

Chairman; Mr Mick Murray; Mr Terry Waldron; Mr Peter Watson; Dr Tony Buti; Mr John McGrath; Mr John Bowler

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**Racing and Wagering Western Australia —**

Ms A.R. Mitchell, Chairman.

Mr T.K. Waldron, Minister for Sport and Recreation.

Mr R. Burt, Chief Executive Officer.

Mr M.S. Cutler, Chief of Staff, Office of the Minister for Sport and Recreation.

**The CHAIRMAN:** This estimates committee will be reported by Hansard staff. The daily proof *Hansard* will be published at 9.00 am tomorrow.

Members may raise questions about matters relating to the operations and budget of the off-budget authority. Off-budget authority officers are recognised as ministerial advisers. It is the intention of the Chair to ensure that as many questions as possible are asked and answered and that both questions and answers are short and to the point. The minister may agree to provide supplementary information to the committee, rather than asking that the question be put on notice for the next sitting week. I ask the minister to clearly indicate what supplementary information he agrees to provide and I will then allocate a reference number. If supplementary information is to be provided, I seek the minister's cooperation in ensuring that it is delivered to the committee clerk by Friday, 8 June 2012. I caution members that if a minister asks that a matter be put on notice, it is up to the member to lodge the question on notice with the Clerk's office.

I now ask the minister to introduce his advisers to the committee.

[Witnesses introduced.]

**The CHAIRMAN:** Member for Collie–Preston.

**Mr M.P. MURRAY:** My question is related to a report on racing and gaming that was headed by the member for South Perth. How many of the recommendations have been implemented, how many are about to be implemented and at what cost?

**The CHAIRMAN:** Member, what page are you referring to and which line item?

**Mr M.P. MURRAY:** I am referring to "Completed Works" on page 539.

**Mr T.K. WALDRON:** I congratulate the member for South Perth for the review. I think they did a terrific job. We had a good cross-section of people on the review. It has certainly been very valuable for me as minister, for Racing and Wagering Western Australia and for the industry.

**Mr P.B. WATSON:** What about the committee?

**Mr T.K. WALDRON:** Sorry, and the committee. There were some very good people on the committee. As I recall, there were 53 recommendations. Many of those related to procedures within RWWA. We are in the process of putting together a legislative package to come to government resulting from the recommendations. I will comment on a couple. One of the recommendations, which I think was a very good recommendation, was for a change in taxation to enable that funding to go to an infrastructure fund for racing.

**Mr M.P. MURRAY:** Has that happened?

**Mr T.K. WALDRON:** No, it has not happened yet; it has not got through at this stage. We are preparing legislative material on other recommendations to go to government. In the meantime, we established a racing infrastructure fund of \$13 million, which has addressed a lot of the issues for racing across the codes in Western Australia.

**Mr M.P. MURRAY:** Was that the once-off money from Burswood Casino?

**Mr T.K. WALDRON:** Yes, we negotiated \$5 million in the first year and \$2 million a year after that. That is still proceeding. It is a total of \$13 million over that five-year period. However, I will still pursue the recommendation of the tax rebate. I will tell members what we have done, something I talked about in this place only last week. In 2009 I went to cabinet and got a reduction in tax for professional punters to encourage that market. For punters to be professional, they must turn over \$500 000 a year. We virtually halved the tax rate to give RWWA the advantage to attract those big punters where the turnover is big. That has been an outstanding success. This year RWWA has distributed an extra \$6 million across the codes. A big part of RWWA being able to do that, apart from its own excellent management, which has been very prudent, comes through RWWA having gone through some tough years. During the first few years of RWWA, things went well and then it went through some tough periods with the change of pooling arrangements et cetera, so RWWA had to cut its cloth and make some really tough decisions. It did extremely well. Through this tax incentive that we have given, we

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have enabled RWWA to give an extra \$6 million across the codes this year, which I think is a fantastic effort. More is still to be done in that area but, together with the infrastructure fund, that has enabled us to address the issue of infrastructure in the short term. Long-term changes will need to be made though.

I would like to pass to the CEO, who might want to comment because he is at the coalface administering all of that and can probably give better detail than I can.

