

# **PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE**

## **Inquiry into the 2022-23 Budget Estimates**

Melbourne—Tuesday, 17 May 2022

### **MEMBERS**

Ms Lizzie Blandthorn—Chair

Mr Danny O'Brien—Deputy Chair

Mr Rodney Barton

Mr Sam Hibbins

Mr Gary Maas

Mrs Beverley McArthur

Mr James Newbury

Ms Pauline Richards

Mr Tim Richardson

Ms Nina Taylor



**WITNESSES**

Mr Martin Pakula MP, Minister for Racing,

Mr Simon Phemister, Secretary,

Ms Penelope McKay, Associate Secretary, and

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

**The CHAIR:** I declare open this hearing of the Public Accounts and Estimates Committee.

I ask that mobile telephones please be turned to silent.

I begin by acknowledging the traditional Aboriginal owners of the land on which we are meeting. We pay our respects to them, their elders past, present and emerging as well as elders from other communities who may be with us today.

On behalf of the Parliament, the committee is conducting this Inquiry into the 2022–23 Budget Estimates. The committee's aim is to scrutinise public administration and finance to improve outcomes for the Victorian community.

I advise that all evidence taken by the committee is protected by parliamentary privilege. However, comments repeated outside this hearing may not be protected by this privilege.

Witnesses will be provided with a proof version of the transcript to check. Verified transcripts, presentations and handouts will be placed on the committee's website.

We again welcome Minister Pakula, as the Minister for Racing, as well as officers of the department. We invite you to make a brief presentation which will be followed by questions from the committee. Thank you.

**Visual presentation**

**Mr PAKULA:** Thanks, Chair. I think it is always important to note how big an economic contributor racing is—\$4.3 billion annually injected into the economy, almost 34 000 full-time equivalent jobs, over 121 000 participants. It is very important in regional Victoria where there are more than 100 clubs across the three codes supporting nearly 10 000 full-time equivalent jobs with over a billion dollars in economic value. During the pandemic, even though racing continued, it does not mean the economic impact on the industry was not significant.

We are very fortunate in Victoria, across government of both persuasions, to have had the Victorian Racing Industry Fund, which provides funding to the industry to support the sustainability and growth of the three codes. Since December 2014 it has provided more than \$126 million to co-fund well over 1200 projects. In the last 12 months, as examples, we have provided funding to support the upgrade of the inside grass track at Warrnambool, \$1.57 million; upgrading the synthetic track at Pakenham; more than \$850 000 to support an upgrade to kennels at Bendigo, Geelong, Horsham, Sale and Shepparton; supporting an irrigation upgrade at Ballarat; new gallop runs at Shepparton greyhound track; upgrading the buildings and outdoor amenities at Lords Raceway; and money to support irrigation projects at both Camperdown and Terang, just as examples. The racing industry fund also provides support to the race day attraction program, which really helps bring spectators to racetracks across the state. Again just by way of example, support for the Colac Gold Cup, the Cobram Pacing Cup, the Woolamai Cup Day, the seaside festival at Warrnambool greyhounds, the kids day out at Stony Creek and the Golden Mile race day at Bendigo, just to name a few.

It is also important to mention that there has been a continued focus on integrity within the sector. Participants do need to be treated with respect and fairness, and the industry needs to uphold the highest standards of integrity. Over the last year or so we have had a new racing integrity commissioner in Sean Carroll, appointed to replace Sal Perna. Sean is doing a fantastic job. He announced an independent review into the victim support and complaint process back on 25 March this year. That review will establish an independent opportunity for victims of sexual harassment or physical assault within the industry to report their experiences. It comes off the

back of some unfortunate reports of historical sexual abuse in the industry dating back a number of decades. I will stop there, Chair, and allow questions to be asked.

**The CHAIR:** Thank you very much, Minister. Mr O'Brien.

**Mr D O'BRIEN:** Thank you, Chair; and welcome back again, Minister. Budget paper 3, page 268, in the output for sport, recreation and racing, talks about the strategic investment in world-class racing infrastructure, and of course you would be aware of the Sandown issue, the prospective closure of the Sandown track. Last year you told RSN that:

My view of this has always been, I'd only support it if the industry as a whole thought the outcome would be ultimately beneficial for racing.

