

VERIFIED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into Budget Estimates 2015–16

Melbourne — 13 May 2015

Members

Mr Danny Pearson — Chair

Ms Sue Pennicuik

Mr David Morris — Deputy Chair

Ms Harriet Shing

Dr Rachel Carling-Jenkins

Mr Tim Smith

Mr Steve Dimopoulos

Ms Vicki Ward

Mr Danny O'Brien

Staff

Executive Officer: Ms Valerie Cheong

Witnesses

Mr Martin Pakula, Minister for Racing,

Mr Greg Wilson, Secretary,

Ms Cate Carr, Executive Director, Liquor, Gaming and Racing,

Mr Ged Prescott, Manager, Office of Racing, and

Mr Shaun Condron, Chief Finance Officer, Department of Justice and Regulation.

The CHAIR — I declare open the public hearings for the Public Accounts and Estimates Committee inquiry into the 2015–16 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 of the Department of Justice and Regulation, Ms Cate Carr, Executive Director, Liquor, Gaming and Racing; Mr Ged Prescott, Manager, Office of Racing; and Mr Shaun Condron, Chief Finance Officer.

All evidence is taken by this committee under the provisions of the Parliamentary Committees Act, attracts parliamentary privilege and is protected from judicial review. Any comments made outside the hearing, including on social media, are not afforded such privilege. The committee does not require witnesses to be sworn, but questions must be answered fully, 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. You will be provided with proof versions of the transcript for verification as soon as available. Verified transcripts, PowerPoint presentations and handouts will be placed on the committee's website as soon as possible.

Departmental officers may approach the table during the hearing to provide information to the witnesses if requested, by leave of myself. However, written communication to witnesses can only be provided via officers of the PAEC secretariat. Members of the public gallery cannot participate in the committee's proceedings in any way.

Members of the media are to observe the following guidelines: cameras must remain focused only on the persons speaking; operators must not pan the public gallery, the committee or witnesses; and filming and recording must cease immediately at the completion of the hearing.

Because some of the content of racing has been in the public domain recently about animal welfare, if questions are raised around animal welfare, if witnesses could confine their comments to a general explanation rather than going into specific information, that would be appreciated.

I now 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 very much, Chair. It gives me great pleasure to be here as the Minister for Racing. I will not go to that breakdown in great detail again, other than to indicate that you will see at the bottom of the pie chart racing is approximately 1 per cent of the budget of my department. It might be a small budget but it is an extremely significant part of the Victorian economy; it makes a very significant contribution to it — an economic impact which is in excess of \$2.8 billion per annum.

The benefits of that economic impact are shared across a range of industries, and not just in November. We have just seen the Warrnambool carnival, which I think without doubt is the biggest event in town in Warrnambool; that just happened in May. Unfortunately it clashes with the state budget. I did note the member for South-West Coast was not here on Thursday — —

Mr D. O'BRIEN — Priorities.

Ms SHING — Where would you rather be, Minister?

Mr PAKULA — Those benefits are shared across a range of industries, including fashion, hospitality and transport. It provides spectacles from something as large as the Melbourne Cup to the picnic races at Dunkeld. It is an extremely widespread industry.

In terms of initiatives, the Victorian Racing Industry Fund is a very important fund. It followed on from the Regional Racing Infrastructure Fund of former Minister Hulls and then the VRIF was introduced by former Minister Naphthine. It returns all unclaimed dividends and on-course wagering taxes to the industry. We have renewed that for another four years. It is delivered through two different programs — the infrastructure and industry development program and the Raceday Attraction program.

The industry and infrastructure development program generally operates on a 50-50 basis, so the club or principal racing authority which is seeking funds has to contribute its share. The Raceday Attraction program instead is directed at getting people to come to the races, particularly in rural and regional areas, and it operates on a fairly stringent set of guidelines that has been put in place by the former government. That Racing Industry Fund, we commit \$72 million over the next four years, but I should also indicate there has been a \$14 million underspend over the last four years and that has also been contributed to the fund, so there is \$86 million in total over the next four years.

In terms of some of the achievements so far particularly from the use of that fund, I have allocated \$5 million to support lighting infrastructure at Racing.com Park at Tynong, which is the new home of the Pakenham Racing Club, to give Victoria a third night racing venue. We have allocated \$3 million over the next four years from the greyhounds component of the fund to ensure that there are better animal welfare and integrity measures. Unlike some of the commentary that has come from what I would describe as people who are not that well informed about it, this is not a \$3 million gift to greyhound racing. This is \$3 million from their share of the Racing Industry Fund that they will not be able to apply to other things but which they will be required to apply to stewards, animal welfare and integrity measures. And \$200 000 to the well-named RASL — Racing Analytical Services Limited — to give Australia its first dedicated racing cobalt testing laboratory.

