



Policy costing

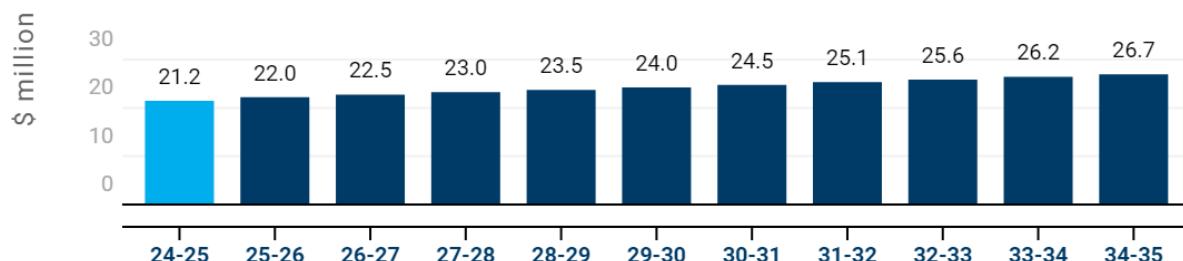
Shut down the greyhound racing industry in Victoria (June 2024)

Political party	Animal Justice Party
Requestor	Ms Georgie Purcell MP
Request date	11 June 2024
Response date	21 June 2024
Policy commencement	1 July 2024
Policy conclusion	Ongoing
Policy summary	<p>This policy would:</p> <ul style="list-style-type: none">▪ shut down the greyhound racing industry in Victoria▪ cease all subsidies to the greyhound racing industry. <p>This policy would also adjust the distribution of wagering and betting point of consumption tax revenue, so as not to redirect greyhound racing industry subsidies to other racing codes.</p>
Budget baseline	May 2024 budget
Expiry date of this response	At the release date of the next Victorian Government budget or budget update.

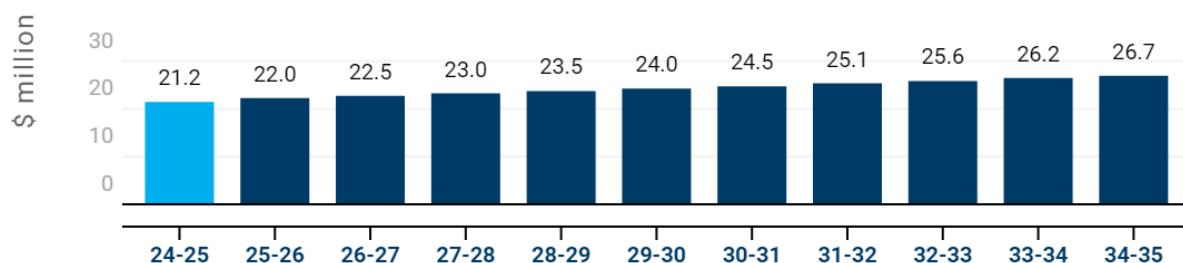
Our response

Budget impact

Change in net position

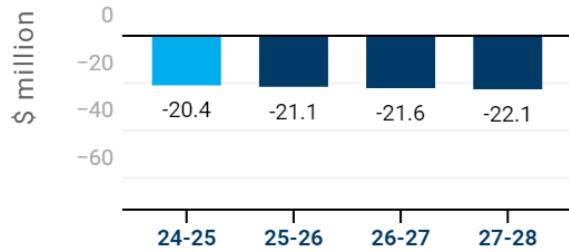


Net operating balance

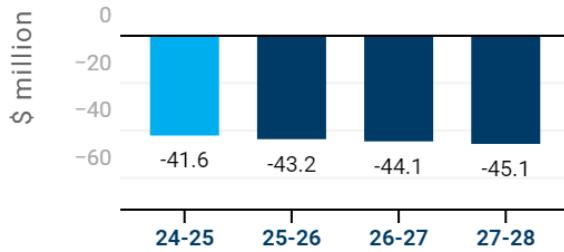


Costing components

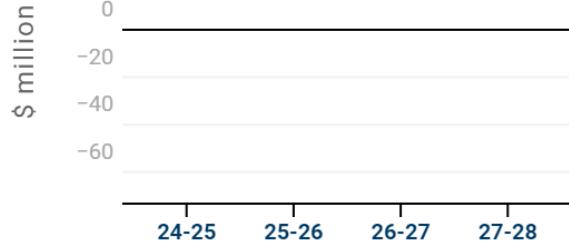
Revenue



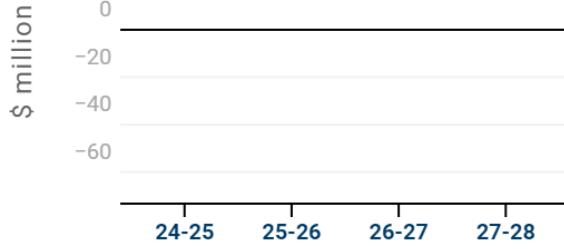
Expense



Assets



Leases



Source: Parliamentary Budget Office.

Context

The Victorian Government imposes a point of consumption tax (POCT) on wagering and betting activity in the state. Under the current POCT arrangements, wagering and betting operators are liable for 10% of net wagering revenue derived from customers located in Victoria. The government distributes 35% of tax revenue to the Victorian Racing Industry (VRI) each year, which consists of 3 racing codes:

- thoroughbred racing
- harness racing
- greyhound racing.

