

SELECT COMMITTEE ON GREYHOUND RACING IN NSW

INQUIRY INTO GREYHOUND RACING IN NSW

At Sydney on Thursday 6 February 2014

The Committee met at 10.00 a.m.

PRESENT

The Hon. R. Borsak (Chair)

The Hon. M. Ficarra

Dr J. Kaye (Deputy Chair)

The Hon. T. Khan

The Hon. L. Voltz

The Hon. S. Whan

CHAIR: Welcome to the third public hearing of the Inquiry into Greyhound Racing in New South Wales. Before I commence, I would like to acknowledge the Gadigal people who are the traditional custodians of this land. I would also like to pay respect to the elders, past and present, of the Eora nation and extend that respect to other Aboriginals present. Today is the third and final hearing we plan to hold for this inquiry. We will hear today from representatives of the NSW Bookmakers Co-operative, the Australian Wagering Council, the former Greyhound Racing Integrity Auditor, Friends of the Hound, Greyhound Freedom, the RSPCA, the Greyhound Rehoming Centre, the Greyhound Action Group and Greyhound Racing NSW.

Before we commence, I would like to make some brief comments about the procedures for today's hearing. I remind everyone that this is a public hearing and not an open forum for comments from the audience. Audience interruptions are not recorded in the transcript and make it difficult for witnesses to communicate with the Committee. I therefore request that members of the audience refrain from making comments or excessive noise during the proceedings.

I also note that demonstrations are not permitted within the hearing room. Publicity stunts or actions that are designed to disrupt the Committee's proceedings, damage its reputation, or compromise the security of inquiry participants, including witnesses, will not be permitted in the hearing room. Banners, signs, t-shirts or any item bearing demonstration-related branding that are used during a demonstration outside the hearing venue are not permitted in the hearing room. These items must not be concealed and brought into the hearing and then utilised to conduct any sort of protest within the hearing room. If these guidelines are not followed, then I will stop the proceedings and ask the offending individuals to leave the hearing room. If such a request is not followed, then the Committee may decide to adjourn the hearing or I may have the individual ejected from the hearing room.

Copies of the Committee's broadcasting guidelines are available from parliamentary staff. Under these guidelines, members of the media may film or record Committee members and witnesses. People in the public gallery should not be the primary focus of any filming or photography. I also remind media representatives that they must take responsibility for what they publish about the Committee's proceedings. It is important to remember that parliamentary privilege does not apply to what witnesses say outside their evidence at the hearing. I urge witnesses to be careful about any comments they make to the media, or to others, after they have completed their evidence. Such comments would not be protected by parliamentary privilege if action for defamation were taken. Witnesses are advised that, if they should consider at any stage during their evidence that their response to particular questions should be heard in private by the Committee, they should state their reasons and the Committee will then consider the request.

I remind everyone here today that Committee hearings are not intended to provide a forum for people to make adverse reflections about others under the protection of parliamentary privilege. I therefore request that witnesses focus on the issues raised by the inquiry's terms of reference and avoid naming individuals unnecessarily. Witnesses are advised that any documents they wish to table should be provided to members through the parliamentary staff. A full transcript of what is said during today's hearing will be prepared by the Hansard reporters. The transcript will be available on the Committee's website. Finally, could everyone please turn off their mobile phones.

I now welcome our first witnesses: Mr Mark Merlino, Mr Peter Fletcher, Mr Chris Downy and Mr Ben Sleep.

MARK MERLINO, Vice Chairman, NSW Bookmakers Co-operative,

PETER FLETCHER, Chief Executive Officer, NSW Bookmakers Co-operative,

CHRISTOPHER JOHN DOWNY, Chief Executive Officer, Australian Wagering Council, and

BEN SLEEP, Director, Australian Wagering Council, sworn and examined:

CHAIR: Would any of you care to make an opening statement?

Mr FLETCHER: Yes, I would. Thank you for the opportunity to make a brief opening address. My name is Peter Fletcher and I am the Chief Executive Officer [CEO] of the NSW Bookmakers Co-operative. I am also the CEO of our national representative body, the Australian Bookmakers' Association. I have had a long association with the administration of racing in this State, including past roles with the New South Wales Government and the New South Wales TAB. Alongside me is Mr Mark Merlino, the Vice Chairman of our New South Wales organisation and a delegate to the national body. Mark has been a leading greyhound bookmaker in this State for more than 30 years. He commenced fielding at New South Wales greyhound meetings in 1980 and at thoroughbred meetings from 1995. Mark continues to field every week at Wentworth Park greyhound meetings and, in my opinion, there would be few people in Australia with a more comprehensive knowledge of greyhound racing and bookmaking.

Our organisation—"the Co-op" as we refer to it—is the representative body for on-course bookmakers in New South Wales and performs various functions, including the guaranteeing of our members, in close co-operation with the NSW Office of Liquor, Gaming and Racing and the three controlling bodies of the New South Wales racing industry. As at 30 September last year, we had 199 financial members, representing approximately 95 per cent of all bookmakers in New South Wales. Of this number only 33 of our members can be regarded as greyhound bookmakers who we guarantee with Greyhound Racing NSW. The licensee numbers have been falling consistently since the 1980s, due to increasing competition from other wagering providers, especially the TABs and, more recently, interstate corporate bookmakers and Betfair. Similarly, the share of total betting conducted by New South Wales greyhound bookmakers has been diminishing for a number of decades, both as a proportion of total New South Wales and total national betting, on the three codes of racing.

Of the approximately 1,300 greyhound race meetings held in New South Wales last year, our members fielded only 860, or two-thirds of that number. As on-course attendances have declined over the years, so has the market for betting with on-course bookmakers. The trend away from on-course bookmaking should be of concern to the New South Wales greyhound industry. On-course bookmakers are a drawcard to attending race meetings. They create a unique atmosphere and promote overall betting interest and industry revenues. Both Mark and I can recall a time when Wentworth Park was a very crowded, vibrant, exciting place to attend in order to watch or bet on greyhound racing. We believe that the long-term trend of falling racecourse attendances is a major challenge for the future of the wider greyhound industry. Few people would be interested in buying or racing a greyhound without having attended a race meeting in person. In the interests of brevity, I will wind up in order to allow time for any questions you have of Mark or myself.

Mr DOWNY: The Australian Wagering Council [AWC] thanks the Committee for the opportunity to appear today. With us today is Mr Ben Sleep, a director of the council and the Chief Financial Officer and Director of Regulatory Affairs of Sportsbet. The AWC was established in 2012. It is the peak industry body for the licensed online wagering and sports betting industry in Australia. Our current membership comprises Betfair; bet365; Betchoice, which now operates as Unibet; Eskander's Betstar; Sportsbet, including its subsidiary IASbet; Sportingbet Group Australia, including Sportingbet, Centrebet and Tom Waterhouse.com; and more recently, Ladbrokes.com.au. There are other on-line operators, including Luxbet that are not members of the council.

The AWC was formed because these companies recognised the need for an industry association that could provide guidance on responsible industry standards and provide a unified voice on the range of issues that affect the sustainability of the industry and the integrity of sport and racing. Since formation, the AWC has been involved in discussions with a range of stakeholders, including racing and sports controlling bodies; government regulators, both State and Federal; law enforcement agencies; community organisations; and researchers and industry organisations, including the broadcast industry. In addition, to the AWC's submission, written on behalf

of all members, two of our member organisations—Sportsbet and Betfair—have also contributed to this inquiry by way of separate written submissions.

Before highlighting the most important points from these submissions, the AWC would like to place on record the contribution made by its members to greyhound racing in New South Wales: All licensed Australian online wagering operators pay Greyhound Racing NSW [GRNSW] product fees for using New South Wales greyhound race field information. This fee is payable directly to GRNSW and, as such, there is a direct correlation between the performance of New South Wales greyhound racing and the race field revenue it receives. Members of AWC also assist and support the greyhound racing industry by way of sponsorships. For example, Betfair sponsors the Betfair Blue Paws NSW Breeders and Owners Incentive scheme that offers owners and breeders opportunities for greater racing returns in New South Wales. Unibet sponsors the Richmond Track in The Gardens and Sportingbet plays a part in sponsorship of the New South Wales greyhound industry.

Importantly, AWC members play an integral role in protecting the integrity of greyhound racing in New South Wales. As part of the approval to use greyhound race field information, AWC members provide GRNSW with complete access to all relevant betting records, including customer details and betting activity, to guard against gambling-related corruption. In response to the often ill-founded claims that online wagering operators do not pay their fair share to racing, the reality is that online wagering and sports betting operators pay product fees on exactly the same basis as Tabcorp and its online wagering business, Luxbet. The additional taxes paid by Tabcorp are a result of the exclusive retail monopoly agreement with the New South Wales Government and that is the same in all States and Territories in Australia. The agreement was recently extended for another 20 years, to June 2033. So that effectively protects the TAB New South Wales from competition. For that protection, it obviously pays a premium for its monopoly rights.

I would like to finish by highlighting what we consider to be the most important points from our submission.

An increase in overall wagering turnover will benefit the New South Wales Government, wagering operators and all three racing codes. It is, therefore, essential that industry stakeholders continue to work co-operatively in an increasingly competitive gambling environment to ensure growth in the total legal wagering pie. I would like to make the point that the wagering pie or the total gambling pie, if you like, or the wagering section of that gambling pie has not moved in the past 10 or 15 years. It remains at about 14 per cent.

A number of key structural shifts have occurred in the wagering industry including changing consumer preferences from wagering using traditional offline betting channels to online channels and the growth of sports wagering in contrast to racing wagering and this has enabled customers to take their discretionary entertainment spend and wagering dollar to where they can gain best prices, value and service.

Product fees must be set at a level and model to encourage competition, innovation and overall wagering growth. Any adverse impacts of an upwards variation to the existing fee model by Greyhound Racing NSW in the medium term will significantly adversely impact on the long-term revenue growth and sustainability of the New South Wales greyhound industry and ultimately reduce the race field fees collected by industry, which would be the reverse of the intended effect.

Any inequitable or unduly high product fee model will only impact the legally licensed Australian-based wagering providers diminishing their ability to compete by giving a clear advantage to unlicensed offshore operators who pay no license or product fees and are not required to abide by New South Wales's standards of consumer protection and harm minimisation. This will, in turn, lead to a reduction in sponsorship and advertising investments made by licensed wagering operators on greyhound racing and adversely affect the greyhound racing industry's revenue base.

We strongly believe that the existing race fields' fee hybrid model currently levied by Greyhound Racing NSW should remain in place as it is the appropriate model to enhance and deliver the best long-term funding outcomes for the New South Wales greyhound industry. The current model ensures that corporate bookmakers can continue to offer consumers competitive prices and offers, which continue to grow the turnover on greyhound racing.

The global nature of the internet means that if an online wagering service or product becomes unviable in Australia, or New South Wales in this instance, Australians are still able to—and do—easily switch to

unregulated offshore or illegal starting price operators in search of competitive prices and available betting markets, who pay no product fees to the greyhound industry, nor contribute in terms of sponsorships and promoting the industry.

The leakage of gambling revenue offshore is already significant as Australian punters can, and do, switch to unregulated offshore operators in search of competitive prices and available betting markets. This presents Greyhound Racing NSW with significant risks, including the diminishing control of wagering activities and decreasing race fields' receipts if that turnover migrates offshore, and it dramatically increases the risk to the integrity of greyhound racing because offshore and starting price operators do not abide by Australian laws and do not have measures in place to protect the integrity of racing, such as sharing information about irregular or suspicious betting activity.

We appreciate the opportunity to address this Committee and look forward to working with Greyhound Racing NSW to continue to build a sustainable and prosperous industry going forward for the benefit of all stakeholders. Thank you very much.

The Hon. STEVE WHAN: Thank you, Mr Downy, for your introductory remarks. I note that your industry, like so many others, argue that more tax means that things will go offshore. It is not an uncommon argument. However, do you believe that paying 1.5 per cent maximum in comparison to the amount that TAB pays is a fair outcome for the racing industry in New South Wales?

Mr DOWNY: I pass to Mr Sleep to answer that question.

Mr SLEEP: In respect of product fees and race field fees, we pay exactly the same. It is levied on exactly the same basis as it is for Tabcorp. The additional fees that Tabcorp pay predominantly in Victoria and New South Wales is a wagering tax and they pay the wagering tax because they are the monopoly retail operator. They have paid significant amounts of money to secure those monopoly rights. In fact, between Victoria and New South Wales, it is close to \$500 million. They protect those monopoly rights furiously, so it is important that the tax that they pay for the monopoly right is not mixed in with the product fees and race field fees that all operators pay.

The Hon. STEVE WHAN: As you have correctly said, they pay an up-front amount for a monopoly right to have a retail network in New South Wales.

Mr SLEEP: Yes.

The Hon. STEVE WHAN: The monopoly right is not bound up in the amount of overall turnover that is being returned to the industry, and I find that a little bit of an illogical argument, but you are both using the product provided by racing in New South Wales to generate turnover for your businesses. Why should the online bookmakers—the crook bookmakers—not pay a larger amount of that in the same way that TAB does?

Mr SLEEP: Because we are prohibited. TAB has thousands of retail outlets in NSW.

The Hon. STEVE WHAN: You have the internet.

Mr SLEEP: As do they.

The Hon. STEVE WHAN: Yes.

Mr SLEEP: As do all operators globally. If monopoly rights are broken down and some other model was put forward, then I am sure all operators would consider—

The Hon. STEVE WHAN: The only monopoly they have is on-the-ground retail outlets in the State. Your entire marketing is based on electronic media.

Mr SLEEP: We do not have any option to be in retail outlets. We market through the channels through which we are able to distribute our product, but that retail monopoly is significant. I think it is evidenced by the fact that TAB paid over \$400 million to secure that right. It would not have done that as a listed company if it did not see value in it. That is inclusive of the tax. It values that inclusive of the tax that it pays.

The Hon. STEVE WHAN: I do not necessarily accept your argument. We will move on. Do you believe that the Federal Government or any level of government should be doing more to ensure that foreign or overseas-based companies are not able to access race meetings essentially free?

Mr SLEEP: I do not think there is one single strategy that can address the threat of offshore wagering operators. It is a real threat. I have screen shots here of New South Wales greyhound races from last weekend. A number of offshore sites were offering betting on those at Casino. There are a number of sites who were actively offering it. There is a lot of history around the world. The United States is a great example of using two main mechanisms, one being payment blocking, so financial transaction blocking, and the other one being internet filtering. They have largely proven to be ineffective. At one point in time, the United States was responsible for half of the global online gambling market, including casinos and pokies, and yet they had these measures in place.

Sportsbet and Australian Wagering Council members advocate an approach that encompasses a number of measures. One is making sure that the products that customers wish to wager on are available and able to be offered by online operators, so that means we are offering products that they want. That is the first incentive to stay onshore. We are for stronger enforcement of the Interactive Gambling Act. At the end of the day, the money going offshore is not coming to us operators who pay taxes and employ people. We think there needs to be education of consumers so that they understand that being an offshore operator that is not regulated is significantly different to being an onshore legal operator. We think that using things like pop-ups when people are accessing illegal sites and so forth—we think it is a range of measures, but no one measure.

Dr JOHN KAYE: Using what, sorry?

Mr SLEEP: One of the things that we have discussed is maintaining a list of offshore URLs and having the ISPs show a pop-up that says, "You are now leaving Australian shores and you do not have the protection of Australian laws."

The Hon. STEVE WHAN: Has the Australian Wagering Council done an analysis? In other words, if the 1.5 per cent maximum was to be increased, what would be the actual effect of that rather than just a global assessment that it would move offshore because the margins would be better?

Mr SLEEP: We have not done a market assessment, but Sportsbet and other operators—Betfair is one as well—have a number of high volume, low margin customers. If you have a customer who you are making low single digit returns on in respect of turnover and you are paying more than 1.5 per cent, or even 1.5 per cent, the risk is that customer becomes loss-making, so there are instances where we simply cannot offer wagering to some of these customers.

The Hon. TREVOR KHAN: Those are the good punters?

Mr SLEEP: They are low margin customers for us, yes.

The Hon. TREVOR KHAN: What does that mean? Does that mean someone who is a successful punter?

Mr SLEEP: More successful, yes.

The Hon. STEVE WHAN: Are there any examples of jurisdictions around the world which are handling the issue of international or offshore-based competition in terms their regulatory—

Mr SLEEP: The move through Europe has been to create well-regulated domestic markets. I do not have the exact stats, but France is a great example. They created a domestic market broadly for wagering, and online gambling generally. What happened was that they got the tax rates too high, so the domestic operators went offshore, customers went offshore because they were not getting good prices. They changed the taxes, they made it more competitive and they have seen a significant shift back onshore of gambling spend.

The Hon. STEVE WHAN: What sort of tax rates are they?

Mr SLEEP: It has been a while since I have looked at it. I can supply it subsequently to the Committee.

The Hon. STEVE WHAN: Can you take that on notice?

Mr DOWNY: Yes, we can do that. We can provide you with some other examples, too.

The Hon. STEVE WHAN: That would be great.

Mr SLEEP: The concept that is working is creating competitive sustainable onshore markets. Australians prefer to bet with domestic operators. We have seen over time as bookmakers, such as those in the Australian Wagering Council, members have become more competitive in creating competition so that people have migrated onshore. There is that preference, but absent getting a product they want at a price they want, they will go offshore.

The Hon. STEVE WHAN: I wish to ask a question to the bookmakers. In your evidence you are talking about the declining attendances. We have heard quite a bit of evidence as we have been talking to industry about the relative competitive positions of New South Wales and Victoria when it comes to greyhounds and Victorian races attracting quality greyhounds. Are you seeing that is a strong influence in those declining attendances and I guess returns that you are getting from the greyhound racing in New South Wales?

Mr FLETCHER: Thank you, Mr Whan. I will pass that question to Mark, who is a lot closer to the industry grassroots and competition between Victoria and New South Wales. Before I do so, I just briefly mention the previous issue with offshore betting. Our organisation and indeed our national body hold exactly the same view as the Australian Wagering Council on this issue. More effort needs to be made at a national level. There is a New South Wales legislative provision that makes it illegal for betting customers to bet with offshore operators on an Australian racing event. To our knowledge, there has never been a prosecution under that provision. It is there on your statute books, but it is largely ineffective in preventing the very aggressive marketing that groups licensed in Vanuatu and other places are now taking in Australia. They are licensed overseas, but their customers are in Australia and their administrative facilities are in Australia. They are dealing with Australian punters with Australian cash on Australian racing and sports events.

We believe it is totally wrong that these organisations can continue to evade the net, both in respect of industry revenues and fairness to punter-type regulation and rules that we see with the local operators. We have written to the New South Wales racing Minister on this issue recently. The matter has been, we understand, referred to his department. There have been discussions between his department and Racing NSW on the matter. We think a joint Federal and State approach is required to close this gap. Now, to answer your other question—

The Hon. STEVE WHAN: Before Mr Merlino answers that question, do you agree with the Wagering Council that the amount it pays for the race fields return is fair?

Mr FLETCHER: We are paying a consistent rate with the other operators. I take these comments completely on board. The TAB is paying a premium for its retail monopoly—its shopfront retail monopoly and its exclusive paramutual totalisator betting licences. Bookmakers and online bookmakers in other jurisdictions are paying exactly the same level of fees to the New South Wales greyhound racing industry, with the possible exception that some of our members also are paying a direct fee to race clubs in New South Wales in terms of a fielding or stand fee, in some cases. Individual greyhound race clubs may choose also to levy a fielding fee on our members for turning up and operating on their events.

The Hon. TREVOR KHAN: At a 10-race meeting what sort of fielding fee does somebody pay?

Mr FLETCHER: It varies from club to club.

The Hon. TREVOR KHAN: Of course.

Mr FLETCHER: I would say that most clubs do not charge a fee at all of that local type.

Mr MERLINO: Fees are a lot smaller than they used to be years ago.

The Hon. TREVOR KHAN: But what sort of figure is it? Is it \$100?

Mr MERLINO: Yes, it would be round that figure. The maximum would be \$150.

The Hon. STEVE WHAN: Can I just get an answer to the question about Victoria?

Mr MERLINO: Yes. Victoria is advantaged by the levels of prize money that it has compared with New South Wales greyhound racing. Therefore, a lot of New South Wales greyhounds have gone to Victoria. They have a better class of greyhound basically in Victoria with a lot of New South Wales greyhounds down there. That definitely would affect attendances in New South Wales. If the prize money levels in New South Wales were the same as Victoria, we definitely would be advantaged.

The Hon. MARIE FICARRA: We have talked about Victoria, but over the past 10 years how does the New South Wales greyhound racing industry compare with growth in other States? Is Victoria the only shining star? Are things happening in other States that are good? How sustainable do you think greyhound racing is in this State?

Mr FLETCHER: Certainly the evidence would suggest that there is growth through all the TABs on greyhound racing; corporate bookmakers now are plying that trade as well. Colloquially, my understanding of the figures is that in terms of wagering growth greyhound racing has outstripped both harness and thoroughbred racing in recent times. There probably are a number of reasons for that, including additional meetings being programmed by the TABs and so on certainly, if you take, say, a 10 or 15-year view, in my view, being the star performer, not an on-course level but on an off-course level predominantly through the TABs.

The Hon. TREVOR KHAN: Apart from the additional meetings, do you want to make other suggestions as to why the mix has changed?

Mr FLETCHER: Do you have any view?

Mr MERLINO: What I will say is that greyhound racing is very popular in New South Wales. It used to be the leading State of greyhounds up until the early nineties. I would say that if they had the right funding it would again be the leading State because it is very popular to bet on New South Wales racing. It is a lot bigger than Queensland, South Australia, Western Australia et cetera and it would outstrip Victoria again but would need the right funding in the future.

The Hon. MARIE FICARRA: Do you mean to provide better prize money, structure or what?

Mr MERLINO: Exactly. Prize money is everything in all businesses.

Mr SLEEP: I have some comments to add. One thing that has really helped companies such as Sportsbet invest in New South Wales greyhounds and greyhounds more generally is New South Wales Greyhounds' stance on product fees. Just to give you some context from my company's perspective, the product fees we pay when they are levied on turnover are four times the size they are on gross win.

The Hon. TREVOR KHAN: Could you repeat that?

Mr SLEEP: On a like-for-like basis the percentage levied is four times the size on turnover than when they are gross win. When we make investment decisions we look at the marginal profitability of different products and where we are going to invest our money. So we have spent well over a million dollars over the last couple of years investing in product and, in particular, greyhound products. Over the last five years Sportsbet has grown turnover on New South Wales greyhounds over 22 per cent a year and last year turnover grew 45 per cent. When a sensible approach to race fields is taken and excessive fees are not levied, it gives us the opportunity to invest heavily in the product.

Certainly from our perspective, to reiterate the points made before, greyhound racing is growing more than double any of the other racing codes; it is in the top few kind of event codes for us. It is up there with the fastest growing sports. A big part of that has been, as I said, the sensible approach taken on race fields by New South Wales Greyhounds. That allows us to develop more markets, do website developments specifically related to greyhounds—a lot of incremental things that cost time and money but which ultimately drive customers to the product. In the last two years we have doubled the number of customers who bet on greyhounds in New South Wales. We now have over 125,000 customers a year who place a bet on greyhounds in New South Wales. Five years ago that was 30,000.

Dr JOHN KAYE: Is that customers in New South Wales or events?

Mr SLEEP: No, customers more generally betting on New South Wales greyhounds. Because there are not onerous race fields in place, we promote the product and invest heavily in the product and, therefore, we can grow the customer base.

The Hon. MARIE FICARRA: Is that due to the race fields legislation?

Mr SLEEP: One of the key factors is that we do not have overly onerous product fees. When we sit down and we have five investment decisions and we have to pick one of them, one of the things we take into account is how profitable that product is. One of the key determinants is the race fields fee charge.

The Hon. MARIE FICARRA: How has your industry contributed to the sustainability of greyhound racing?

Mr SLEEP: I think the relationship we have in terms of our agreements, working together on integrity and ensuring integrity is key for the industry. Chris gave a number of examples before about sponsorships of greyhounds in New South Wales, the investment in product and the promotion of the sport, which I was referring to from Sportsbet's perspective. As I said, a five-year growth rate of 23 per cent of turnover at Sportsbet are very strong figures.

The Hon. MARIE FICARRA: I ask the bookmakers a similar question: What contribution do on-course bookmakers make to greyhound racing?

Mr MERLINO: I suppose we are an integral part of the race day experience.

The Hon. MARIE FICARRA: Colour and movement?

Mr MERLINO: Yes. Our percentage of the wagering market is minimal now. It is small. There are not as many on-course bookies as there used to be, but we play a part in the experience of going to the track, for example. People being there makes people go to the track at certain times. I think we contribute a lot to the overall ambience of being there.

Mr DOWNY: I would like to add one thing that I did not mention in my opening remarks and which should be placed on the record: Of course, that is all to do with the Racing Distribution Agreement too. We are not involved in that—we are just bystanders—but from that perspective I suppose what you could say, listening to what Ben has had to say particularly about the way in which our members or some of our members promote and invest in that particular product, is that that 99-year agreement does not actually take into account the changing landscape of the racing scene overall. We would say that is probably an issue that needs to be looked at.

The Hon. TREVOR KHAN: That seems to be a common theme.

Mr MERLINO: With the great growth greyhound racing is having in New South Wales you would think the distribution should be changed to help them progress that, but you have a growing industry that is stymied by the fact that it cannot get its fair share of percentage due to a bad decision 20 years ago. It seems very harsh.

Mr DOWNY: There is no incentive for efficiency, innovation or growth in a particular code.

The Hon. TREVOR KHAN: Mr Fletcher, you said you were involved in the TAB?

Mr FLETCHER: Some years ago, yes.

The Hon. TREVOR KHAN: I picked that up too. How many years ago was it?

Mr FLETCHER: Back in the 1990s.

The Hon. STEVE WHAN: Really?

The Hon. MARIE FICARRA: I hoped that would be the answer.

Mr FLETCHER: Perhaps it is the wrong answer.

The Hon. TREVOR KHAN: No, it is the right answer. Were you involved when the inter-code agreement was negotiated?

Mr FLETCHER: No, I was not. I was an interested bystander. Those discussions and negotiations were above my level at the time, and outside my jurisdiction.

The Hon. TREVOR KHAN: You were an interested bystander; what did you perceive from the negotiations at the time? The bottom line is that it seems that greyhounds entered into an agreement that was unfavourable even at the start; they were accepting a lesser percentage, it would seem, than greyhounds actually were achieving in the overall market. I think we are all interested in trying to work out why greyhounds actually did themselves in the neck at the very start of the agreement, let alone what happened. What was going on that produced this outcome?

Mr FLETCHER: Again, I was not at the meetings in question.

The Hon. TREVOR KHAN: I understand that.

Mr FLETCHER: But I think the perception at the time possibly was that the greyhound sector was out-negotiated by the thoroughbred and harness sectors in pressing their case for a best-possible deal. The privatisation of the TAB, of course, was the goose that was going to lay a golden egg and, no doubt, all three codes were keen to get to that end.

The Hon. TREVOR KHAN: Sure.

Mr FLETCHER: I think probably two sectors played harder ball than the greyhound industry at the time.

Mr MERLINO: I think the officials representing the greyhound industry were not equipped at the time or did not have the business background and knowledge to make a very good decision. They made a bad decision because they were not equipped to read all the signs.

The Hon. TREVOR KHAN: I have heard that excuse, but the golden egg was going to be laid for the New South Wales Government. That is the real winner out of the sale to TAB. If greyhounds had just simply said, "No, this is a dud deal" why would they be out-negotiated?

Mr FLETCHER: I think you will find at the time that the immediate returns, in terms of following years' revenues or expected distributions to all three codes, were going to increase. In terms of next year at that time, no-one was going to be a loser. It was more about the future and locking in those percentage shares that, of course, are now so controversial.

Dr JOHN KAYE: Mr Downy, if my recollection serves me correctly, you were actually the Minister for Sport, Recreation and Racing not at the time the inter-code agreement was signed but in the lead-up to it. Am I correct in saying that you ceased to be the Minister in 1995?

Mr DOWNY: Yes.

The Hon. TREVOR KHAN: Were you looking up Wikipedia too?

Mr DOWNY: Wikipedia is not quite correct! I was not born in Woronora, New South Wales.

Dr JOHN KAYE: You were not?

Mr DOWNY: I can answer that. We had no knowledge of that. I was not in the position at the time and I can honestly say that it was never in any discussions we had prior to the 1995 election.

Dr JOHN KAYE: So you appointed the board of the RDA?

Mr DOWNY: No. Not that I can remember. No.

Dr JOHN KAYE: You were the racing Minister between 1993 and 1995?

Mr DOWNY: Yes, that is correct, but I can simply say that I have no recollection of any of those issues. But I can certainly say that in terms of that agreement it was not entered into any discussion prior to the election.

Dr JOHN KAYE: Was it the role of the racing Minister to appoint the board of the Greyhound Racing Authority, the GRA?

Mr DOWNY: That is correct.

Dr JOHN KAYE: You appointed Mr Magin as—

Mr DOWNY: Now you are going back nearly 20 years. I have no recollection of who was appointed or what was the point at the time.

The Hon. LYNDA VOLTZ: He was appointed in 1993.

Mr DOWNY: Yes, he probably was but seriously I could not remember the time. I am not here as the former Minister for Racing.

Dr JOHN KAYE: I understand that but it has been a matter of some concern to the industry, as you would be aware, as to what happened then.

Mr DOWNY: Sorry, I cannot answer those questions.

Dr JOHN KAYE: The racefield fees paid by the corporate bookmakers are paid on the basis of the amount of product in New South Wales or the amount of product paid by New South Wales residents?

Mr SLEEP: No, it is wagering on Greyhound NSW events by any Australian.

Dr JOHN KAYE: Is it a different structure to the TAB? The TAB pays on the basis it feeds into what becomes the RDA, of New South Wales gamblers?

Mr SLEEP: People in New South Wales, with their retail outlets, only exist within the State but it does not preclude out-of-State people betting on them. Is that kind of what you are talking about, the wagering tax?

Dr JOHN KAYE: Yes.

Mr SLEEP: Yes, but TabCorp's subsidiary Luxbet, for instance, which it set up in the Northern Territory like we are pays on exactly the same basis.

Dr JOHN KAYE: In your submission to the wagering council you expressed an opinion at point five with respect to the 15-year growth review of the inter-code agreement. Are you aware of the terms of the 15-year review?

Mr DOWNY: No, we are not. We understand there is a 15-year review which is simply pointing out the fact that there is a 15-year review and maybe that is an opportune time to have a look at it.

Dr JOHN KAYE: But you have no information?

Mr DOWNY: No, we do not have any information. We have as much information as everybody else.

Dr JOHN KAYE: In relation to sponsorships agreement will you explain point number nine? You talk about the sponsorship of racing events. You say "Greyhound Racing NSW has taken a different approach"—I presume that means a different approach to other racing codes—"in New South Wales who have not allowed such competition." What do you mean by that? What competition has it not allowed?

Mr DOWNY: I will answer first and Ben can feed in. Greyhound Racing allows our members to provide sponsorship to various clubs and the like but that is not the case with the other two racing codes in New South Wales which is pretty much—Ben can correct me if I am wrong—an anomaly compared to what happens in other States as well with other racing codes.