In terms of harness, we made a commitment to conduct a full audit, which was done by Dale Monteith, the former CEO of the VRC and MRC. He undertook broad consultation with industry. There were 18 recommendations to government and to HRV, particularly around modernising the governance structure of harness racing — that was a recommendation to us — but to the board of HRV recommendations about bolstering integrity, improving the way that they interact with stakeholders, and government will work with HRV to implement those recommendations.

In terms of what is coming up, there will need to be amendment to the Racing Act to implement some of those recommendations. He has also recommended a separate integrity body for harness, and I have indicated on a number of occasions in the public domain that once we get Sal Perna's report into live baiting and the cobalt inquiry that is being conducted by Terry Bailey is concluded we will look at integrity measures across all three codes and there will be, no doubt in consultation with GRV, legislative amendments that relate to greyhound racing and investigation as well.

I am happy to take questions, Chair.

The CHAIR — Okay, I might kick off. In the context of the 2015–16 budget and your own portfolio responsibilities, can you inform the committee how this budget acquits Labor's financial statements?

Mr PAKULA — Thank you again for that question, Chair. To go into some more detail, as I have indicated, the principal commitment that we made before the election was to continue the VRIF, and that is what this budget does. We have made a commitment to grow and strengthen all three codes. We will continue to return all unclaimed dividends and on-course wagering taxes back to the industry. It is difficult to give an absolute dollar analysis of the size of the fund given that it is based on unclaimed wagering dividends. We have seen those unclaimed wagering dividends hold up quite well in the last couple of years, but the former government's commitment and our government's commitment are exactly the same, which is that every dollar of unclaimed dividends will be returned, along with on-course wagering taxes. It will be funded entirely from those two buckets and it will be used to improve racing and training infrastructure; to improve customer facilities at thoroughbred, harness and greyhound venues; to stimulate and grow the industry.

As I have indicated, the estimate is \$72 million over the next four years, plus \$14 million in unspent VRIF money from the last four years, and we are engaged in quite detailed consultation with the industry about how best to allocate those funds. We made some hypothecation before the election, so we committed to no reduction in the breeding schemes — Vicbred Platinum, VOBIS and GOBIS. We made some allocations for the jockeys trust and the trainers trust. We made a commitment to Living Legends provided some issues in relation to that could be resolved. But beyond that we have said in regards to the balance of the money we will have a dialogue with the three codes about how they think their share can be best spent and best allocated. I look forward to those conversations continuing.

Mr D. O'BRIEN — Thank you, Minister. I am going to raise an issue that I have raised with you before in other fora, and that is the impact on clubs of some decisions of CRV and RV, in the future. I quote from budget paper 3, page 289, that the output is there to support and develop the racing industry. You would be aware that clubs like Stony Creek in my electorate of Gippsland South, Avoca, Latrobe Valley and Towong have lost race meetings for the upcoming season, which is obviously not great for the development and support of these clubs; in fact it has threatened their viability, particularly in Stony Creek's case, I am aware. I am aware from your previous answers that the racing calendar is set by Racing Victoria and CRV. Given that the previous government was able to work with them to actually provide additional race meetings, will you commit to doing likewise?

Mr PAKULA — Thanks for the question. I am more than happy to indicate both to you, Danny, and to any club that wants to make representations to me that I am happy to have a conversation not just with them but with CRV as well, but I think most people involved in the industry recognise that CRV has an obligation to the racing industry generally to prepare a race program which provides the greatest benefit to the industry as a whole. There is nothing unusual at all about, in the running of that, for year on year a venue or two to lose a meeting and another venue to gain a meeting. It has effectively been the swings and roundabouts of the way that the CRV scheduling has operated.

If I could just take you to a couple of examples. You are right in what you say. On the current program Avoca has had its 2015–16 meeting calendar reduced by one, as has — which was the other? You mentioned Towong.

Mr D. O'BRIEN — Towong, Latrobe Valley.

Mr PAKULA — Towong and Stony Creek.

Mr D. O'BRIEN — Yes.

Mr PAKULA — Stony Creek, by my advice, retains its number of meetings for 15–16 but is scheduled to drop by one for 16–17, and Towong is down by one for 15–16. But by comparison, Bairnsdale gets an additional meeting for 15–16, Ballarat gets an additional meeting for 15–16 and Cranbourne gets an additional meeting. But by far the greatest number of additional meetings is for Tynong — the Pakenham Racing Club, which is at Tynong, Racing.com Park.

I made the point at the opening of the new racetrack that that was a project of three governments: former planning minister Madden provided the planning support to get that new track up and running, your former government then provided funding, and I have now provided funding to make it a night racing venue. When that extraordinary new establishment was created it was done for the very purpose of it bearing more of the load of the race meeting schedule — to provide a third venue, to provide a redundancy in case of track closures — which is why it is important that the synthetic track is there. And the presence of the synthetic track is what allows it to run a substantially larger number of meetings than some country tracks which have in the past had to close down because of drainage issues and the like, and we all know about them.