From 1 July 2024, the POCT rate will increase to 15%, with the government to distribute 50% of tax revenue to the VRI.

Greyhound Racing Victoria is the statutory body responsible for operating, regulating and promoting greyhound racing in Victoria. Greyhound Racing Victoria is a public non-financial corporation.

Costing overview

We expect this policy to increase the state's budgeted net position by:

- \$88.8 million across 2024–25 to 2027–28, this reflects:
 - a decrease in operating expenses of \$174.0 million due to the cessation of payments to the greyhound racing industry under the POCT
 - a decrease in revenue of \$85.3 million due to the loss of POCT revenue from Victorians no longer betting on greyhound races held in Victoria.
- \$264.3 million across 2024–25 to 2034–35, this reflects:
 - a decrease in operating expenses of \$518.2 million due to the cessation of payments to the greyhound racing industry under the POCT
 - a decrease in revenue of \$253.9 million due to the loss of POCT revenue from Victorians no longer betting on greyhound races held in Victoria.

Our estimate does not consider second-round behavioural impacts relating to wagering and betting. It excludes substitution from wagering and betting on greyhound racing to other gambling.

We make no judgement regarding the risk of any financial claims against the Victorian Government that may arise relating to breaches of agreements, including existing racing club or racecourse licences.

This cost estimate is sensitive to:

- changes in the drivers of wagering and betting revenue
- behavioural impacts resulting from the cessation of wagering and betting on Victorian greyhound races
- the risk of potential financial claims against the government associated with the decision to shut down greyhound racing.

Our approach

Assumptions

When costing this policy, we made the following assumptions:

1. The POCT rate and redistribution rate to the VRI would remain constant from 1 July 2024.
2. POCT revenue would increase in line with current budget estimates beyond 2027–28.
3. The proportion of the POCT distribution that goes towards greyhound racing would remain constant at its historical average.
4. The share of Victorian net wagering revenue that relates to greyhound races held in Victoria would remain constant at its historical average.
5. Revenue from wagering and betting licence premium payments would remain constant and reflect the current terms of licences.
6. Greyhound Racing Victoria would:
 - pay all remaining financial commitments relating to broadcasting and distribution rights
 - forfeit expected revenue relating to broadcasting and distribution rights.
7. The total amount granted to the Victorian Racing Industry Fund (VRIF) would not change.
8. The Victorian Government would not recoup funding:
 - expensed prior to 1 July 2024
 - for ongoing greyhound racing infrastructure projects sourced from VRIF contributions.

Method

When costing this policy, we:

- estimated the baseline POCT revenue, escalated annually by the relevant growth rate
- estimated the proportion of POCT revenue generated from greyhound races held in Victoria
- calculated the loss in POCT revenue from shutting down greyhound races in Victoria
- estimated the baseline POCT distributions to the racing industry across all racing codes
- estimated the proportion of POCT distributions to the greyhound racing industry
- calculated the reduction in payments to greyhound racing from shutting down the industry
- calculated the reduction in payments to other racing codes, factoring in the loss in POCT revenue under the policy
- assessed whether there were other direct subsidies to the greyhound industry beyond 1 July 2024 that would generate savings under the policy.



Data sources

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Attachment A – Detailed budget impacts

Year-on-year impacts

(\$ million)	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	2030–31	2031–32	2032–33	2033–34	2034–35
Revenue	-20.4	-21.1	-21.6	-22.1	-22.6	-23.1	-23.6	-24.1	-24.6	-25.1	-25.7
Expense	-41.6	-43.2	-44.1	-45.1	-46.1	-47.1	-48.1	-49.1	-50.2	-51.3	-52.4
Net operating balance	21.2	22.0	22.5	23.0	23.5	24.0	24.5	25.1	25.6	26.2	26.7
Assets	-	-	-	-	-	-	-	-	-	-	-
Leases	-	-	-	-	-	-	-	-	-	-	-
Change in net position	21.2	22.0	22.5	23.0	23.5	24.0	24.5	25.1	25.6	26.2	26.7

Cumulative impacts

(\$ million)	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	2030–31	2031–32	2032–33	2033–34	2034–35
Revenue	-20.4	-41.5	-63.2	-85.3	-107.8	-130.9	-154.4	-178.5	-203.1	-228.2	-253.9
Expense	-41.6	-84.8	-128.9	-174.0	-220.1	-267.1	-315.2	-364.4	-414.5	-465.8	-518.2
Net operating balance	21.2	43.3	65.8	88.8	112.3	136.3	160.8	185.9	211.5	237.6	264.3
Assets	-	-	-	-	-	-	-	-	-	-	-
Leases	-	-	-	-	-	-	-	-	-	-	-
Change in net position	21.2	43.3	65.8	88.8	112.3	136.3	160.8	185.9	211.5	237.6	264.3

Notes: Figures may not sum due to rounding. Consistent with Victorian Budget Paper No.3 – Service Delivery, we do not consider changes to interest, depreciation expense nor non-cash adjustments. The net operating balance measures the gap between government revenue and expenses, and is an indicator of the policy's impact on operating sustainability. A positive change indicates that this policy would improve the net operating balance of the state budget. The net position measures the gap between government revenue and expenses, and movements in financial and non-financial assets. It is an indicator of the policy's impact on the state budget, and is more appropriate for comparing policy costings. A positive change indicates that this policy would improve the net position of the state budget.

Source: Parliamentary Budget Office.