Mr SLEEP: Yes, it is exactly as stated.

Dr JOHN KAYE: Are you saying other racing codes do not allow that competition?

Mr SLEEP: Only TabCorp can offer sponsorships so there is latent demand by other bookmakers to sponsor other codes of racing.

Dr JOHN KAYE: Is your point nine you support competition for sponsorship?

Mr SLEEP: Yes.

Mr DOWNY: Absolutely.

Mr SLEEP: We support competition across the board.

Dr JOHN KAYE: "This has resulted in reduced returns to industry from competition", not greyhound racing but the other two codes?

Mr SLEEP: Yes.

Mr DOWNY: The total industry.

Dr JOHN KAYE: I understand that. You talk about the need for increased prize money. You see prize money as being the driver. I think both the bookmakers and the Wagering Council talk about prize money as being important. Prize money comes largely out of the returns that you and TabCorp pay to the industry. How do you resolved the position that on the one hand you say you need more prize money to keep the industry viable and other the other hand you are not interested in paying more money to the industry to push up the quantum of those prize monies?

Mr SLEEP: We are not saying we are not willing to pay more money to the industry. We are saying that you achieve that by growing turnover. Turnover is grown by marketing, sponsorship and product development. We are saying that if you raise the percentage fee levied it lowers the profitability of greyhound racing as a product. Greyhound racing competes with sports which are growing fast—there is a lot of growth in sports which competes with offshore who do not pay anything. The way to get more money for the industry is to grow the pie and that is a common view beginning to be taken around Australia.

Mr FLETCHER: We concur with that. We think increases in the price of gambling leads in the longer term to decreasing revenues for the industry. We think a better way is to promote the industry via sensible pricing and promoting wagering growth and revenue growth in that respect.

CHAIR: The Committee has resolved that answers to questions taken on notice be returning within 14 days. The Secretariat will contact you in relation to any questions taken on notice.

Mr DOWNY: That is fine. We can provide that information.

(The witnesses withdrew)

(Short adjournment)

DAVID EVERT LANDA, former Greyhound Racing Integrity Auditor, affirmed and examined:

CHAIR: Do you wish to make an opening statement?

Mr LANDA: I will table some documents, including my letter of resignation to the Minister, dated 4 April 2012; the Minister's response, dated 7 May 2012; and the letter to the trade newspaper, the *Greyhound Recorder*, dated 21 April 2012. Those matters are in the public domain; they have been published. There is no need for me to make any further reference to them other than in response to the Committee's questions.

Documents tabled.

CHAIR: The Committee has them and members have read them.

Mr LANDA: I have two other issues that I will outline briefly and we can come back to them. One relates to a case I did, and I have forwarded papers about it. I refer to the case involving as "Mr B" for the simple reason that he may not be aware of his involvement. I simply wish to respect his privacy, although I would think that the information that I have supplied is information which should be before him and which he would very happily receive. I am unaware whether Mr B has been advised of these proceedings, although he has given evidence.

CHAIR: The Committee has resolved to keep confidential all the correspondence in relation to him that you have supplied.

Mr LANDA: I would ask that his name be kept confidential. However, the substance of the issue is very pertinent to the submission I want to make as to the competency under the legislation of the integrity auditor's position. It is quite difficult.

CHAIR: Are you saying that you would like to discuss the facts of the case but not mention the man's name?

Mr LANDA: Without his authority, I think it would be an unfair thing to do.

CHAIR: The Committee agrees and has resolved to keep the whole thing confidential.

Mr LANDA: Yes.

CHAIR: You will continue to refer to him as "Mr B", and the Committee is happy with that.

Mr LANDA: Yes. I will come back to that shortly. The supplementary matter I raise is the judgement of the Supreme Court of the New South Wales Appeal Court in the matter the New South Wales Bar Association and Costigan dated 4 December 2013. Mr Costigan was the initial Greyhound Racing Integrity Auditor appointed in 2009. I raise this because I think it is pivotal to understanding the role of the integrity auditor. The decision about the initiating integrity auditor declared that the respondent—that is, the integrity auditor—was guilty professional misconduct, was not a fit and proper person to remain on the role of persons admitted as lawyers maintained by the Supreme Court of New South Wales, was not a person of good fame or character, and that the respondent should be removed from the role. I include that in my evidence because the critical section of the Greyhound Racing Act, as amended in 2009, division 3, section 25, states:

- (1) GRNSW is to appoint a person who, in the opinion of GRNSW, has suitable legal qualifications to hold the office of Greyhound Racing Integrity Auditor.
- (2) GRNSW is to conduct a probity check of a person (with the level of scrutiny to be determined by the Minister) before appointing a person to the office of Greyhound Racing Integrity Auditor.

I suggest that the Committee may wish to consider what, if any, action was taken to perform either of those functions before the appointment of the initiating integrity auditor. I think that the substance and the bulk of the report before the Committee will show that there may indeed have been inadequate information in the public arena for any probity check to have revealed that there were deficiencies in that person. The Committee may wish to know how probity checks are in fact performed and whether they offer any protection for this position in this industry. I am now open to answer any questions about the matters I have put before the Committee.

The Hon. LYNDA VOLTZ: The Act provides that the integrity auditor is appointed, but the role is not defined.

Mr LANDA: It is defined as having very limited functions. When I looked at the position I felt that there would be sufficient scope to be able to set up rules and regulations under which one could function within the legislation.

The Hon. LYNDA VOLTZ: I am not sure. Are you aware of the positions of the inspector of the Police Integrity Commission and the Independent Commission Against Corruption [ICAC]?

Mr LANDA: I do not know any of the details about them.

The Hon. STEVE WHAN: When you resigned from the position you wrote to the Minister raising a number of issues. The Minister responded by saying that he noted the issues you had raised. Have you received any further response since then about consideration of the issues you raised?

Mr LANDA: No. When I resigned as integrity auditor for Harness Racing New South Wales the legislation was the same, although I had none of the difficulties with that organisation that I had with Greyhound Racing NSW. I was not consulted or called in for any assistance either.

The Hon. STEVE WHAN: There was no debrief or anything like that?

Mr LANDA: No, nothing, and I was surprised.

The Hon. STEVE WHAN: You noted in the letter to the *Greyhound Recorder*, which you tabled, that you felt the industry was not ready for self-regulation. What model do you think should be in place for regulation of the industry if it is not appropriate the way it is?

Mr LANDA: This industry has a history, and it is not far distant. The Independent Commission Against Corruption had only eight or nine years before it revealed the amount of misconduct and criminal conduct that existed. The position that the integrity auditor held under this legislation would have none of the powers to expose any such misconduct. It would not have the powers or the resources to do that. In my view, that turned out to be the real basis upon which the integrity auditor was to be controlled. You were allocated resources only if the matter that you sought to pursue was acceptable to Greyhound Racing NSW.

The Hon. STEVE WHAN: In your time in the position did you see evidence of criminal activity or inappropriate activity?

Mr LANDA: No.

The Hon. STEVE WHAN: Do you believe that is because there was none to see or that you did not have the resources to look?

Mr LANDA: I certainly did not have the resources to look. I was not there long enough to get familiar enough to know. I can give no information or thoughts on whether or not there was corrupt conduct. I was concerned with administration and administrative misconduct.

The Hon. LYNDA VOLTZ: When you say "administrative conduct", could you elaborate?

Mr LANDA: Maybe if I go to the second matter, Mr B's report?

The Hon. STEVE WHAN: I was going to ask you about that, but go on.

Mr LANDA: That might help. I think it would help if I just run through, as quickly as I can, the background of it without going into the whole of the matter. Mr B attended a meeting at the Muswellbrook Greyhound Racing Club and he kennelled his dog in the normal procedure. His allegation was that the dog was removed from kennelling security in a way that was not with his authority and not within the security requirements that the Act lays down. He maintained at all times he was not involved in the removal of his dog. He sent a letter of complaint to Greyhound Racing on the same day, 13 June, and through a series of letters subsequently maintained that the dog was removed without his authority. In response, Greyhound Racing

advised that in view of the differing versions of this, the matter not proceed further unless it witnesses or evidence be brought forward.

An inquiry was set for 17 October 2010 to take evidence concerning the complaint. By letter of 6 December, Greyhound Racing advised Mr B that a definite finding on conflicting evidence was not possible and that the matter, as such, was closed. I then went on in this report to state that it should be noted that the appointed integrity auditor had not responded to any of the complainant's correspondence. This man had been complaining from day one to the integrity auditor that a dog was illegally removed and he was being blamed, or he could be blamed, for an illegal act. The integrity auditor never responded to any of his correspondence. The evidence before me was that the integrity auditor of the day did not open any correspondence during the whole of his term.

The Hon. LYNDA VOLTZ: So your problem was not actually with the greyhound people who investigated it. It was with the integrity auditor.

Mr LANDA: No. That is a small aside. I go on. One of the complaints was made to the integrity auditor in respect of the exercise of the functions by racing officials relating to greyhound racing. It is the function of the integrity auditor to investigate by a review of the conduct and management of the complaint. The function does not call on the integrity auditor to act as an appeal body or to substitute a finding, unless there had been manifest injustices. But for an unauthorised person to move a kennelled dog in breach of the rules is a serious offence with serious consequences. Mr B had, from the outset, been unequivocal about the removal from the kennelling area by somebody other than himself without his knowledge and without his consent.

Mr Fanning, the general manager of Racing Integrity, after an exchange of correspondence convened an inquiry in accordance with regulation 90 of the Greyhound Racing Rules. Mr B was invited to attend with any witnesses to support his case. I note from the correspondence that Mr B, in a letter addressed to Mr Fanning dated 5 September 2000, said, "I had two witnesses with me throughout the entire time from my arrival at track." At some point during 2011, Mr B sought to have the integrity auditor investigate this complaint. It is unfortunate that the then auditor did not respond to Mr B's correspondence. I came to the conclusion that a summary of evidence outlined was a fair summary of evidence of the proceedings that took place—that was the formal proceedings that was set up. No corroborative witnesses were presented at the hearing by either Mr B or Mr Jordan, who was the steward, and the tribunal was confronted with two conflicting versions of events.

I am satisfied that in the circumstances there was a failure by the complainant to provide evidence to support his claim or to refute the testimony of Mr Jordan. As the person initiating the complaint, Mr B, needed to establish an onus of proof in order to succeed in his claim. The standard of proof did not need to be high and, on more probable than not, may well have been adequate. It is my view that the complainant did not reach this degree of proof. I pause to comment that if I had been sitting on this case as a judicial officer I would have made a finding in Mr B's case

The Hon. LYNDA VOLTZ: I am sorry?

Mr LANDA: Had I been sitting in a different capacity, if I had been sitting on the bench and this was a case I was hearing, I would have considered on the facts that were there that I would have made a finding in Mr B's favour. I make that point. But this was an administrative function that I was trying to deal with but within the framework that was available to me, and I was not there to make a finding. I was there to determine whether this matter could be reheard. That is really why the matter came before me. The request by Mr B to reopen the hearing was rejected, and properly so. The principle of *functus officio* was properly adopted and the tribunal had no power to reopen or amend the final decision.

The Hon. LYNDA VOLTZ: The point I am trying to get to is that you are saying there were administrative problems. In this case Greyhound Racing NSW did investigate the matter and did respond to Mr B.

Mr LANDA: Yes.

The Hon. LYNDA VOLTZ: And the person who did not respond to Mr B was the integrity auditor.

Mr LANDA: Yes.

The Hon. LYNDA VOLTZ: You may have found different findings if you had been in a court of law and you had evidence presented before you, but there was a hearing that was undertaken.

Mr LANDA: Yes.

The Hon. LYNDA VOLTZ: What administrative failure do you have concerns about?

Mr LANDA: Let me finish. I go on.

CHAIR: Mr Landa, can we ask you to respond to the questions as opposed to reading sections out?

Mr LANDA: I can answer it by going on.

CHAIR: Yes, if you could do that.

Mr LANDA: It raised concerns. The administrative functions there, I say, were carried out.

The Hon. LYNDA VOLTZ: Can I ask you a different question? We are quickly running out of time.

CHAIR: Yes, we will run out of time.

The Hon. LYNDA VOLTZ: I assume it arose out of the initial inquiry by the Independent Commission Against Corruption, but subsequent to that, to be a registered attendant, an owner or a trainer you now have to be licensed. You have to undergo police checks. You have to go to a police station and get a police check done. Do you think that has improved the industry itself in relation to those concerns regarding formality?

Mr LANDA: I cannot answer that. It is not within my knowledge at all.

The Hon. LYNDA VOLTZ: When you are talking about probity of people, the fact is that now everybody who is a participant in the industry now has to undergo police criminal checks and attend a police station to do that, you know?

Mr LANDA: I have no knowledge of that. I was only raising that in respect of the one person, the integrity auditor, who was the most important person to have at the hearing.

The Hon. LYNDA VOLTZ: Maybe we should include that in the licensing regime.

The Hon. MARIE FICARRA: Because we have limited time, can I ask this—and I do not want to confine you to brief answers. Should the integrity auditor be appointed independently of Greyhound Racing NSW?

Mr LANDA: Yes.

The Hon. MARIE FICARRA: In relation to funding, should the integrity auditor's funding be independent of Greyhound Racing NSW?

Mr LANDA: Absolutely. It would be limited and you have to work within the limitations.

The Hon. MARIE FICARRA: Can you tell us how you feel the role of the integrity auditor could be improved?

Mr LANDA: By eliminating the power of Greyhound Racing to dictate how you function.

The Hon. MARIE FICARRA: Were there other issues, apart from Mr B's concern and incident, that you in your approximately nine months as integrity auditor wanted to investigate and were unable to investigate?

Mr LANDA: Yes. That was the trigger for my resignation. We had worked for some months on processes to set up an inquiry on swabbing and we had come to a point of some agreement, we thought. But

upon the change of board, there was a total change of direction. It was made clear that that would not be funded and would not proceed.

The Hon. MARIE FICARRA: At the time, you had representations from breeders, racers and the public who had concerns about the swabbing process.

Mr LANDA: Yes, they did. That was not self-initiated. That came because I had received letters with evidence that there were improprieties in the swabbing processes. I felt that this was an essential matter that ought to be aired and investigated.

The Hon. MARIE FICARRA: You felt you had enough evidence there that warranted an investigation. You took it to the board. Initially there were some positive responses, but then the board changed and they shut you down.

Mr LANDA: Yes, that is what happened.

The Hon. MARIE FICARRA: They shut you down. They did not allow you to continue.

Mr LANDA: That is what happened.

The Hon. TREVOR KHAN: So that we are clear, can I ask you this, Mr Landa: When you say you approached the board, did you write to the board?

Mr LANDA: Yes. This is all in correspondence to the chief executive.

The Hon. TREVOR KHAN: Was there a preliminary response that they were receptive to the investigation in writing?

Mr LANDA: There would have been emails going backwards and forwards about refining the process that we were trying to put forward.

The Hon. TREVOR KHAN: When you say there was a change of board and they became unreceptive, was that communicated to you in writing or orally?

Mr LANDA: There was a series of emails that, frankly, were quite unintelligible to me, but the net result was that I concluded that in no way was I to proceed or would I be funded to do anything further.

The Hon. TREVOR KHAN: The zinger is: Who were these unintelligible emails from?

Mr LANDA: They were from the chief executive. He was the person with whom I communicated.

The Hon. TREVOR KHAN: So it was all the communications between yourself and the chief executive officer. Is that the position?

Mr LANDA: Yes.

The Hon. MARIE FICARRA: Did you just need approval from the chief executive officer or from the entire board at the time you are employed?

Mr LANDA: I would assume that the chief executive officer was speaking for the board and would not act without the board.

The Hon. MARIE FICARRA: You had no authority to conduct any investigations unless you had approval from the chief executive officer.

Mr LANDA: Yes, that is right.

The Hon. LYNDIA VOLTZ: Had you written to the board in that regard?

Mr LANDA: No.

CHAIR: For the sake of clarity, who was the chief executive officer with whom you were corresponding?

Mr LANDA: Mr Hogan.

The Hon. MARIE FICARRA: Basically, Mr Landa, in the correspondence, that you said publicly is in the public domain, you said there were distinct failings in the legislation that makes the functioning of the position of the integrity auditor, as you saw it at the time, impossible. You also complained that you were not able to give independent oversight. Is that your position?

Mr LANDA: That is my position.

The Hon. MARIE FICARRA: Are there any other jurisdictions you could point to—such as the Independent Commission Against Corruption or auditing roles—where you believe that independent oversight is much stronger? Are there any other models?

Mr LANDA: I think I made clear that as far as I was concerned, Greyhound Racing NSW was self-regulated. I did not think that there was any power to regulate other than the way it used to regulate itself. It was a self-regulator.

The Hon. MARIE FICARRA: When you accepted the position and were appointed in July 2011, were you unaware of the failings within the legislation, relating to that particular position?

Mr LANDA: Absolutely, I thought that it had been on-going for 18 months and there would be a workable process with no problems. However, nothing had been done, of course, for the whole 18 months.

The Hon. MARIE FICARRA: When you were appointed, did you have discussions with the chief executive officer [CEO] and the board of Greyhound Racing NSW?

Mr LANDA: Only with the CEO.

The Hon. MARIE FICARRA: And were your powers, within your role, outlined to you then? Did the discussion include a discussion about your role?

Mr LANDA: There was no discussion. I had read the Act, of course, and understood that it was not an all-embracing piece of legislation but I felt that in the interview matters had been set up that would make it workable. In fact, I set about doing that after I found that those matters were lacking.

The Hon. MARIE FICARRA: How long did it take you, whilst you were operating in that role, to realise your limited powers? Did you discover it quickly or was it a matter of weeks or months?

Mr LANDA: Very quickly, because I wrote a letter on behalf of Mr B, who lodged a further complaint saying that he felt it was corrupt that Greyhound Racing NSW had failed to do anything in the whole period he had been trying to act. I said:

I am obliged to consider whether I should investigate Mr B's complaint that there is a statutory obligation for there to be an Integrity Auditor with defined functions, enabling me to determine if this complaint should be investigated. I have asked when Greyhound Racing NSW became aware that there was a fatal failure of function by the then Integrity Auditor and what action was taken to have compliance with section 25 of the Act. I have also asked to be provided with all correspondence between Greyhound Racing NSW and Mr Costigan, being aware that there are other complaints that raise the same issue. I may also request further access to correspondence.

That resulted in a flurry of emails and I determined that I would come back to that later and I withdrew it.

The Hon. TREVOR KHAN: Do I take it, Mr Landa, that under the terms of your retainer you did not have the capacity to compel the production of documents from anyone, nor did you have the capacity to call anyone before you to give evidence?

Mr LANDA: There was no capacity to compel; there was no immunity either. There were very serious limitations to how one could conduct the role.

The Hon. TREVOR KHAN: In terms of how you got paid—and I do not want to know the amount—was it on an hourly basis when you initiated a—

Mr LANDA: That was negotiated at the beginning. There was a retainer that was paid on an annual basis and an hourly rate was negotiated and agreed to.

The Hon. TREVOR KHAN: Was any secretarial support provided?

Mr LANDA: That was included in the process.

The Hon. TREVOR KHAN: It was included in the hourly rate?

Mr LANDA: Yes.

Dr JOHN KAYE: Was it part of those negotiations that you would not have any other professional dealings with either the greyhound industry itself or other racing codes?

Mr LANDA: Not that I recollect.

Dr JOHN KAYE: Did you have any such dealings?

Mr LANDA: No. I am a person who has limited contact with the gambling and racing industry, other than as a regulator.

Dr JOHN KAYE: Did you continue your legal practice through that period?

Mr LANDA: No, I ceased legal practice in 1988.

Dr JOHN KAYE: This was your sole occupation?

Mr LANDA: No, I was working for the Catholic Church and various other people as well—in a similar role.

Dr JOHN KAYE: Similar integrity roles?

Mr LANDA: Yes.

Dr JOHN KAYE: I will step back a little from the details of Mr B's case. I ask you this: Do you think part of the overriding problem you were confronted with was a conflict of interest between the regulatory functions of Greyhound Racing NSW, on the one hand and, on the other, its role as a manager of funds and as a promoter of the industry.

Mr LANDA: That was never an issue that came before me.

Dr JOHN KAYE: Why do you think Greyhound Racing NSW, Mr Hogan, and the board, never responded to the issues you raised?

Mr LANDA: I think they did not agree that I had the power to make such findings or suggestions.

Dr JOHN KAYE: In your opinion, what would be their motive for not wanting you to have those powers and for not working cooperatively with you to develop a comprehensive Integrity Auditor position?

Mr LANDA: I cannot answer that because I do not know what their reasons were.

Dr JOHN KAYE: You have made two general conclusions: Firstly, that the industry was not in a fit state to self-regulate when you resigned in 2010 and wrote your letter.

Mr LANDA: I did say that.

Dr JOHN KAYE: The second observation you make is that there needs to be better definition of the powers of and more resources for, the Integrity Auditor.

Mr LANDA: I did say that, yes.

Dr JOHN KAYE: In terms of the powers of the Integrity Auditor, what changes would you suggest we recommend to the New South Wales Government for legislative change to create an appropriate set of powers for the Integrity Auditor?

Mr LANDA: I would dearly like to have dealt with that. That was really my offer to the Minister. I was then prepared and happy to assist but two years later, I have given no thought to it since.

Dr JOHN KAYE: But you gave thought to it at the time you wrote those letters. You had a clear image in your mind about where the legislation should go with respect to the Integrity Auditor. You are not prepared to give us any hints about that now?

Mr LANDA: I would only be grabbing at straws. All I can say is that the whole of that section of the Act, as far as the Integrity Auditor is concerned, needed to be totally reviewed, to ensure that the self-regulating powers had some control, compared to no control.

Dr JOHN KAYE: With respect to the Integrity Auditor, that the Integrity Auditor should be quarantined from the self-regulatory powers of Greyhound Racing NSW, is that what you are saying?

Mr LANDA: To be quarantined—

Dr JOHN KAYE: To be separated, that the Integrity Auditor should be protected from the exercise of the self-regulatory powers?

Mr LANDA: You could put it that way.

The Hon. TREVOR KHAN: Perhaps there should be a legislative framework to support the work of the Integrity Auditor?

Mr LANDA: Absolutely.

Dr JOHN KAYE: You say in 2010 the industry was not in a state to be self-regulated. Can you talk about what aspects of the industry or what symptoms there were that led you to that conclusion?

Mr LANDA: In the limited time I was there, I had a lot of concern expressed by people within the industry over the swabbing issue, and in the selection for how it was working, that it was a loaded exercise and could be manipulated. That was of major concern. When one looks at the history where there were criminal actions that had been exposed in the past, the swabbing issue is right up in the front. That, of course, was the reason that I selected that as the first area we should examine, to bring forward all the allegations, to have them aired and expressed, and to see what could be done to improve the situation.

CHAIR: My question continues from the previous one. Do you think that it is serious enough for Greyhound Racing NSW, that it should fall under the jurisdiction of the Independent Commission Against Corruption?

Mr LANDA: It needs to fall under the jurisdiction of some Government body. It is without regulation now. Other than the Police, with evidence of criminal activity, there is no body that people in the industry can go to with their concerns to have them aired and properly investigated. I read the upper House circular and I was not sure why ICAC was taken out of it in the first place. It seemed to me not to be an industry that one should remove from that jurisdiction.

CHAIR: The concept of self-regulation, of itself, is not bad. What you are contending for is two things: Firstly, there is no overall appeal mechanism to a higher body in terms of corruption or criminality and therefore, you say that ICAC may be appropriate; secondly, you say that there is a complete failure, from the auditing point of view, as far as the Integrity Auditor, both as to resourcing and position. By "position", I mean

effectively having to report to the board and having the allocation of the work and moneys and resources being provided by the CEO, is that right?

Mr LANDA: Yes, that one could either do or not do what one felt ought to be done, unless one had the consent or blessing of the board.

CHAIR: Reading your resignation letter, the Greyhound Racing Act was amended in 2009 and you make the point that you were appointed in July 2011. That is why you were giving the example of Mr Costigan being an inappropriate person to be appointed prior to you, that there were no systems or resources allocated and no procedures—not even a letter opener. You came in seeking to set that up and thought there was some scope to do that, provided you got the cooperation you needed but you did not get that cooperation.

Mr LANDA: Yes.

CHAIR: So, in frustration in 2012, you resigned. Does that characterise it?

Mr LANDA: It was not just the frustration, I felt that the people in the industry were owed something better than the deception of this role, because it was a deception—it gave them nothing.

CHAIR: What you are saying is that, since the Act was amended in 2009, there has been no effective audit process or procedure put in place since then?

Mr LANDA: That is my view.

The Hon. TREVOR KHAN: If you were to write a critical report and provide it to the board, you would potentially, would you not, be liable to an action for defamation by anyone you are critical of?

Mr LANDA: Yes.

The Hon. TREVOR KHAN: And so would anyone who provided you with evidence?

Mr LANDA: Yes.

The Hon. TREVOR KHAN: You would be doing the job of an Integrity Auditor, making critical comment with regard to people working within the organisation, and leaving yourself exposed to losing your home and fortune?

Mr LANDA: I was very aware of that deficiency.

The Hon. TREVOR KHAN: It is a bit of a deficiency in the proceedings?

Mr LANDA: Yes.

The Hon. LYNDA VOLTZ: Getting back to the swabbing issue. Did you have specific allegations about specific officials?

Mr LANDA: No, I did not, but I did have specific examples and statistics that seemed to be very reliable, they came from a reliable source, that the system was capable of being manipulated and that there was a strong feeling that that manipulation was taking place.

The Hon. MARIE FICARRA: Mr Landa, would you say that most of the breeders, racers, participants thought that they could come to you? How knowledgeable was the public about your existence and the ability to contact you and come to you with their concerns?

Mr LANDA: It was very difficult to start with because my predecessor, without the letter opener—nothing happened in 18 months.

The Hon. MARIE FICARRA: Did he have a telephone?

Mr LANDA: I do not think he had a telephone either.

The Hon. MARIE FICARRA: Carrier pigeon?

Mr LANDA: Officially, I had to insist that the function be publicised, and that was done, but it would not have been done if it had not been for my insistence.

The Hon. LYNDA VOLTZ: I referred earlier to the Inspector of the Police Integrity Commission. His role is to oversee that the Police Integrity Commission is undertaking investigations. Section 26 of the Act reads "receiving and investigating complaints against race officials in respect of the exercise of functions relating to greyhound racing". You state in your letter, "The auditor is to investigate by review the conduct and management of that complaint." Your job was to receive complaints and to ensure that they had been investigated?

Mr LANDA: Yes.

The Hon. LYNDA VOLTZ: You had not actually received any complaints about a specific official not exercising their functions?

Mr LANDA: No.

The Hon. LYNDA VOLTZ: Thanks.

Mr LANDA: I was only there for a short time.

The Hon. LYNDA VOLTZ: That is fine.

CHAIR: We will draw this session to a close. I do not think there are any questions on notice for Mr Landa. Thank you very much for coming today, Mr Landa.

Mr LANDA: Thank you.

(The witness withdrew)

DAVID O'SHANNESY, Chief Inspector, RSPCA NSW, and

HEATHER NEIL, Chief Executive Officer, RSPCA Australia, sworn and examined:

JADE NORRIS, Scientific Officer, RSPCA Australia,

LISA WHITE, President Friends of the Hound Inc, and

INEZ HAMILTON-SMITH, Greyhound Freedom, affirmed and examined:

CHAIR: Welcome. Thank you very much for coming today. Would you care to make a short statement? There are a lot of organisations here, so I will start with Ms Hamilton-Smith.

Ms HAMILTON-SMITH: I want to say thank you to the Committee for including welfare in the terms of reference. I have a few things I would like to say. In 2006, Greyhound Racing NSW published their animal welfare policy, which is available on their website. It stated that Greyhound Racing NSW would work with stakeholders to develop a lifetime track to ensure industry accountability for the welfare of the greyhound breed. That was eight years ago yet Brett Hogan spoke before the hearing last year and said that 3,000 greyhounds bred was their best estimate. How long does it take? We have microchipping, we have registration. You can go online and look up the statistics of their dogs, their performance, the tracks, the trainers. There is a plethora of information available to the public about racing, yet for some reason Greyhound Racing NSW does not know where the dogs are. It is their best estimate. I think it speaks volumes.

Not only do they not know where their dogs are, they do not know, or they do not publish the dogs that are dying and suffering from their injuries. Because they were not available Greyhound Freedom decided to collect this information and its members have been doing so for the past two years. A couple of people spend hours collecting this data. It does not include 20 non-TAB tracks in New South Wales, which contribute to about a quarter to a third of the racing that occurs. In the past two years there were 36,689 injuries in the whole of Australia. There were 970 deaths at the track or greyhounds were killed because of their injuries. Please note that in New South Wales they do not report whether the dogs died at the track or whether they were put to sleep because of their injury. They used to do that. They were doing it 4½ years ago. I wonder if they are not doing it because they do not want people to know.

A perfect example is a dog called Papalii that raced in Richmond in December. An eyewitness has told me that that dog was put to sleep on the track because of an injury, which was a severe broken foot. In the report, it says that this dog had a shin injury and was incapacitated for 28 days. So what is going on? Is that a typo? Is that someone deliberately misleading the public about what is going on? Dogs do not need a certificate if they are dead. What I am saying is that the statistics we have been collecting do not reflect the truth about what is going on in the industry. The animal welfare policy also says that Greyhound Racing NSW endorse universal animal welfare principles such as freedom from pain, injury, disease and freedom from fear and distress. There are almost 37,000 injuries and nearly 1,000 deaths in Australia, not including a large number of tracks. Is that not in direct contradiction with their policy?

I find it interesting that recently Greyhound Racing NSW has publicly released another animal welfare policy. It is clear that they do not have an interest. It is an industry based on betting. The dogs are a by-product of this industry. Last year three dogs died at Dapto, and the only reason that anyone knows about it is because a friend of a friend of mine happened to be at the track that day. I rang up Brian Daniels and spoke to him. He was very honest. How many other dogs are dying on the tracks that we do not know about? Funnily enough, Brent Hogan decides there is going to an inquiry. I tried to find out about that inquiry. I have rung up the stewards. They do not like talking to me, as you can imagine. I have tried to find out what happened. There is no evidence on their website. How long does it take? It was April 2013. Maybe it is because they know that when you run at 70 kilometres an hour and there are six or seven other dogs, it is inevitable they will crash into each other. They are deliberately putting the lives of the dogs at risk. It is not just the injuries on track day. What about the next day? What about for the rest of their lives? I have two dogs that are suffering from permanent injuries because of the racing industry.

I want to finish with a statement. The industry will not exist without money. They are not interested in welfare. If you provide this information to the average person on the street, the taxpayers in New South Wales can see through it. When you tell them the number of dead and injured dogs, they do not support it. There is a

spectrum of people and ideas about animals, but our ideas about animals are changing. Look at the people standing up for sharks. When you tell them that dogs, a man's interest friend, is being killed over a weekend bet, it is not acceptable anymore. Our ideas are changing. I have no doubt that greyhound racing will—Brian Daniels told me that he thinks it will eventually end—because you cannot justify it. This is what we are urging the Committee to implement—

CHAIR: I asked for an opening statement. You are now answering potential questions. What is also happening is that you are taking time away from the other people on the panel.

