

# DÁIL ÉIREANN

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## AN COISTE UM CHUNTAIS PHOIBLÍ

## COMMITTEE OF PUBLIC ACCOUNTS

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*Dé Máirt, 23 Feabhra 2021*

*Tuesday, 23 February 2021*

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The Committee met at 10 a.m.

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### MEMBERS PRESENT:

Deputy Jennifer Carroll MacNeill,	Deputy Paul McAuliffe,
Deputy Matt Carthy,	Deputy Imelda Munster,
Deputy Cormac Devlin,	Deputy Catherine Murphy,
Deputy Alan Dillon,	Deputy Verona Murphy,
Deputy Neasa Hourigan,	Deputy Sean Sherlock.

DEPUTY BRIAN STANLEY IN THE CHAIR.

**Mr. Seamus McCarthy** (*An tArd Reachtaire Cuntas agus Ciste*) called and examined.

### **Horse Racing Ireland: Financial Statements 2019**

**Mr. Brian Kavanagh** (*Chief Executive Officer, Horse Racing Ireland*) called and examined.

**Chairman:** I welcome everyone to this online meeting. Due to the current situation regarding Covid-19, only the clerk, support staff and I are in the committee room. Members of the committee are attending remotely from within the precincts of Leinster House. This is due to the constitutional requirement that, in order to participate in public meetings, Members must be physically present within the confines of the place where the Parliament has chosen to sit, namely, Leinster House or the convention centre. I ask that committee members confirm their locations before contributing to ensure they are adhering to this requirement. The Comptroller and Auditor General, Mr. McCarthy, is a permanent witness to the committee and is attending remotely.

Before we begin our public engagement, we considered the minutes of our meetings of 4 and 9 February at our private meeting last week. Standing Order 107(3) requires that the minutes are agreed in public session. Are the minutes agreed? Agreed.

Today we are engaging with officials from Horse Racing Ireland to examine matters relating to its 2019 financial statement. We are joined remotely from outside the precincts of Leinster House by the following officials: Mr. Brian Kavanagh, chief executive, and Ms Suzanne Eade, chief financial officer. I welcome them to the meeting and thank them and their staff for the briefing material they have prepared for us.

When we begin to engage, I ask that members and witnesses mute themselves when not contributing in order that we do not pick up any background noise or feedback. I also ask that they use the button to raise their hands to indicate when they wish to contribute and, as usual, I remind all those in attendance to ensure that their mobile phones are on silent mode or switched off. When people have finished contributing, they should not forget to use the button to lower their hands. It can be confusing otherwise.

I wish to explain some limitations to parliamentary privilege and the practice of the Houses as regards references witnesses may make to other persons in their evidence. The evidence of witnesses physically present or who give evidence from within the parliamentary precincts is protected, pursuant to the Constitution and statute, by absolute privilege. However, today's witnesses are giving their evidence remotely from a place outside the parliamentary precincts and, as such, may not benefit from the same level of immunity from legal proceedings as a witness who is physically present does. Our witnesses have already been advised of this and they may have viewed it as appropriate to take legal advice on this matter.

Witnesses are reminded of the long-standing parliamentary practice that they should not criticise or make charges against any person or entity by name or in such a way as to make him, her or it identifiable or otherwise engage in speech that might be regarded as damaging to the good name of the person or entity. Therefore, if their statements are potentially defamatory in respect of an identifiable person or entity, they will be directed to discontinue their remarks. It is imperative that they comply with any such direction.

Members are reminded of the provisions within Standing Order 218 that the committee shall

refrain from inquiring into the merits of a policy or policies of the Government or a Minister of the Government or the merits of the objectives of such policies. Members are also reminded of the long-standing parliamentary practice to the effect that they should not comment on, criticise or make charges against a person outside the House or an official either by name or in such a way as to make him or her identifiable.

To assist our broadcasting and debates services, I ask that members direct their questions to a specific witness. If the question has not been directed to a specific witness, I ask the witnesses to state their names the first time they contribute.

I invite the Comptroller and Auditor General, Mr. McCarthy, to make his opening statement.

**Mr. Seamus McCarthy:** Horse Racing Ireland, HRI, was established to provide a statutory basis for the control, regulation and development of the horse racing industry in Ireland. It operates racing and betting activities through eight subsidiaries. In addition, it has a one third shareholding in an associated company called Curragh Racecourse Limited, CRL.

HRI received State funding of €67.2 million in 2019, sourced from the Vote for the Department of Agriculture, Food and the Marine through the Horse and Greyhound Racing Fund. HRI's other main sources of income in the year were contributions from horse owners and sponsors towards racing prize money, totalling €23.4 million; sales of media rights to the value of €6.8 million; registration fee income of €2.6 million; industry contributions to Irish Thoroughbred Marketing of €443,000; and net income of €294,000 from racing activities arising from totaliser betting and HRI-owned racecourses. On the expenditure side in 2019, HRI paid out €67.6 million in prize money. Expenditure of €12.6 million was incurred on integrity and racecourse services, mainly comprising grants to the Irish Horse Racing Regulatory Board. Overall, the HRI group incurred a deficit of just over €1 million for 2019.

The 2019 financial statements received a clear audit opinion. However, without qualifying that opinion, my report drew attention to two matters related to HRI's activity in the year. First, I drew attention to the fact that the statement of income and expenditure disclosed a group loss of €2.064 million in 2019 relating to HRI's investment in CRL. This is a company established to provide for the redevelopment and management of the Curragh racecourse. The redevelopment involved the construction of a new stand and other racing facilities, which opened in mid-2019. Ownership of the company is split between HRI, the Turf Club and private investors. Notes Nos. 37 and 39 of the group financial statements explain that HRI had contributed funding to CRL totalling €36 million up to the end of 2019. This comprised an investment of €23 million in return for an equity share, grant funding of €12.5 million for the construction project, and €500,000 paid for the right to use a hospitality suite at the racecourse for 30 years. In addition, the group financial statements reflect a loan of €500,000 given by HRI to CRL during 2019 to fund additional works on the racecourse's parade ring. As at 31 December 2019, HRI held a 35.29% economic share in CRL. The carrying value of HRI's investment at 31 December 2019 was €18.5 million, indicating cumulative losses incurred by HRI amounting to €4.5 million.

Second, I drew attention to the disclosure in the statement on internal control for 2019 of a financial loss by HRI of €389,000 in respect of cash-in-transit services. The service provider went into liquidation while holding cash relating to HRI's racecourses and its Tote Ireland subsidiary.

The chief executive will be able to update the committee on these matters.

**Chairman:** I invite Mr. Kavanagh to make his opening statement.

**Mr. Brian Kavanagh:** I am grateful for the opportunity to appear before the Committee of Public Accounts to assist with its examination of the 2019 financial statements of HRI. As members will be aware, HRI is a commercial semiState body responsible to the Minister for Agriculture, Food and the Marine and was established under the Horse and Greyhound Racing Act 2001. HRI is responsible for the overall administration, governance, development and promotion of the Irish horse racing industry and operates a corporate structure that comprises the main body and nine subsidiary companies, one of which is dormant. Its functions are set out in legislation.

As the Comptroller and Auditor General set out, HRI's primary sources of funding are the Horse and Greyhound Racing Fund, race entry fees from owners, race sponsorship fees through racecourses, profits from commercial subsidiaries, a statutory foal levy on breeders, the sale of media rights, industry contributions to Irish Thoroughbred Marketing and a turnover levy on oncourse bookmakers.

We are based in Ballymany, the Curragh, County Kildare, and including our subsidiary companies, we employ a total of 247 people. Since the establishment of the Racing Board in 1945, the horse racing and thoroughbred industry in Ireland has been overseen by a State body and has been the subject of legislation. The reason for this is the unique position which the sector holds in Ireland. Horses are something which Ireland does well, and for a small country we hold leadership positions in many elements of the industry which makes a valuable contribution to the social, economic and cultural fabric of the country. This was well summed up recently by An tUachtarán, Michael D. Higgins, when he said the horse has a special place in Irish life and culture and, "A love of horses, their breeding and training, are an integral part of Ireland's identity and of our reputation abroad."

Supportive Government policy over the years has enabled a significant rural industry to develop, and in 2017, Deloitte issued a comprehensive report on the value of the industry which made a number of important findings. The key findings were that the industry stimulates almost €2 billion of expenditure per annum in the Irish economy. This expenditure supports a workforce of 28,900 full-time equivalent jobs. After the United States, Ireland is the second biggest seller of bloodstock at public sales. In a normal year, 1.3 million people attend race meetings in Ireland. Bloodstock sales are valued at approximately €438 million per annum, much of which is exported.

The industry operates on an all-island basis, and every four years, the Minister for Agriculture, Food and the Marine appoints a representative of the industry in Northern Ireland to the board of Horse Racing Ireland. The board comprises a chairman and 13 ordinary board members who are a mixture of industry representatives and ministerial nominees.

The industry is multi-layered and comprises much more than just a day at the races. Despite our small size, Ireland is the third largest producer of thoroughbreds in the world, the second largest exporter of horses to more than 33 countries in terms of value, and arguably the leading country in terms of quality. In terms of size and scale, the thoroughbred industry is a significant one with a wide geographical reach. There are breeders in every county in Ireland and most of them, 92%, have five mares or fewer.

In terms of economic value and the value of exports through sales, the industry compares very favourably with other vital agrifood sectors such as fishing, poultry, pigs and sheep. One

feature of the industry is its regional reach, and the Deloitte report pointed to significant economic activity and investment reaching into every county in the country. A previous industry analysis took the case of Bagenalstown in County Carlow and found that within a ten-mile radius of that town, more than 600 full-time jobs were accounted for through the horse racing and breeding industries and ancillary services. That picture is replicated in many other parts of the country.

The year 2019 was the last normal year experienced by most businesses. Ms Eade and I will be happy to deal with any questions the committee may have on our 2019 financial statements. Since then, much has changed and the industry is currently facing two massive challenges in Covid-19 and Brexit, both of which are having a significant impact. Covid-19 saw horse racing cancelled for 11 weeks last year and since the resumption on 8 June, racing has been run behind closed doors, under strict protocols, with only essential staff in attendance. Point-to-point racing is currently cancelled, which is a major problem for the national hunt sector and those whose livelihoods depend on it. Irish bloodstock sales, at which most of our international trade takes place, were heavily disrupted in 2020 with key sales either cancelled, deferred, or in some cases, moved to England. The industry is extremely grateful to be able to continue racing and is cognisant of the bigger picture. However, like many other sectors, the impact of Covid-19 will be felt for a long time.

