

Select Committee on Greyhound Racing in New South Wales

Greyhound racing in New South Wales

Second Report

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Terms of reference

1. That the Select Committee on Greyhound Racing in New South Wales inquire into and report on greyhound racing in New South Wales, and in particular:
 - (a) The economic viability of the greyhound racing industry in New South Wales
 - (b) The financial performance and conduct of the industry and of Greyhound Racing NSW including a comparison to other states of Australia
 - (c) Government initiatives and assistance measures to support the industry and comparison of assistance to other racing codes
 - (d) The effectiveness of current industry regulation, including the level of autonomy of Greyhound Racing NSW
 - (e) The selection process for the board of Greyhound Racing NSW
 - (f) The effectiveness and accountability of the board and management of Greyhound Racing NSW
 - (g) The effectiveness of the current arrangements for, and role of, the Integrity Auditor of Greyhound Racing NSW
 - (h) The capability and performance of Greyhound Racing NSW and governance of the industry
 - (i) The incidence of drug administration and doping in the industry and the efficacy of Greyhound Racing NSW's control and testing processes
 - (j) Sale and breeding of greyhounds including the market conditions and welfare of animals
 - (k) The welfare of animals in the industry and the role of Greyhound Racing NSW in establishing and enforcing standards of treatment of animals
 - (l) Financial incentives for reducing euthanasia and prosecutions for animal mistreatment
 - (m) The adequacy and integrity of data collection in the industry, including the number of pups born, the number of dogs euthanased and injury rates, and
 - (n) Any other related matter.

That the committee report within six months of the date of passing of this resolution

These terms of reference were referred to the committee by Hon Dr John Kaye MLC.¹

¹ *LC Minutes (27/08/2013)* pp 1927-1929

Committee membership

| | | |
|---|----------------------------|---------------------|
| The Hon Robert Borsak MLC | Shooters and Fishers Party | <i>Chair</i> |
| Dr John Kaye MLC | The Greens | <i>Deputy Chair</i> |
| The Hon Trevor Khan MLC | The Nationals | |
| The Hon Natasha Maclaren-Jones MLC | Liberal Party | |
| The Hon Melinda Pavey MLC | The Nationals | |
| The Hon Lynda Voltz MLC | Australian Labor Party | |
| The Hon Steve Whan MLC | Australian Labor Party | |

Committee Secretariat

Mr Stewart Smith, Director

Mr John Miller, Principal Council Officer

Ms Angeline Chung, Council Officer Assistant

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Chair's foreword

I am pleased to present the committee's second and final report on greyhound racing in New South Wales.

The committee's first report included a recommendation that the Treasurer provide financial modelling of the economic impact of a number of scenarios to improve the future viability and sustainability of the greyhound racing industry, which the Treasurer subsequently agreed to. Together with committee members, I am grateful of the support of the Treasurer, Hon Andrew Constance MP and staff of NSW Treasury in providing this assistance.

Based on the financial modelling provided to the committee, this second report contains two recommendations to help secure the future viability of the greyhound racing industry.

The first recommendation is that the NSW government remove the race fields information use fee cap and allow the racing bodies to determine their own fees for race field information use.

The second recommendation is that the NSW government implement a staged reduction in taxation rates on wagering to ensure that NSW racing is competitive with racing codes in other States, particularly Victoria.

I believe that the implementation of these two recommendations will go a long way to help strengthen the greyhound racing industry in New South Wales.

However, as outlined in the first report, I strongly reiterate the importance of a restructure of the board and management of Greyhound Racing NSW. Without this reform, any financial benefits from the above recommendations will be of little benefit.

Finally, I again thank the many participants in this inquiry. I would also like to thank my colleagues on the committee, as well as the secretariat staff, Stewart Smith, John Miller and Angeline Chung, for their work in supporting the committee.



Hon Robert Borsak MLC
Committee Chair

Summary of recommendations

Recommendation 1

14

That the Minister for Hospitality, Gaming and Racing amend section 16 of the Racing Administration Regulation 2012 in order to remove the legislated race field information use fee cap and allow a relevant racing control body to determine the fees for race field information use.

Recommendation 2

16

That the NSW Government implement a staged reduction in taxation rates on wagering to ensure New South Wales racing is competitive with racing codes in other States (particularly Victoria).

Recommendation 2A

16

That, if the Government decides it will not implement Recommendation 2 or will not reduce rates to similar levels to Victoria in the medium term, the committee recommends that the NSW Government conduct a full review and analysis of the competitive position of racing in New South Wales within two years with particular focus on the viability of country racing.

Chapter 1 Introduction

This chapter provides an overview of the establishment of the Select Committee on Greyhound racing in New South Wales and its terms of reference. It also describes the way in which the Inquiry was conducted and provides an outline of the structure of this report.

Establishment and conduct of the inquiry

Establishment of the inquiry

- 1.1 On 27 August 2013 a motion was moved by Dr John Kaye and passed by the Legislative Council for the establishment of the Select Committee into Greyhound Racing in New South Wales.²
- 1.2 The committee is comprised of seven members as set out on page iv. The resolution establishing the committee identified the Hon Robert Borsak MLC as the Chair of the committee and Dr John Kaye MLC as Deputy Chair.

Terms of reference

- 1.3 The committee was established to inquire into and report on various issues relating to the greyhound racing industry in New South Wales, in particular its economic viability, financial performance, regulation, capability and the performance of Greyhound Racing NSW (GRNSW), the Integrity Auditor, drug administration and doping, animal welfare and other related matters.
- 1.4 The full terms of reference are set out on page iv.

Conduct of the Inquiry

Timeframe

- 1.5 The Legislative Council resolved on 27 August 2013 that the committee report within six months of the date of passing of the resolution. On 12 November 2013, the Legislative Council extended the reporting date for the committee to Friday 28 March 2014. On 18 March 2014 the House resolved that the committee table its first report by Friday 28 March 2014, and that the final reporting date be extended to 30 June 2014. The First Report of the committee was tabled on 28 March 2014. On 18 June 2014 the House resolved to extend the final reporting date to 29 August 2014, then extended it again to Friday 17 October 2014.³

² *Minutes*, Legislative Council, 27 August 2013 pp 1927-1929.

³ *Minutes*, Legislative Council, 18 June 2014, p 2589; 13 August 2014, p 2656.

Submissions

1.6 The committee invited submissions by advertising in the *Sydney Morning Herald*, *Daily Telegraph* and *Greyhound Recorder*. A media release announcing the Inquiry was also sent to all New South Wales media outlets.

1.7 The committee wrote to key stakeholders inviting them to make a submission to the inquiry.

The closing date for submissions was Wednesday, 6 November 2013. However, the committee continued to accept submissions after this date.

1.8 The committee received 2556 responses to this inquiry. This figure includes both pro forma and unique submissions. The committee published 1027 submissions, 55 supplementary submissions and three examples of pro forma submissions. The full list of submissions is set out in Appendix 1 of the First Report.

Hearings, site visit and public forum

1.9 The committee held public hearings on 15 November 2013, 5 February 2014 and 6 February 2014. Witnesses at the public hearings included representatives from Greyhound Racing NSW, NSW Greyhound Breeders Owners and Trainers Association, Mr Graham Gorrie, the current Greyhound Racing Integrity Auditor, Mr David Landa, the former Greyhound Racing Integrity Auditor, Office of Liquor, Gaming and Racing, NSW Bookmakers Co-operative, greyhound industry participants, RSCPA Australia, Greyhound Rehoming Centre, and other greyhound welfare groups.

1.10 A full list of witnesses who appeared at the hearings is set out in Appendix 2 of the First Report, and the transcripts are available on the committee's website.

1.11 Two public forums were held - in Penrith on 15 November 2013 and in Wallsend, at The Gardens on 5 February 2014. A list of speakers at both forums is included in Appendix 3 of the First Report, and transcripts of their contributions can be found on the committee's website.

1.12 The committee also conducted a site visit to the racing facilities at The Gardens on 5 February 2014.

1.13 The committee wishes to thank all the stakeholders who provided written submissions to the inquiry, gave evidence at public hearings and who participated in the public forums.

Tabling of First Report

1.14 On 18 March 2014, the committee tabled its first report on *Greyhound Racing in New South Wales*. The first report made 2 findings and 18 recommendations addressing issues concerning the sustainability of the industry, the management and structure of Greyhound Racing NSW, as well as integrity and animal welfare issues in the industry.

- 1.15 The Legislative Council Standing Orders⁴ require that where a committee recommends that action be taken by the Government, the Leader of the Government in the House must advise what action, if any, the government proposes to take in relation to each recommendation of the committee. The Government response to the committee's first report was due by 29 September 2014. This requirement was not met and at the time of drafting the second report no government response had been received.

Financial modelling

- 1.16 The committee's first report included a recommendation that the Treasurer provide financial modelling of the economic impact of a number of scenarios proposed to improve the future viability and sustainability of the greyhound racing industry.
- 1.17 The Treasurer subsequently agreed to engage a consultant to provide the financial modelling that the committee had requested. The committee is grateful of the support of the Treasurer, Hon Andrew Constance MP and staff of NSW Treasury.
- 1.18 The Treasurer met with representatives of the committee and agreed to provide the consultant's report to the committee by 19 September 2014. A draft was provided to the committee on 29 September 2014.

Structure of report

- 1.19 This report is comprised of four chapters.
- 1.20 Chapter 2 provides a summary of chapters 2, 3 and 4 of the committee's first report, along with details of the proposals requested to be modelled by the consultant engaged by Treasury.
- 1.21 Chapter 3 provides some commentary and analysis of the key points of the financial modelling of the consultant engaged by Treasury. A full copy of the report is contained in Appendix One.
- 1.22 Chapter 4 consists of the committee's comments and recommendations about the economic viability and long term sustainability of the greyhound racing industry in New South Wales, based on the information provided in the consultant's report.

⁴ Legislative Council, *Standing Rules and Orders*, May 2004, SO 233.

Chapter 2 The economic viability of the greyhound racing industry

This chapter provides a summary of Chapters 2, 3 and 4 of the committee's first report on *Greyhound Racing in New South Wales*, which focussed on the economic viability of the industry. Proposals to improve the future viability and sustainability of the industry are also considered.

An overview of the greyhound racing industry

- 2.1 The greyhound racing industry in New South Wales is overseen by Greyhound Racing NSW (GRNSW), a body independent of the state government. Greyhound Racing NSW is responsible for the commercial strategic direction of the industry, as well as issues such as integrity and animal welfare.
- 2.2 In 2012-13 over \$1 billion was wagered on greyhound racing in New South Wales. The industry was estimated to have contributed \$144 million to the state's economy in 2009-10. However, the number of people participating in the industry, as greyhound trainers, owners or attendants, has declined by about 1,000 over the past five years.

The economic viability of the greyhound racing industry (Chapter 3 – First Report)

- 2.3 Chapter 3 of the first report considered the viability of the industry from the perspective of a greyhound racing participant as well as from a broader whole of industry perspective. Industry participants noted that current levels of prize money in New South Wales were unable to cover costs and that participating in the sport is becoming increasingly unviable. Many participants also contrasted the prize money paid in New South Wales with the higher prize money available in Victoria.
- 2.4 The committee also heard that the industry as a whole is not viable in the short to medium term and not sustainable in the long term. Greyhound Racing NSW warned that up to half of the State's tracks could close within the next five to ten years if there is no change to the way the industry is funded.
- 2.5 The primary sources of revenue for greyhound racing are returns from the wagering industry. The largest share of this revenue comes from Tabcorp, while other wagering operators in Australia contribute a smaller amount via their payment of Race Field Information Use fees.
- 2.6 The three racing codes (thoroughbred, harness racing and greyhounds) have negotiated and signed racing distribution and inter-code agreements which determine the level of revenue that each of the racing codes receive from Tabcorp. These agreements run for a period of 99 years. The greyhound racing industry receives 13 per cent of the returns from Tabcorp. However, the industry notes that it generates over 20 per cent of TAB racing revenue in the State.
- 2.7 Race fields legislation was introduced in 2008 and provides for Greyhound Racing NSW to levy a fee on wagering operators who wish to offer wagering on NSW races. Greyhound Racing NSW currently charges fees based on the lesser of 1.5 per cent of turnover or 15 per

cent of gross revenue, with a minimum payment floor of 0.75 per cent of the wagering operator's turnover.

- 2.8** The committee was convinced of the funding challenges faced by the greyhound racing industry in New South Wales and found that the industry may be unsustainable under current funding arrangements. The committee made the following finding on the future viability of the industry:

Finding 1 (First Report)

The Committee finds that with its current structure and sources of revenue the greyhound racing industry in New South Wales may be unsustainable. Returns to trainers and owners do not cover costs, which leads to the loss of quality dogs to Victoria and elsewhere, a reduced number of industry participants and contributes to making existing clubs and tracks unviable.

Proposals to improve the economic viability of the greyhound industry (Chapter 4 – First Report)

- 2.9** Chapter 4 of the first report examined proposals put forward by industry participants to improve the economic viability and long term sustainability of the greyhound racing industry in New South Wales.
- 2.10** The solutions considered included proposals to amend the inter-code agreement, adjustments to the level of government support and the wagering tax collected by the state government, and proposals to amend race field information use fees.
- 2.11** The committee considered that there was a lack of information about the economic impact such proposals may have on the other two racing codes, the general level of wagering in NSW, and State Government finances. Accordingly, the committee determined to conduct financial modelling on the long term economic impacts of a number of scenarios, before proceeding to make final recommendations to the Government about the best way to address the economic problems that the industry is facing.
- 2.12** The committee made the following recommendation to the Treasurer regarding financial modelling:

Recommendation 1 (First Report)

That the Treasurer provide financial modelling of the economic impact on state revenue and the greyhound industry of a number of scenarios, or combinations that best reflect optimum outcomes for the future of the greyhound racing industry and the racing industry overall.

Scenarios requested to be modelled

- 2.13** The committee sought financial modelling of the economic impacts of five scenarios that had been put forward by industry participants to improve the economic viability and long term sustainability of the industry. Details of these scenarios are below.

Scenario A

- 2.14 That the NSW Government amend the inter-code agreement such that the returns to each code from TAB distributions are in proportion to the percentage of wagering generated by each code.

Scenario B

- 2.15 That the NSW Government:
- provide \$154 million in funding to the greyhound racing industry over 5 years, to be sourced by applying a differential tax rate of 0.0 per cent on wagering on greyhound races in NSW, and that after this amount has been returned to the industry
 - provide ongoing funding to the greyhound racing industry equal to the difference between the current return paid to the industry under the inter-code agreement and what it would be if it was based on market share, and that this funding be sourced by applying a differential tax rate on wagering on greyhound races in NSW.

Scenario C

- 2.16 That the NSW Government:
- provide temporary funding to the greyhound industry, via a differential tax basis, of an amount equal to the difference between the current return paid to the industry under the inter-code agreement and what it would be if it was based on market share
 - amend the inter-code agreement to provide that the returns to each code are in proportion to the percentage of wagering generated by each code; with the amended distribution split into fixed and variable components
 - provide Government assistance, on a temporary basis, to the other two racing codes after the inter-code has been amended to replace any lost revenue resulting from the changes to the inter-code.

Scenario D

- 2.17 That the NSW Government amend the Racing Administration Regulation 2012 to remove the race fields levy cap of 1.5 per cent of wagering turnover.

Scenario E

- 2.18 That the NSW Government reduce its taxation rate on race wagering to equal that of Victoria.

Treasury engages a consultant

- 2.19 Upon tabling the first report the committee chair Hon Robert Borsak wrote to the Treasurer requesting assistance for the modelling of the five scenarios. Treasurer Constance agreed to the request, and in response NSW Treasury engaged a consultant to conduct the modelling. The results of the modelling are presented in the next chapter.

Chapter 3 Modelling results - key findings

This chapter outlines the key findings arising from the economic financial modelling requested by the committee. A full copy of the results is contained in Appendix One, and should be read to provide background and assumptions used by the consultant. The full report also contains detailed results for scenarios B, C, D and E.

The financial modelling framework

- 3.1** The financial modelling was used to help determine the economic impacts of fiscal support for the NSW Greyhound racing industry. The consultant, PwC, used the results of a literature and data review to inform an economic analysis using the Monash Multi-Regional Forecasting Computable General Equilibrium model.
- 3.2** The modelling results reported the impacts of scenarios B to E on a variety of measures, including:
- NSW Government tax revenue
 - funding received by the Greyhound Racing Association
 - funding received by the thoroughbred and trots racing associations
 - employment in the racing industry
 - employment in other sectors of the NSW economy
 - value of production of the NSW racing sector
 - Gross State Product
 - amounts wagered on NSW greyhound racing
 - amounts wagered on other forms of NSW racing.
- 3.3** It should be noted that scenario A – which involved amending the inter-code agreement so that the returns to each code from TAB distributions are in proportion to the percentage of wagering generated by each code, was omitted from the modelling.
- 3.4** The consultant explained that there were two reasons for not modelling this scenario. One reason was that ‘there are legal complications that would make Scenario A unlikely in the short term’. The other reason was that amending the inter-code agreement would simply lead to a transfer of revenue between racing codes and as such it ‘would not represent a modelling shock that could be explored within the proposed modelling framework.’ It was advised that the modelling would therefore yield little value.⁵

⁵ PwC, 2014, *Economic effects of fiscal support for the NSW Greyhound racing industry: Modelling results*, p 3.

Key findings

- 3.5** The key findings of the financial modelling focus on the impact of the scenarios on NSW Gross State Product, as well as the impact on tax revenue for both New South Wales and the Commonwealth. The impact on NSW state finances is of greater relevance to the committee, and hence the key findings outlined below focus on the impact to the State.

