DÁIL ÉIREANN

AN COMHCHOISTE UM THALMHAÍOCHT, BIA AGUS MUIR

JOINT COMMITTEE ON AGRICULTURE, FOOD AND THE MARINE

Déardaoin, 17 Iúil 2014

Thursday, 17 July 2014

The Joint Committee met at 9.30 a.m.

MEMBERS PRESENT:

Deputy Pat Deering,	Senator Michael Comiskey,
Deputy Martin Ferris,	Senator Mary Ann O'Brien.
Deputy Martin Heydon,	
Deputy Michael McNamara,	
Deputy Éamon Ó Cuív,	
Deputy Thomas Pringle,	

In attendance: Deputy Anthony Lawlor.

DEPUTY ANDREW DOYLE IN THE CHAIR.

Business of Joint Committee

Chairman: Apologies have been received from Senators Ó Domhnaill and O'Keeffe. Deputy Barry was sick earlier this week. I propose that we go into private session to deal with some housekeeping matters before resuming in public session. Is that agreed? Agreed.

The joint committee went into private session at 9.43 a.m. and resumed in public session at 9.55 a.m.

Agri-Taxation Review: Discussion (Resumed)

Chairman: Before we begin, I remind members and witnesses to turn off their phones. The purpose of this meeting is to hear presentations from the farm organisations regarding the agri-taxation review. I welcome from the Irish Farmers Association, IFA, Mr. Eddie Downey, president, Mr. Tom Doyle, farm business chairman, Mr. Pat Smith, general secretary and Ms Rowena Dwyer, economist. I welcome from the Irish Creamery Milk Suppliers Association, ICMSA, Mr. John Enright, general secretary, Mr. Lorcan McCabe, chairperson of the farm business committee and Ms Mary Buckley, policy officer. I thank them for appearing before the committee today and, before we begin, I must go through the usual formality of notifying the witnesses regarding privilege.

I draw witnesses' attention to the fact that, by virtue of section 17(2)(*l*) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of their evidence to the committee. However, if they are directed by the committee to cease giving evidence on a particular matter and they continue to so do, they are entitled thereafter only to qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and they are asked to respect the parliamentary practice to the effect that, where possible, they should not criticise nor make charges against any person, persons or entity by name or in such a way as to make him, her or it identifiable. Members are 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 Houses or an official either by name or in such a way as to make him or her identifiable.

I invite Mr. Downey to make his opening statement.

Mr. Eddie Downey: I thank the Chairman and Members of the Oireachtas for giving the IFA the opportunity to make this presentation. The announcement by the Minister for Finance, Deputy Noonan, of a comprehensive review of farm taxation in last October's budget presents an opportunity, for the first time in a generation, for all stakeholders to step back and assess how well or otherwise the tax system is working to support the farming sector in Ireland today. While fully integrated into the general taxation system, the structure and operating environment of farming remains unique to any other business sector. In developing its submission, the IFA emphasised that a comprehensive review of the taxation system for farming requires an understanding of the market environment facing Irish agriculture and the key characteristics of that sector. The key objectives for the IFA in the independent review of taxation are to ensure valuable tax reliefs, which are critical to the development and growth of the agrisector, are maintained; to secure new tax incentives that are necessary to drive structural improvements by incentivising land transfer, mobility and investment; to examine how the taxation system can better accommodate the extreme volatility in farm incomes; and to examine how tax returns can be simplified to drive down compliance costs.

Farming is continuing to contribute to the economic recovery that now is clearly evident, through continued growth in agrifood exports and employment. Agrifood exports reached a record high of almost €10 billion in 2013 and the value of our exports has increased by a further 11% in the first four months of this year. However, despite the contribution of the farming sector to national economic recovery, continued low levels of farm income, coupled with increasing income volatility, provide a threat to the viability of the Irish family farm and the sector's growth prospects. Against this backdrop, the burden of taxation on farm families has, in common with other sectors, increased significantly in recent years. Marginal rates of tax are now at a very high level, which is removing resources required for investment in the farm enterprise. Increases in the rates of capital taxes and reductions in tax-free thresholds have added to the costs of investment and asset transfer.

Key characteristics which differentiate agriculture from other business sectors and which are critical in developing an appropriate taxation system are that farming is a capital-intensive industry with significant, recurring, investment requirements. Moreover, with a high level of owner-occupancy of farms, the minimisation of costs to facilitate lifetime intergenerational transfer is critical. In addition, the main business structure of family farms continues to be that of sole trader, with the result that farm incomes are subject to high tax rates, even at low profit levels and increasing exposure to international markets and competition is driving necessary structural reform, increasing scale and improved efficiency.

IFA's submission focused on the existing main tax reliefs relevant to farming, and whether they could be adapted to work more effectively, whilst also proposing a number of new measures to address particular issues.

IFA proposes two new and innovative taxation measures that, if implemented, would tackle two of the major challenges facing agriculture. These are the growing income volatility and the barriers to lifetime farm transfers.

We can clearly see the impact of volatility in the tillage sector, for example, which, in 2013, experienced a fall in incomes of 20% to less than €30,000 due to price collapse, and despite increased yields. Prices in this sector continue to fall through 2014.

The first of two proposals to manage income volatility and encourage lifetime transfer is an income-smoothing mechanism that would operate within the income tax system, in addition to income averaging. This would allow a farmer place on deposit a portion of his or her pre-tax income, in a designated commercial farming account - tax deposit account. This could then be drawn down by the farmer and used for the running of his business when required, and would be taxable in the year it was drawn down.

The second proposal is a phased transfer partnership, PTP. This is a progression model in which there would a defined, phased transfer of the family farm over a set time period. It would require an agreed transfer contract where both parent and child would work together in partnership over the period of the phased and progressive transfer of assets. As an incentive to the farm holder to enter into the contract, he or she would receive tax relief on a portion of their farm income, up to an agreed ceiling.

In addition to these incentive measures, IFA has submitted a comprehensive set of proposals covering all aspects of farming business. In respect of income tax, the IFA has proposed the introduction of an optional system of increased capital allowances which would provide capital allowances of up to 50% for the first two years; extending the 100% trained farmers' stock relief to all farmers for a period of four years, up to 2020; the extension of income averaging to farm profits where the farmer or spouse has an additional source of self-employed income; and the introduction of an earned income tax credit to remove the discrimination in the income tax system between employees and the self-employed.

In the areas of farm transfer, succession and mobility, the IFA has proposed the retention and index-linking of the capital acquisitions tax tax-free exemption thresholds, and retention of 90% agricultural relief; improvement in the uptake of the land leasing tax exemption scheme through recognition of incorporated farm businesses as qualifying lessees, and removal of the 40 year age limit for qualifying lessors; reintroduction of indexation for capital gains tax, CGT, and retention of CGT retirement relief; and retention of young trained farmers stamp duty exemption and consanguinity reliefs for transfers between family members - it should be noted that consanguinity relief is due to be cease from 31 December 2014.

To encourage greater numbers of farm partnerships, there must be an extension of existing tax reliefs for milk production partnerships to all registered farm partnerships and reintroduction of CGT relief in the event of a farm partnership dissolution.

IFA has identified a number of sector-specific issues that require changes in the taxation system, and other general taxation issues of relevance to farm enterprises. These include compulsory purchase of supply licences - co-operative shares - must be treated as a qualifying business expenditure, and offset against income tax; introduction of a tax-relieved loan scheme open to farmers and non-farmers who wish to invest in the development of the dairy sector; exclusion of forestry-felling income from the high income earners restriction; retention of the existing pay-and-file deadline for self-assessed tax returns; and extension of a simplified system of farm income assessment for farmers with a non-complex farming system.

I wish to conclude with some comments on budget 2015, to which the outcomes of the agri-taxation review will be closely linked. On the expenditure side, funding for farm schemes underpins farm incomes and output. Under the new rural development programme, RDP, there is an overall allocation of €2.1 billion of EU funding and €1.9 billion of national funding for the period 2014-2020.

I wish to take this opportunity to acknowledge the Government's funding commitment earlier this year to the rural development programme for the next six years. Over €500 million of funding for RDP farm schemes must be provided in October's budget. This funding will deliver programmes of support for low-income farmers, the provision of environmental services, encourage young farmers, promote on-farm investment and support farming in marginal areas.

IFA's priorities for expenditure in October's budget are: commencement of contracts for the new green low-carbon agri-environment, GLAS, scheme in early 2015, with places for 30,000 farmers in the scheme in its first year and payments disbursed in 2015; allocation of €30 million for the targeted agricultural modernisation scheme, TAMS, in 2015 to fund on-farm investment programmes across all sectors; funding of €52 million for the beef data and genomic scheme to support the vulnerable suckler sector; and increased capital funding allocations for the horticulture, forestry and aquaculture sectors to achieve output targets and employment growth.

Farming is facing significant challenges at present, but the opportunities for continued growth are many. The achievement of Food Harvest 2020 growth targets will result in a significant return to the Exchequer through an increased tax take from additional economic activity, earnings and employment at farm, processing and industry services level. As an immediate priority, full funding of farm schemes that provide income support for vulnerable sectors and investment support across all sectors is critical in Budget 2015. On the taxation side, the agri-taxation review must result in a set of proposals supporting the long-term growth of the sector. These must be implemented, starting with this October's budget.

Chairman: I thank Mr. Downey. I now invite Mr. Enright, or Mr. McCabe.

Mr. Lorcan McCabe: I will introduce Mr. Enright.

I thank the committee for the opportunity of getting a meeting here. Our president, Mr. John Comer, has been called away and could not get back here in time. We understand what has to be done. Mr. John Enright will take over from me now and go through it in detail.

Mr. John Enright: Our submission is based on two key issues: the Food Harvest 2020 targets and how farmers can contribute to that; and the issue of farm income volatility which, certainly over the past five or six years, has become much more sharply into focus. The dairy sector is a good example of the latter where, since 2007, dairy farmers have seen milk prices vary, from 20 cents a litre to 40 cents a litre. For a family farm structure, it is extremely difficult to deal with such volatility. The taxation system needs to look at this issue and needs to facilitate farmers to address the problem of volatility in the future.

I will go down through some of the main aspects of our submission and set out what we feel needs to be addressed. First, on the issue of income volatility, income averaging has been an important relief for farmers over a number of years. It is an important relief. On income averaging, our concern would be that a farmer cannot earn €1 of off-farm income because if a farmer does so, he or she loses income averaging. If, for example, a farmer finds his product prices have collapsed, he or she is in a serious cash-flow situation and he or she decides to take on a part-time job in order to get through that period of time, be it three months, six months, 12 months or whatever, because the farmer takes that decision to improve his or her cash-flow and income situation, the current taxation system excludes him or her from income averaging. That is unfair. It does not make sense. That needs to be addressed in the farm income taxation review.

In terms of the issue of volatility, in Australia there is a farm management deposit scheme which is designed to address the issue of volatility. From an Irish perspective, if a farmer has a good year, in terms of product prices and income, there needs to be an opportunity for him or her to put some of that money away tax-efficiently so that in the event of a bad year he or she can draw down that money to get him through it. In that regard, there is precedent in Australia. With quota abolition and all these free trade agreements - there are suggestions of a TTIP agreement and a Mercosur agreement, and an agreement has been brokered with Canada - we are moving into much more of a free trade scenario, which will lead to more volatility. We believe the taxation system needs to protect family farms in that scenario.