Since then there have been a host of industry people—including jockey Damien Oliver, trainers Peter Moody and Michael Kent and recently retired trainer Colin Little, just to name a few—oppose the closure of Sandown. What is your view now?

**Mr PAKULA:** Fundamentally my view, Danny, is that the Sandown track is freehold land owned by the Melbourne Racing Club, so there are limits to how much the government's view about that is impactful. I retain the view that the overall picture, the overall benefit to the industry from any potential sale, would need to be the overriding factor, so for example, 'Are the funds from the sale put into racecourse infrastructure elsewhere? Is a new training facility purchased and provided? Can the trainers there be accommodated?' et cetera. But ultimately my view is of limited value in an environment where the club owns the land, so it is a matter for it and its members ultimately what happens to it.

Now, government has a role in that, because ultimately the planning minister, obviously in consultation with local government, will have to form a view about what purposes the land can be put to. So I suppose within those confines that is my answer. There is a decision about whether or not racing continues at Sandown, which will be a matter for RV, the MRC and its members. Then there is a matter in regard to what else might happen at the land if racing does not continue. We have been told that as of 5 May council has still not written to the Minister for Planning seeking any authorisation for an amendment to the greater Dandenong planning scheme.

**Mr D O'BRIEN:** Okay, thank you. But looking at the statement of finances in budget paper 2, if I am not mistaken—

**Mr PAKULA:** Budget paper what—2?

**Mr D O'BRIEN:** Sorry, budget paper 5. You do not need to get it out, Minister, but on the table there for 'Taxation' the 'Racing and other sports betting' figures go up quite dramatically, including on the estimates just from last year. For example, there is a 14 per cent increase over the forward estimates, but there is a 10 per cent increase on what was forecast last year for this year and a 16 per cent increase on what was forecast last year for 2024–25. The nub of the question is: what is it you are expecting is going to drive that growth in race betting returns?

**Mr PAKULA:** I have not put together the forward estimates; that has been done by Treasury and Finance. I could speculate about a couple of elements of it. One might be the fact that the point-of-consumption tax has been increased from 8 per cent to 10 per cent.

**Mr D O'BRIEN:** We knew that last year, did we not?

**Mr PAKULA:** Yes, we did. As you may well be aware, all of that differential, the extra 2 per cent, is being passed on in full to the sector, to the racing industry. In regard to what particular estimates Treasury uses to assess what they think will happen to wagering revenue, I cannot answer that, I am sorry. We can try and get you some detail, but it may well be based on historical themes or assessments about, you know, what they have seen throughout the last few years. There is no doubt that there was an increase in wagering over the period of COVID, and I think Treasury will be making an assessment about what proportion of that will stick.

**Mr D O'BRIEN:** Yes. Can you give any indication of whether the racing industry will get any of that increase back? I mean, it is a \$43 million increase in betting income.

**Mr PAKULA:** The answer is definitely. And the reason is, if you think about first of all the joint venture, the racing industry is a 50 per cent partner in the JV with Tabcorp, so if there is an uptick in wagering, they benefit from that under the JV that is in place at the moment. Secondly, under the point-of-consumption tax regime, as I recall, I think it is 3.5 per cent of 10 per cent goes directly to the VRI, so as wagering increases, point-of-consumption tax revenue increases and the passthrough to the industry increases as a consequence of that.

**Mr D O'BRIEN:** Okay. The output summary for sport, recreation and racing does not break down racing, but there is a \$90 million cut—18.1 per cent. This is on BP3, page 249.

**Mr PAKULA:** Give us a sec to have a look at that, mate. BP3, page 249—oh, yes, yes, yes.

**Mr D O'BRIEN:** So it is the overall racing—you can see there an 18.1 per cent variation.

**Mr PAKULA:** Yes.

**Mr D O'BRIEN:** Is there any cut to racing, and is there any cut to racing due to the funding going to the Commonwealth Games?

