

**THE LEGISLATIVE COMMITTEE ON GOVERNMENT ADMINISTRATION 'A'  
MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART, ON  
MONDAY, 26 SEPTEMBER 2011**

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**PERFORMANCE OF TASRACING**

**Mr PHIL DOWLING AND Mr TERRY ARBON**, OFFICE OF RACING SOUTH AUSTRALIA WERE CALLED AND EXAMINED BY TELEPHONE LINK.

**CHAIR** (Ms Forrest) - Hi Phil and Terry, it's Ruth Forrest speaking. I will introduce you to the committee - Greg Hall, Paul Harriss, Jim Wilkinson and Vanessa Goodwin. Thanks for joining us. I know you have been sent some information about the committee inquiry. We are recording the proceedings so that we have a record of what is said and could possibly use some of that information in our report which we will prepare in due course.

I will tell you why we have contacted you for a bit of information. The fourth term of reference talks about the difference between the regulatory and integrity sides of the industry. In Tasmania we established Tasracing not that long ago which has the role of the industry side of it, organising the races and managing that side of it. But the integrity side is within the Department of Infrastructure, Energy and Resources under Tasmanian Racing Services. I understand in South Australia that your integrity and industry sides are all under the one umbrella. We have had varying viewpoints, some saying that it should be absolutely separate to maintain the integrity side of it and some saying that there would be cost savings and benefits to having it all together. I understand that your wagering is still outside of that framework, so we would appreciate it if you could talk to us a bit about how the industry works in South Australia and then get onto why you think that is the most appropriate model or not and whether you think there should be separation.

**Mr ARBON** - The racing industry consists of three corporate entities: thoroughbred, harness racing and greyhounds. They are incorporated under the Federal legislation and are independent of each other. There is not one overarching body, they all run their own business. The degree of government in the racing industry changed substantially in 2000-01, during which time the Government corporatised the industry. These bodies have their own constitutions and are registered with the Australian Securities and Investment Commission. Under South Australian legislation they are designated as controlling authorities. There is no further legislation that talks about the racing industry other than the designation. They run their own business and the Government does not, and cannot, seek to intervene in the day-to-day management of the industry. Government's dealing with the racing industry is now at a macro level and revolves around major policy issues.

In relation to the wagering side of the racing industry, there is a Minister for Gambling, who is separate to the Minister for Racing. Under the Authorised Betting Operations Act it talks about 'wagering'. The racing clubs are licensed under that act by the Independent Gambling Authority which also issues the major betting operations licence to the

SATAB. Bookmakers are licensed by the Liquor and Gambling Commissioner. Those wagering operators that are outside South Australia and are licensed by other Australian jurisdictions can seek to be authorised under the Authorised Betting Operations Act by the Independent Gambling Authority, and all that entails in seeking to be authorised. There is no probity to go through. Those wagering operators that are outside South Australian jurisdiction need to comply with all the requirements of the TAB, the racing clubs and bookmakers licensed in South Australia.

**CHAIR** - How is the probity managed?

**Mr ARBON** - Probably, as far as the major betting operations licence goes, is done by the Independent Gambling Authority. The directors of UniTAB were interviewed by the IGA and went through police checks, and the executives of UniTAB and subsequently the SATAB also went through police checks with the Independent Gambling Authority. Those checks were similar in its operation to what the casino went through. The committee of the racing clubs also go through probity checks in relation to police checks, and bookmakers are the same.

**CHAIR** - What about within the industry itself, Terry, with the stewards and the swabbing of horses or dogs et cetera at the tracks? Who manages that and how is it managed?

**Mr ARBON** - In relation to thoroughbreds it is Thoroughbred Racing SA, which is the controlling body for thoroughbred racing in South Australia. That body employs the stewards, who operate specifically, I guess, in Tasmania under the Australian Rules of Racing. There are some local rules. All drug and swab-related matters are the province of thoroughbred racing. They are stewards; they are not responsible to government for any of those matters.

Harness racing is the same. They operate under the Australian Harness Racing rules, with some local rules. Drug and probity issues is their province, and similar for greyhound racing.

**Mr HARRISS** - Terry, you mentioned just now Thoroughbred Racing SA. I presume that is the corporate entity established in that 2001 change that you referred to earlier.