Certainly over the next two to three years and even at the moment, many farmers are looking at developing their farms. With the abolition of quotas, farmers are looking at expansion. If one decides to take on an additional cow, one does not just have to fund the cow; one must also fund the slurry storage, etc. There are a range of environmental regulations behind every additional animal one puts on one's farm. We certainly believe that the cattle allowance needs to be much more flexible in this regard. At the moment it is eight years, but we feel it should be from three to eight years and that it should have a floating allowance of 50% just to give farmers the opportunity to make these investments, given the uncertainty that is out there.

We have two issues regarding stock relief. In respect of herd expansion, there is a substantial cost from the taxation perspective, with only 25% stock relief. We certainly believe there should be 100% stock relief for additional expenditure of up to €100,000. A technical but important point concerns TB. The Department's policy on TB would be that it generally does not do full depopulations, but one could find a farmer losing 10%, 20%, 30%, 40% or even more of his herd. We feel that the taxation system needs to take that into account. At the moment, the stock relief requirement is there for depopulations. It needs to take account of the fact that a farmer could lose 20 or 30 cows, which is traumatic enough from a financial point of view, but if he gets penalised on the taxation side, it is extremely traumatic. Again, we feel that this needs to be addressed in the review.

In respect of land policy and taxation to support Irish agriculture, the key issue is that we have people who want to transfer their farms to the next generation and the tax system needs to facilitate those people so that they can do so in a tax-efficient manner. The tax system needs to support land mobility more than it does at the moment. There are a number of issues in respect of capital gains tax. Indexation was abolished when capital gains tax went down to 20%. It is now at 33%, and we feel that this needs to be looked at. The capital gains tax restructuring relief in respect of land consolidation is certainly a measure we welcome, as we think it is a very good measure, but, again, we feel it should be improved. If a farmer with two 30-acre blocks decides to buy an 80-acre block when it comes up for sale, he does not get the tax relief if he sells the two 30-acre blocks. We feel that if a farmer decides to consolidate by selling two smaller blocks to buy one block, the system should allow it. It has an advantage from his perspective, but those two blocks may be bought by two farmers, which will help their situation. We feel this needs to be looked at.

Our main point regarding capital acquisitions tax is that agricultural relief is hugely important in the transfer of farms from one generation to the next, and it is essential that this relief is maintained and improved. In respect of income tax and land leasing, one could find a member in his late fifties or early sixties whose son or daughter has just completed the green cert and wants to take over the farm. There was an early retirement scheme in the past that allowed that to take place where the older farmer had a level of income and the younger farmer could take over and develop the farm. With no early retirement scheme in place, we feel the issue of land leasing needs to be looked at again in that if a parent wants to lease the farm to his or her son or daughter for a period of time - and we would stress that it should be up to retirement age rather than continuous - the tax relief should be available in that scenario. We feel it is ridiculous that a parent can lease a farm to a stranger and qualify for tax relief but cannot lease it to his or her own son or daughter. In the context of improving land mobility, we feel this needs to be examined.

The 2% stamp duty rate is hugely important and we hope it will be retained. The young farmer stamp duty rate is important as well. In the past, there was installation aid as an encouragement for people under 35. One has the single farm payment, but stamp duty relief is important as an incentive for the early transfer of farms. We certainly believe it is important to maintain that.

Another important issue relates to pay and file dates. It was proposed last year that these dates would be brought forward, which would be of huge concern to our members, particularly in light of the CAP. The CAP is putting payments back further in the year rather than bringing them forward. For many farmers, until they get the single farm payment and disadvantaged area payments, they cannot pay their bills. If the pay and file dates are brought forward, it would pose major challenges for farm families.

That is a short rundown through our submission. There are many challenges facing farmers and we feel that there are certain aspects of the tax system that need to be tweaked, particularly in the context of the volatility about which people are concerned.

Deputy Éamon Ó Cuív: I thank Mr. Enright and Mr. Downey for the comprehensive presentations they made. It is fair to say that both of them have quite a bit in common - volatility, 2020 targets, capital allowances, stamp duty, investment in co-operatives and so on. I will not go through them all because we would be here all day if we went into every issue. It seems that volatility is a major issue for the upper end of farming. Again, the idea that one puts the money aside and then averages it seems to make sense. I think that is a reasonable idea. It would be good if we could find common cause across farming organisations as to what the requirements are.

A total of 60% of farmers have an off-farm income. Off-farm income is a very valid issue and must be looked at in one form or another. It should depend on what percentage of one's income is off-farm, but the idea that if one is out if one has any off-farm income does not make any sense.

I hear what the witnesses are saying with regard to capital loans and stock relief. It will be a huge issue for the dairy sector if there is to be expansion, because 18,000 out of 120,000 farmers are engaged in dairying, which is about 15%. I will home in on a few points. In respect of the 120,000 farmers, do the witnesses have any data between them regarding how many of them have a taxable income? I am not talking about a farm income. We must take into account the fact that in most cases, people look at their family income and take the farm income. Some people in this country seem to be against people having mixed sources of income. It is fair to say that if we are going to keep rural populations in many areas of the country, a large proportion of the current farming population would not make a full living out of farming and never will. The number of farmers would fall very low if they were all to be full-time farmers. For many farmers, the other big advantage of having a mixture of farm income and possibly some other income - a lot of farming does not take 40 hours per week - is that it helps to deal with the volatility issue, because if one thing is up, the other thing might be down and *vice versa*. I certainly saw much better farming in my own area when people got employment, because they could invest in the farms, they knew they were going to stay and they could take a much longer view if they had a steady off-farm job. Therefore, I would be very interested if anybody had information on taxable incomes. What is the taxable income - zero to €30,000, €30,000 to €60,000, and so on? The second issue, which was raised by the IFA the other day, is the fact we must figure out how many of those farmers do not have a PAYE income. The reason I want to know is that we need to calculate how much it would cost to give earned income - self-employed income - what is now the employee tax-free allowance. Compared to what it was in the past, the employee allowance is massive. At €1,650 of a tax credit, it is the same amount as the individual allowance. If we are to get some sense of the difference it would make and the number it would impact, we must remember that social welfare pensions and carer's allowance attract the PAYE tax credit. If someone is getting a contributory old age pension or an invalidity pension they get the PAYE allowance, but for some reason if they are on farm assist or disability allowance they do not get it because it is not taxable income. I would be interested to hear what the cost would be if we were to say it was earned income, as was the case previously, rather than unearned income.

I am particularly interested in that because I have long been a proponent of much higher compulsory PRSI for the self-employed in return for benefits, invalidity pension in particular, which Deputy Pringle said was coming down the track. I favour that because it will force people to protect themselves against a future event. Farmers are vulnerable to accidents and so on and to wind up with no income other than a means tested income as a result of an accident or becoming ill can be a huge hit. One way of compensating for that would be to try to deal with this issue for the purely self-employed. I would be interested to see the breakdown in that regard.

Regarding the pay and file dates, it appears to me that the pay date has to remain, and we have been getting vibes that it will remain, but would it cause a problem for self-employed people if the file date was brought forward, which they need because the budget was brought forward? I understand the argument from the official side is that the data need to be in by the end of August to ensure that when the budget is done in mid-October, they will know what the income for the year is, which allows them better guess the tax take, even if they do not get the cash until the end of October. Are they saying pay and file dates should remain or that the pay date should remain the same? Is one a red line issue or are they both red line issues? We should get some sense of that today. They would probably win on the pay; the file date appears to be a much greater challenge.

The IFA representative mentioned a number of issues to do with the CAP. In terms of putting any reasonable capital programme in place, they will find it hard to spend it because by the time they get a scheme up and running, people apply and get the work done, and they are always much slower to do that than they anticipate, it will become a cash cow for the Department. That might be useful for the Department as a cash cow but we must consider that only 62% of the Leader money from the last CAP was spent, and we are in the last mile. It is vitally important to make the scheme available and have a nominal amount, but the actual cash drawdown in 2015, and I know this from endless schemes for which I had responsibility, will be relatively small.

I presume the €52 million for the beef data and genomic schemes will be provided. I understand from the Department that it will announce GLAS and it will then give farmers a certain amount of time to submit the applications, and in that respect we will have problems in commonage areas and so on. There will be a closing day and all the online applications will have to be in by that date. The Department will then have to process and validate the 30,000 applications. My understanding from the Department is that the 30,000 applicants will go to the starting line on the same day. We have an announcement date. People have to be given reasonable time to line up all the planners in all the farm circumstances, for example, where they get 50% agreement on the shareholdings, commonages and so on. They all get the line. They have to be approved, and then allowed proceed. My understanding is that if that were to happen on 1 September, which is an easy figure to work out, they will pay one third of a year's GLAS payment in December. If it happens on 1 October, they pay one quarter, a sixth on 1 November, and one twelfth on 1 December. Obviously, if they do it on 1 June they will get half their payment.

The timelines on this are critical. At this point we come to a conundrum because if my memory serves me right, in the AEOS 3, the farmers asked for more time because there was pressure on planners. In this case we are talking about five times the number in a group. What is the timeline on this? This goes back to what was said about income averaging and PAYE income. One of the big problems now is that people's incomes are collapsing. In terms of anyone dependent on REPS payment, their income is collapsing. When that is taken out of the net income, after all the expenses, it is greatly reducing. A fair number of these people are not able to collaborate because all of them have farm incomes. I would like to hear the witness's comments on that. My guess is that no matter what promises they get farmers will be screaming for extensions to allow them submit all their plans but if the system gets clogged up with planners and all the extra requirement in the plans, they might be the cause of their own delay. I can understand that if they are under pressure but we will wind up with a situation where the Department has to process all of that.

I do not see a huge amount of GLAS money coming forward next year and if that happens, does the Department have a plan B in that regard? Will we enhance the genomic scheme or do something for farmers next year to try to keep the cash flow? Otherwise, we will be facing a big problem. I could make many more comments but I will leave it at that.

Deputy Martin Ferris: I thank Mr. Enright and Mr. Downey for their presentations. There is a common theme in both presentations regarding volatility with regard to income and particularly how it affects the weaker sector within the industry. The necessity and importance of the part of Mr. Downey's proposal on the €500 million funding for the rural development programme farmers being provided in this October's budget must be emphasised.

On the proposals in general, Mr. Enright mentioned that small holding penalties can be detrimental to people in the low income sector. I refer to single farm payment penalties and so forth. I share that view.

Regarding land mobility, tax reliefs and land consolidation, it seems simple in theory and if there is the political will, that can be resolved very easily. All it will take is a basic understanding of how that can happen, and it should be facilitated to happen.

I refer to the extra environmental costs and investment, particularly as we move towards the 2020 target, and the importance of on-farm investment to ensure the country meets its potential in that regard. Incentives should be put in place to encourage producers to reach that target.

One of Mr. Downey's suggestions was a phased transfer partnership, which would require an agreed transfer contract where both parent and child would work together. There is no definition of the age of the child, which might help. I am sure they are not talking about a nine month old child. That needs to be explained.