**Mr PAKULA:** No. What I can indicate to you is that the vast majority of that reduction in that sport, rec and racing output is a consequence of additional funds that we have been paying through COVID not having to be continued. For example, there has been a whole range of stimulus payments and a whole range of business support payments that do not need to continue, and I imagine that everyone would agree that you do not want to bake in those historic payments forever.

**Mr D O'BRIEN:** I have only got 20 seconds left, sorry, Minister. There is an increase in the racing revenue. Can I ask for the figure of what the racing portfolio is out of that output, a breakdown of that sport, recreation and racing for the out years?

**Mr PAKULA:** We can get you that. But as I said, most of the revenue to the industry comes through the JV and the POCT passthrough rather than directly from government.

**Mr D O'BRIEN:** Those would be great, thank you.

**The CHAIR:** Thank you, Mr O'Brien. Ms Richards.

**Ms RICHARDS:** Thanks, Minister and officials. Of course it is a hugely important industry in Cranbourne, the one we are talking about today, so it is nice for me to give a shout-out to all the stablehands and vets and food and beverage attendants and everyone else. I would like to refer you to budget paper 3, page 268, and the performance measure relating to 'Racing matters processed'. Are you able to identify what support has been provided to the Victorian thoroughbred industry to improve equine welfare outcomes?

**Mr PAKULA:** In the last week or two I announced that we would be providing extra support through the VRIF for a new PET and a second CT equine imaging unit for use by the thoroughbred industry. The funding is a joint project between ourselves, RV and University of Melbourne, and it builds on research through the equine limb injury prevention program. We are providing a bit over \$950 000; RV, the same; and University of Melbourne, \$240 000, so it is a \$1.9 million project all up. We would expect both the CT scanner and PET scanner to be sourced over the coming months. The CT scanner will arrive during the spring carnival, so we will not be able to use it then, but you might recall last year the CT scanner broke down and we had a bit of a problem with spare parts, so we will at least have spare parts for this year. We procured the first CT scanner ahead of the 2019 carnival. They were made mandatory for spring racing protocols ahead of the 2021 spring carnival for key races like the Melbourne Cup.

There are only two standing CT scanners in Australia for equine purposes. There is the one that we have currently, and Racing New South Wales have one at Randwick. Once the spring carnival is over that second CT scanner will be permanently set up at the Cranbourne training centre, so that is going to be great for the trainers of Melbourne's east and beyond. The PET scanner is a mobile unit based at Werribee. The second CT scanner will be at Cranbourne. So that, I think, is a really great development, not just for racing but for your part of the city and state particularly.

**Ms RICHARDS:** Thank you, Minister. Are you able to perhaps explain the work that the University of Melbourne and Racing Victoria have done with the support of the government around equine limb research?

**Mr PAKULA:** Yes, absolutely. Well, last year we launched the diagnostic image subsidy program. It was a trial to support owners and trainers in accessing advanced diagnostic imaging. Racing Victoria, you might recall, set up a \$25 million equine welfare fund, which is open to active or spelling thoroughbreds that have been kept here in Victoria for a minimum of three months. It is the first of its type in Australia. It is a program which allows participants to access three vet practices—U-Vet at Werribee, Ballarat Veterinary Practice and Goulburn Valley Equine Hospital. The owner or the trainer of an eligible horse can claim 50 per cent of their costs back. There is a potential saving of up to \$1600 when accessing advanced diagnostic imaging, including scintigraphy, MRIs and CT scans. It is really important to give those trainers that sort of support to run those tests, because it really helps avoid limb injury. It encourages greater use of that technology and mitigates the risk of further injury but also provides key data to help the industry understand better the impact of lameness on horses, and that is a much more proactive approach than has been undertaken in the past. We have had more than 140 horses enter the program since its commencement in July last year, and 70 per cent of the participants that accessed the scheme said that without the subsidy they would not have availed themselves of that advanced diagnostic scanning, so it just shows you how important it is.