Effect on NSW Gross State Product

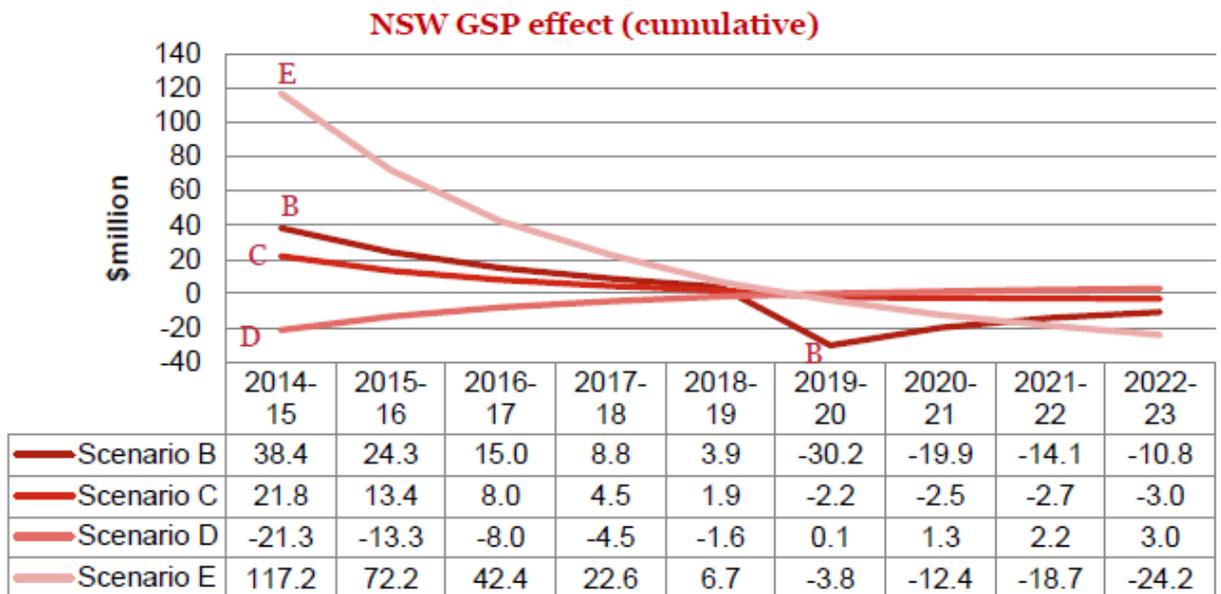
Key points

- 3.6** Figure 1 shows the cumulative impact on NSW gross state product out to 2022-23 for each of the scenarios modelled. It indicates that there is an initial spike in economic growth in most of the scenarios. However, after the initial upward spike, economic growth falls, as the fiscal support measures are offset by lower government expenditure in other parts of the economy.
- 3.7** The approach used by the modellers assumes that fiscal outlays provided by the government in year 1 (which is taken to be 2014-15) are offset by reductions in Government spending in subsequent years in order to balance the Budget. As a result many of the scenarios deliver an increase in gross state product in the first year, but are then offset with reductions in gross state product in subsequent years. In effect, the model assumes that the Government borrows to fund the support, and it is this injection of funds from borrowing that drives the increase in gross state product. NSW Treasury notes that in assuming that the government can increase borrowing, the model does not take account of the government's debt strategy and AAA credit rating constraint.⁶
- 3.8** It can be seen that the only scenario with a positive impact on gross state product (albeit small) is scenario D, which involved removing the cap on the race fields levy. While scenario E (reducing the tax levy on the industry) had the greatest short term positive impact on gross state product, cumulatively out to 2022-2023 this scenario ultimately had the greatest negative impact.
- 3.9** The report notes that the racing industry is a consumptive sector of the NSW economy. As such, it doesn't generate any significant productivity benefits to the rest of the economy to lift State output permanently and to offset the impact of the reduction in government expenditure elsewhere in the economy.⁷

⁶ Correspondence from Mr Michael Warlters, Principal Advisor, Revenue Analysis Branch, The Treasury, to Mr Jason Falinski, NSW Treasurer's office, 26 September 2014.

⁷ PwC, 2014, *Economic effects of fiscal support for the NSW Greyhound racing industry: Modelling results*, p 10.

Figure 1 The cumulative impact on NSW gross state product



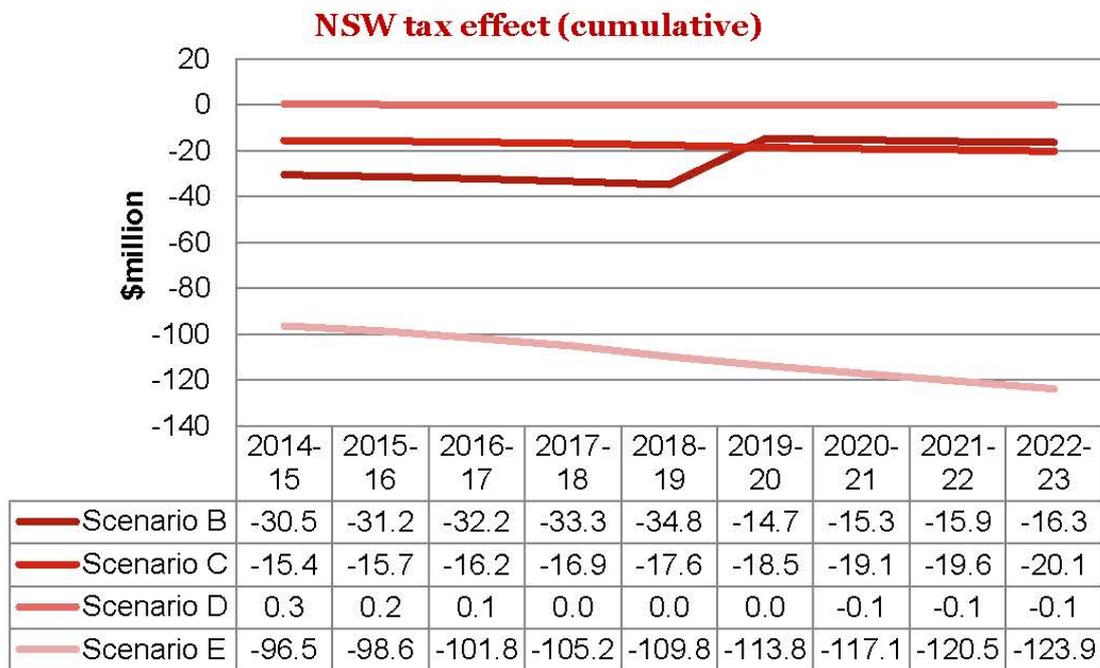
Effect on tax revenue

Key points

- 3.10** The state government collects taxes on gambling, insurance, property and payroll taxes. However, economic activity induced by various fiscal incentives to the racing industry comes at the cost of affecting the NSW tax collections. The direct fiscal support itself represents the major net revenue loss for the government.
- 3.11** Figure 2 shows the cumulative net tax effect for NSW for each of the modelled scenarios. All scenarios have a negative impact, although the impact of removing the race fields cap levy (scenario D) was minimal. The report notes that while the reduction in the tax rate is good for the greyhound racing industry, from the NSW government taxation perspective scenario E - aligning the wagering tax rate with the Victorian rate, is expensive in the first year after accounting for economy-wide impacts.⁸

⁸ PwC, 2014, *Economic effects of fiscal support for the NSW Greyhound racing industry: Modelling results*, p 9.

Figure 2 NSW net tax effect (cumulative)



Limitations of the modelling results

3.12 The consultant report noted that while an economy-wide modelling approach has been used to capture the resource allocation and opportunity cost of government expenditure on different activities, some limitations remain. These included:

- The economic impact modelling does not account for social costs or impacts related to gambling
- The modelling does not explore the relative impact or provide alternative forms of industry assistance
- The modelling does not explore the relative efficiency of distributional mechanisms within the industry.⁹

3.13 The committee accepts and acknowledges the limitations as presented above. The committee further acknowledges the limitations of financial modelling more generally, especially in the context of modelling a very small industry (greyhound racing) in the wider context of the state economy.

3.14 The next chapter brings together some of the key findings presented here to enable the committee to make some conclusions and recommendations.

⁹ PwC, 2014, *Economic effects of fiscal support for the NSW Greyhound racing industry: Modelling results*, p 6.

Chapter 4 Conclusion

This chapter presents the committee's comments and recommendations about the most appropriate response by the government to ensure the economic viability and long term sustainability of the greyhound racing industry in New South Wales. The conclusions reached are based on the results of the modelling of the financial impact of the four scenarios.

Committee comment and recommendations

- 4.1** The committee acknowledges that removing the race fields information use fee cap (scenario D) was the only scenario for which the financial modelling returned a cumulative positive effect on gross state product. This scenario also had the least impact on NSW Government tax revenue. This negligible effect on tax revenue was expected because race field information use fees are levied directly by the industry on wagering operators, rather than through the government.
- 4.2** The assumptions used for modelling scenario D included a requirement that the race field information use fees be increased to a level sufficient to generate an extra \$15 million per year for the greyhound racing industry. The modelling showed that this would require race field information use fees of between 3.6 – 3.8 per cent, which is more than double the currently legislated fee cap of 1.5 per cent.
- 4.3** Increasing race field information use fees to more than double their current level will undoubtedly have an impact on the wagering market, especially as the NSW greyhound racing product competes in a market with other states (such as Queensland and Victoria) that have different fee structures. The committee considers that this scenario would need to be tested in the market to determine an appropriate fee level that will provide the best revenue outcome for the NSW greyhound racing industry.
- 4.4** The committee acknowledges that the removal of the race field information use fee cap was one of the proposals put forward in the joint industry submission. That submission suggested that GRNSW should use market forces to determine the appropriate level of race field information use fees, but its initial estimation was that GRNSW would set a fee that would generate approximately \$5 million per year in additional revenue.¹⁰
- 4.5** The committee notes that Racing Queensland recently increased its race field information use fees to 2 per cent for fixed price bets on standard race meetings (up from 1.5 per cent) and 3 per cent for premium race meetings.¹¹ Victoria also increased race field information use fees earlier in the year, charging 1.5 per cent for standard race meetings, 2 per cent for group and listed meetings and 3 per cent for premier meetings.¹² The changes that are occurring in neighbouring states, which compete with the NSW racing industry, give the committee further reason to believe that there is scope for race field information use fees to be reviewed in New South Wales.

¹⁰ Submission 380, Joint industry submission, p 21.

¹¹ See Racing Queensland website, www.racingqueensland.com.au/media-release/359/Racing-Queensland-announces-changes-to-Race-Information-Fee-structure.

¹² See Racing Victoria website, <http://rv.racing.com/racing-and-integrity/wagering/race-fields-policy>.

- 4.6** The committee considers that removing the legislated fee cap and allowing GRNSW to make its own determinations on the appropriate rate for race fields information use fees will provide increased independence for the industry and a greater level of control over its own funding position and revenue stream.
- 4.7** The committee is of the view that the industry should be free to determine its own race fields information use fees, guided by market forces, and that there is no role for government in managing or limiting that decision. The committee therefore recommends that the legislated race field information use fee cap should be removed and racing control bodies be permitted to determine an appropriate level of fees for the use of race field information.

Recommendation 1

That the Minister for Hospitality, Gaming and Racing amend section 16 of the Racing Administration Regulation 2012 in order to remove the legislated race field information use fee cap and allow a relevant racing control body to determine the fees for race field information use.

- 4.8** The committee is aware that the greyhound racing industry in NSW operates within a competitive racing market, which includes the racing industries in other states and territories around Australia. The committee's first report discussed some of the risks that the industry faces in terms of losing participants and market share inter-state.
- 4.9** The joint industry submission to the inquiry noted that the lure of higher prize money and other forms of support have already led a number of NSW greyhound industry participants to race more often in Victoria rather than in New South Wales. The submission also stated that some NSW participants have reportedly contemplated transferring their entire operations to Victoria.¹³
- 4.10** One of the key factors affecting the competitiveness of racing in New South Wales is the level of funding that the racing industry receives from the wagering industry. Table 1, reproduced from the committee's first report, demonstrates that, of all the states around Australia, the New South Wales greyhound racing industry receives the lowest level of return of funding as a proportion of dollars wagered on racing. At the same time, the NSW Government's share of revenue received from wagering taxes is greater than any of the other states.

¹³ Submission 380, Joint industry submission, p 5.

Table 1 Distribution of wagering revenue per \$100 bet

| State | Racing industry funding | Government share of gross wagering revenue |
|-------------------|-------------------------|--|
| New South Wales | \$4.70 | \$3.22 |
| Victoria | \$7.90 | \$1.28 |
| Queensland | \$6.25 | \$1.83 |
| South Australia | \$8.00 | \$0.00 |
| Western Australia | \$6.67 | \$2.00 |
| Tasmania | \$9.02 | \$0.00 |

Source: Document tendered by Racing NSW, 6 February 2014, p 1.

- 4.11** The committee also notes that since the publication of our first report, Queensland has reduced its tax level to 82 cents per \$100 wagered, delivering the racing industry of that state a significant increase in funding.¹⁴
- 4.12** Of the scenarios proposed in this report, reducing the NSW taxation rate on race wagering to equal that of Victoria (scenario E) most directly addresses the competitive aspect of the national racing market within which the NSW greyhound industry operates.
- 4.13** The committee notes that the financial modelling results indicate that implementing scenario E has a negative impact on state taxation revenue and gross state product over the long term. It suggests that, while scenario E would have a positive benefit for the racing industry producing positive growth in jobs in the industry and a short term benefit to gross state product, in the longer term it would have a detrimental effect on gross state product as well as on government revenue. The basis of this conclusion is that the reduction in taxes means less money for government to spend in other areas which in the longer term would be more productive for the economy than the increased activity in racing.
- 4.14** The committee notes, however, that NSW racing operates in a competitive environment and that a failure to have competitive returns to the industry would negatively impact on the viability of the industry in the longer term. The committee also notes that NSW gamblers are likely to place more and more money with corporate or interstate bookmakers if NSW returns are not competitive; a move which would cost the state revenue.
- 4.15** On the basis of the financial modelling alone it would be difficult to justify scenario E as being in the interests of the NSW community as a whole.
- 4.16** The committee is of the view, however, that the Government does need to consider the impact of its tax arrangements on the competitiveness of the NSW racing industry versus other states and that the Government should consider phasing in a reduction in the wagering tax rate over a number of years in order to mitigate some of the immediate impacts on the level of taxation received by the government.

¹⁴ Sydney Morning Herald website, www.smh.com.au/sport/horseracing/queensland-racing-tax-windfall-a-call-to-arms-for-nsw-players-20140627-zsosg.html.

- 4.17** The committee recommends that the NSW Government take action to ensure a competitive tax regime for NSW racing by putting in place a staged reduction in the taxation rate on wagering to a level where NSW racing can be competitive with other states and that the government direct the foregone tax revenue to the State's three racing codes.

Recommendation 2

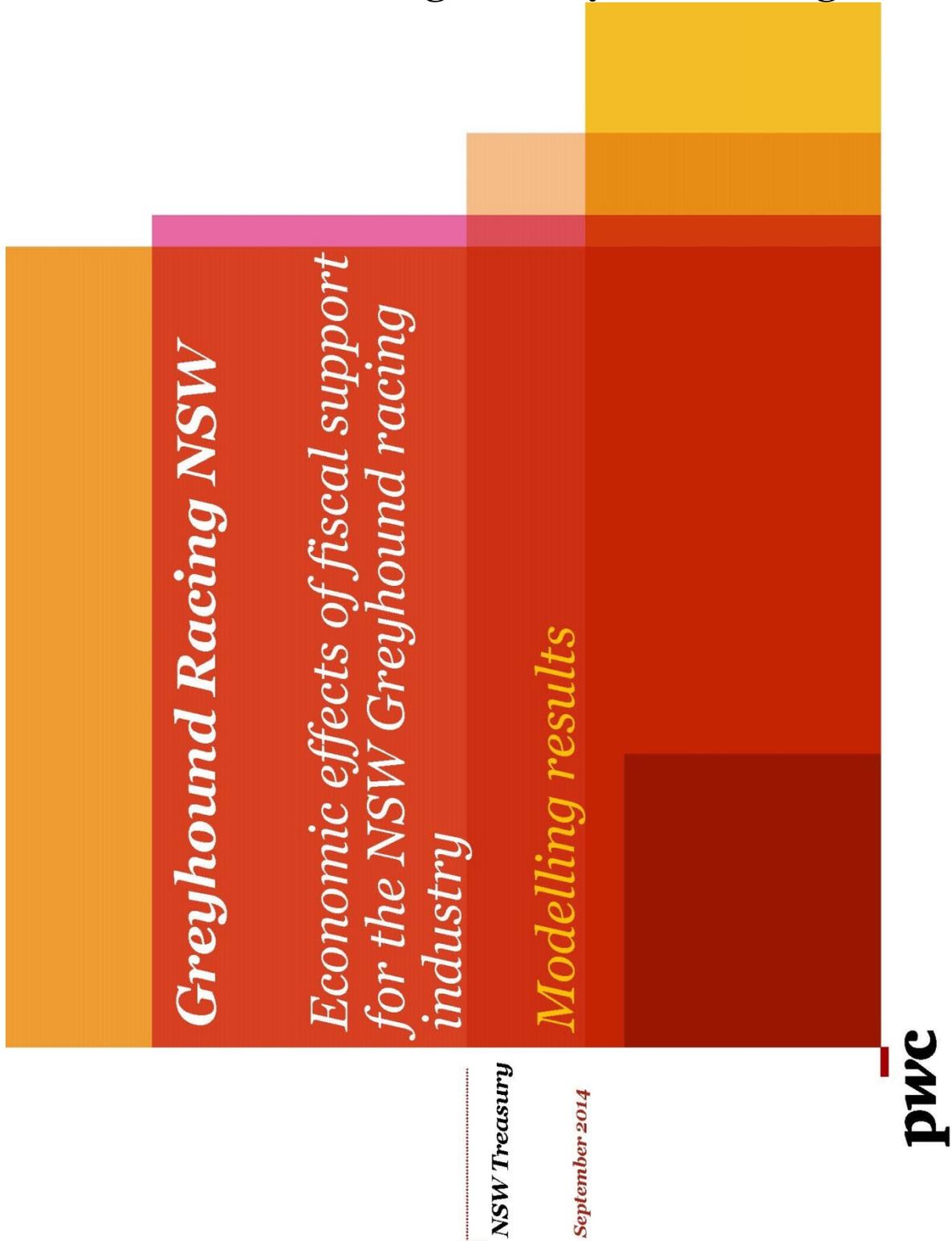
That the NSW Government implement a staged reduction in taxation rates on wagering to ensure New South Wales racing is competitive with racing codes in other States (particularly Victoria).

