



COMMONWEALTH OF AUSTRALIA

Competition and Consumer Act 2010 (Cth)

IN THE AUSTRALIAN COMPETITION TRIBUNAL

File No: ACT 1 of 2017

Re: Application by Tabcorp Holdings Limited under section 95AU of the *Competition and Consumer Act 2010* for an authorisation under subsection 95AT(1) to acquire shares in the capital of a body corporate or to acquire assets of another person

Applicant: Racing.Com Pty Ltd ACN 104 883 267

Address of Applicant: 400 Epsom Road, Flemington, Victoria, 3031

Affidavit of: **Jacqueline Sue Partridge**

Address: 400 Epsom Road, Flemington, Victoria, 3031

Occupation: General Manager - Commercial and Legal

Date: 24 March 2017

SUPPORTING AFFIDAVIT OF JACQUELINE SUE PARTRIDGE

I, Jacqueline Sue Partridge, of 400 Epsom Road, Flemington, in the state of Victoria, General Manager of Commercial and Legal and Company Secretary, **MAKE OATH** and say as follows:

Introduction

1. I am the General Manager of Commercial and Legal and Company Secretary of Racing.Com Pty Ltd ACN 104 883 267 (**Racing.com**).
2. I make this affidavit in support of the application of Racing.com to the Australian Competition Tribunal (**Tribunal**) to intervene in these proceedings.

Filed on behalf of the Racing.Com Pty Ltd by:

Johnson Winter & Slattery

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20 Bond Street
SYDNEY NSW 2000

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Email: john.kench@jws.com.au

A handwritten signature in blue ink, appearing to be 'JP' or similar, is located in the bottom right corner of the page.

3. I am authorised by Racing.com to make this affidavit on its behalf.

Job title and position

4. I commenced working at Racing.com in September 2015 as General Manager of Commercial and Legal and Company Secretary.
5. As General Manager Commercial and Legal and Company Secretary, I am responsible for, among other things, provision of legal advice, financial reporting, budgeting and performance benchmarking, commercial and media rights negotiations, and implementing the start-up media business.
6. Prior to working at Racing.com, I held the following roles:
- (a) from December 2011 to April 2016, I was a Senior Lawyer at Racing Victoria; and
 - (b) from March 2005 to December 2011, I was employed as a lawyer and appointed Senior Associate in 2010, at Maddocks law firm.
7. I completed a Bachelor of Business at Monash University in 1998 and a Bachelor of Laws at Deakin University in 2004. I have a Master of Laws from Monash University, a Graduate Diploma in Sports Law from the University of Melbourne, and am currently completing a Graduate Diploma of Applied Corporate Governance from the Governance Institute of Australia.

Business of Racing.com

8. The Racing.com broadcast media business is a joint venture between Racing Victoria Limited (RVL) and Seven West Media Limited. It began operating in August 2015.
9. Racing.com is in the business of supplying Victorian and thoroughbred racing content online (on its websites and apps) and on free-to-air (FTA) digital and subscription television. RVL also sub-licences Victorian thoroughbred content to corporate bookmakers for use on their digital platforms.
10. Racing.com seeks to acquire thoroughbred racing media rights from Principal Racing Authorities (PRAs) around Australia in competition with Sky Channel Pty Limited (Sky), a wholly owned subsidiary of Tabcorp Holdings Limited (Tabcorp).
11. In all other States and Territories in Australia, Sky holds the exclusive media rights to all racing content – thoroughbred, harness and greyhound racing – with the exception of some partial licencing to a corporate bookmaker of some digital rights in NSW. Sky holds exclusive and fully bundled rights for 94 per cent of racing media content throughout Australia (Australian Competition and Consumer Commission, Statement of Issues in relation to the proposed merger of Tabcorp and Tatts, 9 March 2017, at [135]).



