



AUSTRALIAN HOTELS ASSOCIATION (VICTORIA)

ABN 79 948 978 376

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By email

Hon. Justice Middleton
President, Australian Competition Tribunal

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Submission in support of application by Tabcorp Holdings Limited for authorisation of acquisition of Tatts Group Limited

The Victorian branch of the Australian Hotels Association (or AHA) welcomes this opportunity to provide a submission in support of Tabcorp's application for authorisation to acquire the Tatts Group. We understand that the AHA national office is also making a separate submission in support of the transaction, which we support.

The AHA Victoria is the leading hospitality industry association in Victoria. We have approximately 1000 members, with approximately 490 of those members engaged in the wagering business in Victoria. The membership base is diverse and includes pubs, hotels and accommodation providers in regional and metropolitan areas throughout Victoria.

The AHA Victoria operates as a registered industrial association and a key activity is to lobby on behalf of the tourism and hospitality sector in Victoria. We advocate on behalf of our members to local, state and federal governments on issues affecting our industry.

Tabcorp is a valuable partner for our members, and one which works closely with industry. It has generated significant goodwill with us and our members. It follows that we are very supportive of the merger. This is the case even though we recognise that many of the benefits are likely to be experienced by pubs and hotels in those regions outside of Victoria where Tatts is currently the retail licensee.

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The potential for new revenue streams

In November 2016, Tabcorp introduced a digital commissions program across pubs and hotels in Victoria. Under this program, publicans receive a share of commissions when a patron registers with the TAB app in the publican's venue and then when the patron bets using that account in or outside the venue.

The program was brought in by Tabcorp partially as a response to the problem created for our industry by increases in customers being attracted to online betting options. Patrons are now able to visit a hotel or pub and place a bet online using their smart phone with TAB or, increasingly, corporate bookmakers who don't pay commissions or otherwise contribute to industry. Where this occurs, our members did not previously receive any commission from the bet being placed. This happens despite our members still incurring all of the costs of running the pub or hotel, including providing a dedicated wagering area and TVs with paid racing vision.

As the program has only recently been rolled out, our members are only starting to see the benefits. However, we are very supportive of the program because it has the potential to generate an important additional revenue stream for our members.

A better technology offering

We believe Tabcorp is a leader in wagering and gaming technology. It provides new equipment and technology, the quality of which far exceeds that offered by its competitors (including Tatts). For example, here in Victoria Tabcorp has introduced Easy Bet Terminals, or EBTs which are self-serve electronic kiosks that patrons can use to place bets which now host approximately 60% of all wagering in Victorian hotels.

We understand from our discussions with colleagues in Queensland and other Tatts regions that Tatts has been slow to roll out their own terminals and the performance of the Tatts terminals is inferior to our EBTs.

The merger therefore creates an opportunity for Tabcorp's superior technology to be rolled out nationally. This quality technology offering will provide a much better experience for punters and create the potential for cost savings to other hotels.

Financial support

In October 2012, the AHA Victoria and Tabcorp entered into the 'Marquee Partnership Agreement'. The agreement will continue until the termination of Tabcorp's wagering and betting licence. This agreement provides a range of important financial benefits to our members that reduce the cost of providing wagering services in their venues. Under the agreement, our members are able to obtain certain benefits and rebates, as well as access to capital and marketing assistance.

In addition to direct financial support, Tabcorp has also proved willing over the years to provide consultancy to our members in relation to the design of their wagering areas and assistance with capital and other programs.

Greater likelihood of pooling across states

Finally, we consider that the combination of Tabcorp and Tatts is likely to reduce the commercial barriers to introducing a single parimutuel pool across all of the current Tabcorp and Tatts regions. We understand that negotiating a combined pool is commercially complex and so we assume that having ownership and operation of the existing pools in the hands of a single operator will make this more likely to occur. A larger pool will increase liquidity and therefore provide greater stability in relation to customer expectations in relation to potential dividends on betting activity.

This will also help Tabcorp to reinvigorate the tote product, by providing the size needed to develop new exotic bet types that will better compete with those offered by online corporate bookmakers. Tabcorp has shown it's greater innovation around product development including, for example, its development of Quaddie Cash Out and Bundle Bet products. We generally consider that this kind of reinvigorated tote and improved product offering will benefit our members through increased wagering revenue and foot traffic.

Conclusion

AHA (Vic) believes that a merger between Tabcorp and Tatts will benefit pubs and hotels around Australia, as well as their patrons. Based on our understanding of the experience in other states, we expect it will particularly benefit our colleagues in Tatts regions, such as Queensland, South Australia and the Northern Territory.

AHA Victoria has found Tabcorp to be an excellent commercial partner for pubs and hotels. We believe that pubs and hotels in Tatts states will therefore get the immediate benefit of the kind of leading initiatives that Tabcorp offers, including better technology, digital commissions and greater financial and non-financial support.

We also recognise that the transaction has national benefits, including for those of us who are already partnered with Tabcorp – including providing greater scale (and potential cost savings), the benefit of a single and unified national wagering brand and the greater chance of a national parimutuel pool.

For these reasons, we see the merger as significant and highly beneficial to the hotel sector nationally.

Yours sincerely,



PADDY O'SULLIVAN

Chief Executive Officer

Australian Hotels Association (Victoria)