Recommendation 2A

That, if the Government decides it will not implement Recommendation 2 or will not reduce rates to similar levels to Victoria in the medium term, the committee recommends that the NSW Government conduct a full review and analysis of the competitive position of racing in New South Wales within two years with particular focus on the viability of country racing.

- 4.18** While the focus of this report has been the economic analysis of proposals to assist the sustainability of greyhound racing in this State, the committee wishes to emphasise again the finding of its first report that the current management and operational model under which the industry operates needs substantial review and restructure.
- 4.19** The committee is of the view that without a restructure of the board and management of the industry, the financial assistance and reforms recommended in this report will be of little benefit.

Appendix 1 Economic effects of fiscal support for the NSW racing industry – Modelling results



Disclaimer

The model output of economic effects of fiscal support for NSW Greyhound racing industry (“output”) has been provided to the NSW Treasury on the understanding that:

- The output is provided on the basis that it is strictly private and confidential.
- No representation, warranty or undertaking (express or implied) is made and no responsibility is taken by the PwC for the merchantability, adequacy, accuracy or completeness for the Results or its assumptions (inherent or explicit).
- PwC has not verified the accuracy or audited in any way, any of the information contained in these Results.
- Users of the output do so entirely at their own risk.
- The output is provided by electronic means. PwC does not guarantee that the file is free from computer viruses or other factors which may affect the integrity of the electronic file or the system which receives it.
- The modelling underpinning the output has not been subjected to a full model review.

Introduction

- 1.1 Background
- 1.2 Scope
- 1.3 Context
- 1.4 Limitations

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1.1 Background

The NSW Legislative Council Select Committee on Greyhound Racing in New South Wales is examining the possible effects of financial assistance for the greyhound racing, and has proposed five alternative scenarios for this assistance. NSW Treasury has agreed to procure a Consultant to estimate the economic effects of these scenarios.

Under the terms of the racing industry's Inter-Code Agreement (ICA), thoroughbreds receive around 70% of TAB racing revenue, trots around 17% and greyhounds around 13%. The greyhounds contend that they generate around 20% of the TAB revenue and are disadvantaged by the ICA. They estimate that they would derive around \$15 million per year if the ICA were based on market share (and \$154 million since the agreement was established in 1997 for a 99 year term).

¹ Greyhounds Australasia (www.galtc.org.au)

² Greyhound Racing in NSW: First Report

1.2 Scope

PwC was commissioned to explore and understand economic effects of various forms of financial support for the NSW greyhound racing industry. PwC used a four stage approach to undertake the economic analysis

1. Scope:

Before commencing the engagement, PwC agreed with the NSW Treasury that we exclude Scenario A from our analysis and instead focus resources on the remaining scenarios. This is because there are legal complications that would make Scenario A unlikely in the short term, and a transfer between codes would not represent a modelling shock that could be explored within our proposed modelling framework. As such, it would likely yield little value and would require a separate analysis within the context of broader reforms to the racing industry as a whole.

2. Literature review and data review:

PwC undertook a review of the literature and data available, as well as previous work undertaken for the Department of Premier and Cabinet and the Office of Liquor, Gaming and Racing (OLGR). The results of the review informed the structure of, and provided inputs to the modelling.

3. Model the economic impact:

Using the inputs from stage 2, we have undertaken an economic impact analyses using the Monash Multiregional Forecasting (MMRF) Computable General Equilibrium (CGE) model.

1.2 Scope cont.

4. Reporting:

In addition to this report, we have prepared an excel output of the results detailing the modelling results. Both this report and the excel output explain the model inputs, modelling approach and how the baseline estimates were calculated. This report details the following impacts for each of the four scenarios.

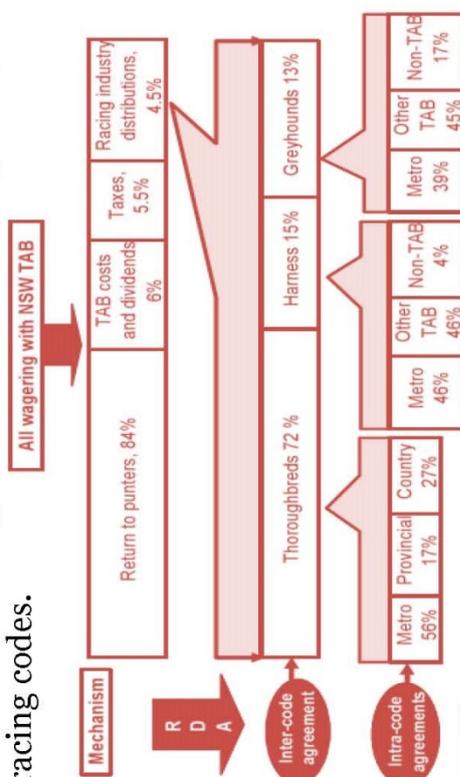
- NSW Government tax revenue
- Funding received by the Greyhound Racing Association
- Funding received by the thoroughbred and trots racing associations
- Employment in the racing industry
- Employment in other sectors of the NSW economy
- Value of production of the NSW racing sector
- Gross State Product
- Amounts wagered on NSW greyhound racing
- Amounts wagered on other forms of NSW racing.

1.3 Context: Racing Distribution Agreement

The distribution of TAB funds is set out in the Inter-Code agreement. Under the Inter-code agreement, TAB funding is distributed to the codes on fixed percentages of:

- 70% to thoroughbreds
- 15% to harness
- 13% to greyhounds.

The TAB distributions make up the largest source of revenue for the NSW racing industry, with the greyhound industry being the most reliant on the TAB distributions of the three codes. The diagram below outlines the breakdown of funding from TAB to the racing codes, and the distribution of funding by each of the racing codes.



Source: Cameron Review Issues Paper, 2008

1.4 Limitations

To undertake the scope of work, PwC has used an economy-wide modelling approach to capture the resource allocation and opportunity cost of government expenditure on different activities, nevertheless, some limitations remain:

- The economic impact modelling does not account for social costs or impacts related to gambling
- The modelling does not explore the relative impact or provide alternative forms of industry assistance (e.g. grants)
- Modelling does not explore the relative efficiency of distributional mechanisms within the industry (i.e. distributions agreements, profit sharing arrangements, etc.)

Key Findings

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Section 2 – Key Findings

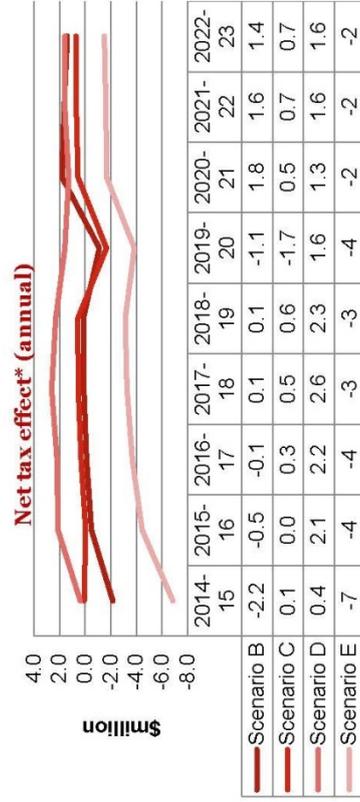
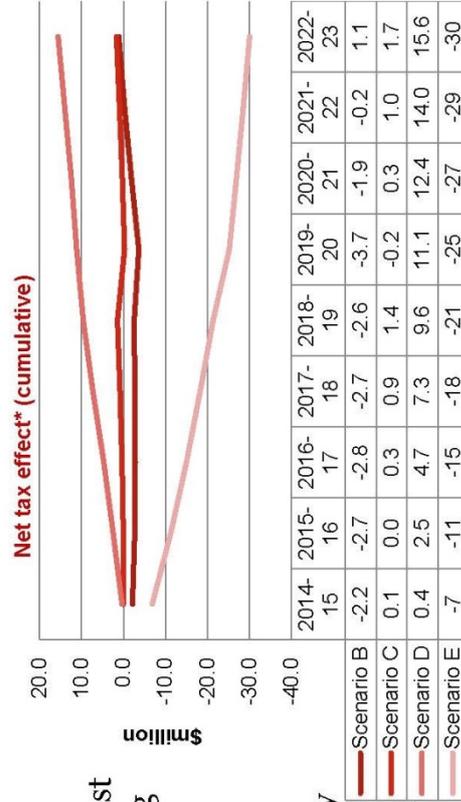
Tax revenue effects

Net tax effects (NSW and Commonwealth taxes)

The modelling results highlight the opportunity cost of fiscal support through funding and taxing racing codes by different mechanisms on total taxation revenue (Commonwealth and NSW) and the Australian and the NSW economies.

Since various fiscal support measures are relatively small compared with the size of the NSW or Australian economy, the expected impacts are also relatively small.

- ❑ From the government taxation perspective Scenario E, aligning the wagering tax rate with Vic rate is expensive after accounting for economy-wide impacts.
- ❑ The net impact of fiscal support measures on total taxation NSW and Commonwealth tax revenue) range between \$2 million and -\$30 million.

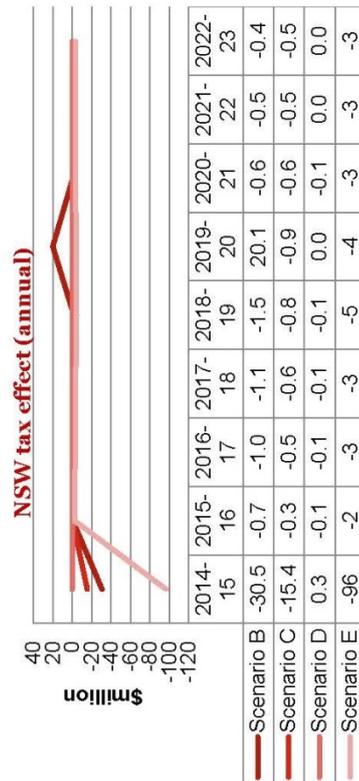
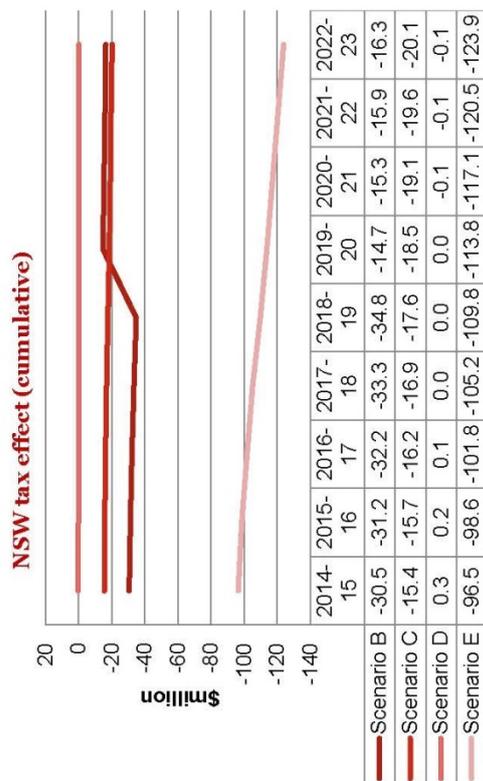


Source: PwC estimates based on IMRF model.
 * Net tax includes both commonwealth and state taxes

Tax revenue effects

NSW net tax revenue effects

- ❑ State government collects taxes on gambling, insurance, property and payroll taxes. Economic activity induced by various fiscal incentives to the racing industry affect the NSW tax collections. The direct fiscal support itself represents the major net revenue loss for the government.
- ❑ Although reduction in tax rate is good for the sector, from the NSW government taxation perspective Scenario E - aligning wagering tax rate with Vic rate is expensive in the first year after accounting for economy-wide impacts.
- ❑ Annual effects beyond the first year of fiscal support measures are minor, less than \$5 million (apart from Scenario B)



Source: PwC estimates based on MMRF model.

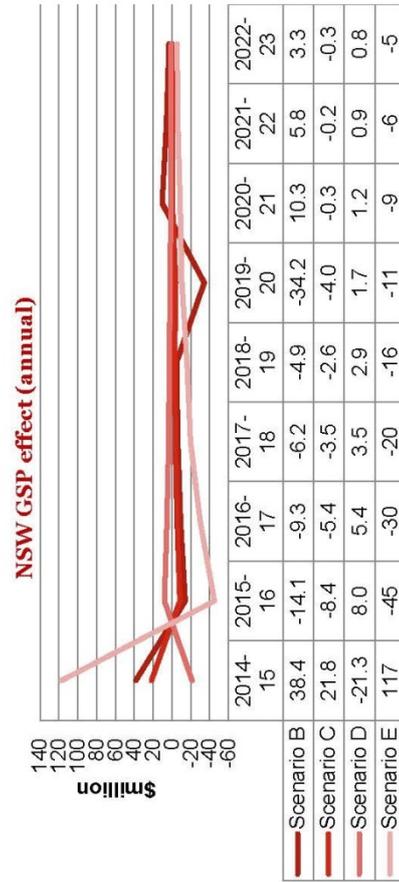
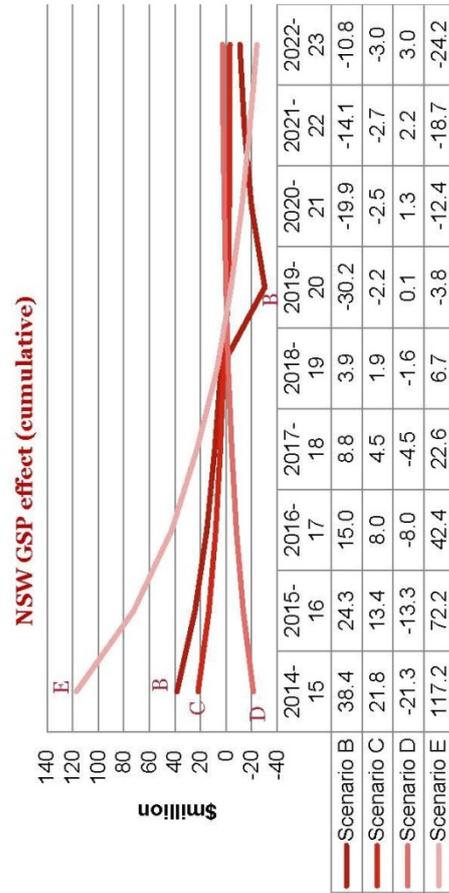
Section 2 – Key Findings

Effect on NSW Gross State Product

Key points

□ There is an initial spike in economic growth in most of the fiscal support measure scenarios. This because factor market takes to time to adjust to the new situation. After the initial upward spike, economic growth falls in each scenario. As the fiscal support measures are offset by lower government expenditure in other parts of the economy.

□ Racing industry is a consumptive sector of the NSW economy, as such, it doesn't generate any significant productivity benefits to the rest of the economy to lift State output permanently and to offset the impact of the reduction in government expenditure elsewhere in the economy.



Source: PwC estimates based on MIMRF model.

Detailed Results

- 3.1 Scenario B
- 3.2 Scenario C
- 3.3 Scenario D
- 3.4 Scenario E

3

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Scenario

That the NSW Government:

- Provide \$154 million in funding to the greyhound racing industry over 5 years, to be sourced by applying a differential tax rate of 0.0 per cent on wagering on greyhound races in NSW, and that after this amount has been returned to the industry.
- Provide ongoing funding to the greyhound racing industry equal to the difference between the current return paid to the industry under the inter-code agreement and what it would be if it was based on market share, and that this funding be sourced by applying a differential tax rate on wagering on greyhound racing in NSW.

Interpretation:

- Greyhound racing's market share in 2014-15 is 19% of total racing revenue
- Applying a differential tax rate of zero percent on greyhound wagering is assumed to reduce tax revenue by 19% of the total. There is no change to the tax rate applying to the proceeds of thoroughbred racing or harness racing. Tax revenue will fall from the forecast \$159 million in 2014-15 to \$128.8 million.
- The **direct impact** on NSW tax revenue is a reduction of \$30.2 million in 2014-15.
- This will increase the RDA pool by \$30.2 million per year, and all of this increase is passed to the Greyhound Racing Association.
- The amounts distributed to thoroughbreds and harness racing will not change.
- This arrangement will continue for five years.
- PwC assumes the growth of tax revenue and greyhound racing's market share between 2014-15 and 2022-23. The amount of additional funding provided to the greyhound racing is **total of around \$154 million** over the course of five years.

