

Global Tote Limited Application for Authorisation A91565 & A91566

January 31, 2017

Greyhound Racing SA [GRSA] notes the application by Global Tote Limited seeking authorisation to enter into and give effect to a number of access agreements between the Applicant and third party corporate bookmakers operating in Australia, and submits the following views in relation to same.

The Applicant submits that the authorisation will result in a number of public benefits including but not limited to increased liquidity and stability of pools, increased wagering opportunities for Australian customers and increased funding to the racing industry and economy generally. It is the opinion of GRSA that none of those outcomes would be likely to eventuate from the Applicant being granted the authority that it is seeking.

On December 16, GRSA submitted its views to this body in relation to the proposed merger of Tabcorp and Tatts. Whilst that application does not relate directly to the one being responded to here, a consistent application of the logic that applied in our support of that separate submission dictates that GRSA would be opposed to the application by Global Tote Limited.

At that time, I observed that ‘a sustainable model for the racing industry is best served by the presence of [one] strong and efficient national tote provider complemented by a diverse and competitive corporate bookmaker market.’ Elaborating on that view, it is GRSA’s strongly held conviction that the fragmentation of the national tote market sacrifices a number of efficiencies and synergies that would be of benefit to the national industry. Possibly the most significant of those synergies is the opportunity that would otherwise exist, within the context of one national tote provider, for the generation of critical mass in smaller pools, particularly for the smaller codes in the smaller states.

The application by Global Tote Limited would serve a contrary purpose in that multiple providers within the tote segment of the national wagering service provider market works to restrict, rather than enhance the opportunity for wagering customers. What in theory might equate to broader choice is more than offset from a practical perspective by the detrimental impact that choice has on the ‘quality’ of the tote product being offered. That is to say, the opportunity for critical mass of wagering pools reduces with the introduction of any additional tote service provider. That reduction in critical mass inherently contributes to a greater uncertainty of outcomes and volatility for the customer in terms of potential dividend [relative to probability or value considerations] which, in turn, will reduce the investment and/or the appetite to invest at all. Nowhere is this more evident than for the smaller codes in the lesser timeslots for which the pools are traditionally much lower.

There are a number of other concerns that should be raised in relation to this application. There is, appropriately, a greater regulatory burden and expectation of compliance placed on companies such as Tabcorp and Tatts than is the case for the broader corporate bookmaker segment. The Applicant’s objective to enter into access agreements with a number of third party bookmakers brings

into question the level of integrity and compliance that may be applied to that activity, noting that any 'lowering of the bar' would be counter-productive to the interests of the national wagering industry.

On the basis that the Applicant is proposing a new approach, with regard to which it would ultimately be receiving wagers on behalf of third parties, GRSA would have concerns about the treatment of that wagering activity and whether or not it is the understanding of Global Tote Limited that it would be liable for Race Field Fee payments on all wagering that it generates. Without deeper context relating to this model, GRSA would have concerns about the manner in which it is structured to bring about avoidance of such fees and/or state taxes, neither of which outcomes would benefit the national racing industry.

In addition to these concerns, GRSA holds the view that a profound (and often complex) relationship exists between the providers of racing product (Controlling Bodies) and the two licensed national tote providers (as things currently stand) which has a shared vision of industry sustainability at its core. The rate of return from wagering with those bodies – currently Tabcorp and Tatts – from every dollar wagered exceeds the return from the corporate bookmaker market and plays a critical role in ensuring that the activity of those Controlling Bodies is funded to an appropriate level. In turn, those Controlling Bodies take comfort from the rigour that is applied to, and the accountability that is expected from, those tote providers. Beyond purely commercial considerations, the dealings between the existing tote providers and racing's Controlling Bodies often take on a uniquely strategic focus which is guided by the long-term interests of the industry and ensures that the return from wagering on racing product is optimised.

In considering the application by Global Tote Limited, GRSA would urge the Commission to note the unique market forces that relate to pari-mutuel wagering activity and consider the broader significance of the relationship that exists between the providers of racing product and their (currently) licensed tote wagering partners.