I am also encouraged by the suggestion regarding a tax deposit account, given the volatility of the market, the volatility of income and the role played by weather. I refer to the situation two years ago. Farmers could be having a reasonably good year this year and would have a nice fairly good return and then maybe at the end of the year - such as happened with the fodder crisis two years ago- the gains could be lost and any further investment could be inhibited. There is much positive information in the presentations. However, I am concerned about how the child is, so to speak.

Deputy Pat Deering: This is a great opportunity to review the overall scheme after a lifetime. Much has happened since all these taxation issues were implemented many years ago. As has been pointed out, agriculture plays a key role in the economy, with exports worth €10 billion and growing. I refer to the targets under Food Harvest 2020. The key elements in the presentations are land transfer and income volatility. In my view the fact that we have more farmers in this country who are aged over 80 years than the number aged under 30 years will be a significant issue in the future. That statistic must be reversed in the time period between now and 2020, which may be ambitious but certainly it must happen in the very near future, in order for agriculture to be productive and viable. In the past, agriculture was not regarded as a business but it will need to be so regarded in the future and for that to happen we need to get more young farmers. The child of today to whom Deputy Ferris referred is the farmer of tomorrow and we need to get him or her into the system.

Land transfer is the big issue and the leasing issue has to be addressed. I refer to the IFA proposal which I find interesting. I would welcome more discussion on the proposal to merge income volatility and to encourage lifetime transfer and the tax deposit account issue. I would like more information on that aspect because it is a good idea. No sector in agriculture - it could be beef today and tillage tomorrow or dairying in the year after - will be exempt from volatility. We need to have a system that applies across the board in that regard.

The other issue which needs to be monitored and addressed is the issue of the pay and file dates. Filing is one issue but payment is a serious issue. For example, a request for payment in August prior to the arrival of the single farm payment cheque, the harvest cheque or weanling sales would be a serious issue for income in all farms across the board and payment would not be possible. The issue of stamp duty also needs to be addressed significantly. I suggest the big issues are income volatility and associated matters and incentives for encouraging more younger farmers into the system.

Senator Michael Comiskey: I thank the witnesses for their submissions to the committee. A crucial stage has been reached and it is important to do everything possible to increase farm incomes. In particular, the beef and sheep sectors are going through a very difficult time at the minute. Beef has been very difficult over the past number of months and the sector will experience a significant drop in income. The incomes in the sheep sector are beginning to drop off although these would not have been as bad in earlier times. However, prices in the sheep sector are beginning to drop off as well now. We must all do whatever we can. The dairy sector looks to be that little bit better but I know that dairy farmers will be making significant investments in their operations prior to 2015. It is crucial to have the GLAS scheme up and running and putting money into farmers' pockets as early as possible in 2015. It is looking as if it will be in the last quarter of the year before that scheme will be in place. Quite a number of farmers have been out of REPS for the past two years and have suffered huge losses. REPS was the real driver while AEOS and the other schemes were that little bit smaller and did not put in the same amount of money into the farmers' pockets. Quite a number of farmers make investments in the farm using their off-farm income. It could be asked whether this is a wise choice but farmers will continue to do this. Lads working in jobs off the farm such as council workers or working in the forestry have in the past invested that money in their farm.

It is very important to encourage young farmers to take over because the percentage of the farming population in the older age group has been referred to. There are too many older farmers and we must encourage younger farmers to take over farming in their own right. There used to be a big gain for farmers who were leasing quota heretofore and were then forced to sell it. At least there was no capital gains tax on that process so that was a positive aspect. I thank the witnesses for their submissions. The committee will work with them to ensure that everything possible can be done for incomes.

Deputy Martin Heydon: I thank the delegations for their attendance. I will not repeat the points made by other members. Land mobility is a key issue. We need to encourage people to participate in land leasing. Capital acquisitions tax and agricultural relief are crucial to land mobility. For younger farmers to have the opportunity to access and to grow their enterprises, we must encourage more people to participate in land leasing. I refer to the changeover from the RDP when a very bad thing happened because those who had long-term leases were the ones who were penalised and ended up worse off than those who had been on conacre. Fianna Fáil wanted us to do a cost-benefit analysis on the €25 million that was set aside for that but in my view that money was very well spent because people could not be penalised for having entered into what we were encouraging them to do in the long term.

I take on board the points made about farm partnerships. I refer to the IFA policy on compulsory purchase. Is it an element of roll-over relief on the supply licences and co-op shares? The days of building roads through farms has gone. I ask Ms Rowena Dwyer to comment.

The role of this committee is to deal with all aspects of agriculture as opposed to finance but the finances are key. It is important to hear submissions from all the farming organisations and to engage with them well in advance of the budget so that we can work with a concerted voice in the autumn to ensure that the agriculture sector is well protected. This review of the taxation model provides a significant opportunity and we must ensure we get it right.

Chairman: Not too many questions have been asked, apart from the definition of “the child”.

Mr. Eddie Downey: I have a 20 year old child at home at the moment and he certainly would not describe himself as a child-----

Chairman: Does he bring home the washing?

Mr. Eddie Downey: He has just finished his green certificate. We are talking here about young trained farmers qualifying for this and we want them to be incentivised by a phased transfer system. It makes absolute sense to go down that route. This is the first time anyone has challenged the whole farm succession issue. To provide a phased process, a period of time by which one gets into a contract and the transfer takes place, gives security both to parents and to young trained farmers during that process. It is a good proposal. From the point of view of the Exchequer, it could be a benefit, even though there could be a tax incentive within it, in that there would be two active farmers working on a farm plus a young active farmer coming into it to drive it forward. There is a benefit in that for the Exchequer in the long term.

Land leasing continues to be a major issue for us and we need to take the road blocks out of that process. Deputy Heydon spoke about the tax relief secured on land leasing. If farmers did not get such tax relief, it would be the death-knell for land leasing. If there is to be a future for agriculture, we must have land mobility and stability within that system whereby a farmer can lease land for a period and actively farm it for that period, knowing that he will have access to it next year, the year after and year after that. That is the only system that will work. It was welcome to get the provision of such tax relief and it is essential that we drive forward the land leasing issue.

Co-operatives want farmers to compulsory share-up in their co-operatives, in other words, to buy shares in them to build their sustainability. Farmers should be able to write off such investment against income tax because it is an investment they have to make in their industry. When such shares are sold, they are taxable at that stage. That is a reasonable measure. It means there is a tax incentive for farmers to buy shares in their co-operatives and the co-operatives will get the money they need to advance and drive forward their businesses. That measure would involve a minimal cost to the Exchequer.

Most members referred to the tax deposit scheme. It would operate on the basis of having a special tax deposit account. One option open to a farmer is to invest a pension which would mean the money would be taken out of the system, pushed to one side and no longer available to farmer and the tax would be foregone on it. That would be a negative from the point of view of the Exchequer. Another option is that a farmer could invest in a company and pay 12.5% tax on all of his income. By placing the money in a deposit account, it means the tax will be foregone for that year but when the money comes back into the business, and it will have to come back in it within a five-year period, the tax will have to be paid on it at that stage. It will come back into the business when it will be of more advantage to the farmer in a low income year and it will help to keep the cashflow steady on that farm over that period. It should be possible for the farmer to secure a loan against 50% of its value, because tax on it would be paid at the rate of 50%, and therefore, it would not affect the cashflow on the farm, and the farmer could continue to grow the farm. There will be a particular period of high investment over the next period and a number of measures in our proposal deal with achieving what is set out in Food Harvest 2020 where there will no longer be milk quotas next year, when farmers will have make considerable investment, particularly in the area of incentives for stock relief for those first four years.

It is essential that the €500 million for the rural development programme is in place in this year's budget. Schemes under it must be got up and running. A number of members asked questions about the timeline around GLAS. The rules and regulations around it should be available by next year and applications for it should be in place early next year. The idea that all applicants must have their applications in before there is an opportunity for the planners to put in the full plans for it is a non-runner. This scheme must be brought in on a phased basis over the year. Those who submit their applications will get them in early and the scheme can be got up and running as quickly as possible. On the issue of the planners being involved, we should let them worry about that, we should get the scheme up and running and get the money in place to make sure that happens. As was clearly laid out, no scheme was available last year. A number of farmers have not participated in a scheme for the past two or even three years. They are ready and willing to get up and running as quickly as possible with a new scheme.

On the issue of the pay and file date, it is essential that the pay date is held. We would prefer to leave the file date as it is. There would have to be a period of readjustment within that and it creates complications for the accountants and the professional system but it is essential that the pay date is held.

Deputy Ó Cuív asked a question on the tax credits. We estimate there is a €170 million paid by self-employed people in extra tax that is not paid people within the PAYE system. To break that down, a single farmer on an income of €20,00 pays 20% tax whereas an employee in the PAYE system on an equivalent amount would pay about 10% tax. There are 135,000 individuals who pay at that level and some 90,000 of them probably earn more than €17,000, therefore, we are looking at a figure of €170 million. That is an amount foregone. This is what the lack of an allowance costs the self-employed and we consider that to be an anomaly in the system. We are well aware of the state of the public finances but we flag this as a major issue and it is something that should be addressed in due course.

Chairman: Does Mr. Smith wish to add a further comment?

Mr. Pat Smith: There was a suggestion that the PRSI rates for the self-employed should increase. We need to be very wary of that because the availability of cash is the problem on most farms and having the ability to pay the bills on a day-to-day basis. If there is any suggestion of an increase it will have to be optional and we would insist on that. In the context of capital expenditure, we are not so pessimistic. Already this year we have met the banks in the context of the difficulties experienced by livestock and tillage farmers and they have told us that this year farmers have plans to spend approximately €300 million to €450 million. There represents a good deal of expenditure on farms. Payments under the targeted agricultural modernisation scheme, TAMS, need to be put in place early to give farmers the confidence to proceed with investments. I have no doubt if the experience of the farm waste management scheme is anything to go by, that all of that TAMS money will be spent in the context of keeping jobs in rural Ireland.

An important job of work we have to do with regard to GLAS payments is to make sure that the money to provide for them is in the budget. I see no reason the scheme cannot be open and paid from 1 January next year. Such cashflow concerns are seriously damaging confidence, particularly in low income sectors and vulnerable regions. It is important that significant payments are made under GLAS in 2015.

Chairman: Does Mr. Enright or Mr. McCabe wish to add a further comment?

Mr. John Enright: I will start off and then hand over to Ms Mary Buckley. It is crucial for farmers to have access to land. Mr. Eddie Downey covered much of the land leasing issue. An elderly farmer can lease land to a stranger and tax relief on land leasing can be secured, but that farmer cannot lease land to his son, daughter or nephew. It is important to get that issue addressed.