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B

Scenario

Interpretation (contd..):

At the end of these five years (i.e. beginning in 2019-20) the following steps should occur:

- A. What is the total pool available under the RDA?
- B. Greyhound Racing Association's share of this under the current Intercode Agreement is 13% x A.
- C. What is Greyhound's market share?
- D. How much money would Greyhounds receive if the intercode reflected actual market share? That is: C x A.
- E. What is the additional funding to be provided to Greyhounds? i.e. D – B.
- F. What is the total expected tax revenue with no policy changes
- G. What is the greyhound racing industry's share of this expected tax revenue? C x F
- H. Lower the tax rate applying to NSW greyhound racing by an amount that reduces revenue by E. There is no change to the tax rate applying to thoroughbred or harness racing. By what percentage should the tax rate on greyhound racing be reduced? E/G.
- I. Permit the Greyhounds to receive all of the additional amount E that is now available to the RDA pool.
- J. The funds received by thoroughbreds and harness racing are unchanged.

Performing these calculations in 2019-20 would give the following:

- A. = \$263 million
- B. = \$34.2 million
- C. = 19%
- D. = 19% x \$263 million = \$50 million
- E. = 50 – 34.2 = \$15.8 million
- F. = \$162.7million
- G. = \$30.9 million
- H. = 15.8/30.9 = 51% reduction in the tax rate applying to wagers on greyhound racing.
- I. Using 2019-20 data, the Government's direct revenue loss would be \$15.8 million and Greyhound Racing would receive an extra \$15.8 million.

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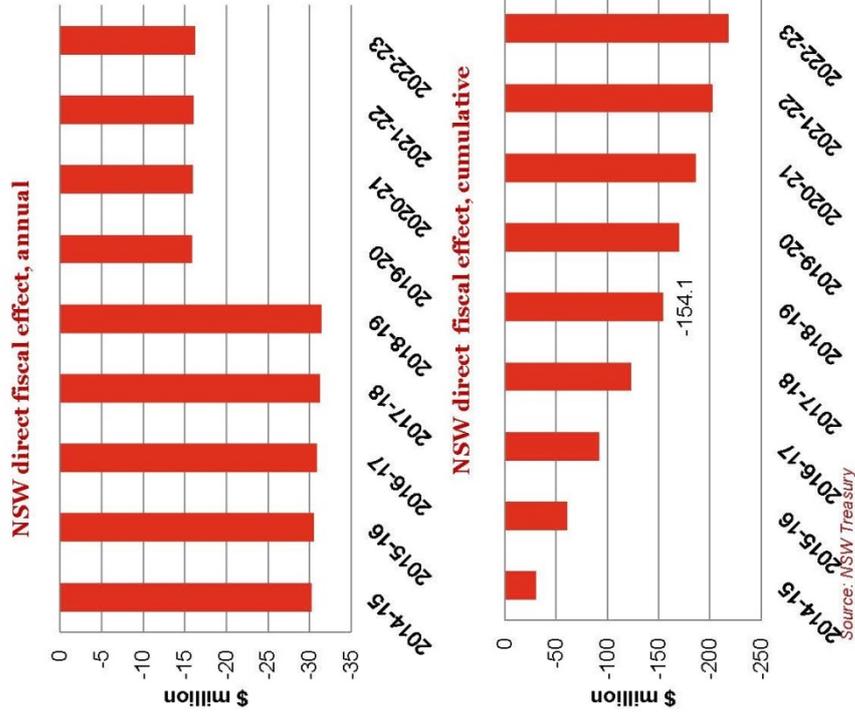
B

Section 3 – Detailed Results

3.2 Scenario B

Effect on NSW Government tax revenue

The Greyhound industry receives \$154 million of funding over five years (\$30.8 million each year) directly from the NSW Government. This will be in addition to the TAB distributions that would have been received by the Greyhound equal to the actual percentage contribution of wagering. After the five year period, the industry receives \$15 million of funding.



3.2 Scenario B cont.

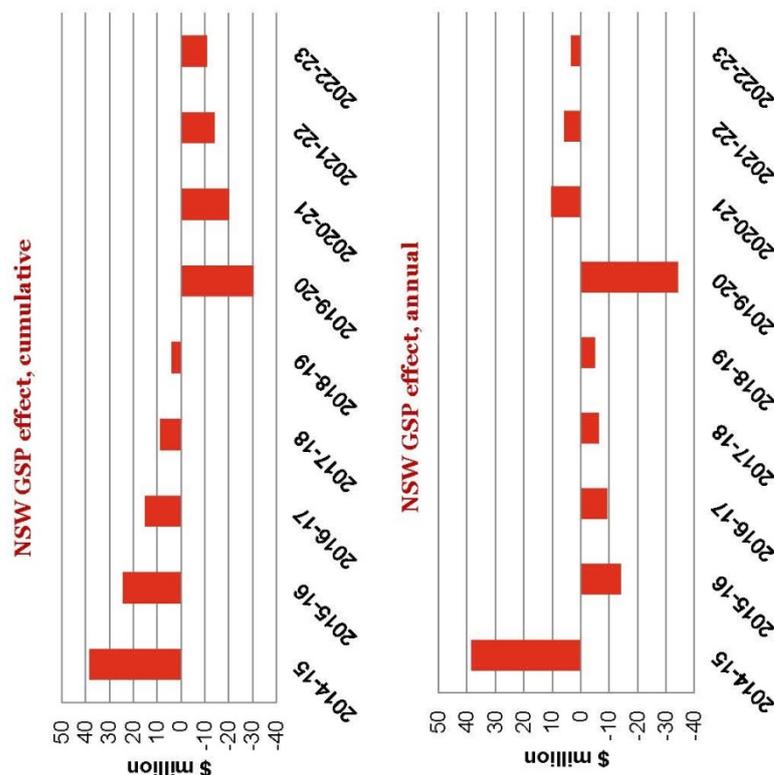
Effect on NSW Gross State Product (GSP)

Increased funding into the Greyhound industry does not generate any significant productivity benefits to the rest of the economy to lift GSP and offset the impact of the reduction in government expenditure.

As shown in the graph on the right, there is an initial spike in economic growth of 0.008% of GSP (or \$38 million) in the first year that the funding is provided to the Greyhound industry. However, economic growth is affected in every year subsequently as the tax reduction is offset by lower government expenditure in other parts of the economy.

The cumulative impacts are positive while annual impacts are negative from second year onwards and subsequently fall through time as negative contribution to growth eat away at the initial spike in economic growth.

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Source: PwC Estimates based on IMRF model.

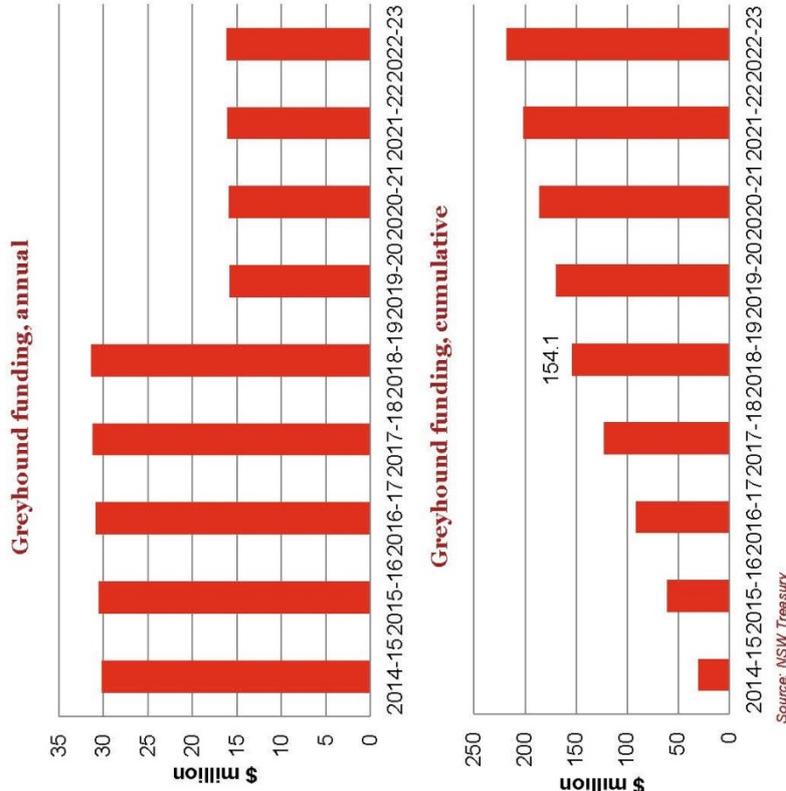
Section 3 – Detailed Results

3.2 Scenario B cont.

Funding received by the Greyhound Racing Industry

The Greyhound industry will receive \$154 million in funding over a five year period. The funding will be received in the form of a tax concession, with the differential tax rate being dropped to zero per cent on wagering on greyhound races in NSW.

After the five year period, the NSW Government will provide ongoing funding to the Greyhound Racing Association equal to the difference between the current return paid to the industry under the inter-code agreement and what it would be if it were based on market share.



Note that an accurate forecast of future TAB distributions can not be made without any historical data⁴. However, based on the data provided by OIGR, PwC has forecasted the tax revenue and RDA pool.

⁴ Legislative Council Select Committee On Greyhound Racing in NSW: Submission no 380

⁵ The Racing Distribution Agreement and the Inter-Code Agreement are 'commercial in confidence' documents and not publically available

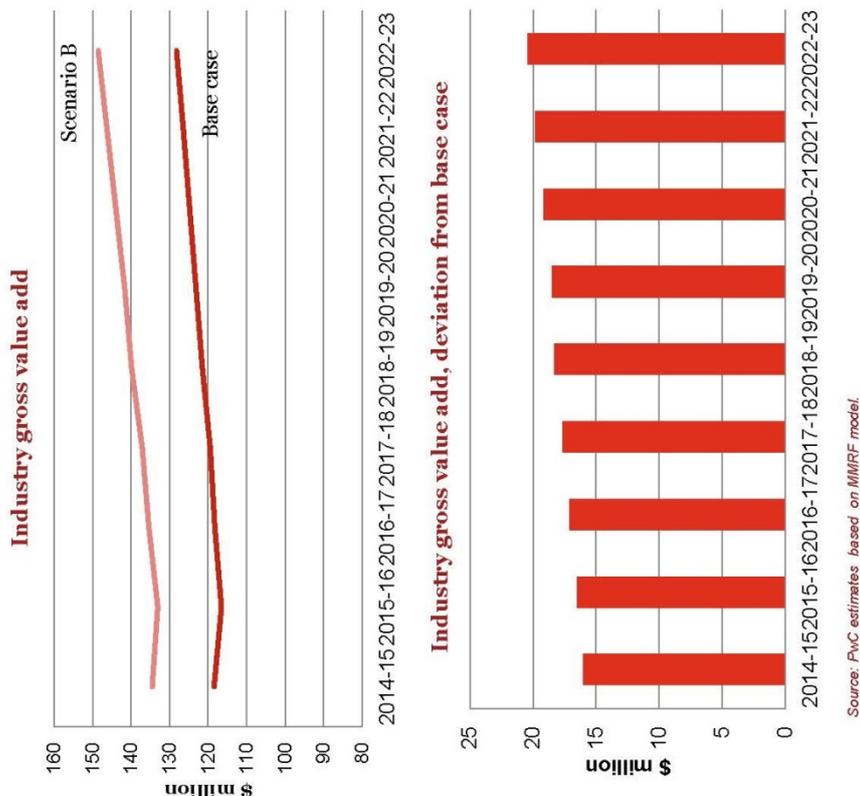
3.2 Scenario B cont.

Industry gross value add of Greyhound racing

Greyhound industry gross value add is just over \$100 million in 2012-13, which is equivalent to 0.02% of the NSW economy.

The impact of additional funding to the Greyhound Racing Association increase its contribution to the NSW economy through its employment and gross operating surplus.

Industry gross value add increases by nearly \$20 million by 2022-23.



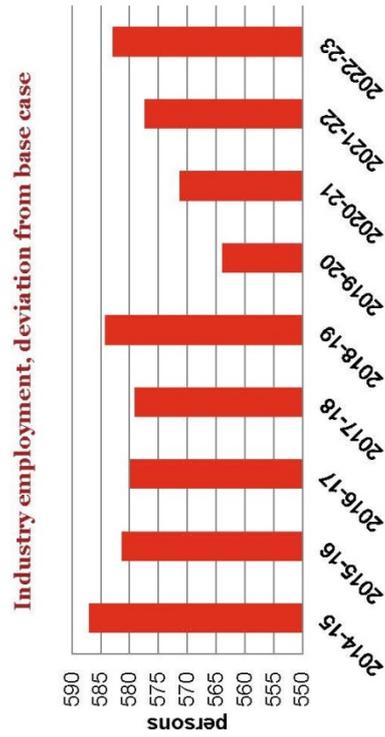
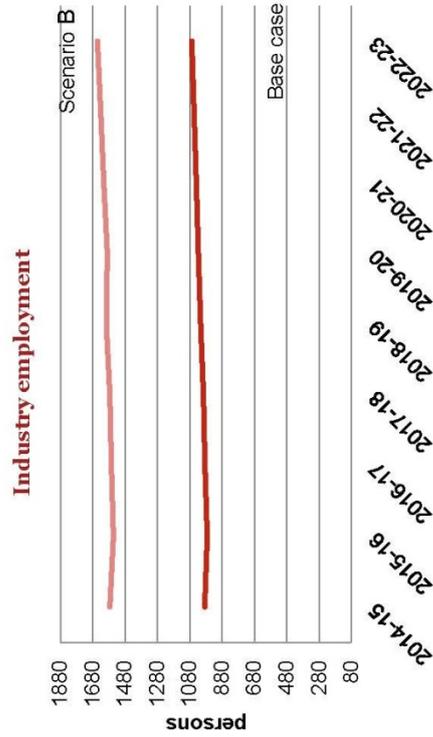
Source: PwC estimates based on MMRF model.

3.2 Scenario B cont.

Effect on Greyhound industry employment

As shown in the graph on the right, the increased funding into the Greyhound industry has some impact on employment in the racing industry.

It is estimated that the greyhound industry will be able to employ an additional 500 employees by 2022-23.

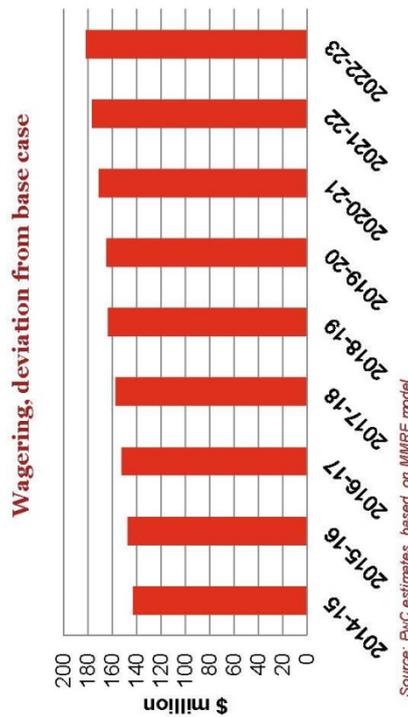
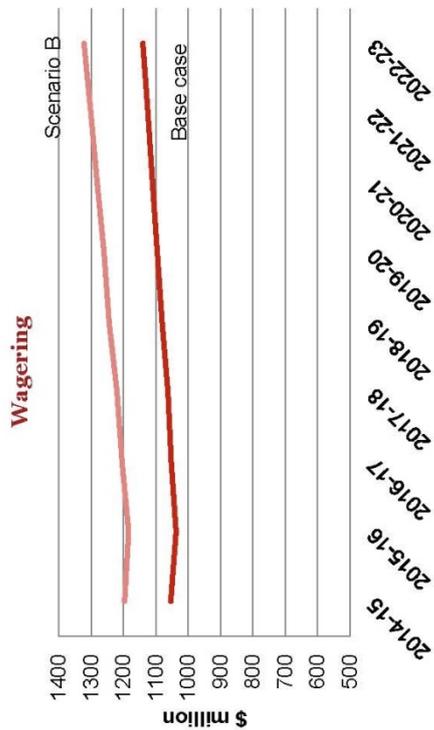


Source: PwC estimates based on MIMRF model.

3.2 Scenario B cont.

Effects on amounts wagered in Greyhound racing

There is an increase in the amount wagered on NSW Greyhound racing. The amount wagered on racing increases by over \$140 million in the first year of the funding, and continues to increase over the nine year period.



Source: PwC estimates based on MIMRF model.

Scenario

That the NSW Government:

- Provide temporary funding to the greyhound industry, via a differential tax basis, of an amount equal to the difference between the current return paid to the industry under the inter-code agreement and what it would be if it was based on market share.
- Amend the inter-code agreement to provide that the returns to each code are in proportion to the percentage of wagering generated by each code.
- Provide Government assistance, on a temporary basis, to the other two racing codes after the inter-code has been amended to replace any lost revenue resulting from the changes to the inter-code

Interpretation:

- Assume that temporary funding is provided for five years.
- Following the logic of Scenario B, in 2014-15 the tax rate applying to greyhound racing would be reduced by half. This would result in a loss of NSW Government revenue of \$16 million per year. The extra \$16 million funds available to the RDA pool would be entirely allocated to Greyhounds. The funding would grow over time reflecting the growth of the market. This arrangement would continue for five years.
- At the end of five years (i.e. beginning from 2019-20), the intercode agreement would be amended to reflect market shares. PwC forecasts of these shares in 2019-20 will be thoroughbreds 70.7%; greyhounds 18.7%; harness racing 10.6%.
- PwC forecasts the expected tax revenue and RDA pools to 2022-23.
- The Government will provide a direct fiscal grant of \$17 million to harness racing to compensate for its lost revenue in 2019-20. Assume that the Government's assistance to harness racing will continue for five years.