Ms HAMILTON-SMITH: Okay. I will finish with the things that we are urging the Committee to consider: stop overbreeding; stop taxpayers' money funding this industry; stop hiding injuries and deaths; stop sending dogs to China; stop self-regulation. Thank you.

CHAIR: We will run out of time. I am happy for statements, but what has happened, of course, is that you are taking time away from everybody else. Limit your statement to three minutes and we can start the question-and-answer session.

Ms WHITE: As the founder and President of a volunteer based, non-profit greyhound rescue group, I am at the end of the line for greyhounds, spending the past 11 years acting basically as a west management agent. Participants simply cannot keep them all. I get told week in and week out, "We cannot keep them all." You have heard from many sources that the majority of greyhound racing participants are hobbyists. The Cambridge dictionary defines a hobby as "an activity that someone does for pleasure when they are not working". According to the Australian Taxation Office an activity is a hobby if there is no reasonable expectation of profit or gain. I received a call from a hobbyist, a 75-year-old local greyhound trainer, who said that she and her colleagues wanted to know what I had against greyhound racing. I explained that I was opposed to the overbreeding of around 20,000 dogs a year for gambling, only to have the majority destroyed when they are no longer useful. After talking for nearly an hour about the issues, she admitted to me that in her time she has probably put to sleep about 300 greyhounds.

Our small organisation with 35 active volunteers now manages to rehome between 100 and 150 greyhounds per year. That equates to two years of dedicated volunteer effort to clean up after just one hobbyist and their pursuit of pleasure. Would it not be nice if greyhound racing groups did not need to exist, if thousands of greyhounds did not need to be saved from an early death? Instead of spending up to 20 to 30 hours per week saving discarded dogs from a profit-driven gambling industry, my family and I could enjoy a pleasurable activity because having a waiting list of up to 80 beautiful greyhounds that I know that our organisation cannot possibly get around to saving in time certainly brings me no pleasure. The parliamentary inquiry has heard demands for fairness, rewards for greyhound racing participants and deserving a fair go. They talk about working seven days a week, long hours, hard work, large expenses and not enough prize money and profit. They say the inter-code agreement is killing their industry. We say their industry is killing dogs. It is the dogs, the animals, that are the product of this racing industry that deserve a fair go. Thank you.

CHAIR: Again, I understand the exuberance, but the more clapping, the less time for talking. Ms Neil?

Dr NORRIS: Yes, the RSPCA has an opening statement as well. The RSPCA is very concerned about the welfare of greyhounds in New South Wales and across Australia because of the extensive animal welfare issues associated with the industry. These include a significant overbreeding problem whereby thousands of greyhounds are born each year in New South Wales that are surplus to industry requirements. These surplus greyhounds that never race or breed with industry also join the continuous population of unwanted named greyhounds that are no longer required by the industry due to sub-optimal performance, injury or because they are no longer useful after retiring. This results in thousands of unwanted greyhounds across New South Wales each year. Unfortunately, only a very small proportion of these unwanted greyhounds are actually rehomed, which means that many of these healthy dogs are euthanased. This is a major concern for both the RSPCA and the Australian community.

Immediate action must be taken to address this significant overbreeding problem, high wastage rate, high euthanasia rate and low rehoming rate. A significant reduction in the number of greyhounds born each year in New South Wales is needed. It is clear that education strategies alone are not sufficient; breeding limitations of some sort are needed to fix this problem. Other necessary actions include improved breeding and rearing programs, greater resources for adoption programs and reporting of comprehensive greyhound statistics. Injuries are another major animal welfare issue. Injuries are common and occur at an unacceptably high rate. Injuries

cause pain, suffering and distress to greyhounds and often are of a very serious nature. Action must be taken to significantly reduce injury rates, including an immediate review of track design for all tracks across New South Wales and the development of a comprehensive database of injuries with reporting.

The export of Australian greyhounds is another key animal welfare issue. Transport is inherently very stressful for animals and therefore must only be undertaken where absolutely necessary. Greyhounds are currently exported to countries that do not have any animal welfare regulations to protect greyhounds and countries where an active dog meat trade exists. The apparent lack of any formal rehoming programs or formal tracking systems are of great concern. Action must be taken to prohibit the export of greyhounds for racing or breeding purposes or for any other reason, other than when a greyhound is accompanying their owner as a companion animal. The RSPCA would like to see a review into the structure of the greyhound racing industry to ensure animal welfare is not compromised by commercial interests. There is also a need for legislative change to help protect the welfare of both greyhounds and other animals that can be used to train greyhounds. Thank you.

The Hon. STEVE WHAN: I shall start with a question to the RSPCA. Under the POCTA Act does the RSPCA have responsibility for or receive complaints about the treatment of greyhounds?

Mr O'SHANNESSY: The RSPCA receives complaints on an annual basis in relation to greyhounds. Those complaints range from failure-to-provide-type complaints relating to food and veterinary treatment for animals involved in the industry. But we also receive a proportion of complaints about animals that have retired and have become companion animals.

The Hon. STEVE WHAN: Are you able to provide the Committee with statistics of how many complaints you would receive in a year or over the past few years and how many actions have been taken, including prosecutions?

Mr O'SHANNESSY: I cannot provide that detail at the moment, but I am happy to—

The Hon. STEVE WHAN: Take that on notice?

Mr O'SHANNESSY: —take that on notice. Yes.

The Hon. STEVE WHAN: Are you aware of any prosecutions or how many there have been for mistreatment of greyhounds in the past few years?

Mr O'SHANNESSY: We have had a number of cases. Some of the more notable ones do not relate to animals that are currently in the industry. They are animals that have been retired. But there certainly also have been prosecutions of a failure to provide proper and sufficient food. In the last couple of weeks a prosecution was finalised in Singleton Local Court. These dogs were currently registered and in emaciated body condition when we received it.

The Hon. STEVE WHAN: Approximately how many complaints would there have been in the past 12 months?

Mr O'SHANNESSY: Prosecutions?

The Hon. STEVE WHAN: Yes?

Mr O'SHANNESSY: There were probably two prosecutions initiated in the last 12 months. There were a number of others that were finalised that had been initiated in previous years.

The Hon. STEVE WHAN: How many prosecutions overall would the RSPCA have successfully concluded in the past 12 months?

Mr O'SHANNESSY: In the financial year concluding 30 June 2013 because we did report on that basis, there were 95 prosecutions initiated as well as a number of penalty notices issued in that 12-month period but there is often a lag between the investigation and the initiation of proceedings.

The Hon. STEVE WHAN: What would be the major area of activity of complaints and prosecution regarding the treatment of dogs?

Mr O'SHANNESY: Dogs generally or greyhounds?

The Hon. STEVE WHAN: Dogs generally.

Mr O'SHANNESY: It would be fair to say that dogs make up approximately 50 per cent of complaints the RSPCA receives each year. The other complaints relate to livestock species, cats and that sort of thing. Of those complaints, most relate to veterinary treatment and the provision of proper and sufficient food.

The Hon. STEVE WHAN: Essentially by private owners or are there particular parts of the canine industry you see more often?

Mr O'SHANNESY: The majority of those complaints would relate to companion animal owners—private owners.

The Hon. STEVE WHAN: Private individuals?

Mr O'SHANNESY: Yes.

The Hon. STEVE WHAN: Regarding the administration of banned substances, your submission states:

The administration of banned substances to racing greyhounds is systemic in the NSW industry

It quotes a figure of 35 declared positives in 2012-13. My understanding is that that is from 5,562 tests. Do you think it is justified in calling that systemic when it is 0.62 per cent of the tests?

Dr NORRIS: Basically, we know that the administration of banned substances is currently occurring and we consider that it is correct to suggest that it is a systemic problem.

The Hon. STEVE WHAN: On what evidence do you base that as being a systemic problem? To me, systemic would indicate something occurring virtually all the time in a large number of dogs. On what evidence are you basing that?

Dr NORRIS: Really, the administration of banned substances is an animal welfare issue and that is what we are here to highlight. When these substances are administered to animals they can have adverse effects, both physical and psychological, on the dogs.

The Hon. TREVOR KHAN: That is non-responsive.

The Hon. STEVE WHAN: That is not my question. I would hope that everyone in this room would agree that the administration of banned substances to dogs is a very bad thing. I am asking you about the claim that it is systemic. What is the actual evidence for the level of the administration of banned substances in the industry?

Dr NORRIS: We consider, based on the evidence, in the RSPCA's view that it is a systemic problem. Perhaps you have different definitions.

The Hon. LYNDA VOLTZ: For example, a swab is done by a steward when there is an unusual result or if the dog has run a time that is not regular. They bring them in and swab them, so the dog is doing something unusual anyway. Of all those swabs, there were 35, which is a very small number. The word "systemic" means that it is happening regularly throughout the system.

Dr NORRIS: We consider that it is a problem that is occurring throughout the system. I do not really have anything further to add to that, unless Heather does.

Ms NEIL: No.

The Hon. LYNDA VOLTZ: Regarding the euthanasing of 3,000 greyhounds per year your submission quotes as New South Wales greyhounds with an ABC report being the source. Do you know who in Greyhound Racing NSW used that figure?

Dr NORRIS: Are you referring to the estimated 3,000 greyhounds euthanased each year in New South Wales?

The Hon. LYNDA VOLTZ: Yes.

Dr NORRIS: I understand the CEO stated that. We think that could very well be underestimated.

The Hon. LYNDA VOLTZ: Yes, I have read your submission. How many dogs are euthanased each year?

Dr NORRIS: That is the problem. We do not actually have exact—

The Hon. LYNDA VOLTZ: No, no.

The Hon. STEVE WHAN: No, overall.

The Hon. MARIE FICARRA: Total? All breeds?

The Hon. LYNDA VOLTZ: Not greyhounds. How many dogs are euthanased?

Dr NORRIS: Across Australia?

The Hon. LYNDA VOLTZ: Across New South Wales?

Dr NORRIS: That information is not available now.

Ms NEIL: Is the question actually how many dogs does the RSPCA euthanase? Is that what you are asking?

The Hon. LYNDA VOLTZ: No, I was asking how many dogs overall are euthanased. How many does the RSPCA euthanase?

Ms NEIL: In this last financial year RSPCA NSW had the misfortune of having to actually euthanase just over 4,000 dogs. Obviously, they are ones that have come into our care. That does not include any dogs that the RSPCA is managing on behalf of New South Wales local councils through pound contracts and the like. That is just the RSPCA. We disclose our information. It is a number that is far too high and we too are working to reduce that. But the focus of this inquiry is about greyhounds and 3,000 in a year of one species is really a tragedy that we all need to be working hard to fix.

The Hon. LYNDA VOLTZ: I do not disagree. In fact, I have taken one of the dogs off your hands. That is Bentley the Beagle, who has eaten all my furniture. So I help you out.

Ms HAMILTON-SMITH: Get a greyhound.

The Hon. LYNDA VOLTZ: I grow a greyhound. I have had plenty of greyhounds. My question is: How is that proportional to dogs generally? Obviously, we know that dogs are euthanased. What does that mean across the sector?

Ms NEIL: In one species alone not in the care of the RSPCA, it is 3,000 greyhounds in one year. RSPCA NSW received more than 12,000 dogs in this last year and that does not include council dogs that we have taken into our care. Three thousand greyhounds that have been produced not as companion animals but as racing animals and are surplus to requirements is too many. Whether it was 3,000, 2,000 or 1,000 the number is still too big and we really need to be focusing on how we actually reduce the overbreeding for those that actually have raced so they go on to a successful companion animal life. There are a lot of things that the industry needs to be doing to facilitate that to make them good pets after they have either been a successful racer and gone into retirement or have never been fast enough in the first place.

The Hon. STEVE WHAN: Do you have information about how the figures on the greyhound industry compare to other areas in which dogs are bred for working purposes—for instance, farm work, cattle work, police work, drugs work and those sorts of things? Is there any information you have available for comparison?

Dr NORRIS: We do not have that.

The Hon. STEVE WHAN: Do you get reports from other industries? Do you have similar concerns for other industries that breed dogs for work?

Ms NEIL: Perhaps Dave might like to comment about some of the experiences in New South Wales but focussing on trying to improve the situation for greyhounds and the regulatory regime that covers them.

Mr O'SHANNESY: Unfortunately, I do not have figures that will directly compare the number of greyhounds to other breeds coming into the RSPCA in a 12-month period. That is something that could be provided from another department. A brief look at the complaints we have received—I am sorry this is slightly off question—shows that in the last 12 months of which there were 15,000 complaints, approximately 50 per cent related to dogs. The complaints clearly identified on our database that related to greyhounds ranged from somewhere between 70 and 100 in the last couple of years. But I have not broken down by each breed the number of complaints we received.

The Hon. MARIE FICARRA: Ms Neil, what strategies could the Committee put in place to limit the degree of overbreeding—I will take greyhounds for the moment—in general that greyhounds sets up?

Ms NEIL: I will ask Dr Norris to respond.

Dr NORRIS: Basically we need to significantly reduce the number that are born every single year. There are a number of strategies that could be implemented to achieve this, education strategies, for example. In our opinion they are not sufficient alone. There should be other strategies introduced such as breeding limitations attached to the registration conditions of participants: those sorts of strategies.

The Hon. MARIE FICARRA: Could you take on notice to provide a more detailed submission to the Committee about how to do it? Whilst your submission had a number of interesting recommendations we want to flesh them out. Have you received any complaints about live baiting? If so, have you investigated the legitimacy of those complaints?

Mr O'SHANNESY: We do not receive a lot of complaints about live baiting. I suspect that it does happen but it is similar in some respect to the other incidents at dog fighting and rooster fighting that there is a general awareness out there that that activity is illegal and, as a consequence, the people who may be involved are not necessarily broadcasting that it is going on. Whilst we suspect that it happens there is very limited information or people who are prepared to make reports about it.

The Hon. MARIE FICARRA: There is no outstanding evidence for it at the moment?

Mr O'SHANNESY: No.

Ms NEIL: If I could just add to that. One of the things that we would encourage the Committee to look at are amendments to various bits of legislation so that should there be a complaint it allows RSPCA inspectors and others with similar powers to act on some of that information and prevent the industry actually using live animals as well.

The Hon. TREVOR KHAN: As I have some little knowledge of the Act or Acts what extra powers do you need?

Mr O'SHANNESY: They relate to the actual enforcing sections of the legislation. There is a provision that makes it illegal for an animal of a prescribed species, so those animals that may be used to train coursing dogs, or for a person to be in charge of those animals at a place where greyhounds are trained, trialled or raced. We have had investigations in the past where we have uncovered those species of animals at properties where the animals are kennelled. So if that section was amended slightly to include the word "kennel" it would be an area of the industry where it would also be illegal to have those animals in your possession. At the

moment that is an opening. We have had a complaint in the past couple of weeks that related to rabbits allegedly being kept at a property where the animals were kennelled but that, in itself, is not specifically recognised in that section of the legislation.

The Hon. MARIE FICARRA: Could you provide the Committee with information as to the amendments to the appropriate legislation?

Ms NEIL: Certainly.

The Hon. MARIE FICARRA: Could you provide the Committee with a range of the type of banned substances to which you are talking about, given that it is a minority which also ways exist in any industry?

Dr NORRIS: There are a number of reported substances from steroids to erythropoietin, Viagra and cocaine.

The Hon. TREVOR KHAN: Do you say they are not being test for now?

Dr NORRIS: Yes, a number of substances are tested for but they cut across a number of different pharmaceutical drug groups. Those are just some of the examples.

The Hon. MARIE FICARRA: It is hard for any testing process to keep up with the pharmacological changes of banned substances. What do you believe is the integrity and efficiency of the swabbing and testing regime? Does it pick up most of the substances?

Dr NORRIS: Based on some of the available evidence and reports from various groups, including veterinary sources, there is some concern about whether the swabbing processes are able to actually detect some of the substances effectively.

The Hon. TREVOR KHAN: Yesterday the Committee was told, for instance, swabs are now picking up traces of Ventolin because a trainer is using Ventolin or anti-cancer drugs because the trainer is actually received treatment for cancer. They are being picked up because the dogs are handled by the owner/trainer. I can hear people laughing but it is not funny. If the Committee is receiving such advice from vets I am somewhat interested to know if it is getting down to that level of identification of drugs, what is actually the concern with that swabbing process?

Dr NORRIS: Our role today is to highlight those banned substances that have been identified that are an animal welfare issue because of the effects on the animals. That is what we are here to discuss. We are not here to discuss the details about the technicalities of the actual swabbing procedure.

The Hon. TREVOR KHAN: You have raised an issue of concern which I understand but if the evidence clearly indicates, whatever might be the swabbing regime of the actual testing process is working, then I am not quite sure what weight we give to that part of your evidence.

Dr NORRIS: I think there are questions about whether swabbing process is as effective, and that is all we can say at this stage.

The Hon. TREVOR KHAN: Apart from those generalised concerns how would you like the swabbing process changed?

Dr NORRIS: Those groups that have technical expertise in how to detect certain substances—whether they are pharmacological experts or veterinarians—

The Hon. TREVOR KHAN: Will you take that question away and give specific advice to the Committee—

Dr NORRIS: Yes, we can do.

CHAIR: Will you take that question on notice?

Dr NORRIS: Yes.

Dr JOHN KAYE: Ms Hamilton-Smith, from where did you get the data you provided in an amazing summary of track-related injuries and deaths in greyhound racing across New South Wales?

Ms HAMILTON-SMITH: Most of them are steward reports that are available on-line to the public.

Dr JOHN KAYE: Have you gone through the individual stewards reports and you have aggregated them into this summary?

Ms HAMILTON-SMITH: That is correct. The only exception is Northern Territory where we get an email sent to us but everything else, bar Northern Territory.

Dr JOHN KAYE: You aggregated in these figures?

Ms HAMILTON-SMITH: Correct, yes.

Dr JOHN KAYE: The headline figure is the total injury and death rate of about 5,883 dogs in 2012 and in the first two months of 2013?

Ms HAMILTON-SMITH: Would you repeat your question?

Dr JOHN KAYE: Please provide one figure that highlights your submission that states that animals are being injured and killed on the track?

Ms HAMILTON-SMITH: The figures that you have got were up to September 2013 and have been updated since then. There have been 36,689 injuries throughout the whole of Australia. I added it up to be briefed to bring today. It is not just about New South Wales, although this inquiry, because it is an industry that is Australia-wide. There may be an imaginary border but the dogs get passed to and fro.

The Hon. TREVOR KHAN: What would you do to reduce that? You do not have details about the types of injuries and where they are occurring. What changes would you suggest this Committee recommend will bring down that injury rate?

Ms HAMILTON-SMITH: I am not an expert in greyhound track design so I do not have an answer to that. I have read about things that you could do. However, the reason that I have collected this information is not because I think that I want them to design a track, it is because I want people to realise that dogs are dying. They are not just being injured but they are dying year after year. Nine hundred and seventy are dying, not including the 20 non-TAB tracks in New South Wales.

Dr JOHN KAYE: You are suggesting simply of having seven or eight dogs travelling at that speed in a confined space is inherently unsafe?

Ms HAMILTON-SMITH: Correct.

Dr JOHN KAYE: Yesterday, Greyhound Racing Victoria and Greyhound Racing NSW made a joint statement on an animal welfare strategy which interestingly enough was issued on the day of one of this Committee's hearing and the day before you were to give evidence before this Committee. I imagine most of you are aware of the 2006 Greyhound Code of Practice for keeping greyhounds that states separate codes of practice will be available to define requirements for the following areas, including breeding, rearing and education. Was anybody on this panel consulted about this joint animal welfare strategy?

Ms HAMILTON-SMITH: No.

Dr JOHN KAYE: It was done without consultation with you? Has anyone on the panel seen the fulfilment of the 2006 promise about specific codes of practice from Greyhounds Racing NSW with respect to breeding, rearing and education?

Mr O'SHANNESY: To my knowledge there are no specific codes that relate to breeding, rearing and training.

Dr JOHN KAYE: I am sure you are aware of the 2006 code of practice for keeping greyhounds?

Mr O'SHANNESY: Yes.

Dr JOHN KAYE: Are you aware it contained a promise of those three specific codes? Has anybody on the panel at any stage raised the matter with Greyhounds Racing New South Wales as to why there are not those specific codes?

Mr O'SHANNESY: I have had discussions with Greyhound Racing NSW some of which have come on the back of complaints that the RSPCA has investigated. At the moment whilst there are enforceable codes of practice under the Prevention of Cruelty to Animals Act that relate to animals in pet shops, breeding establishments, boarding establishments and those sort of things they have loose application in some respects to the various areas of the greyhound industry. We received a complaint in relation to a training facility and whilst animals in those facilities would be afforded the protection of the overarching Act if there were specific codes of practice that detailed how those animals in those circumstances would be kept, maintained and managed that would make, I guess, the investigation of some of those complaints a lot easier.

The Hon. TREVOR KHAN: And at prosecution level.

Mr O'SHANNESY: And prosecution.

Dr JOHN KAYE: Mr O'Shannessy, as the senior man on the ground of the RSPCA, how would you change the existing codes? Will you take that question on notice and provide the Committee with the views of the RSPCA on how to improve the codes of practice? Ms Neil, and the RSPCA in general, would you provide more details to the Committee on how does the Prevention of Cruelty to Animals Act need to be improved? What are the specific ranges of improvements needed to improve that Act to make it more effective?

The Hon. TREVOR KHAN: If it is a new code or the existing code.

Dr JOHN KAYE: The Hon. Trevor Khan makes a valid observation. The existing codes or is there a need for a new set of codes? What would those codes contain? Would you give the Committee an indication as to how we can encapsulate your experiences into the Act? Ms White and Ms Hamilton-Smith, in relation to overbreeding in the industry, given the industry will continue, what mechanisms do you think we can look at? The industry and the chief executive officer of Greyhounds Racing NSW told this Committee he thought it was 3,000 but I have seen evidence that suggests it is higher. The number of dogs that are euthanized—these are not old dogs who are euthanized because they have natural arthritis as they were getting to the end of their life—these are young healthy, or would have been healthy had they been treated appropriately but were being discarded. How do we stop that happening?

Ms WHITE: I think there needs to be a general cap on breeding numbers.

Dr JOHN KAYE: To drill down on that, you would advocate a cap on breeding numbers. Are you suggesting that there should be licensing of breeders and an allocation relating to the number of dogs they can breed?

Ms WHITE: Correct.

CHAIR: You said that 4,000 dogs are euthanised or put down by the RSPCA. You qualified that by saying "except animals rehoused or rehomed under contracts with various local councils". Can you tell the Committee on notice how many animals the RSPCA has to put down in New South Wales and Australia each year and for the past three years?

Ms NEIL: Yes.

CHAIR: Is it true that the RSPCA has a memorandum of understanding with Greyhound Racing NSW?

Mr O'SHANNESY: The RSPCA New South Wales has a memorandum of understanding.

CHAIR: Do you want to tell the Committee what that is all about?

Mr O'SHANNESY: Essentially it relates to the exchange of information and communication between the stewards about animal welfare issues directly with the inspectorate and also cooperation in the joint investigation of complaints.

CHAIR: In your view is Greyhound Racing NSW cooperating?

Mr O'SHANNESY: We receive regular calls and information from Greyhound Racing NSW regarding matters that it has investigated where the Prevention of Cruelty to Animals Act may be involved.

CHAIR: The terms of the memorandum are such that unless you get a complaint from Greyhound Racing NSW there is nothing to investigate. It is not a proactive arrangement or exchange of information that happens on a regular basis; it is just as and when.

Mr O'SHANNESY: It is pretty much as and when.

CHAIR: You are really saying that it is no different from an ordinary complaint that you get from anyone else in the street who sees something they do not like and makes a complaint to the RSPCA in its role as regulator.

Mr O'SHANNESY: In essence, yes.

CHAIR: Then what is the point of having a memorandum of understanding with Greyhound Racing NSW?

Mr O'SHANNESY: It has opened up the dialogue. If we are investigating complaints that relate to greyhounds and we need information in respect of registration of those dogs or assistance with the management of those dogs, those avenues of communication are now open where historically there was not a lot of cooperation.

CHAIR: It might help me to better understand if you take on notice to provide information about the nature of that understanding with Greyhound Racing NSW and to what degree reported incidents have occurred in the past 12 months. Greyhound Racing NSW has been subjected to a great deal of criticism not only from animal welfare groups but from all parts of the industry. I am trying to understand to what degree it is successfully fulfilling its requirements in relation to any understanding it may have with your organisation. You said earlier that you had received a few complaints about live baiting. I think you said that there were not many complaints. Did any of those complaints follow through to prosecution?

Mr O'SHANNESY: No, they did not. In one investigation the information we had was anonymous at best—a tipoff. We conducted an inspection of the property and were not able to locate animals of the prescribed species, which was the basis of the complaint.

CHAIR: Those animals would have been rabbits.

Mr O'SHANNESY: Yes, rabbits, and there was a suggestion that possums were also involved. There were certainly no animals on the property and no evidence that they had recently been kept there.

CHAIR: You mentioned in earlier evidence that you investigated about 15,000 complaints, and obviously a proportion of those would have been prosecuted. About 79 related to greyhounds. That is correct?

Mr O'SHANNESY: We received 79 complaints relating specifically to greyhounds.

CHAIR: That is what I am saying. There were 79 out of 15,000.

Mr O'SHANNESY: Yes. That 15,000 relates to all species of animals. There were 79 that specifically related to greyhounds.

CHAIR: You may not have this information at your fingertips, but how many related to dogs.

The Hon. TREVOR KHAN: I think his evidence was about 50 per cent.

CHAIR: He said perhaps 7,500.

Mr O'SHANNESY: Related to dogs.

CHAIR: I would appreciate it if you could provide an accurate number for the past 12 months. I am trying to get my head around the proportionality. The Committee has heard a great deal of evidence that greyhounds are very well treated and yesterday we heard that they are very badly treated. I would like to see empirical evidence from the regulator in this area, that is, the RSPCA.

Ms NEIL: It is important to remember that the RSPCA can only investigate matters that are reported to it. It relies on individuals making a complaint. I do not think you should read that number as the number of incidents of cruelty that are potentially happening in our community.

The Hon. TREVOR KHAN: Of course not.

Ms NEIL: That number is much greater.

The Hon. TREVOR KHAN: But would there be a reason for people to be more reluctant to report cruelty or mistreatment of greyhounds than other dogs?

CHAIR: That is what I am getting at.

The Hon. TREVOR KHAN: There has to be some nexus.

Ms HAMILTON-SMITH: I spoke to Bill Fanning and Brent Hogan a number of months ago about a particular case. I wanted to find out what information I needed to provide about a dog that had been left in a poor condition. I wanted to clarify whether it was better to go to them or the RSPCA and what information I needed. I put in my submission that they admitted that people in the industry do not report welfare issues. They said that to me on the phone. Because it was a conference call I do not know whether it was Bill or Brent who said that. The fact that they are prepared to admit that to me is significant.

The Hon. TREVOR KHAN: Ms Hamilton-Smith, if you had a complaint you would be aware that you could go to the RSPCA.

Ms HAMILTON-SMITH: But people outside the racing industry do not necessarily know that it is going on.

The Hon. TREVOR KHAN: You are talking about a concern you have. We have 15,000-odd complaints made to the RSPCA. You would be hard pressed to convince me that people do not make a lot of complaints to the RSPCA and do not know that the RSPCA exists to protect animals. We are trying to work on what data is available.

CHAIR: That is correct. With all respect to Ms Neil, we can only work on the data that is there. I do not know what I do not know. There is a lot of hearsay. We might ask Mr Hogan about your conversation because he is appearing this afternoon.

Ms HAMILTON-SMITH: It was Bill Fanning; it was not Brent Hogan.

CHAIR: It was not Brent Hogan?

Ms HAMILTON-SMITH: It is in my submission.

Ms WHITE: There is a lot of fear of retribution if people report to the RSPCA. That is quite a big problem. I am called quite often about dogs but the people who complain will not even tell me their name. I say, "Can you please report it to the RSPCA", and they are adamant that they will not because they either live next door to the person concerned or they know them.

The Hon. TREVOR KHAN: That is not restricted to greyhounds.

Ms WHITE: Of course not. But I think there is a lot of fear about dobbing in in the greyhound racing industry. I hear that all the time.

CHAIR: Do you have any empirical evidence of that?

Ms WHITE: No, I do not. I tell people not to come to me because I cannot do anything. I tell them to contact the authorities. If they are not going to give me their name perhaps they might do it anonymously to the RSPCA, but I do not know.

The Hon. TREVOR KHAN: Mr O'Shannessy, you do receive anonymous complaints about the treatment of animals, do you not?

Mr O'SHANNESY: We do. We want contact details for the person making the complaint. If we had had those details for the recent matter that was investigated we may have been able to get more detail.

The Hon. TREVOR KHAN: But it does not stop you from logging it as a complaint, does it?

The Hon. STEVE WHAN: And investigating.

The Hon. LYNDA VOLTZ: And in the instance of live baiting you did investigate an anonymous complaint.

Mr O'SHANNESY: That is right. It is not only the RSPCA that receives complaints of neglect under the Prevention of Cruelty to Animals Act.

CHAIR: I understand that.

Mr O'SHANNESY: That would be part of the picture.

CHAIR: The RSPCA is one of two organisations with the same powers with regard to animal welfare. Thank you for appearing before the Committee.

(The witnesses withdrew)

KAREN CUNNINGTON, Greyhound Rehoming Centre Incorporated, affirmed and examined:

CHAIR: I understand that you have a presentation.

Dr CUNNINGTON: Yes. I worked at the Racing Science Centre, which is the Queensland drug detection lab, so I can elaborate on some of the questions. I thank the Committee for giving me the opportunity to share my experience in the industry and my concerns, which largely relate to welfare and the financial viability of providing adequate welfare. I think, put simply, the current rehoming model from racing to retirement is just not working. I think there has been in the past a lot of focus on the perceived poor productivity of the industry-funded programs, but there has been little or no scrutiny at all of the outdated rearing and training practices that not only impact on our ability to rehome these dogs but also on the actual number of dogs that are euthanased every year. I think there are common problematic issues at each stage of the life cycle and I think it is important that we talk about these in a bit more detail today. Therefore I would like to submit to the Committee a short presentation to provide a visual overview of a typical life cycle of a racing greyhound and how this may impact on not only their welfare but also their performance and ultimately their rehoming as well.

We know the statistics that in Australia every year there are upwards of 8,000 puppies and young dogs that largely are euthanased because they are not suitable for racing. But this figure does not take into account the number of dogs that then go on to be named and are not suitable as well. Realistically, there could be an initial failure rate of 50 per cent of puppies born reaching the racetrack. I think by anyone's standards that is not a very good statistic. If there is not a legal obligation to look into the reasons why that is the case, there is certainly an ethical obligation to do that, particularly given that these dogs are being used for entertainment. The concern I have for this group of dogs is that they are a very vulnerable population of dogs. They are not of much value financially to anyone, so people will not hold onto them to present them for rehoming. They are largely forgotten dogs. They are the dogs that you hear the horror stories about: the dogs that may be shot and the dogs that end up on our anatomy tables for dissection.