Another important issue is land mobility, the transferring of land to the younger generation. It is heart-breaking for a young farmer, or a middle aged farmer like myself, to be looking out across the field at land that is not farmed to its maximum or anywhere near it, while other farmers are farming their land to its potential. We must encourage a greater level of land leasing. We must also get an extension of stamp duty relief for young farmers in terms of land mobility. Facing a bill of €10,000 or €15,000 when young farmers are starting off knocks them back straight away. In terms of land mobility, if farmers do not have the land, they do not have anything. Another important issue is land consolidation. If one has 40 acres, one can sell that land and buy a home, but one cannot sell two bits of land and move to a better place that would help everybody environmentally in terms of the carbon footprint

On the pay and file date issue, as Mr. Eddie Downey said, farmers cannot pay before the pay date. Towards the end of the year dairy farmers have paid off all their bills. From talking to accountants, they say it will be legitimately impossible to have it ready any sooner. They are battling as it is and if we try to move back the date, bearing in mind that we are approaching the traditional two-week holiday period, accountants who have, say, 200 clients, might have to drop 10% of them to be able to logistically get the books right.

There are a few other points that Ms Mary Buckley wishes to address.

Ms Mary Buckley: It has been stated that agriculture is the backbone of our economy and an important aspect is stimulating economic activity in rural areas and helping businesses become viable. Regarding capital allowances in particular, farmers have had to deal with Food Harvest 2020, the abolition of quotas referred to earlier, and the investment required on farms, particularly on dairy farms. If the capital allowances can be accelerated for farmers who have to invest a good deal of money in building, they will have more money available and they will spend it.

In terms of getting money front-loaded for the targeted agricultural modernisation scheme, TAMS, particularly the dairy equipment scheme, we will need that in the period starting 2015. Come 2019, most of the expansions on farms will have taken place in terms of post-quota and achieving the targets set out in Food Harvest 2020. In terms of the rural development programme, we need to get the TAMS in particular front-loaded, and also GLAS. There is stimulation and investment in activity in rural areas as an off-shoot from GLAS. There is dual benefit in that regard both for the farmer and the economy in general.

Chairman: I thank all the witnesses. Representatives of two other farm organisations were before the committee some weeks ago and the witnesses will be glad to hear that the similarities among all the organisations are apparent in terms of land mobility, price volatility, land transfer, access for young trained professionals, and the need for a tax code. Those of us who started more years ago than we care to remember knew that was needed then, and it has been needed ever since. Mr. Doyle in particular knows that. We have to ensure we get it right so we must reflect on the potential in terms of a tax code.

Are the members agreeable that the transcripts of the debates today and the previous day will be forwarded to the Minister and the Department of Agriculture, Food and the Marine? Agreed. We will take extracts from it when we are writing our report but it would be valuable for the transcripts of both sessions to be forwarded.

It was not a waste of the witnesses' time coming before the committee. We have the benefit of their views now and we will try to condense all the contributions into a report. Some key points were made, including one as practical as the pay date to reflect cash flow. Regardless of the enterprise, there is a dynamic in terms of the timing of the single farm payment. Unless the payment of that is brought forward, the pay date cannot be brought forward. We will suspend the meeting to allow the witnesses for the next session to come in. Again, I thank the witnesses.

Sitting suspended at 10.53 a.m. and resumed at 10.56 a.m.

General Scheme of Horse Racing Ireland (Amendment) Bill 2014: Discussion (Resumed)

Chairman: I welcome Mr. Joe Keeling, chairman, and Mr. Brian Kavanagh, chief executive officer, of Horse Racing Ireland and thank them for attending. Before we begin, I remind witnesses that, on the matter of privilege, witnesses are protected by absolute privilege in respect of the evidence they give to the committee. However, if they are directed by the committee to cease giving evidence on a particular matter and they continue to so do, they are entitled thereafter only to qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and they are asked to respect the parliamentary practice to the effect that, where possible, they should not criticise nor make charges against any person, persons or entity by name or in such a way as to make him, her or it identifiable. Members have already been reminded of their responsibilities.

I understand Mr. Keeling will make a short statement and Mr. Kavanagh will go through his written submission. Is that correct?

Mr. Joe Keeling: That is correct. I thank the Chairman for the invitation to address this committee. It was on 14 February last year that I first sat before the members to present my credentials as chairman designate of Horse Racing Ireland. I formally took over from the previous chairman, Denis Brosnan, in March of last year. My background lies in family business where I have been chairman and chief executive officer, CEO, of the Keeling Group, a multinational group of companies employing in excess of 1,600 people in Ireland, England and Holland. Having overseen its development from a fresh produce grower in the 1970s, I retired as CEO in March 2013.

My strong interest in horse racing stretches back 60 years, having been a racegoer, a sponsor, an owner, a breeder and a director of Fairyhouse Racecourse. That experience, along with my business background and my belief that horse racing and breeding is the sort of industry to help Ireland recover from recession, is what allowed me to take this role.

When I last addressed the committee I outlined four key priorities for developing and securing the thoroughbred sector in Ireland. I said we needed to achieve a long-term secure funding base arising from the changes in betting tax, that we needed to increase prize money to ensure owners have an incentive to keep horses training in Ireland, that we must reduce the cost of the sector, in particular from streamlining the activities of the Turf Club and Horse Racing Ireland, HRI, and that we must focus on race course development.

To do all of this we need secure funding. That leads me to my primary aim today, which is to emphasise the importance of a long-term secure funding system arising from the changes in the betting tax. At 1%, Ireland has the lowest betting regime in the world. The Minister, Deputy Coveney, published the findings of the Indecon report in July 2012, which strongly supported the sufficient and sustainable funding for the sector. On that day almost two years ago, the Minister pointed out that the Government had recently published the Betting (Amendment) Bill 2012 to put into effect the extension of the betting duty to remote and online betting operators. We still look forward to seeing its implementation.

Last year, I also spoke of the need to reduce costs through, among other measures, streamlining the activities of HRI and The Turf Club, which is another strong recommendation in the Indecon report. Progress in this regard has been painfully slow. This is very disappointing and frustrating as it is necessary to deliver cost reductions to all participants in the sport. The Bill sets out the way to make that much-needed progress. I welcome its publication and ask the committee to recommend its early introduction.

My colleague, Mr. Kavanagh, will go through the detail of the Bill. In addition to his role as chief executive of Horse Racing Ireland, he holds various international positions, including chairman of the European Pattern Committee and vice chairman of the International Federation of Horseracing Authorities. His leading role in these international bodies reflects the high regard in which Irish racing is held internationally.

Mr. Brian Kavanagh: I thank the Chairman and the joint committee for giving me the opportunity to present to them and for the interest they have always taken in our sport and industry. The Bill represents the culmination of a review of the industry that was initiated by the Minister for Agriculture, Food and the Marine in December 2011 and incorporates the recommendations of a report prepared by Indecon economic consultants. The proposed new legislation strengthens governance and transparency within the racing industry and will create greater accountability to the Government in the decisions and membership of Horse Racing Ireland, which was one of the key recommendations made in the report.

The legislation will increase the number of ministerial appointees to the board and clearly assign governance and regulatory responsibility, clarifying previously grey areas such point to point meetings, finance and administration. It will provide a single transparent structure for the administration and financial management of the industry. It will eliminate duplication and increase efficiencies in areas such as finance, information technology and administration. The Bill proposes to establish a new statutory committee to focus on the requirements of persons employed in the industry and represent their interests on the board of Horse Racing Ireland. It will also establish a new statutory committee to focus on the requirements of the betting sector, both on-course and off-course, and represent their interests on the board.

The Bill requires HRI to provide any information requested by the Minister and the Turf Club to provide information for the Minister or HRI as requested. Under these provisions, the horse and greyhound racing fund can be paid over by instalments and the Minister may withhold instalments depending on performance against plans submitted by HRI or Bord na gCon. The Bill will allow the Department of Agriculture, Food and the Marine to undertake regular value for money reviews of the horse and greyhound racing fund and HRI. It will allow for the introduction of a framework agreement between HRI and the Turf Club on funding provided for integrity services, an issue raised by the Office of the Comptroller and Auditor General during the course of its audit. It provides that there will be no change to the role of hunt clubs in the running of point to point racing.

Horse Racing Ireland welcomes the proposed Bill and the transparency and clarity it will bring to the running of the industry. As Mr. Keeling said, the horse racing and breeding industries are significant contributors to the rural economy and it is appropriate that the governance and financial structures should reflect that importance. Several key economic facts are worth considering, although I am sure they have been presented by the various delegations that have appeared before the committee. The industry contributes €1.1 billion annually to the economy and provides 16,000 jobs, mainly in rural areas. Irish horses are exported to some 37 countries every year, to a value of more than €200 million. There are 6,500 breeders in Ireland, 15% of whom are overseas investors, spread across every county. Racing festivals contribute some €260 million per year to local economies. The Galway races, for instance, which take place the week after next, are worth €60 million to the local economy. In 2013 attendances at race meetings grew to 1.24 million, including approximately 80,000 tourists. I understand our marketing department submitted material to the committee in advance of the meeting, including our fact book containing useful and interesting facts about the industry.

Horse Racing Ireland would like to see the Bill implemented at the earliest possible date. Since the review was commissioned by the Minister for Agriculture, Food and the Marine, the industry has been eagerly waiting legislation and several board changes have had to be deferred pending its introduction. The Bill will be the third in a series of Acts of the Oireachtas which create a more democratic and inclusive structure for the governance of racing in Ireland. The previous Acts are the Irish Horseracing Industry Act 1994 and the Horse and Greyhound Racing Act 2001, the second of which created a representative governing body for the industry and transferred various functions to that body. These Acts were introduced with general all-party support. In bringing forward the 2001 Act the then Minister for Agriculture, Food and Rural Development, Mr. Joe Walsh, explained the thinking behind it thus:

> [T]he Government considers racing to be strategically important because of the employment it creates and sustains at all levels and the significant contribution it makes to rural development, farm and other incomes, the business and services sector, tourism, the economy as a whole and the international reputation of the State ... There was a large body of opinion

> in the industry which held the same view as mine ... that better efficiencies of operation and cohesion could be achieved if at least all the main administrative and financial streams of the racing business could be brought together into one new body ... From now on, all elements of the industry will deal with one body in relation to their participation in racing and their financing arrangements.

The recommendations made in the Indecon report which are reflected in the proposed Bill were that through streamlining, further cost savings could be made in the industry. Participants in horse racing - owners, trainers and riders - are levied charges by both HRI and the Turf Club. These charges are a significant burden and the board of HRI is committed to reducing and rationalising them. This year, as a first step, we implemented a 10% cut in the charges levied on our clients. The intention is that savings generated from streamlining, as proposed in the heads of Bill and estimated to amount to a minimum of €1.5 million per annum, will be passed on to owners, trainers and riders through a further programme of cost reductions and rationalisation. The high level of charges, particularly race entry fees, are acting as a disincentive to owners to have horses in training in Ireland as opposed to in other countries. The Indecon report was based on 44 submissions from various industry bodies and individuals and there has been an extensive period of consultation to produce the heads of the Bill. The industry recognises the responsibilities that come with being in receipt of Exchequer funding and the requirement to be as efficient and transparent as possible.