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3.3 Scenario C

Direct effect on NSW Government Tax Revenue

Similar to Scenario B, the NSW Government provides temporary funding to the greyhound industry. In addition, the NSW Government amends the inter-code agreement to ensure that the returns to each code are in proportion to the percentage of wagering generated by each code. The NSW Government provides assistance on a temporary basis to the other two racing codes after the inter-code has been amended to replace any lost revenue. The tables below show the amount of Government funding provided to each of the racing codes based on the market share.

| | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| RDA pool distributions based on inter code agreement | | | | | | | | | |
| Thoroughbreds | 178 | 179 | 180 | 181 | 183 | 184 | 186 | 187 | 189 |
| Greyhounds | 33 | 33 | 33 | 34 | 34 | 34 | 34 | 35 | 35 |
| Harness | 43 | 43 | 44 | 44 | 44 | 45 | 45 | 45 | 46 |
| RDA pool distributions based on market shares | | | | | | | | | |
| Thoroughbreds | 177 | 179 | 181 | 182 | 184 | 186 | 188 | 190 | 191 |
| Greyhounds | 47 | 47 | 47 | 48 | 49 | 49 | 50 | 51 | 51 |
| Harness | 30 | 29 | 29 | 29 | 28 | 28 | 28 | 27 | 27 |
| Difference | | | | | | | | | |
| Thoroughbreds | -1 | 0 | 1 | 1 | 1 | 2 | 2 | 2 | 3 |
| Greyhounds | 14 | 14 | 14 | 14 | 15 | 15 | 15 | 16 | 16 |
| Harness | -14 | -14 | -15 | -15 | -16 | -17 | -18 | -18 | -19 |

Source: NSW Treasury and PwC estimates

Section 3 – Detailed Results

3.3 Scenario C cont.

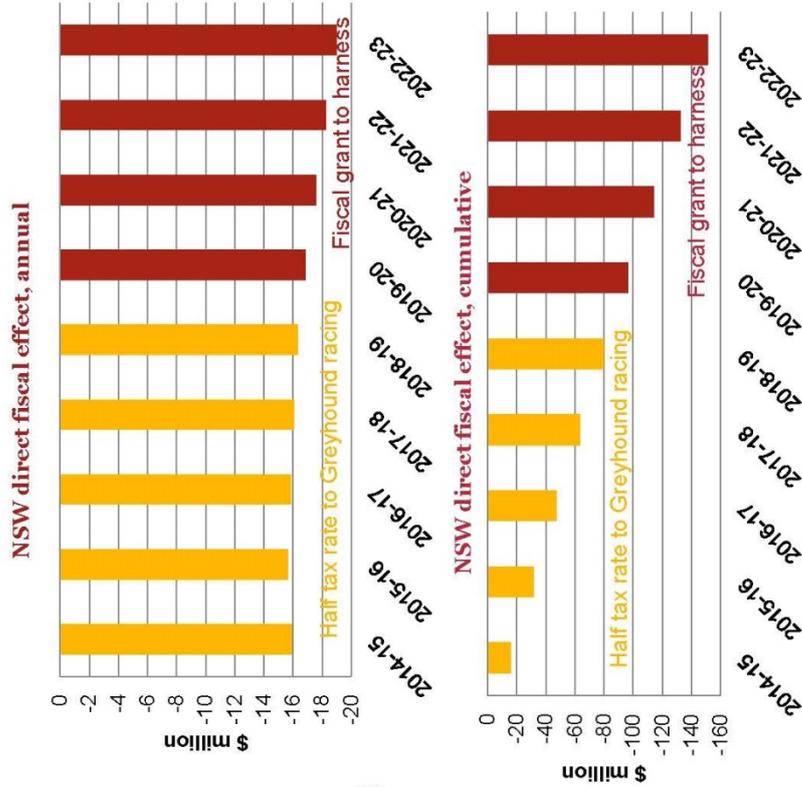
Effect on NSW Government Tax Revenue

Since the tax rate applying to greyhound racing would be reduced by half, this would result a revenue loss of approximately \$16 million per annum per first five years.

At the end of five years (i.e. beginning of 2019-20), the inter code agreement would be amended to reflect market shares. Based on PwC forecasts, in 2019-20, the shares will be:

- 70.7% for thoroughbreds
- 18.7% for greyhounds; and
- 10.6% for harness.

Based on the PwC RDA pools forecasts, the Government will provide a direct fiscal grant of \$17 million per annum to harness racing to compensate for its lost revenue., at least for five years. The fiscal cost per annum is approximately \$16-20 million.

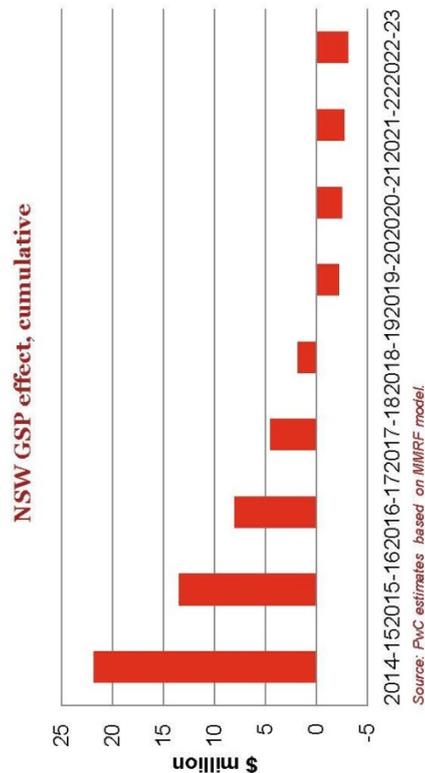
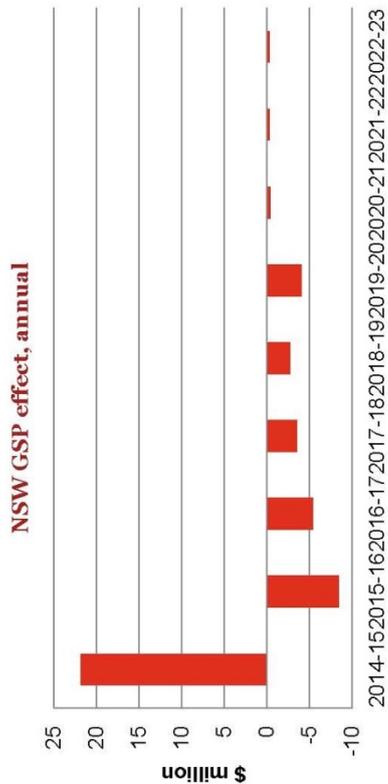


Source: NSW Treasury and PwC estimates based on the MMRF model

3.3 Scenario C cont.

Gross State Product in scenario C

A \$16 million reduction in tax rate has induced a NSW state economy-wide benefit of over \$20million in the first year. This is equivalent to a 0.0044% improvement of State GSP.



Source: PwC estimates based on IIMRF model.

Section 3 – Detailed Results

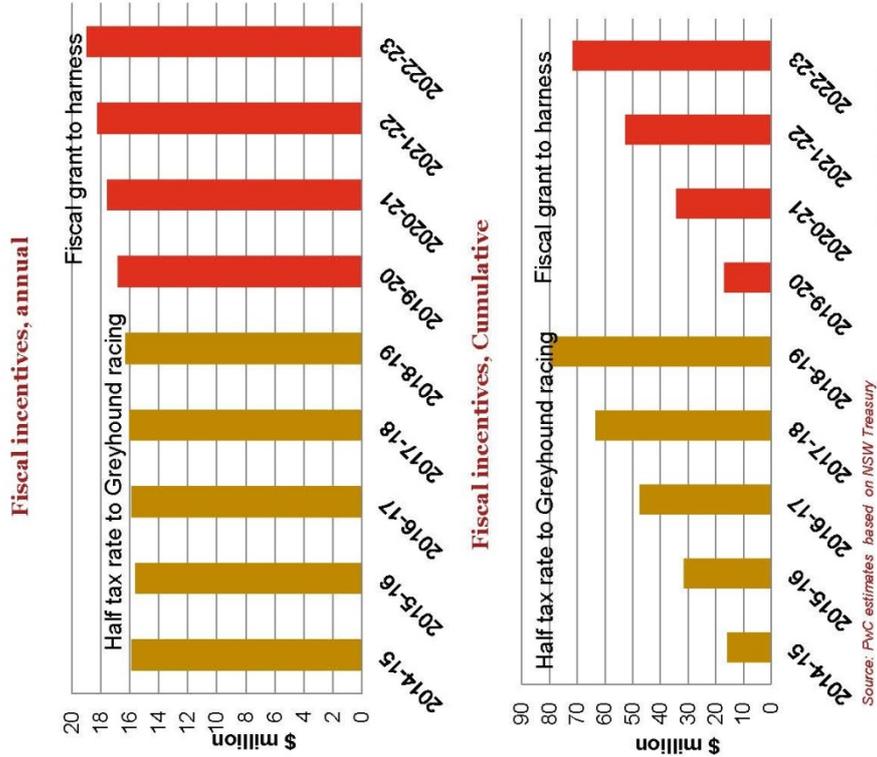
3.3 Scenario C cont.

Funding received by the racing industries

The funding received by the greyhound racing is through reduction in wagering tax by half for first five years (temporary assistance), which is equivalent to \$16 million per annum.

The Government will provide a direct fiscal grant of \$17 million to harness from 2019-20 onwards for five years to compensate for harness lost revenue.

Total temporary assistance to Greyhound is \$80 million over the five year period.



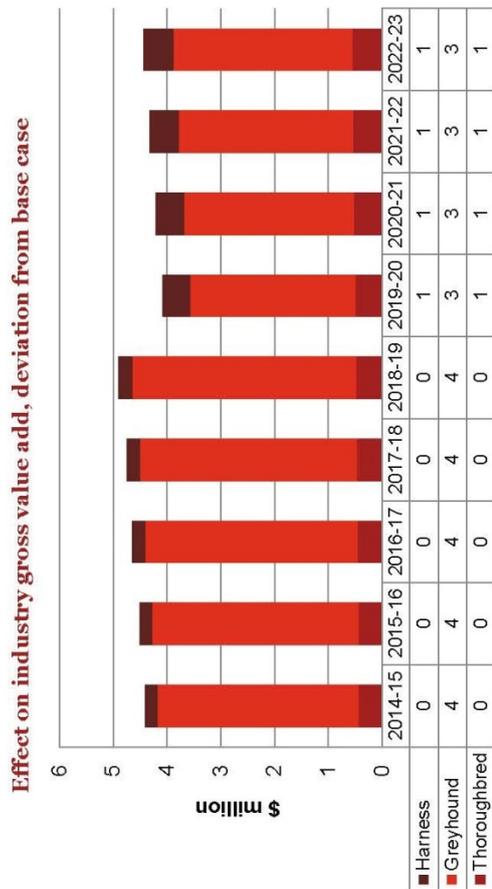
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3.3 Scenario C cont.

Effect on industry gross value added of the NSW racing industry

As with Scenario B, the impact of the additional funding to racing sector on the industry gross value add is around \$4 to \$5 million.



Source: PwC estimates based on MMRF model.

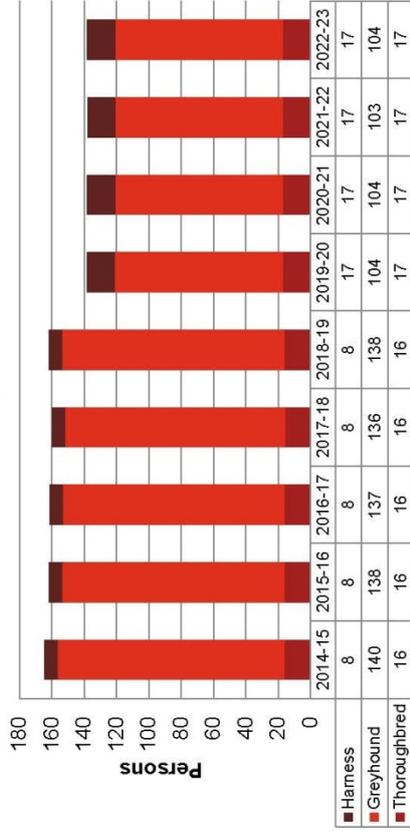
Section 3 – Detailed Results

3.3 Scenario C cont.

Effect on the racing industry employment

As evidenced in the graphs on the right, the impact on employment in the racing industry appears positive while receiving the temporary funding. In Scenario C, where the government provides temporary assistance for first five years would increase the temporary employment by over 140 persons.

Effect on industry employment, deviation from base case



Source: PwC estimates based on MMRF Model

Scenario

That the NSW Government amend the Racing Administration Regulation 2012 to remove the race fields levy cap of 1.5 per cent of wagering turnover.

Interpretation:

The race fields levy cap is removed. Only Greyhounds take advantage of the new flexibility. They increase the levy cap by enough to generate an extra \$15 million per year, all of which flows to greyhounds. There is no change to the return to punters. There is no change to Betting Tax revenue flowing to the Government.

Find whether the levy is sustainable or whether higher race fields levy would result in a displacement of wagering away from NSW greyhounds to other forms of gambling.

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D

3.4 Scenario D

Funding received by the Greyhound industry

The funding received by the GRA is in the form of increased race fields levy by the Greyhound industry. The table below outlines the race fields levy that would raise an additional \$15 million in funding per year, and the total revenue raised from the levy :

| | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
|----------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Levy | 3.8% | 3.8% | 3.8% | 3.7% | 3.7% | 3.7% | 3.7% | 3.6% | 3.6% |
| Levy revenue raised (\$m) | 24.8 | 24.9 | 25 | 25.1 | 25.2 | 25.3 | 25.4 | 25.6 | 25.7 |

Source: PwC estimates

3.4 Scenario D cont.

Effect on NSW Government Revenue

The NSW government removes the race fields levy cap of 1.5% of wagering turnover, enabling the GRA to set a rate sufficient to raise an additional \$15 million per year. To raise the additional \$15million per year, the race field cap has to be increased to 3.8%.

No direct funding is received from the NSW Government in this scenario. Therefore no direct NSW tax revenue impact but the reduced activity in the racing industry due to the levy rise may have some minor impact on the taxation revenue initially. The net impact on NSW government revenue is negligible.

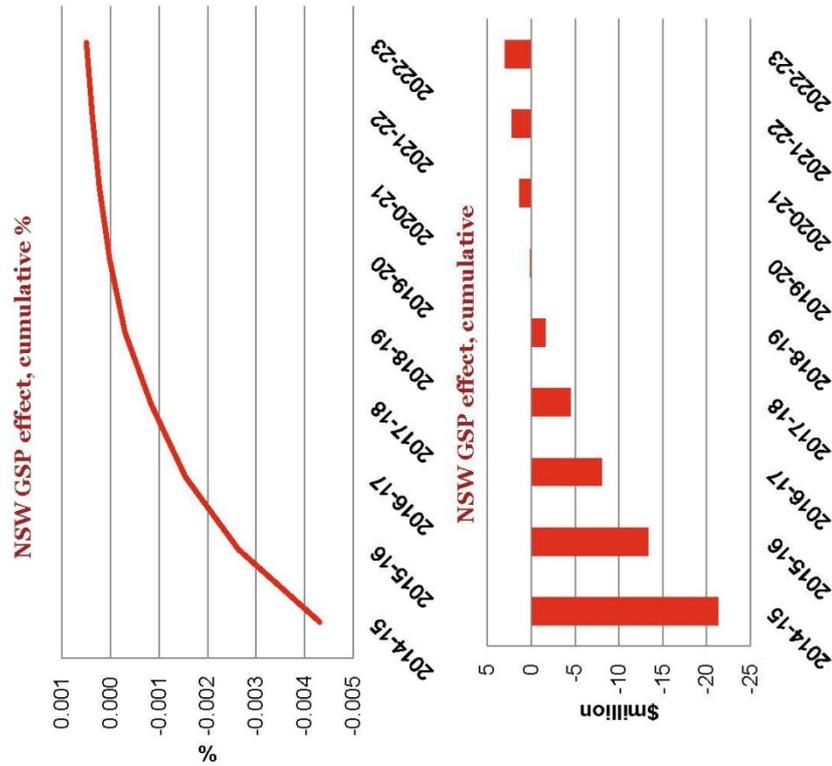
Section 3 – Detailed Results

3.4 Scenario D cont.

Effect on Gross State Product

Unlike the Scenarios B and C, in this scenario the race field cap is raised by the Greyhound industry (rather than fiscal support), to enable the Greyhound Industry (and other racing industry codes) to use market forces to determine the appropriate contribution from corporate book makers to racing codes to access to products, which has negligible negative impact at the State level (-0.004% or -\$21 million).

The levy increase has initial negative impact (via increased tax rate) on the greyhound industry and does not generate any significant productivity benefits to the rest of the economy to lift GSP to a higher level.



Source: PwC estimates based on MIMRF model.