A track has been specifically created to bear more of the load, and yes, it is correct to say that as a consequence CRV has reduced the number of meetings. For instance, Geelong is down by one, from 36 to 35 in 15–16. I understand very much why those venues which have had a reduction in meetings would feel very strongly about that, but it is also my view that we have put bodies like CRV in place to make decisions about the best interests of racing generally, and ministers should intervene in those decisions as rarely as possible.

Mr D. O'BRIEN — I do not wish to grandstand, but I do have a very strong concern about those clubs — Stony Creek, Avoca, et cetera — being substituted for meetings at Pakenham, which is borderline country. But I thank you for your answer.

Mr PAKULA — It is under the purview of CRV.

Mr D. O'BRIEN — It is, I understand that, but my point remains the same. Given your answer, Minister, and I guess the implication of your answer is that you are not intending to intervene at all at this stage in any way, but when you were last in government a number of trotting tracks around country Victoria closed — Ouyen, Wangaratta, Boort, Wedderburn, St Arnaud and Gunbower — which did have a big impact on local

jobs and local economies. Can I ask: will it be your intention to ensure that no further country venues close under your watch?

Mr PAKULA — I certainly do not see any efficacy in the closing of country venues. And you need to draw a distinction between training complexes and race meetings. The fact is I took the view in opposition, and I had these conversations with a range of country clubs, if the industry is looking for ways to reduce its outlays — and I fully accept that it is a rational and appropriate thing for the racing industry to do to try and spend its money as wisely as it can — the fact is most of those country venues cost almost nothing in terms of CRV's budget or RV's budget. Because, as you know, they are predominantly staffed by volunteers, they fundraise and many of them — in fact most of the ones that you just referenced — run one meeting a year. That one meeting a year is extraordinarily well regarded in those local communities; they become a picnic day or a cup day for that community and they are very important, and they are generally funded and supported by those local communities. So I see no utility in preventing those communities from running those one or two race meetings a year.

I do not say any of that to derogate from my initial answer, which is these are matters for CRV and RVL, as they appropriately ought to be — they are given the authority under legislation to make those decisions. But if you are asking my view, as I have indicated, I see no utility in those venues not being able to run those meetings which are so prized and revered by their local communities.

Dr CARLING-JENKINS — Thank you, Minister I just want to ask a very brief question around greyhound racing, and I know that you mentioned this in your presentation as well. I refer to budget paper 3, page 290. We are all aware of the criticisms of this industry in light of recent allegations, and I want to avoid speculation and judgements around that completely; I want to make that very clear. I would just like you to explain, if you could, how the Victorian Racing Industry Fund will strengthen and restore Greyhound Racing Victoria's integrity in light of what they have been experiencing?

Mr PAKULA — Yes. Thank you for that, Rachel. The response to greyhound racing integrity matters will be partly a matter for the VRIF and partly a matter for legislation and partly a matter for culture change and partly a matter for people who have been doing the wrong thing understanding that to the extent that has ever been tolerated in the past it will not be tolerated in the future. Because live baiting is absolutely barbaric, and the revelations about live baiting, if they have not brought the industry to its knees, they have caused it substantial damage. I would use this opportunity to say to those individuals who might think that this kind of practice is okay that if they have any regard not just for animal welfare but for the future of their code, they will desist from ever engaging in this practice again, because I do not know if the code can survive another incident of that nature. It is disgraceful, and all people who have any regard for the welfare of animals and for the welfare of the industry need to take extraordinarily seriously the community reaction to what has happened.

In terms of the VRIF, as I have said, greyhound racing gets about 15.5 per cent of the total VRIF dollar. You can do the sums, but it is probably over the course of four years, if we are talking \$85 million, it is probably about \$12 million. We have mandated that 3 million of that will have to go to improving integrity and compliance, because one of the things that became quite clear during this investigation was that there are insufficient stewards. There is not, for example, a dedicated trial track steward, and the incident that was so well highlighted on *Four Corners* occurred at the Tooradin Trial Track and there has not been a steward dedicated for that. So they are going to be required to beef up that part of what they do.

There will also, I think, probably be a need for legislative change in terms of some of the powers of Greyhound Racing Victoria. It should not be forgotten that the agriculture minister and I are awaiting the final reports of both the racing integrity commissioner, Mr Perna, and the chief veterinarian, Dr Milne. Those reports will undoubtedly contain a large number of additional recommendations which will need to be addressed both by government and GRV.

Dr CARLING-JENKINS — When do you anticipate that these reports will be finalised?

Mr PAKULA — I would hope that we would be in a position to have received, considered and released those reports within the next few weeks, maybe sooner — as soon as possible.

