



RACING AND WAGERING WESTERN AUSTRALIA

9 March 2007

Mr S Gregson
General Manager
Adjudication Branch
Australian Competition & Consumers Commission
GPO Box 1199

DICKSON ACT 2602**BY FACSIMILIE 02 6243 1211**

Dear Mr Gregson

APPLICATION FOR AUTHORISATION SKY, TABCORP AND TVN A91031 & A91032**BACKGROUND**

The management and broadcast of racing vision as proposed in the Memorandum of Understanding (MOU) between Tabcorp and TVN is welcomed by Racing and Wagering Western Australia (RWWA).

It should be recognised that the orderly management of racing vision is critical for the success and wellbeing of both the wagering and racing industries and the end user i.e. the punters and racing industry participants. The uniqueness of and interrelationship between, the racing and wagering industries in Australia requires an acknowledgement that the provision of racing vision by a sole provider does deliver a public benefit and importantly, is in the best interests of both industries.

The operation of a sole vision provider to wagering customers is not unique, indeed most of the successful wagering and racing jurisdictions have in place not only single vision providers but also sole wagering providers as demonstrated by operations in Sweden, France, Hong Kong, Singapore, Japan, South Africa, New Zealand and others.

The orderly and programmed delivery of racing vision to support the wagering activities of the Australian wagering public is critical for the enjoyment and participation in the wagering activity. The disruption and confusion to services brought about by the introduction of split vision is well documented by Tabcorp in their submission. The experience of the split vision environment during 2005 simply reinforces the merits of the proposed arrangement between Tabcorp and TVN to bring a professional racing broadcast to both commercial customers and the public via pay TV.

In developing our response RWWA has considered the impact of the MOU on the wagering and racing public. Ultimately it is the customers who will decide if the multi vision provider option will succeed. Again the evidence from customer reaction and subsequent increase in participation and turnover, following the return to wall to wall coverage in 2006 supports the notion that customers prefer the joint Sky – TVN proposal.

Racing & Wagering Western Australia (RWWA) through its off course wagering arm the WA TAB has since the early 1990's had a very productive and mutually beneficial relationship with a number of

AGCC-MOU-Tabcorp-TVN 0307

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Eastern State TABs in relation to joint pooling. The pooling arrangements have assisted the organisation to firstly meet its funding role to the Western Australian racing industry and secondly it has afforded Western Australian customers access to larger pools and potentially larger dividends. Importantly the various pooling arrangements have been supported by the provision of the relevant racing vision from race tracks/clubs throughout Australia and indeed throughout the world. Without adequate programming the wagering operator would not be able to maximise wagering revenues, as was demonstrated in 2005 when Sky Channel and TVN operated split vision services to the wagering providers. This had a detrimental impact on those parties reliant on a healthy wagering and racing sector.

Specific comment on the likely public benefits and the likely effect on competition or any public detriment arising from the MOU

Ultimately the benefits and likely impact arising out of the MOU must be referenced to the wagering and racing public and participants in those industries.

Wagering customers demand access to a full range of racing product, whether it be the thoroughbreds, harness or greyhounds and equally as important local, national or international products. The orderly presentation of the racing vision to support the wagering services supplied by the various totalisators and bookmaking services throughout Australia is critical to the wagering customer and racing enthusiasts.

By its very nature wagering customers demand access to vision as part of the overall wagering experience. Australians have been very fortunate in that a single service provider has been in place to support the vision needs of the wagering public and that of the wagering operators.

The development under the MOU of a dual service offering that allows the public to view both a wall to wall programme as dictated by the wagering operators or that of alternate dedicated services such as the thoroughbred only channel will address many of the concerns of customers and participants who may have a specific bent towards a particular code.

The MOU ends the split vision and will provide racing vision in a form that meets the needs of the wagering public.

In summary the MOU will deliver:

- increased wagering turnover and the resultant positive revenue flows to the racing industry, wagering operators and Governments through taxation. .
what the wagering public want and demand – that is access to racing vision in a professional format to support their wagering experience.
- a dedicated racing channel to meet the specific needs of thoroughbred racing enthusiasts.
- a reduction in operating costs that through production efficiencies, for the vision suppliers and reduction in inefficient activities that can be passed onto the industry and shareholders.
- improved capacity for innovation in delivery of vision.
- better promotion of the Australian racing industry.
- improved delivery of a dedicated thoroughbred racing channel given the additional racing product that would be scheduled on the thoroughbred only pay TV channel and the dedicated TVN broadcast service.

Specific comment on how the MOU affects:**Ability of thoroughbred, harness and greyhound clubs to license their broadcast rights.**

Under the MOU there continues to be competition between TVN and Sky Channel (and indeed any other party) to compete for clubs rights.

Over time other players will enter the market to secure new media rights and international rights. Whilst minor now the development of these new properties over time will add further power to race clubs to license/sell these properties.

The supply of racing broadcast services to pay TV and free to air operators.

The supply arrangement as detailed in the MOU is satisfactory. It provides for a non-exclusive arrangement that enables TVN clubs conducting meetings of general public interest to reach arrangements with free to air operators. Importantly it also delivers to the public and industry participants via pay TV the ability to watch the wall to wall offering or the enhanced thoroughbred only channel.

The ability of the TVN clubs to negotiate with the free to air channels is welcomed as it will assist in the exposure of premier Australian racing to a much wider audience.

The supply of racing broadcast services to pubs and clubs.

The operating environment of a pub or club and indeed full time TAB agencies lends itself to a single vision provider to support the wagering services on offer. The split service delivery as evidenced during 2005 generated angst for both the licensed premises operators and their customers. From a practical operational perspective it is extremely difficult to accommodate multiple vision providers and the associated audio.

The fact that clubs and licensed premises can only negotiate with one party is not an issue given that the ACCC did approve during 2006 the ability of the parties to collectively negotiate for wagering and vision services.

For most clubs and pubs the wagering service is not considered to be a significant contributor to their overall operating activities and as evidenced during the 2005 split vision environment the need to manage and deal with multiple vision providers proved to be a distraction and over time unlikely to produce any tangible benefits. Importantly as the sum of the two (or more) services is very likely to generate additional costs rather than a reduction in costs should the operator wish to enjoy the product mix previously on offer from a single provider.

Should a club or pub elect to only offer one of the vision streams then from a customer perspective a loss of any vision that would support the full wagering service delivered by the respective totalisators would be detrimental to their wagering experience.

Comment on the likely situation if the MOU did not come into effect.

This outcome would most likely cause a revision back to the multiple operator or split vision environment that existed in 2005 bringing with it the associated dislocation in service delivery to both customers and wagering outlets and will most likely result in overall higher costs. Evidence from the

split vision environment in 2005 would suggest a degradation of service quality to the wagering and racing public. Importantly the experience under the split service environment suggests that there will be a significant impact on wagering turnover as detailed in the Tabcorp submission.

Should you require elaboration on the responses please call me on 08 94455301 or Ric Wimmer General Manager Strategic Planning & Corporate Development on 08 94455345 or email Ric Wimmer on rwimmer@rwwa.com.au.

Yours sincerely



Ray Bennett
CHIEF EXECUTIVE OFFICER