As I said earlier, Ireland is one of the largest exporters of thoroughbreds in the world and Britain is our main market, which has meant that significant changes and readjustments are occurring as a result of Brexit. Over the past two years, together with various industry bodies and Government authorities, we have been working through the implications on the movement of horses between Ireland and Britain in the following areas: sanitary and phytosanitary applications, customs and VAT. Undoubtedly, the situation is more difficult since 1 January. Much work remains to mitigate the barriers to trade and prevent the industry in Ireland being marginalised as a result of geographical location.

Horse Racing Ireland has ambitious plans for the racing and breeding industry, and in March 2020 we published a strategic plan for the years 2020 to 2024, which sets challenging growth targets. While the industry is facing up to serious challenges, if properly supported it will play an important role in Ireland's economic future. It is a valuable source of employment and investment into rural Ireland, an area in which Ireland has natural advantages of climate and soil structure. It is one that capitalises on our native skills and has a global reach which enhances Ireland's reputation internationally. Moreover, it is an environmentally friendly agricultural activity. The key elements of the strategic plan are increased participation at all levels of the industry thereby increasing employment and economic activity, investment in areas that are critical to the development of the industry, raising the profile and attractiveness of horse racing to all its customers, world-leading standards of integrity and equine welfare, development of people within the industry to support sustainable employment, and securing a sustainable funding model for the future.

The key capital projects under this plan will be the redevelopment of the Irish Equine Centre in Johnstown, County Kildare, and the development of a new all-weather racetrack in Tipperary. The plan signals ambition to grow the direct and indirect employment in our industry to 35,000 people and the economic activity to €2.5 billion per annum.

The 2019 financial statements are before the committee. That was a good year for Irish horse racing and breeding, with increases in most of the key industry metrics and continued success for Irish horses on the racetracks of the world. The year 2019 saw the completion of the

long-awaited redevelopment of the Curragh racecourse and the introduction of new broadcasting arrangements for Irish racing. It was also the year in which the threats to the industry from Brexit began to crystallise.

As requested, we have provided the committee with briefing material on three specific issues. As I said earlier, Ms Eade and I will be happy to address any questions members may have on those matters or any other aspect of our finances.

**Chairman:** I thank Mr. Kavanagh for his opening statement. The lead speakers today are Deputy Carthy, who will speak first for 15 minutes, and Deputy Verona Murphy, who has ten minutes. We are obviously on limited time so I will have to hold speakers to their slots. We will try to have a second round of questions. I call Deputy Carthy.

**Deputy Matt Carthy:** I welcome Ms Eade and Mr Kavanagh. It is good to see them again. Unfortunately, we are in restricted conditions. To clarify, Chair, no member of the board is with us today.

**Chairman:** No, there is no board member.

**Deputy Matt Carthy:** Okay, that is just for clarification. I thank Mr. Kavanagh for his opening statement. I will put on record that I am a big fan of Irish horse racing in the sense that I understand and appreciate the value it brings to many rural economies. I am sure many people will be impressed to hear about some of the financial benefits from the sector in terms of how it permeates to local communities, which is what I want to focus on this morning.

Mr. Kavanagh mentioned that 92% of breeders are operations of five mares or fewer, and they are the small operators many of us will be aware of within our own communities. Where does Horse Racing Ireland fit in with their operations in terms of the supports it gives them to maintain their operations, support newer entrants and allow those smaller operators to expand?

**Mr. Brian Kavanagh:** I believe that is the key to it. As the Deputy said, the industry has a strong rural and regional reach and the small breeders, trainers and owners are the backbone of the industry. Sometimes, the headlines go to the bigger owners. When one analyses the industry, however, the picture shows a nationwide distribution of activities, full-time, part-time etc. We put in place programmes to support all levels of the industry.

As the Deputy mentioned, 92% of breeders have fewer than five mares. Some 90% of our races are non-black tie races, that is, they are races below the elite level and are available for all small owners and trainers. I mentioned our intention to build a second all-weather track in Tipperary. That is to facilitate and replicate the Dundalk experience in terms of creating opportunities for the type of operators the Deputy referred to. We operate a pyramid-based structure or meritocracy within racing, which leads to the championship races at the top level.

We will shortly launch a new support scheme for breeders, which is a direct response to the Brexit concerns. Many small breeders feel isolated. Britain is our main market for horses, with 80% of exports of Irish horses going to the UK, so there is great anxiety with regard to Brexit. In the past couple of years we have expanded the race programme for horses, particularly at the lower level. We have introduced specific races, called option races, for horses at the lower level.

**Deputy Matt Carthy:** We are tight for time. Would I be correct in saying that prize money is the key component of how Horse Racing Ireland uses Exchequer funding to support the sec-

tor?

**Mr. Brian Kavanagh:** Yes, prize money is our most significant expenditure. That acts as a stimulus to encourage people to have horses in training. The studies show that the total outlay on horses in training is of the order of €400 million to €450 million per year. That is really supporting rural economies. It is not just people indulging a hobby. On the other side of the equation, it is people being employed, such as farriers, vets, feed companies and trainers and their staff. The prize money, which is an internationally competitive issue in our business, serves as a stimulus to generate that economic activity.

**Deputy Matt Carthy:** Essentially, the prize money is the trickle-down method of getting the funding from the Government to the people operating in the sector. Is it fair to say that the amount given in Exchequer funding is remarkably similar to the amount that is distributed in prize money?

**Mr. Brian Kavanagh:** Yes. A significant element-----

**Chairman:** There is a problem with the sound.

**Mr. Brian Kavanagh:** Will I take the question, Chairman?

**Chairman:** Yes, just repeat your reply.

**Mr. Brian Kavanagh:** A significant element of the prize fund is contributed by the owners through entry fees and sponsors. It is in the region of 35%, and approximately 65% of the prize fund comes from Horse Racing Ireland. As I said, that serves as a stimulus to encourage horses to be kept in training. The figures on that are positive. Even last year there was a 3% increase in the number of horses in training. On the other side of the equation, 25% of the prize fund goes to the trainer, the jockey and the stable staff involved with the horses. It forms a key part of their earnings.

**Deputy Matt Carthy:** I was getting to that point. In the year we are examining, 2019, Government funding to the organisation was approximately €67 million and the prize money distributed was €66 million. Looking back over the years, I see that in 2012 there was €45 million in Exchequer funding and €45 million in prize money. There is clearly a correlation between the two. Is Mr. Kavanagh satisfied that this method of front-loading prize money is the best and fairest way to distribute Horse Racing Ireland's funds to race owners, trainers and the associated and ancillary personnel he mentioned, such as stable hands and so forth?

**Mr. Brian Kavanagh:** I am, because of the stimulus factor I mentioned earlier. Can members hear me?

**Deputy Matt Carthy:** Yes, Mr. Kavanagh is coming across okay.

**Chairman:** The sound is being interrupted.

**Mr. Brian Kavanagh:** It is just that Deputy Carthy's screen freezes at the end of his question.

The idea is that it acts as a stimulus. Rather than just look at the narrow issue of prize money, it stimulates investment and encourages owners to have horses in training and to buy horses. It drives rural economic activity, the sales and the decision to have horses in training here. Regarding the link with the horse and greyhound fund, the Deputy is correct to point out the

proximity of the figures, but they are not directly linked. It is not the case that we get X amount from the Government, so we put X into prize money and offer prize money of X amount. As the Comptroller and Auditor General mentioned, we have other sources of income as well. Prize money is the subject of competition internationally, particularly at the higher level where one is seeking to attract horses. We have been quite successful at this over the years, getting international owners to base their horses in Ireland rather than the alternatives there might be in France or the UK.

**Deputy Matt Carthy:** I am trying to get to the heart of whether Exchequer funding is having the biggest impact. To repeat Mr. Kavanagh's figures, 92% of horse trainers have five or fewer mares. Looking at the distribution of the prize money in terms of flat racing, and I believe these figures are from 2019 as well, the top trainer managed to secure 25% of the overall prize money. The top ten trainers secured 63.29% of the prize money. In the case of the national hunt, the top trainer drew down 17% and the top ten trainers drew down 63% of the funding. The flat all-weather did a little better in terms of balance, but the funds were much smaller. Some 46.23% of owners drew down the overall amount of the money in terms of the top ten. One can see there is great disparity and understand why some would question whether the model of front-loading the prize money is the best way to make the economic impact Mr. Kavanagh rightly said this money can deliver, if it is utilised correctly. It appears that the model in place will ensure that the big trainers, who do great work and are great ambassadors, will keep getting bigger while the stables of five or fewer mares will remain very much bit players. There will not be much scope for them to expand because it is very hard to break into this prize money, which would allow them to have the same resources as their competitors.

**Mr. Brian Kavanagh:** I do not think that is a full analysis. Many of the horses that are winning for the bigger trainers are bred by those breeders the Deputy referred to, the small breeders who are selling their horses to the owners to keep them in training. The other factor is that many of our top trainers started off as small trainers. Our two leading national hunt trainers, Willie Mullins and Gordon Elliott, both started with four or five horses in training and have been able to develop their businesses to their current scale. Obviously, the scale of those operations increases the scale of the economic activity and the scale of the trickle-down into the local economy. I mentioned in my introduction that there are 600 jobs in the Bagenalstown area. A number of those would be related to Willie Mullins, a trainer, Jim Bolger, a trainer, and Red Mills horse feeds.

**Deputy Matt Carthy:** I appreciate all that. There is a distinction, but there is a reality, if one looks at the figures as they have evolved over the past decade, that some are drawing down ever-increasing shares of the pot. Mr. Kavanagh mentioned the breeders, as opposed to the trainers. I have not been able to find the equivalent figures for breeders. Would HRI be able to make those available to the committee?

**Mr. Brian Kavanagh:** In what sense?

**Deputy Matt Carthy:** The prize money that went to breeders or that is associated with breeders, as opposed to the trainers.

**Mr. Brian Kavanagh:** Yes, we could do that exercise. It is not a figure we would have at our fingertips, but we can certainly equate the analysis the Deputy has set out for trainers among breeders. It will be a much broader picture because a number of these horses are bred in France. A number of the horses that are successful are bred in the United States or in the UK as well as in Ireland, so it will not just be Irish breeders. It will give a global picture.