**Mr R. Burt:** In terms of policy, as an organisation we have implemented 15 of the recommendations. I am sure the member does not want me to go through every one of them but they basically range within our powers. They are things that do not require legislative or regulatory change such as consulting with the industry and putting in place greater transparency on our website in terms of the board and its powers, delegation, distribution and handicapping. There are a lot of recommendations. Some of them are operational. I can recall that 15 have been implemented outside of the government legislative ones.

**Mr P.B. WATSON:** One of those was communications.

**Mr R. Burt:** That was two or three and we are stepping that up, as the member is aware.

**Mr T.K. WALDRON:** Out of those recommendations, there are only four that the government did not accept.

**Dr A.D. BUTI:** With regards to that report that was mentioned chaired by the member for South Perth, and what has been done with it, has there been a cut to the integrity services of the industry? With respect to the integrity of the industry, which is incredibly important, I believe drug testing has been a part of the racing industry's practice for a while. I believe that there has been positive testing of jockeys. I believe that the investigator, Phil O'Reilly, is on stress leave. If he is on stress leave, when will he be returning? In the meantime, who will be taking over drug testing? Can the minister give us figures on how much drug testing takes place each year and how many positive results there are?

[12.40 pm]

**Mr T.K. WALDRON:** I will make comment and then pass to Mr Burt for the detail. The one thing that has really impressed me since I became racing minister is the integrity RWWA applies within racing. It is streets ahead of a lot of other areas. Since I have been minister over the past four years, I have had hardly any issues with the stewards and the way RWWA has been run because they do such a good job. It is tough and it is run very stringently.

In fact, with the increased betting on sport and with Mark Arbib as the federal minister, I was a bit concerned that sport was not in the position that racing was in. There is so much we need to learn in sport and betting and other things that we need to put in place. I do not think there have been any cuts in the area of integrity. As minister I have had no reason whatsoever to doubt the way that side of it is being run.

**Mr M.P. MURRAY:** By way of interjection, can I ask Mr Burt about the apology that was in *The West Australian* and the payment that came out of that apology? Could he expand on that?

**Mr T.K. WALDRON:** I do not know what the member is talking about.

**Mr M.P. MURRAY:** I am sure Mr Burt will know the answer.

**Mr T.K. WALDRON:** I would need more information on that, because I am not sure what the member is leading to. I want to be careful how we approach that issue, because I am not aware of what the member is trying to get at. I will hand over to Mr Burt.

**Mr R. Burt:** Firstly, on the issue of integrity, the dollars in our integrity team have not been reduced. The member can look at 2011–12 versus 2010–11, but the dollars have not been reduced. In terms of approximately the amount of swabbing we do across the three codes, it is around \$900 000 a year in both pre and post-test swabbing. That number is steadily increasing to the value of probably three to five per cent a year. There is a bit of variation. It is not a number that we reduce. Swabbing is seen as critical, as are the number of stewards who attend the track. That number has not been reduced. In terms of the specifics raised by the member about our investigation manager, we have two—one in harness racing and one in thoroughbred racing. The one in thoroughbreds is going through stress leave, if you like, for reasons of which the member is probably aware. It is a delicate matter that we are managing. There are psychological issues involved because of stress on the job. We run a very commercial operation. We have backup in place in terms of stewards. In terms of jockeys and industry participants being investigated, it is continuing without issue. Obviously, when you are a person down, it requires someone to step in, so we have two of them. One is obviously doing extra work and other stewards are giving coverage to that area as well. I do not believe that we are exposed to higher levels of breaches of integrity as a result of that person's personal or extended leave. I must apologise—I am not being evasive—but I do not know about the apology in the paper that the member referred to.

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**Mr M.P. MURRAY:** Where a person was warned off course.

**The CHAIRMAN:** Is that your question?

**Mr M.P. MURRAY:** My question is why was the person warned off course for allegedly—allegedly—having sexual contact in a toilet?

**Mr T.K. WALDRON:** As minister I am not aware of that. I must have missed that.

**The CHAIRMAN:** I am not sure whether it is relevant.

**Mr T.K. WALDRON:** Member, I am not aware of that. I do not know how —

**The CHAIRMAN:** I would like to make a ruling. I do not think this is particularly relevant to the organisation. I think it is a separate entity for a particular occasion.