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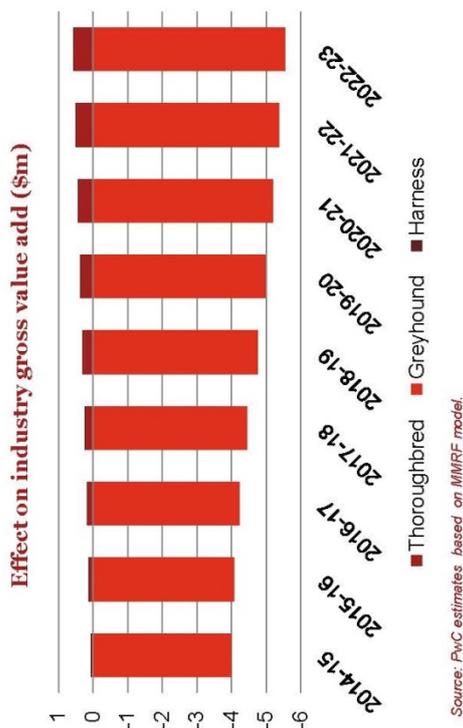
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3.4 Scenario D cont.

Effect on industry gross value add of the NSW racing sector

Higher race field levy affect its contribution to the NSW economy through lower operating surplus. This has negligible negative impact on the industry.

The table below outlines the breakdown of industry gross value added by racing code.



Source: PwC estimates based on MMRF model.

| \$million | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
|--------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| TRI | 0.057 | 0.114 | 0.172 | 0.233 | 0.296 | 0.362 | 0.429 | 0.498 | 0.568 |
| GRA | -3.981 | -4.069 | -4.233 | -4.455 | -4.754 | -4.971 | -5.184 | -5.373 | -5.553 |
| Trots | 0.001 | 0.002 | 0.004 | 0.005 | 0.006 | 0.007 | 0.008 | 0.009 | 0.010 |

Source: PwC estimates based on MMRF model.

Scenario

The NSW Government reduces its taxation rate on race wagering to equal that of Victoria.

Interpretation:

Victoria currently imposes a tax rate of 7.6 per cent of gross returns, while NSW imposes a tax rate of 19.11 per cent. NSW race wagering revenue is forecast at \$159 million in 2014-15, so this proposal implies reducing the NSW Government's tax revenue by \$96 million to \$63 million.

The returns to punters will remain unchanged at 84% of NSW TAB's turnover (this implies that there is no direct increase in demand for wagering). The benefits of the reduced tax revenue (\$96 million) will be shared among the three racing codes according to the existing inter-code agreement.

That is, in 2014-15 the RDA pool would increase from \$250 million to \$346 million, of which greyhounds would receive 13% (\$45 million), thoroughbreds would receive 70% (\$242 million) and harness racing would receive 17% (\$59 million).

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3.5 Scenario E

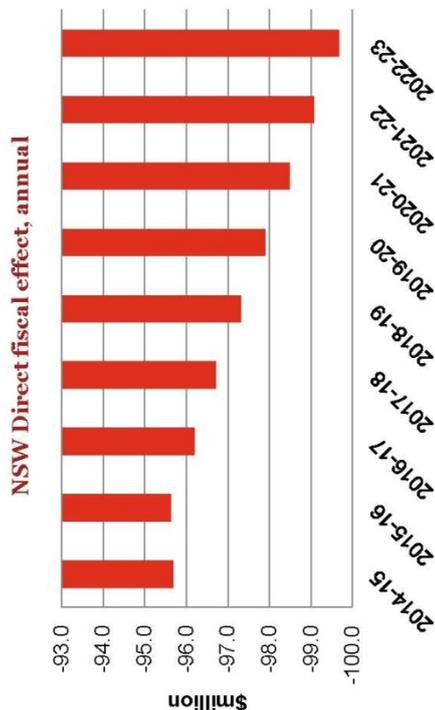
Effect on NSW Government Tax Revenue

The NSW government reduces taxation rate on race wagering to equal that of Victoria.

The decrease in wagering tax rate has a direct and indirect impact on the State government’s tax revenue . The indirect impact considers the behavioural changes and industry price responses.

There is a downward sloping demand curve for gambling industry indicating that aligning the wagering rate with the Victorian rate increases the return to the racing industry.

This proposal reduces the NSW Government’s direct tax revenue by \$96 million in the first year.



Source: PwC estimates based on Treasury

Section 3 – Detailed Results

3.5 Scenario E cont.

Total annual funding received by three racing codes.

The benefits of the reduced tax revenue will be shared among the three racing codes according to the existing inter-code agreement.

| \$million | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
|----------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| TRI Funding | 242.0 | 242.6 | 243.7 | 244.8 | 245.9 | 247.1 | 248.2 | 249.3 | 250.4 |
| GRA Funding | 44.9 | 45.1 | 45.3 | 45.5 | 45.7 | 45.9 | 46.1 | 46.3 | 46.5 |
| Trots Funding | 58.8 | 58.9 | 59.2 | 59.5 | 59.7 | 60.0 | 60.3 | 60.5 | 60.8 |

Source: PwC estimates based on Treasury

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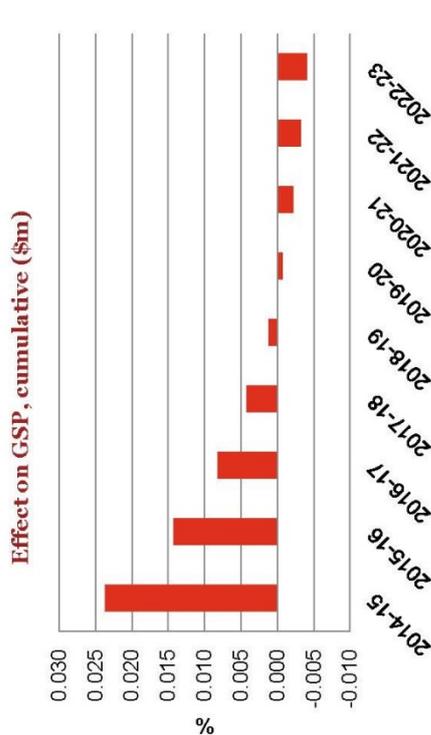
3.5 Scenario E cont.

Effect on Gross State Product

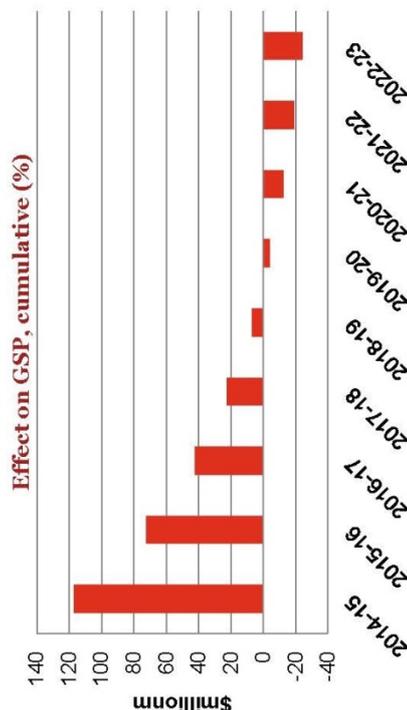
The effect of decreased wagering tax rate for three codes has a positive impact on the NSW economy.

As shown in the graph on the right there is an initial spike in the first year at (0.024% of GSP or \$117 million) in the first year that the new tax rate is applied. Economic growth is affected in every year subsequently as the tax reduction is offset by lower government expenditure in other parts of the economy.

Additionally, as the racing industry is a consumptive sector of the economy, it doesn't generate any significant productivity benefits to the rest of the economy to lift GSP and offset the impact of the reduction in government expenditure. The cumulative impacts fall through time as negative contribution to growth eat away at the initial spike in economic growth.



Source: PwC estimates based on MMRF model.



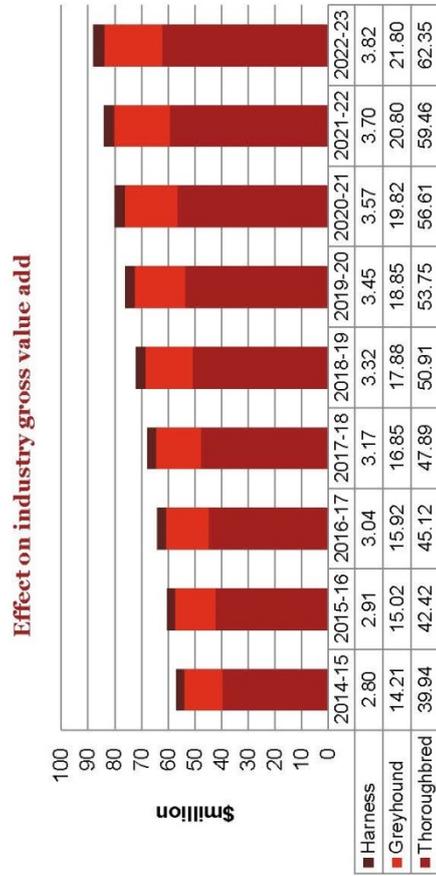
Source: PwC estimates based on MMRF model.

Section 3 – Detailed Results

3.5 Scenario E cont.

Effect on the industry gross value add

Aligning the wagering tax rate with Victorian rates has a positive impact on the racing industry gross value add and its contribution to the NSW GSP. All three codes benefit from the lower wagering tax rate.



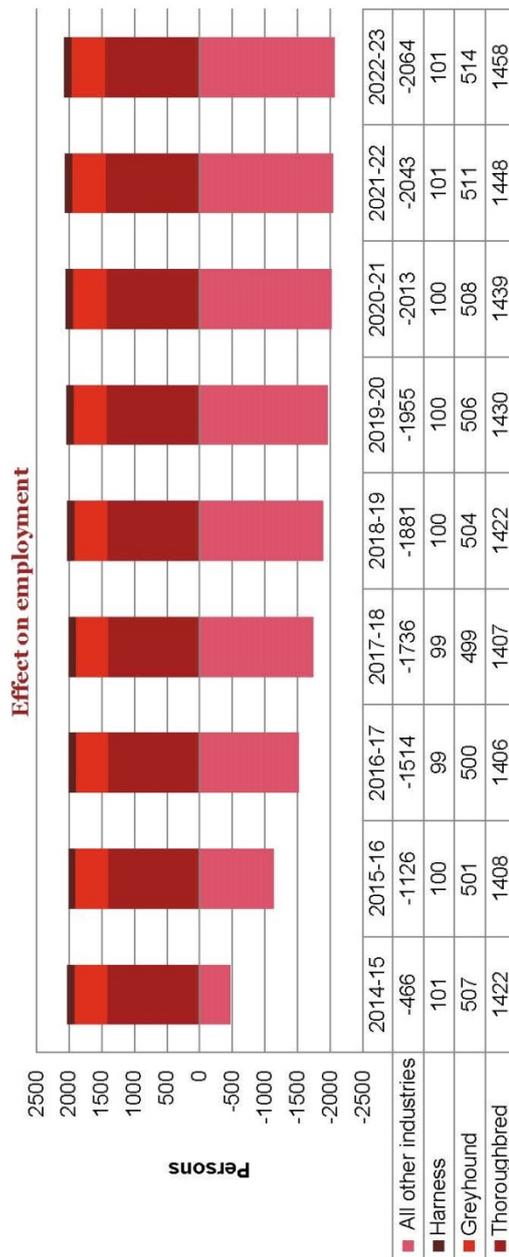
Source: PwC estimates based on MMRF model.

Source: PwC estimates based on MMRF model.

3.5 Scenario E cont.

Effect on employment

Employment effects of reducing the tax rate are positive for the racing industry at the expense of employment in other industries.



Source: PwC estimates based on MIMRF model.

Technical notes

1. Beyond official budget projections, projected Australian and State economies are based on the 3ps (population, productivity and participation) framework widely used in constructing the baseline in Australia and overseas.
2. Projected baseline growth of thoroughbred racing industry value-add, turnover and tax revenue to 2022-23 is a function of historical growth trends.
3. Broader economic and revenue projections are based on historical data, official projections and methodologies commonly used by the NSW Treasury.
4. Budget neutrality: to keep the budget in balance following the reduction in race wagering taxes, we have reduce total government expenditure (alternatively, taxes in other areas could be increased)
5. Model input is a different tax rate implemented as one-off reduction in tax rate to align NSW rate with Victorian rates. Since the model used is a CGE model, it traces the impact of reduced taxes on the racing industry and rest of the economy. Reduction in taxes lead to a shift in resources from one industry to the other. The net effect appears positive implying some inefficient taxes lowered. This will effect the level of GSP rather than the growth rate of the GSP.

Technical notes

6. A number of fiscal rules can be implemented using our CGE models, for example to keep the budget balance some inefficient state taxes can be increased. But this type of analysis is outside the scope of this study.
7. The modelling based on the sound economic principles (cost optimisation at the industry level and utility maximisation at the household or consumer level) and behavioural responses of consumers.
8. The MMRF model is a multi-regional, dynamic computable general equilibrium (CGE) model. It distinguishes up to eight Australian regions (six States and two Territories) . The model recognises, domestic producers classified by industry and domestic region; investors similarly classified; eight region-specific household sectors; an aggregate foreign purchaser of the exports; eight state and territory governments; and the Federal government. The role of Government plays an important part in determining the impacts of various forms of assistance. Following fiscal and external closures are applied in all four policy scenarios
 - There is no change in real Government consumption (both Commonwealth and States);
 - There is no changes Government budget balances; and
 - There is no change in current account balance.
 - The model contains explicit representations of intra-regional, inter-regional and international trade flows based on regional input-output data developed at Centre of Policy Studies, Victoria University, and includes detailed data on state and Federal governments' budgets.

Source: <http://www.monash.edu.au/policy/mmrf.htm>

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Appendix 2 Minutes

Minutes No. 7

Monday 24 March 2014

Select Committee on Greyhound Racing in New South Wales

Room 1153, Parliament House, Sydney at 9.30 am

1. Members present

Mr Borsak, *Chair*

Dr Kaye, *Deputy Chair*

Ms Ficarra

Mr Khan

Mrs Maclaren-Jones

Ms Voltz

Mr Whan

2. Previous minutes

Resolved, on the motion of Mr Khan: That draft Minutes No. 6 be confirmed.

3. Correspondence

The committee noted the following items of correspondence:

Received

- 12-13 March 2014 – From Mr James Blackwood to committee regarding his complaints about GRNSW.
- 18 March 2014 – From Hon Mike Baird MP, Treasurer in response to Chair's letters of 2 December 2013 and 5 March 2014 attaching document entitled "Revenue from Greyhound Racing related organisations since 2007/08".
- 20 March 2014 – From Mr Dennis Gialanze to committee re final submission to inquiry.

Sent

- 5 March 2014 – From the Chair to Hon Mike Baird MP, Treasurer – seeking assistance to provide financial modelling proposals developed by the committee to improve the financial viability of the greyhound racing industry.

4. Publication of *in camera* evidence

Resolved, on the motion of Mr Khan: That the committee authorises the publication of the transcript of in camera evidence given by Mr Peter Vlandys on 6 February 2014 with the exception of: the 1st paragraph on page 37, 8th & 9th paragraphs on page 39, and 2nd sentence of the 3rd paragraph on page 41, which are to remain confidential.

5. Consideration of Chair's draft report

The Chair submitted his draft report entitled, *Greyhound racing in New South Wales*, which, having been previously circulated, was taken as being read.

Chapter 1 read.

Resolved, on the motion of Dr Kaye: That Chapter 1 be adopted.

Chapter 2 read.

Resolved, on the motion of Dr Kaye: That paragraph 2.1 be amended by omitting the words 'competitiveness and long term commercial viability' and inserting instead the words 'competitiveness, long term commercial viability, integrity and orderly conduct' before the words 'of greyhound racing' in the second sentence.

Resolved, on the motion of Dr Kaye: That the fifth bullet point in paragraph 2.10 be amended by omitting the words ‘the economic contribution of wagering’ and inserting instead the words ‘the contribution to government revenue of wagering’.

Resolved, on the motion of Ms Voltz: That Chapter 2, as amended, be adopted.

Chapter 3 read.

Resolved, on the motion of Ms Voltz: That paragraph 3.22 be amended by inserting a new sentence: ‘However, as other witnesses noted, race meetings have also increased by 46 per cent’ at the end of the first sentence.

Resolved, on the motion of Mr Khan: That paragraph 3.22 be amended by omitting the word ‘However’ and inserting instead the words ‘As also noted’ at the beginning of the second sentence, and turning this into a new paragraph.

Resolved, on the motion of Dr Kaye: That paragraph 3.45 be amended by omitting the words ‘Even though GRNSW is the main source of funding for country racing clubs’ at the beginning of the first sentence.

Resolved, on the motion of Mr Khan: That a new paragraph be inserted after paragraph 3.93 to read:

‘Mr Peter V’landys, Chief Executive, Racing NSW, who, at the time of the inter-code agreement undertook negotiations on behalf of Harness Racing, gave evidence before the Inquiry on 6 February 2014. He gave extensive evidence on the circumstances surrounding the negotiations leading to the signing of the inter-code agreement by the three racing codes. He said:

The negotiations occurred for more than 12 months. It is a very complicated issue and it could not be settled overnight. I think it actually took 18 months. At best, it was at least 12 months. Before the privatisation of the TAB, the race codes themselves – the race clubs – ran what they called the oncourse operation. Whatever was invested on the racecourse, the clubs would get 17 per cent. Expenses would then be subtracted from that and whatever was left over they would keep...

...The thoroughbred racing industry generated 85 per cent of the oncourse operation then and it now probably generates 90 per cent. The smallest oncourse operation was greyhound racing which was about 5 per cent, and harness racing was about 10 per cent. We needed to get that back to start with. That increases each year by CPI.