While Horse Racing Ireland is supportive of the Bill, there are two specific areas of concern to which we wish to draw the attention of the committee. The first relates to head 9, liability for the thoroughbred foal levy. Our concern is that there may be an unintended consequence of the proposed wording whereby British breeders whose foals are born in Ireland may not be required to pay the levy as they will be able to register their foals in Britain. This is because Britain and Ireland operate a single stud book, which is very useful in the free movement of horses between the two islands. This anomaly can be corrected by simply amending the wording of section 38A(2) of the 1994 Act, as set out under head 9, to read: “The levy shall be paid by the owner of a thoroughbred foal born in the State in advance of registering the foal in a stud-book in the State”. Likewise, we are proposing a small change in section 38A(2A) in order that it would read, “A person who maintains a stud-book will not register a foal if the owner or keeper of the foal is unable to provide proof that the levy has been paid”. These changes would leave it beyond any doubt that the payment of the statutory foal levy was a precondition to the registration of a foal.

The second issue we wish to raise relates to the horse and greyhound racing fund, as set out in head 15. The proposed wording of section 12(9)(c) of the 2001 Act, as inserted by the Bill, envisages a situation where funding may be withheld by the Minister in certain circumstances. This is a new development and as there is a large group of people within the industry whose livelihoods depend on the funding of the horse and greyhound racing fund, we ask that these provisions be reconsidered and the existing provisions in section 12 of the 2001 Act retained.

The Indecon report made recommendations in five separate areas, namely, funding, size and structure of the board, streamlining of functions between HRI and the Turf Club, marketing and competitiveness, and legislation. The proposed heads of Bill deals with the second through to the fifth of these but do not resolve the funding issue which is critical to the future of the industry. I understand this issue does not relate directly to the committee and is the subject of separate legislation which is moving through the Oireachtas. In the past five years Horse Racing Ireland has suffered annual funding cuts of €15.9 million on average, while at the same time our direct competitors in Britain and France have seen an increase in funding. The solution to this dilemma is straightforward and would save the Exchequer approximately €30 million per year. It involves addressing the betting tax anomaly which sees one third of all betting in Ireland avoiding tax, while that which is taxed is subject to the lowest rate of betting tax in the world.

HRI wishes to see the recommendations on the funding of the horse racing sector set out in the Indecon report implemented as soon as possible. We ask the committee to take this into consideration in its deliberations. These recommendations include the introduction of measures to secure a significant increase in taxation from betting, a multi-annual commitment of funds to support the development of the horse racing sector and greater funding certainty to support medium-term planning for integrity services. As betting revenues increase, there should be potential to significantly reduce general Exchequer expenditure on the sector. All betting operators should be required to obtain a licence. Taxation for betting exchanges and remote betting should be levied on the same basis as for traditional bookmakers. Taxation on betting should be on a place of consumption basis. The rate of betting duty should initially be set at 1% and reviewed after one year and effective compliance measures should be introduced. As I said, this is a matter for the Betting (Amendment) Bill, which is not the responsibility of the Minister for Agriculture, Food and the Marine.

It is essential that these issues are addressed. Otherwise, Ireland will continue to lose ground to its international competitors. Our industry is a great industry. The people involved in it have a great passion for it. Horse racing and thoroughbred breeding are one of the few industries in which Ireland has proven natural advantages in terms of our climate, land and people. To be fully able to develop this industry, the funding structure needs to be put on a permanent basis. This is what was envisaged in the 2001 legislation but this has gone awry due to changes in betting taxation, particularly the decision in 2006 to reduce the betting duty from 2% to 1%.

I thank the committee for the opportunity to present to it and for its interest in this sector. The chairman and I are happy to respond to any questions members may have.

Chairman: I draw Mr. Kavanagh's attention to the screen on his right, on which it is indicated that the Betting (Amendment) Bill is at Report Stage in the Dáil. Hopefully it will conclude its passage through the Lower House today.

Mr. Brian Kavanagh: That is a quick response.

Chairman: It will then go to the Seanad and will be left to the good hands of people like Senator Mary Ann O'Brien and her colleagues to expedite.

Deputy Éamon Ó Cuív: The witnesses have highlighted two technical issues which I believe can be taken on board and considered carefully. On the betting tax issue, the reason this tax is low is that it was confined to bookmakers and there was migration to online betting. It is my hope that this Bill will be enacted and become law. We can then set a new betting tax. People in the horse racing industry have said to me that if a 3% tax on betting was introduced not only would this hugely increase funding to horse racing, but it would allow funding for other equine activities. While this issue does not come within the remit of the legislation we are discussing today, it must be part of the suite of actions to develop the horse racing industry. In my view, the only way of developing this industry is to ensure there is in place a source of revenue that is tax based, although not from general taxation. It would be hard to persuade the public to put money into what some people would see as a luxury activity. The introduction of a higher betting tax is the solution to many of the problems in this area.

As rightly pointed out, this Bill deals with governance issues. It is important there is good governance in place when there is a great deal of money going through an industry. I have noted the two issues raised. The witnesses can take it they will be given careful consideration by Fianna Fáil in the context of it proposing any recommendations to this Bill.

Deputy Martin Ferris: I thank the witnesses for their presentations. The fragmentation of the industry across the board is evident. I welcome that this legislation provides for the establishment of a cohesive entity in this area. I welcome also that under this legislation various parties are required to provide information to the Minister, as requested.

On head 9, I am particularly supportive of and welcome the proposals relating to the registration of foals and so on. I have a few concerns which may not be particularly related to this Bill but about which the representatives might be able to enlighten me. As I understand it, the Turf Club and Horse Racing Ireland have premises in the Curragh. Would it be possible in the context of the putting in place of a more cohesive plan in this area for rented premises to be shared as a cost saving measure? Would doing so affect people employed by the Turf Club and Horse Racing Ireland and, if so, how?

In terms of the maintenance of the integrity of participants and so forth-----

Chairman: A mobile phone is causing interference.

Deputy Martin Ferris: It is not mine. In regard to the maintenance of the integrity and so forth of participants, is Horse Racing Ireland proposing the establishment of one structure in the form of a committee and, if so, does that proposal have the support of all other stakeholders?

I support the two proposals in relation to the Betting (Amendment) Bill and the proposal in relation to head 9 of this Bill.

Deputy Martin Heydon: I thank the witnesses for their detailed presentations. Our engagement on this legislation thus far has been good. It is the committee's first time dealing with pre-legislative scrutiny of a Bill. In my view, this will prove its merits when we come to deal with the more detailed elements of the Bill. We had a particularly good engagement last Tuesday with four different delegations in that there was a healthy and robust debate between the bookmakers and others on particular issues. I concur with the points made by both witnesses today in relation to funding. In my view, there is an element of the industry that tends to paint the bookmakers as the big bad problem. We must find ways to work better with them in terms of their expertise in marketing and so on in this area. There are synergies that can be made.

Mr. Keeling referred in his presentation to the focus on racecourse redevelopment. Perhaps he would update the committee on where we are in terms of redevelopment of the Curragh, which is one of the most important jobs of work in terms of racecourse redevelopment. The Betting (Amendment) Bill is currently before the Dáil. It is not before time. There has been huge frustration about the length of time it has taken to get that Bill to its current Stage. Ms Sharon Byrne of Boylesports mentioned when before the committee recently that there was a great deal of focus on the betting shops. The elephant in the room was the fact that much of the movement in terms of shop closures was the move to online betting. We must ensure we have in place a structure that captures this. We can then discuss issues such as rates and returning the industry to a self-financing position.

I would like now to comment on a couple of points raised in Mr. Kavanagh's presentation. On the fixtures committee, concern was expressed by some of the delegations that have appeared before the committee thus far about the fixtures committee. I would welcome if Mr. Kavanagh could elaborate on how the programmes committee has worked up to now and his view on the impact of what is proposed in this Bill if it goes ahead. Another issue of concern is that Horse Racing Ireland, through necessity, governs or controls a number of racecourses directly and the possible conflict of interest in its having responsibility for racecourses which it owns and manages on a daily basis and privately owned racecourses?

The media rights committee and the importance of it has also received considerable mention. Ms Sharon Byrne of Boylesports mentioned on Tuesday that the bookmaking industry paid €24 million towards the Horse and Greyhound Fund and €30 million in respect of the provision of television services in bookmakers. Often there is so much focus on tax matters that we lose sight of the importance of media rights. Is Mr. Kavanagh happy that the proposed media rights committee will be robust and well placed to ensure the maximisation of a return for the industry, which is extremely important?

Particular sections of the industry are unhappy that they are to lose their representation on the board. For example, stable staff and jockeys have expressed concern at having to share their board membership position. Perhaps Mr. Kavanagh would outline his views on how the board as a representative board has worked to date and say whether he would have a difficulty with the number of representatives on the board being increased from 12 to 15, which would mean everybody would have their own representative? In Mr. Kavanagh's view, would that be unworkable and cause difficulties? It is important in the context of the compilation of our report that we are aware of people's views in this regard. Perhaps allowing everybody representation would not be a bad thing. Would Mr. Keeling, in his capacity as chairman, envisage a difficulty with that? It might be a better recommendation for us. That is how I am leaning at present. I am interested in hearing the views of the delegates on it.

When the ITBA representatives were here on Tuesday, they mentioned funding and marketing. In Mr. Kavanagh's presentation, he highlighted the importance of marketing and competitiveness. Will he outline what steps have been taken to improve marketing and competitiveness since the publication of the Indecon report?

With regard to the funding for ITM and its very important work, the chairman of the ITBA made a comparison with Dairygold on Tuesday. When Kerry Group relaunched Dairygold, it invested over €1.2 million promoting a product and brand that were extremely well known. Approximately €1 million was invested in ITM. Is that sufficient? Are we getting the best return for it? Is this an area where we could invest more? Could we get more back if we did?

In his presentation, Mr. Kavanagh said the proposed legislation would strengthen governance and transparency. Some concern has been raised over the legislative head on the setting of directives. It is stated HRI can set its own directives if any of the others do not cover what is required. That could be seen as a catch-all that gives full power to the incumbent CEO or board. We must be very cognisant of future-proofing. At a time when there are different individuals involved, the current politicians have moved on and the board members have all changed, the structures will have to be sufficiently robust.

Mr. Kavanagh mentioned the establishment of a new statutory committee to focus on requirements of persons employed in the industry and representing the interests of the board of HRI. Let me ask about the specific issue of stall handlers. This manifested as a problem in Dundalk last year. Have the issues that arose been addressed?

Mr. Kavanagh mentioned in his presentation the Turf Club and funding for integrity services. It has been suggested by some in the industry that if HRI controls the money, that, in itself, could be a problem in regard to integrity services. To be truly independent and have adequate integrity, it is argued, one must have one's own funding supply. What are the views of the delegates on that? We take integrity for granted. We have integrity in the industry and if we ever lose it we will not get it back. If we lose it, it will be too late to seek redress. It is really important that any initiative we take copperfasten and strengthen the perception of integrity as much as integrity itself. Both are equally important.

Was point-to-point racing mentioned in the Indecon report? Where did that come into the mix? I take the point made by the delegation on head 9. The ITBA raised that here during the week. We will definitely make a recommendation to ensure there are no anomalies in that regard.