12. Sky broadcasts:

- (a) on its subscription channels shown throughout its retail networks in NSW, Victoria and ACT – being the states where Tabcorp holds the monopoly totalisator rights and related retail monopoly rights;
- (b) into the markets where Tatts Group Limited (Tatts) has monopoly totalisator rights and related retail monopoly rights – namely Queensland, South Australia, Northern Territory and Tasmania; and
- (c) into Western Australia, where the monopoly totalisator rights and related retail monopoly rights are State-owned.

13. Racing.com competes with Sky in relation to the media rights it has acquired and potential future acquisitions. Racing.com participated in the recent bidding process for Perth Racing Club's racing broadcasting rights. It is currently participating in the bidding process for South Australian racing broadcasting rights. Those rights will be contestable again in seven years' time. Sky's media rights in Queensland will expire during 2020, in NSW during 2025, in Tasmania during 2026 and in the Northern Territory in the future.

14. Presently, there are no competitors to Sky – other than Racing.com – who provide racing content online and on FTA, digital and subscription television. I understand that Sky has exclusive racing content rights to commercial venues in Australia (including pubs, clubs and TAB agencies) and on pay TV (subject to the carve out of the retransmission of Racing.com's FTA channel to the Foxtel pay TV platform).

15. Racing.com wishes to use its rights to have more broadly based racing industry programs on FTA television which will create program competition with Sky and give viewers, including punters, a free alternative means to watch the races and related industry information. In that regard, Racing.com has a more expansive strategy to maximise the use of media rights than Sky with respect to innovation and the promotion of racing. If Racing.com is successful in acquiring media rights in South Australia this year and in Queensland in 2020, it will be able to broaden its offering consistent with its strategy to incrementally build up content over time.

Racing.com's interest in Tabcorp's Application to the Tribunal under section 95AU of the Competition and Consumer Act 2010 (CCA)

16. Racing.com is concerned about the proposed acquisition of Tatts by Tabcorp because it apprehends that it will strengthen Sky's ability to win racing media rights in the future in competition with Racing.com by removing a rival – Tatts – who otherwise would have the incentive to deal with Racing.com and foster its development. This is for the following reasons:

- (a) Sky already has significant market power in the market for the acquisition of media rights. Racing.com is a relatively recent entrant providing a competing offering to Sky's broadcast products, and which it is seeking to expand.
- (b) The proposed acquisition will result in Sky being vertically integrated with the totalisator/retail wagering monopoly in every State and Territory in Australia, except Western Australia.
- (c) Post-acquisition, Tatts will have no incentive to foster the development of rival media broadcasters, as is the case for Tabcorp presently. It will no longer be of concern to Tatts to pay the very high levels of fees and charges that Sky imposes on Tatts' retail outlets for access to Sky's broadcasts, since Sky and Tatts will be part of the same corporate group. Tatts will also have no incentive to advocate for Sky to "charge less and give more" on behalf of its sublicensed agencies who acquire Sky's services. Rather, Tabcorp/Tatts/Sky will have additional economic incentive and enhanced ability through full legal control of the Tatts network to substantially prevent, restrict or limit competition generally for the acquisition of broadcasting rights, and in particular, for the provision of broadcasts to retail outlets, which is one of Sky's major sources of revenue in recovering the value of its media racing rights.
- (d) Absent the merger, the situation would be very different. Tatts has every economic incentive and need to deal with Racing.com and/or develop alternatives to dealing with Sky to put downward pressure on the very high levels of fees and charges Sky imposes on Tatts' retail outlets and its sublicensed betting agencies such as pubs, clubs and hotels for access to Sky's broadcasts. Sky consistently imposes 'take it or leave it' terms on those retail outlets, which necessarily must have live coverage of races if they want to attract and retain punters to come into their retail venues to watch races, place bets and consume other products and services. Annexed hereto and marked with 'JSP1' is an article written by Ben Dorries and published in The Courier-Mail on 2 February 2016 in which Tatts publicly indicates that it is willing to consider Racing.com's alternative to Sky's to source thoroughbred racing vision for its digital platforms, in circumstances where Sky and Tatts had failed to reach agreement over the fee charged by Sky for its service.
- (e) Tatts would have the capability, scale, economic incentive and motivation to foster the acquisition of media rights in competition with Sky – for example, through a media joint venture with Racing.com. Tatts could actively foster media broadcasters such as Racing.com to acquire rights and/or do deals with them to exploit the rights.
- (f) Tatts has recently gone on the record as noting that it was having difficulty in differentiating its retail brand with Tabcorp's online brand, which is attributable to