**Ms RICHARDS:** Thanks, Minister, and just go a little bit further: are you able to outline any additional support the government has provided to the equine limb injury prevention program—a bit of alliteration there—and what some of the outcomes have been?

**Mr PAKULA:** Yes. We provided another \$2.7 million last August for phase 2 of that program. There was also a contribution from the University of Melbourne and Racing Victoria. So we have got five postdoctoral researchers to assist with the program. It also involves work by a number of academics and postgraduate researchers. The work that was undertaken during phase 1 led to a considerable contribution to the global academic understanding of limb injuries. Those findings have been presented at a whole range of national and international conferences and in a bunch of scientific publications. Key outcomes from phase 1 included better understanding of the risk factors of track surface behaviour, recommendations to trainers to reduce the risk of bone fractures, new methods to quantify micro-damage in bones, the piloting of an injury risk analysis and the installation of the first CT scanner. In terms of phase 2, we want to have a behavioural monitoring system in place to identify horses that are at risk; online educational modules for trainers, riders and owners; and better software to generate recommendations and monitor things like speed and distance and stride characteristics as to what might be an indication of potential injury. So there is quite a bit in there.

**Ms RICHARDS:** There is a lot going on. Have there been any further projects that the government has undertaken to assist in improving welfare outcomes across industry codes?

**Mr PAKULA:** Yes, there have been. I think one of the key things has been the installation of plastic running rails. We recently supported stage 13 of that. So we installed plastic running rails at Buchan, Omeo and Tambo Valley, and that means that the Global Barrier System's Mawsafe plastic running rail—it has been developed here—is now at every thoroughbred racetrack in Victoria. It was invented by Dan Mawby, a Victorian. It is used all over the country, it is used overseas. Just a couple of examples. Matt Hyland, who is the CEO of the VJA, described it as the:

... greatest safety enhancement introduced to the racing industry this century.

And Stephen Baster, the chairman of the VJA, who has been a jockey for a long, long time, said:

The beauty of the plastic running rail and the breakaway uprights is that it reacts exactly as it should each and every time a horse or rider comes into contact.

He said:

It has made an inherently dangerous job far safer for every horse and rider.

So that is just one example. We have put those in all over the state. We have also provided \$850 000 to create Greyhound Racing Victoria's steel kennels project, backed by GRV, and that has got new stainless steel kennels and fencing in Geelong, in Horsham, in Bendigo, Sale and Shepparton. That will improve the cleaning and maintenance of the facilities, improve ventilation and reduce the spread of infectious disease. That work is starting soon and it will be completed in 2023.

**Ms RICHARDS:** Thanks, Minister. In the very short time, the couple of minutes, I have got left I would like to explore race day attractions and refer you to budget paper 3, page 268, the performance measure relating to racing matters processed. Are you able to identify what support has been provided to the Victorian thoroughbred industry that has encouraged the return of tourists to Victorian communities?

**Mr PAKULA:** Yes. Just across the summer period alone, Pauline, we have provided \$335 000 through VRIF, matched by CRV, to support the summer campaign. It has supported marketing and kids activities to promote regional clubs from Drouin to Sale to Maffra. If I think about the members of this committee, I am sure Mr O'Brien may have enjoyed the Stony Creek family fun day out.

**Mr D O'BRIEN:** I went to the cup.

**Mr PAKULA:** He went to the cup, and I am sure Mrs McArthur would have been interested in the Terang and district co-op kids day out, whether or not she was there.

**Mrs McARTHUR:** Very interested.

**Mr PAKULA:** We also ran, with Country Racing Victoria, the 'thanks frontline workers' campaign that began in February this year. We provided \$480 000 for that campaign, matched by CRV. It provided free entry to frontline workers for more than 30 race days across the state. We contributed towards the marketing and promotion of the campaign and the kids activities across those events. It covered race days from Dederang in mid-February through to Tambo Valley in April, but also the Colac Turf Club cup day in March—and I was very pleased to see former transport minister Terry Mulder down at the Colac Turf Club only a week or two ago.