I completely agree with the points on funding. We need to return to a point where the industry is self-financing. It never wanted to be in its current position. It employs approximately 16,000 people, as Mr. Kavanagh stated. It used to employ well over 20,000 people. I do not see why we cannot return to that figure. This would result in economic activity in parts of the country where there are very few alternatives. I support the efforts in this regard.

Senator Mary Ann O'Brien: I thank the delegates for their excellent submission and contributions this morning. I have some comments and questions to add to those of Deputy Heydon. While I realise we are supposed to be focusing on the Bill, I believe having the delegates present is a great opportunity to talk about bookmakers. If we were to increase the tax, should it affect the bookmaker or the customer? Should we split it between the two? Would it not be mad to tax turnover rather than profit? I would go out of business in certain years if I were taxed on turnover, because the margin differs depending on trends associated with commodities in the global market. I would be interested in hearing Mr. Keeling's comments on taxation. In asking this, I am taking advantage of his presence today. I would like to hear the comments of both delegates on the Tote. It is a pity that the Turf Club is not presenting its submission today because it would knit all the strands together very well. That was not possible, however.

I heard Mr. Keeling speak very well on the radio around the time of the Derby. We were all sad about the Derby this year and the runners. It is so important to our fixtures and to how we present ourselves to the world. Dubai Duty Free was the sponsor - my goodness. Will the delegates comment on the pattern committee? How can we get France, England and Ireland to ensure races are properly spaced out? How could we have the equivalent of a Triple Crown such that we would be assured of getting the French and English runners as opposed to simply having an uncompetitive race, albeit with the most wonderful horse we will see for years? We still like a bit of competition.

With regard to integrity, which is the nub of the Bill, I would like a few comments from Mr. Kavanagh on the investment to date in integrity services. There is so much involved in integrity, including in respect of cameras on course and keeping up to date.

Deputy Ferris, who is not present, was very interested in the comments of the delegation. This is a difficult time for the Turf Club and HRI because change is afoot. Change is hard but good. The comments of Deputy Ferris on the premises interest me greatly. Is there enough room for everyone? Can we put up Chinese walls and save substantial money, for the good of the industry. I would like to hear the delegates comments on that. I would like to hear the comments of the Turf Club also when its representatives are present.

If there were a huge court case in years to come, what would happen? At present, I understand that the Turf Club has a fund in its backroom that would fund a High Court or Supreme Court case. This could be expensive. If HRI's funding from the Government is such that there are only so many euros to go around, what would happen if there were a very expensive court case and this legislation were passed as it stands?

With regard to the comments of Deputy Martin Heydon, not everyone is as passionate as we all are about the industry. The past few days have served the industry very well. To me, the racing bodies are like an IDA or Enterprise Ireland of the rural sector throughout the country. I refer to all the foreign direct investment. I was very interested in hearing Mr. Kavanagh's comments on how far we are falling behind. This is why it is important that we get this betting legislation right. If in the future we had a Government that did not particularly like racing and whose mandate just did not cover it, I would worry about who would be put on the board. Every submission we have heard expressed worry about the board. Everyone wants a place on the board. The Indecon report referred to 12 members. We want to hear the delegates' comments on the board.

Deputy Anthony Lawlor: I thank the Chair for indulging me again. We have had a fascinating three sessions so far. I welcome the comments made by Mr. Keeling and Mr. Kavanagh, who are representing HRI.

There is to be a consolidation. Given this consolidation, could Mr. Kavanagh outline where the savings will accrue? Deputy Ferris alluded to premises. Will everything operate from one building? What staff will be let go? Obviously, staff costs comprise one of the high associated costs. If there is to be consolidation under the Bill, what will the exact process be?

With regard to head 5, might there be a conflict over the allocation of grants, loans and disbursements to the racecourses, particularly considering that HRI manages and owns four of the racetracks and that 20% of the race meetings are associated with those four racetracks?

Second, can the witnesses outline what subsidiaries of Horse Racing Ireland, HRI, they will be managing? This is specifically mentioned in head 5 of the Bill. A consistent theme running through all the presentations thus far is with regard to funding. While everyone has been focused on the betting side, as Deputy Heydon has mentioned, huge funding comes from the media rights. The legislation refers to the exclusivity of the HRI to decide on the media rights. As everyone is aware that some racetracks are much more progressive, what are HRI's views with regard to progressive racetracks that are not under its remit which actually try to sell the product? In the context of the legislation, Mr. Kavanagh might outline exactly what he thinks would be the impact in respect of them trying to sell the product. Mr. Kavanagh might outline exactly what he thinks in this regard.

Sponsorship is a huge part of racing and during his presentation, Mr. Keeling mentioned he had been a sponsor previously. Another area is the Tote and according to reports members have received, the Tote has actually lost money over the past four years. How is this accounted for in the accounts of HRI? Is it right that a sector which generates €50 million in turnover generates no income for the racing industry? This goes back to head 5 of the Bill on managing any subsidiary of HRI and pertains to the capacity of HRI to manage the Tote. One point that stands out for me is that the Tote operated by the greyhound industry makes returns to that industry. However, it also has someone in charge of it who actually is a betting person and is associated with the betting industry. The witnesses should comment on this point. Deputy Heydon mentioned the overreaching part in this legislation, whereby the HRI will have the right to make directives and enforce them on the industry, and I certainly have a concern in this regard. As for the fees that are being collected at present by the Turf Club on the registration side, the Bill proposes this should be managed by HRI. Will HRI return all those fees to the Turf Club? Should the Turf Club be fortunate enough to generate any income itself, will it be taken into account when HRI is making a return to the Turf Club to safeguard the integrity of racing? The most important thing for people is to believe the integrity of racing is of the highest standard. It is important that funding is in place and should not be compromised in any way by what the Turf Club might do to generate income itself.

There are a couple of other matters. In all the presentations, no one has mentioned anything about the customer, be that a betting customer or a punter who goes racing. It is strange that this aspect of the industry is not mentioned in the Bill. Mr. Keeling might comment on whether it is possible that someone who is not an integral part of industry but is part of the industry, in the sense that he or she goes racing and gambles, might be considered for the board.

Chairman: There are a number of questions to which the witnesses may respond in whichever way they wish.

Mr. Joe Keeling: I will take the first one. In respect of board numbers, I agree that from my own experience, smaller is better and certainly a board of 12 or 13 is as big as one would want. It is always more difficult to manage a bigger number and can be slow progress. While everyone would like representative numbers, I perceive increasing the size to be more difficult. Another element is that when I took office in March 2013, I was promised a new board. Things have been a bit slower because we have not had a new board. We have a lot of board members whose time is up, some of whom wish to move on. It is difficult at present and the sooner we get a new board, the sooner we can get in new enthusiasm and grow, but I certainly would not like to see bigger numbers.

On the development of the Curragh, we have agreed a new shareholding structure to build the Curragh in which HRI has one third, the Turf Club has one third and benefactors have one third. We are getting a company to do that at present and much preparatory work is entailed in getting agreement. There is no point in rushing into it and we probably need to spend approximately €5 million to get to planning permission stage. Thereafter, we cannot do anything else until we have funding, but it is my ambition to have the Curragh built by 2017. I reiterate that without funding, it would be very difficult. We can get the project started and can get it to planning permission stage but thereafter, it would be difficult.

As for the question on betting tax, it is a duty, not a corporation tax, and in my view the customer should pay it. I have been going to races for many years and have been in situations where one paid 20% tax. However, it did not stop people from betting and I believe the customer should pay the betting tax. I believe they are the three items to which I wished to respond.

Mr. Brian Kavanagh: On some of the more specific questions and in response to Deputy Ferris, it is not the intention to have a single premises. The two premises will remain. It is not the intention, however, to have one structure for integrity. Ireland is unique in that we have a separate integrity body to look after the refereeing of and the integrity of the sport. That is a valuable concept and a valuable principle but it is different in other jurisdictions. The Turf Club is independently responsible for deciding who can get a licence to train or to ride or what discipline should be imposed on trainers or riders in the event that there is a breach of the rules. As for Deputy Heydon's questions, I will try to hit the main ones and he should revert to me if I have missed something. I agree with him that bookies are not the big bad problem and one welcome element of this legislation is the creation of a forum comprising all the betting industry, including off-course and on-course operators, betting exchanges and the Tote, which will represent the views of bookmakers to the board of Horse Racing Ireland. Many of the issues with which the bookmakers deal have a direct impact on our activities, such as field sizes, which affect the value of races from a betting perspective, the times at which races are run and the dates on which races are run. Consequently, creating a formal statutory body that creates a communications structure between the betting industry and the board of Horse Racing Ireland can only be a good thing.

On the fixtures committee, I understand the Bill proposes to standardise the size of all committees at five people. The fixtures are the single biggest decision of expenditure that the board of Horse Racing Ireland will take. We are due to take a decision on next year's fixture list at the board meeting next Monday. Effectively, that will determine the budget for the following year because it then leads on to prize money and integrity costs for servicing each of those fixtures. Consequently, the only change to the fixtures committee is that its size will be reduced from seven to five members. I understand that is a standard process across all the committees so, for example, the size of the media rights committee is being increased from three to five. I believe the fixtures and programme structure works well at present. There is a programmes committee that deals with the day-to-day programme of races, that is, the category and type of race that is run at each track. It is a mirror committee of the fixtures committee and they work together to bring in the best race programme. It is a consultative process and there are working groups working to those committees which are representative of various industry bodies. The committees comprise members of the HRI board.

The media rights committee, which has been one of the successes of HRI, is chaired by the racecourse representative on the HRI board. For the past six years, Mr. John Moloney has chaired it. It negotiates the media rights for Irish racing. The 1994 Act clearly stated that the media rights, the property rights over the sale of pictures or commentaries at a race meeting, belonged to the racecourses. Other parties would dispute that the racecourses have full entitlement to it. Some of the jockeys and owners claim it is akin to a situation in which a musical, show or play is staged in a theatre. Whatever the arguments, the legislation is black and white that the rights belong to the racecourses.

The 2001 Act introduced a new provision whereby a HRI media rights committee would negotiate media rights. Since then, we have doubled the value of the media rights to the racecourses and Irish racing. It works well, and the racecourses would concur. Media rights comprise not only the pictures and commentaries of races but the information on the runners and riders which appears in the daily newspapers. One cannot sell one without the other; in order to sell pictures, one must have details of runners and riders which are the property of HRI. The beauty of the media rights committee is that it binds all the racecourses, small and large, together with HRI in one negotiation. The media rights committee is able to sit across from potential purchasers and negotiate the sale of complete rights to Irish racing.

The value of those rights is maximised by selling them as a package. While an individual racecourse selling its own rights might get a little more, it would be to the detriment of the overall rights because it would diminish the value of the rights for the other racecourses. The figure of €30 million which Ms Sharon Byrne mentioned on Tuesday was for the picture rights to both Irish and British racing. Given that there are four times as many British race meetings as Irish, a significant amount of it goes to the British racing industry. We also sell Irish pictures to the British betting industry, so there is a reverse movement.

The Chairman dealt with the issue of board representation and board size. While it is not for me to comment, a representative board of 14 people comprising different sectors of the industry could be a potential nightmare scenario. However, having observed other racing authorities worldwide, I believe it would be a very effective structure because it would get people around a table to discuss problems. In Britain, there is great fragmentation and much business is done by representatives of organisations shouting at each other across the media. Perhaps Indecon had this view. I support the representative board structure.