**Mr ARBON** - That's correct.

**Mr HARRISS** - So it's that corporate entity which manages the whole lot, both the probity and the management side?

**Mr ARBON** - Yes, all of that is incorporated in their constitution. The Thoroughbred Racing SA is a 50 per cent partnership between the principal racing club, the South Australian Jockey Club at Morphettville - they are a 50 per cent shareholder - the remaining 50 per cent shareholder is made up of provincial and country clubs. Any change to the constitution needs more than 50 per cent. In other words, unless both bodies agree, they cannot amend the constitution.

As far as TRSA goes, the directors are appointed by the jockey club. We call it the South Australian Racing Clubs Council which is all other clubs. If those bodies can't

agree on the appointment of a director then a HR consultant is brought in and he basically picks the director that he thinks will be the best fit.

**Mr WILKINSON** - Are you happy with the system as it now is in South Australia, Terry, or do you believe there can be some tweaking at the edges to make it better and, if so, what?

**Mr ARBON** - At the moment it certainly seems to be working well. Thoroughbred Racing SA are managing their affairs well. Greyhounds are happy with the way they are operating. I think harness racing's probably a bigger problem than the other two. You have the principal club at Globe Derby. I think that they probably should have more input into the appointment of directors so they can basically run the show themselves.

**CHAIR** - It must be universal.

**Mr WILKINSON** - I was going to say, that seems to be the case in some States, that there's always a bit of tension with harness, is that right?

**Mr ARBON** - I think it's fair enough to say that.

**Mr WILKINSON** - Can you give any reason as to your understanding that that would be the case?

**Mr ARBON** - As long as I have been in the racing industry within government, and that's 20-odd years, from what people say, there's always been an issue with the country and metropolitan clubs.

Metropolitan clubs think that they should be basically running the show.

**CHAIR** - Does each of the codes have a peak body that TRSA interact with or is it just this whole group of people within the code?

**Mr ARBON** - The peak body is the controlling authority - Thoroughbred Racing SA for thoroughbreds; for harness racing it is Harness Racing SA; and for greyhounds it is Greyhound Racing SA. That body is the overarching body. They are responsible for the management of those clubs.

**CHAIR** - As far as establishing then, for example, Harness Racing SA, how difficult has that been to get a peak body or a representative body?

**Mr ARBON** - I guess the problem with harness racing is that they have a constitution and probably the downfall in that constitution is the way the directors are appointed. The principal club at Globe Derby likes to appoint directors who will favour them more so than the country area and I guess the downfall is the way the directors are appointed. But the Government has no legislative control over that constitution.

**CHAIR** - As far as having all your licensing, registration and handicapping and your grading, the enforcement of rules by the stewards, your national representation and determination of integrity conditions applicable to the race field information et cetera, in the same organisation, I guess is the integrity side which basically polices all of that. Is that a problem or has it been a problem?

**Mr ARBON** - It has never been an issue that has been raised here. From my understanding, they separated the administration and the integrity in New South Wales for harness racing and greyhound racing and, from what I can observe, that has not been successful and they may well have gone back to one body now. But it certainly has not been an issue here.

**CHAIR** - Do you know why it was not a success in New South Wales? New South Welsh people are a bit reluctant to speak to us about it.

**Mr ARBON** - I do not, really.

**CHAIR** - There have been no problems in South Australia and no need to consider it, even. Is that what you are saying?

**Mr ARBON** - It has been not an issue raised.

**CHAIR** - Can you see any benefits with its being separate?

**Mr ARBON** - Personally, I cannot. In my view, if you have a strong board of directors and they manage the situation, then I do not see a problem. I guess if there were personal conflicts, there may be.

**CHAIR** - Just getting to that, I am sure you are aware that Tasmania is quite a small jurisdiction, it is an industry in a small State, and there have been concerns raised of potential conflicts of interest. So how do you have that really strong and independent board that you mentioned was important? Do you see that in a small jurisdiction that may be problem and it would be best to have it separate or do you think it can be managed with a strong board process?

**Mr ARBON** - From my point of view, I guess it revolves around the individual. If the person on a board has horses, then they may be reluctant to do certain integrity issues but that comes back to casting aspersions on the person anyway, doesn't it?

