is as simple as that. People will not bet on the product if they think the product does not have appropriate integrity controls in place, and our racing industry is widely regarded as the best in Australia, both commercially and in relation to integrity. This is certainly an enviable position we are in, but you have to keep striving to ensure you maintain your position or improve your position.

To this end, in February this year the government was delighted, I might say, to secure the appointment of Mr Sal Perna as Victoria's inaugural racing integrity commissioner. As a point of background, the establishment of the racing integrity commissioner was a key, if not the key, recommendation of Judge Gordon Lewis's report, and the adoption of this recommendation received unanimous support from representatives of the industry. In his role as racing integrity commissioner Mr Perna will work with the racing industry and other bodies to ensure that the integrity assurance policies and practices of our three racing controlling bodies are transparent and they reflect best practice. He will also work to facilitate the appropriate exchange of information between racing industry regulators and other regulatory and law enforcement agencies to safeguard our world-class industry. He will have to submit an annual report to Parliament and also any relevant integrity issues to Parliament.

As far as his background is concerned, he comes to this role with an extensive history in law enforcement and corporate security. He spent 20 years with the Victoria Police; he rose to the rank of detective inspector. He has extensive experience as the head of corporate security in both Australia Post and Telstra. He more recently was managing director of Calibre International, a business consultancy specialising in leadership training, business planning, integrity, professional standards and corporate investigation. His appointment commenced from 1 March this year and he is initially full time for two years, at which time a decision will be made as to whether or not a full-time commissioner is to be ongoing or will be part time. He is funded entirely from the Department of Justice appropriations. About \$1 million was set aside in 2009–10 to support the establishment of the office.

You asked about Gordon Lewis's other recommendations. By way of finalising his recommendations, responsibility for the hearing of appeals against decisions of a racing appeals and disciplinary board has been transferred to VCAT, and I have just appointed former County Court judges Roland Williams and Frank Dyett and current acting County Court Judge John Nixon as members of VCAT to hear racing appeals. They bring enormous expertise with them. Finally, the racing appeals and disciplinary boards for both greyhound racing and harness racing have been formed and appointed. Former greyhound board member John Wardle has been appointed as chair, and Terry O'Connor as deputy chair; and Brian Collis, QC, has been appointed as chairman and Anthony Burns as deputy chairman of Harness Racing Victoria's RAD board. I think these appointments and the implementation of the Lewis recommendations brings the highest calibre of integrity to our three codes of racing, which is crucial.

**The CHAIR** — Thank you. I was sorry to hear that Jan Wilson has passed away.

**Mr HULLS** — I should not let this opportunity go by without commenting. Jan was a Labor member of Parliament for many years, but I think she received bipartisan support for her role as chair of Greyhound Racing Victoria. I know the shadow racing minister was at her funeral. She was just a giant in the industry, and it was her love. Politics was probably her second love. Greyhound racing was her first love, and she did a fantastic job as chair of Greyhound Racing Victoria.

I have spoken about some of that stuff here in the past. The Prison Pet Partnership and the Great Chase series, where you link greyhound racing into community organisations, have improved greyhound racing and its

connection with the community in ways that would never have been envisaged before Jan was there. She did a great job, and she will be sadly missed.

**The CHAIR** — She also looked after them after they had finished their racing rather than their just ending up — —

**Mr HULLS** — That is right. The adoption program was fantastic.

**The CHAIR** — It was something which this committee looked into several years ago.

**Dr SYKES** — Minister, my question relates to country racing and your claims that you support country racing. Is it a fact that since the Labor government was re-elected in November 2006, 1 country racetrack has been forced to close, 66 race meetings have been taken away from country clubs, and 19 country training centres have either been earmarked for closure or denied access to any capital funding, a decision which is already driving trainers and jobs to relocate away from country training centres which are doomed under Labor's racing policies?

