

CLAYTON UTZ

Sydney Melbourne Brisbane Perth Canberra Darwin

27 March 2007

Mr Scott Gregson
Adjudication Branch
Australian Competition and Consumer Commission
PO Box 1199
Dickson ACT 2602

Our reference: 12206/80043510

Non-confidential submission

Dear Mr Gregson

Sky Channel Pty Ltd, Tabcorp Holdings Ltd & ThoroughVision Pty Ltd application for authorisation A91031 & A91032

We refer to the application for authorisation A91031 & A91032 lodged by ThoroughVision Pty Ltd ("TVN") Sky Channel Pty Ltd ("Sky") and Tabcorp Holdings Ltd ("Tabcorp") with the Australian Competition and Consumer Commission ("Commission") on 15 February 2007.

In the submission supporting the authorisation application ("**Submission**"), it was noted that TVN and Sky/Tabcorp would provide separate confidential submissions concerning their respective commercial rationale for entering into the arrangements and the appropriate counterfactual. This letter provides TVN's views on those matters.

1. [Restriction of Publication of Part Claimed]
- 1.1 [Restriction of Publication of Part Claimed]
- 1.2 [Restriction of Publication of Part Claimed]
- 1.3 [Restriction of Publication of Part Claimed]
2. [Restriction of Publication of Part Claimed]
- 2.1 [Restriction of Publication of Part Claimed]
- 2.2 **Generating efficiencies**

As the Commission may be aware, the cost of producing and distributing a racing channel is significant. It requires expensive infrastructure and technology and highly trained, experienced personnel. If authorisation is not granted then there will be significant duplication in the production and distribution processes. Figure 1 is a basic diagram of the production process that will be in place if authorisation is not granted. We note that the reference in Figure 1 to "SNG" is a reference to Satellite News Gathering which is, in essence, a truck with a satellite dish fixed to its roof for the purposes of transmitting via a satellite.

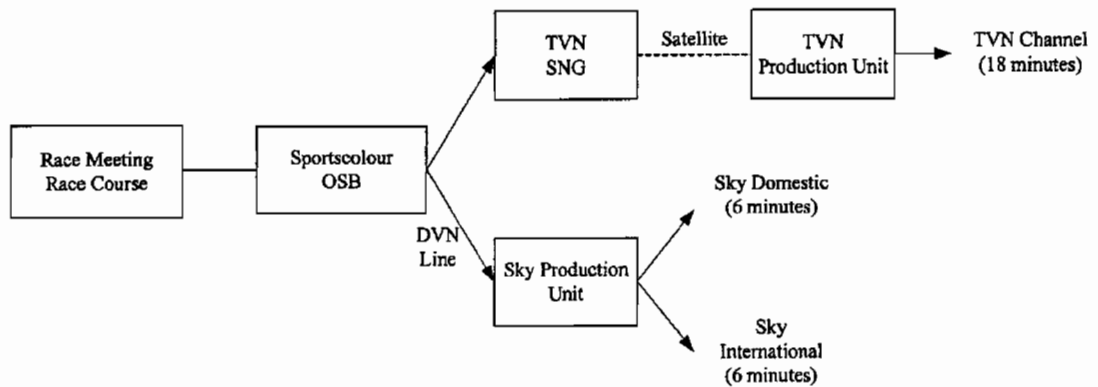
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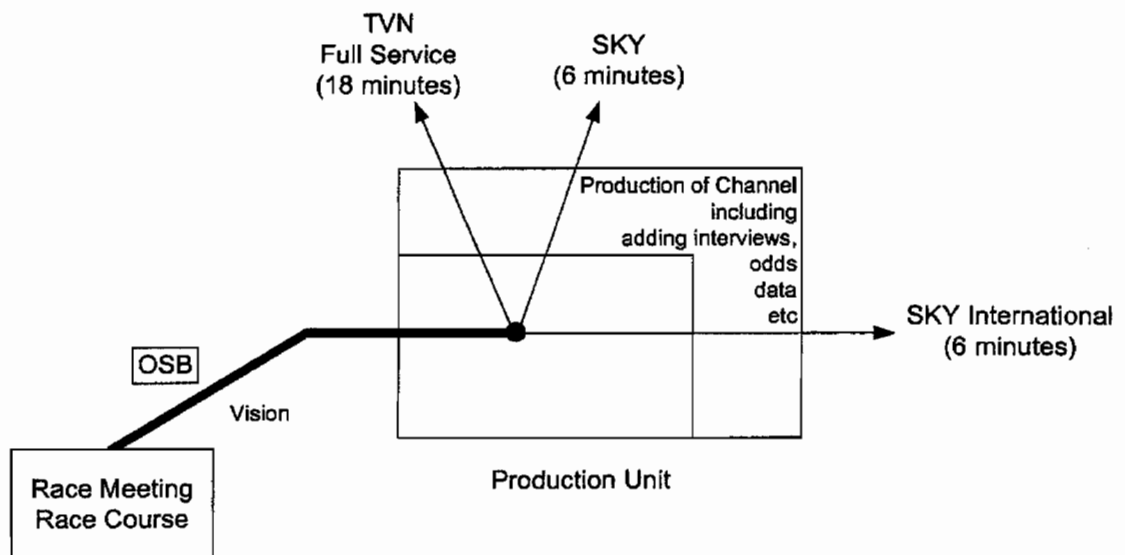
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Figure 1: Production process without authorisation



A significant rationale for TVN entering into the MOU was to minimise the costs of production and distribution. In particular, by outsourcing the production and distribution of the TVN Channel to Sky, TVN sought to free up funds that could be spent more productively elsewhere. As set out in the Submission, TVN estimates that efficiencies and cost savings it will gain from outsourcing the distribution and production to Sky will translate into cost savings in the order of \$9 million per year. Figure 2 is a basic diagram of the production process that will be in place if authorisation is granted.

Figure 2: Production process with authorisation



The funds that would have been spent on production and distribution will instead be reallocated to deliver enhanced quality of product and innovation. Essentially significant dynamic efficiencies

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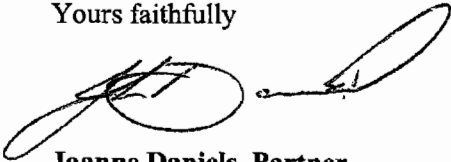
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will be created which will be enable TVN to invest in improved quality and innovation as discussed in paragraphs 11.32 to 11.37 of the Submission.

If you have any questions in relation to the above please do not hesitate to contact me.

Yours faithfully



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