**CHAIR** - Yes.

**Mr HALL** - Terry, just give us a snapshot of the industry in South Australia. It would be a pretty centralised industry in that almost everything gravitates around Adelaide, pretty well. Are there many country clubs and, if so, how many meetings do they have? I am talking about across all three codes.

**Mr ARBON** - We will do thoroughbreds first. The South Australian Jockey Club have one racecourse at Morphettville. Probably five or six years ago they had three. Victoria Park was closed. Victoria Park was right in the city. They also had a racecourse at Cheltenham that they have now sold. All metropolitan meetings are held at Morphettville. There are six provincial clubs. Four of them are probably within a radius of 50 miles from Adelaide. That is, Murray Bridge, Strathalbyn, Gawler and Balaklava. The other two provincial clubs are Mount Gambier and Port Lincoln. We call Oakbank a metropolitan club but they only run two or three meetings a year, principally at Easter

time, and there are probably 16 other country thoroughbred clubs. I am not sure how many meetings they run, to be honest - about 150 or 160.

With harness racing, there is a principal club at Globe Derby and they run at least three times a week - Monday during the day, and Tuesday nights. The reason they are racing Tuesday nights is to try to lift their market share. They run some Friday nights and all Saturday nights. There are probably another six country clubs.

With greyhound racing, there is one club that races at Angle Park. The difference between greyhound racing and the other two codes is that the controlling authority, Greyhound Racing SA, is also the principal club. They conduct all the race meetings at Angle Park. There are four other country clubs. Angle Park has probably 150 meetings a year; 100 of those are on Monday and Thursday nights and the others are Tuesday mornings. Of the remainder of the clubs, there are probably another 80 meetings. Greyhound Racing SA is the controlling body and the principal club and I believe with harness racing, if the authority and the principal club were one, the industry would be much better off and there would be less infighting.

**CHAIR** - Terry, going back to the question I was asking about any benefits of separating out the commercial and integrity arms, do you see any benefits in having the commercial and integrity arms as one, as you have in South Australia?

**Mr ARBON** - I think it probably cuts down on staffing levels. I think it is probably easier for the chief executive of one to oversee both and that person report to the board rather than two report to the board. In my view, it is easier to manage. I think New South Wales has probably found that, too.

**CHAIR** - Do you know what the catalyst was for New South Wales making that change?

**Mr ARBON** - No, I don't, sorry.

**Mr WILKINSON** - In South Australia are there any complaints coming from any of harness, dogs or gallops? If so, what are those complaints?

**Mr ARBON** - Are we talking about complaints from the corporate entities themselves or people associated with those codes?

**Mr WILKINSON** - Corporate entities first and then people associated with it.

**Mr ARBON** - We have very few complaints about the corporate entities. The biggest lot of complaints we have for thoroughbred and harness racing is the appointment of directors. Some think that it should be done in a better way but no-one has an answer to it.

**Mr HALL** - Terry, we have a very small industry here. Your industry is bigger but nowhere in the league of, say, New South Wales and Victoria. It was put to us that the industry is small and we're trying to compete on a global basis. There's a lot of competition out there and you might comment on that. Their biggest concern here was that with one probity issue, if something came unstuck, it would have a very deleterious affect on the industry. That is why we have the structure we have. Would you like to run anything past me on that?

**Mr ARBON** - Touch wood, at the moment we don't have any of those issues but I think it's fair enough to say that if what's happening in the New South Wales harness racing industry at the moment were to happen in South Australia then I think the industry would be severely impacted. Public confidence would certainly be going southwards and, as a result, I think turnover would decrease. I think that could be said not just for harness racing but for any kind.

**Mr HALL** - Yes, I meant across all three codes.

**CHAIR** - That's the comment that's being made, that it only takes one loss of integrity and then the whole thing unravels. The position has been put to us that for that reason, because it is very fraught, it's best to have it separate, but it seems that the argument on either side could be equally valid.

**Mr ARBON** - I think probably six people would say it should be separated and six people say it shouldn't. From the South Australian perspective, we haven't had a problem at the moment. Since the New South Wales harness racing revelations, our minister has spoken to the codes to say we don't want this happening because public confidence would certainly be dented.