**Mr HULLS** — The premise of your question is incorrect. I am a passionate supporter of country racing. I love country racing and will continue to support country racing, because if you do not have strong country racing, you do not have strong metropolitan racing. So it is absolutely crucial, and 2009–10 has seen significant changes to the country racing scene. Racing Victoria released its five-year racing and training infrastructure plan to provide certainty for all country clubs including picnic racing clubs.

Harness Racing Victoria has returned racing to Hamilton and established, as you know, a metropolitan home for harness racing at Melton. Greyhound Racing Victoria has rebuilt the track at Warragul and has plans to transform Beckley Park in Geelong into a world-class centre of greyhound racing excellence. For its part the government has continued its very strong partnership with the racing industry by renegotiating the wagering tax rate to ensure that the racing industry will be no worse off under the new wagering licence arrangements. I have already spoken about the Regional Racing Infrastructure Fund, the biggest government spend on racing infrastructure in Victoria's history in combination with the racing industry.

The fact is that RVL has taken industry consultation in relation to its race program and its infrastructure needs to new levels and provided all country clubs, even the smallest picnic clubs, with absolute certainty for at least the next five years. This is in stark contrast to previously, when a particular person said if country racetracks continue to be a drag on the industry, you have to question whether or not they can survive or should survive: Denis Napthine said that.

The fact is that we as a government have done more through infrastructure funds and infrastructure expenditure to promote country racing than any previous government in Victoria's history. But it has to be remembered that RVL is an independent body set up under Corporations Law to make decisions for and on behalf of the industry. I do not appoint RVL members. They are there to make decisions on behalf of the industry.

You spoke about programming, about some country towns losing a meeting or a number of meetings. That has occurred in consultation with CRV; Country Racing Victoria, the body set up by country racetracks to represent country interests, has been consulted. RVL has also consulted right around the state, and it has made decisions based on the overall interests of the industry.

You have to remember that racing is competing for that discretionary dollar out there. If someone goes out and buys a DVD, they are not having a bet at the races. If someone goes out to the pictures, they are not going to the Moe races. It is a tough, competitive world out there for that discretionary dollar, and RVL and CRV know that, HRV know it and GRV know it, and that is why they are continually trying to innovate.

I have said to them that unless they continue to do that and come up, if you like, with a Twenty20 cricket version of harness racing or form new partnerships with the community, they will remain stagnant; if you remain stagnant in this industry, you go backwards.

So, yes, decisions are made for and on behalf of the industry by the governing bodies, not by me. I do not set race dates, for goodness sake! Do you really want the minister to be setting race dates? Do you really want the minister to be setting prize money? Do you really want the minister to be saying how many race meetings will

be held at Moe or Wangaratta or wherever? That is not the minister's role. Once the minister starts getting into that, the whole show will fall apart because of the politics attached to it. Industry governance bodies are set up to make decisions on behalf of the entire industry, and that is the way it should be.

**Dr SYKES** — Sorry, can I just summarise that or make sure I have understood or clarify it?

**The CHAIR** — Other people wish to ask questions too.

**Dr SYKES** — Thanks, Minister, for that response. My summary of it is that the closing of racetracks and reducing of numbers, you accept no responsibility for, but for the good news stories you take full credit. Is that how it works out?

**The CHAIR** — That is a statement rather than a question. We will move on. We have time for two more very quick questions. Ms Graley, please?

**Ms GRALEY** — I will take up on Dr Sykes's interest in picnic racing clubs; I think he mentioned it. I would like to refer to budget paper 3, page 137, with regard to the output for regulating gaming and racing. It is great to hear the fantastic amount that has been given to the Regional Racing Infrastructure Fund. I am interested in picnic racing, because I know a lot of people like going there for a family day out, and I wonder if you would like to talk about that in a little bit more detail and about the future.