**Deputy Matt Carthy:** On that point, does Mr. Kavanagh have a figure for how much prize money went abroad in 2019, the year we are discussing?

**Mr. Brian Kavanagh:** I do. It is published in our fact book. I can get it for the Deputy during the course of the discussion.

**Deputy Matt Carthy:** That is fine. I do not have much time left. I wish to refer briefly to HRI's investment in the Curragh racecourse. I note there was an increase of €10.7 million between the contracted price and the final price. Was there a specific reason for that or were there a number of factors?

**Mr. Brian Kavanagh:** It was a number of issues. It was decisions that were taken by the board for the long-term good of the project. For example, some €2.5 million of that figure would be for work on new stable yards and refurbishment of some of the stables. The decision was taken not to build a new stand and then have old stables. There were also issues with building inflation and the nature of the contract with the contractor, whereby the Curragh had to contract not just with the builder but also with the various subcontractors. In the briefing material we sent to the committee, we set out the key elements of that difference.

**Deputy Matt Carthy:** On that issue, one of the things which struck me was that the HRI was one of three distinct partners in the project, yet the contribution from the HRI was 49% of the total. That seems like a strange number. Why not go to 50% or 51% and have a deciding say in the matter? How and why was that figure reached for a 49% contribution?

**Mr. Brian Kavanagh:** Unlike most other capital infrastructure projects, in our racecourse support schemes and our racecourse capital schemes we have always only put up 40% to 50% of the funding. We have required the racecourse partaking of the scheme to come up with the balance of the funding, and that approach is to minimise our exposure and to drive the racecourses, most of which are privately owned, to generate their own funding to allow them to be part of the scheme. In fairness, the racecourses do that to a significant degree. They generate large amounts of funds from parties in the bloodstock industry to add to the overall funding. The initial breakdown worked out therefore as a split of one third of funding coming from all three parties. The Turf Club, however, obviously put the racecourse rather than funding into the new company. As the situation evolved, the contribution of HRI went up slightly. It was never our ambition to take over the Curragh racecourse, however, if that is the question being asked by the Deputy.

**Deputy Matt Carthy:** It was just a matter of interest to me. I note the total contributions from all three bodies involved was €92 million, but the final cost was €82.7 million. What happened to the surplus of €9.3 million?

**Mr. Brian Kavanagh:** It was used to fund working capital needs and there were also trading losses in the years from 2015 to 2019, inclusive. The situation is now a profitable one and a cash profit was generated in 2020. The funding therefore was allocated for the capital and working and trading aspects of the situation in those years.

**Deputy Matt Carthy:** I thank the Chair. Do I have time for another question?

**Chairman:** I am sorry, but Deputy Carthy has gone over his time.

**Deputy Matt Carthy:** That is fine. I thank Mr. Kavanagh.

**Chairman:** I will let Deputy Carthy back in during the second round of questions, if there is time. I call Deputy Verona Murphy, who has ten minutes and I will give her a reminder of the time after seven minutes.

**Deputy Verona Murphy:** I welcome the witnesses and thank them for joining us. Returning to the situation with the Curragh racecourse, some €1.5 million has been reclassified in the 2019 accounts as fixed assets to reflect better the transaction regarding the right to use a suite at the Curragh racecourse for more than 30 years. Why though would the HRI have to pay €500,000 for something to which it has already contributed some €45 million? I ask Mr. Kavanagh to bear in mind that we have a tight timeframe.

**Mr. Brian Kavanagh:** It is just a classification. A tranche of contributions came from private partners and from HRI, and agreement at the time was that contributors of significant amounts of funding would have access to a suite during the lifetime of the racecourse. That clearly included HRI, so it is purely a financial transaction. It was not like we came in separately and stated that we wanted to buy a suite or a box for entertaining. It is something which is very useful to our subsidiary company Irish Thoroughbred Marketing, because its brief is to promote Irish bloodstock around the globe. The company uses this suite in that context to entertain clients and things like that, but it-----

**Deputy Verona Murphy:** Is there a charge for the use of the suite in that context, or is it complementary on a marketing basis?

**Mr. Brian Kavanagh:** The suite is complementary, but obviously the company using it would pay for food and beverages.

**Deputy Verona Murphy:** That is fine, I thank Mr. Kavanagh. To move on, Mr. Kavanagh has been the CEO of HRI for a long time, from 2001. Well done on that, which is extraordinary longevity in these times. Going back to the start of Mr. Kavanagh's tenure, we had the foot and mouth outbreak in 2001. Was Mr. Kavanagh the CEO at that stage?

**Mr. Brian Kavanagh:** It was just before I came into the role.

**Deputy Verona Murphy:** That is fine. The reason I ask that question is that we are now in a situation where we no longer have point-to-point racing. It is a significant issue, as Mr. Kavanagh can imagine. I am from Wexford, which is a county where point-to-point racing is a serious activity. What engagement has HRI had concerning finding a solution to this problem? It was mooted that perhaps point-to-point racing could be run on the racecourses. Has HRI come up with a solution in conjunction with the Department, or suggested any such solution?

**Mr. Brian Kavanagh:** We have worked with the point-to-point community and the Deputy is correct that Wexford is the county which has been at the heart of point-to-point racing in the last decade. It is a real grassroots activity which filters into the national hunt industry. We have been working with the point-to-point racing community and with the Department of Agriculture, Food and the Marine to make the case for the safe resumption of this activity. It is not really that different from horse racing and it was run safely for 11 weeks before Christmas. Point-to-point racing has a key impact on the trade in national hunt horses to-----

**Deputy Verona Murphy:** I understand that aspect, but what solutions have been offered?

**Mr. Brian Kavanagh:** The easiest solution would be a resumption of point-to-point racing, because that is specifically what that community wants. It would need to have strict protocols,

which would be those that have been safely applied on race tracks since last June. Failing that, we can seek to accommodate some of the point-to-point races that trainers and handlers use for their horses on race tracks. They have, however, told us that is not ideal.

**Deputy Verona Murphy:** No, it is not. If we go back to the time of foot and mouth restrictions, however, horse racing was closed down for nigh on eight months, in most instances. Approximately 92% of our trainers take part in point-to-point racing. Surely Mr. Kavanagh in his capacity as the CEO of HRI can offer some serious solution to this problem. We are running out of time, as Mr. Kavanagh can imagine.

**Mr. Brian Kavanagh:** We are all under pressure, because the difficulty we have is that in order to accommodate those horses in the point-to-point system on tracks we would need much more track capacity. The way the weather has been in the last couple of weeks has meant that there has simply been nowhere to race. Racing has been called off pretty much every day for the last two weeks because of the condition of the ground. Anything we would do on the track, therefore, would simply be the tip of the iceberg regarding the situation of point-to-point racing. What is really needed is a resumption of racing in a point-to-point environment.

**Deputy Verona Murphy:** As it was.

**Mr. Brian Kavanagh:** Yes.

**Deputy Verona Murphy:** Does Mr. Kavanagh believe that is a safe environment? I have seen how point-to-point racing was operating. It was very safe.

**Mr. Brian Kavanagh:** There is no doubt about that. We are operating, and we are very grateful to have been able to resume racing during the-----

**Deputy Verona Murphy:** It is as safe an environment as it can be. It is outside activity. Strictly speaking, however, what Mr Kavanagh is saying is that a resolution to this issue is not currently on offer.

**Mr. Brian Kavanagh:** Anything which we would do on the track by its nature would just be the tip of the iceberg. It would only be tinkering with the fundamental problem.

**Deputy Verona Murphy:** That is fine. I thank Mr. Kavanagh. Turning to the prize money offered for point-to-point racing, where will that money go if it is not used this year?

**Mr. Brian Kavanagh:** We will look at ways to support the point-to-point racing community regarding that funding allocation. The best way we can support this community though is by a resumption of point-to-point racing.

**Deputy Verona Murphy:** How much is that prize money annually?

**Mr. Brian Kavanagh:** Ms Eade might help me in this regard. Annually, I think the total spending on point-to-point racing is about €1.6 million. Some element of that amount is in the form of grants to the organisers of the meetings, and then I think about €1 million is spread over the prize fund. Ms Eade will have the precise figures.

**Deputy Verona Murphy:** I am just interested in the figures. We are really looking at €2.6 million in funds in respect of point-to-point racing, whether that is involved with organising or paying out the prize money.

**Mr. Brian Kavanagh:** It is broader than that, because what happens in that sector is that people buy national hunt horses at an early stage in their development with a view to selling them on to the types of trainers we spoke about earlier.

**Deputy Verona Murphy:** I understand that aspect. I am just saying that if it turns out that we do not run point-to-point racing events this season, then there would need to be compensation.

**Mr. Brian Kavanagh:** We would definitely need to look at supports in that regard, but the key issue in that respect concerns the knock-on impact such a situation would have on the sale of three and four year old national hunt horses in June this year. People may not have the opportunity to sell and that would be similar to a situation of a farmer being told he cannot sell this year's cattle. The result would be that farmer having a backlog for the following year.

**Deputy Verona Murphy:** Absolutely, it would be very destructive and would destabilise the whole sector.

I will move on. In regard to the tote, there is to be an alliance between Tote Ireland and Tote UK for a period of seven years. I understand that alliance only started on 1 January 2021.

**Mr. Brian Kavanagh:** The tote has had some difficult-----

**Deputy Verona Murphy:** I am sorry for talking over Mr. Kavanagh but my question is about how that alliance is faring in the context of Brexit. Has there been any imposition?

**Mr. Brian Kavanagh:** There is no direct impact of Brexit on the tote but there has been a huge Brexit impact on the industry in general. The alliance started on 1 January this year and is for a seven-year period. The issue, of course, is that we are in the midst of a Covid situation where there is nobody on racetracks and many betting shops in the UK are closed. There has been a slow start to the alliance because of the nature of the environment in which we are operating.

**Deputy Verona Murphy:** Regarding the Irish Horseracing Regulatory Board, IHRB, there has been some controversy of late but we will not mention that. HRI received significant funding in respect of integrity services. Has all that money been spent and have the services been applied to each racecourse in the form of CCTV?

**Mr. Brian Kavanagh:** We provide approximately €9.6 million annually to the IHRB - that is the figure for this year's budget - for the provision of integrity services. That includes medical, veterinary, drug testing, stewarding, starting and all the sorts of referee-----

**Deputy Verona Murphy:** I am particularly interested in the CCTV installation. Has it been completed at all courses?

**Mr. Brian Kavanagh:** No. It was approved in the 2018 budget and funding was provided to the IHRB. The board came to us during the course of the year and said it would prefer that the funding be allocated to a different integrity project, namely, an online trainer licensing system. We agreed to that because it is the board's call in the first instance.