**CHAIR** - So the minister's role is high-level policy advice now in that area?

**Mr ARBON** - Look, it is, but I guess you know as well as me that, while it is policy advice, they like to keep on the right side of the Government.

The TAB distribution here is on market share that the codes generate, so it's important for the codes to keep up their market share. Harness racing market share has gone from 16 per cent probably four years ago to just below 14 per cent now and that drop has cost them \$1 million. That's the principal reason they have put on Tuesday nights, to try to increase their market share to claw some of that income back.

**CHAIR** - In Tasmania we don't have that separation of the codes. They are all under Tasracing - a State-owned company. Tasracing have had challenges in having that communication with a peak body within each code. It has been difficult for them to establish a peak body in harness racing. It has worked well with the greyhounds and it seems to be working reasonably well with the thoroughbreds. But because they're all under the one umbrella under Tasracing, we don't have this same degree of competition, I guess, as what happen in South Australia. Is that a fair comment?

**Mr ARBON** - I think it is. Does Tasracing tell them at the start of the year basically what their revenue is going to be for that year?

**CHAIR** - I think that's how it works. Tasracing's role is corporate governance, strategic direction, funding, setting race dates and making the local rules. They set the licensing standards criteria, they have national representation, they're supposed to be working on increasing their sponsorship and their exposure in the marketplace. They're supposed to turn a profit but at this stage they're not.

**Mr ARBON** - Certainly regarding market share, the greyhounds and thoroughbreds prefer that option, but harness racing is opposed to it now because their market share has gone down.

**CHAIR** - They're opposed to one body or they're opposed to being separate?

**Mr ARBON** - They are opposed to generating their income from market share.

**CHAIR** - That's a bit predictable.

**Mr ARBON** - The problem is that when they were on fixed percentages around, I think, in the late 1990s, harness racing received 17.5 per cent. They weren't generating 17.5 per cent, they were probably generating 15 per cent of the turnover, but they were quite happy to receive the 17.5 per cent. When the industry was corporatised in 2000 the Government said that the TAB profit would now be distributed on the market share. Prior to 2000, greyhound racing was probably generating 12 per cent but was only paid 9.5 per cent. Now harness racing feel that it is not fair to market share.

**CHAIR** - It sounds a bit like Western Australian with the GST and the comments they make about Tasmania.

What I am hearing you say is that since the corporatisation of the industry the codes basically have to do it on their own and make their own way. Tasmania is a bit different in that we have a 20-year funding deed. TOTE was funding the industry up until a couple of years ago when the then Treasurer decided he was going to prepare TOTE for sale. Tasracing was created as a State-owned company with a \$27 million operational funding per annum indexed fund to allow the industry to continue with a fair degree of certainty. There is perhaps not the same expectation from the individual codes that they will make money themselves because it is more than \$27 million coming every year from the State Government coffers.

**Mr ARBON** - The racing industry is not precluded from going to the Minister for Racing to seek funding for capital projects. As from 1 July 2012, the Government will not receive any funds from wagering in South Australia. The money that it receives from TAB as a tax on turnover is being returned to the industry progressively. As I said, from 1 July 2012 the Government will not receive any tax. That tax, based on current turnovers, is about \$9 million per annum, which will go back to the industry, and that is forever.

**CHAIR** - Our TOTE, which is similar to your TAB, did provide the funding until this separation occurred. The Government has also provided a \$40 million loan facility. The Government is paying the loan and the repayments at the moment from capital expenditure, in addition to the \$27 million for operational funding. Are there any other comments you would like to make, Terry?

**Mr ARBON** - No, I don't think I have anything more to say. If you would like anything clarified later on, feel welcome to come back to me.

**CHAIR** - Thank you. It is interesting talking to a jurisdiction that has the integrity and the commercial together and seems to be quite happy in working with it. Thank you for your time.

**THE WITNESSES WITHDREW.**

**Mr ROSS KENNEDY**, GAMING AND RACING VICTORIA, WAS CALLED AND EXAMINED VIA TELECONFERENCE.

**CHAIR** (Ms Forrest) - Hi, Ross, how are you?

**Mr KENNEDY** - I am well thank you.

**CHAIR** - The proceedings are being recorded by *Hansard* for the purposes of having a record and possibly to use in our report which we will produce in due course.