Ironically, there is very little, if any, regulation of the dogs in this group. That is a concern. A lot of studies have been done with working dogs of other breeds—guide dogs and military dogs—and a lot of the studies support the fact that stress affects performance and ultimately impacts upon their welfare. What is really needed is a proactive approach with researchers, not vague memorandums of understanding and things like that. As we have seen, it is not really the remit of the RSPCA to be dealing with this sort of stuff. We need to reduce the number of dogs bred and therefore reduce rejection rates. We need to do a better job with the dogs that are being born to reduce rehoming pressure whereas at the moment it is a very reactive approach through the Greyhound Adoption Program. As I have mentioned already, is it financially viable to do all of this for dogs that are born?

I do not know if you are aware that the RSPCA is funding research in the United Kingdom at the moment into the welfare of the racing greyhound. It is just beginning. It is a four-year project. I do not think their motives are completely altruistic for doing this, but they have engaged the services of independent animal behaviourists. Their first step was to identify areas of concern at all stages of their life cycle. They are remarkably similar to the ones that I have identified as well, but they had to prioritise areas. They will be looking into the effects of transport, both short and long distance, periodontal disease—which, to me, is pretty much a no-brainer because they are just not given anything to chew—and obviously to reduce wastage. They can do that through statistical modelling to look at all of the factors that have an impact on performance. When we talk about good welfare, there is a ton of research out there to support the fact that it is not just looking after their physical needs. The emotional wellbeing of these dogs has to be addressed as well, which is overlooked in a lot of these arguments.

It is not about whether or not their kennels are clean or if I can eat my dinner off them or anything like that: It is about whether the dog is being looked after emotionally? Otherwise, the dog's welfare will be compromised. That will impact upon its performance, which will lead to wastage. It is as simple as that. I think for these dogs the stress that they are under actually starts at the time of conception. I do not know if you are aware, but looking at the recent whelping notices, it would appear that more than 90 per cent of the matings are through surgical implantation of frozen semen.

The Hon. MARIE FICARRA: I was not aware of that. Could you say that again? What percentage was that?

Dr CUNNINGTON: More than 90 per cent.

The Hon. MARIE FICARRA: Why is that? Is it because of a better success rate?

Dr CUNNINGTON: No, I do not think it is because of the success rate.

Dr JOHN KAYE: It is cheaper.

The Hon. MARIE FICARRA: Is it cheaper?

Dr CUNNINGTON: I think it is using dogs that have been gone a long time as well. I am told by my colleagues that the stud masters do not want dogs in season around. It is just part of the whole thing about a dog being a commodity, really. There are issues with breeding. We have inbreeding; we have breeding with injury-prone lines, anxiety, and inappropriate choices to start with. This is where I think that things start to go wrong as well. The puppies are on rearing properties usually and they undergo minimal handling. There is a lack of socialisation and exposure to normal stimuli. This significantly impacts on their ability to function as adult dogs. We see a lot of dogs with fear. This is what contributes to the high initial failure rate. Whereas normal puppies in puppy farm situations may come back into suburbia and catch up on some of that socialisation, greyhounds do not. They either stay on the property or they go to specific rearing properties. At the moment, these are not required to be licensed participants. This is where that 50 per cent failure rate comes from.

In my experience and from what I have seen time and time again, these dogs are on large properties. They have minimal human contact. They are not handled at all. They are not being socialised. They are not exposed to normal stimuli that other dogs get to take for granted, so they are very fearful. We often see dogs that have excessive prey drive that are fearful as well. This is where the non-chasing comes from. You have got to have the mental wellbeing to go and chase something. That is a stressful thing for a dog. It is not a machine. If these dogs are under anxiety it is because they have not been exposed to the sounds of a racetrack in the early days. It is no wonder so many of them fall off the radar before they get to the track. I am now showing you an example of a premium greyhound rearing property. As you can see, it is very rural. There is not a lot of noise out there. The concern I have with this—and some of these places have hundreds of dogs—is this: Where is the financial viability of providing enough staff to handle these dogs, to put collars on them, to walk them, to groom them, and to give them tablets? How do you clean that really rudimentary shelter under this Act that they have for looking after these dogs? It often gets cold out here and no coats are put on these dogs because there are too many of them.

When they come back in for training, which goes against every best practice that we know for socialising dogs today, we know that kennelling is a stressful time, but to come in out of a paddock into a kennel is exceptional. They are not habituated. We have nutrition concerns at this stage as well. These dogs are very stressed. They lose contact with other dogs that they have grown up with, they are often shut in their sleeping quarters, and even if it is a very clean kennel, environmental enrichment is lacking. These dogs are suffering mentally and we see that as fear, which compromises welfare and which leads to wastage. In general, the approach to basic dog behaviour is lacking. Environmental enrichment is not something that is done routinely, partly because of expense and partly because they think it will take the dog's mind off the job. In actual fact, studies show that that is not true with other working dogs and that they perform better. Then when we get to rehoming, what we need for racing and what we need for retirement are fairly diametrically opposed for some period of time. There is no time, facilities, budget or expertise for this remarkable transformation to take place.

Under the current model, if you look at the cost of putting one dog through the industry-funded programs, it can vary anywhere between \$3,000 and \$6,000. If we want to rehome a modest 50 per cent of dogs under this current model, we would be looking at \$60 million to do that. That is simply not financially viable. I just wanted to show some videos of the kind of dogs that we routinely have presented to us for rehoming. ¹Joe is from Darwin. He has been a pet for 12 months now and he is not atypical of the kind of dog that we may have presented for rehoming. He is difficult to walk down the street. He is a very strong dog. This turning in circles that he does is stereotypical behaviour. It is very difficult when the people who want to adopt have a particular picture of the kind of dog that they want. We are getting dogs like this and it makes it very difficult. Yes, other dogs do this type of behaviour as well, but the intent is a little bit different. This is overrepresented due to lack of socialisation in the rearing phase. This is a dog that was very well socialised, but just not with dogs. By

¹ Note – Dr Cunnington was referring to her presentation which included an imbedded movie clip. Part of the footage was of two greyhounds lunging at a small dog.

anyone's standards, we cannot really be rehoming dogs like that. This is a typical paddock dog. This one was from Grafton and he has no affiliation with people. It is very hard to work with a dog like that.

[*Interruption*]

They don't. They don't do that.

The Hon. TREVOR KHAN: I am not inviting engagement from the audience, but what was the comment with which you disagreed?

Dr JOHN KAYE: No. We agreed we would not put those onto the record. That was one of the things we did.

The Hon. TREVOR KHAN: There is a comment there and I think it might be productive to have it in. Lynda, "It is what other dogs do": Is that what was said?

The Hon. LYNDA VOLTZ: Yes, that is what was said.

Dr CUNNINGTON: I am happy to answer that. The unique behaviour of greyhounds—and I have assessed over 500 dogs for rehoming so I have seen a lot of greyhounds and I have seen a lot of other dogs because I have been in clinical practice for 20 years—I do not see prey drive to their own species. We may see inter-dog aggression, but not prey drive to their own species as much as you do—anywhere near as much as you do—with the greyhound species. Under the New South Wales Government Companion Animals Act, when you look at what is a declared dangerous dog, it actually states "repeatedly threatened to attack or repeatedly chased a person or animal". Under that Act there are penalties for selling or accepting ownership of a dog that could be proposed as dangerous or menacing. All three of those dogs would fit that criteria.

Whether or not to rehome those dogs is not what we are going to argue about today. My point is that if we, as volunteers and members of the public, are willing to help out with some of these dogs in need, why should they be subjected to this level of risk when nothing has been done earlier in the dog's life cycle to mitigate that risk, to socialise it, to give it the best chance of finding a home afterwards? You cannot refute the fact that 50 per cent fail to make it to the track. What would you do, if you were running this program? If Joe after Joe after Joe was presented to you, how would you like the responsibility of either deciding the fate of that dog against public opinion or putting it on someone's couch, knowing that you have given them a liability?

The Hon. TREVOR KHAN: And protection of yourself from the potential liability of prosecution.

Dr CUNNINGTON: That is right. I will summarise by saying that additional funding for rehoming is pretty pointless unless it is combined with significant changes to the breeding, definitely the rearing—which is the problem area that I see—kennelling, training, education, and above all else enforcement.

CHAIR: Thank you. We have only a limited time of questioning now because of the presentation, but we will proceed to ask some questions.

The Hon. LYNDA VOLTZ: Dr Cunnington, what do you think of the Victorian code of practice for the operation of greyhound establishments?

Dr CUNNINGTON: It does not cover the requirements of socialisation at all. That is the problem.

The Hon. LYNDA VOLTZ: But it does cover your concerns about staffing levels.

Dr CUNNINGTON: It does, but it is not enforced. When we have asked various rearing properties what they think about spending a bit more time with their dogs—and my colleagues in Victoria have as well—it is generally stated that they cannot financially afford to put people on to handle these dogs. The reality is that the dogs in the rearing properties do not conform to requirements.

The Hon. LYNDA VOLTZ: So you are saying it is not in course but it is actually a code under the Domestic Animals Act, is it not?

Dr CUNNINGTON: That is right.

The Hon. LYNDA VOLTZ: So it is actually legislation that relates to animal criteria?

Dr CUNNINGTON: That is right. But if no-one is policing it then it isn't happening—and at the moment on those rearing properties, one does not have to be a licensed participant to have a rearing property.

The Hon. LYNDA VOLTZ: You do have to be licensed if you have got ten fertile females, is that right?

Dr CUNNINGTON: Rearing properties do not have the bitches there, they are usually the pups, after 12 weeks.

The Hon. LYNDA VOLTZ: The pups you referred to with a lack of ability or inclination to chase, that is the older dogs, is it not? One would not be trialling them until they were older?

Dr CUNNINGTON: That is right, yes.

The Hon. LYNDA VOLTZ: I think the figures in New South Wales for 2011 or 2012 showed that there were 1,300 litters and the following year, 1,030 litters. The numbers are coming down, are they not, in terms of litters?

Dr CUNNINGTON: I think overall numbers probably are. Numbers are down a bit but with the Victorian Responsible Breeding Task Force, what went down in Victoria seems to have gone up in New South Wales.

The Hon. LYNDA VOLTZ: I am sorry?

Dr CUNNINGTON: With the pups that are being born, the Responsible Breeding Task Force in Victoria has brought litter numbers down but they have gone up as well.

The Hon. LYNDA VOLTZ: My figures for New South Wales state that the number of litters has reduced from 1,300 to 1,030.

Dr CUNNINGTON: Overall they might be down.²

The Hon. LYNDA VOLTZ: With regard to registration and micro-chipping, people say that you cannot account for where all the dogs go. Fifty per cent of dogs are being registered and 50 per cent are not. Dogs are sold across States, so how do you manage the figures on where dogs go? For example, you will get a dog and you might trial it for 12 to 18 months and then decide that it is not fast enough for the tracks in Sydney, and you might on-sell it to a trainer in Tasmania or Queensland. It will have been born into a litter in New South Wales, but it will not be registered or micro-chipped in New South Wales. So the dog will not appear in those figures.

Dr CUNNINGTON: I am not sure what you are asking.

The Hon. LYNDA VOLTZ: Have you accounted for that in the dogs that are not registered but are sold interstate?

Dr CUNNINGTON: You mean in the figures I came up with there?

The Hon. LYNDA VOLTZ: Yes, that only 50 per cent are registered in the State and therefore 50 per cent are wastage but in that wastage would there not be included dogs—

Dr CUNNINGTON: That figure relates to the puppies that are never named and never go on to racing.

The Hon. LYNDA VOLTZ: They are not named in the State they are in.

² Note – Dr Cunningham provided later advice that, in GRNSW's answers to supplementary questions (hearing of 15 November 2013) there were 1,180 litters inspected in 2012. Dr Cunningham advised therefore 'that there was at least 1,180 litters registered in NSW between approximately October 2011 and October 2012'.

Dr CUNNINGTON: No, that is a national figure from Greyhounds Australasia's website. So nationally we know from that figure that from the 13,000-odd puppies born every year, upwards of 8,000 do not get named, nationally. I do not know the breakdown in each State, but New South Wales and Victoria would have the highest percentage there. That is a fact of Greyhounds Australasia's website. I am not here to debate the numbers.

The Hon. LYNDA VOLTZ: I am just wondering—that is how you are doing it, as a national figure.

Dr CUNNINGTON: Yes and it just shows that it is a national issue. I am saying, do a better job with those that are born and that is how one reduces the numbers bred. It is a question that has been asked today.

The Hon. LYNDA VOLTZ: If we had legislation similar to Victoria, I can only assume that the announcement from Greyhound Racing NSW, when they are talking about the code, they must be referring to those codes that exist. Would that have an impact, particularly on the behaviour of dogs? Your concern is about the maintenance and there have been some issues, going back 13 years in some training facilities, about the maintenance of those facilities.

Dr CUNNINGTON: Obviously those Codes of Practice help to provide guidelines but they have consistently failed to address the emotional wellbeing of the dog. If you read the announcement from the joint venture between New South Wales and Victoria yesterday, they do not even mention the socialisation of dogs and that is the key issue. That is how you would work to reduce the number of dogs being born, which is what we are all here to see happen, realistically.

The Hon. MARIE FICARRA: Dr Cunnington, you spoke of outdated rehoming practices. Are you able to comment on the Greyhound Racing NSW program, Greyhounds as Pets. Is it successful? And if you would also comment on the outdated rehoming.

Dr CUNNINGTON: I said outdated rearing and training. The issue for the rehomers is that they cannot help the dogs which are presented to them. The dilemma is that one gets a dog like Joe in and one has to make a tough choice about that dog. There is an expectation from the trainer who has waited on the waiting list that you will rehome that dog. But how can you, in all good faith, do that? We have had that dog a year and we cannot do anything with him. That is what leads to the poor productivity of these programs and what concerns me, as a rehomer, is that if I have bottlenecks like that, how many really nice pets could come through quickly and speed up the whole process? But we cannot because then we would get howled down for the euthanasia aspect of the program as well. It is an emotional job for people running that and I think they do a very good job with the resources they have.

The Hon. MARIE FICARRA: There are probably many greyhound breeders who do the right thing by giving their dogs bones or whatever to keep their dogs' teeth healthy. However, is periodontal disease showing up?

Dr CUNNINGTON: It is a big problem with dogs coming in for rehoming, particularly some of the older dogs, we have to spend quite a bit on dental work. In my opinion, it stems from the fact that they do not get enough chewing activity. It is as simple as that; they are given soft food.

The Hon. MARIE FICARRA: You previously said you had experience in Queensland with banned substances. Could you give us your thoughts on that?

Dr CUNNINGTON: With regard to picking up tiny amounts of things like Ventolin and so forth, that is because that drug is detectable. You can only pick up what is there. In the case of something like erythropoietin [EPO], it is given further back in the training.

Dr JOHN KAYE: You are saying it is given earlier so that the metabolites have passed through the dog and the dog no longer shows up as positive?

Dr CUNNINGTON: That's right.

Dr JOHN KAYE: Even though it was drugged earlier on?

Dr CUNNINGTON: That is right.

The Hon. MARIE FICARRA: They are seen as performance enhancers.

Dr CUNNINGTON: Yes, and when you talk about the statistics of the number of positive test results, that does not reflect on what is being given, because there are other medications that are well known for not being able to be detected at this point. They are the ones of concern.

CHAIR: Such as?

Dr CUNNINGTON: I do not know whether I am allowed to say.

Dr JOHN KAYE: Dr Cunnington makes a good point because giving out such evidence is an invitation for the industry to use those drugs.

CHAIR: I do not agree.

Dr JOHN KAYE: If Dr Cunnington chooses not to give that evidence, it would be wrong to insist that she do so, as a professional vet.

The Hon. MARIE FICARRA: She may be willing to give it confidentially.

CHAIR: You know as well as I that there are ways in which the evidence can be given. If something like that is said, we are entitled to ask questions about it and the witness can answer it of her own volition or not. Would you care to give that evidence privately?

Dr CUNNINGTON: I would, yes.

CHAIR: At the end of this period we may ask you to give that evidence privately. At the moment, we will continue with the question.

The Hon. MARIE FICARRA: We will be making recommendations to the Government. Is there anything else you would like us to consider?

Dr CUNNINGTON: The rearing properties need to be under more scrutiny. It is as simple as keeping up to date with the research regarding best practices for socialising puppies. There is a mountain of evidence regarding how to do that. I know from behavioural assessments that these dogs are fearful, once they get off those properties. They have never heard planes, cars, or all the routine things. They are fearful dogs and that will impact not only on their welfare but their ability to perform. That contributes to the euthanasia rate which is what we want to see reversed. It should be mandatory to socialise these dogs and to educate people as to why that is important. Whether or not it is financially viable to do that, considering the number of dogs some of these properties have—some rearing properties have hundreds of dogs on them.

The Hon. MARIE FICARRA: And numbers of litters through bitches being overbred?

Dr CUNNINGTON: That is part of it but we still need to do a better job with the puppies that come out, it is as simple as that.

Dr JOHN KAYE: Dr Cunnington, thank you for your evidence. Part of what you are suggesting to us today is that, I take it that we need to regulate the rearing farms better than we currently do. Would you propose a licensing system and inspection system?

Dr CUNNINGTON: I think that is the minimum.

Dr JOHN KAYE: So standards and licensing and inspection against those standards?

Dr CUNNINGTON: Yes. I see, as part of that joint announcement made yesterday that that was what they were going to do. They are going to rate these rearing properties. Does that mean they are going to operate one star?

Dr JOHN KAYE: You will have to ask Mr Hogan that this afternoon.

Dr CUNNINGTON: We need to set minimum standards. Everything we look at in codes of practice is about how the dogs are kept but there is nothing about caring for the mental wellbeing of dogs. That is the part of the argument that is the most significant in my opinion. Time and time again we see that problem in the dogs that we assess for rehoming.

Dr JOHN KAYE: Are there international models we can look at where such things are done, where the rearing facilities are appropriately regulated to create the appropriate psychological outcomes in dogs?

Dr CUNNINGTON: In other dogs—there is a lot of research regarding guide dogs and military dogs. There has been a lot of research in the United Kingdom with military dogs. Obviously those dogs are more valuable and that is a problem that we have. Greyhounds are of an inherently lower value compared with bomb detector dogs, where more is invested in them. Studies will show that when Guide Dogs Australia introduced a policy of socialisation, the wastage plummeted to almost nothing. It is all there in the literature.

Dr JOHN KAYE: You produced a figure where you said that the cost of rehoming a dog was between \$3,000 and \$6,000, is that correct?

Dr CUNNINGTON: Yes.

Dr JOHN KAYE: What did you base that figure on?

Dr CUNNINGTON: Just my gut instinct through working at Gap, I know what our budget was in Queensland, it was a very modest \$300,000 but last year they rehomed 72 dogs and New South Wales only rehomed 52. I did over 40 last year—and I am a full-time vet—at virtually no out-of-pocket expense. So I do scratch my head sometimes at the lack of productivity. I also understand that it is not their fault, with the dogs that are presented. So it takes time to rehome these dogs. Even if they have been waiting six months, they are still not desexed when they are presented to the program.

Dr JOHN KAYE: Dr Cunningham, could I also ask about the issue of controlling the breeding of dogs. Do you have a specific scheme in mind—I accept what you say about rehoming, that is clear—but also about reducing the number of dogs that are born.

Dr CUNNINGTON: To do the surgical implantation of artificial insemination [AI], it is designed to get the biggest litters possible. Appropriate breeding choices would also help. I have seen a lot of instances where choices were made to breed a bitch because her brother won and she is standing in a corner quivering. You can see that she is not the right dog. Injury prone lines, a lot of these catastrophic hock injuries on tracks could be prevented if the dogs were examined properly and rested.

CHAIR: I know you are here to talk about greyhounds today but do you have a view in relation to wastage levels in the thoroughbred and the harness racing industry?

Dr CUNNINGTON: I do. It is hard to compare apples with apples there because once you coin the phrase "greyhound adoption program", it is no longer a form of livestock, whereas a horse is. I think it is also unacceptable but I do not know how I could comment on the rearing practices or on how that impacts on their success in racing because I do not know. It is not my area of expertise.

CHAIR: Thank you.

(Luncheon adjournment)

DENNIS MICHAEL CARL, President, Greyhound Action Group NSW, and

MICHAEL JOSEPH EBERAND, Greyhound Action Group NSW, sworn and examined:

CHAIR: Do either of you wish to make a short statement?

Mr EBERAND: Yes. I have a brief presentation to show.

CHAIR: Is it a Powerpoint presentation?

Mr EBERAND: Yes, it is. I would like you to see a presentation today to show off the massive opportunities for our industry to market and brand our sport and to look after our best mates, our greyhounds, but, unfortunately, in this instance, to create a better future, we need to discover the past and find solutions to give us a foundation to move forward. I thank the Committee for the transparency being created and trust your preparedness to work with us going forward given our contributions to New South Wales and the State tax base. I now will provide a short presentation.

[Powerpoint presentation shown]

My first slide shows some findings of the Productivity Commission in 2000 to 2008. This shows that the Productivity Commission in fact did find that the corporates stimulated the market on its entry with online betting. You will see prior to 2000 the flat and declining trends on each of those graphs followed by growth in approximately 2000 when they entered. Effectively, the corporates arrested a slippery slope in wagering on racing and our competitiveness for the gambling spend. They did stimulate wagering growth. The second slide fast forwards to today with a flat wagering market. We see the initial stimulation of the corporates at the consumer end of the market has ceased to stimulate growth. The market is stagnant. Movement within is in fact seeing transfer of market share to corporates and what is not shown on that slide is in fact that within the TAB itself there is a propensity and preference for consumers to move to fixed odds betting, which operates on a lower margin. We see a flat market. The real competition for racing is not within, but its sports, IPL and the overseas betting operators. Just like the corporate stimulated the market in 2000 to 2008 outside direct wholesale injection by the Government, this market again needs to innovate and it needs further stimulation.

I am arguing that that stimulation is now required at code level with an intention of stimulating just as the corporates did when they entered the market with that free-market model. We need to be careful with any proposed increase to the levy on corporates because, for example, to increase the levy on greyhounds will reduce the competitiveness of greyhounds with other products. To increase the levy on all New South Wales codes would decrease the competitiveness of New South Wales codes. To increase it Australia-wide potentially risks the overall competitiveness of racing and seepage again to sports, IPL and the overseas markets, which, as pointed out earlier, are lacking regulation in terms of payment of levies and the importance of essential consumer protection and harm minimisation. The corporates pay a direct return. These are the free-market principles and provide a level of innovation on their market share that we are seeking from the full business model.

My recommendations set out will bring in the Cameron recommendations to stimulate the codes at code level. Recommendation 3 supported the joint submission position proposing the removal of the cap. GRNSW and the joint position was that that would provide incremental earnings and opportunities for the codes with Greyhound Racing there shown.

The next slide looks at the New South Wales tote. Greyhounds is growing. We can see that our performance, our revenue on the TAB, has gone from \$929 m to \$1 billion over two years. In contrast, the horses are flat or slightly declining. We have this tenacious performance: our industry is in a mess but we are actually growing. The State budget figures at the bottom show that the State budget currently is holding its own and it is forecasting an overall 5 per cent decline in the next few years. But greyhounds are the ones that actually are holding and fighting for the State in this respect.

The question therefore must be asked: Why are we not getting an equal weighting at least of government support? Despite our good performance there shown, we are the most exposed to the flat wagering market because of the intercode. What a shambles it is. Collins has put forward already that the as a Treasury official at the time that the Government did not achieve the documented objectives of a sustainable racing model

and that the legislation was unfit for purpose. I have tabled his full evidence as a statement and I provided that previously. I do not propose to expand it here. Listening yesterday to the former chair, I make a couple of key points as there are several disconnects. Firstly, Mr Magin was appointed in 1995. The previous board was sacked by Minister Face on regulatory concerns. That is documented on page 13 of my submission. That board was appointed due to regulatory worries at the time. The industry board was sacked, yet that board Mr Magin chaired subsequently was found to be deficient with respect to its controls brought up in the ICAC findings of 2000. This was clearly a Government board.

So the disconnect is, Mr Magin said yesterday that he went to these meetings that the horses representatives walked out on. So he was not negotiating for us, yet he was going to these meetings and coming back with the position of the other codes. Further, he argues there were no commercial responsibilities and that the industry was the ones negotiating. So he takes the negotiations to the dogs representatives, they move their positions and to me the key deficiency in the industry position at the time was that they moved from a market-based model in 1996, which is the Victorian model today. The industry moved from that. The submission I provided tabled the 1996 industry position. It was a market-base model. The flaw from the industry perspective was that GBOTA as a party moved to a fixed position. However, on the right is Mr Scott's testimony. He documents clearly that the understanding across the industry, even though he made a mistake in hindsight to sign off this fixed agreement, at the end of the day protections in respect to what he understood the 15-year review clause was, being a full review, and there was a good-faith basis this business and strategy committee under the RDA, which would assist funds, the growth and working together as a whole with the other codes.

So Mr Magin signs the agreement and said yesterday he understood it to be a full review. So that one I really do not understand. Mr Magin points to having no commercial responsibilities: 1998 is the year the inter-code document was signed. This is their annual report. It states, "To develop a viable industry for the benefit of participants involved in greyhound racing" yet he argued yesterday no commercial responsibilities. Minister Face's message on the front of this report 1997-98—the inter-code was signed in February 1998—"Issues to do with this board: development of a five-year strategic business plan, consult with racing clubs to devise a new plan to assist in the marketing and promotion of the industry."

There is our 15-year review clause. Certainly nothing the industry understood and nothing that Mr Magin understood. Clearly there is a disconnect. I have spoken to Mr Scott from GBOTA. He said to me that he will further testify that that clause was never provided to GBOTA. We also have in the subsequent annual report as a reasoning for Mr Magin's board to put on more product—underlined at the bottom. This was the reasoning and basis why they put more product on: "Obviously, any drop in the greyhound industry's market share would over a period adversely affect the industry's bargaining position under any future inter-code deed." This was approximately six months after he signed the deed. I am not sure for who he was positioning for a better market share because the document he just signed on that basis, the next opportunity to position was 99 years. So he certainly was thinking ahead.

Paul Wheeler, a prominent industry person, was on the board at the time. He has stated to me, and I can provide in evidence, that Mr Magin argued that same point. At this point I will add that in terms of that review being ineffective the Victorian model actually was market based. It was two-tiered, 50 per cent fixed, recognising effectively the contribution horses make in terms of fixed costs as being the bigger operator, and then a second-tier market share. Their privatisation structure resulted in a review last year, which moved the Victorian greyhound industry from 6 per cent away from market share to 1.92 per cent. Again, it gets back to the privatisation process itself being the problem for us. Queensland is also due for review now. Our review was decided recently where the TAB was granted exclusivity of a further period. No funds have come back to the greyhound industry, as far as I know.

I will argue that the RDA inter-code itself is in fact broken down already. These are extracts from the RDA. At the top we see the codes responsibility together is to maximise net wagering revenue. Clause 16 has an obligation on the members to work together and to meet quarterly. Brenton Scott was saying there was a good faith basis that if further product was to be put on, the three codes would work together to work a method to fund that growth. The same solicitor acted for all three codes on that RDA, which was brought out yesterday. I would argue that the good-faith basis of that agreement is already dead and that we are an oppressed party to that agreement.

There are two bases on which that RDA could work—one is a competitive model as in Victoria, where the codes compete. There is the Trade Practices Exemption Act I obtained under freedom of information. That is the exemption. So the Government did exempt the inter-code document from the competition principles at the

time. Both avenues for growth are not working: one is that the competition principle is locked out and the other is that the consultative committees are not meeting. Mr Magin said at the time there were no objections from the industry. I disagree based on the evidence I have got. There is Mr Wheeler resigning from the board on principle and there is Robert Fletcher, the GBOTA chair at the time, arguing against putting on the extra meetings.

The next model shows why this inter-code failed in terms of innovation. If we had an opportunity to invest where there is, say, a \$20 million wagering stimulation, \$3 million in wagering profits, we would invest half a million dollars if there is a return on that \$3 million—you will see there that harness and thoroughbreds are actually beneficiaries. The Government profits and we lose \$370,000. So, of course, it is better not to invest.

These are examples of the opportunities and we would like to take part in the opportunities to help stimulate the wagering market. Wentworth Park is in an ideal location. The Asian and Chinese markets are attracted to wagering and greyhound racing. There is what I would say is our industry leading Australia wide website, where you can review replays of greyhound races. Potentially there could be an opportunity to convert that into, for example, Asian form service. This is a graph of the Victorian results of recent. In August, as I said earlier, its inter-code moved closer to market share. This was August 2012 and, interestingly, this graph shows that, in fact, greyhounds have stimulated the market and it has resulted in overall growth.

CHAIR: It is interesting that that almost parallels what is going on in New South Wales even without the changes to the inter-code.

Mr EBERAND: No, that market rate is much stronger. That is 8 per cent versus New South Wales 3 per cent but other than that, yes. Also, overall that growth is at a level that is actually stimulating the overall market. In New South Wales the growth is offsetting the losses from the other codes. We would argue that in terms of the tax differential the Government is already selectively supporting the racing industry, which is positive. Our argument is that at the moment it is being weighted towards the horses. We would like to say that we have got sufficient opportunities and a strong enough industry to also be worthy of support. The fact that we are subsidising the other codes by that market share really is providing a false economy to those other codes and leaving us oppressed. Cameron provided the long-term solution. I have an extract from one of the submissions to show why I say we are oppressed. This person takes his dog and travels from Richmond to Nowra. The first prize is \$540, second prize \$165 and if he runs third he collects \$80, which probably cost him that to get there in petrol. Yet we have got \$50,000 bet on that lower-grade race.

I put forward a solution potentially in my submission. It was a two-tiered structure similar to Victoria where there is a 50 per cent basis which is fixed and would be reviewed, say, every three years, and that would provide for the short-term ups and downs to protect infrastructure investment. The second would be market based. So that is similar to Victoria. I would propose further that with any future growth there should be weighting of direct payment. If that were the case, that earlier model I showed would actually produce a net profit on that investment for greyhounds and encourage the investment as opposed to the alternative before, where you simply would not invest. Step two of that proposal was that in terms of a joint submission asking for the tax differential to be paid to Greyhound Racing under this, which is a movement to a market structure, we would ask that that differential in fact support the racing industries because it is not in anyone's benefit for any particular code to be harmed. We would ask that then be paid to make up the gaps of the other two codes. This model would provide for stimulation at code level. My argument is that that would provide the stimulation, similar to what we saw in the corporate sense of the market earlier.

Thank you for bearing with me on the time for that presentation.

The Hon. LYNDA VOLTZ: How long have you been in the industry?

Mr CARL: With a gap in the middle, I started out about 1969.

The Hon. LYNDA VOLTZ: Were you around when the inter-code agreement was reached?

Mr CARL: I was not around at the time of the inter-code agreement. I had gotten out of it previous to that and I came back subsequent to it.