**Mr R. Burt:** Just to confirm, it had no bearing on the organisation. I now recall what the member is talking about. The issue involved our investigator, who worked for Perth Racing at the time. He was an employee of ours—this is going back five years—who was loaned to Perth Racing. It is a matter for Perth Racing. The only thing that Racing and Wagering Western Australia was involved in was a settlement with a person purely because our insurers insisted that there be a contribution from Racing and Wagering because, technically, he was our employee, even though at the time he was working for Perth Racing. It had nothing to do with Racing and Wagering.

**Mr M.P. MURRAY:** So he was moonlighting.

**Mr R. Burt:** No. He had the authority of the previous chief executive officer to work for Perth Racing because investigators are few and far between. Perth Racing asked if it could borrow our investigator to conduct a race meeting and to have him on site.

**The CHAIRMAN:** Member for Murray–Wellington, your questions are to go to the minister. If your next question is not particularly related to Racing and Wagering, I would like to move on to questions pertaining to the agency.

**Mr T.K. WALDRON:** Does the member have the last part? I am happy to pass it through if he remains unsatisfied by the answer.

**Mr M.P. MURRAY:** I will take it as supplementary information. I think that is how it should be. It is a Racing and Wagering issue because it paid insurance money.

**Mr T.K. WALDRON:** No. I am prepared to get Mr Burt to answer it now, to the best of his ability. What was the member's last question?

**Mr M.P. MURRAY:** The whole issue is about what happened, who paid the insurance and who put the retraction in *The West Australian*. It is my understanding—I have been wrong more than once in my life—that the person was run down, denigrated and made to get out of the industry and that people have since found out that that was wrong.

**Mr T.K. WALDRON:** I cannot comment on that because I do not know anything about it. If Mr Burt wishes to comment, he can.

**Mr R. Burt:** Very quickly, because I am mindful that it is not the main order of business, but respectfully in answer to the member's question, the gentleman who was asked to leave the course was not warned off racetracks, as I understand it. This goes back prior to my being chief executive officer, but I am aware of the case. He was asked to leave Belmont Racecourse by our investigator, who was contracted to Perth Racing because he was the only person who had the skills. Technically, he was working for Perth Racing. He witnessed an act—allegedly. He asked the person to leave the course. Over a course of years when it went through litigation, because he was our employee, but working under contract, the litigant brought a case against RWWA and Perth Racing. We had nothing to do with it. Our insurer accepted that we had nothing to do with it. The case did not go to court; it was settled out of court with a contribution by our insurer because it said, quite commercially, it would be cheaper for us to settle this matter with a small contribution from Racing and Wagering rather than having to go through the court process—not because of the likelihood of failure, but purely because it would cost more in legal representation than a token amount of contribution to the claim. It is a non-material amount; it is a seriously low amount. I cannot go into the confidentiality. RWWA had nothing to do with it. It had nothing to do with raising his name, and no apology was raised by RWWA. There has been no media raised by RWWA in any form. I have not gone on the record or unofficially said anything other than what I have said in this house about that matter. That is why I will not mention his name.

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**Dr A.D. BUTI:** I refer to page 539 of the *Budget Statements* and to the funding of the industry. The industry relies on revenue that is obtained through the wagering of bets in horseracing. I believe that there is disquiet in the industry over the present rating system which, as he knows, is the basis for handicapping in Western Australia. The WA Racing Trainers' Association has canvassed members who have expressed concerns about the current rating system. Dixie Solly, president of the Country Racing Association of Western Australia, wants the present system discarded with a return to the old system, which he says "has served the industry well for years". As people have suggested, could the rating system coupled with unimaginative programming be the reason for the small fields in Perth and associated, limited or poor turnover on races with small fields? As the minister would know, there are rather small fields in Perth. That affects the amount of wagering that occurs and, therefore, the revenue that is raised.