**Mr KENNEDY** - Okay.

**CHAIR** - I am not sure how much information you have or know about the Tasmanian industry but just by way of background, the inquiry that has been going on for a little while now was looking at the financial performance particularly of Tasracing but our fourth term of reference refers to the respective roles of the Department of Infrastructure, Energy and Resources, where Racing Services Tasmania sits, to look after the integrity side of the industry and Tasracing, which is the commercial arm, deals with the funding and all that side of the industry. In Tasmania they are separate and then you have your wagering separate again. It is a relatively new structure but there have been some differing views about whether it is appropriate that they be separated. Some people have very strong view that the integrity should be separate from the commercial arm. There are others who say that there would cost savings and things by having it together. We understand that Victoria has it together but that your wagering is still separate.

If you could give us an overview of the Victorian structure and then perhaps we will talk about the benefits or issues that there may be with your structure and where you think it could be improved.

**Mr KENNEDY** - The three codes of racing each have individual controlling bodies who are responsible for both the development and regulation of their respective codes. So it is both commercial and integrity assurance. They come together as one to form the Joint Venture Management Committee for the wagering licence in Victoria which is held by Tabcorp until 2012 and will again be held by Tabcorp for a 12-year period beyond 2012. The licence is managed as a joint venture with the three codes together with Tabcorp forming the Joint Venture Management Committee. Apart from that, they operate independently of each other in terms of development and control of their respective codes.

The department's role is in terms of policy support to the Minister for Racing and to the Minister for Gaming to the extent that he is responsible for the wagering licence. The department also performs a licensing function for race clubs to ensure the integrity and appropriateness of their key office holders. Other than that, it is a partnership between government and the controlling bodies of the three codes in the development of racing.

There is a Victorian racing industry fund to which each of the codes can apply for assistance with infrastructure needs and other initiatives for industry development.



**CHAIR** - Generally, are the codes all pretty easy to work with? Do they have peak representative bodies?

**Mr KENNEDY** - There are always issues and clearly there are tensions between city and country racing and what is a fair share of prize money funds between city and country clubs. There are ongoing debates. Obviously these are things to be managed by the controlling bodies. But I think in a general sense they are quite effective. Each of the controlling bodies has a formal consultation process. In fact under our legislation they are required to have a formal consultation process with all their stakeholders. So owners, trainers, breeders, industry employees and bookmakers all have the opportunity to have input into policy development of the three controlling bodies.

**CHAIR** - The three controlling bodies then are basically the peak organisations from each of the codes?

**Mr KENNEDY** - That is right. They are the peak body and they also have statutory responsibility for control of each of the codes. I should make the point that in respect of harness and greyhound racing, the controlling bodies are statutory bodies established under an act of parliament, whereas for thoroughbred racing the controlling body is a corporation established under the Corporations Law but which is recognised in the Victorian legislation as the controlling body for thoroughbred racing.

**CHAIR** - Why the difference there?

**Mr KENNEDY** - I think it has just evolved over time. The statutory bodies for harness and greyhound racing have been in place for many years. Up until comparatively recently, thoroughbred racing was controlled under the principal club system where the Victoria Racing Club was deemed to be the principal club in the State of Victoria and carried responsibility for control and development of the industry throughout the State. That was overtaken by the establishment of Racing Victoria in about 2004 as a company with shareholders drawn from all of the clubs in the State - the three metropolitan clubs and the Victorian Country Racing Council.

**CHAIR** - As far as the management of the integrity side of racing is concerned - the appointment and management of stewards, the operations of the stewards, the swabbing and whatever else they do - in Tasmania we have that separated out from the commercial arm and one of the arguments that is being perceived is conflicts of interests in a small jurisdiction. Do you want to comment on those points?

**Mr KENNEDY** - You make the point that there are differences in the scale of the industry in each of the respective jurisdictions and clearly Victoria has a much larger scale than Tasmania. However, I suppose the principles are transportable. We did have the opportunity in 2008 of an external independent review by a retired county court judge of integrity assurance in the Victorian racing industry and that report is available on our Department of Justice website, incidentally. It went into some great detail of examining the existing structures for integrity assurance and alternatives to those structures -

**Mr WILKINSON** - Ross, can I cut in, please, and ask you for the name of that report?

**Mr KENNEDY** - Yes. It was done by Judge Gordon Lewis and it is generally called the Lewis Report but its formal title is *A Report on Integrity Assurance in the Victorian Racing Industry*.