The Hon. LYNDA VOLTZ: A certain amount of money comes through the TAB dividend that is distributed to Greyhound Racing NSW, which is roughly around \$30 million. It is divvied up. Then there is the

field use information money that is roughly around \$9 million, plus a third payment, which I understand was subject—

Mr CARL: A special payment of \$6 million.

The Hon. LYNDIA VOLTZ: I understand that was the subject of a High Court challenge.

Mr CARL: Yes.

The Hon. LYNDIA VOLTZ: In that year you had nearly \$15.5 million coming in yet the prize money only increased by \$300,000. What happened with the differential between those amounts? Why if you had that money coming in—an additional nearly \$7 million or \$8 million on the previous year—

Mr CARL: I believe there was a special payment in that year. We got \$22 million, I believe, in prize money in that particular year—I think I am referring to the same year—when we actually got \$48 million income altogether from various sources. We ended up with \$22 million and the rest of it went to paying increased administration costs, which are going up at a rate of knots, animal welfare issues, and swabbing issues. That is where the money goes.

The Hon. LYNDIA VOLTZ: So the administration of Greyhound Racing NSW accounts for about 20 per cent of the money that comes in?

Mr CARL: I thought it was a bit more than that.

The Hon. LYNDIA VOLTZ: Roughly.

Mr CARL: Yes.

The Hon. LYNDIA VOLTZ: The clubs probably get about 16 per cent or 17 per cent?

Mr CARL: Individual clubs?

The Hon. LYNDIA VOLTZ: Clubs as a whole.

Mr CARL: Yes.

The Hon. LYNDIA VOLTZ: They get less than the administration of greyhounds New South Wales?

Mr CARL: I am not 100 per cent sure of those figures. I would like to take that question on notice and come back on it.

The Hon. LYNDIA VOLTZ: Do you go to Greyhound Racing NSW and ask where the differential goes and why it is not going to prize money? Surely the administration would not increase in one year when there was a special payment of that amount.

Mr CARL: We have asked questions. I do not know whether we got the full answers. It is difficult to follow them in their balance sheet. The last figures I saw the administration costs were \$8.3 million and it is just going up all the time. As I said, the others are in those various categories but personally I have not seen a separation of the figures.

The Hon. LYNDIA VOLTZ: Does the administration pay for stewards and everyone at the club? There is a separate club administration amount as well, is there not?

Mr CARL: All stewards today work for the GRNSW.

The Hon. LYNDIA VOLTZ: So they are captured within that transmission.

Mr CARL: And the veterinarians also.

The Hon. LYNDA VOLTZ: The rest of the money goes to the clubs. You have your industry development fund, your investment fund. My understanding is that information technology comes in with that as well?

Mr CARL: It would do.

The Hon. LYNDA VOLTZ: That is about \$2 million, half of which goes to information technology with Ozchase.

Mr CARL: My understanding is that Ozchase cost about \$3 million to establish. I am unsure of the individual yearly cost of it but I would have thought it was more than that. But we do not see these figures.

The Hon. LYNDA VOLTZ: Previous to today there have been hearings about the rate of euthanasia in greyhounds. Greyhound Racing NSW has said that it is 3,000 per year. Do you have any idea what is happening with the litters and the dogs that are not picked up for training and the euthanasia rates? Does your group have a view on that?

Mr CARL: Personally I do not have a view. I do not see any of these figures. I talk to a lot of owners around the place and listen to all of these stories from animal welfare people and I see none of what they keep saying—nothing at all.

The Hon. LYNDA VOLTZ: If someone has bred a litter of dogs how would they normally be sold? How would one purchase them?

Mr CARL: There is a variety of ways. When you have a litter of dogs your intention is to rear the litter yourself and hopefully to race, but sometimes it is more economical to sell some of the dogs and keep some of the dogs—a lot of that goes on. I had a litter recently—you are talking about euthanasia or disappearance—and two of them ran into a tree and killed themselves, and another got bitten by a spider and died. They are the sorts of things that happen; it does not get into the data—all these stories you hear. I do not know where this 3,000 figure came from; it is unsubstantiated. Because an individual said it on TV one time it becomes—

Dr JOHN KAYE: Brent Hogan gave it as evidence before this inquiry.

Mr CARL: I understand that; I heard it.

The Hon. LYNDA VOLTZ: We will ask him about that.

The Hon. STEVE WHAN: Mr Eberand, you said in your presentation that you supported the view that the Australian Wagering Council put this morning that we should not increase the 1.5 per cent maximum race fields payment from the corporate bookmakers. I do not accept the argument that increasing that will drive business away. What is the basis for your view? Have you done an assessment?

Mr EBERAND: I do not have the resources to do a study of the elasticity of it. The proposition I am putting is that there is a high risk of reversing the stimulation. That certainly needs to be carefully considered in any discussion about increasing it.

The Hon. STEVE WHAN: Surely the return for greyhound racing overall is better if people are betting through the TAB at the moment and if people are moving to corporate bookmakers. You showed us some growth overall, but there is also a shift from the TAB to the corporate bookmakers, which presumably means a loss of revenue.

Mr EBERAND: Not necessarily to greyhound racing. First, the corporates provide a direct correlation between market share performance and payment. If our market share is stronger—for example, twice as much as we are being paid on the TAB—then the return to us effectively becomes twice as much.

The Hon. STEVE WHAN: There is actually a greater return overall for every dollar that is punted on the TAB.

Mr EBERAND: The actual margins on greyhounds from the corporates are very healthy according to the latest figures. The gross margin model that Greyhound Racing NSW and the joint submission put forward

means that if the actual wagering return is stronger than the 1.5 per cent on a turnover basis that it is an opportunity for greyhound racing to receive a direct return. So you have a combination of the higher market weighting that we have that we are being paid for—which we are arguing should be the basis of the inter-code agreement—and the extra earnings under that gross margin model. I think you will find that that together with the fact that the margins on the TAB are eroding through consumers moving towards fixed-rate products has brought that closer together. My initial analysis is was pretty well what you just said. They were poles apart in return, but the submission I did initially stimulated a lot of feedback. The further research in the Productivity Commission report changed my view on that. I am not saying that increasing it would not be beneficial, but the point I am making is that it could be risky and would need careful consideration.

The Hon. STEVE WHAN: You are essentially saying that it is in the greyhound industry's interests to encourage people to punt with the corporate bookmakers.

Mr EBERAND: I would have to take that on notice.

CHAIR: Can you show the last slide again? It refers to tiers 1, 2 and 3. Can you explain tier 1 again?

Mr EBERAND: Tier 1 is similar to the Victorian model. It would be a fixed percentage that does not move quarterly with the market. That provides security for infrastructure investment. If you do have a short-term issue, for example EI, the returns to that code will not fall and shatter them.

CHAIR: And that is?

Mr EBERAND: My suggestion is that they be reviewed each three years. Victoria just reviewed its tier 1. The Victorian model has always been market based.

CHAIR: Take a step backwards. You are talking about reviewing and changing which agreement?

Mr EBERAND: The inter-code agreement.

CHAIR: Will those percentages be brought to current levels in a combination of this; in other words, to 20 per cent?

Mr EBERAND: I would have to work through that. Ideally, yes. But with the Victorian model the return to greyhound racing is still 1.92 off market. I think the concept is that that recognizes that thoroughbred racing has the higher volume market share and it provides security for the infrastructure investment of the TAB. So they do have that contribution and that potentially recognises it through tier 1. Tier 2 is the market basis to encourage performance. Tier 3 is my add-on, saying that if there is future growth a percentage of that should be paid directly to reward that growth. In the case of greyhound racing, we invest and make that profit as opposed to the alternative model, where everybody profits but us. We actually lose most of our investment, so why do it? Under this model we would go ahead and pay that \$500,000 to convert the form service to the Asian market.

CHAIR: You are saying that this model would reward creativity and—

Mr EBERAND: And innovation and create stimulation as the corporates did when they entered the market and as per the graph that I showed where the Victorian market moved closer to market share in August. There was an immediate stimulation. We need to remember that the extra funds in Victoria have been invested in things like improving the tracks and the branding of greyhound racing itself. They are potentially factors that will come up on these charts in the future. It is impressive to achieve those immediate responses.

CHAIR: Are you also therefore saying that the current 1.5 per cent cap on the corporates should remain?

Mr EBERAND: That is the inter-code model.

CHAIR: Yes.

Mr EBERAND: With regard to the corporates, I support the joint position to remove the cap because the numbers show that that would be earnings incremental to greyhound racing. It would seem that all parties support the gross margin relationship.

CHAIR: On the one hand you are saying this is a potential model for improvement to the Racing Distribution Agreement and the inter-code agreement and on the other hand you also support the removal of the 1.5 per cent cap.

Mr EBERAND: Yes, and that makes them both reflect market performance to stimulate and reward performance and create innovation.

The Hon. MARIE FICARRA: How does this potential solution fit in with the conclusion in section 6 of the joint submission? You have done more work in the PowerPoint presentation that you did today.

Mr EBERAND: It supports it but varies it. The joint submission puts the proposition that the Government should assist us. It proposes that the differential to market, being \$14 million, should be paid to greyhound racing. I am saying we should attempt to stimulate the whole wagering market by moving to a market base and support the racing codes. If you move to a market base, the greyhound industry does not need that \$14 million. The other codes will have reduced revenues and we do not want them hurt either. It is an overall problem for all of us. There is \$150 million in State taxes at risk. I am saying that we should support the overall racing codes with this model and credit those funds.

The Hon. MARIE FICARRA: How much consultation have you done to come up with this?

Mr EBERAND: This is an individual position. The action group has since supported it.

Mr CARL: I could not do that.

The Hon. MARIE FICARRA: Right. Do you know generally how much support you have?

Mr EBERAND: The comments I have had from Greyhound Racing NSW were positive about this proposal. It did not consider it to be a white-anting of the joint position.

The Hon. MARIE FICARRA: It is probably not going to cause a lot of outrage from the other two racing codes. Any touching of anything will, but you have tried to take them into account.

Mr EBERAND: It is not in anyone's interests to be hurt. But at the moment we are the ones who are being oppressed and we are really hurting. This is a solution that could potentially help the overall wagering market to grow again.

The Hon. MARIE FICARRA: Do you have any opinion about this, Mr Carl?

Mr CARL: No, I have other issues.

The Hon. MARIE FICARRA: Okay.

Mr CARL: I have read through this and I have been through it with Michael a number of times. He has also been through it with John Tracey, a historian who has helped us to establish a lot of the background. I could not put anything together like that. I am too old.

Mr EBERAND: I am just trying to find a solution that can potentially work for everybody.

CHAIR: You suggest that funding may well be able to be transferred from one code to the others as part of the transition process. Can you explain that again?

Mr EBERAND: If you move to a market base, the argument that we are subsidising the other codes to the tune of \$14 million will no longer be the case because we will be receiving that money. We would be right. However, it does mean that the other codes are hurt to the tune of \$14 million. The initial argument that the Government should assist us should in fact be an argument for assistance for the racing industry to stimulate its overall performance. That same amount will be required by the other codes because they will be receiving \$14 million less.

CHAIR: I think that is clearer. In the previous presentation by the joint group the point was made that there was a transfer payment because of the market share arrangements. That is not reflected the current market share arrangements.

Mr EBERAND: We are asking the Government to fix up the hole from our performance to market. I am saying that Cameron's reforms should be implemented. That work is highly acclaimed. The intention is to stimulate the overall market. That was recommendation 21. Recommendation 22 was that the codes should be assisted where necessary with the changeover. My approach is more long term. We should support them long term with the revenues they lose on the basis that the Government would be supporting the overall racing industry and stimulating the wagering market.

CHAIR: As opposed to what is happening now, for example, with the thoroughbred industry in terms of large individual subsidies?

Mr EBERAND: My concern is that our market share is effectively being returned to them. You could argue that that is a false economy in terms of what that is doing for them. My idea would involve the Government providing a productivity package to help us perform as a whole with the Government and to support the State's tax base.

Dr JOHN KAYE: Your proposed solution would end up with everybody getting a share of revenue that was proportional to the amount of product purchased.

Mr EBERAND: Yes. I am saying that because doing that will take those funds off the other two codes. However, because the Government has not made a contribution to the overall situation, it should support those two codes that are losing that portion of revenue.

Dr JOHN KAYE: In effect, you are saying that the Government should pay subsidies to the other two codes to the amount of the loss. Does that not run counter to what Greyhound Racing NSW and a many in the industry have been saying, which is that the thoroughbred code is getting more than its fair share?

Mr EBERAND: Yes. When you implement changes to the market everybody then receives market share. The thoroughbred industry will then receive less. I am saying that it is not in anyone's interest—the greyhound industry is a stakeholder in the thoroughbred industry and vice versa through the inter-code agreement—to damage or hurt any of the codes. We need to work together. The Government should play a part. While we can argue about whose fault it is, it is very cluttered. At the end of the day it is clear that everybody had a contribution. There is \$150 million in State taxes at stake and there are economic considerations. There is a socioeconomic contribution to country towns at risk, so this is a package of support for the racing industries as a whole to try to move—as in that initial slide I showed you—and stimulate that market to move forward, as achieved when competition was created by the corporates coming in.

Dr JOHN KAYE: What is the total annual cost to government?

Mr EBERAND: On that proposal?

Dr JOHN KAYE: Yes.

Mr EBERAND: It is the same as the joint submission, \$14 million.

Dr JOHN KAYE: The bulk of that would go to?

Mr EBERAND: That is the difference in market share.

Dr JOHN KAYE: The bulk of that would go to thoroughbreds?

Mr EBERAND: Yes, and harness, that is correct.

Dr JOHN KAYE: And harness.

CHAIR: And harness, yes. Is it true to say that, if at the same time outside the joint agreements the cap was left off the corporates, it might generate to the greyhound industry an extra \$6 million a year?

Mr EBERAND: That is the numbers run by Greyhound Racing NSW and in the joint submission, but because the margins are healthy in the corporate bookmaker space, if you lift the cap, that will provide incremental returns for our industry. Whether that is a long-term solution in terms of that amount would be a question for Greyhound Racing NSW.

CHAIR: I am just hypothesising at the moment and saying that if there is \$6 million there and you went to a full market share basis for greyhounds, you have, say, \$14 million and greyhounds would be incremented by \$20 million. Is that correct?

Mr EBERAND: That is correct. Bear in mind that under my tier 1 and tier 2, when we talk about \$14 million, that is the difference in the market today. I did state that I think there is recognition that the thoroughbreds provide the concrete and the basis of the overall market. Tier 1 would be some reflection of that. It might not be \$14 million. It might be \$10 million or \$12 million. At the end of the day I am proposing something that we sit down and work out as a package.

CHAIR: What you are saying is that if you combine it all and took out recognition of size, you might actually see a continuing transfer payment from greyhounds to the thoroughbreds and perhaps harness as well.

Mr EBERAND: As in Victoria. Victoria is still 1.92 per cent off market share, but they moved from 6 per cent. That 1.9 they are paying effectively recognises that. Victoria is still not receiving a full market share. They are receiving a return of 1.92 per cent below their market share.

CHAIR: They are paying a discount for size.

Mr EBERAND: Exactly, and that is the proposal here. Even though the difference in market share is \$14 million—and I am not saying that is what it would be.

CHAIR: Just stick with the \$14 million and stick with the \$6 million. If you said it was \$20 million, you might end up in a situation where greyhounds are not necessarily looking for a cost to government of \$14 million if they were to subsidise the other codes. It would be something less than that.

Mr EBERAND: True, yes.

CHAIR: Again, just stick with me on the example, in the Victorian case it is nearly 2 per cent. In our case, since the difference between 13 per cent and 20 per cent is 7 per cent, you might split the difference in a typical old accountant's way.

Mr EBERAND: We are not looking to get rich overnight. We are just looking for a fair go.

CHAIR: I think what we try to do is come to a transitional situation that might work.

Mr EBERAND: Yes, and that is the basis of step 2 on there with the differential tax.

CHAIR: Yes, that is right. Mr Carl, we might move to you now.

Mr CARL: Thank you. What I wanted to talk about obviously has been covered now by Michael. It is a very important opportunity for us to be able to put this to you. What I want to talk about is that there is not a lot of point in getting extra money if the industry is poorly regulated and poorly governed. This is a concern that I have. We may go over old ground here because of what was said yesterday and some of what was said this morning, but I think to have a regulator that is answerable to nobody is the most stupid thing I think I have ever seen in my life. To add to that, to have an integrity auditor that is employed by that organisation to investigate issues that come up from time to time is even stupider.

CHAIR: More stupid.

Mr CARL: Correct—east end of London. The need to fix that part of this industry is critical. I think if you go back over time and you have an organisation such as Greyhound Racing NSW and a board of directors, that board of directors provided over the silliest investment situation I think I have ever seen in The Gardens project. Millions of dollars were poured into that with no proper oversight, no business plan of any consequence

that we can see, and all the money that when in there was lost. We lost it. It was our money. We did not spend it, but it has gone. We do not want to see anything like that happening again. We want accountability with transparency and we also need directors to be appointed that have the capability to carry that out.

The Greyhound Racing directors that we have had, as far as I am concerned, were all based on cronyism. The last board was selected by and headed up by Percy Allan, the head selector, who was the chairman of the previous board. He leads the board and he goes in as a selector to the next board, and he promptly picks our chief executive officer who had left and puts him back in there as a director. He puts in there and ex-National Coursing Association [NCA] chairman, who was part of The Gardens project on which we lost all the money. If you go through the *Hansard* records, particularly one of the submissions put in by the member for Cessnock, Clayton Barr, you can read it all. It says without any doubt that it was just incompetence in the extreme.

That situation has come up again because of this requirement for two new directors to be elected to the Greyhound Racing NSW board. Who is the selector, the head of the selection committee? Percy Allan, back again; cronyism. The next person down—Debbie Spillane is on there but she has been on their 15 years or so ago—but you have got in there Mr Amati, who works for Greyhound Racing NSW as an appeals judge. When one of our members rang, they were shocked. Greyhound Racing NSW was shocked: "How can he be on there? It works for us." How can someone working for Greyhound Racing NSW be on the selection panel to pick a director for Greyhound Racing NSW? And how could Percy Allan, who headed a disgraceful board that lost all our money, be a head of that panel? These are things that I think have got to be looked at. It goes without saying that there are problems for us.

It is no good getting more money if it is going to be handled by people of this calibre—no way. This problem filters down through the clubs. It is right through the system. The greyhound industry and its various entities need to be investigated thoroughly because the board is the head and the tentacles are all around it. All I can say is that that has to be seriously looked at. The other thing that concerns me is that the greyhound people at the moment have provided a tremendous year—or half-year, actually—and the TAB turnover has gone up dramatically. It is the greyhound industry that is doing it, but we get nothing for it. The TAB gets the benefit of that in the main. The TAB, who I believe were due to be here, pulled out. Isn't that funny?

CHAIR: No, they were here this morning. We saw them in camera.

Mr CARL: You saw them in camera. I apologise. I would have liked to have heard what they said.

CHAIR: You are not allowed to, unfortunately.

Mr CARL: I could go on, but I could get quite involved. I think I would rather have questions, if I may.

CHAIR: I would like you to be involved and answer some questions, if you would.

The Hon. LYNDA VOLTZ: Going back to the board, the board is appointed by the Minister. Is that right?

Mr CARL: The board is selected by a panel headed by—as it has been on the last occasion and this current one, which we do not really know yet—Percy Allan, and that has to be approved by a Minister, I believe, or Cabinet even.

The Hon. LYNDA VOLTZ: Yes, that is right. Have you raised these issues with the Minister?

Mr CARL: How do you get through his front door? With an axe?

The Hon. LYNDA VOLTZ: Have you approached the Minister's office or anybody to talk about it?

Mr CARL: I have written to Mr Souris a number of times. The next time if I receive an answer, it will be the first time, so I just do not bother anymore.

The Hon. MARIE FICARRA: Just touching on Greyhound Racing NSW industry consultation that was supposed to occur last November-December, do you any comment on that? Do you know of anyone who was consulted?

Mr CARL: Yes, I was, along with Michael.

The Hon. MARIE FICARRA: Good. You were consulted.

Mr CARL: We went along together. The forums that were held, which were supposed to be held some considerable time previously, never were; but then mysteriously, they started to be held. From what I have heard from talking around—and I do talk around to a lot of people because, being retired, I can get around—there are not too many people I found that participated in it. This is a shame because the relationship between this industry, the participants—and they are the only ones I really care about—and the regulators, is absolutely toxic. It is ridiculous. The intimidation people feel from the regulators is absolutely incredible.

The Hon. MARIE FICARRA: When you two were contacted to be part of this consultation process, how were you contacted?

Mr CARL: I got an email, as I think Michael did, inviting us to attend one of the different areas, such as breeding, so we accepted to go. We were the only two there.

The Hon. MARIE FICARRA: You were the only two there?

Mr CARL: Yes—on that day.

The Hon. MARIE FICARRA: They do not sort of hold forums in regional areas.

Mr CARL: They had a few regional areas. I think they had a forum at Taree and Tamworth, but the information and feedback that we get from there is that very few people attended.

Mr EBERAND: I actually applied for Dennis and I to go.

Mr CARL: You did not tell me that.

Mr EBERAND: Yes, sorry.

The Hon. MARIE FICARRA: So you applied to go?

Mr EBERAND: On behalf of both of us, and we were both invited in as well. Dennis was not aware of that.

The Hon. MARIE FICARRA: Okay. If you had not applied—everyone has to apply to be invited?

Mr CARL: No, people were invited.

The Hon. STEVE WHAN: Did you get invited?

Mr CARL: You were invited.

Mr EBERAND: It was an open invitation but we found when we got there that we were the only two there.

The Hon. MARIE FICARRA: Did they ever broadcast it to the greyhound industry as a whole and say, "Public welcome"?

Mr CARL: Yes. That particular forum, I believe, was advertised on their website, and you were invited to apply.

The Hon. MARIE FICARRA: Here is the question: In future, how would you like industry participation to occur? If we are talking about strategic planning for the future, how should it be done?

Mr CARL: How it should be done is to get as many people as is possible to the forum. How you do that—basically I think a lot of people from the Greyhound Racing NSW would have to travel more extensively than they did. They also have to make sure that the invitation is sufficiently enticing to get people to come.

The Hon. MARIE FICARRA: They currently do travel around and do this in regional areas. They still do that. They should go where the majority are.

Mr CARL: The majority, obviously, are in not quite the metropolitan, but in the Londonderry, Llandilo and Camden areas, there are a great number of people.

The Hon. MARIE FICARRA: In the south-west and the north-west?

Mr CARL: Exactly. But very few people attended because they have lost faith. This is the problem. They do not believe in it.

The Hon. STEVE WHAN: They are only put off because this inquiry is on.

The Hon. MARIE FICARRA: If you attend this forum, you criticise and you speak out loudly, do people think that they are going to be victimised?

Mr CARL: Oh!

Mr EBERAND: Yes.

Mr CARL: I don't because I don't care. I am 73 years of age. What can they do to me?

CHAIR: Are there any further questions? I think time has expired. Thank you very much, gentlemen. I think there were some questions taken on notice. The Committee has resolved that answers to questions taken on notice be returned within 14 days. The secretariat will be in contact with you.

(The witnesses withdrew)

EVE MARGARET McGREGOR, Chairman, Greyhound Racing NSW, and

BRENT HOGAN, Chief Executive, Greyhound Racing NSW, sworn and examined:

CHAIR: Would you like to make an opening statement?

Mr HOGAN: Yes, thank you. This inquiry represents a unique opportunity to ensure the sustainability of greyhound racing in New South Wales and to place the code on a commercial footing such that the revenue it receives relates directly to the performance of the code. This is an opportunity to allow the code to operate with flexibility so that its future financial viability is not tied to the performance of the other codes of racing over which the greyhound industry has no influence.

Essentially, there are three dominant themes of this inquiry: integrity oversight, animal welfare and ensuring a fair and appropriate funding model is in place. The role of the Greyhound Racing Integrity Auditor has been subject to considerable discussion during the hearings. As members will appreciate, the function and powers of this role are defined by statute and are common between both greyhound racing and harness racing. The underlying criticism of the office during the inquiry process has essentially been two-fold: Firstly, that the Integrity Auditor lacks the legislative powers to appropriately fulfil the position as desired by industry stakeholders; secondly, the fact that it is Greyhound Racing NSW [GRNSW] that recommends an appointment to the position to the Minister and subsequently pays the wage of the Integrity Auditor, creating a perception that the office is not, in fact, independent of GRNSW.

To address this situation, GRNSW recommends that the Committee give close consideration to the adoption of the Victorian Integrity Commissioner model for the New South Wales racing industry as a whole and in particular that the Commissioner have the power to conduct annual audits of the internal integrity processes and systems of each controlling body; that he have the power to investigate complaints made about the integrity processes and systems of each controlling body; that he have the power to conduct own motion inquiries that do not relate to any specific complaint and may include an investigation into systematic issues in racing; that he have the power to facilitate the exchange of information between the controlling bodies, the NSW Police and other law enforcement agencies, as appropriate; and that it be fully funded by the State Government and be totally independent of the controlling bodies, recognising that such separation will best address both real and perceived conflicts of interest.

With respect to animal welfare, earlier this week Greyhound Racing NSW and Greyhound Racing Victoria announced that they have adopted a joint animal welfare strategy that will establish new standards of animal welfare excellence in the greyhound racing industry. The joint animal welfare strategy seeks to drive improvements in all areas of greyhound welfare including breeding, racing, rehoming, as well as participant education. The joint strategy will result in the introduction and development of various animal welfare initiatives, including higher levels of education for trainers and breeders, including a requirement for all new participants to be assessed on core competencies before obtaining or upgrading a licence; tighter controls on breeding regulation and the promotion of more responsible breeding practices; a requirement for all greyhounds to be under the care of a registered person at all times during their lifecycle, unless retired as a pet; improved inspection and compliance requirements on greyhound properties; a star rating system to be introduced for all greyhound facilities at which greyhounds are housed during their lifecycle; a tiered system of trainer licence types which will stipulate how many greyhounds a trainer can train; ongoing enhancements to each of the State's greyhound adoption programs, to maximise the rehoming opportunities for retired greyhounds; and new measures to maximise racing opportunities and ensure all greyhounds have the ability to reach their full potential. This joint strategy builds upon the significant advancements made since GRNSW assumed responsibility for animal welfare matters in 2009 from the State Government.

Dr Kaye has vocally indicated that he supports the separation of commercial and regulatory functions with respect to the sport. Essentially, a return to a situation whereby GRNSW is responsible for the commercial affairs of the sport and a body akin to the former Greyhound and Harness Racing Regulatory Authority is responsible for the regulatory affairs of the sport. This was the situation for greyhound and harness racing between 2003 and 2009 and proved to be an unmitigated disaster. One only needs to read the Auditor General's review of the former Greyhound and Harness Racing Regulatory Authority to realise this. Further, there is no other racing jurisdiction of any significance with such a demarcation in the country. Such a position overlooks the fact that, prior to GRNSW assuming responsibility for regulatory and animal welfare matters in 2009, it was

the responsibility of successive State government authorities. During this time, minimal animal welfare initiatives were enacted and the education of participants on animal welfare matters was non-existent. Further, there was far less chance of a greyhound being subject to a drug sample than there is today. It further ignores the fact that the New South Wales greyhound racing industry does not operate in a bubble. It is part of a national industry which sees greyhounds frequently transferring across State borders. In this environment, a national approach is required and it is the industry bodies that are best placed to deliver this unified approach.

Finally, with fair and appropriate reform to the funding model of the sport, there is little doubt that greyhound racing in New South Wales is a viable industry. Only last week we released figures that showed that for the first half of this financial year, total betting sales on New South Wales greyhound races increased by 11.2 per cent, to reach \$591 million in a wagering market that is growing overall at closer to 2 per cent. Greyhound racing is a vibrant and attractive entertainment and wagering product for which there is a clear demand. The opportunity exists now for this Committee to make recommendations that will ensure the sustainability of the sport and to provide a platform that will allow the performance of our code to dictate the financial success of the industry. That solution, to which I spoke on the first day of the inquiry, is twofold: firstly, providing a temporary tax concession addressing the original intent of the Government to create a sustainable racing industry.

The quantum of such a concession would address the subsidy that greyhound racing has provided the other two codes to date, and then move to a performance base for the industry better reflecting the commercial reality of the market going forward; and secondly, the removal of the Race Fields Levy Cap contained in the Regulation that in the first half of this current financial year alone saw the greyhound racing industry forgo an additional \$2.8 million in revenue. That concludes my opening comments. Before questions commence can I indicate that the Chairman, Eve McGregor, will answer any questions about the Board and governance matters.

The Hon. LYNDA VOLTZ: I would like to ask some questions regarding administration funding. Administration funding in the last three years has risen by roughly 25 per cent in 2002 to 2013, or \$7.4 million to roughly \$8.7 million. Can you explain those increases?

Mr HOGAN: In the first instance, I would start by saying that the most comparable body to Greyhound Racing NSW [GRNSW] is our counter body in Greyhound Racing Victoria. To look at the cost of a body such as ours, you need to look at what are cost stratas, and those cost stratas principally relate to TAB race meetings. They drive up costs around stewarding, they drive up costs around race books, they drive up costs around grading, they drive up costs around our veterinary services.

The Hon. LYNDA VOLTZ: You can explain that 25 per cent by an increase in TAB races?

Mr HOGAN: There was an increase in TAB races in the last period of time. The other points that I was getting to was there have been a number of services that were formerly conducted outside the controlling body that have been brought inside the controlling body. A perfect example of that is the provision of veterinary surgeons at TAB meetings. Up until around 2010, that was the responsibility of clubs directly. GRNSW did not employ veterinarians and we did not supply the veterinarians to the track.

CHAIR: Order!

Mr HOGAN: It was paid out of the scheme of distribution, which is not reflective in the GRNSW administrative costs. The reality is that we brought that service in-house. It is a \$500,000 unit, which automatically comes into our costs. There are other issues. For instance, race form is a cost. The provision of vision for websites is obviously a cost, so there have been—

The Hon. LYNDA VOLTZ: Sorry, the provision of?

Mr HOGAN: Race vision. Pictures, the actual—

The Hon. LYNDA VOLTZ: The dogs television?

Mr HOGAN: Yes, the streaming of replays, for instance, which is incredibly important to drafting turnover. Punters want access to data. They want access to replays.

The Hon. LYNDA VOLTZ: That is sponsored by one of the corporate bookmakers, is it not?

Mr HOGAN: No, the race replay service is not sponsored. The race replay service is something we provide under the normal dogs website. The dogs television is sponsored by Sportingbet, which is really more infotainment-style programs, so colour pieces in relation to industry participants, race previews, race reviews, and preview programs.

The Hon. LYNDA VOLTZ: Yesterday we heard evidence from the current President of the National Coursing Association [NCA] that at the time of The Gardens business plan Greyhound Racing NSW—and we would ask if you could send us this documentation—had written that it would provide a low interest or no interest \$5 million loan. Do you have any comments to make about that claim?

Mr HOGAN: The situation is that that was not a legally enforced document.

The Hon. LYNDA VOLTZ: No, sorry, he is saying that the offer was made. Was there ever an offer that was put forward for a \$5 million loan?

Mr HOGAN: That GRNSW would provide the NCA with a \$5 million loan?