**Deputy Verona Murphy:** In 2017, HRI announced on its website that this budget allocation was aimed at CCTV installation.

**Mr. Brian Kavanagh:** That is correct.

**Deputy Verona Murphy:** In the recent controversy, there was reference to what were called “integrity services” and that this issue was paramount to how the industry is recognised as having integrity. If the CCTV is not being installed, how does HRI propose to uphold that?

**Mr. Brian Kavanagh:** As I explained, the IHRB deals with that issue in the first instance. It prioritised other areas.

**Deputy Verona Murphy:** Does that mean that some racecourses have CCTV and others do not?

**Mr. Brian Kavanagh:** The board of HRI decided and announced at its last meeting that funding would be provided immediately for the installation of CCTV on all racecourses around the country. That project will be rolled out, a tender will be issued in the next couple of weeks and that will be-----

**Deputy Verona Murphy:** The money is there since 2018.

**Mr. Brian Kavanagh:** I fully understand that but, as I said, we must, in the first instance, be guided by the parties that are responsible for integrity. CCTV is only one element of security in this respect.

**Deputy Verona Murphy:** It is a fundamental element of the integrity of the sector. I am disappointed with what has happened on the basis that HRI made such a big deal about it in 2017 when the funding was received. Will Mr. Kavanagh clarify whether any CCTV is in place or if it is in place in some locations?

**Mr. Brian Kavanagh:** There is a CCTV system in place at Leopardstown, the Curragh and, I understand, at some other racecourses. There are security CCTV services in place for property reasons. The service that will be installed now will be purely from an integrity point of view, which is why the money was given.

**Deputy Verona Murphy:** What was the money that was announced spent on?

**Mr. Brian Kavanagh:** As I said, it was reallocated at the request of the IHRB to IT costs relating to an online trainer licensing system.

**Deputy Verona Murphy:** How many trainers are there in the country?

**Chairman:** I need to move on to Deputy Devlin. I will let Deputy Murphy back in for a second round if we get through all the speakers.

**Deputy Verona Murphy:** If the Chairman will allow, I ask Mr. Kavanagh to answer that question.

**Mr. Brian Kavanagh:** There are approximately 600 trainers.

**Deputy Verona Murphy:** I thank Mr. Kavanagh and the Chairman.

**Deputy Cormac Devlin:** I confirm that I am here in Leinster House. I welcome Mr. Kavanagh and Ms Eade and thank them for their attendance.

I will start with some questions on Leopardstown racetrack, which is in my constituency. I welcome the redevelopment that is taking place there and which is long overdue. It is very good that it has started. I also welcome the works under way at the Curragh. Mr. Kavanagh

might not have the information I am looking for to hand, in which case he might send it to me after the meeting. I am interested in the numbers of attendees at Leopardstown in 2017, 2018 and 2019. In regard to the redevelopment taking place there, I note in the documentation we received in advance of the meeting a reference to a number of claims with the contractors. I am not asking the witnesses to get into what those claims are about but will they indicate how many there are?

**Mr. Brian Kavanagh:** Is the Deputy asking that question in the context of Leopardstown?

**Deputy Cormac Devlin:** Yes.

**Mr. Brian Kavanagh:** The Leopardstown project has just finished and there is no issue with claims. I will write to the Deputy with the information he seeks regarding the attendance figures at Leopardstown. They are of the order of 140,000 to 150,000 people a year.

**Deputy Cormac Devlin:** I thank Mr. Kavanagh. I note that the accounts refer to rental income, which relates, I presume, to premises, stands and whatnot. Will Mr. Kavanagh elaborate on what the rental income is for and what HRI is leasing out?

**Mr. Brian Kavanagh:** There are four major leases at Leopardstown. The old Irish Horseracing Authority office building at the entrance to Leopardstown is leased to DCC plc. There is a gym and tennis centre, known as the West Wood Club, which has operated as a long-standing tenant of Leopardstown. In addition, there are two golf facilities at Leopardstown, namely, a golf shop run by a company called McGuiirks Golf, and a golf centre that has some retail and other facilities. Those four leases relate to non-racing activities, if I can put it that way, which generate welcome income to support the racing activities at Leopardstown.

**Deputy Cormac Devlin:** Absolutely. Turning to the 2019 accounts, I note that HRI spent €120,000 on public relations and marketing in 2018 but this figure reduced to €81,000 in 2019. What was the rationale for that reduction in spending? I would have thought it would have increased, if anything.

**Mr. Brian Kavanagh:** We can come back to the Deputy with that information.

**Deputy Cormac Devlin:** That is fine. We need to talk about the impact of Brexit, which will be clearer once the Covid crisis is over. Covid is the first hurdle, if I may be excused that pun. What impact is Brexit having on horse racing in Ireland since 1 January?

**Mr. Brian Kavanagh:** It is a really worrying development for us. As I said earlier, we export 60% of the horses we produce every year. While those exports go to 33 countries, by far the largest market is the UK. The industries in the two countries are practically interlinked. If we look at racing in the UK today, almost half the horses running will be Irish horses and almost half the jockeys riding will be Irish jockeys who are based in the UK. If betting shops were open at the moment, anybody who went into one would see Irish and UK racing beside each other. They buy the pictures of Irish racing and we buy the pictures of UK racing.

Before Brexit, we had free and completely unhindered movement of horses between Britain, Ireland and France under a tripartite agreement. That is now gone and Britain has become a third country. Therefore, the movement of horses between the countries becomes a VAT and customs event. Under EU animal health law, there are new phytosanitary requirements in terms of veterinary certification and details that need to be checked before a horse can move from a third country into the EU. We are endeavouring to smooth that passage as much as possible

because there are 25,000 horse movements a year between Ireland, Britain and France. It is the most intense movement of equines anywhere in the world and it is key to our trade that we have easy access to our markets.

**Deputy Cormac Devlin:** I presume the additional cost that is associated with that is a huge challenge for the industry and, indeed, for horse owners.

**Mr. Brian Kavanagh:** It is not just the owners. The breeders are the main people affected because they are selling these horses to UK owners and trainers and breeding the horses for the market but now barriers have gone up to accessing the market. It is a bit like the debate we might have seen on television about fisheries or any of the other areas. We are very keen to minimise those barriers. Many British breeders send horses over here to be bred to Irish stallions and it is a valuable source of income both for the stallion owners, the farms on which the mares stay and the veterinary services provided to them. There is a host of economic activity that was very simple before Christmas and is now more complicated.

We are getting excellent support on this from the Department of Agriculture, Food and the Marine, and we are working our way through it, but there are big challenges. It is a real amber light for us and our industry with the impact that Brexit is having on the market for Irish horses in the UK.

**Deputy Jennifer Carroll MacNeill:** I thank the witnesses for coming in today. I will pick up on the point about breeders, the distribution of prize funds and so on. Breeders still have to go through this without any horse racing going on. There is a new breeders' incentive scheme so when will that emerge and what does it entail?

**Mr. Brian Kavanagh:** The breeders were particularly affected by Covid-19 and, as I mentioned in replying to the previous question, by Brexit coming down the line. Last year the value of sales of horses in Ireland dropped by 35% from €165 million to €106 million. That was because the sales season was severely disrupted. As we said, a number of sales were relocated to England from Ireland, so Goffs and Tattersalls Ireland in Fairyhouse did not hold sales and they were relocated to England. We are concerned about the impact of Brexit on the Irish breeders and their ability to access the UK market. We will shortly launch a breeders' support scheme, which will support all breeders of Irish-bred horses through an incentive payment to the owners of those horses to encourage them to buy horses at Irish sales the following year. The incentive is to stimulate trade in the market and reinvigorate the sale of Irish-bred horses.

**Deputy Jennifer Carroll MacNeill:** As I understand it, it incentivises somebody who purchases an Irish-bred horse to come back to the market and make a second purchase. Where does the fund go? Is it a discount on the sale price or does it go to the breeder, for example? How does it operate?

**Mr. Brian Kavanagh:** The idea is to stimulate the owner to come back and buy Irish in future sales. The money would ultimately filter back to the Irish breeders.

**Deputy Jennifer Carroll MacNeill:** It is essentially a discount for the purchaser.

**Mr. Brian Kavanagh:** The idea is that the purchaser would add to the value of the incentive and come to buy in Ireland rather than buying in the UK or France.

**Deputy Jennifer Carroll MacNeill:** My constituency colleague mentioned Leopardstown and there is quite a bit of land around there. The organisation sold a portion of this to the De-

partment of Education last year. Is the remaining land still on the vacant site register for Dún Laoghaire-Rathdown County Council? Has the organisation been in discussion with the Land Development Agency either about that land or other Horse Racing Ireland land?

**Mr. Brian Kavanagh:** “Yes” is the answer to the second question. The land is not on the vacant site register and it was removed last year. After the sale of the land referred to by the Deputy, the level of surplus land is limited. The long-term ambition of Leopardstown is to rebuild the sprint track that was previously located there. As I have said, 6.5 acres of our land was sold last year to the Department of Education for the building of a much-needed school in that area. There is no surplus land there or in any of the other HRI-owned courses.

I am struggling to hear the Deputy’s questions.

**Chairman:** The Deputy’s connection is quite bad.

**Deputy Jennifer Carroll MacNeill:** It is okay as I have asked the questions I wanted to.

**Mr. Brian Kavanagh:** I can take up any other matters outside the meeting with the Deputy.

**Deputy Jennifer Carroll MacNeill:** I thank the witness.

**Deputy Alan Dillon:** I welcome Mr. Kavanagh as a witness and thank him for giving his time in the process. My first question relates to the remuneration disclosure in note 3 of page 11 of the accounts. The HRA sought and received a derogation on the requirement under the code of governance from the Department of Agriculture, Food and the Marine around the commercial sensitivity regarding disclosure of the aggregate pay bill. What is the background or the reason the HRA does not disclose the remuneration bands for employees?

**Mr. Brian Kavanagh:** There is a conflict between that requirement and some of the contractual arrangements we have with senior staff from a GDPR perspective, particularly in our subsidiary companies where one person would be readily identifiable under those disclosure requirements. We applied to the Department of Agriculture, Food and the Marine for dispensation from that circular and received it.