**Mr T.K. WALDRON:** I know Mr Solly quite well. It is funny that he has not raised this issue with me. He may well have raised it with Racing and Wagering or other members. I will refer that to Mr Burt, because he is aware of ratings et cetera. RWWA runs that and as minister I do not get involved in the day-to-day handling of events. It has not been raised with me as minister. Lots of issues are raised with me. I am interested to know whether that is a big issue at the moment. I have not heard about it.

**Mr R. Burt:** Both in the harness and the thoroughbred industries, handicapping and programming is an issue. It is not what I would consider in peril or unsustainable or strategically at threat. It is an operational issue. Specifically we have in the thoroughbreds, which is what Mr Solly has raised, a situation whereby horses that win races are given points under a rating system and are assigned weights. This is in the eye of the owner, let us say. When horses win, they get penalised very quickly, but when they are losing or maintaining their form, they do not come back quickly enough. Typically, horses get penalised too quickly from a weighting and a rating point of view, so the handicapper is very unfair to the owner in the eyes of the owner. I believe that the rating and weighting of horses is contributing to the field sizes in Perth, but, equally, the smaller number of elite horses that can race in Perth for \$40 000 to \$50 000 stake money is also contributing. We have a need to not only finetune our handicapping system, but also put in place incentives for people to breed horses of that calibre that can race at the metropolitan prime meetings, of which, as the member will be aware, there is one every week on a Saturday.

[12.50 pm]

**Dr A.D. BUTI:** So, minister, there is a problem.

**Mr T.K. WALDRON:** It is interesting. As I move around and go to races, things get raised, particularly by owners, who quite often raise issues with me. But that one has not been raised with me recently. They have obviously been raising it, and correctly so, with Racing and Wagering Western Australia.

**Mr R. Burt:** If I may just comment, minister, it is an operational matter. Unfortunately, owners are very difficult people to please with the handicapping system. For every person who is unhappy with the system, there are people who are happy, because naturally they are providing a balanced outcome in a race. We consult widely in the industry; in fact, out of the review of the Racing and Wagering Western Australia Act, it was recommended that we consult more, and we have taken up that mantle. As a result of the consultation, we have explained to the industry, through the eligible bodies and the consultative groups, what we believe can be done and the areas that can be improved. We are going through the consultative process now with the handicapper in the industry and how we can try to improve it. One of the strengths of RWWA is that it does consult and it does listen. But, at the end of the day, we have to remember that people are competing for prize money and not everyone is going to be pleased because not everyone wins.

**Dr A.D. BUTI:** But the rating system will be changed.

**Mr R. Burt:** The first thing we are doing is educating the industry more fully, because whenever we have sat down with an owner or trainer and explained the deficiencies in their eyes of the current system, they usually go, "Oh, that explains it." In many cases, it requires a detailed explanation of what is a quite complex system of how the handicapper operates the system. There will be some challenges in trying to meet what the industry needs, but we are working with the industry at the moment. I cannot answer definitively whether there will be a change. We also have to work with the Australian Rules of Racing and through the Australian Racing Board. WA cannot operate independent of those rules; otherwise, we risk our group and listed races.

**Mr T.K. WALDRON:** I have a quick comment on consultation. When I became minister, Richard and I talked because I had a concern that RWWA was not consulting well enough, particularly in country WA; that was probably because of my background. Richard took that on board and said, "You're probably right. We probably need to do more." RWWA's consultation is now first-class. Just recently, with the changes in distribution et cetera, it has run a number of seminars around Western Australia to inform people why it made decisions. It is doing a terrific job in that area. I take the opportunity to congratulate RWWA, because it was a concern that I

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had when I first came to this role. I think it was consulting, but it is doing it a hell of a lot better, which is good for the industry and good for RWWA, because getting that grassroots feedback has really helped inform some of its decisions.

**Mr J.E. McGRATH:** My question relates to prize money in the industry and how the industry was affected by the global financial crisis. We saw that downturn when TAB revenue was greatly affected. At the time, people in the industry were led to believe that we would eventually have minimum stakes of \$70 000 for our Saturday thoroughbred meetings. That has been impacted upon. One of the reasons was the leakage to internet betting agencies and corporate bookmakers. Recently, there was a High Court case in which a landmark decision was brought down that was a good outcome for the industry in New South Wales. How is Western Australia getting on with product fees? How is the industry benefiting from product fees that are paid by other wagering operators around Australia on the product in Western Australia? How much has been received from corporate bookmakers and other betting agencies? Finally, what is Mr Burt's forecast for TAB turnover in the future? Are we looking at turnover getting back to what it used to be?