The Hon. LYNDA VOLTZ: That is right.

Mr HOGAN: Not in my time.

The Hon. TREVOR KHAN: That is partly not responsive.

The Hon. LYNDA VOLTZ: What I am saying is that yesterday he claimed the NCA received correspondence from Greyhound Racing NSW that it would provide the \$5 million loan for that proposal. I do not want to know if it is in your time. I am happy if you take it on notice to clarify whether GRNSW actually wrote to the NCA at any stage regarding the loan provision.

Mr HOGAN: In my time at Greyhound Racing NSW an offer of \$5 million funding was never made for relation to The Gardens project.

The Hon. LYNDA VOLTZ: No loan provision was ever provided—

The Hon. STEVE WHAN: Or from its predecessors?

Mr HOGAN: My understanding—and I can check the record because The Gardens project goes back before the creation of GRNSW—is that the original loan, or grant—I need to check which it was—was in the vicinity of \$1.5 million towards the initial establishment cost of The Gardens. When GRNSW was created in 2003, it was very clear at that point in time that the funding was not sufficient to complete the project. In 2003-04, GRNSW entered into a loan agreement worth \$2.1 million which was, in effect, a guarantee to a commercial loan, which the NCA had secured with the Commonwealth Bank. I am not aware of a \$5 million bid in the history of that.

The Hon. LYNDA VOLTZ: Does your organisation hold your predecessor's copy of the business plan of that model for The Gardens?

Mr HOGAN: We would need to check the files.

The Hon. LYNDA VOLTZ: Yes. It would be fabulous if you could take that on notice.

The Hon. STEVE WHAN: In your opening remarks you mentioned some of the animal welfare issues and the proposed star-rating system for facilities. The obvious question is would any star be able to conduct an operation, or how would you set the standard and who determines how many stars you need to do the job?

Mr HOGAN: Certainly. There would not be a star that did not meet the minimum standards.

The Hon. STEVE WHAN: One star is a minimum?

Mr HOGAN: The minimum standard would meet the appropriate code of practice. The rating system is something that we would develop in partnership with Greyhound Racing Victoria. As I said, GRNSW launched that on Tuesday in the first period, so as we speak it is talking to the other States in the country, encouraging them to come on board and adopt the strategy that GRNSW has put forward.

The Hon. STEVE WHAN: What external bodies would be involved in that process of determining a rating system?

Mr HOGAN: The actual process is something that GRNSW would need to work through once it secures what States are going to come on board. GRNSW is very confident that all States will come on board. It would seem logical that each State's controlling body consult locally with the appropriate agencies and the appropriate stakeholders. For instance, GRNSW has a very good working relationship with the inspectorate unit of RSPCA NSW, and I would expect that it would be heavily involved, from our perspective, in making sure that what GRNSW is proposing lines up with its expectations. I must say that our codes of practice in relation to the keeping of greyhounds meet the minimum requirements in place under legislation in New South Wales and already meet the standards required of the RSPCA. For instance, GRNSW is definitely not about to set the bar lower than the RSPCA's expectations.

The Hon. TREVOR KHAN: It would be unwise to do that.

Mr HOGAN: Exactly. If anything, it is placing the bar higher because it recognises the success of this industry is critically tied to its performance in relation to animal welfare and the position that New South Wales and Victoria has taken underscores that GRNSW is fully committed and aware of that position.

The Hon. LYNDA VOLTZ: I want to go back to the payments and money. Your organisation allocates money to clubs for administration costs. I assume that is tracks and for them to administer the tracks as part of the club meetings.

Mr HOGAN: That is correct.

The Hon. LYNDA VOLTZ: There have been a number of tracks that have closed over the past number of years, so not one springs to mind. What has happened to those payments for those tracks?

Mr HOGAN: We would use a universal industry budget, if you like, so that money has been used elsewhere.

The Hon. LYNDA VOLTZ: How much would come back from administration costs from the closure of those tracks?

Mr HOGAN: I would have to take that on notice to give you an accurate answer. The payments that have been made to race clubs are tied up predominantly until this year wholly in relation to the number of race meetings that they conduct.

The Hon. LYNDA VOLTZ: If you get rid of a track, those race meetings reduce, so they are either reallocated or—

Mr HOGAN: There was only a saving to the industry budget from a recurrent perspective if the number of race meetings is reduced. If the number of race meetings stays the same and they are reallocated to the remaining tracks and they stay in their C grading, if you want to call it that, then there is no saving to the recurrent budget.

The Hon. LYNDA VOLTZ: So the closure of the tracks has meant that you have made a saving to the bottom line?

Mr HOGAN: It is a difficult question to answer without talking about specifics. So, if we take the Cessnock example in 2004, that was in the midst of the thoroughbred broadcast disputes, which meant that Sydney and Melbourne thoroughbred racing was not broadcasting Sky channel into the retail outlets for a period of time because of the inter-code agreement and the sharing of revenue for the greyhound industry was significantly impacted by that.

The Hon. LYNDA VOLTZ: If those tracks were open today would you have to pay greater administration costs to the tracks than you currently pay, the tracks that are closed?

Mr HOGAN: It would depend on whether or not they were new meetings being allocated to that track or they were the reallocation of meetings to that track.

The Hon. LYNDA VOLTZ: You were giving administration costs to a number of tracks that are now closed. You now do not have to give that money?

Mr HOGAN: That's correct.

The Hon. LYNDA VOLTZ: So that was a saving to the bottom line of your budget?

Mr HOGAN: It depends upon the number of race meetings conducted. We are conducting close to 950 TAB meetings this financial year. So, there is not a saving in terms of administration savings from previous track closures—if you want to call them that—and I would suggest that there have not been a large number of track closures.

The Hon. LYNDA VOLTZ: That is what I am asking. The money from that track that was paid for administration, did it go to different tracks?

Mr HOGAN: Yes. It would have. On the assumption that the meetings are reallocated that is the case, yes.

The Hon. LYNDA VOLTZ: We are assuming that the meetings were reallocated, is that correct?

Mr HOGAN: Well, we need to talk about specific examples to give you an absolute answer, but as I said if you go back to 2004 and have a look at the total number of TAB race meetings that we conducted and compare that to what we are conducting now you will see that we are conducting a much greater number of TAB races. So, yes, we are paying more in administration costs than what we were previously.

The Hon. LYNDA VOLTZ: Are they being held in the city or are they being held in country areas?

Mr HOGAN: The introduction of TAB city racing, which was the last major expansion of TAB racing, was principally in the regional areas. That took TAB city racing for the first time to regions like Dubbo, Grafton and Wagga Wagga—largely country rural areas.

The Hon. LYNDA VOLTZ: Is what you are saying that the growth in TAB racing has been in country areas?

The Hon. TREVOR KHAN: I have difficulty hearing when there are interjections.

CHAIR: I remind people that interjections make it hard for us to hear what is going on.

The Hon. LYNDA VOLTZ: The increase in racing has been in the country?

Mr HOGAN: Predominantly.

The Hon. LYNDA VOLTZ: The allocation of racing has been in the country?

Mr HOGAN: Predominantly.

The Hon. LYNDA VOLTZ: Therefore, the reallocation of those resources should have gone to country tracks?

Mr HOGAN: Country tracks which are running TAB meetings, yes.

The Hon. LYNDA VOLTZ: Therefore, it would not have changed the bottom line of the administration costs that go out to the clubs in your budget, as reported in your annual report?

Mr HOGAN: The costs of conducting TAB racing from a club's perspective are higher than conducting non-TAB racing. We pay TAB clubs more in administration funding than what we pay non-TAB clubs.

The Hon. LYNDA VOLTZ: You have a global amount. You have two administration figures in your annual report: One is for Greyhound Racing NSW and one is for the administration of the tracks?

Mr HOGAN: Yes.

The Hon. LYNDA VOLTZ: The global budget for the administration of the tracks, has that increased?

Mr HOGAN: Yes.

The Hon. LYNDA VOLTZ: Has it increased at the same rate as the administration budget for Greyhound Racing NSW?

Mr HOGAN: I would have to take that on notice.

The Hon. LYNDA VOLTZ: If you could that would be fantastic.

The Hon. STEVE WHAN: I will ask you about the revenue from race fields from corporate bookmakers. There has been discussion today about the potential for more revenue from lifting the cap from 1.5 per cent, which seems to have general support in the joint submissions. What assessments have you done of potential to gain more revenue through changing or lifting that cap and changing those arrangements versus the arguments from the corporate bookmakers that lifting that amount of money would see a reduction in overall levels of betting?

Mr HOGAN: We do not accept the argument put forward that it would result in a decline the level of betting.

The Hon. STEVE WHAN: You do not accept that?

Mr HOGAN: We do not accept that argument.

The Hon. STEVE WHAN: Neither do I.

Mr HOGAN: The reality is that the majority of the additional incremental revenue if the cap was removed, if you want to call it that, would actually be paid by interstate totalisators, not the corporate bookmakers. There are very few corporate bookmakers who are getting caught by the cap at present. Their margins are creeping up and I understand you would have had witnesses before you today from some of the larger corporates who have high margins, but the reality is the majority of that \$5.5 million that we were speaking about at the last hearing, and the majority of the \$2.8 million we spoke about in the first half of this year relates to additional payments, which would be made by interstate totalisators, not the corporates.

The Hon. STEVE WHAN: I understand from evidence the Committee heard this morning that at the moment the calculation for this is not on the turnover, it is on the revenue and that is the choice that Greyhound Racing has made; what is the reasoning behind that?

Mr HOGAN: Simply because without the cap in place it allows them greater revenue streams in the industry. When you sit down and you do the modelling, work through the wagering figures sector by sector and look at the revenue rates the best returns to the greyhound racing industry is under that revenue model. The other advantage of the revenue model is that it does allow you to share in the off-site and it does encourage operators to promote your product because you cannot eat turnover, you can eat revenue. We take a share of that revenue. We take a share that is equal to greater than 1.5 per cent of the turnover. If the margin is the type of interstate totalisator and if your margin is getting to that of the people you were talking to this morning, they are now getting that.

We have no qualms with that model and I think the proof is in the pudding in terms of the wagering performance of our product—over 11 per cent growth in sales and over 13 per cent growth in revenue in the first half of this financial year, in a fairly subdued economy and in a very subdued wagering market, that is an

excellent performance. From a wagering perspective we are doing well. The fundamental issue comes back to the local arrangements, which are locking us into relying on the performance of the other two codes in the State and as you know our positioning is quite clear there, we want control of our own destiny.

The Hon. STEVE WHAN: We will come back to that. If we can stick to the corporate bookies at the moment, if the cap was lifted or removed what potential is there for you to get more revenue from that and have you estimated what model you would use to do that and how much you might actually get?

Mr HOGAN: If the cap was removed we would not change our model. We would continue to charge on the basis of 15 per cent of the gross revenue with floor of 0.75 per cent of turnover. The cap will simply allow us to capture that whole 15 per cent of margin, which the cap is cutting into at the moment. With the current modelling, in the current financial year, it is around \$5.5 million in revenue. I can provide on notice estimates going forward if that would be of assistance.

The Hon. STEVE WHAN: That would be useful if you could take that on notice.

CHAIR: That is on your blog on the web site?

Mr HOGAN: In relation to this current financial year, yes.

The Hon. STEVE WHAN: If you could give us the forward figures estimates that would be good. Has there been renegotiation or new provisions on the inter-code agreement since you have been involved?

Mr HOGAN: Yes.

The Hon. STEVE WHAN: That greyhound signed off on?

Mr HOGAN: Yes.

The Hon. STEVE WHAN: Why hasn't the issue of the share been discussed in the process of those negotiations?

Mr HOGAN: It has and it has not been a position accepted by the other two codes. You come back to the obvious question: why do you just not agree.

The Hon. STEVE WHAN: Which seems to be what the other codes did to you at the start?

Mr HOGAN: The last obvious example of that is in relation to the introduction of Trackside where we were, if you like, playing hardball in terms of the associations and what happened is that there was a provision inserted into the Totalisator Act which allowed the Minister to amend the inter-code racing distribution agreement basically if we did not agree.

The Hon. STEVE WHAN: With regard specifically to Trackside or with regard to broader matters?

Mr HOGAN: The way it was drafted it could have been used for any provision in those agreements.

CHAIR: Can you take that on notice and give us the clause? That is very interesting.

Mr HOGAN: Absolutely.

Dr JOHN KAYE: I have not heard that before. When did that happen?

Mr HOGAN: Just prior to the election.

The Hon. LYNDA VOLTZ: On the expansion of Randwick.

The Hon. STEVE WHAN: We had evidence yesterday from Mr Magin, which essentially said that when the original agreement was negotiated harness racing effectively stood up and said we do not have to accept the figures of shares they were initially presented with and left the room.

The Hon. TREVOR KHAN: That was thoroughbred.

The Hon. STEVE WHAN: No, it was harness

CHAIR: It was harness; it was Mr V'Landys.

The Hon. STEVE WHAN: It seemed to be a very effective negotiating strategy. Is it your view that perhaps greyhounds has acquiesced a bit too much in some of the negotiation of this contract over the years?

Mr HOGAN: If legislation is put under your nose which basically forces your hand it is very difficult to resist. When you go through the history of the amendments, they have related to issues such as the sale of TAB Limited to Tabcorp and that also represented additional income to the racing industry.

The Hon. STEVE WHAN: At least two of the amendments were to do with the actual review process as well, were not they?

Mr HOGAN: The 15 year review clause has not been amended in 15 years. That has not, to my knowledge, been subject to redrafting.

The Hon. STEVE WHAN: We probably cannot talk about that any more here.

The Hon. TREVOR KHAN: Ms McGregor, could I ask you this, did the board consider Mr Landa's proposal for a review of swabbing procedures and, if so, what was the outcome of that consideration by the board?

Ms MCGREGOR: The board did not consider it formally, no.

The Hon. TREVOR KHAN: Informally?

Ms MCGREGOR: Let me explain. Mr Landa was in negotiations with the chief executive around the time the new board was appointed. I met with Mr Landa and invited him to come to the board meeting and explain it and we could discuss it. In between the time of a letter from me inviting him to attend a board meeting and the board meeting he resigned.

The Hon. TREVOR KHAN: Mr Hogan, is there a series of emails between yourself and Mr Landa on this subject?

Ms MCGREGOR: We have some here.

Mr HOGAN: Yes, there are.

The Hon. TREVOR KHAN: If it is easier you can take it on notice and provide us with copies of those emails?

Mr HOGAN: We have them here now. We can table them now.

The Hon. TREVOR KHAN: That would be excellent.

Ms MCGREGOR: The correspondence, the letter of resignation and my letter to him, is not here, but we can provide that.

The Hon. TREVOR KHAN: Could I ask you a further question, Ms McGregor, what protocols do the board have in place with respect to its staff in relation to staff betting on race meetings?

Ms MCGREGOR: Are you talking about the board or Greyhound Racing NSW staff?

The Hon. TREVOR KHAN: I am talking about the staff?

Ms MCGREGOR: I might ask Mr Hogan to answer that.

The Hon. TREVOR KHAN: I am asking what the board's position is? What the board, being the governing body, does to control staff?

Ms McGREGOR: We do not control the staff. The chief executive controls the staff.

The Hon. TREVOR KHAN: You have no protocols in place?

Ms McGREGOR: There is a staff code of conduct that Greyhound Racing NSW has in place.

The Hon. TREVOR KHAN: Mr Hogan?

Mr HOGAN: The code of conduct is clear, any staff who are in an integrity role or have the potential, real or perceived, to influence the outcome of a race are not to bet on New South Wales greyhound races.

The Hon. TREVOR KHAN: Does that mean that staff of Greyhound Racing NSW can bet on race meetings?

Mr HOGAN: Yes, non-Greyhound Racing New South Wales meetings, yes.

The Hon. TREVOR KHAN: We are talking about the dogs, they cannot bet on dog meetings?

Mr HOGAN: Not staff who are employed in a regulatory position—that side of the organisation—or staff that are in a role which is involved in race day operations or could be perceived to influence the outcome of a race. Any staff member who is in that line of work is strictly prohibited from betting on New South Wales greyhound races.

The Hon. TREVOR KHAN: What oversight capacity do you have with regard to the enforcement of that code?

Mr HOGAN: There are declared statements of any accounts in terms of people are required to detail what betting accounts they hold. Given our relationship with the racing authority from an integrity perspective we are able to second, for want of a better term, the records and have them checked. We have in our time actually had the Internal Audit Bureau do that for us and have a look to ensure and to, if you like, give me some comfort that the level of probity was in place and was being met.

The Hon. TREVOR KHAN: How regularly is that done?

Mr HOGAN: That would have occurred formally by IAB I think it was around 18 months ago when a formal review was put in place and systems for that to occur were put in place internally, if you like. They do not just stretch from betting records, it also stretches to our capacity to monitor calls to and from mobile phones that are GRNSW property, and the tracking devices that we have in GRNSW vehicles. All of the GRNSW integrity staff have GRNSW vehicles. They are all fitted with tracking devices which then link back to the database so we can cross-reference, if you like, if there are any repeat or irregular visits to licensed persons which would cause us concern. We have systems in place to review and look at that. I am fairly confident that when you look at it from a broad probity perspective, and given the experiences that we have seen in New South Wales Greyhounds around 1999-2000 and what we have seen interstate that we have put in place a number of mechanisms to give us every opportunity to be ahead of the game in that regard.

The Hon. TREVOR KHAN: Is anyone currently employed by GRNSW who is the subject of charges for fraud or the like?

Mr HOGAN: Not that I am aware of.

The Hon. MARIE FICARRA: When was the joint strategy of Victoria that you outlined released publicly?

Mr HOGAN: Wednesday.

The Hon. TREVOR KHAN: Yesterday when you were on the bus.

The Hon. MARIE FICARRA: This was a joint strategy with Victoria and GRNSW has had a strategic planning processes consultation. Was the joint strategy that you released yesterday discussed during your regional consultation that you had in November/December?

Mr HOGAN: The specific issues were discussed. In those forums issues around whelping, issues around participants saying to GRNSW that what we think is important from a welfare perspective is that you look at the standards in place at the whelping and rearing stage. That was in the feedback that we were receiving—issues around the promotion of racing opportunities across all distance ranges. That was in the feedback given to us. Issues were identified. Did GRNSW say, "We may do that in a coordinated fashion with Victoria." No, we did not. It was more about identifying what are the issues, what are the potential solutions and a fair bit of that feedback is reflected in the plan going forward.

The Hon. MARIE FICARRA: It is an indicator to me that there seems to be a big surprise that this was released yesterday. It is fairly comprehensive from what you have outlined. Three complete sectors and directions and they sound admirable. The Committee is interested to know how much consultation took place. Will you provide the Committee with your process on community consultation during the past three years? How have you consulted with the industry that you represent? What are the processes and the number of people who may have attended those meetings? There seems to be incredible concern about a lack of consultation with your participating members. Will you provide the Committee on notice that detail? I would have thought you would have extensively consulted with them prior to releasing this strategy with Victoria. It seems that this inquiry was called and has gained traction and suddenly a joint strategy has been released. Am I being cynical?

Mr HOGAN: With respect I would put you in the cynical basket in that regard. The reality is that welfare has been a central issue for GRNSW since it was created in 2009. We inherited no real information technology systems to capture data, no real initiatives in place to do anything from an animal welfare perspective and we have set about putting that in place. The missing piece of the jigsaw which both New South Wales and Victoria have recognised was a unified national approach. We had been working through Greyhounds Australasia which is the national body representing all States of the country to develop that. Last year we came to the view that the best way to advance that was for the two major States in greyhound racing to come together and reach a position that we could both agree. That was the best way forward to achieve national consensus.

The initial reaction from our counterparts has been extremely positive. I think we will achieve that. The timing of this inquiry, as seemingly convenient as it is, is just that. That process has been underway for some time. A number of those initiatives, particularly if you go to the star rating system around whelping and rearing facilities, the dominant feedback we continue to receive from owners and trainers was that the initial stages in the development of the greyhound was the most critical in ensuring that it has the best opportunity to get to the track. We were encouraged by those people to put in place a system to improve that. We have not said, "Here is the star rating system and it is going to be 5, 4, 3, 2, 1 and this is what each section is going to mean". Clearly that level of policy detail still needs to be developed in consultation with all of the States that have signed up to our approach and to the stakeholders in each one of those States, and that will occur.

Ms MCGREGOR: Can I add to that? During the consultation process, and since this inquiry has had traction, there has been a lot of negative publicity about participants and treatment of animals which we would reject wholeheartedly. The over-riding message in the consultation process from our participants was what is going on? We do not treat our animals badly; we treat them well. So we are simply listening to that as well and as Brent said, continuing to develop welfare initiatives to protect our participants and the animals.

The Hon. TREVOR KHAN: There has been a submission, and also comment made this morning, with regards to an incident when three greyhounds died at Dapto on 10 April 2013. There seems to be a degree of conjecture as to any investigation that is apparently going on. Can you describe to the Committee the nature of that inquiry, when it was initiated and where it is up to?

Mr HOGAN: That was initiated by me the day after.

The Hon. TREVOR KHAN: Do you say on 11 April?

Mr HOGAN: Yes. That was completed internally within our integrity and veterinary units. The circumstances in which those greyhounds died were ultimately not found to be at fault of the track preparation or any pre-existing condition in those particular greyhounds that succumbed to injury that night. It was one of

those "freak" nights of coincidences from that perspective. I am happy to take part of the question on notice in terms of the finalisation of that report.

The Hon. TREVOR KHAN: I would invite you, and if you are able to, will you provide the Committee with a copy of the report simply because certain allegations have been made in one submission with regards to it and I would like to clear that up.

Mr HOGAN: Yes, we will do that.

The Hon. TREVOR KHAN: Also this morning reference was made to a dog that died at a meeting at Richmond which I think was Pappali. I think Mr Scott has been present all the time and probably knows better than I do, but it was suggested that on the records the dog was shown to have had a broken hock, leg or the like and in fact the dog had died. That is, there was a suggestion of substitution or wrong description of what actually happened to the dog.

The Hon. LYNDA VOLTZ: I do not think that is true.

The Hon. STEVE WHAN: I think the allegation was that the report said it had been rested and it had been destroyed at the track.

The Hon. TREVOR KHAN: Yes.

Mr HOGAN: I am happy to take that on notice and come back to you on what was the particular circumstance.

The Hon. MARIE FICARRA: I refer to the joint strategy with Victoria. I know you are very keen to get nationwide participation by getting all the other States on board and you are fairly confident that that will occur. Will you take us through the process? At what stage will you provide more detail to industry participants? They are wondering what core competencies, reading practices and new inspection practices, compliance, tiered licensing mean. What process will happen from this point on?

Mr HOGAN: Our immediate focus is on gaining the support of those other States. Greyhound Australasia has a meeting in Sydney in early March. It is an issue that GRNSW and GRV are taking to that meeting to seek national endorsement at that meeting. That is our immediate focus. From there when the parties start to sign off, to put it in those terms, we would develop the work plans. As we have said in the strategy document itself, this will not happen overnight, it is a three year plan. We sign up those people, we agree the work plans and we agree on the priorities with those people who are participating and then we set about developing the actual detail of each one of those initiatives.

The Hon. TREVOR KHAN: Is that an invitation to simply achieve an outcome that satisfies the lowest common denominator?

Mr HOGAN: I do not believe so. New South Wales and Victoria are taking a very firm view about what needs to occur and that is outlined in our policy document. I suppose, if you like, what are we negotiating? We are negotiating the implementation process. That will occur with full consultation with each State that is participating. The best example of that is the number of specific issue consultation and information sessions that we have conducted over the past year or two. As we speak at the moment, there are ongoing sessions about treatment records. One of the things that came into place in the national rules now is the requirement for trainers to keep a record of all substances administered to their greyhounds.

We have staff travelling around the State at the moment doing workshops with trainers, taking them through what is required, showing them how they could potentially do it, helping them with any questions they have about what is best and what is not in terms of how they should approach that. We will hold similar workshops around these types of issues. This is not going to work if work do not get buy-in from key industry stakeholders, the most important being the owners and trainers. If we do not get buy-in to this strategy then it will not work and we are fully aware of that. We are committed to working with all relevant parties to see this through because we both recognise that the ongoing success of our industry is tied closely to us achieving excellent outcomes from the animal welfare perspective.

The Hon. TREVOR KHAN: We visited the gardens yesterday. How much has GRNSW poured into the gardens?

Mr HOGAN: If I can step you through from a time line perspective, the initial \$1.5 million grant from our predecessor, if you like, the \$2.1 million loan guarantee which was ultimately all used up, going back to late 2011 or early 2012 GRNSW acquired a 70 per cent interest in the gardens for around \$1.2 million mark which represented 70 per cent of the independent valuation of the property at the time. In the past 12 months with the demise of the NCA, we acquired the remaining 30 per cent of the property for the remainder of that valuation, so some \$400,000-odd in that process. If you like, that has been the significant capital injections. Obviously along the way, like all clubs, we provide recurrent funding for their administration, we provide maintenance funding for the upkeep itself.

The Hon. TREVOR KHAN: In a capital sense, how much do you say you put in?

Mr HOGAN: I am just doing the maths very quickly. It is probably around \$5.5 million but I will confirm that.

The Hon. TREVOR KHAN: I am not being rude.

Mr HOGAN: I am just trying to add up the figures.

The Hon. LYNDA VOLTZ: They are: \$1.5 million, \$2.1 million, \$1.2 million plus \$400,000.

The Hon. TREVOR KHAN: I think at least in my case, it may have been from other members of the Committee, when I went there yesterday I had a certain expectation as to what we would see and perhaps we were left somewhat deflated by the experience. You say you had an independent valuation as to the value of that property?

Mr HOGAN: Yes.

The Hon. TREVOR KHAN: Can you build anything else on it apart from a soccer stadium?

Mr HOGAN: I am happy to also table that independent valuation which deals with those issues.

The Hon. LYNDA VOLTZ: Who was the land purchased from?

Mr HOGAN: My understanding is it was formerly the home of the Hunter Mariners and a local soccer club before that in the national league. It was purchased from the operators of those and again that was before GRNSW and I would have to confirm the record.

The Hon. TREVOR KHAN: It was a failed soccer stadium, in essence?

Mr HOGAN: So I understand.

The Hon. LYNDA VOLTZ: How much was paid for the land?

Mr HOGAN: I would have to confirm that in terms of what the NCA paid for it. I will take that on notice.

The Hon. LYNDA VOLTZ: The \$2.1 million loans, in fact, are part payment on the 70 per cent share, and that money came from the release of the money from the court funding it?

Mr HOGAN: The \$2.1 million goes back to the agreement that was put in place in around 2004, which essentially provided in the first instance a funding guarantee mechanism to satisfy the requirements of the National Coursing Association's banker.

The Hon. LYNDA VOLTZ: Your 2011-12 annual report says that the \$2.1 million loan was a part payment for the 70 per cent share and it was made available because of the release of funding by the High Court—

Mr HOGAN: The \$2.1 million was extinguished. I would have to check the language. I am not aware that that would say—

The Hon. LYNDA VOLTZ: I have just read the annual report and that is what it says.

Mr HOGAN: I do not have that in front of me to refer to confirm one way or the other.

Dr JOHN KAYE: Do the maths for me. You say that \$1.2 million was 70 per cent of the value of The Gardens.

Mr HOGAN: I would have to—

Dr JOHN KAYE: That means that the total value of The Gardens was \$1.7 million, for which you poured in \$6.2 million. Was there a point at which Greyhound Racing NSW was throwing good money after bad?

Mr HOGAN: The valuation is not based on it being a greyhound racing stadium. The reality is that if you applied that metric to any racecourse in the country it would fail. We were investing in very activity-specific infrastructure. Money invested in the racetrack itself and in the kennel block was not going to be recaptured in an alternative use valuation.

Dr JOHN KAYE: That is a fair enough point. If the land value plus the stadium that was there was worth, say, \$1.7 million, are you saying that the additional infrastructure was worth an additional \$4 million?

Mr HOGAN: I can provide the Committee with the specifics, but it would be.

Ms McGREGOR: We probably need to provide a timeframe as well. The \$1.7 million valuation was undertaken, I think, in December 2011 or about that time. You need to look at the money that went in after that.

The Hon. TREVOR KHAN: But you would have obtained more than one valuation.

Ms McGREGOR: I am aware of only one, but I am sure there was one before it was purchased by the National Coursing Association.

The Hon. TREVOR KHAN: As this money that you were throwing it was accumulating surely you were asking the question.

Ms McGREGOR: I am only aware of one valuation.

The Hon. LYNDA VOLTZ: You said that the \$2.1 million loan was part of the original agreement to get the original \$1.5 million.

Mr HOGAN: No, the \$1.5 million grants allocation was organised by the former authority before Greyhound Racing NSW existed.

The Hon. LYNDA VOLTZ: That is right.

Mr HOGAN: Greyhound Racing NSW's first action was the \$2.1 million loan of guarantee from the Commonwealth Bank.

The Hon. STEVE WHAN: Which you then converted into equity in the stadium.

Mr HOGAN: Yes.

Dr JOHN KAYE: As is your right, you are quite critical of my view that the industry's commercial and regulatory functions should be separated, and you rely on the failure of the pre-Greyhound Racing NSW system to support that view. I will put that to one side. I am sure that you would be aware that Greyhound Racing NSW is not popular in the industry. Members of the Committee have been around a number of industries and we know when we come across a disgruntled minority. That is not the case here. I put it to you, Mr Hogan, that there is substantial disquiet with Greyhound Racing NSW and that that disquiet focuses on a conflict of

interest issue. That particularly shows up as allegations of bullying and retribution against people who stand up and speak out against a decision made by Greyhound Racing NSW and also cronyism. You may reject those allegations, and I expect you would. How are you going to restore confidence? If you do not separate those two functions, if you do not create a wall between the capacity to punish people through the regulatory system from your commercial activities within the system how will you rebuild any degree of confidence in your organisation in this industry?

Mr HOGAN: Restoring the confidence of the participant base is about ensuring that their participation in the sport is sustainable. The fundamental underlying issue with all the participants you are hearing from comes back to money. The reality is that they rightly look to Victoria and see a much more financially robust and attractive industry that is \$40 million of better off than New South Wales. That is the principal driver of disquiet in this industry. That goes to the very heart of prize money returns and everything we can do from a Greyhound Racing NSW perspective. I would absolutely categorically reject the suggestions you are making in relation to the conduct of Greyhound Racing NSW.

Dr JOHN KAYE: With respect, you say it all comes back to money. But Greyhound Racing NSW and the participants in the industry and their clubs are all on the one page—everybody thinks the inter-code agreement is bad and that it needs to be reformed. I disagree with you. Perhaps you need to read the evidence we have received. It is not just about money; it is about the behaviour of certain people in the industry and the way they have tended to victimise those with loud voices. You might not believe that is true; I do not know. I am not passing judgement. However, I am asking you how you will address those issues.

Mr HOGAN: Again, I reject those allegations and I would like to take on board the evidence of such activity. I categorically deny that that is the case. If there are actual cases, certainly bring them forward.