Likewise, there is a circular that requires disclosure of that information for parties to which we provide grant funding. Again, the grant funding we provide is for capital projects or vouched expenditure and it is not for salaries. We discussed this at length with the Comptroller and Auditor General and the Department of Agriculture, Food and the Marine. We provide the necessary information to the Department by band, etc., but it is not published in our annual report.

**Ms Suzanne Eade:** That is fair, particularly with respect to the grants to the stadium. It is impossible for us to get that information published on their private accounts. Where we ask for the information, we get it. As part of the compliance reporting process that is done annually to the Minister, we submit the full disclosure on the bands.

**Deputy Alan Dillon:** There are 105 full-time employees so is the information on the bands associated with them published?

**Ms Suzanne Eade:** It is not published but it is submitted to the Minister.

**Deputy Alan Dillon:** As the main racing authority, there are probably issues around disclosure of this and commercial sensitivity, taking into consideration the amount of State funding that is received.

**Mr. Brian Kavanagh:** That has the potential to be an issue in some of our subsidiaries. There are disclosures around total remuneration, employee numbers, senior executive remuneration and chief executive remuneration. They are all disclosed in the accounts in various places.

**Deputy Alan Dillon:** It has been raised but will the witnesses explain the benefits of the HRA entering into an agreement with the UK Tote Group?

**Mr. Brian Kavanagh:** Tote betting is becoming much more of a global activity and the world is becoming a much smaller place for the racing industry. We are very familiar with the racing that takes place in distant countries, such as Australia, America and Hong Kong, for example. They are also becoming more familiar with the racing that takes place in Ireland and the UK. Co-mingling is where international or overseas punters would bet into the home pool, and will be a significant area of future growth for betting. The UK Tote Group will have greater resources and ability to access those markets than the Irish Tote group, which is a very small player. I mentioned earlier that the betting sector in Ireland is worth €5 billion so with turnover of €50 million or €60 million, Tote Ireland is tiny in that context. It does not have the ability to access international markets in the same way that the UK Tote Group would. Tote Ireland retains control of the tote pools and operates the tote pools in Irish racing. A marketing and distribution agreement with the UK Tote Group group kicked in from 1 January last.

**Deputy Alan Dillon:** We have not seen any job losses in Tote Ireland with this agreement.

**Mr. Brian Kavanagh:** We have. That was dealt with and handled in 2020.

**Deputy Alan Dillon:** How many jobs were lost?

**Ms Suzanne Eade:** Between ten and 12.

**Mr. Brian Kavanagh:** A number of jobs were reallocated or subsumed into other areas of Horse Racing Ireland and there were between ten and 12 job losses, which happened on a voluntary redundancy basis.

**Deputy Paul McAuliffe:** I thank the witnesses for being with us today. I will concentrate on the cash in transit issue and issues with the Senaca Group. I appreciate the opening statements which outline the details of that. I found it difficult to understand how cash which was being transited became part of the assets of the company being liquidated. Surely the process of putting that cash, which was being transited, into the bank account of the transit company was in itself a matter of fraud. Has there been any investigation into whether fraud took place? One would imagine it did. What measures has Horse Racing Ireland taken to investigate that fraud, work with the Garda and, more important, try to avail of insurance provisions that cover fraud?

**Mr. Brian Kavanagh:** I understand that the matter is being investigated by the Garda National Economic Crime Bureau and the Office of the Director of Corporate Enforcement. That may limit what we are able to say. I hope that the note explains the sequence of events which led to this unfortunate situation. To clarify, of the amount lost, 45% was money collected in the previous four days which could never have been lodged in the bank because it was collected on a Thursday night, Friday or Saturday. It was Sunday so the lodgement would have been on Monday but that was the day the company went into liquidation. I have set out the basis on which the service was to be provided. It involved the delivery to the racecourse of cash floats for the tote and for racecourses in the case of Horse Racing Ireland-owned racecourses and the collection of the day's takings both for the tote and racecourse, plus the floats at the end of the

day.

**Deputy Paul McAuliffe:** Mr. Kavanagh has outlined the matter well and fairly. I am still scratching my head since a company responsible for transporting a good managed, through its liquidation, to take ownership of the goods. If it was anything other than cash, I think we would also be scratching our heads about that. While Mr. Kavanagh cannot comment on the investigation, what measures has HRI taken, in a positive way, to try to recoup that from its insurers?

**Mr. Brian Kavanagh:** We have a policy for the racecourses which covers fraud. That is normally fraud on the part of an employee rather than on the part of a third party. The tote did not have that insurance and it is apparently not something that insurance companies offer to gambling companies. We are investigating that further.

An important point is that this was a company licensed by a State body to carry out this service. We received tax clearance certificates monthly from this company to state that it was tax compliant but when the liquidation happened, there was a tax liability to the Revenue Commissioners of €670,000. It was an unfortunate event from our point of view. We have built up controls and we are looking to see if insurance can be provided against this type of activity. Ms Eade knows more detail than I do. The type of insurance which is available to address fraud is normally for fraud against an organisation by an individual, specifically an employee.

**Ms Suzanne Eade:** Our argument was that this cash should never have been part of the assets in the liquidation. We were strong about going back on that point. The issue was the number of other companies involved. There were 61 companies involved and they all had the same claim that this cash should not be part of the assets. The cash was not the company's to redistribute. As there is a Garda investigation ongoing, we will not go too far into this but what the Deputy is alluding to is perfectly in line with what we were pushing for with the liquidator.

**Deputy Paul McAuliffe:** Given the new supplier, the same thing could happen again. Fraud was potentially carried out, yet Horse Racing Ireland does not seem to have changed its insurance provisions to prevent that from happening again, where a third party holding HRI's cash might carry out fraud. Is that something that HRI needs to look at?

**Ms Suzanne Eade:** We have a crime policy but the issue with that insurance policy is that we cannot seem to get it for gambling takings no matter where we go to look for it. When somebody has potentially perpetrated a crime against us but we have a contractual relationship with that entity, that is where the argument falls down. When we were back on track, the new provider has been bang on with our requirements. It is a watching brief for us. We keep a close eye on it. I take the Deputy's point about seeing if there is an opportunity to seek better insurance.

**Deputy Sean Sherlock:** I join in welcoming the witnesses this morning. I have a short time so if I can have a rapid fire round of questions, I would be grateful for that opportunity. Where stands the conversation with the Government about the resumption of point-to-point racing? Mr. Kavanagh has previously made the point about running meetings on racecourses. I speak specifically for Cork. I do not think it would be practical to run Kildorrery, Killeagh or Dromahane point-to-point meetings in Mallow racecourse at this point in time. Mr. Kavanagh might have a view on that. We would like to see a resumption of point-to-point races in their natural state in the locations that the many people who go to point-to-point races would normally visit. In the absence of people being able to go to point-to-point races, can these races be run in original locations like Kildorrery or Dromahane? How soon will that happen?

**Mr. Brian Kavanagh:** The answer to the Deputy's first question is that we are in constant contact with the Department of Agriculture, Food and the Marine. I made a written submission last Wednesday formally asking that the resumption of point-to-point races be considered at the earliest possible date. We are all waiting to see what comes out of the news this week. In response to the second question, these could be turned around with a reasonable amount of notice, perhaps one week or ten days. There is a great hunger in the point-to-point community to get going again. I stress that this is all outdoor activity with fewer people involved than at a racecourse. The racecourses have operated successfully since last June with strict protocols and no issue arising with Covid at a race meeting. That has enabled the racing industry to keep the wheels turning, which we are appreciative of and grateful for. The same applies to point-to-point races. There is the animal aspect too. These horses are bought and trained to race and they do not have anywhere to go.

We made a written submission to the Department last Wednesday and we are in daily dialogue with it. It could be turned around at ten days' notice, I believe. There is a lot of focus on 5 March as a date in everyone's calendar.

**Deputy Sean Sherlock:** On remuneration, am I given to understand that the Department of Agriculture, Food and the Marine has been notified of the remuneration of all persons employed by HRI or its subsidiaries?

**Mr. Brian Kavanagh:** Yes.

**Deputy Sean Sherlock:** In essence, while Mr. Kavanagh is saying a derogation has been sought — I refer specifically to there being a conflict between the derogation and GDPR requirements in respect of readily identifiable persons, to use Mr. Kavanagh's phrase — is the information on the remuneration of the relevant person or all persons still held with the Department of Agriculture, Food and the Marine? I want to be very clear about this. If we cannot get the information from HRI directly, can this committee, in this era of transparency, seek it directly from the Department? Where an individual is serving on a State body, is a member of a board or holds an executive position, and where significant amounts of taxpayers' money are being given to the board or organisation in question, the least we should expect is the notification of the remuneration package. I do not believe it is fair to say the information is commercially sensitive because HRI is, de facto, operating a monopoly in respect of the horse racing industry in Ireland. Does Mr. Kavanagh agree?

**Mr. Brian Kavanagh:** We are more than happy to work with the committee to get the information to the Deputy in whatever way is possible. Whether it is through private correspondence with the Deputy or through the Department of Agriculture, Food and the Marine or working with that Department, we will be more than happy to work with the Deputy on that.

**Deputy Sean Sherlock:** I thank Mr. Kavanagh. My last point is on third party events held at HRI venues, such as Mallow racecourse. I still call it Mallow racecourse because I am a proud Mallowman. HRI calls it Cork Racecourse Mallow. There is a fair at the racecourse, a home and garden fair. Is it anticipated that third-party events such as that will continue or will be pencilled into the calendar? I would imagine such events provide vital revenue streams for HRI and the individual racecourses, but they are also vital to the non-horse fraternity or confraternity. I want to make sure there is proactive engagement to ensure as many people as possible can enjoy the venues and the events held in them. I am putting my hand up for the garden fair that takes place in Mallow every year. Can we expect the resumption of events like that in the not-too-distant future, subject to public health guidelines?

**Mr. Brian Kavanagh:** Definitely. To clarify, Mallow is not a HRI track. We do own a 30% shareholding in it but it is a privately owned track. As the Deputy knows, it was redeveloped at the turn of the century. The types of events mentioned are absolutely vital to any racecourse. It is a real challenge for racecourses not just to be locations where people come to race and leave. A racecourse has to engage with its local community and get people to use it. If it is for purposes other than racing, all the better. The Deputy will know that Mallow was used as a Covid testing centre. We were delighted that Galway and Punchestown racecourses were on the list of 37 venues announced as vaccination centres. The community engagement piece is vital for racecourses. The most successful racecourses in the country, regarding which I have repeatedly quoted the example of Ballinrobe Racecourse in the west, are those that are absolutely rooted in the local community and seen as the people's racecourse in their area. That is when one hits the magic spot. I am pretty sure that when we are able to have garden shows and such events again, Mallow will be delighted to welcome back its fair.