Sky being the sole provider of vision available to Tatts' retail outlets. Annexed hereto and marked with 'JSP2' is an article written by Nathan Exelby and published in the Herald Sun dated 12 July 2014 in regard to this matter.

- (g) Tabcorp claims – contrary to the above – that there is no media rights issue arising in the proceedings because Tatts has never vied against it to buy media rights from PRAs (refer to Form S, Application to the Australian Competition Tribunal for Merger Authorisation, 13 March 2017 at [18.22]-[18.25], [18.32]-[18.33] and see also Statement of David Attenborough dated 8 March 2017 at [57]-[59]). There is a straightforward historical explanation as to why this is the case – namely that Sky had tied up the exclusive media rights in Queensland, South Australia and the Northern Territory before Tatts merged with UniTAB Limited in 2006 and thus before it was large enough to have any chance of competing for media rights (refer to Australian Competition and Consumer Commission, Statement of Issues in relation to the proposed merger of Tabcorp and Tatts, 9 March 2017, at [81]-[83] for background on the Tatts and UniTAB merger). In any event, past conduct does not speak to the future, particularly given the growth in digital wagering in recent years and associated implications for digital broadcasting.
17. Racing.com is further concerned about the proposed acquisition of Tatts by Tabcorp because post-acquisition Tabcorp/Tatts/Sky will have more power to leverage its funding agreements with each PRA to obtain more favourable media rights deals. For example:
- (a) The merger will give Tabcorp/Tatts/Sky the primary wagering relationship with all State and Territory PRAs (except Western Australia).
 - (b) The merged entity will be in a position to use the power afforded from the wagering relationship to create a nexus between wagering and media rights deals.
 - (c) Such arrangements clearly put Racing.com at a significant disadvantage vis-à-vis Sky in any negotiations, since it is unable to create the same nexus between revenues from wagering activities and revenues from media rights. As a consequence of this nexus the merged entity has the ability to use its significant power to disadvantage or constrain a PRA that enters into an alternative media agreement, by using their power as the joint venture wagering partner.
 - (d) In addition, PRAs in a formal or economic joint venture with the merged entity will be financially incentivised to maximise wagering revenue with the merged entity, which is likely to result in the foreclosure of competing broadcasters of racing media rights more generally. This economic benefit is restricted to the PRA and not to the customers of racing media including commercial premises and individuals who are required to pay a fee to access the vision, a fee set by Sky in the absence of competition.

- (e) Absent the merger, Sky would not be in a position to leverage the racing funding agreements in its negotiations for media rights with five of Australia's eight PRAs. This materially improves Racing.com's chances of acquiring media rights in competition with Sky to deploy in the realisation of its long-term media strategy.

18. The matters set out in this affidavit are based on my knowledge of Racing.com's operations, my involvement with Racing.com's business and my experience in the racing industry, save where expressly indicated to the contrary in which case I depose from information and belief. Where I depose from information and belief I believe such information to be true and correct.