**CHAIR** - I think that has been referred to us in the past.

**Mr KENNEDY** - It may well have been. The report did make a number of recommendations about improvement to the integrity structures and a lot of that was about having distinctly separate integrity subcommittees of the controlling bodies that are chaired by independent persons. It took that approach to separating the commercial imperatives from the integrity priorities in each of the codes.

**CHAIR** - Has Victoria gone down that path?

**Mr KENNEDY** - Yes, it has. Each of the codes have separate integrity subcommittees, in two of the three cases chaired by members who are not members of the controlling body itself. Thoroughbred racing at the moment has not gone that far but it is expected to move in that direction.

**CHAIR** - Having said that, because Tasmania is quite a small jurisdiction, as was mentioned, and all three codes sit under Tasracing - it is not as though they have separate bodies; they are just not big enough to do that - do you think that it is important in a jurisdiction such as this where they are all under one umbrella to have an integrity arm separate?

**Mr KENNEDY** - I don't think I am close enough to the issues and the dynamics of the Tasmanian industry to really offer a comment on that. I am familiar with the arguments for separation and for keeping them together and I think both of them have merits. I guess you apply the one that best suits your own environment and circumstances and I guess Tasmania has chosen the model they have having regard to their own circumstances.

**CHAIR** - Do you want to run through your view of the benefits of separation and the benefits of integration?

**Mr KENNEDY** - I think the benefits of separation are in perception. Often there is a perception that a particular decision was taken more because of the commercial imperatives than the integrity considerations in a matter and whether that is right or wrong, that can create some suspicion in the minds of the public and having them separate perhaps lessens that perception issue. Having them together means that there is a very broad understanding of the whole of the industry imperatives on the part of the commercial decision makers and those charged with the stewardship of the integrity of the industry so they can have regard to the total picture and not be limited to what they can see. All I can say I think is that it seems to have worked well in Victoria and the Lewis Report did not find it to be inappropriate.

**Mr HALL** - Have there been any probity issues at all, Ross, over time in Victorian racing?

**Mr KENNEDY** - Yes. In fact one of the issues that prompted the Lewis review was an incident of the chief executive officer of the thoroughbred controlling body operating a credit account with a bookmaker under an assumed name.

**Mr HALL** - Oh dear.

**Mr KENNEDY** - Yes. It created some very negative perceptions on the integrity front.

**Mr WILKINSON** - Dementia set in then, Ross, did it?

*Laughter.*

**Mr KENNEDY** - That led to the Lewis review. Even just recently we have had, by comparison, a lower level of integrity breaches where staff of our greyhound controlling body have been betting on greyhound racing which their code of conduct precludes them from so doing. There is no suggestion that they were benefiting from inside information or that they had any capacity to do so or, indeed, that they had attempted to contrive any outcomes. It was just that they were betting on the greyhounds when they ought not to have been doing so under their code of conduct. So, it occurs at a lower level but it does happen.

**CHAIR** - Ross, you were saying after the review was done that there has been move in Victoria towards the integrity subcommittees.

**Mr KENNEDY** - Yes.

**CHAIR** - And that was in response to that committee?

**Mr KENNEDY** - Yes, it was.

**CHAIR** - Has that made any difference, do you think, in either the public perception or in the way that things are done - has it been a positive move?

**Mr KENNEDY** - I think it has. I think it has created a stronger awareness in the minds of the controlling bodies of the need for a very strong focus on integrity. It is not just an add-on; it is not just something they do in addition to getting the wagering support for their racing; it is fundamental to the sustainability of the industry. So, I think it has reinforced that.

Another one of the recommendations which required structural changes was the recommendation that Lewis made that the greyhound and harness codes adopt a system of having a separate racing and appeals tribunal - or racing and appeals board. Up until this recommendation was made and adopted, the controlling bodies were hearing appeals from their stewards. So they were hearing appeals against decisions that were made by their own employees.

The thoroughbred code had addressed that by establishing, within its organisational structure, a separate appeals and disciplinary board so the stewards would lay charges - this is other than on traffic offences on race day but, you know, the more serious offences - they would be heard by the independent racing appeals disciplinary board and determined by that board with the opportunity for appeals to the Victorian civil and administrative tribunal in the case of their being aggrieved.