**Mr T.K. WALDRON:** I will give a bit of a general answer and then I will hand over to Richard. As the member knows, there has been a major transformation of the Australian wagering market in recent years, with a rapid expansion of electronic wagering and the influx of large corporate bookmakers, particularly from the Northern Territory. Corporate bookmakers established a low-tax regime that provides a competitive advantage over our TAB. I think we are the only government that still controls its TAB. Corporate bookmakers contribute very little towards the racing industry, yet we provide them with their product. Hence, we took legislation through Parliament; in fact, that legislation was passed when Parliament had its regional sitting in Bunbury. Our response to that problem has been to develop that product fee system.

As the member knows, because the low-margin business model does not suit the corporates, they took action in the High Court seeking to have the High Court invalidate the turnover-based product fees. That action failed. That means that the racing industry is now free to charge operators a product fee based on turnover rather than margin. We currently provide both. We probably put that in place to avoid a High Court challenge. We are currently consulting with the industry. We are now free to move to a turnover base. We are talking to all stakeholders—local bookmakers and race clubs—before a decision is made. Including retrospective payments from 1 September 2008 to February this year, on behalf of the Western Australian racing industry, the Gaming and Wagering Commission has collected \$87.7 million from the racing bets levy from wagering operators throughout the nation. If we had not put that legislation in place, that \$87.7 million would have been down the drain. There were some who did not pay early who are now paying, so that is good.

**The CHAIRMAN:** Minister, I am conscious that other members want to ask questions.

**Mr T.K. WALDRON:** I will quickly hand over to Richard.

**Mr R. Burt:** Turnover growth is returning. This year it will be just under \$1.9 billion—parimutuel and fixed odds—versus last year when it was around \$1.73 billion. We are accessing new markets. We have grown that VIP market upward of \$200 million from zero three years ago, and I would estimate that we are probably growing at the highest rate of any TAB around Australia. Our capacity to grow is there. Our ability to fund the industry is reasonable. Our capital expenditure is easing because we are over the major projects. We are working hard to continue to grow dividends to the industry.

Further to the minister's comment, without that legislative amendment, the industry would not be in good shape. That \$87 million materialises into about \$28 million received from interstate wagering operators, and at the moment we are paying out about \$26 million to racing industries over there. The product fee situation is working slightly in profit.

**Mr J.J.M. BOWLER:** I think that trend will be further enhanced by the decisive and very astute decisions by the minister and his CEO to make sure that the meetings on 22 September are in the right order! Congratulations.

**Mr T.K. WALDRON:** I thank the member for Kalgoorlie for his ongoing interest in racing and for his very fair lobbying of me as minister. I went to see the physiotherapist after he put me in a headlock, and I am feeling a lot better! I am just waiting for his next approach; I could just about outrun him!

RWWA was established under the previous government, and I congratulate it for that. I think it was done under Minister Nick Griffiths. RWWA comes in for a lot of criticism at times, but I think that it has done a fantastic job on the journey. Its CEO, Richard, is a terrific operator. I know that he always has the best interests of the racing industry at heart in trying to make it profitable. It gets back to the argument that we had about VenuesWest. Sometimes I say to Richard, "Pull back a bit; there is more to it than just making money." But that is a key part of that industry. I have learned so much over time. I think we are in pretty good shape. We have been through some tough periods.

**Extract from *Hansard***

[ASSEMBLY — Tuesday, 29 May 2012]

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**Mr J.J.M. BOWLER:** Every state wishes it had a RWWA.

**Mr T.K. WALDRON:** I am looking forward with great confidence. I think we are in fair shape.

**The CHAIRMAN:** That completes the examination of Racing and Wagering Western Australia.

*Meeting suspended from 1.00 to 2.00 pm*