Sworn by Jacqueline Sue Partridge
at Melbourne in the State of Victoria
on 24 March 2017

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Before me:

Signature of witness

Name of witness:

Address of witness:

SIMONETTE PETA FOLETTI
400 Epsom Road Flemington VIC 3031
*An Australian Legal Practitioner
within the meaning of the
Legal Profession Uniform Law (Victoria)*

Annexure JSP1

IN THE AUSTRALIAN COMPETITION TRIBUNAL

File No: ACT 1 of 2017

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Applicant: Racing.Com Pty Ltd ACN 104 883 267

Address of Applicant: 400 Epsom Road, Flemington, Victoria, 3031

The following document is the annexure marked JSP1 referred to in the affidavit of Jacqueline Sue Partridge made 24 March 2017 before me:



Signature

SIMONETTE PETA FOLETTI
400 Epsom Road Flemington VIC 3031

Qualification *An Australian Legal Practitioner
within the meaning of the
Legal Profession Uniform Law (Victoria)*



Sky Racing vision won't available on UBET's website and mobile app. Picture: Nikki Davis-Jones

Racing

Punters lose in vision feud between Tabcorp and UBET

Ben Dorries, @dorries_email, The Courier-Mail
February 2, 2016 6:26pm

QUEENSLAND punters are about to face a blackout of live Sky Racing vision on UBET's website and mobile app.

A breakdown in negotiations over the fee charged by Sky Racing for the vision service has led to punters being left in the dark from midnight on Wednesday.

Sky Racing, which broadcasts to millions of homes and thousands of retail outlets, is owned by Tabcorp, which is a competitor of UBET.



It is understood Sky Racing's proposed fee to UBET for broadcasting the race vision skyrocketed after the last contract deal expired.

The stalemate in negotiations is another sign of the growing chasm between Tabcorp and Tatts Group (operators of UBET).

UBET spokesman Brad Tamer said he hoped the situation could be resolved.

There is even the possibility that UBET could look to secure vision of Victorian races from racing.com. However, that would exclude vision from other states and greyhound and harness racing vision, which is now available on UBET's website and mobile app.

"Obtaining digital vision of all racing including Victorian thoroughbreds is of interest to us, provided we can strike the right commercial deal," Tamer said.

"But we are certainly keeping the dialogue open with Sky Racing.

"Neither party had been able to land on the place they wanted when it came to re-negotiations. So the service will be switched off. Unfortunately sometimes these things happen in business."

In a statement to customers, UBET advised: "As a valued customer, we wanted to advise you that due to contractual rights expiring, unfortunately, live Sky Racing Vision will no longer be available through the UBET website or the UBET App, from midnight of Wednesday 3 February.

"We understand this is disappointing and apologise sincerely for any inconvenience this may cause."

Annexure JSP2

IN THE AUSTRALIAN COMPETITION TRIBUNAL

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Applicant: Racing.Com Pty Ltd ACN 104 883 267

Address of Applicant: 400 Epsom Road, Flemington, Victoria, 3031

The following document is the annexure marked JSP2 referred to in the affidavit of Jacqueline Sue Partridge made 24 March 2017 before me:



Signature

Qualification

<p>SIMONETTE PETA FOLETTI</p> <p>400 Epsom Road Flemington VIC 3031</p> <p><i>An Australian Legal Practitioner within the meaning of the Legal Profession Uniform Law (Victoria)</i></p>

Herald Sun



📷 Tatts Group CEO Robbie Cooke plans to put a significant amount of expenditure back into their core business by investing in marketing strategies, advertising and new innovative ways of getting the Tatts brand in a prominent position in the marketplace. Picture: Darren England.

SuperRacing

Nathan Exelby asks Tatts Group CEO Robbie Cooke all the tough questions

Nathan Exelby, The Sunday Mail (Qld)
July 12, 2014 10:00pm

THE success or failure of the recent Product Agreement for Queensland racing will rest to a large degree, in the short term at least, on the shoulders of Tatts Group Chief Executive Robbie Cooke, who has set some ambitious targets for his organisation to regain its position as a trailblazer in the wagering sector.

If Cooke succeeds, the money trail back into racing will benefit the entire industry.

Nathan Exelby spoke to Cooke about his plans to win back market share, the battle with corporate bookmakers, repairing Tatts' image to racing participants and comparisons to his predecessor Dick McIlwain.

Nathan Exelby: The feeling in the racing industry is that it has been neglected by Tatts. Is that a fair accusation?