Dr JOHN KAYE: We have. We have evidence and we have received more than 1,000 submissions, and a substantial number were from people outside the industry who are concerned about welfare issues. However, a large number were from people who are concerned beyond the financial issues. I believe there is consensus on the financial issues. People are deeply concerned about the behaviour of Greyhound Racing NSW and particularly the way in which it exercises regulatory functions to achieve its own commercial ends. You can respond to those allegations and I would personally welcome a submission from you dealing with them. That is not what I am saying. It is a question of confidence in your administration.

Mr HOGAN: I do not agree with your assessment. The reality is and the submissions show that the vast majority of race clubs have full confidence in Greyhound Racing NSW going forward. They are firstly the primary delivery agents of racing activity. The Committee has certainly heard from a number of participants who are disgruntled with the current state of affairs in this industry. If you trace that back to the root cause, it comes down to prize money, allocation of race dates and the allocation of scarce resources.

Dr JOHN KAYE: And also to the treatment of people who spoke out against the way you are managing that situation.

Mr HOGAN: As I said, I categorically reject that. I will take on notice any actual evidence of such activity and respond to it. I refer back in time, just a few years, to when race fields legislation was enacted and Greyhound Racing NSW adopted the revenue model. That allowed it to deliver overnight a significant prize money increase. There was not an overwhelming amount of disquiet within the industry. Since that time, our capacity to continually deliver prize money increases has been hampered. When you are struggling financially to deliver those constant increases and as participants' costs rise and they are struggling, they expect us to keep prize money moving at a pace that will allow them to continue to participate. No doubt that is a struggle given the current financial model. The root cause comes back to money.

Dr JOHN KAYE: Mr Hogan, I thank you for that answer. It is a large task, but I would like you to respond to the issues raised by greyhound industry participants that are not necessarily directly related to money. The issues relate to the behaviour of your organisation and the stewards, and particularly their behaviour towards people who have spoken out against decisions you have made. I refer to the joint statement that you issued yesterday. I accept you at your word that it was a coincidence that it came out the day before you were to appear before this Committee.

In April 2011 you published a code of practice entitled "Greyhounds in Training". It states that it is acknowledged that the specific needs of greyhounds vary throughout their lifecycle and that separate codes of

practice will be available to define the requirements in the following areas, including breeding, rearing and education. I asked the animal welfare witnesses this afternoon whether they had seen those documents or whether they had been asked about any of those areas and they all said that they had not, including the RSPCA, with whom you have an animal welfare memorandum of understanding. I looked on your website and I cannot find them there. In fact, no-one to whom I have spoken can show me those documents.

Where are those documents and why have three years gone by without any trace of them? There has been no consultation about those documents. Your media release yesterday said that you and your Victorian colleagues will adopt a landmark animal welfare strategy that will drive improvements in all areas of animal welfare, including, breeding, racing, rehoming and participant education. Are you not simply recycling at a moment of stress rather than really dealing with these issues?

Mr HOGAN: I will take a step back and talk about the breeding code of conduct. There is in place across all breeds of dogs a code of practice that commercial breeders must meet. We inspect and work to that code of practice. That is not unique to greyhounds; it does not matter if you are breeding greyhounds, Collie dogs—

Dr JOHN KAYE: That predates April 2011. You cannot hide behind that to deal with your 2011 commitment.

Mr HOGAN: If you will allow me to answer the question, that is the code of practice that we are using in breeding establishments. Our work going forward will be about lifting the bar above that. In relation to education, we been working extremely closely with TAFE NSW, and in particular TAFE in the Hunter, to develop training resources and a pilot training program to deliver that vocational training, which will be tied to competency-based training going forward. That pilot was run last year with TAFE NSW and will feed into what we will do nationally under this new strategy. Victoria likes the certificate II work that Greyhound Racing NSW has done with TAFE NSW and will be taking it on board. Similarly, Victoria has developed training programs around breeder competencies and we will be utilising its resources. We will not duplicate the good work that has already been done in different States; we will pool resources. Coming back to your original question—what have we done about a breeders' code of practice and education—I wholeheartedly reject the suggestion that we have done nothing.

Dr JOHN KAYE: But there is no code of practice. You talked about a TAFE course and other things you have done, but not a code of practice, which you said you were developing in April 2011. A TAFE course is not a code of practice. I think I know the difference between the two.

Mr HOGAN: The reference to education relates to the delivery of vocational training.

Dr JOHN KAYE: But there is no code of practice:

CHAIR: Mr Hogan, you said—and I think we are probably all on the same page—that lack of money is the root of all evil in the racing industry and the lack of fair distribution of market share. I am sure I agree with the basic assumption that money solves all evils and that if you have plenty of money obviously everything is sweet. However, we all get a certain budget and we must work within it. The Committee has heard evidence from participants in the industry that life would be a lot easier and they would be able to develop their dogs and race more and so on if the prize money were better. I have heard a lot about strategies on all sorts of things, but I have not heard anything about a strategy on increasing prize money. What is Greyhound Racing NSW doing to increase prize money and bring the level of prize money in New South Wales up to a level that is at least even semi-competitive with a market like Victoria so that we do not lose all our best dogs in New South Wales to Victoria?

I have heard a lot about spending money on racetracks. I have heard a lot about tipping millions and millions and millions of dollars into the hanging gardens of Babylon up there at Wallsend. I have heard all sorts of other money being spent. I have heard about the overheads of Greyhound Racing NSW going up, but I have heard absolutely zero from Greyhound Racing NSW on what your strategy is to get prize money up to a level that makes us competitive with our major competitor, which I guess is Victoria?

Mr HOGAN: When you get back to—and I am pretty sure I led this evidence on day one of the hearing—looking back over the last five years at what was an increase in revenue—

CHAIR: No, we have the evidence. What I am saying, I guess by implication, is that that still is not sufficient. I said: Have you got a strategy for getting us to a level where we are going to be competitive?

Mr HOGAN: The first plank of that strategy must be getting the funding system right to start with. That has two elements.

CHAIR: Yes, I know that. This industry has been labouring under that arrangement for over 15 years. What has it been doing in relation to that to get as to where we want to be? Another question is, for example: Does Greyhound Racing have a quality improvement program within its organisation? When you are running an organisation that is an overhead, just putting more people on is not necessarily the answer to the problem you are trying to deal with.

Mr HOGAN: Certainly. If you have a look at our history, that is definitely not the solution that we have delivered. Let us look at what work we have been doing in the corporate sector of the wagering industry. You have to come back to the point that 99 per cent of revenue that we receive as an industry comes from wagering. What strategies have you got in place to grow wagering returns? You would have heard, I assume, this morning from the wagering operators in the corporate sector that they have extremely good working relationships with us. We have put in place arrangements in place around data supplier, our form supplier and our vision supplier.

CHAIR: With respect, that is not the question. My questions really relate to: What are you doing internally to run your organisation more efficiently? Everyone talks about "If we keep chasing the growth of the market, everything will be fine." But what if you cannot grow the market?

The Hon. TREVOR KHAN: What if you cannot get a change in the indicator?

CHAIR: That is exactly where I was going. If we write the greatest report under the sun—

The Hon. MARIE FICARRA: Which we will.

CHAIR: Thank you, which we will—and we get nowhere with it because the Government is not prepared to make any changes, what is your strategy? Putting that scenario in place, what is your strategy to get prize money up to a level? I would have thought that the whole thing starts with prize money and the participation rates of the people who actually provide the dogs to run the races. Without them, you have got nothing.

Mr HOGAN: If you come back and have a look—let me use a project to demonstrate what we are doing with our strategies going forward. We put in place a strategy called Project Visio not long after—within two years—we took over the regulatory functions of this board. What that entailed was instead of sending multiple stewards to a racetrack, sending one, and bringing the vision back into a control room in Rhodes, and letting us use resources more efficiently. Instead of sending two people to Newcastle, we send one and we have one person in the control room who can cover back-to-back meetings. That is immediately eliminating headcount, if you like, in terms of your coverage of meetings. We have also provided a number of integrity benefits in terms of access to data and access to wagering fluctuations and that type of thing.

The other thing that it did from a commercial perspective was put in place infrastructure for the first time that would allow us to bring the vision of those races back in our own pipe, if you like, separate to Sky Channel, so we were not reliant on a third party commercial contractor in relation to vision. What that means going forward is that we have put the code in a position where it can exploit itself, its vision. Vision is critical to wagering. You really do not sell wagering rights. You sell vision and you sell data. The wagering operator provides the wagering outcome. We now are in a position to sell that vision independently and not rely on Sky Channel.

CHAIR: Again, I am just an old-fashioned old accountant. I tend to look at overheads and try to work within the budget I have. I think upselling and getting the thing to operate on a larger turnover is highly commendable and that is what we should try to do, but I still have not heard an answer from you to my original question on what strategy you have would in place to try to increase prize money to a level that will make us competitive. I have another question: What proportion of your revenue dollar goes into prize money? How does that compare to Victoria?

Mr HOGAN: I can provide you with that breakdown. I am having to provide that breakdown to you on notice. The answer to your question that I was providing is that prize money is the outcome. In the racing industry, prize money is your net profit. You have got two levers to drive: Cost or revenue. The example I was taking you through was designed to drive revenue and to control cost. It was a two-pronged example. All your strategies in place to ultimately deliver prize money outcomes come back to cost management and revenue growth. They are the two levers that we have at our disposal to influence prize money.

The Hon. LYNDA VOLTZ: I am sorry, so that saved money, did it?

Mr HOGAN: Yes.

The Hon. LYNDA VOLTZ: So your administration cost went down the next year?

Mr HOGAN: It took our headcount, yes.

The Hon. LYNDA VOLTZ: It took you headcount down, but your costs actually went up.

Mr HOGAN: I can provide you with a breakdown of the savings that were achieved through that initiative. I can provide that to you.

CHAIR: If you could do that, please take it on notice too, please. During previous questioning when we talked a little bit about The Gardens and the amount of money that was tipped into The Gardens, I have to say that my personal view is that I was very disappointed by the facility when I went there. I mean, I do not think it has had a coat of paint on it in god knows how many years. I do not know where all the money has gone, to tell you the truth. But just getting past that, what are your future plans, since effectively you are the owners of The Gardens now. What are you going to do with it?

Mr HOGAN: We are mid-stream through a process at the moment to determine a new operator to put in place a new race club. When I say we are mid-stream, we called for expressions of interest in December. An initial document was received from three applicants. They have now progressed to the next stage of that process, which is a competitive dialogue process. That involves them sitting down and obtaining access to financial information, et cetera, and putting into Greyhound Racing NSW a formal bid, if I can call it that, for the racing rights to run at The Gardens. That process will conclude at the end of March. A decision will be made by the board at that point about a race club to operate at The Gardens going forward.

In relation to our ownership of the venue, we are not in the business of owning racetracks as Greyhound Racing NSW. We have made clear in the tender documentation that we are open to proposals around either the full acquisition of the property by the new club, or the lease of the property by that club. That will obviously be determined upon the business plans.

The Hon. TREVOR KHAN: Of course they will have to lease it. At the very least, they will have to lease it, surely.

Mr HOGAN: Yes. It is one or the other, but what I am saying is that we are not tied to the principle that Greyhound Racing NSW will own the property going forward. We are happy to sell.

CHAIR: Have you made provision for a loss on your books in relation to that acquisition and subsequent disposal?

Mr HOGAN: Not in relation to the value which the property is carrying in our books on it, no.

CHAIR: Just going quickly to the role of the integrity auditor, are you actually satisfied with the role that the integrity auditor is carrying out at the moment—or, not at the moment, but since that role was created in 2009—and what it is doing to the industry?

Mr HOGAN: What we have clearly recognised today is that there are issues that come back down to the fundamentals in the legislation. The powers and functions are not clearly defined enough to allow that position to act independently and decisively.

The Hon. TREVOR KHAN: But you knew that. You knew that before today. We obviously articulated that and that has been communicated to you. But if you accept what Mr Landa said to us, for a start he felt that the rug was pulled out from underneath him in terms of an inquiry into the swapping. That is what he was telling us. That seems to be the reason for his resignation.

Mr HOGAN: I would urge you to review the email chain, which we will table. The reality is, I think—

The Hon. TREVOR KHAN: His evidence is incorrect, is it?

The Hon. LYNDA VOLTZ: Yes. They have already said that.

Mr HOGAN: I was not here to hear his evidence, but I would urge you to read the email chain. The reality is that there were issues around cost and getting the process right. The board had invited him to meet with the board and to work through those issues. Mr Landa determined to resign from the position before that occurred.

CHAIR: What you are, I suppose, incorrectly asserting is that Mr Landa is making mischief. Is that what you are saying?

Mr HOGAN: I am not here to talk about the character of Mr Landa, but I am happy for the emails to speak for themselves.

CHAIR: Do you believe that the integrity auditor's position is sufficiently financed and staffed? Are his or her contact details readily available to anyone in the industry who wants to make a complaint?

Mr HOGAN: Yes, they are published where you would expect to find them. If you go on to our website—

CHAIR: Does he have an annual budget?

Mr HOGAN: Yes.

CHAIR: How much is it?

Mr HOGAN: That is covered by the retainer. The retainer agreement—my recollection of the current integrity auditor—is around the \$40,000 mark, plus an hourly rate for actual work.

CHAIR: I am talking about an operating budget. If he wants to conduct an inquiry, does he have to come and ask you, "Excuse me, but I think this inquiry is going to cost me \$50,000. Will you give me that money?"

Mr HOGAN: No. He has an agreed hourly rate in that agreement, so if the matter is a matter for the integrity auditor to investigate it falls within the powers and the scope of the legislation, he undertakes that work and he charges in accordance with that agreement. It is not for us to say yes or no. It is captured by the agreement. If the complaint meets the criteria of the Act, he investigates.

CHAIR: I put to you that that is at odds with what Mr Landa said this morning.

The Hon. TREVOR KHAN: Directly at odds.

CHAIR: Directly at odds.

The Hon. MARIE FICARRA: In other words, you as the chief executive officer and the board have no power to stop him or her, whoever it is, investigating if it falls within the parameters of what they are able to investigate. You cannot stop them.

Mr HOGAN: Exactly. The issue with Mr Landa came down to own-motion inquiries about issues that were not subject to a complaint or were not referred him by Greyhound Racing NSW. They are the two bases upon which the integrity auditor can act under the current legislation.

CHAIR: Okay. Getting back to Mr Landa, was there a written charter of the integrity auditor's role within the organisation when he started? Is there one now?

Mr HOGAN: The role, powers and the function is as per the Act. That is the guiding principle used. Integrity auditors—all three who have held that position—have put in place processes and published processes for how they would deal with complaints and how they will progress an investigation.

Ms McGREGOR: And we can send that.

The Hon. TREVOR KHAN: Are you saying that Mr Costigan put in place a regime to deal with complaints?

Mr HOGAN: He definitely had a process in place. I am not here to say that Mr Costigan obviously fulfilled that role in accordance with that process he put in place, but there was a process in place. He failed to follow that through.

CHAIR: Is there a list of current investigations on foot at the moment?

Mr HOGAN: We receive a report monthly from the integrity auditor telling us if he has received any complaints and how many active investigations he has. The last report received was in January and there were no complaints and no active investigations.

CHAIR: Okay. Just going to Wentworth Park, Greyhound Racing NSW took on board—I suppose you were required to do it anyway—the Race Development Fund's \$6.5 million loan. How do you propose to repay that over the next 30 years?

Mr HOGAN: We do not owe a loan. The \$6.5 million, we would argue, is owed to us. It is a liability that sits in the accounts of the Wentworth Park Sporting Complex Trust which is owed to Greyhound Racing NSW. That has been a matter that has been subject to dispute since privatisation. We contend and we say that the annual report of the trust provides evidence of that. They have a debt that is owed to us and they recognise that. They argue that it is actually not real and they do not owe us that money, but it is not money that we owe the trust. It is the reverse. It is money that we argue they owe to us.

CHAIR: So we do not know whether it is a debt. You do not know whether it is a liability or an asset, or they do not know whether it is a liability or an asset?

Mr HOGAN: We are very clear in our view that it is a debt owed to us.

Dr JOHN KAYE: Is that a view the trust holds?

The Hon. TREVOR KHAN: No.

Mr HOGAN: No.

CHAIR: No. That is what he is saying.

Ms McGREGOR: But the trust does not say that we owe it to them though.

Mr HOGAN: No.

Dr JOHN KAYE: It is a pretty fundamentalist view, really, isn't it.

The Hon. LYNDIA VOLTZ: Yes, but it has been around for a long time. It has been around forever and ever.

The Hon. TREVOR KHAN: It is either an asset of Greyhound Racing NSW or it is something that does not exist at all? Those are the two positions?

Mr HOGAN: Yes, it is either 6.5 or zero.

CHAIR: Regarding swabbing, both Harness Racing New South Wales and Racing New South Wales have greater than 20 per cent of starters and Greyhound Racing NSW had about 5.5 per cent of starters. Can you comment on that discrepancy?

Mr HOGAN: Yes, if you could compound numbers within the greyhound code, we would lead the way. Percentages obviously come down to real numbers. It comes down to the number of starters that we have going around and the number of races that we conduct. If you compare us, on a first starter ratio, to the other two codes, yes we are wide and that is the case nationwide. Our figures, when you compare us within the greyhound racing industry, are very favourable. It also comes back to cost. Doing what we do at the moment, costs us \$1.2 million. To significantly wrap that up, we are talking about four times what we are doing now. We are obviously talking about a cost of around \$4.8 million, so it comes back to the allocation of scarce resources.

CHAIR: On another matter—and perhaps you cannot comment on it—we have been advised that there was a staff member who is still employed at the National Coursing Association [NCA] who was known to have embezzled some money from the NCA. Do you want to comment on that in relation to the current employment status of that person?

Mr HOGAN: My understanding is that that is correct. The reality is, that was the start, if you like, of the NCA investigation which ultimately led to the board making a decision to deregister that client. In December 2012 we were made aware from a community source, a journalist, that there had been a significant embezzlement at the NCA and there would be a review of that at the annual general meeting [AGM]. That did occur. The club then reported it to us after the AGM. Our position was clear—and our Press statements at the time make it clear—that we thought it was fundamentally untenable for that person to continue to hold a position with the NCA. It certainly would not be the case with an organisation that I lead. Our position is clear on that.

We are not the employer and frankly, did not have the power to intervene in that employment relationship. That situation led us to have a close look at the financial position of the NCA over that summer period and that led to the show cause process and the appointment of the administrator and the ultimate decision to rescind the license. The winding-up process of the NCA is just about complete. My understanding is that the employment was transferred to the sister company, the *Greyhound Recorder*, which has been sold to a third party as part of the winding-up process and that employment continues.

CHAIR: The employment continues?

The Hon. LYNDIA VOLTZ: At the *Greyhound Recorder*.

CHAIR: Are there any further questions?

The Hon. LYNDIA VOLTZ: Yes, I have a couple. Taking you back to funding and the funding of clubs, in your 2013 annual report you had club administration funding going from \$6.4 million to \$7.2 million, but in the previous report of 2010 to 2011 it was not under the title of administration funding and in fact, it was broken down in different ways: race field wagering expenses; industry advancement program; and club incentive. I assume that an industry infrastructure fund is included in that amount of funding?

Mr HOGAN: Yes.

The Hon. LYNDIA VOLTZ: So that \$6.4 million that is identified as the 2012 financial year, would have included all those figures?

Mr HOGAN: The Greyhound Industry Development Fund was a separate fund, so it would appear in the annual report as a separate set of financial statements.

The Hon. LYNDIA VOLTZ: The industry infrastructure?

Mr HOGAN: The Greyhound Industry Development Fund, which is the fund in that period which was funding capital works and maintenance, was a separate account. So those funds would also appear in the annual report and there would be detail in that annual report about the allocation of that funding to projects. We made the decision, following that financial year, when we were running accounts that had five or six separate entities, if you want to call them that. We had a development entity, we had an advancement fund, we had the scheme

distribution, we had Greyhound Racing NSW [GRNSW] and the decision was made to simplify it and to consolidate everything into one set of accounts, hence the challenge in reporting the following year. But I can provide you with a table that makes it like-for-like, so that you can see that breakdown.

The Hon. LYNDA VOLTZ: That would be good because, for example, the race field wagering expenses, in the financial year ending 2011 they were 641 that was distributed and in the financial year 2012, it was \$98,000.

Mr HOGAN: That would relate to the race field legislation. Depending on what period, it would relate to the settlement of disputes with Tabcorp about their requirement to pay race field legislation which had been settled at various points in time since the race fields legislation was introduced. It would also relate to payments to clubs with respect to on-course wagering. So race fields fees, which are generated from bookmakers fielding on course, we provide back to the club where that bookmaker was fielding. We do not retain that as part of the general revenue, we give that back to the club.

The Hon. LYNDA VOLTZ: But there was a significant difference between the 2011 financial year and the 2012. The club incentives went from \$2.1 million to \$1.8, so that was a reduction in funding to the clubs.

Mr HOGAN: There are two components to the club incentive scheme, one relates to on-course tote rebates, which is driven by the level of turnover activity on course. That is declining steeply. We also reduced the percentage of rebate from 7 per cent to 5 per cent around that period, which would also be reflected in those figures. The other component of the incentive scheme is related to the payment of prize money, which relates to the amount of prize money each club pays over and above the allocation that GRNSW gives them.

The Hon. LYNDA VOLTZ: So clubs are supplementing prize money themselves?

Mr HOGAN: Yes

The Hon. LYNDA VOLTZ: And is that because they are receiving income from tote payments? Where are they getting that money from?

Mr HOGAN: It would be reflected in tote payments, reflected from any secondary income sources that clubs may have and that varies from club to club. We have some clubs that own their facilities and lease them out for functions and private events and we have clubs that have other things such as McDonalds on their tracks which generate a return, so it will depend principally on the capacity of that club to generate income. We encourage clubs to generate income because the financial position is that TAB distributions and race fields fees is not going to pay 100 per cent of club expenses. They have never been intended to do that, they will not do that and they do not do that in any of the three codes. So clubs do generate their own revenue and we encourage them to continue to do that and, given the primary purpose of greyhound racing clubs is to promote the sport of greyhound racing, it is entirely appropriate that they put secondary income into increasing prize money at their track, and they do that.

The Hon. LYNDA VOLTZ: I would be interested to see the figures, if you can break them down, because I do not see how you get the \$6.4 million without the infrastructure money being in there. I would be interested to see how that \$6.4 million was broken down and again, how it relates to the \$7.2 million in the 2013 financial year.

Mr HOGAN: We can attend to that.

The Hon. TREVOR KHAN: When the Minister announced that there should be no country track closures, did GRNSW put in any strategy to respond to that?

Mr HOGAN: The Minister has never made a public announcement or given such a statement publicly that that would be the case. Certainly, we spoke to the Minister about the financial position of the industry and the type of structural reform that would need to be considered, going forward, to put the industry on a sustainable footing. Clearly, the Minister is a strong supporter of country racing and has a preferred position that all clubs and all tracks should remain open, so long as those clubs are not a rival in their own right. That is a clear view and we respect that.

The Hon. TREVOR KHAN: Could I rephrase the question: the Minister, having expressed a view that he wants country tracks to remain open, what was the response of GRNSW to acquiring that view?

Mr HOGAN: Our immediate response was to try to work with Government to achieve reform to the race fields legislation in that financial year because that would have covered the significant losses we were facing. Clearly, that did not occur. At the end of the day, the board and management need to make sure that the balance sheet balances and that there is money in the bank. There was a reduction in funding.

The Hon. TREVOR KHAN: Mr Hogan, I understand what you are saying, but what I am asking is not for the rationale of why you decided to do anything but what you decided to do. What did you decide to do?

Mr HOGAN: What has occurred—and it has happened in this financial year and we have said that it will continue into next financial year—is that we moved away from funding non-TAB clubs on a per race meeting basis. What we did instead was to allocate a lump sum amount of money to each track. Yes, it historically ties to the level of activity at those tracks, so it is not an even amount across all tracks, it reflects previous historical activity at those tracks. So there is no separate payment for administration, there is no separate payment for prize money. We provide a lump sum and we have said to the clubs that we are happy for them to determine how many race meetings they wish to conduct. If they want to use all that money across a smaller number of meetings or to spread it out and use it for a large number of meetings, that is a decision for the club. Under this system the clubs themselves tell us how many race meetings they want to run and how they want us to pay that money, in a lump sum payment, three times a year, once a year or each month. We have empowered the clubs to make those decisions and to come to us and tell us how they want to allocate that.

The Hon. LYNDA VOLTZ: Given that Trackside was brought in and Randwick racecourse got a significant financial benefit out of that—it paid for the redevelopment of their grandstand—and that following the floating of the TAB, Harold Park was signed over to the harness racing for a peppercorn amount but has subsequently been sold—delivering a significant benefit to trotting—have you ever put a view to Government that greyhounds is the only part of that inter-code agreement that has not received significant assistance from the Government in that way?

Mr HOGAN: Yes. What the Minister facilitated and the process which continues at the moment, is a discussion around the future arrangements at Wentworth Park, both in terms of the financial cost of leasing the facility, the trust arrangements and the management arrangements. That process is on-going in terms of our negotiations.

The Hon. LYNDA VOLTZ: That lease is due to run out in—

Mr HOGAN: 2027.

The Hon. TREVOR KHAN: So, let me go back. What is the impact upon country race meetings—non-TAB race meetings—of your change in payment structure?

Mr HOGAN: All of the non-TAB clubs, which have remained non-TAB clubs into the new financial period, are conducting the same number of race meetings that they conducted the previous year. They all made the decision to maintain the number of meetings. The reduction in the number of non-TAB meetings relates to the transfer of meetings to tabC sales. So, for example, Appin, the GBOTA approached GRNSW with a proposal to take their dates from Appin and to conduct them at Wentworth Park as tabC. We agreed to that proposal and that occurred. The reduction that you are seeing on paper relates to those conversions.

The Hon. TREVOR KHAN: Will you be able to provide us with a table that shows where the transfers have occurred with any appropriate comment as to why?

Mr HOGAN: Yes.

CHAIR: At this point I will have to cut the hearing off. Thank you, Ms McGregor and Mr Hogan. I note that there were a number of questions on notice that you have taken, if you could please get back to us within 14 days. The Secretary will be in contact with you in relation to the questions that you have taken on notice. Thank you for coming.

(The witnesses withdrew)

(Short adjournment)

IN-CAMERA REPORT OF PROCEEDINGS BEFORE

SELECT COMMITTEE ON GREYHOUND RACING IN NSW

INQUIRY INTO GREYHOUND RACING IN NSW

Evidence omitted by resolution of the Committee on 24 March 2014

—————

At Sydney

Thursday 6 February 2014

—————

The Committee met at 9.15 a.m.

—————

PRESENT

The Hon. Robert Borsak (Chair)
The Hon. Dr John Kaye
The Hon. Marie Ficarra
The Hon. Trevor Khan
The Hon. Lynda Voltz
The Hon Steve Whan

IN CAMERA EVIDENCE
UNAUTHORISED DISCLOSURE MAY BE A CONTEMPT OF PARLIAMENT
Resolved to be published by the Committee on 24 March 2014

PETER NICHOLAS V'LANDYS, Chief Executive, Racing NSW, sworn and examined:

CHAIR: Do you wish to make an opening statement?

Mr V'LANDYS: Thank you for the opportunity to speak today. I have not been following the inquiry, but I did note the difference between funding in the Victorian and New South Wales greyhound racing sectors, which has been blamed to some degree on the inter-code agreement. The three codes in Victoria receive \$100 million more than the codes in New South Wales. Thoroughbreds conduct 200 more race meetings and have a much greater geographical area. The reason for that is that the Victorian State Government takes a much smaller share of each dollar invested on the TAB. The Victorians have their own TAB, as we do in New South Wales.

The handout I provided is from a report I have prepared which shows the recipients for every \$100 bet. For every \$100 bet, the three codes in New South Wales receive \$4.70 and in Victoria they receive \$7.90. From that \$100, the New South Wales Government receives \$3.22 and the Victorian Government receives \$1.28. That is why the three codes in Victoria receive \$100 million more than the three codes in New South Wales. It is because the government takes a much smaller share of every \$1 invested in the TAB. If that were replicated in New South Wales, the greyhound industry here would receive an additional \$15 million a year. The difference between Victorian greyhound racing—

Dr JOHN KAYE: You are presuming that if the percentage remains the same that the net pool is bigger by the order of 3.2 per cent.

Mr V'LANDYS: No, we have more turnover in New South Wales. If the same tax rate were applied in New South Wales—

Dr JOHN KAYE: It would be lower by 3.2 percentage points.

Mr V'LANDYS: No. It is \$3.22 per \$100 bet in New South Wales and \$1.28 in Victoria.

Dr JOHN KAYE: I am sorry, I have the wrong one. So it would be a 1.98 per cent reduction.

Mr V'LANDYS: It depends on how you apply the percentage. At the moment for every \$100 bet the New South Wales Government gets \$3.22 and the Victorian Government gets \$1.28. That is based on different turnover models. However, you can see that it is substantially lower in Victoria than it is in New South Wales. As I said, that equates to the three codes in Victoria getting \$100 million more than we get. They get \$103 million more than the three codes in New South Wales. It should not be called a tax rate because it is a share of gross wagering revenue. For every \$100 invested, on average \$17 is taken out. Of that \$17, the New South Wales Government receives \$3.22 compared to the \$1.28 that the Victorian Government receives. That is the difference between the two State's funding models. If the same rate—the \$1.28—were applied in New South Wales, on current percentages the greyhound industry would receive an additional \$13 million to \$15 million depending on how—

Dr JOHN KAYE: From where did the \$100 million figure come?

Mr V'LANDYS: The \$100 million is the difference for the three codes of racing.

Dr JOHN KAYE: And the \$15 million?

Mr V'LANDYS: Is just for greyhound racing.

Dr JOHN KAYE: What is the size of the total pool in New South Wales as distributed by the Racing Distribution Agreement?

Mr V'LANDYS: The betting turnover in New South Wales for all codes of racing is \$5 billion.

Dr JOHN KAYE: That is a 2 per cent change on \$5 billion

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Mr V'LANDYS: Basically, yes. It equates to just over \$100 million. I have also heard many remarks about the inter-code agreement and that greyhound racing receives a much smaller share than it is entitled to because it is based on market share. That is very unfair because a very simplistic model has been applied to the inter-code agreement. I was involved as a harness racing representative during the inter-code negotiations.

The Hon. MARIE FICARRA: So we have heard.

Dr JOHN KAYE: You have just dumped yourself in it.

Mr V'LANDYS: My job was to protect harness racing. That has come back to bite me on the backside now that I am involved in thoroughbred racing. 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 race club would get 17 per cent. Expenses would be subtracted from that and whatever was left over they would keep. For Harold Park—which is where I was—that equated to about \$4 million. When it was privatised, we had to put that money into the total pie.

We did not get a good deal out of the privatisation when you think that the first \$25 million that was distributed was profits that race clubs generated for themselves. We basically gave our oncourse business to the TAB for free. During the negotiations we naturally had to take that into account when there was a distribution. So in 1997 the first \$25 million was for the oncourse operation. The thoroughbred racing industry generated 85 per cent¹ of the oncourse operation then and it now probably generates 90 per cent. The smallest oncourse operation was greyhound racing, which was about 9 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.