**The CHAIR** — Not too much detail.

**Mr HULLS** — The Regional Racing Infrastructure Fund is — you are right — for large projects in regional Victoria, but — —

**Dr SYKES** — Back on a good news story.

**Mr HULLS** — No, it gets back to Bill Sykes' question. The fact is that we do not leave out small clubs either, and that includes picnic clubs. We have another fund, which is the Living Country Racing program, which ensures that smaller grants can be made to country and picnic clubs that need assistance on a smaller scale, and that includes ensuring that they meet occupational health and safety demands. A lot of these clubs run on the smell of an oily rag and volunteers, and the fact is that in 2009–10 the Living Country Racing program provided \$400 000 to 29 country and picnic racing clubs.

It may not sound a lot, but it is to some of these clubs like Alexandra Race Club — \$30 000 to build a new entertainment centre for local community at the racetrack; \$10 000 to the Traralgon Greyhound Racing Club to upgrade toilets. It is important that you have toilets at these tracks; it is important that they be upgraded. These clubs cannot find this dough. There is \$14 500 to the Ararat Harness Racing Club to seal and fence the float parking area; \$9450 to the Dederang Picnic Race Club to install underground water tanks. These are small amounts, but they make a huge difference to these clubs. Also there is funding for stewards' and judges' towers at picnic racecourses. This program also helps these small race clubs meet their occupational health and safety obligations.

Anyone who looks at this government's commitment to country racing, large metropolitan clubs, large country clubs but also small country and picnic clubs will see that there has been a much greater commitment by this government — a passionate commitment — to regional racing than any other previous government in Victoria's history.

**The CHAIR** — We are running out of time, Minister. Ms Pennicuik has a question on notice: how much of the Regional Racing Infrastructure Fund has been provided in grants to Racing Victoria, Australian Jumps Racing Association or Country Racing Victoria to assist the continuation of jumps racing in Victoria either through advertising, building or refurbishment of grounds and jumps? You can answer that straight off, can you?

**Mr HULLS** — Look, I will take it on notice. There is none that I am aware of. I understand your view in relation to jumps racing, and I understand the view of many people in relation to both sides of the argument on jumps racing. Can I just say, and I have said this to you before, that it is not my decision; it is the decision of RVL. They have put in place some KPIs, key performance indicators, in relation to jumps racing. I do note that

with the current rate of jumps deaths and falls, if it was transposed over the flat racing, so far this season there would be something like two deaths at every race meeting. People would be outraged at that.

RVL is independent. It has set KPIs. Standards have been set for falls at 3 per cent of starters, fatalities at 0.6 per cent of starters, including increased number of starters. I can tell you this: whilst the jumps racing season has only just begun really with Warrnambool and a couple of other meetings, so far the key performance indicators have nowhere near been met by the jumps industry. Of course this is a matter for RVL. They have said that they will assess the jumps season at the end of the season pursuant to the KPIs and it will be a matter for them. Those KPIs are stringent; they are strict. The season has only just begun, but so far they are nowhere near meeting those KPIs.

**Ms PENNICUIK** — Minister, are you saying that you do not have the power as the minister to stop jumps racing or to stop any dangerous activity on racecourses?

**Mr HULLS** — What I am saying is you either agree with an independent body being set up to run the industry or you do not. It is a bit like saying the minister should intervene in relation to a decision about programming and the like. We have an independent body set up under Corporations Law that consults widely and that makes decisions in this area. They have said that jumps racing only has a future if stringent KPIs are met, and that will be assessed at the end of the season. That will be done, but to date — I am just giving you an update, because I ask for it on a regular basis — those KPIs have not been met. But we are only just into the start of the season.

**The CHAIR** — Thank you for that. That concludes the consideration of the budget estimates for the portfolios of Attorney-General and racing. I thank the minister and departmental officers for their attendance to day. Where questions were taken on notice the committee will follow up with you in writing at a later date. The committee requests that written responses to those matters be provided within 30 days. Thank you very much, Attorney-General.

**Witnesses withdrew.**