...The other thing that happened during the privatisation was that we needed protection. The board of the TAB comprised representatives predominantly from the racing industry. There were four thoroughbred, two harness racing and two greyhound racing representatives. Each member was able to protect their interests on the board by being a member. When privatisation occurred all members were going to be independent. The concern for the two minor codes – harness and greyhound racing – was that the thoroughbred industry with its strength and financial resources would have a much greater presence on the TAB than that before privatisation. That’s why we fixed the percentages. We gave the TAB the freedom to do whatever it liked with its operation. As I said at the time we were frightened that the thoroughbred industry would get a lot more coverage and that our market share would dwindle, if it was based on market share. The irony was that it was to protect the greyhound industry.

We thought that the TAB was going to run it as a commercial operation and 74 percent of it was thoroughbred racing. The customer wanted thoroughbred racing and it would promote a lot more thoroughbred racing and bring in international product and more product from interstate. That would eat away at the harness racing and greyhound industry turnover. That is what we thought at the time...’

Resolved, on the motion of Mr Khan: That a new paragraph be inserted after paragraph 3.93 to read:

‘And then later Mr V’landys had this exchange with the Hon. Steve Whan:

The Hon. Steve Whan: He (Mr Magin) then went on to tell us that he was advised by his constituent bodies, essentially, or whatever you want to call them, that he should accept this agreement. He

mentioned some names and you have also mentioned. Do you believe that those people understood fully what they were actually signing at the time?

Mr V'landys: Absolutely. Yes, they knew. They had the same concern that I had and that was once we had no representative on the TAB board, we were thrown to the lions. We wanted some protection. That is why they agreed to the format. You also have to remember that they generate no oncourse turnover and all of a sudden they were getting all this oncourse turnover from thoroughbred racing. They generated 5 percent of the total and I think it is even less now whereas the other two codes, not so much harness but the thoroughbred, generate the majority of the oncourse turnover.'

Resolved, on the motion of Dr Kaye: That paragraph 3.99 be amended by omitting the words 'review date onwards' and inserting instead the words 'one year period prior to the review date' after the words 'from the' in the first sentence.

Resolved, on the motion of Mr Khan: That a new paragraph be inserted after paragraph 3.99 to read:

'In contrast to the view that Greyhounds participants did not understand the provisions on the 15 year review the view put to the committee by Racing NSW Peter V'landys was that the provisions of the review were quite clear. He said:

The Hon. Steve Whan: Mr Magin went on to tell us he held the view – I'm not exactly sure until when – that the 15 year review of the agreement included a review of the entire share and that he did not realise at the time that it was only the increased funding. Do you believe that the industry understood that the review was based on a single year and an assessment of increases in revenue?

Mr V'landys: I certainly did, yes. I cannot speak for the gentlemen you referred to. But I certainly knew it was growth monies. It was going to be a base year at the end of 15 years and whatever the difference between the base year and the next year is what the growth monies were. That was always well know.

The Hon. Marie Ficarra: Was that discussed in your presence and the greyhound industry sector?

Mr V'landys: Absolutely.

The Hon. Marie Ficarra: You discussed that openly?

Mr V'landys: Absolutely.

The Hon. Steve Whan: Was it your view that people like ... understood that?

Mr V'landys: Yes.

The Hon. Linda Voltz: Did they see the agreement? Do you know if they saw the code agreement?

Mr V'landys: Everyone got copies of all of the agreements at all times. If you are negotiating an agreement, you want to have a copy of it. I can tell you that ... were at every meeting and saw every agreement, just like I did in harness racing.'

Resolved, on the motion of Mr Whan: That a new heading be inserted after paragraph 3.120 to read: 'Number of TAB meetings'.

Mr Khan moved: That a new paragraph be inserted after paragraph 5.33 to read:

'The other racing codes took a very different view of the increase in meets. Racing NSW's Peter V'landys suggested that in fact the decision to increase meets might actually not be producing a positive revenue benefit for greyhound racing:

But the biggest thing that I need to highlight here today, which I think is the most relevant, is that when the TAB was privatised each code was required to conduct a minimum number of race meetings. That is all you had to do. You did not have to conduct any more than what your minimum was. The greyhound minimum was 593 race meetings per year. Unilaterally, by a decision taken wholly and solely by the greyhound industry, they have increased that to 864 race meetings. They have gone ahead and done these meetings without the funding also knowing the dynamics of the inter-code. They always knew that they were going to have to fund it themselves, but they increased by 46 per cent the number of race

meetings they were going to conduct. Any other commercial entity or commercial organisation would have done a business plan to ensure that it could fund those race meetings.

Those race meetings make little difference to us because they would be replaced by other meetings interstate. It was a unilateral decision taken by the greyhound code to run those meetings. Their argument that they are unprofitable now is a little bit rich for us because they were the ones who made the decision.'

Mr Whan moved: That the motion of Mr Khan be amended by inserting the new paragraph after paragraph 3.122.

Amendment put and passed.

Original question, as amended, put and passed.

Resolved, on the motion of Dr Kaye: That a new paragraph be inserted after paragraph 3.122 at the beginning of the committee comment to read:

'The committee expresses its concern at the lack of clarity amongst the representatives of greyhound racing in the negotiations leading up to the Intercode Agreement and the RDA with respect to (1) the role of Clayton Utz and the status of advice provided by it (2) the need for independent legal and commercial advice and, in particular, the absence of any risk analysis (3) the effectiveness of the 15 year review and (4) the importance of communication and consultation with industry participants.'

Resolved, on the motion of Mr Khan: That paragraph 3.123, which reads: 'It is incongruous to the committee that one of the main reasons the greyhound industry signed up to the inter-code agreement was because it was in dire financial circumstances at that time. The privatisation of the TAB was supposed to be the financial salvation for the industry. Clearly this has not happened, as some 15 years later the greyhound industry finds itself back in the financial mess that it was in before.' be omitted.

Resolved, on the motion of Mr Whan: That a new paragraph be inserted after paragraph 3.123 to read:

'The committee is concerned by evidence from a number of participants in the process of negotiating the inter-code agreement that they apparently did not understand the implications of portions of the agreement relating particularly to the 15 year review. The committee has sighted the confidential agreement, including this provision.'

Resolved, on the motion of Mr Khan: That new paragraphs be inserted after paragraph 3.123 to read:

'On balance the committee finds the evidence of Mr Peter V'landys of the events surrounding the negotiation of the inter code agreement to be preferred over other evidence received. The minor racing codes, harness racing and greyhounds, negotiated the fixed percentages of the pool taking into account their perception at the time that the sale of the TAB would render them exposed to the greater market power of the thoroughbred racing industry.

On the balance of probabilities the committee further concludes that the participants in the negotiations to the inter code agreement on behalf of the greyhound industry understood that the 15 year review was restricted to the difference between the base year and the next year and was not a review of the percentages.

It appears to have been a significant failing by those who participated in the negotiations surrounding the inter code agreement on behalf of the greyhound industry, was to explain to participants in the industry the major components of the agreements negotiated.'

Resolved, on the motion of Mr Khan: That a new paragraph be inserted after paragraph 3.123 to read:

'The committee concludes that the greyhound racing industry voluntarily entered into a funding arrangement with the other racing codes. It is reasonable to conclude that the inter code agreement now works to the disadvantage of the greyhound racing industry, but that any attempt to renegotiate the agreement is likely to be met with considerable resistance from the other codes.'

The committee also notes that any legislated change to the inter code agreement may disadvantage the other racing codes.'

Resolved, on the motion of Dr Kaye: That paragraph 3.124 be amended by: omitting the words 'largely due to factors' and inserting instead the words 'in part due to factors' after the words 'finds itself are' in the first sentence; omitting the word 'financial' before the word 'difficulties' in the first sentence; omitting the word 'unfair' before the word 'distribution' in the second sentence; and omitting the word 'funding' after the word 'current' in the third sentence.

Ms Voltz moved: That paragraph 3.124 be amended by omitting the word 'is' and inserting instead the words 'may be' after the words 'New South Wales' in the third sentence.

Question put.

The committee divided.

Ayes: Dr Kaye, Ms Ficarra, Mr Khan, Mrs Maclaren-Jones, Ms Voltz, Mr Whan.

Noes: Mr Borsak.

Question resolved in the affirmative.

Resolved, on the motion of Dr Kaye: That paragraph 3.124 be amended by inserting the words 'The committee also notes that the current management has been involved with or perpetuated a number of decisions that have compromised the viability of the industry' at the end of the paragraph.

Resolved, on the motion of Mr Khan: That paragraph 3.126, which reads 'Proposed solutions to reform the funding of the greyhound racing industry and improve the economic viability and long term sustainability of the industry are canvassed in the next chapter.' be omitted.

Resolved, on the motion of Mr Whan: That Finding 1, which reads 'That the greyhound racing industry in New South Wales is unsustainable under current funding arrangements.' be omitted and replaced with: 'The committee finds that with its current structure and sources of revenue the greyhound racing industry in New South Wales may be unsustainable. Returns to trainers and owners do not cover costs, which leads to the loss of quality dogs to Victoria and elsewhere, a reduced number of industry participants and contributes to making existing clubs and tracks unviable.'

Resolved, on the motion of Ms Voltz: That Chapter 3, as amended, be adopted.

Chapter 4 read.

Resolved, on the motion of Dr Kaye: That paragraph 4.8 be amended by omitting the words 'precedent for government intervention' and inserting instead the words 'precedent for establishing the authority for government to intervene' in the first sentence.

Resolved, on the motion of Dr Kaye: That paragraph 4.9 be amended by omitting the words 'precedent for government intervention' and inserting instead the words 'precedent for establishing government authority to intervene' in the first sentence.

Resolved, on the motion of Dr Kaye: That paragraph 4.17 be amended by numbering the bullet points as 1, 2 and 3.

Resolved, on the motion of Mr Khan: That a new paragraph be inserted after paragraph 4.26 to read:

'The committee acknowledges the evidence given by Mr Peter V'Landys, that the percentages negotiated in the inter code agreement reflected not just the relative market share of the three racing codes but also, amongst other factors, the on course revenue forgone by the three racing codes when the Racing Distribution Agreement and the Inter code agreement were negotiated. It is overly simplistic to argue for the inter code agreement to be adjusted simply to reflect the current market shares of the three codes.'

Resolved, on the motion of Dr Kaye: That a new paragraph be inserted after paragraph 4.27 to read: 'The committee notes however that the NSW parliament has the capacity to alter the terms of the Inter-Code agreement by joint resolution of both houses.'

Mr Khan moved: That paragraph 4.31 be amended by inserting the words ‘The committee acknowledges that any direct government financial assistance package for the greyhound racing industry could only be achieved at the expense of other government programmes or increased revenue measures’ at the end of the paragraph.

Question put.

The committee divided.

Ayes: Dr Kaye, Ms Ficarra, Mr Khan, Mrs Maclaren-Jones

Noes: Mr Borsak, Ms Voltz, Mr Whan.

Question resolved in the affirmative.

Resolved, on the motion of Ms Ficarra: That paragraph 4.31 be amended by omitting the words ‘a number of proposals outlined below’ and inserting instead the words ‘various scenarios’ after the words ‘economic impacts of’.

Resolved, on the motion of Dr Kaye: That Recommendation 1 be amended by inserting the words ‘on state revenue and the greyhound industry’ after the word ‘impact’ in the first sentence.

Resolved, on the motion of Ms Voltz: That Recommendation 1 be amended by omitting the words ‘of the following proposals, or combination’ and inserting instead the words ‘of various scenarios, or combinations’ after the words ‘industry’ in the first sentence, and inserting the words ‘and the racing industry overall’ at the end of the sentence.

Resolved, on the motion of Ms Voltz: That proposals A, B, C, D and E not be included in the minutes of the report.

Chapter 5 read.

Resolved, on the motion of Dr Kaye: That paragraphs 5.46 through to 5.64 inclusive be inserted after paragraph 5.34.

Resolved on the motion of Dr Kaye: That the word ‘prosecution’ in the heading before paragraph 5.75 be replaced with ‘persecution’.

Resolved on the motion of Mr Khan: That a new paragraph be inserted after paragraph 5.96 to read:

‘The committee also considers it appropriate for a thorough independent review to be undertaken of the financial management of greyhound racing.’

Resolved, on the motion of Ms Voltz that: Recommendation 2 be amended by omitting the words ‘open to’ and inserting instead the words ‘elected by licensed’.

Dr Kaye moved: That Recommendation 2 be deleted and replaced with ‘That GRNSW be disbanded and replaced with two separate bodies. The commercial management functions be delivered by a body that is governed by a board that is largely elected by industry participants. The integrity functions, including animal welfare and the stewards, are provided by a separate body whose board is largely independent but includes some elected representatives of industry participants.’

Question put.

The committee divided.

Ayes: Dr Kaye

Noes: Mr Borsak, Ms Ficarra, Mr Khan, Mrs Maclaren-Jones, Ms Voltz, Mr Whan.

Question resolved in the negative.

Resolved, on the motion of Ms Voltz: That Recommendation 4 be amended by omitting the words ‘Greyhound Racing NSW’ and inserting instead the words ‘the racing industry’, and omitting the word ‘overseen’ and inserting instead ‘brought within the jurisdiction of’.

Dr Kaye moved: That Recommendation 6 be amended by omitting the words ‘Greyhound Racing NSW’ and inserting instead the words ‘the Minister for Tourism, Major Events, Hospitality and Racing, Minister for the Arts, and Minister for the Hunter’.

Question put.

The committee divided.

Ayes: Dr Kaye

Noes: Mr Borsak, Ms Ficarra, Mr Khan, Mrs Maclaren-Jones, Ms Voltz, Mr Whan.

Question resolved in the negative.

Resolved, on the motion of Ms Voltz: That Chapter 5, as amended, be adopted.

Chapter 6 read.

Resolved, on the motion of Mr Whan: That paragraph 6.46 be amended by inserting the words at the end of the paragraph, ‘The committee notes that a number of witnesses suggested high levels of use of illegal drugs are present in the industry, however it is also noted that much of this evidence was not verified and could be considered to be hearsay.’

Resolved, on the motion of Ms Voltz: That the following recommendations:

‘Recommendation 8 - That Greyhound Racing NSW increase the number of drug swabs collected, to bring the industry in line with the other racing codes in New South Wales.

Recommendation 9 - ‘That Greyhound Racing NSW allocate a proportion of drug swabs to a random sample of starters.’ be omitted and insert instead a new recommendation after paragraph 6.50 to read: ‘That Greyhound Racing NSW increase the number of drug swabs collected and allocate a proportion of drug swabs to a random sample of starters.’

Dr Kaye moved: That a new recommendation be inserted after Recommendation 10 to read: ‘That the Minister, in conjunction with the Minister for Primary Industries, commission an investigation into the use of performance affecting drugs which leave no detectable metabolites on race day and that this investigation seek means to minimise their use.’

Question put.

The committee divided.

Ayes: Dr Kaye

Noes: Mr Borsak, Ms Ficarra, Mr Khan, Mrs Maclaren-Jones, Ms Voltz and Mr Whan.

Question resolved in the negative.

Resolved, on the motion of Ms Voltz: That Recommendation 11 be amended by omitting the word ‘persons’ and inserting instead ‘premises’.

Resolved, on the motion of Mr Whan: That Chapter 6, as amended, be adopted.

Chapter 7 read.

Dr Kaye moved: That after paragraph 7.7, the following paragraph be inserted:

‘Only 50 greyhounds are rehomed by Greyhounds as Pets program each year. Other philanthropic programs add to this number but the overwhelming majority of animals that are no longer needed for racing are disposed of.’

Question put.

The committee divided.

Ayes: Dr Kaye

Noes: Mr Borsak, Ms Ficarra, Mr Khan, Mrs Maclaren-Jones, Ms Voltz and Mr Whan.

Question resolved in the negative.

Dr Kaye moved: 'That paragraph 7.28 be amended by inserting the words at the end of the last sentence: 'in many cases without professional veterinary services'.

Question put.

The committee divided.

Ayes: Dr Kaye

Noes: Mr Borsak, Ms Ficarra, Mr Khan, Mrs Maclaren-Jones, Ms Voltz and Mr Whan.

Question resolved in the negative.

Ms Voltz moved: 'That paragraph 7.37 be amended by omitting the word 'large' and 'are whelped annually, and that as a result at least 2,000 otherwise healthy greyhounds'.

Question put.

The committee divided.

Ayes: Mr Borsak, Ms Ficarra, Mr Khan, Mrs Maclaren-Jones, Ms Voltz and Mr Whan.

Noes: Dr Kaye.

Question resolved in the affirmative.

Mrs Maclaren-Jones moved: 'That paragraph 7.37, which reads: 'The committee notes with concern the number of greyhounds that are euthanised each year. It is evident to the committee that this practice detracts from community support of the greyhound racing industry, and that it is in the long term interests of the industry to reduce breeding rates.' be omitted.

Question put.

The committee divided.

Ayes: Mr Borsak, Ms Ficarra, Mr Khan, Mrs Maclaren-Jones, Ms Voltz and Mr Whan.

Noes: Dr Kaye.

Question resolved in the affirmative.

Resolved, on the motion of Dr Kaye: 'That Recommendation 15 be amended by omitting 'That Greyhound Racing NSW investigate restricting the frequency and number of litters permitted for each breeding female' and inserting instead 'That the Minister for Primary Industries appoint an independent inquiry to conduct an investigation into the frequency and number of litters permitted for each breeding female in the greyhound industry.'