**Deputy Catherine Murphy:** Mr. Kavanagh is very welcome. I am joining the meeting from the Leinster House complex.

I appreciate the value of the horse racing industry. Indeed, I represent a Kildare constituency. Kildare adopted the motto "The Thoroughbred County" in the 1990s. This says it all about the importance of the horse to Kildare and the rural economy.

On the integrity fund and CCTV, CCTV was to be installed at the racecourse stables. It was to protect the industry in its totality. It was only in recent days or weeks that the matter of the tender for the CCTV came into the public arena. Obviously, this matter relates to unauthorised remedies, doping and other such things that could undermine such an important industry. With hindsight, will Mr. Kavanagh state whether there was proper control over the spending of the money on CCTV? It was provided for that purpose. Is Mr. Kavanagh unhappy that the CCTV was not installed in all the racecourses?

**Mr. Brian Kavanagh:** Hindsight is 20:20 vision. The important thing to stress is that the case was prosecuted in the absence of CCTV. It was an exceptional case. It was the first case of that nature that has taken place in 30 years.

With regard to the specific question on controls, there absolutely were controls. Let me explain the process, of which I believe Deputy Murphy is aware. The IHRB is a separate body to which we provide funding annually on the basis of an agreed annual budget. The organisation was formerly known as the Turf Club. It is set out in statute as the racing regulatory body. The idea is that the referee is kept at a one step remove from the commercial side of the industry. We agree an annual budget with the regulatory body. As mentioned, that included, in 2018, the start of a roll-out system for CCTV in stable yards. We conduct quarterly budgetary reviews and performance reviews, and halfway through the year-----

**Deputy Catherine Murphy:** I am sorry to interrupt but I have only five minutes. When the money was provided, did HRI not provide it specifically for the aspect of the integrity fund in question?

**Mr. Brian Kavanagh:** We did. Then we had a request halfway through the year to redirect the money to another aspect of integrity. We agreed to it.

**Deputy Catherine Murphy:** With hindsight, does Mr. Kavanagh believe that was an error?

**Mr. Brian Kavanagh:** That we are putting CCTV in now will address that issue. The case

was prosecuted in the absence of CCTV. The CCTV would have been of assistance but is not a fundamental matter. Clearly, there cannot be enough expenditure on integrity; that is the issue. When working to a limited budget, there are always competing priorities.

**Deputy Catherine Murphy:** I thank Mr. Kavanagh. On the structure of the racecourses under the control of HRI, are there subsidiaries, for example, subsidiaries associated with catering and non-race-day activities, such as those mentioned by Deputy Sherlock? Would HRI tender for catering, for example?

**Mr. Brian Kavanagh:** Yes.

**Deputy Catherine Murphy:** Is this done based on a package? How is the procurement carried out?

**Mr. Brian Kavanagh:** We have a very comprehensive procurement function. There are no subsidiaries of the companies that are referred to. They are all listed in our accounts. We are involved, in an ownership capacity, with four racecourses: Leopardstown, Fairyhouse, Navan and Tipperary. They are wholly owned subsidiaries. As the Comptroller and Auditor General mentioned, we have shares in the Curragh and Cork Racecourse Mallow. We would operate through the HRI procurement service, which provides procurement services for those racecourses. Catering is a great example. We tender for catering every four years for the four racecourses that we own.

**Deputy Catherine Murphy:** Who got the tender for that? What is the current company?

**Mr. Brian Kavanagh:** Unfortunately, they have not done any catering for 11 months, but currently it is a company called Fitzers, which caters in Leopardstown and Fairyhouse. The Navan and Tipperary contracts are done by local companies.

**Deputy Catherine Murphy:** And there is an income from that.

**Mr. Brian Kavanagh:** Yes, there is a significant income from that for the bigger racecourses where they procure a service and then the racecourse itself sells the hospitality package or the food serving to sponsors or commercial customers.

**Deputy Catherine Murphy:** Can I finally ask Mr. Kavanagh in relation to the Curragh-----

**Chairman:** I will let the Deputy back in. We are gone over time.

**Deputy Imelda Munster:** I will touch on some of the issues around CCTV and the integrity fund. In 2017, the IHRB announced it was rolling out CCTV, installing it in stable yards, etc. Mr. Kavanagh mentioned the funding. Am I right in saying the funding was given specifically for that? Was that in 2017 or 2018?

**Mr. Brian Kavanagh:** It was in the 2018 budget. A trial was done in 2017 in Leopardstown. It was installed in Leopardstown and that cost was absorbed in 2017 and it was extended nationally in 2018.

**Deputy Imelda Munster:** Okay. Mr. Kavanagh said earlier he received the request from the IHRB to transfer the funding. What date did he receive that request?

**Mr. Brian Kavanagh:** I have to check the specific date. I think it was around June. I think it was the second quarterly review of their budget in 2018. I can check the exact date for the

Deputy.

**Deputy Imelda Munster:** What date were the testing labs changed? Does Mr. Kavanagh remember the change that resulted in a reported 440% increase in positive tests?

**Mr. Brian Kavanagh:** From the start of 2018, to the best of my knowledge.

**Deputy Imelda Munster:** Is there any way we can check that, please?

**Mr. Brian Kavanagh:** I can.

**Deputy Imelda Munster:** HRI changed the labs at the start of-----

**Mr. Brian Kavanagh:** We do not retain the lab. The lab is retained by the IHRB and we fund that service.

**Deputy Imelda Munster:** Okay. The IHRB changed the labs, resulting in a huge increase in positive tests. One would imagine they would say this is working and it is great to have this facility to deter doping.

**Mr. Brian Kavanagh:** Yes.

**Deputy Imelda Munster:** Six months later, the IHRB requested the funding be transferred to another project and not to go ahead with the CCTVs. Did the HRI not find that a bit odd?

**Mr. Brian Kavanagh:** We always took the view in the first instance that the IHRB will prioritise its budget and the key issues from its point of view in carrying out its functions.

**Deputy Imelda Munster:** What does that mean? Can Mr. Kavanagh explain that. Did Mr. Kavanagh not find it odd that at last the IHRB had a system that appeared to go over and above in its ability to detect doping, bringing an increase of 440%, and six months later it requested that funding be transferred and not to go ahead with CCTV?

**Mr. Brian Kavanagh:** They are two separate categories. The investment made in the new laboratory was there, has applied since 2018 and has been effective. That spend was always in the budget and was going to be spent on that. There was no change in that. In fact, we increased our investment in that area because we wanted them to increase the number of out-of-competition tests that were done. CCTV is a separate issue in relation to security in stable yards. It was an issue in the case we are speaking about but it is a separate issue in terms of access. Access to stable yards is limited to people with stable staff cards that are issued by the IHRB. It is a limited group of people and we take the view they are the experts in this area.

**Deputy Imelda Munster:** Does Mr. Kavanagh not accept that CCTV would be a good deterrent in detecting doping?

**Mr. Brian Kavanagh:** I think it would.

**Deputy Imelda Munster:** Why would he not have concerns? He said earlier it was a priority and an area he could never be complacent about. Why was he not concerned when that request came in? He said earlier the IHRB is a separate organisation. It is a separately constituted organisation but the finance accounts show that 90% of IHRB funding came from HRI and there are two members on the HRI board.

**Mr. Brian Kavanagh:** Three.

**Deputy Imelda Munster:** HRI has to take some responsibility for that bizarre decision.

**Mr. Brian Kavanagh:** In the first instance, we would always feel that it is for them to decide what is priority for integrity or not. If one reads the legislation, the IHRB is solely and independently responsible for making and enforcing the rules of racing and for the area of doping control and security. As I said to Deputy Catherine Murphy, hindsight is great wisdom. Our board took a decision at its last meeting to roll out a tender to install CCTV, so that will be addressed.

**Deputy Imelda Munster:** The point is that most people would have concerns about this. HRI knew doping was going on. That is correct, is it not?

**Mr. Brian Kavanagh:** Not in particular. It was-----

**Deputy Imelda Munster:** Mr. Kavanagh says as CEO of HRI that he was not aware there was doping going on. Why would he not want CCTV to follow up on the proven doping cases?

**Mr. Brian Kavanagh:** If the Deputy looks back over the years, she will see there are 35,000 runners in Ireland each year, 4,000 tests taken on those runners and the average level of samples in the last five years is 11.8, just under 12. As the Deputy says, there was a spike in this figures when the new laboratory came in. If you speak----

**Deputy Imelda Munster:** It was a huge spike. Does Mr. Kavanagh agree it was a hugely significant spike?

**Mr. Brian Kavanagh:** Yes, but if the committee speaks to the Chief Veterinary Officer, she would say there is an education aspect to that. A number of those cases involved medication that is routinely given to horses but not out of their system in time. That is a venial sin, if I can put it that way. Then there is-----

**Deputy Imelda Munster:** Does Mr. Kavanagh agree it was a bizarre decision?

**Chairman:** I will let Deputy Munster in for a second round. I call Deputy Hourigan.

**Deputy Neasa Hourigan:** I reiterate something Deputy Sherlock said earlier, that is, that there is an expectation of transparency when it comes to remuneration in this day and age. I am rather perplexed that a group in receipt of significant public funds would suggest that such information would be made available to the committee. That information should be made available to the wider public. That would be best practice.

I will follow up on the issue of the board. There is one member of the board who has served longer than the two four-year terms stated in the HRI's governance documents and in the board member report. Is there a reason that is the case?

**Mr. Brian Kavanagh:** That goes to the new legislation, drafted in 2016, in relation to the creation of an industry services committee within the board and the need for a nominee from that committee to come forward. The board member the Deputy is referring to represents the Irish Stable Staff Association. He represented that association in one capacity prior to 2016 and in another post 2016 when the industry services committee was set up. He is effectively the stable staff representative on that committee. While the person stayed the same, the capacity under which he was appointed to the board changed under that 2016 Act.

**Deputy Neasa Hourigan:** If I may characterise that as a loophole, is that loophole outlined

in HRI governance documents? Surely somebody's attendance at the board in whatever capacity still counts as an attendance at the board.