Indecon gave 12 pages of its report to the size of the board and who should be on it, examining board structures in other semi-State bodies in Ireland and overseas and in other racing authorities overseas, and concluded that a board size of 12 was right and that other bodies not represented should be represented through these new subsidiary committees. It used the example of the racegoers' consultative forum, which picks up Deputy Lawlor's point, as an effective way of getting the views of those who are not sitting around the board table to the board.

One never has enough funding for ITM. It does a good job with limited resources and was the first of its kind. As I said in my presentation, Ireland exports over 65% of its annual output of thoroughbreds. We produce 7,500 foals and export more than 5,000 of them, principally to Britain but also to 36 other countries. Promoting and maximising that is a major task. The horses are the best advertisement we have. The continued success of Irish horses at major races internationally is a strong marketing tool. New markets that have developed very strongly in recent years include Australia, particularly for staying flat horses. In 2012, the first seven horses in the Melbourne Cup were bred in Ireland. It is remarkable that the first seven finishers in Australia's biggest sporting event were born in Ireland. Last year's winner was also born in Ireland. This year, there has been a major success story for Irish horses in Hong Kong, which is an important market. ITM has had a significant cut in funding, as have all areas of expenditure, and we are trying to manage scarce resources. When we get our funding structure sorted - and, please God, what is happening in the House will accelerate it - the marketing of horses internationally will be a significant area were money needs to be focused.

Deputy Heydon asked about directives. HRI already has directives, and this is clarifying that these are the terms of trade under which HRI engages with its customers or the people with whom it deals. My chairman came into his new remit with a mission to reduce the cost to owners, trainers and participants in the sport. We reduced our charges by 10% last year, and this is just a step along the way. The charges are determined by directives, and this is how the board fulfils its powers under the legislation. I do not foresee a situation in which HRI would issue directives to the Turf Club or that the Turf Club would issue rules with which HRI would comply. It is simply the terms of trade HRI would apply to its customers. The issue of stalls handlers has been resolved satisfactorily.

While a very good horse won the Irish Derby this year, there was a very small field of only five runners. The Irish Derby has been less competitive than we would have liked it to have been in recent years. We have raised this complex issue at international level. A number of factors are at play, going back to the breeding industry and the types of horses certain owners are breeding. There is a school of thought that because some of the major international owners are not breeding enough staying types, the pool of horses to run in a race such as the Irish Derby is more limited. There are issues around the date of the race and the fact that the French Derby's distance was reduced from 12 to 10 furlongs with the winner going on to a 12 furlong race in France which is run on Bastille Day. While previously the Irish Derby was the decider between the winners of the English and French derbies, the French runners now evade the Irish Derby.

We have raised this with our international counterparts and I will have a meeting next week in London on the issue.

As much as anyone in the business, HRI has a strong interest in the integrity of the sport. We are selling the pictures of our racing and promoting it to the public and the political system to persuade the Government to fund racing. We are developing the industry and promoting the sale of Irish horses internationally. Confidence in the integrity of the sport is a key element in that. During the past ten years we have had a unique structure whereby there is a separate racing regulatory body, the Turf Club, which regulates the sport, and it has been effective. HRI spends approximately €6 million per year funding the activities of the Turf Club and a further €2.5 million per year on racecourse services, which is the provision of starting stalls, camera facilities for stewards at race meetings and photo finish equipment. It is a strong element of our activity. This Bill does not diminish the integrity role but enhances it by taking away non-core work and allowing us to focus on the integrity of the sport.

In recent years there has been a significant improvement in the quality of pictures available to stewards, which were not up to standard in previous years. HRI has done an investment together with the racecourses. It was a complicated tender involving 26 racecourses and ourselves. Previously we had a situation whereby two parties filmed the day's racing, one to transmit pictures into the stewards' room in order that the stewards could deliberate on the fairness of a race, and another to transmit through closed-circuit television for the customers at the race meeting. Those pictures were then sold on to the betting industry. We examined this arrangement and proposed a rationalisation of the service. Since the start of this year a single body has been providing both of these services with extra cameras at all race meetings and at a lower cost for the service. To me, that is a perfect example of a win-win situation. The customer at the races get better pictures; SIS, which buys the pictures, gets better pictures; and the stewards get better pictures.

There is another element of integrity, and this is an important check and balance in the system. Only one area of our expenditure in the legislation is subject to a binding third-party arbitration clause. The integrity budget is agreed with the Turf Club every year. If there is no agreement there is a facility under the legislation - this has been the case since the previous Acts - whereby the matter can be referred to binding third-party arbitration. I am pleased to say that clause has never been effected and we have been able to agree an integrity services budget each year. The importance of integrity is reflected in the fact that no other element of our expenditure is subject to binding third-party arbitration.

Reference was made to how we are falling behind France and the United Kingdom. We are, and the committee is aware of that, but essentially that is a decision for a different forum. The French racing industry is between two and a half and three times the size of our industry. The French breeding industry is smaller than ours but the French industry is funded through a tote monopoly. Central funding there amounts to €400 million per year. We are effectively trying to compete with an industry that is slightly bigger than ours but with only 10% of the funding structure of the French industry. Having said that, there are elements of the French funding structure that I would question.

Deputy Lawlor asked about savings. The likely savings areas are all in administration and information technology. There are two separate IT departments and two separate finance departments. The savings are in these areas as well as human resources and payroll - in other words, back-of-house services. The intention is to realise them through a voluntary rationalisation scheme, as we have done in recent years.

Reference was made to the question of a potential conflict in the allocation of grants or fixtures between courses owned by Horse Racing Ireland and independent courses. This is not dissimilar to another situation. I am not exactly familiar with Bord na gCon but, as I understand it, Bord na gCon controls or owns 12 of the 17 greyhound stadiums in the country. The GAA authorities own Croke Park. Likewise, the soccer and rugby authorities own the Aviva Stadium. Horse Racing Ireland got into ownership of racecourses to protect them for racing. There are two principal examples, one being Leopardstown. Undoubtedly, were it not owned by a racing authority, it would now be a combined residential and industrial development because the land is so valuable. This is the case for several racecourses throughout the country which sit on valuable land banks. Sometimes the racecourses do not get sufficient credit for the value of the land they put at the disposal of the industry.

Some Deputies raised the issue of fixtures. There are sufficient checks and balances in the system. I believe that in some cases we are harder on the HRI-owned tracks when it comes to fixtures because of the need to be seen to be transparent. There is an appeals process in respect of fixtures, if necessary. Again, that has seldom, if ever, been used.

Deputy Lawlor asked about the subsidiaries we manage. We manage four racecourses and a holding company for racecourses. HRI Racecourses Limited is the holding company. The subsidiaries include Leopardstown, Navan, Fairyhouse and Tipperary racecourses. There is also a Leopardstown golf subsidiary, because Leopardstown develops non-racing commercial activities in golf and on the property side of the business. Tote Ireland is a commercial subsidiary and Irish Thoroughbred Marketing is a commercial subsidiary as well.

I dispute Deputy Lawlor's assertion about the tote losing money. In the past three years the tote has put a new management team in place. This year, fingers crossed and given a good Galway race week, it is on target for a cash profit of €1 million. The tote turnover was up 5.5% last year and 11.3% in the first half of this year. It made a profit of €500,000 last year and a profit of €150,000 the previous year and, as I said, it is likely to be €1 million this year. It is moving in a positive direction.

It is difficult to compare the horse racing tote with other tote operations in countries such as France or in Hong Kong, which have a tote monopoly. Comparison with the greyhound tote is also difficult because the betting options on greyhound racing are limited, whereas the betting options on horse racing are plentiful. If a person wants to have a bet on the greyhounds, he bets either with the tote at the track or with one of the small number of on-course bookmakers on the track. Essentially, it is difficult to get a bet on a betting exchange or with an off-course bookmaker. The tote is moving in the right direction.

There is another point about the tote. Through the media rights committee we have generated extra income streams for racecourses of €2 million per year from the sale of pictures of Irish racing to some of the most obscure parts of the world. Let us consider the tote turnover after a race meeting, such as that which took place in Killarney today. There is a significant increase on last year. This is down to the fact that betting on the racing is taking place in the United Kingdom, Cyprus and Israel, believe it or not. The rights have been sold to At the Races and it sells on the rights, comprised of a combined package of betting into the tote pools and the pictures of the races. Under the split, a total of 75% of the revenue goes to the racecourses and 25% to the tote. A figure of approximately €2 million is going back to racecourses through that vehicle. It has been a positive development through the media rights arrangement.

There was a question about the fees collected by the Turf Club. The legislation intends that those fees would be returned to the Turf Club. The Turf Club will determine what is to be charged for licences and point-to-point registrations. HRI will transfer that money, having processed it through a single administrative structure, back to the Turf Club. Then each year there will be an annual budget discussion about the integrity budget. In that discussion, other income will have to be considered or taken into account. It will not necessarily be deducted from it, but there would have to be a single debate about the budget for racing. It would not be reasonable to have two separate budgets for racing. As I noted earlier, there is a catch-all arbitration clause in the event that agreement cannot be reached.

Deputy Lawlor made a point about the customer and I agree with him. At times the industry can be production-led as opposed to consumer-led. Much of the time when we are around the table we are dealing with breeders, trainers, racecourse people and people who are putting the show on. There is a significant racegoers' consultative forum which is a statutory sub-committee of Horse Racing Ireland. The forum is made up of 12 racegoers from throughout the country who represent the views of racegoers back to the board of Horse Racing Ireland. Indecon suggested this was a good template for the new statutory sub-committee on betting and the new statutory sub-committee for staff or persons employed in the industry. Certainly, if properly managed and resourced, those committees, the betting sub-committee and the racegoers' forum, could represent the views of customers to the main board. As an industry, racing can and should become more customer-focused.

I am sure I have missed some questions.

Chairman: There was a question on point-to-point racing and another on potential court case costs.

Mr. Brian Kavanagh: No change is envisaged for point-to-point races and no change is envisaged in the role of the hunt clubs. Horse Racing Ireland provides funding of approximately €1.5 million per year to point-to-point races. Approximately €800,000 of this goes to the hunt clubs for prize money. They run the point-to-point races throughout the country. Approximately €200,000 goes in grants to the hunt clubs to support their costs in running point-to-point races. Approximately half a million euro or €450,000 goes to the national hunt committee of the Turf Club to provide stewards and regulation at the point-to-point races. Clearly, there is a spend on the part of Horse Racing Ireland in this area. Point-to-point races are a significant part of the national hunt industry and form its backbone. Of the 17,979 runners over jumps last year in Ireland in the national hunt season, 7,419 were ex-point-to-point racers. That means 40% of horses running over jumps in Ireland are ex-point-to-point racers so the two sectors are inextricably linked. Horses run point-to-point races and go on to race on the track, and there are many races at the track for point-to-point racers, which are called hunter chases. Many of the best jockeys, trainers and officials come through the point-to-point sector. There is a duplication in the registration of point-to-point racers in that one must register if a horse is to run in point-to-point races and on the track. That is proposed to be rationalised or streamlined in this process. That is the only change envisaged in point-to-point races.