That was not the case in harness racing - it is now; they have adopted the same model - which, once again, I think has increased the perception of procedural fairness, at least, on the part of participants in those codes.

**CHAIR** - Can you explain for the committee the funding model under which Victoria operates?

**Mr KENNEDY** - Yes, the major funding source remains the parimutuel - the totalisator - which is operated under licence by a public company called Tabcorp Holdings. As I said earlier, the management of the day-to-day operation of the TOTE is by a joint venture management committee that is a 50-50 representation from the racing industry and Tabcorp. It generated, I think, something just short of \$300 million last year, which is by far the largest revenue stream for the industry. The share amongst the codes runs roughly at 69 per cent racing, 16 per cent greyhound racing and 15 per cent harness racing. Greyhound racing wagering performance in Victoria is very strong and it is actually growing.

Outside of the income from the wagering license, the standard revenue sources available to the clubs are sponsorship and gate receipts. The metropolitan clubs obviously are much better placed to earn significant revenues from those sources than the country clubs which are almost 100 per cent reliant on what they get back from the wagering through the Totalisator.

**CHAIR** - So the oversight of your wagering is completely separate to this part of the business as well?

**Mr KENNEDY** - The oversight of the wagering licence operation is by the Victorian Commission for Gambling Regulation. The minister of the day issues the licence but it is operated under the provisions of the Gambling Regulation Act and regulations made under that act, and there are rules of betting that are adopted by the licence holder and approved by the commission. It is the commission's role to monitor the operation of the TOTE to ensure that both the legislative obligations are being met and that the TOTE is being operated within the rules.

**CHAIR** - Any other questions from members? Basically, you have confirmed what other people have been saying: that there are two sides to this argument and you have to choose which one is best.

**Mr KENNEDY** - Yes, which one is best for your own particular circumstances which you know better than anybody, clearly.

**Mr WILKINSON** - Ross, I might ask you a question and you might want to put it in camera because it is your personal point of view. I understand that you know the Tasmanian industry fairly well, is that right?

**Mr KENNEDY** - I have a general understanding just through exposure to racing ministers' conferences and officers' conferences with people such as Tony Murray and others from Tasmania - yes.

**Mr WILKINSON** - The question I was going to ask - and if you want it in camera, that is fine and before you answer the question, please say if you want it in camera - but with your knowledge of the Tasmanian industry, do you have a preference as to where you believe Tasmania should be in all this or would you rather not voice that?

**Mr KENNEDY** - I do not have a preference, quite honestly. I have not turned my mind to it and I would not presume to because I do not really understand the grassroots issues that might be driving one model or the other as well as one would need to, to make a reasoned call on that question, so I would prefer not to.

**Mr WILKINSON** - My question was going to be to you, if we said, 'Ross, come down and we will give you more money than you can poke a stick at; you have to re-arrange the industry'. What would you do? You do not really want to go into that?

**Mr KENNEDY** - I would say, I know what is working well in Victoria. The model that we have in Victoria is working well. It has been independently analysed in recent times and affirmed as being the right fit for Victoria, subject to a few changes which have been adopted. I would be inclined to see a similar, very close review undertaken by an independent person. If I were coming down there, that is what I would be doing; I would be commissioning a review - probably similar to what you are doing as a Legislative Council committee, in examining the issues that are confronting Tasmanian racing and what it is the best fit for Tasmania in terms of integrity versus commercial interests.

**Mr WILKINSON** - Can you see any reason why the system that Victoria is using now could not work here?

**Mr KENNEDY** - No, I do not - acknowledging that it is a smaller jurisdiction and I am not too sure of commonality of the personalities across the codes. They are completely different in Victoria. The culture of the codes is different. So putting them all together in one controlling body would not be a good fit here.

**CHAIR** - Not a good fit here all the time, either.

**Mr KENNEDY** - Yes, that might be the experience.

**Mr HALL** - Following on from Jim's questions, Ross. As you said, we are a small jurisdiction and the industry here is trying to compete against other jurisdictions on a global basis and that is pretty difficult for us.