**Mr. Brian Kavanagh:** The board members are appointed by the Minister to serve under the terms of the legislation. The original-----

**Deputy Neasa Hourigan:** Is it possible they could continually change their positions in terms of their use to the board and continue beyond the two four-year terms?

**Mr. Brian Kavanagh:** I do not believe so. That is a matter for a Minister to decide. The individual in question was appointed under a different nomination process arising out of the 2016 legislation. To clarify, the legislation prior to 2016 required a representative of stable staff. We are quite unique in that respect among racing authorities worldwide. Having a representative-----

**Deputy Neasa Hourigan:** That was introduced in 2016. It is now 2021. The four-year term is well and truly up and there could have been a change in that appointment.

**Mr. Brian Kavanagh:** I would have to check the date on which the appointment commenced. The legislation went through in 2016 but it may have been implemented in 2017 or 2018.

**Deputy Neasa Hourigan:** In fairness, that would make it a little more problematic. Mr. Kavanagh raised the oncoming challenges HRI faces from Brexit and Covid for the next year. I have two follow-up questions about that matter. Mr. Kavanagh referred to the publication last March of the strategic plan up to 2024. I have read that report and it identifies a reliance on media rights as a weakness. At the moment, based on the accounts, the amount involved seems to be in the region of €7 million. Will Mr. Kavanagh outline how access to media rights is characterised as a weakness. What is the outlook up to 2024 for HRI regarding media rights?

There has been some discussion in the Oireachtas about controlling advertising relating to gambling. Has the organisation done any kind of a risk analysis on the impact a ban on gambling advertising would have on its business model?

**Mr. Brian Kavanagh:** That is a significant item on our risk register. There is much more to racing than just gambling. Interestingly, our research shows that having a bet was only the fourth ranked reason for people going racing.

With regard to media rights, the risk in the strategic plan relates to the dependence of racecourses on them, not HRI. Media rights comprise pictures and commentaries of races and data. The runners in the newspaper this morning and the data are merged together to provide a single media rights package. HRI produces those data. We produce the fields for all races and we have copyright over those data. As the property owners, the racecourses own the pictures. The Deputy is right that we said in our strategic plan that the dependence of racecourses on media rights is a challenge and we are always looking for racecourses to broaden their income base. However, during the Covid crisis it has proven to be a strength because while racecourses have had no commercial revenue from racegoers, as we have had no racegoers at Irish racetracks since last March, they have been able to continue to trade because of the income they get from selling the pictures. With a combination of Government supports and costs that they have been able to take out of their own business, as they have lower costs because the public are not attending race meetings, they have been able to offset their loss of revenue due to the fact that there is an increased demand for the pictures of Irish races. The streaming of races is very

popular now. We had an average of 62,000 streams per race at the big Dublin racing festival in Leopardstown two weeks ago. The way in which racing is being broadcast is changing and there is a concern about that. As with all analyses, sometimes one will look at something and see it as a weakness but it can also be a strength if dealt with properly.

**Deputy Neasa Hourigan:** I suspect I am out of time but I ask Mr. Kavanagh to give me a “Yes” or “No” answer to this. Is HRI carrying out a risk assessment on a possible ban on gambling advertising?

**Mr. Brian Kavanagh:** Yes.

**Deputy Neasa Hourigan:** I thank Mr. Kavanagh.

**Chairman:** I have a few questions. I will revert to the CCTV issue. Some €9.1 million was allocated to IHRB for this back in 2018. As I understand it, we have 25 racecourses around the country and at this point one racecourse has CCTV installed. Is that correct?

**Mr. Brian Kavanagh:** That is correct.

**Chairman:** One racecourse has CCTV. This is part of funding coming from the State. Some of that money was reallocated, as Mr. Kavanagh explained. I understand that €3.9 million was used for personnel costs. I ask him to briefly explain what those costs were.

**Mr. Brian Kavanagh:** The money was not reallocated for that purpose. The main element of the €9.6 million that is paid to the IHRB each year relates to personnel costs. For every race meeting that takes place, the IHRB will send a team of about 15 officials, including the person who judges the finish of the race, the starter, the stewards who referee it, the vet-----

**Chairman:** I understand that. Mr. Kavanagh does not need to name them all.

**Mr. Brian Kavanagh:** Their personnel costs, salaries, subsistence and so on build up into that cost. The IHRB also operates an office beside the Curragh racecourse and it has personnel costs associated with the staff manning that office. It mainly has a licensing function, where it licenses all participants in the sport.

**Chairman:** Three years after that money was allocated, one out of 25 racecourses has CCTV installed. Would Mr. Kavanagh agree that that is a very poor outcome?

**Mr. Brian Kavanagh:** Yes, I would.

**Chairman:** Okay. The IHRB is funded by HRI and it also regulates the HRI. HRI funds the IHRB but the IHRB regulates the body that funds it. Is that correct?

**Mr. Brian Kavanagh:** No, the IHRB does not regulate HRI. There is nothing in its functions in the legislation which requires it to regulate us.

**Chairman:** It is the regulator for the industry which the HRI, a semi-State body, is responsible for overseeing. Is that not correct?

**Mr. Brian Kavanagh:** This is the sport and industry aspect. The IHRB regulates the sport of horse racing, whereas we are the semi-State body responsible for the development, promotion, governance and administration of the industry of horse racing and bloodstock. Its regulation is derived from the power to license people. It does not license HRI. It licenses jockeys, trainers and various other participants.

**Chairman:** When can we expect all 25 racecourses to have CCTV in stable yards?

**Mr. Brian Kavanagh:** As soon as possible.

**Chairman:** Are we talking about six months or a year?

**Mr. Brian Kavanagh:** I cannot put a time on it. The tender document will be issued in the next month and it will be done as soon as possible thereafter.

**Chairman:** This is a matter we may revisit in the future. I refer to the issue of the board and Mr. Kavanagh's position as CEO. Normally, CEOs serve seven years and Mr. Kavanagh has been in the position since 2001. Is that correct?

**Mr. Brian Kavanagh:** That is correct.

**Chairman:** Is it good practice for him to have completed three terms? Will he be seeking a fourth term?

**Mr. Brian Kavanagh:** That is a matter for the board to discuss. I gave a commitment on my last appointment-----

**Chairman:** From his point of view, will Mr. Kavanagh be seeking a fourth term?

**Mr. Brian Kavanagh:** No. I gave a commitment to that effect the last time I was appointed. I am committed to dealing with the issues. There are major issues facing racing in the coming months and that is my prime focus at this time.

**Chairman:** I ask Mr. Kavanagh to confirm what the salary is for the position of CEO.

**Mr. Brian Kavanagh:** It is disclosed in the accounts. The salary is €190,000.

**Chairman:** That is a nice bit above what would be normal for the CEO of a semi-State organisation, the average being about €110,000. Is that correct? It is significantly above that.

**Mr. Brian Kavanagh:** I am not aware of that.

**Chairman:** The Curragh development was touched on earlier. HRI supplied 49% of the funding but wound up with a one third share in it. The Turf Club, which was the owner of the Curragh racecourse, has one third and then there are the private investors. Does Mr. Kavanagh feel that amount of money is adequate from the point of view of having influence in the Curragh racecourse? HRI put in 49% of the funding but wound up with only 33% of control over the racecourse. Was that a good outcome?

**Mr. Brian Kavanagh:** I do because the Turf Club put in the asset, which is a lease on the 800 acres in the Curragh and the old racecourse facility that was there, so the development could not have happened without that. It had also done a preliminary element of development in 2007 and 2008 on a ring road and the demolition of a hotel in the vicinity, which set the basis for the redevelopment taking place. HRI exercises a significant level of activity in the Curragh through our three directors on the board and we operate a service level agreement with the Curragh racecourse whereby we provide a lot of services to it. These include financial services, company secretarial services and IT services. The Curragh racecourse's finances are produced through the HRI finance function. We have got approvals that are necessary from our board in relation to the annual budget. Ms Eade has to approve any expenditure in excess-----

**Chairman:** On the budget, this was supposed to bring back a return for the State for its involvement in this. However, my understanding is that there will be a loss of in the region of €4.5 million. Is that correct?

**Mr. Brian Kavanagh:** Yes. A significant element of that loss is depreciation. The Curragh racecourse is profitable and it generated a cash profit in 2020, despite the Covid impact and it will be profitable going forward. It will generate a significant return for the State, not just through the company but also through the racing that takes place there. It is Ireland's premier international racecourse. It is the window that most people see the Irish racing industry through when they are looking at it. Members have seen the pictures in the submission we made on the redevelopment-----

**Chairman:** I pass it every day so I am familiar with it.

**Mr. Brian Kavanagh:** The Curragh racecourse was profitable in 2020 and will generate profits going forward.

**Chairman:** On the visual aspects of the course, is there an issue with the roof of the stand?

**Mr. Brian Kavanagh:** The team is working through that and it has the basis of a solution in place.

**Chairman:** There has been a problem with it.

**Mr. Brian Kavanagh:** At times when the wind is blowing in a certain direction it makes a whistling noise. The team there is working through a solution and I understand it is making progress.

**Chairman:** Will the HRI incur a cost from that?

**Mr. Brian Kavanagh:** No. There will be no cost to HRI. The Curragh racecourse has reserved its position on it.

**Deputy Matt Carthy:** I thank our guests for all of their responses so far. I have a question on the appointment process for board members. During previous questions, Mr. Kavanagh distinguished between appointees of the Minister and representatives of the sectoral interests. Is it the case that while sectoral interests make nominations for the board, it is essentially the Minister who makes the formal appointment? I would like that to be clarified. We spoke about the instance where there has been a board member *in situ* since 2008. I do not personally know that board member and I am sure he is an able representative of that sector. This committee has long-standing experience of coming across bad practice where executives or board members are *in situ* for long periods of time. That is the reason the guidelines are in place. Is it the case that once those sectoral interests or representatives nominate somebody, the Minister has no authority to deny that or what is the process exactly? I would like a little clarity on that, if possible.

**Mr. Brian Kavanagh:** The Deputy has it spot on. The board members are all equal and they are all appointed by the Minister. My clarification in my opening statement was to point out that a number of board members are specified to be put forward from various industry sectors. For example, the Irish Racehorse Trainers Association and the Irish Thoroughbred Breeders Association put forward nominations. There are provisions in the legislation for the Minister to accept or reject nominations or to come up with alternative nomination methods, if

desired. There is a distinction in the 1994 Act and the theory is that there would be various representatives of different parts of the industry and that, on top of that, the Minister would make ministerial nominations. These board members are no different from other board members in terms of their status but the intention is that the sectors of the industry would be complemented by people from outside the industry or those with other skill sets that might be missing on the board. They are all ministerial appointees, however, so it is not as if the Minister does not have any say on who is the trainers' representative, the breeders' representative and so on.