With regard to court cases or potential cases, we are involved with one currently because there is a High Court appeal against the Turf Club, which has the potential to go to the Supreme Court. The board of Horse Racing Ireland holds the view that the Turf Club must defend its authority to enforce its rules. We have always provided a contingency fund of €250,000 per year for unforeseen legal costs such as this and I see this as the case in future. The Bill envisages that the Turf Club will continue to have sources of income which will be collected by Horse Racing Ireland. It envisages that the rates of that income or charges on licensees will be decided by the Turf Club and the money will be transferred back to the Turf Club. It would be illogical for two bodies to be out of synchronisation on a policy they may have for charges on clients, with one body trying to reduce the cost to participants in the sport but the other trying to raise them. With the legislation, the issue would become part of an annual budget discussion subject to check and balance from an arbitration system if necessary. None of us wants to visit the High Court on a regular basis but it happens in racing and the legislation makes provision for that. If we consider the record of Horse Racing Ireland with issues like that, it has always supported the Turf Club in carrying out its integrity role. It is in Horse Racing Ireland's best interest to do that.

Chairman: That might cover everything.

Deputy Anthony Lawlor: To clarify, when I speak about the Tote I refer to the figures published in four previously published sets of accounts. Is the witness referring to figures that have not been published?

Mr. Brian Kavanagh: The figures I gave were for 2012, 2013 and the forecast for 2014. The last published set of accounts were for 2012 and our 2013 accounts have been audited by the Comptroller and Auditor General. In fairness, the Tote took a significant cost from the system in those years. There were redundancy schemes and costs associated with that in the years referred to by the Deputy. The Tote's cost base has decreased from €8 million in 2007 to €4.8 million in 2012, equating to a €3.2 million reduction in costs. Regrettably, some of that comes from fewer Tote staff at race meetings because Tote is struggling in a competitive betting environment. The three most recent sets of figures I can provide indicate the Tote is on an upward trajectory in terms of profit. There is still more to get and with our five-year financial projections as we examine them with Tote management, they believe the Tote can generate €3 million to €4 million per year for racing. The idea that the Tote would be the panacea for all of racing's financial ills would work in a Tote monopoly. The French position is fantastic as the only place to have a bet in France is at the Tote.

Deputy Anthony Lawlor: I am not saying it is a panacea but I would like to see it much more efficient.

Mr. Brian Kavanagh: I understand and one may not advocate the French model either. The French breeding sector and racecourses do not bear comparison with Irish breeding or the British racecourses. The competitive betting environment is a positive. I am more than happy to go through any issues which the Deputy has with the Tote.

Deputy Anthony Lawlor: The Chinese and Japanese markets are significant so why are we not selling television rights there? I asked about the fees taken in to be handed over to the Turf Club. If the Turf Club has an additional funding stream, would it be taken into consideration for the budget in the following year?

Mr. Brian Kavanagh: What is meant by additional funding stream?

Deputy Anthony Lawlor: If the Turf Club has its own funding stream separate from-----

Mr. Brian Kavanagh: No. Is the Deputy referring to rent from racecourses?

Deputy Anthony Lawlor: Yes.

Mr. Brian Kavanagh: It is completely separate.

Deputy Anthony Lawlor: That would not be taken into account when the Turf Club's budget is considered.

Mr. Brian Kavanagh: No.

Deputy Anthony Lawlor: I understood the comments differently.

Mr. Joe Keeling: When the new structure is initiated, the racecourse element will be taken out and there will be no other income for the Turf Club, except for what it charges for licences. If it has an income of €1 million for licences and the cost is €800,000, for example, if we take over the administration and reduce the cost to €400,000, we would like to see the saving go back to the people charged for the licences.

Chairman: Under the legislation it is the case that the money is processed and sent back. Is that correct?

Mr. Joe Keeling: We must take it into account for the budget.

Mr. Brian Kavanagh: The intention would be that there would be a discussion between both parties on how that is dealt with. This is related to an earlier point. The charges are being levied on the same people. Horse Racing Ireland is levying charges on trainers and jockeys and so is the Turf Club. We are conscious that those charges are high and many trainers are telling us they are being put to the pin of their collar to keep businesses going. One of the issues we want to address over the coming years is a reduction in the cost burden on participants in the sport to make it easier for people to enter it. Since our funding has been cut, that is what the industry has had to do to plug gaps. In my introduction I noted the horse and greyhound racing fund is €17 million down on where it was in 2008. In response, the industry has sought to plug the gap by holding entry fees for races at a high level or introducing a plethora of charges on participants. We are told every day that this is an active disincentive to people participating. Mr. Keeling had a number of clear positions and the reaction we got to a modest reduction of 10% in charges last year was incredible, as there was recognition that the industry is struggling.

Deputy Martin Heydon: If in ten years there is a question mark over somebody in Horse Racing Ireland relating, for example, to a role in a fixtures committee or a vested interest, are the witnesses happy with third party binding arbitration? Is that only for funding?

Mr. Brian Kavanagh: It is only for funding.

Deputy Martin Heydon: If there was a need for the regulatory body to investigate Horse Racing Ireland, is there any risk?

Mr. Brian Kavanagh: That would not arise. The court case recently heard that the racing regulatory body only has power to regulate or investigate parties that it licenses, such as trainers, jockeys and riders. If there was an issue with a board or staff member in Horse Racing Ireland, it would be dealt with through normal compliance or governance processes in the State body. There is an internal audit function, an audit committee and ministerial appointees on the board. The representative nature of the board would be relevant.

The racing regulatory body does not regulate Horse Racing Ireland but rather the parties it licenses. It derives power to regulate parties by somebody seeking a licence to ride, race or train horses. The parties are indicating a willingness to submit to rules. There may be concerns about activities undertaken by Horse Racing Ireland. That is, ultimately, a matter for the normal governance structures of a State body, through its board, audit functions and relationship with its governing Department.

Deputy Martin Heydon: It is not the case that HRI is currently answerable to the Turf Club.

Mr. Joe Keeling: HRI is the State body so there should be no conflict between it and the Turf Club. The Turf Club deals with other issues.

Chairman: There is a difference as some jockeys have an issue with the fact that a different body can appeal fines and sanctions imposed on them by the regulatory body. They are licensed entities and a separate submission was made on this recently.

Mr. Brian Kavanagh: That goes back to the point I made earlier, in that it has nothing to do with Horse Racing Ireland. I do not think Horse Racing Ireland would want anything to do with it.

Chairman: I am trying to show the distinction between the example I gave and the circumstances when a person makes a complaint relating to HRI. This applies regardless of who makes a complaint, even an employee, as opposed to a board member.

Mr. Brian Kavanagh: If Deputy Heydon felt a fixtures decision was biased it would not be an issue for the racing regulatory body. Rather, it would be an issue for the aggrieved party to take up through the various normal governance channels. The fixtures process is a consultative process and for the past three months the fixtures committee has been sending drafts to racecourses seeking input and opinions. If a racecourse is not satisfied with an issue, which may have nothing to do with bias, there is a facility to make an appeal to the board of Horse Racing Ireland. If people feel something is profoundly unfair the normal governance structures exist to deal with it. The nature of Horse Racing Ireland is the need to balance competing interests and priorities. I am sure everyone who comes before this committee says his or her interests are most important and that racing would not survive without them. One of the beauties of racing is that all interested parties need each other. The beauty of Horse Racing Ireland is it creates a forum to bring the parties around one table. I am happy to go through this with Deputy Heydon.

Chairman: Regarding corporate governance, it says in the explanatory notes that in the event a Minister is not satisfied with HRI's compliance, irrespective of the Minister's ability to withhold funding under head 15, the Minister may direct compliance. The Minister also has the ability to withhold funding and it is important for any State-funded body that this power rests with the Minister, subject to the Minister having good reason. It is an important safeguard that might arise in the scenario outlined by Mr. Kavanagh.

Mr. Brian Kavanagh: I think the industry recognises this and, in some ways, HRI acts as a buffer between the industry and the Government, in terms of the checks and balances necessary for a State body. Sometimes the industry does not appreciate this, and there is no need for it to do so, but HRI acts as a buffer.

Chairman: If it is working correctly it should not be evident.

Mr. Joe Keeling: Regarding what Deputy Lawlor said about the customer, I have been examining catering at racetracks and a big effort has been made to improve this area at all racecourses, though it will take time. I am very conscious of the experience on offer at racecourses, though I am new to the area. On examining the grants received by racecourses I believe that, if anything, HRI racecourses have been discriminated against, rather than the other way round. The racecourse in Galway received significant funding but this was understandable because the management team there is excellent, it has resources and it delivers results.

Deputy Anthony Lawlor: The Tote figures for this year will depend on the racecourse in Galway.

Mr. Brian Kavanagh: They are ahead of budget for the first six months and the Tote is very dependent on Galway and Punchestown racecourses along with the Christmas race festival at Leopardstown racecourse. However, the summer tracks are the backbone of racing. In response to the Chairman's point, the total capital spend on racecourses in the past 15 years was €200 million and HRI provided €106 million of that. HRI operates a policy of only providing grants of around 50%, which is much lower than other sports capital grants and Bord na gCon grants, which can be between 80% and 100%. We have always operated on the principle that we want the racecourses themselves to put up money and, in fairness, the racecourses have done this. The €200 million referred to includes the creation of three new racecourses in Dundalk, Limerick and Cork and a great deal of work at other racecourses. Major projects remain at the Curragh and Leopardstown.

To follow up on the point made by Mr. Keeling, when one looks at the list of grants to racetracks in descending order one will see that the first HRI owned track appears at number five, the second appears at number seven, the third at number nine and the fourth appears somewhere around number 17. We try to be as fair as possible on the issues of fixtures and grants.

Chairman: The perception can sometimes be some distance from reality. I thank Mr. Keeling and Mr. Kavanagh for appearing before the joint committee today. In their submissions they asked that this legislation be enacted as quickly as possible. This is the first time this committee has been asked to examine legislation at the heads of Bill stage, when it is essentially a White Paper, and we will report to the Department and the Minister as soon as possible. We adjourn today until 16 September and on that day we hope representatives of the Turf Club, the Association of Irish Racecourses, Bord na gCon and the Racegoers Consultative Forum will attend. There might be one or two meetings after that but we hope to report to the Minister by the end of September. Regarding matters for our report, the Irish Thoroughbred Breeders' Association, ITBA, mentioned the foal levy recently and it is a simple issue, as is the size of the board. There are other recommendations for amendments to the heads of the Bill that we will raise.

We ran out of time before the recess but we will conclude this process as quickly as possible. I hope the Seanad will conclude the Betting (Amendment) Bill as soon as possible because one Bill cannot be discussed without the other. One can talk about structures but they are only of use when there is sufficient money, otherwise they gather dust. I wish everyone a good break and I thank the secretariat, broadcasting, Journal Office and library service staff. I thank those who have helped the committee and will continue to do so.

The joint committee adjourned at 12.20 p.m. until 2 p.m. on Tuesday, 16 September 2014.