**Mr KENNEDY** - Yes.

**Mr HALL** - It has been put to us - and this is a hypothetical question to you - that if we do really have one untoward issue, one probity issue, then the industry would be under severe pressure. Whereas, you have a larger industry and you could handle it, perhaps, as you mentioned regarding that case before; you have a bit more fat there.

**Mr KENNEDY** - That might be so. I guess when you have a situation where you have one controlling body and an integrity department for all three codes, then one of the codes can experience an integrity failure and it is going to reflect on the whole to a greater extent than it will here and because of the separation of the codes, the impact is more

likely to be contained to the code where the issue has taken place. I suppose that is a consideration.

**CHAIR** - From what I have heard, Ross, Victoria has dealt with that issue of having your separate codes, but then you also have the separate subcommittees dealing with integrity.

**Mr KENNEDY** - That is right.

**CHAIR** - Do you have a problem with harness racing over there?

**Mr KENNEDY** - Regarding integrity issues?

**CHAIR** - No, not integrity but about being able to speak with a united voice.

**Mr KENNEDY** - Harness racing - I think they would not be offended for me to tell you that they are facing the greatest challenges of the three codes over here. Thoroughbreds, I think, are holding strong. Greyhounds are increasing their market share; they are up around 20 per cent of market share now, whereas, 20 years ago, they would be struggling to get close to 10 per cent. The harness racing people are finding it hard work just maintaining where they are. They have also bitten off a large debt in establishing a dedicated racing venue at Melton in outer western Melbourne, which is very popular and very well attended but it is a large debt to service and it will take a bit of time before they get into a positive situation with a return on that investment.

In terms of stakeholder engagement, I mentioned earlier each of the codes has a legislative obligation to consult. In harness racing it is probably fair to say that we hear more from stakeholders about not being meaningfully engaged in policy development than we do here from the other codes, but we hear it from all three so consultation means different things to different people and I guess being heard and having your view taken up is often the only way that people will see that their consultation has been effective but when their view is not taken up they might regard it as being less meaningful.

**Mr WILKINSON** - Ross, the evidence that we have had, too, within Tasmania is that the dogs are doing much better than they have done for years. In other States around Australia, I understand, that is the case as well; thoroughbreds will always be doing pretty well and harness racing is the one in the middle that is finding it difficult.

**Mr KENNEDY** - Yes.

**Mr WILKINSON** - Is that because the dogs are now more attuned to the generation, that is, quick race, quick money, quick bet - those types of things - as opposed to harness racing? I do not know -

**Mr KENNEDY** - I think there is something in that. I think it is the immediacy of it, the fact that a race is over in less than 30 seconds and you are looking to the next race and that is up in a few minutes and I think that goes part of the way, but one of the big reasons is that greyhound racing took a big chance and decided to hold meetings in times that nobody else would even think of. They fixtured meetings in the twilight hours and it was an enormous success. Almost immediately you saw the spike in wager and growth. They have held that position. They have tried other things. I know in Victoria they have

tried a lot of promotional initiatives that have been quite successful to engage local communities so they are focusing on getting community engagement even at a very local level and I think it all contributes towards the growth in the waging support and the better prospects of their sustainability.

**Mr WILKINSON** - Greg Miller is in charge over there, isn't he?

**Mr KENNEDY** - Yes, he is at Sandown and he is one of the two metropolitan clubs. He is the CEO of the Sandown Club -

**CHAIR** - He is probably a friend of Jim's, I reckon.

**Mr WILKINSON** - He is an old footy mate.

**Mr KENNEDY** - Right, Greg has a good strong history of footy, hasn't he?

**Mr WILKINSON** - Yes. He is a good fellow.

**Mr KENNEDY** - He is, too.

**Mr WILKINSON** - We are getting off the point a bit.

**Mr KENNEDY** - Yes, it might be straying a bit.

**CHAIR** - Unless our members have any other questions or you wanted to add anything else, Ross, I think that has covered the questions that we had for you.

**Mr KENNEDY** - No, Ruth, I can't think of anything to add but I am happy to answer any question any other member has but I just wish you well.

**CHAIR** - Thanks for your time today, we appreciate that and it has been very helpful.

**Mr KENNEDY** - It is a pleasure.

**CHAIR** - Thank you.

**THE WITNESS WITHDREW.**