Dr JOHN KAYE: By CPI?

Mr V'LANDYS: The first \$25 million given back to us did not belong to the TAB; it was our money. For example, if you had a corner shop that would be the profit and it would go to Woolworths. You want to get that profit back.

The Hon. LYNDA VOLTZ: That is the one you were getting 73 per cent for?

Mr V'LANDYS: No, that is the one they were generating 85 per cent for.

The Hon. LYNDA VOLTZ: They were generating that, but of the \$25 million you took 73 per cent.

Mr V'LANDYS: That is correct.

The Hon. TREVOR KHAN: We should not use him as an example because he was the opposition.

Mr V'LANDYS: I was the opposition at that stage. The other thing that happened during 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 industry 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 before privatisation. That is 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.

The Hon. TREVOR KHAN: What was your perception about what the TAB might do?

¹ In correspondence to the Committee (dated 26 March 2014) Mr V'landys corrected this sentence to read: *The thoroughbred racing industry generated 81 per cent of the oncourse operation then and it now probably generates 90 per cent.*

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Mr V'LANDYS: We thought that the TAB was going to run it as a commercial operation and 74 per cent 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 and greyhound industry turnover. That is what we thought at the time. What actually happened—

The Hon. TREVOR KHAN: I am sorry to interrupted, but when you say "we thought", was that your perception?

Mr V'LANDYS: That was the perception of both the harness and greyhound industries.

The Hon. TREVOR KHAN: Did you discuss that with the greyhound industry representatives?

Mr V'LANDYS: Absolutely.

The Hon. LYNDA VOLTZ: Who was the greyhound industry representative at the table in those discussions?

Mr V'LANDYS: You are testing my memory. I remember Phil Bell, Brenton Scott—

The Hon. MARIE FICARRA: Was a Mr Magin there?

Mr V'LANDYS: He was there as the chair² at the time. I do not think he was very involved in the negotiations.

The Hon. STEVE WHAN: We got that impression yesterday.

The Hon. MARIE FICARRA: We figured that out.

Mr V'LANDYS: There was also a representative of the greyhound control board at the time, which I think was Mr Cartwright. The two who really did the play for the greyhound industry in my view were Brenton Scott and Phil Bell. Phil Bell has since left and I think he is operating a greyhound track in Vietnam. They are the two I can remember attending most of the meetings.

The Hon. LYNDA VOLTZ: Bob Cartwright would have been there.

Mr V'LANDYS: Yes.

The Hon. TREVOR KHAN: I am sorry to have interrupted.

Mr V'LANDYS: That is okay. The TAB was given commercial freedom. Thoroughbred racing contributes 70 per cent of the turnover. If there were no thoroughbred racing there would be no infrastructure for the greyhound industry to be able to generate the turnover it does.

The Hon. TREVOR KHAN: On that point, is the inference to be drawn that there needs to be a weighting in favour of the thoroughbred industry because it creates the mass?

Mr V'LANDYS: I will give you an example of that. Some years ago, back in 2004, there was a split vision between the Sky Channel product and the Thoroughbred NSW and Victorian product. You had two screens at the TAB. That split screen reduced turnover, believe it or not, by \$160 million in six months because punters did not want to watch two channels. They wanted to watch the one channel and they wanted the one audio. That caused us the biggest decrease, which was in harness and greyhounds. What was happening was that those thoroughbred punters who were going into the TABs, while waiting for the next thoroughbred race, put money on the smaller codes. What happened during the split vision is that those thoroughbred punters stopped going. The first one affected was the harness and greyhounds. Their turnover went more down than ours because there was not that feed off the thoroughbreds. I am just trying to highlight my point about the infrastructure.

² On 27 February 2014 Mr V'Landys requested the insertion of the words "of Greyhound Racing Control Board".

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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. We did not ask them to conduct so many extra race meetings. They did it all on their own. The other matter I should raise is that Greyhound Racing NSW has been the benefactor of all the initiatives of Racing NSW, the thoroughbred code.

Dr JOHN KAYE: Beneficiary or benefactor?

Mr V'LANDYS: Beneficiary is probably the better word.

The Hon. TREVOR KHAN: It is completely the opposite.

Mr V'LANDYS: Greyhound Racing NSW has been the beneficiary of all the initiatives we have undertaken, which equates to approximately \$16 million a year. In my time at Racing NSW, which will be 10 years next week, I have not seen one initiative of the greyhound industry that has increased their revenues—not one initiative. Let me read you initiatives from which greyhounds have benefited from Racing NSW. We lobbied for the protection of our intellectual property with the State Government and the State Government kindly introduced race fields legislation. We fought that in the courts. The greyhound industry did not assist us. They went out and left us on our own to defend the case. They now get \$10 million a year out of race fields legislation, even though they did not defend it in the courts and left us on our own. If we had lost, they would have been the biggest losers because they were using all the race fields money for prize money.

Dr JOHN KAYE: This is the money that comes from the corporate bookies.

Mr V'LANDYS: Corporate bookmakers, but it is not only corporate bookmakers, doctor. It is also all other wagering operators. It includes the interstate tote, TABs.

Dr JOHN KAYE: Sure. That was the State Government's legislation 2010? 2012?

Mr V'LANDYS: No, it was 2008. That was the legislation that effectively gave a property right to the race fields.

Mr V'LANDYS: Let me just explain that because it was not really the Government. Let me just explain to the members, if I can. Bookmakers domiciled themselves in the Northern Territory to avoid paying fees to any State racing industry. What they did is they then tried to procure the customers of each State, including New South Wales. We are the biggest and most populous State so the first thing they did was advertise and try to attract as many customers to the Northern Territory corporate bookmaker operations from New South Wales. There was a massive leakage of money going from New South Wales residents to the Northern Territory rather than the TAB. That was \$1 billion 10 years ago and now it is and now it is \$6 billion or \$7 billion. That is how much money has migrated. New South Wales makes up about 40 per cent of that.

Dr JOHN KAYE: Annually or total?

Mr V'LANDYS: That is annually. It is about \$5 billion or \$6 billion annually. I have got the figure here. I am sorry, I will get back to you. It is around that mark, anyway.

Dr JOHN KAYE: That is fine. Do not delay, Peter. Get back to us on notice.

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Mr V'LANDYS: Sorry. Yes, I will. What Racing NSW did was get legal advice to protect its intellectual property by enforcing copyright. From all the legal advice we got, it would have been simpler to lobby the Government to introduce race fields legislation—an initiative of Racing NSW. Victoria, which moves a lot quicker than we do in New South Wales in Government circles, introduced our idea—race fields legislation—and then we followed 12 months later, for various reasons. The point I want to make is that out of race fields legislation, just race fields legislation, the greyhound code makes \$10 million a year, which they would not have been making without the efforts of Racing NSW.

Also during the Pope's visit, Racing NSW was able to negotiate with the Government for the lifting of the 16 per cent cap. The Treasurer at the time, Mr Costa, wanted to give the funds above the 16 per cent to sporting fields. As part of the negotiation of the Pope's visit, we were able to get the whole lot of the increase in the cap. That equates, for greyhound racing alone, to \$1 million per annum extra.

The Hon. STEVE WHAN: Are you sure? I cannot believe Michael Costa wanted the sports fields to get that.

The Hon. LYNDA VOLTZ: That was how it was originally sold to us.

Mr V'LANDYS: He was a tough cookie, I can tell you.

The Hon. TREVOR KHAN: He had to be careful.

Mr V'LANDYS: Also, the previous Government, through the initiative of Kevin Greene, who was one of the best Racing Ministers I have worked with, wished to amalgamate the Australian Jockey Club [AJC] and the Sydney Turf Club [STC]. At the time we introduced a game called Trackside, of which Racing NSW sold its 17 per cent share for \$150 million, and that built the Randwick grandstand. Greyhounds stayed in—and it was their choice—with Trackside and they get about \$600,000 a year extra out of the Trackside game.

Dr JOHN KAYE: Their percentage share of Trackside is?

Mr V'LANDYS: We are out of it, so basically it is whatever—

Dr JOHN KAYE: They had the rest, so all the rest was gratis.

Mr V'LANDYS: No, no. They got their share. It was a negotiation between—I did not negotiate.

CHAIR: It is shared between harness and greyhound.

Mr V'LANDYS: Whatever their share was. We also argued at the time to negotiate with the TAB to get what we called a product fee on fixed odds because there was a massive migration of betting from the totalisator to the fixed odds. We do not receive a product fee for fixed odds from the TAB so we were able to negotiate at the time a product fee. Again a beneficiary was the greyhound industry to the tune of \$1 million a year.

The Hon. LYNDA VOLTZ: But is it not easier for you to negotiate? At the end of the day, thoroughbred racing as for the TAB and it is where they get the people in.

Mr V'LANDYS: There is nothing stopping the greyhounds from negotiating.

The Hon. LYNDA VOLTZ: I know.

Mr V'LANDYS: These are initiatives of ours. These are the thoughts or—I am sure that a good organisation should have some of its own initiatives, with all due respect.

CHAIR: With all due respect, Mr V'landys, the biggest player in the game is always going to be listened to.

Mr V'LANDYS: Not necessarily. I got listened to when I was a small player in harness racing.

The Hon. LYNDA VOLTZ: But greyhounds—not so much so?

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Mr V'LANDYS: It depends on the personnel you have there. As I said, in my personal view I have as much power now in thoroughbred racing as I had in harness racing. I was a very loud voice in harness racing.

The Hon. TREVOR KHAN: Persuasive, we understand.

Under the Premier Gateway International [PGI] pooling, which is a new initiative just in the last three or four months, under the Racing Distribution Agreement we were eligible for approximately \$100,000 in revenue, which is close to about \$13,000 for greyhound racing. We would not accept that and we negotiated with the TAB for them to be paying \$7 million a year and the greyhound industry receives an additional \$1 million. Overall, with all the initiatives we have done, it equates to about \$16 million. I will not go any further because I think there are a few questions that you wish to ask, which I can answer from the notes that I have. Have I confused you enough for a little bit?

CHAIR: No, not at all.

The Hon. STEVE WHAN: No. I am intrigued by your suggestion regarding revenue, although I would note that \$100 million is a couple of good country hospitals for the State Government.

Mr V'LANDYS: Yes, but you have got to remember that you have also got a racing industry that employs between 60,000 and 70,000 people in New South Wales.

The Hon. STEVE WHAN: And does at the moment under that tax regime.

Mr V'LANDYS: But what is happening in New South Wales is that our foal rate dropped last year by 12 per cent. There is a tipping point where people will invest.

The Hon. STEVE WHAN: This morning we heard evidence about the amount being spent with the TAB and that the amounts being spent at the moment are stagnant, if not declining, and that in amongst that we have seen the greyhound share rising fairly significantly. You have given us evidence just then which is consistent with harness racing. As I understand it—and you can confirm this—the strategy adopted by greyhounds to increase the number of TAB meets was the wrong strategy, you think, and that they should essentially have just stayed as they were, or what?

Mr V'LANDYS: I do not want to run the greyhound industry, but if I was to increase the level of race meetings in thoroughbred racing, I would be doing a pretty concise business plan to ensure that I can afford to conduct them. They have increased their race meetings by 46 per cent with no business plan.

The Hon. STEVE WHAN: Is it your view that had they not done that, the overall amount going into the pool for betting would have stayed about the same, or would there have been a decline?

Mr V'LANDYS: I think it would have stayed the same because punters will punt on anything, basically, to be quite honest. They will punt on the next race meeting and that was proven again by the split vision. They applied for the next race meeting. What the TAB strategy is at the moment is to bring a lot more meetings from international and that would have taken up the slack, in my view. But I should say though why the greyhounds were attracted by the TAB. It was because they gave them the position in the twilight, which is between four o'clock and seven o'clock. That is when most of those meetings were conducted.

The Hon. STEVE WHAN: We have had evidence from Mr Magin yesterday who was the signatory for greyhounds on the inter-code agreement. He told us that at the time they had advice from the totalisator board about the fair split of 70 per cent for horseracing, 16 per cent trotting and 14 per cent greyhounds. I note

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your comments earlier about complexity. We have actually seen the inter-code agreement in confidence. We understand that there are different pools.

Mr V'LANDYS: Components, yes.

The Hon. STEVE WHAN: And different percentages apply to those pools. His evidence was that in the negotiations you, as a representative of harness, said, "We are under no obligation to accept this", and you walked out of the room. He then went on to tell us that—

Mr V'LANDYS: That was only one meeting and there were about 100 of them.

The Hon. TREVOR KHAN: So it was correct?

Mr V'LANDYS: It is correct, but what actually happened was that they were meeting in my office. I walked out of the room and then realised I had just walked out of my office, so I went back and kicked them out. That is what actually happened.

The Hon. STEVE WHAN: He 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 that you have also mentioned. Do you believe that those people understood fully what they are actually signing up to at the time?

Mr V'LANDYS: Absolutely. Yes, they knew. They had the same concern that I had and that was that once we had no representation on the TAB board, we were thrown to the lions. We wanted some protection. That is why they agreed to that 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 per cent³ of the total and I think it is even less now whereas the other two codes, not so much harness but the thoroughbreds, generate the majority of that oncourse turnover.

The Hon. STEVE WHAN: Mr Magin went on to tell us that he held the view—I am 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 gentleman you referred to. But I certainly knew it was the growth moneys. 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 moneys were. That was always well known.

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: Is it your view that people like Brenton Scott and Phil Bell understood that?

Mr V'LANDYS: Yes.

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

³ In correspondence to the Committee (dated 26 March 2014) Mr V'landys corrected this sentence to read: *They generated 2 per cent of the total and I think it is even less now whereas the other two codes, not so much harness but the thoroughbreds, generate the majority of that oncourse turnover.*

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

CHAIR: Do you, in harness, have separate legal costs?

Mr V'LANDYS: No. I did it myself.

CHAIR: So, Clayton Utz acted for everybody?

Mr V'LANDYS: Clayton Utz acted predominantly for the thoroughbreds and the three codes. We did not use them, no. When I was at harness racing, we just did our own, we reviewed the documents ourselves.

CHAIR: So you had no external legal advice?

Mr V'LANDYS: Not that I can recall, no. I can remember doing it pretty well all myself. I represented harness racing, myself with a gentleman named Michael Cummings. Michael was a barrister, so we relied on his legal expertise as well.

CHAIR: He was on the board of harness?

Mr V'LANDYS: He was the chairman of harness racing in New South Wales, which was the controlling authority. Back in those days, I was actually the chief executive of the Metropolitan Race Club in harness racing. I was not in the position I am in now, with thoroughbreds. However, the controlling body delegated me to represent harness racing from my position as the chief executive of the major metropolitan club.

The Hon. TREVOR KHAN: I suppose this partly follows from the Chair's question: Do I take it that you understood that Clayton Utz was not representing harness racing when—

Mr V'LANDYS: I had more fights with Clayton Utz than anybody, any party, during the whole of the negotiations because I always thought—even though they were representing the three codes of racing at the time—that they were favouring the thoroughbreds. So I used to fight with them significantly, as I did with Macquarie Bank. Macquarie Bank was the organisation that was to assist the racing industry in the privatisation of the TAB and I always thought that they were biased towards the thoroughbred racing. So basically, we acted on our own, to make sure that we rectified that bias, both by Clayton Utz and by Macquarie Bank. They were both the same, in my view.

The Hon. STEVE WHAN: As opposed to the inter-code?

Mr V'LANDYS: The inter-code was drafted by Clayton Utz, however I included a number of clauses in that inter-code including one, as I have said, that really came back to hit me when I was in thoroughbred racing. I will tell you this: I included a clause in there that the thoroughbreds—again because of the commercial freedom that I had—could not conduct any race meeting after 7 o'clock on a Friday night. So, I added that clause.

The Hon. LYNDA VOLTZ: Because that is when harnessing is on?

Mr V'LANDYS: That is when harness racing was on, so I did not want them encroaching onto our time and the one and only chance I had to put that clause in was during the privatisation. I went to the

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Greyhound Code and I said to them, "You should do the same thing for Saturday night". They said, "Oh no, we don't need it".

The Hon. TREVOR KHAN: Can I just ask in that regard, who did you go and put that proposition to?

Mr V'LANDYS: Probably Phil Bell and Brenton Scott at the time. In saying that, right at the last minute—which proves they were reading the documents—they came back and said to me, "Look, we want to put that in about Saturday night" and in the end it was included. So, right to the last day before execution of the inter-code, they varied the inter-code to include the Saturday night. I had suggested that to them at the time in order to protect their domain, because once the TAB was a free body, it would probably make thoroughbred racing go twilight, or go night, as it has, because—

The Hon. LYNDA VOLTZ: As has Canterbury.

Mr V'LANDYS: Canterbury races, so Canterbury was forced to race on a Thursday night because they could not race on a Friday night. Since I have been to thoroughbred racing, I have been able to negotiate that and we can now race on a Friday night.

The Hon. TREVOR KHAN: I think I have two final questions: Firstly, can I say that your evidence is extraordinarily helpful.

Mr V'LANDYS: Thank you

The Hon. TREVOR KHAN: If it remains confidential, it is difficult to use. Is there a particular reason why your evidence should be confidential?

Mr V'LANDYS: Not really, it was just given to us as an option and I just took that option. But if I can help the Committee, I am prepared to give whatever information—it is all public information, especially this \$100 million difference between the States. So, you let me know what you need. We have written a submission which says predominantly what I have said here today and I can provide that, if you wish.

Dr JOHN KAYE: And you are happy for the evidence you have given this afternoon to be aired in the public domain?

Mr V'LANDYS: I would prefer to read it first, to make sure.

Dr JOHN KAYE: And even to redact parts of it.

Mr V'LANDYS: As I said, I am giving the evidence to the best of my recollection.

The Hon. TREVOR KHAN: You are doing a lot better than some.

The Hon. MARIE FICARRA: It is amazing—you are the only one who remembers.

Mr V'LANDYS: I can't even remember what I did yesterday, but I can remember 15 years ago. I do remember Phil Bell and Brenton Scott were probably the two main negotiators for the greyhound industry.

The Hon. TREVOR KHAN: And you think they did a reasonable job?

Mr V'LANDYS: I did, I thought they prosecuted their case for greyhound racing relatively well, because everything changes, everything evolves. We had to make a decision, then and there, on the circumstances existing at that time.

The Hon. STEVE WHAN: What did you think about the term of 99 years?

Mr V'LANDYS: We were frightened about what would happen with thoroughbreds trying to get more and more. That is why we thought that after 15 years we would know but, at the same time, we did not want to lose any of the money we had, so we used the growth moneys.

Dr JOHN KAYE: You knew you were onto a good thing with your percentage.

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Mr V'LANDYS: Yes.

Dr JOHN KAYE: So you thought carefully: Maybe this is as good as it can get, we are never going to get a percentage of the revenue that is greater than this.

Mr V'LANDYS: Yes, that is what we thought at the time.

Dr JOHN KAYE: Did you give any consideration to the idea of a floating percentage, or of a complete review of the percentages, or a percentage that was tied to the actual amount of revenue that was the product that you were—

Mr V'LANDYS: Let me explain why we wanted the fixed revenues. Back in those days, the TAB operated predominantly during the day and not at night. The last three races in the day time made up 85 per cent of turnover. Because, in racing, you have what they call reinvestment. If you win on the first race, you reinvest on the second, you reinvest on the third, and so by the last race, you have reinvested. The stark difference between us and the thoroughbreds at the time—harness and greyhounds—we raced at night and the TABs would shut. So our last races did not generate anything, compared to the thoroughbreds. That was the argument we always used—we were on an unfair playing field because during the day, they had all the TABs open and all the possibilities of generating. And 70 per cent or 68 per cent of the turnover still comes from what I call the retail network which is the TAB agencies and pubs and clubs. If they are not open, 68 per cent of your market has gone.

So greyhound and harness were always disadvantaged. The reason that the greyhounds have been able to do what they have done is because they have gone onto traditional thoroughbred time, which is at daytime. They only got that through the freedom of the TAB. That is what we were scared about. They were actually able to use that freedom to take a time which generates a lot more turnover. You have to appreciate that they did nothing oncourse, they had minimal people on course, so they could race any time of the day. Whereas thoroughbred racing really needs to conduct its meeting when it attracts people on course and that is the difference. That is why they have grown their turnover, because the TAB had the freedom to take some of those day time—

CHAIR: What business do you do with the corporate bookmakers?

Mr V'LANDYS: Turnover-wise?

CHAIR: Yes.

Mr V'LANDYS: We generate about \$60 million a year in additional revenue from the corporate bookmakers—sorry, on all wagering operators, of which 50 per cent are the corporate bookmakers. The majority of our revenue still comes from the TAB

Racing NSW had not lobbied the Government or lobbied to get race field legislation, we would all be finished, because there has been a massive leakage of money from New South Wales residents to these other wagering operators. It was not just the corporate bookmakers, the Tasmanian Totalizator Agency Board also was offering what they call "inducements" to attract New South Wales punters to bet through them. So we were getting attacked left, right and centre. Without race field legislation—and I have just said, \$10 million extra to greyhounds—we would be in a much worse financial position than we are.

That is why the Government in Victoria has recognised this and that is why they have lowered their share, because they realised that there is now a complete change to the wagering landscape in Australia and they have reduced what they take out. It is a share of profit but at the moment in New South Wales for thoroughbred racing, just to train the horse, to have it agisted and compete, not including the capital cost of the horse, it costs \$250 million. We only pay them \$130 million back, so there is \$120 million that the racing industry funds. The Government takes \$160 million. So basically, the owners of thoroughbred horses are funding the Government's take or its share of the revenue. There is a tipping point and it has been reached. People now say: I have so much disposable income, I can either spend it on owning a race horse or I can spend it down at the Sydney Cricket Ground or to take my wife overseas. They do not invest in thoroughbreds any more. Our foal rate has dropped by 10 per cent each year for the last five years.

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CHAIR: Is that not to do with the change in the Federal tax regime too, in relation to write-off for brood mares?

Mr V'LANDYS: The brood mare write-off has been around since the Hawke era. It was introduced by Bob Hawke through the lobbying of my current chairman, John Messara. So that has been around for a long time and is still a valid deduction that they take.

CHAIR: I thought a large part of that deductibility was varied not long after the Rudd Government took over.

Mr V'LANDYS: No, it has not; it is still the same.

CHAIR: Still the same?

Mr V'LANDYS: It is still the same. What has changed is that the Australian Taxation Office is more vigilant towards a professional operator than a hobbyist. What was happening was that a lot of operators were making substantial losses from racing, as I have just explained, and they were taking it as a taxation deduction from other forms of their business. To give an example: One was a member of a major law firm who owned a stud and all the losses he made in the stud he would take as tax deductions.

The Hon. TREVOR KHAN: Was it Baker and McKenzie?

Mr V'LANDYS: No, it was Atanaskovic Hartnell. But the brood mare, if you are a professional, you still have the same benefits.

CHAIR: So they quarantined it.

The Hon. TREVOR KHAN: One of the issues that has arisen out of this inquiry is the inter-code agreement and the confidentiality thereof. Are you able to point to any reason, beyond the clause that exists in the agreement, as to why it should remain confidential now?

Mr V'LANDYS: It is a clause in the agreement. Other than that, there is probably no reason for it to be confidential because, as I said, the Racing Distribution Agreement is an ambiguous, long document. The inter-code is a pretty simple document. Where the inter-code is complex is how one reaches the initial base figures. The initial base figures have all to do with the on-course operation. That is why, when one sees the first base, the thoroughbreds—and I agreed with them at the time—could not take any less than they were receiving at the time.

The Hon. TREVOR KHAN: If we were to take your evidence today, together with the inter-code agreement, we have an explanation for the background that led to the agreement itself?

Mr V'LANDYS: Correct. As I said, there was a lot more. It is a very simplistic approach and unfortunately it has been portrayed by people who do not understand what happened at the time and we have not involved ourselves in the debate because we did not think it was necessary.

The Hon. TREVOR KHAN: It is probably wise that you have.

Mr V'LANDYS: We have a commercial agreement. We know how it was formulated; we know the facts; we know that it was negotiated over a long period of time; we know that we have our on-course; we know that the freedom was given away; we know we have lost our representation on the TAB board. There is a multitude of reasons why the inter-code is where it is. One just cannot simplistically say: Oh, it should be distributed by market share because it is totally wrong.

The Hon. STEVE WHAN: In a nutshell, how was the revenue from TAB's operations distributed before privatisation? It is well before my time in New South Wales' politics.

Mr V'LANDYS: How was it? At the time I used to say that the thoroughbreds, I think they were getting up to 77 or 78 per cent and I thought they were getting too much because of the disadvantage we had by having the TAB shut and I was lobbying the then Government—

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The Hon. STEVE WHAN: How was the distribution?

Dr JOHN KAYE: What was the formula?

Mr V'LANDYS: It was determined by the TAB board, in conjunction with the then Office of Gaming and Racing. Mr Lowenthal was there at the Office of Gaming and Racing, is that correct? It was determined by the TAB board and approved by the Minister. At one stage, the Minister capped the thoroughbred racing at 70 per cent, even though it was generating 78 per cent. So if you look at it over the history of the TAB, thoroughbred racing has had many occasions where it has generated substantially more than its market share and received less. That is why during these negotiations—at the time I think thoroughbreds were generating up to 78 per cent of the turnover. So that took a lesser share at the time on the fixed percentages.

Dr JOHN KAYE: Very briefly, the \$100 million figure that you quoted before, you are saying that if New South Wales changed from \$3.22 per bet to \$1.28 per bet, so dropping the gross take for the New South Wales Government, the revenue going to Greyhound Racing NSW would go up by \$100 million a year?

Mr V'LANDYS: No, \$15 million.

The Hon. STEVE WHAN: \$100 million overall.

Dr JOHN KAYE: \$15 million.

Mr V'LANDYS: It is \$100 million for the three codes.

Dr JOHN KAYE: I dispute that. I get \$611,000 a year. I do not see where you get the \$100 million from. The size of the current pool is somewhere around \$250 million in the total distribution. I do not see how, by alleviating a tiny amount of it at 1.94 per cent—

Mr V'LANDYS: I will give you the figures quickly. I have got the figures here.

Dr JOHN KAYE: Maybe we can do this in writing. I am going to put a question.

Mr V'LANDYS: There is \$5 billion worth of turnover in New South Wales.

Dr JOHN KAYE: Correct.

Mr V'LANDYS: If you apply on \$5 billion worth of turnover 3.22 per cent as compared to 1.28 per cent, it is \$100 million. The TAB distribution speaks for itself. In Victoria, they receive \$326 million in TAB distribution and we receive \$226 million in TAB distribution. They are publicised figures. They are not my figures. These are figures that are available in the public domain.

Dr JOHN KAYE: The total—

Mr V'LANDYS: So your calculation is incorrect.

The Hon. TREVOR KHAN: He is not being dogmatic.

The Hon. MARIE FICARRA: It has been a long day, Dr Kaye. It is quite possible.

Mr V'LANDYS: I can give you the figures, doctor. As I say, if you look at the TAB annual accounts, you will see the difference between New South Wales and Victoria.

Dr JOHN KAYE: The total TAB revenue increased by \$100 million?

Mr V'LANDYS: No, the difference in the—

Dr JOHN KAYE: \$5 billion goes to \$5.1 billion.

The Hon. STEVE WHAN: No, it stays the same.

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Mr V'LANDYS: No, no, you have got the wrong formula. Let me tell you. This is another thing I should point out. In New South Wales there is five billion—one of the questions that was asked that I would like to answer, if possible, is what would happen if there was no greyhound racing in New South Wales to the thoroughbreds. We would be financially much better off, because of the turnover. The New South Wales greyhound meetings just generate 6.4 per cent of the total.

Dr JOHN KAYE: That is the difference between meetings and punters gambling?

Mr V'LANDYS: No, the New South Wales greyhound meetings, of the \$5 billion that is invested, only 6.4 per cent of it—

Dr JOHN KAYE: But you would be a lot worse off if the Victorian industry collapsed.

Mr V'LANDYS: Especially the Melbourne Cup, yes.

The Hon. STEVE WHAN: You do very well out of that.

Mr V'LANDYS: A lot of the money that is generated by the TAB is on interstate thoroughbred race meetings, yes. I acknowledge that. But to answer your question, the turnover in New South Wales for all three codes of racing is 5 billion, so the Government in New South Wales receives 3.22 per cent of 5 billion. That is just for their share. The Federal Government gets 1.52 for GST, because you have got to remember that—

Dr JOHN KAYE: I understand that.

Mr V'LANDYS: And that is the difference between us and Victoria. One gets 3.22 per cent and one gets 1.28 per cent.

Dr JOHN KAYE: I am going to send you a document by way of questions on notice where I dispute your figures.

Mr V'LANDYS: They are not my figures, they are the TAB figures.

Dr JOHN KAYE: No, the figures are right, but the calculation you have done, I cannot see how they get \$15 million more.

Mr V'LANDYS: It is easy. If it is \$100 million, they get between 13 to 15 per cent, depending on how—

Dr JOHN KAYE: There is only \$4.7 million. The amount of distribution only goes up by \$4.7 million.

Mr V'LANDYS: No, the distribution goes up by about 100 and—I will give you the figures.

Dr JOHN KAYE: It is not possible that by a tiny change in the tax rate the distribution goes up by 30 per cent.

Mr V'LANDYS: No, the difference between the three codes in New South Wales and Victoria by the publicised figures in the TAB account is \$100 million-something. That is all to do with the difference in the tax, or the difference in the take out. If you gauge 13 per cent at the simplest formula, that is \$13 million.

CHAIR: On budget forward estimates, leaving the GST aside, the New South Wales Government is going to get \$150 million out of the racing industry this year.

Mr V'LANDYS: Correct.

CHAIR: You are suggesting to us to fix things, they have to give back to the industry two-thirds of their revenue?

Mr V'LANDYS: No, what I am saying is that they take an inequitable amount compared to every State—

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Dr JOHN KAYE: You are saying drop the tax rate to \$1.28 per hundred bet?

Mr V'LANDYS: Correct.

Dr JOHN KAYE: That will increase the amount of that is divided up—

Mr V'LANDYS: By 100 million, and the greyhounds get between 13 and 15 per cent—

Dr JOHN KAYE: Why does that whole 100 million go to the codes?

Mr V'LANDYS: Because the way—

Dr JOHN KAYE: You are presuming that the whole 100 million goes to the code and that the TAB takes none of that in profit?

Mr V'LANDYS: Correct.

Dr JOHN KAYE: And that is the difference between your calculation and mine.

Mr V'LANDYS: That is what happens in Victoria. The Government does not give the money back to a public company, it gives it back to the three codes of racing, so that the 100 million—

The Hon. TREVOR KHAN: That is why you look at the first column.

Mr V'LANDYS: It only goes to the racing industry.

Dr JOHN KAYE: I understand now that is where you get that figure from.

CHAIR: Thank you for joining us. You will receive requests for questions taken on notice. The Committee has resolved that answers to questions taken on notice be returned in 14 days. The secretariat will be in contact with you in relation to the questions you have taken on notice. Thank you very much.

Mr V'LANDYS: Thank you for your time.

(The witness withdrew)

(The Committee adjourned at 6.21 p m.)