On Deputy Carthy's earlier question, there were 25 overseas winners in Ireland in 2019 and they won €3.4 million. There were 188 Irish winners in the UK and they won €15.3 million. That gives an indication of the balance of payment and power to some extent.

**Deputy Verona Murphy:** With the previous change to the chair of HRI, the board had commenced an internal board effectiveness and evaluation review, which was to be completed in 2020. Was that review completed?

**Mr. Brian Kavanagh:** Yes. It was completed by Deloitte last year.

**Deputy Verona Murphy:** Were there any recommendations stemming from the review? If so, can Mr. Kavanagh tell us what they were?

**Mr. Brian Kavanagh:** There were a number of interesting recommendations that were useful in terms of the nature of how board meetings are run, the types of papers that are presented to the board and the format in which they are presented. The most significant recommendation was that the board would conduct its own needs analysis every time an appointment was coming up, that it would look at itself in the mirror to examine skill set gaps and communicate them with the Department and the Minister when the nomination process was being looked at.

**Deputy Verona Murphy:** Is that for every position, including that of CEO?

**Mr. Brian Kavanagh:** Yes, I think so. In recent years, we have divided our board meetings into strategic matters in the first half and matters for noting or operational matters, such as updates from executives, in the second half. The board surveyed itself and found that it should focus on more strategic matters, the challenging of executives and all of those sort of things. A comprehensive questionnaire of each board member and of the senior executives was completed and the board is committed, during the course of next year, to implementing the recommendations. The chair is in discussion with the Department of Agriculture, Food and the Marine on that.

**Deputy Verona Murphy:** I will go back to the question of CCTV. My colleagues, Deputies Catherine Murphy and Munster, will probably cover this and I concur with their views. Even though IHRB, as Mr. Kavanagh says, is an independent regulatory body, it still had to come to HRI for funding. Given Deputy Munster's point about such a massive increase in positive testing, it was a poorly made decision not to continue with installing CCTV or at least not to have a discussion on it. How much was spent on the IT system that Mr. Kavanagh said it was decided to change to?

**Mr. Brian Kavanagh:** I do not have that figure to hand.

**Deputy Verona Murphy:** Can Mr. Kavanagh send that information into us?

**Mr. Brian Kavanagh:** I will.

**Deputy Catherine Murphy:** Who will issue the tender for the CCTV? Will it be Horse Racing Ireland?

**Mr. Brian Kavanagh:** It will be an IHRB tender. It may be run through the HRI procurement department just to provide the procurement services for the IHRB. The decision on CCTV is not a HRI decision. It is an integrity matter for the IHRB to decide what type of system it needs and what it should do.

**Deputy Catherine Murphy:** Is HRI making sure that it happens?

**Mr. Brian Kavanagh:** Yes.

**Deputy Catherine Murphy:** On the HRI board, I presume the issue of conflicts of interest is a regular item on the agenda at board meetings. Has any conflict of interest been declared in the past two years?

**Mr. Brian Kavanagh:** Not that I am aware of. The board is required to complete the standard forms every year and return them to the company's secretary. We do have board members sometimes sitting on a racecourse board or various other industry body boards in a representative capacity, and they will step out of a discussion. For example, if a board member is sitting on the board of Cork, as Deputy Sherlock mentioned earlier, and we were discussing a grant to Cork, that person would step out of the room for that discussion, or if we were discussing funding for the IHRB, IHRB nominated directors might step out. Most of those potential conflict issues are not in a personal capacity, if I could put it that way. Members of the IHRB do not hold shares in a company or anything like that.

**Deputy Catherine Murphy:** There is nobody with a beneficial interest with any of the tenders or anything like that.

**Mr. Brian Kavanagh:** Not that I am aware of. That would be disclosed or would need to be disclosed.

**Ms Suzanne Eade:** We run the full public procurement through HRI and any major tenders that the IHRB would run for would have to comply with that. There is another removal in terms of distance.

**Deputy Catherine Murphy:** I thank the witnesses.

**Deputy Imelda Munster:** On the CCTV funding, could Mr. Kavanagh as CEO have insisted that the horse racing regulatory board spend that money on the CCTV it was intended for having published the fact that the IHRB was going to do it in the first instance? Could Mr. Kavanagh have insisted that that money be spent given what he had seen? Is Mr. Kavanagh aware that there was doping and it needed to be tackled? Could he have insisted that that money be spent?

**Mr. Brian Kavanagh:** We could have at the time.

**Deputy Imelda Munster:** Mr. Kavanagh did not.

**Mr. Brian Kavanagh:** At the time, the decision was that it would be addressed in the budget the following year, and the IHRB did not come forward with it in its budget the following year.

**Deputy Imelda Munster:** Mr. Kavanagh let it slip and then it never happened. Mr. Kava-

nagh is saying now it will happen in the next few weeks. Would Mr. Kavanagh not think that is an awful indictment on Horse Racing Ireland?

**Mr. Brian Kavanagh:** As I said earlier, we always in the first instance would look to the regulator to prioritise the needs and requirements in the area of integrity.

**Deputy Imelda Munster:** But Mr. Kavanagh knew there was an issue there. He knew it was imperative that it needed to be addressed to protect the integrity of the sport. Mr. Kavanagh could have insisted that that funding be spent specifically on what it was geared for and he did not.

**Mr. Brian Kavanagh:** As I said, we would defer in the first instance to the regulator in that respect.

**Deputy Imelda Munster:** Does Mr. Kavanagh accept responsibility, and that it has not happened because he did not insist that it happen?

**Mr. Brian Kavanagh:** No. As I said earlier, the CCTV did not prevent that case that the Deputy is referring to being prosecuted.

**Deputy Imelda Munster:** We are not talking about one specific case. We are talking in general terms. Mr. Kavanagh stated previously that it would be a deterrent, certainly. We all know it would but Mr. Kavanagh did not act to insist that CCTV systems be provided and that the funding be spent for what it was intended to be spent on.

**Mr. Brian Kavanagh:** As I said, we would defer in the first instance to the regulator to prioritise the needs.

**Deputy Imelda Munster:** But Mr. Kavanagh took his eye off the ball. He took his foot off the pedal. Mr. Kavanagh could have intervened and he did not.

**Mr. Brian Kavanagh:** As I said, we approved the IHRB's budget annually. We go through it quarterly with it. It may look for changes from time to time to that budget. Ultimately, that is a matter for an independent regulatory body to deal with.

**Deputy Imelda Munster:** Mr. Kavanagh took his eye off the ball and did not insist that they go ahead. Can I ask the Comptroller and Auditor General whether the Minister or the Department of Public Expenditure and Reform is in a position to enforce term limits when appointments are made from stakeholder organisations, such as what we see here today, and whether the Minister can accept a stakeholder recommendation?

**Mr. Seamus McCarthy:** That would be a matter of policy. I am not sure. I would have to check the detail in the code and the circulars from the Department. I could maybe come back to the committee on another occasion with that.

**Mr. Brian Kavanagh:** If I could help there, the grounding legislation for appointment to the board, which is the 1994 Act, does provide for the situation the Deputy is envisaging there.

**Deputy Imelda Munster:** I thank Mr. Kavanagh. Finally-----

**Chairman:** No. Sorry, the Deputy is going over time.

**Deputy Imelda Munster:** Okay.

**Chairman:** What is the total number of people employed by Horse Racing Ireland?

**Mr. Brian Kavanagh:** Two hundred and forty-seven full-time equivalents.

**Chairman:** Of those 247 full-time equivalents, how many are on a salary in excess of €25,000?

**Mr. Brian Kavanagh:** I do not have that information to hand. I do not know if Ms Eade has it.

**Chairman:** What percentage would be in excess or under?

**Mr. Brian Kavanagh:** In excess of €25,000?

**Chairman:** Yes.

**Mr. Brian Kavanagh:** I would say 100%, probably. We can get the exact figures for the committee.

**Chairman:** I would appreciate that. In 2014, Horse Racing Ireland received €47 million in State funding. It is now heading for €70 million. It was €68 million last year. We are familiar with many of the semi-State companies and most of them would be expected to wash their own face. Does Mr. Kavanagh see a situation where Horse Racing Ireland would be self-sufficient?

**Mr. Brian Kavanagh:** It has to be looked at in the context of the funding being linked with the tax generated on betting tax. In 2019, when the fund going to horse racing was €67.2 million, the betting tax and betting levy generated was €95 million. There was a significant surplus there.

In most other racing countries that Ireland competes with, the funding of the industry is based on a statutory mechanism. In the UK, it is a levy on betting which goes directly to the British levy board and funds the industry over there. In countries like France, it is state monopoly of tote betting and the funding model works that way. Ireland is unusual in having a statutory mechanism to fund its industry.

As I said, the funding that comes from betting tax, which we believe is too low and should be increased, but that is probably a policy matter, more than covers the funding that goes into the Horse and Greyhound Racing Fund, in particular to horse racing. That, as we said earlier, stimulates the economic activity that this industry generates.

This is a sector in which Ireland has qualities which other countries cannot match and it cannot operate without a proper funding basis. As I said, it is, to the extent that the Chairman asks the question-----

**Chairman:** The health regulations.

**Mr. Brian Kavanagh:** There is a self-funding aspect there already because the betting tax is higher than the funds provided through the Oireachtas.

**Chairman:** I thank Mr. Kavanagh for that reply. I thank our two witnesses for joining us here today, the information they provided and the replies to the wide range of questions. I also thank both the Comptroller and Auditor General and his staff for attending and assisting the committee.

PAC

Is it agreed that we request the clerk to the committee to seek any follow-up information and carry out any agreed actions out of today's meeting? Agreed. Is it also agreed that we note and publish the opening statements and briefings for today's meeting? Agreed.

It has been brought to my attention that we received apologies from Deputies MacSharry and Burke.

The committee will meet next at 11.30 a.m. on Thursday, 25 February in private session. Our next public engagement will be with the Office of Government Procurement on Tuesday, 2 March. I thank everyone. Gabhaim míle buíochas libh.

The committee adjourned at 11.59 a.m. until 10 a.m. on Tuesday, 2 March 2021.