Ms Voltz moved: 'That paragraph 7.39, which reads 'Intricately linked to the issue of overbreeding is the number of greyhounds euthanised each year. GRNSW indicated that approximately 2,400 greyhounds per year are euthanised. Based on other data, this is thought to be a conservative number.' be omitted.

Question put.

The committee divided.

Ayes: Mr Borsak, Ms Ficarra, Mr Khan, Mrs Maclaren-Jones, Ms Voltz, Mr Whan

Noes: Dr Kaye

Question resolved in the affirmative.

Resolved, on the motion of Ms Voltz: 'That paragraph 7.54 be amended by omitting the word 'puppies' after 'greyhound' and omitting the word 'dogs' and inserting instead 'them' in the first sentence.

Resolved, on the motion of Ms Voltz: That Recommendation 16 be amended by inserting an 's' to the word 'greyhound' and omitting the word 'puppies'.

Dr Kaye moved: That Recommendation 16 be amended by omitting the words 'Greyhound Racing NSW review best practice' and inserting instead 'the Minister for Primary Industries appoint an independent body to develop and implement a code of best practice'.

Question put.

The committee divided.

Ayes: Dr Kaye

Noes: Mr Borsak, Ms Ficarra, Mr Khan, Mrs Maclaren-Jones, Ms Voltz and Mr Whan.

Question resolved in the negative.

Resolved, on the motion of Mrs Maclaren-Jones: That paragraph 7.73 be amended by inserting the words 'including industry standards for best practice for track design and maintenance.' at the end of the sentence.

Resolved, on the motion of Dr Kaye: That a new recommendation be inserted after paragraph 7.83 to read:

'That Greyhound Racing NSW develop and implement industry standards for best practice for race track design and maintenance and the provision of veterinary services.'

Dr Kaye moved: That a new recommendation be inserted after paragraph 7.91 to read:

'That accurate data on the number of greyhounds whelped, killed and injured each year is kept on a central database and made available to the public. This would apply to all greyhounds, regardless of whether they have been named or not.'

Question put.

The committee divided.

Ayes: Dr Kaye

Noes: Mr Borsak, Ms Ficarra, Mr Khan, Mrs Maclaren-Jones, Ms Voltz and Mr Whan.

Question resolved in the negative.

Dr Kaye moved: That an additional recommendation be inserted after paragraph 7.96 to read: 'That the NSW government recommend and work with the Federal government to prohibit the export of greyhounds for racing or breeding purposes or any other reason other than when a greyhound is accompanying their owner as a companion animal.'

Question put.

The committee divided.

Ayes: Dr Kaye

Noes: Mr Borsak, Ms Ficarra, Mr Khan, Mrs Maclaren-Jones, Ms Voltz and Mr Whan.

Question resolved in the negative.

Dr Kaye moved: That an additional recommendation be inserted after paragraph 7.96 to read: 'That the NSW government request Greyhounds Australasia release its report into export of greyhounds.'

Question put.

The committee divided.

Ayes: Dr Kaye

Noes: Mr Borsak, Ms Ficarra, Mr Khan, Mrs Maclaren-Jones, Ms Voltz and Mr Whan.

Question resolved in the negative.

Resolved, on the motion of Ms Voltz: That paragraph 7.102 which reads ‘The RSPCA argued that some properties kenneling greyhounds also kennel animals that are used as live bait. While it is not illegal to own greyhounds and these other animals, there was an inference that live baiting probably occurs at these properties. The RSPCA noted that the current legislation is insufficient for prosecution.’ be omitted.

Resolved on the motion of Ms Voltz: That Recommendation 17 be amended by omitting the words ‘to ensure that legislation regarding live baiting can be more effectively enforced’ and inserting instead ‘to include “kennels” to ensure allegations of live baiting can be properly investigated.’

Dr Kaye moved: That the following new recommendations and comments be inserted:

- Additional codes of practice need to be developed for breeding, rearing and education. Consideration should be given to an overarching Code of Practice. (Comment: Currently GRNSW just has one for “the keeping of greyhounds in training”)
- Bench mark standards for breeding, rearing, education and training of greyhounds be legislated, either under POCTAA or the Greyhound racing act.
- An anonymous system for reporting animal mistreatment be explored. (Comment: Currently you have to leave your name and details with the RSPCA – this will deter people in the industry fearing retribution.)
- Bring greyhounds back under the companion animals act to ensure ID and lifetime registration.
- Greyhound breeders should be subject to the same requirements as all dog breeders under the current proposed Breeder’s Licensing Scheme. (Comment: this scheme was flagged as an option under the Companion animals taskforce discussion paper. It would entail “all dog breeders in NSW licensed and subject to inspection by an independent animal protection body to prevent cruelty associated with puppy farming.”)
- AWL recommends that a full list of all registered members of GHNSW be made available to Inspectors to allow for random inspections.
- GRNSW must report all suspected cases of cruelty directly to the AWL, RSPCA or NSW Police before any internal investigation is conducted.

Question put.

The committee divided.

Ayes: Dr Kaye

Noes: Mr Borsak, Ms Ficarra, Mr Khan, Mrs Maclaren-Jones, Ms Voltz and Mr Whan.

Question resolved in the negative.

Resolved, on the motion of Ms Voltz: That Recommendation 18 be amended by inserting the words ‘and/or the NSW Government’ after the words ‘Greyhound Racing NSW’; and by omitting the words ‘to community- or privately-operated’ and inserting instead the word ‘for’.

Ms Voltz moved: That Chapter 7, as amended, be adopted.

Question put.

The committee divided.

Ayes: Mr Borsak, Ms Ficarra, Mr Khan, Mrs Maclaren-Jones, Ms Voltz, Mr Whan

Noes: Dr Kaye

Question resolved in the affirmative.

Mr Khan moved: That the draft report, as amended, be Volume 1 of the report of the committee and that the committee present the report to the House.

Question put.

The committee divided.

Ayes: Mr Borsak, Ms Ficarra, Mr Khan, Mrs Maclaren-Jones, Ms Voltz and Mr Whan.

Noes: Dr Kaye.

Question resolved in the affirmative.

Resolved, on the motion of Mr Khan: That any dissenting statements be provided to the Secretariat within 24 hours after receipt of the draft minutes of the meeting.

Resolved, on the motion of Ms Voltz: That the Chair and/or any other members of the committee be authorised to meet with the Treasurer and/or his consultant to discuss financial modelling of industry scenarios.

Resolved, on the motion of Dr Kaye: That the committee staff be thanked for their work on the report.

6. Adjournment

The meeting adjourned at 1.40 pm *sine die*

Stewart Smith

Clerk to the Committee

Draft minutes no. 8

Friday 10 October 2014

Select Committee on Greyhound Racing in New South Wales

Parkes Room, Parliament House, Sydney at 10.05 am

1. Members present

Mr Borsak, Chair

Dr Kaye, Deputy Chair

Mr Khan

Mrs Maclaren-Jones

Mrs Pavey

Ms Voltz

Mr Whan

2. Previous minutes

Resolved, on the motion of Dr Kaye: That draft minutes no. 7 be confirmed.

3. Correspondence

The committee noted the following items of correspondence:

Received

- 26 March 2014 – Email from Mr Peter V'Landys, Racing NSW – clarifying figures quoted in transcript.
- 26 March 2014 – Email from Mr Brenton Scott, GBOTA – request to respond to comments made at public hearing.
- 27 March 2014 – Letter from Dr Edward Humphries – use by GRNSW of parliamentary evidence in judicial proceedings.
- 28 March 2014 – Email from Lori Scinto – response to First report.
- 28 March 2014 – Email from Mr Peter Grullemans – response to First Report.
- 28 March 2014 – Email from Vicki Prest – response to First report.
- 29 March 2014 – Email from Mrs Alex Hodges – response to First Report.
- 31 March 2014 – Email from Mr Bruce Teague – comments on work to be done by Treasury.

- 31 March 2014 – Email from Mr Julian Forbes, response to First Report.
- 2 April 2014 – Email from Ms Julie McHenry – response to First Report.
- 7 April 2014 – Email from Mr Michael Eberand attaching his article entitled The Need for Fundamental Reform of the NSW Racing Industry.
- 22 April 2014 – Email from Mr John Tracey – attaching article in Rural Press entitled Inquiry a step in the right direction.
- 3 April, 14 April, 22 April, 29 April, 3 May, 4 May, 8 May, 9 May, 25 May, 30 May and 16 June 2014 – Emails from Mr James Blackwood – comments regarding GRNSW.
- 12 May 2014 – Letter from Ms Elizabeth Walker, President, Animal Welfare League Australia – registering concerns regarding conduct and findings of the Select Committee.
- 25 July 2014 – Email from Louise Peacock, Office of the Treasurer – update on financial modelling.
- 23 July 2014 – Email from Mr Michael Eberand – document entitled ‘Proposals for NSW Greyhound industry reform proposal for Government’.
- 21 July 2014 – Email from Louise Peacock, Office of the Treasurer, setting out financial modelling timelines for greyhound racing industry
- 29 September 2014 – Email from Jason Falinski, Treasury, forwarding financial modelling document ‘Economic effects of fiscal support for the NSW Greyhound racing industry’.
- 7 October 2014 – Email from Jason Falinski, Treasury, forwarding financial modelling spreadsheet.

Sent

- 28 March 2014 – Letter from Chair to Hon Mike Baird, Treasurer - request for financial modelling.
- 15 April 2014 – Letter from Chair to Mr Brent Hogan, GRNSW, use of parliamentary evidence in judicial proceedings in reference to Dr Edward Humphries.
- 15 April 2014 – Letter from Chair to Dr Edward Humphries – use by GRNSW of parliamentary evidence in judicial proceedings.
- 6 May 2014 – Letter from Chair to Hon Andrew Constance, Treasurer – request for financial modelling.

Resolved, on the motion of Mr Whan: That the committee keep confidential the correspondence from Mr James Blackwood that has not already been made public.

4. Consideration of Chair’s draft report

The Chair submitted his draft report entitled, *Greyhound racing in New South Wales: Second Report*, which, having been previously circulated was taken as being read.

Resolved, on the motion of Dr Kaye: That paragraph 3.1 be amended by inserting the name ‘PwC’ after the word ‘consultant’ in the second sentence.

Resolved, on the motion of Ms Voltz: That Recommendation 1 be adopted.

Resolved, on the motion of Mr Whan: That paragraph 4.12, which reads:

‘Of the scenarios proposed in this report, reducing the NSW taxation rate on race wagering to equal that of Victoria (scenario E) most directly addresses the competitive aspect of the national racing market within which the NSW greyhound industry operates. The committee acknowledges the financial modelling results, which indicated that implementing scenario E has impact on state taxation revenue and gross state product over time. However, the committee considers that implementing this scenario is a reasonable trade-off for the ongoing viability and sustainability of the NSW greyhound racing industry. Scenario E also provides for a more competitive racing industry across all three racing codes in New South Wales.’

be deleted and the following words be inserted instead:

‘Of the scenarios proposed in this report, reducing the NSW taxation rate on race wagering to equal that of Victoria (scenario E) most directly addresses the competitive aspect of the national racing market within which the NSW greyhound industry operates.

The committee notes that the financial modelling results indicate that implementing scenario E has a negative impact on state taxation revenue and gross state product over the long term. It suggests that while scenario E would have a positive benefit for the racing industry producing positive growth in jobs in the industry and a short term benefit to Gross State Product in the longer term it would have a detrimental effect on GSP as well as on Government revenue. The basis of this conclusion is that the reduction in taxes means less money for Government to spend in other areas which in the longer term would be more productive for the economy than the increased activity in racing.

The committee notes however that NSW racing operates in a competitive environment and that a failure to have competitive returns to the industry would negatively impact on the viability of the industry in the longer term. The committee also notes that NSW gamblers are likely to place more and more money with corporate or interstate bookmakers if NSW returns are not competitive a move which would cost the state revenue.

On the basis of the financial modelling alone it would be difficult to justify scenario E as being in the interests of the NSW community as a whole.’

Moved by Mr Whan: That paragraph 4.13, which reads:

‘The committee is of the view that phasing in a reduction in the wagering tax rate over a number of years would help mitigate some of the immediate impacts on the level of taxation received by the government. The committee therefore recommends that the NSW Government reduce the taxation rate on wagering to equal that of Victoria over a period of four years and that the government direct the foregone tax revenue to the State’s three racing codes.’

be deleted and the following words be inserted instead:

‘The committee is of the view however that the Government does need to consider the impact of its tax arrangements on the competitiveness of the NSW racing industry versus other states and that the Government should consider phasing in a reduction in the wagering tax rate over a number of years in order to mitigate some of the immediate impacts on the level of taxation received by the government.

The committee recommends that the NSW Government take action to ensure a competitive tax regime for NSW racing by putting in place a staged reduction in the taxation rate on wagering to a level where NSW racing can be competitive with other states and that the government direct the foregone tax revenue to the State’s three racing codes.’

Dr Kaye moved: That the motion of Mr Whan be amended by deleting the second paragraph.

Amendment put.

The committee divided.

Ayes: Dr Kaye

Noes: Mr Borsak, Mr Khan, Mrs Maclaren-Jones, Mrs Pavey, Ms Voltz, Mr Whan.

Amendment resolved in the negative.

Original motion put.

The committee divided.

Ayes: Mr Borsak, Mr Khan, Mrs Maclaren-Jones, Mrs Pavey, Ms Voltz, Mr Whan

Noes: Dr Kaye.

Original motion resolved in the affirmative.

Moved by Mr Whan: That Recommendation 2, which reads:

‘That the NSW Government reduce the rate of wagering tax payable to equal that of Victoria, implemented over a period of four years, and that the government direct the foregone taxation revenue to the State’s three racing codes.’

be deleted and the following recommendations be inserted instead:

‘Recommendation 2: That the NSW Government implement a staged reduction in taxation rates on wagering to ensure New South Wales racing is competitive with racing codes in other States (particularly Victoria).

Recommendation 2A: That, if the Government decides it will not implement recommendation 2 or will not reduce rates to similar levels to Victoria in the medium term, the committee recommends that the NSW Government conduct a full review and analysis of the competitive position of racing in New South Wales within two years with particular focus on the viability of country racing.’

Dr Kaye moved: That the motion of Mr Whan be amended by deleting Recommendation 2 and Recommendation 2A and inserting instead:

‘Recommendation 2: That the NSW Government conduct a full review and analysis of the competitive position of racing in New South Wales within two years with particular focus on the viability of country racing.’

Amendment put.

The committee divided.

Ayes: Dr Kaye

Noes: Mr Borsak, Mr Khan, Mrs Maclaren-Jones, Mrs Pavey, Ms Voltz, Mr Whan.

Amendment resolved in the negative.

Original motion put and passed.

Resolved, on the motion of Ms Voltz:

- That the draft report, as amended, be the report of the committee and that the committee present the report to the House;
- That the transcripts of evidence, submissions, tabled documents, answers to questions on notice and supplementary questions, minutes of proceedings and correspondence relating to the inquiry be tabled in the House with the report;
- That upon tabling, all transcripts of evidence, submissions, tabled documents, answers to questions on notice and supplementary questions, minutes of proceedings and correspondence relating to the inquiry not already made public, be made public by the committee, except for those documents kept confidential by resolution of the committee;
- That the committee secretariat correct any typographical, grammatical and formatting errors prior to tabling;
- That the committee secretariat be authorised to update any committee comments where necessary to reflect changes to recommendations or new recommendations resolved by the committee;
- That dissenting statements be provided to the secretariat within 1 business day after receipt of the draft minutes of the meeting;
- That the report be tabled on 16 October 2014.

5. Government response to committee’s first report

Dr Kaye moved: That the Chair write to the Leader of the Government in the House seeking an explanation as to why the Government response to the committee’s first report, which is now two weeks late, has not yet been received.

Question put.

The committee divided.

Ayes: Dr Kaye, Ms Voltz, Mr Whan

Noes: Mr Borsak, Mr Khan, Mrs Maclaren-Jones, Mrs Pavey.

Question resolved in the negative.

6. Adjournment

The meeting adjourned at 10.28 am *sine die*.

John Miller

Clerk to the Committee

Appendix 3 Dissenting statement

By Dr John Kaye MLC, The Greens

The Greens do not support Recommendation 2 which seeks a reduction in wagering tax rates to a level that is competitive with Victoria.

The cut in taxes is not economically or socially justified and the competition between states would create downwards pressure on taxes in a race to the bottom, with unacceptable impacts on public revenue.

The PwC modelling of Scenario E, which Recommendation 2 seeks to implement, shows that despite a short-term boost to Gross State Product (GSP), the long term impact on economic output would be negative. The industry does not contribute to the long term economic well-being of the community.

This recommendation would not only result in a long term reduction in economic activity in NSW, but also public revenues would have to forgo approximately \$100 million each year.

In a budget that the Baird government claims is cash-strapped, this represents \$100 million that will not be spent each year on public schools, hospitals and transport.

The unhelpful precedent of states competing against each other to attract activity by cutting tax rates should not be encouraged. Instead states should cooperatively set tax rates to protect public revenue without creating cross-border pull.

Reducing wagering tax rates would also restrict the ability of current and future governments to reinvest revenue from the industry to address the significant social harms and public health burden imposed by problem gambling.

The greyhound racing sector faces substantial challenges that can only be ameliorated by changing the regulatory environment, implementing meaningful animal welfare standards that are appropriately enforced and ensuring opportunities for greyhounds to be rehomed when their racing careers end.

The additional resources that these changes would require should be found from within the industry and in particular from the wagering revenue stream and not by drawing down on the public purse.