**Mr D O'BRIEN:** What a surprise.

**Mr PAKULA:** I think he is the vice-chairman there. There is the Cranbourne Turf Club's Kids Night Out in March and the Stony Creek cup day in mid-March, which Mr O'Brien has already said he was at. So they are all wonderful events, and we are very pleased to support them.

**Ms RICHARDS:** All right. I might leave it there. Thanks very much, Minister.

**The CHAIR:** Thank you, Ms Richards. Mr Hibbins.

**Mr HIBBINS:** Thank you, Chair. Thank you, Minister and your team, for appearing. I do want to ask about jumps racing. Now, you cited in your presentation \$4.3 billion generated by the racing industry. How much of that is attributable to jumps racing?

**Mr PAKULA:** I could not tell you that off the top of my head, Mr Hibbins, but I can tell you, for example, that the May racing carnival in Warrnambool alone, the three-day carnival, which has just been held, contributes millions—well beyond \$10 million—to that local economy. And not only that, it is attended by well in excess of 30 000 people over the three days. As you probably well know, there are only 19 jumps meetings throughout Victoria across the season. So the contribution of those 19 meetings towards the overall industry, which races on every day of the year—maybe minus one, 364 days of the year across three codes—would be a small part of it.

**Mr HIBBINS:** South Australia has now ended jumps racing.

**Mr PAKULA:** They have.

**Mr HIBBINS:** Victoria is now going to be the only state in the country that has jumps racing. I mean, South Australia, with some of their famous jumps races, are now just simply keeping that race, but it is no longer be a jumps race. It will be a standard horserace. Fifty-seven deaths in the past 12 years from jumps racing in Victoria—why is Victoria now going to be the only state in the country to continue with jumps racing?

**Mr PAKULA:** Interestingly, Mr Hibbins, you conflate many years gone by with much more recent data. I am going to answer your question. Racing SA, under the former government, did stop jumps racing. They have not banned it; they have just not held it. I think the recent Oakbank carnival—and its attendance numbers—was, according to most racing people in South Australia, a disaster.

In terms of fatality numbers, in 2022 so far, from 216 starters there has been one. So it has come down from four in 2019 to three in 2020 to two in 2021 and, so far this year, one, but I do concede that the season is not over. So those numbers which you quoted include numbers from a long period ago when, for instance, between 2002 and 2009 the average was 8.4 fatalities a season and since 2010 it has been 2.8. So it is much improved on what it was.

**Mr HIBBINS:** And are they acceptable numbers?

**Mr PAKULA:** I beg your pardon?

**Mr HIBBINS:** The current rate of fatalities, is that acceptable?

**Mr PAKULA:** Well, I think everyone in the industry, particularly the owners and trainers of those horses, would say that the best number, the most acceptable number, would be to have no fatalities, and that is why they work so hard through not just changes to the style of the hurdles and the steeples but through the protocols where, for example, jockeys are now instructed to, if they think their horse is struggling, pull it out of a race rather than continue jumping it over. So the best number is zero—

**Mr HIBBINS:** Do you see that as something that is feasible?

**Mr PAKULA:** Well, Mr Hibbins, we aim to get those numbers as low as possible, but I would make the point that there are fatalities, occasionally, in flat racing. There are stable accidents. There are training accidents. There are panic accidents.

**Mr HIBBINS:** Not at the rate of jumps racing.

**Mr PAKULA:** It is not only in a jumps race where there is a risk of a horse injuring itself fatally.

**Mr HIBBINS:** Thanks, Minister. Thanks, Chair.

**The CHAIR:** Thank you, Mr Hibbins. That concludes the time we have set aside for consideration of the racing portfolio with you today, Minister. We thank you for appearing before the committee in this capacity. The committee will follow up on any questions taken on notice in writing, and responses will be required within five working days of the committee's request.

The committee will now take a short break before moving to consideration of the trade portfolio with you. I declare this hearing adjourned.

**Witnesses withdrew.**