The CHAIR — Ms Ward.

Ms WARD — Sorry, I have mucked up my notes.

Mr D. O'BRIEN — I have got one if you would like me to take over!

Ms SHING — Not content with eight questions in a row, Danny O'Brien, squeezing in to the rescue!

Ms WARD — Am I the last question?

The CHAIR — I believe you might be.

Mr D. O'BRIEN — I think we could probably squeeze in another two.

Ms WARD — I don't know; I reckon I might be the last.

Ms SHING — Let's all just have a think about that then.

Ms WARD — Attorney-General, I refer you to budget paper 3, page 290, and the performance matter regarding integrity assurance. Can you explain how the Victorian Racing Industry Fund has been used to strengthen Greyhound Racing Victoria's integrity in light of the live baiting allegations? Can you expand on that, please?

Mr PAKULA — Thanks for that, Vicki. I think in large part I dealt with that in response to the question that was just raised by Rachel. We use the Racing Industry Fund for a range of things. We have used it, as I have indicated, to strengthen greyhound integrity services, steward services. Certainly in my conversations with the former board of GRV and in my conversations with the current board of GRV — the new board, which is led by Ray Gunston, ably assisted by Ken Lay and Judith Bornstein — there is a strong desire to support the Greyhound Adoption Program more generously. That has been a program which adopts out some 500 to 600 greyhounds a year; I know Ms Shing is a strong advocate for that program. Infrastructure upgrades, RAP funding and the like for the industry. But the great thing about the Racing Industry Fund is that it can be used for such a wide and diverse range of things. You might recall me indicating during the presentation that we want to use it also to support the National Jockeys Trust and the Australian Trainers Association.

Whilst we spend a lot of time, appropriately, talking about animal welfare issues, we also need to remember that jockeys are engaged in an extraordinarily dangerous occupation, and I, as I know all members do, absolutely value the work of the National Jockeys Trust. When you look at the support provided to people like Danny Brereton, jockeys like Louise Cooper and Shaun Organ and Kerryn Shortis, who have been ably supported by the trust, the fact that we are able to provide \$200 000 to allow the National Jockeys Trust to continue to do that work is something that I am very proud of. The trainers association will be also dealing with those who exit the training industry and need some support and assistance as well.

Yes, we are supporting greyhound infrastructure, we are supporting greyhound integrity matters, we are supporting greyhound adoption, we are supporting animal welfare, and no doubt there will be a further call on the fund potentially once we are in a position to respond to the reports from the chief vet and the racing integrity commissioner.

The CHAIR — You are looking at me expectantly, Mr O'Brien.

Mr D. O'BRIEN — I am looking at you expectantly; it is not yet 4.30, Chair.

Ms SHING — You have to talk quickly.

Mr D. O'BRIEN — I will talk quickly. Minister, following on from that question about the VRIF. As we understand it, I think there are six additional jobs — the greyhound welfare and compliance officers, the additional full-time investigator and additional trial track steward — to be funded out of the VRIF, at I believe a cost of about \$3 million. Does that actually mean that there is less money available for infrastructure for clubs from that fund?

Mr PAKULA — Yes, by definition, Danny. If we are using some of the VRIF money for one thing, then it logically follows that that money is not available for another thing.

Mr D. O'BRIEN — Perhaps I could put it another way, Minister. It is recurrent funding, is it not? Is it intended to go on into the future — these six positions?

Mr PAKULA — The money we are allocating from the VRIF will support those positions over the forward estimates period. How those matters are funded beyond that will be a matter for the future. But you need to understand that other than the VRIF the funding to the racing industry, all three codes, is not funding ultimately provided by government; it is funding under the joint venture agreement between those codes and Tabcorp.

If what you are asking me is: will in the future Greyhound Racing Victoria be required to fund those positions from their normal income that they get through the joint venture agreement, frankly that is a matter for beyond the forward estimates period. For the forward estimates period it is being funded out of the VRIF. Whether or not it continues to be funded out of the VRIF will be a matter beyond this four-year cycle and will be a matter for determination by, potentially, a future Minister for Racing.

Mr D. O'BRIEN — A brief supplementary if I may, Chair?

The CHAIR — Be brief.

Mr D. O'BRIEN — I think the minister indicated earlier that the 3 million will be taken out of Greyhound Racing's share. That reinforces the point I guess I was asking: it will have no impact on the other codes as far as their access to the VRIF, is that correct?

Mr PAKULA — That is correct.

Mr D. O'BRIEN — Right, thank you.

The CHAIR — Minister, thank you so much for your time. I would also like to thank Mr Greg Wilson, Ms Cate Carr, Mr Ged Prescott and Mr Shaun Condron for their time today and for their patience. There were no questions on notice, so we do not have to worry about that. Thank you for your time.

Mr PAKULA — Thank you, Committee.

Committee adjourned.