Robbie Cooke: I think in a helicopter view you could draw that conclusion. I don't duck or shy away from that. There is some valid criticism there. It's when you peel back the skin of the onion and try and understand why that was the case.

What you've had is a situation where the competitor pack in the Northern Territory is paying a minimal contribution to the industry and have had an enormous advantage.

That is, the margin they've had over and above what Tatts has generated to spend in their marketing activities and siphon revenues away from Queensland.

We've been in a boxing ring with a hand tied behind our back and now the shackles are off and we can come out swinging and that's what this new deal facilitates.

NE: The upside for racing in the deal is if Tatts can produce greater revenue. Are you confident you will claw back market share?

RC: That will come with a significant amount of investment back into our business. We are looking to drive top line.

The business in the past has just assumed if you achieved a CPI rate in your growth that was a good outcome. I want to see this business doing five, six, seven per cent top line growth. We won't rest until we start doing that.

But that will come at a cost. We will be investing in marketing, advertising teams, new innovative ways of getting out there. We are talking to Facebook for instance about ways we can work with them in the wagering space.

We are looking at a few other quite innovative businesses too.

We are not sitting on our hands. We are running hard, we are running fast.

NE: Many have expressed surprise at the longevity of this 30 year deal. How can racing lock itself in for so long without knowing what the future offers?

RC: The thing people should bear in mind with the long term nature is that some of the commitments we have offered are to invest in our infrastructure and our brand. They do require a period of time to make those investments economic. You need a longer term license to achieve that.

Things can change in a 30 year period. Some of the issues that came up in the first 15 years of exclusivity (like) online, ability to advertise and race field fees, show how things can change. We were very conscious of having relief valves in the agreement so if there's a fundamental change in part of the model, we have the mechanics to deal with that through the life of the 30 years.

There are built in fail-safe mechanisms where in a collaborative way we can discuss it and I think that's an important part of the deal.



📷 Racetracks are a greatly under-utilised resource which needs to change according to Robbie Cooke.
Picture: Peter Wallis.

NE: What can racing do better?

RC: You have a huge amount of capital at racetracks that is under-utilised. There's an element in engaging those assets and working them through the non-racing periods.

We've put forward some joint venture concepts. We're passionately keen to pursue some of the JV's. We're prepared to put hard dollars into trying to leverage some of those on course assets and trying to drive them.

That brings more money to the clubs and it brings people to the course and gets them used to the facilities and might awaken people to what's on offer in a racing sense.

At Tatts we can work more closely with the industry to promote the product through our advertising. I've been very transparent about this. We've under marketed ourselves over the last seven or eight years. That lack of a presence hasn't been promoting the product as good

as it could have been and that's because of the fiscal imbalance with the different regimes across the country.

We've had less money to invest in marketing activities so we've been starved to compete.

Under the new deal you will see Tatts advertising a lot more and that will advertise the product and bring people back to the product.

NE: You seem to have a very different attitude towards racing than your predecessor Dick McIlwain.

RC: I have a huge respect for Dick. I worked for him when I joined UNITAB on November 15 1999, the day we floated the business and I stayed there until the end of 2005.

The world was different in those days. I learnt an enormous amount about the business and we did some amazing things.

I was strategist and general counsel so I looked after regulatory and wagering rules, did all the acquisition stuff as well.

We had some fantastic opportunities and we beat the bigger guys. We bought the Northern Territory TAB, we stole that away from Tabcorp and Tab Limited. That gave us the understanding of the benefits of the bigger pool and integrating other businesses. Then we bought (South Australian) TAB after that. It gave what was a risky pool size some critical mass. It allowed us to compete in a bigger market.

Dick was the brains behind those transformational activities and that's why I've got a huge respect for the guy.

When I left, I went to Wotif for seven years and that exposed me to a whole different way of running a business, a whole new generation we were tapping into.

Without that break away I wouldn't have developed the appreciation of the online space and how you can make that work. I wouldn't have had the capacity to do that.

When I came into the (Tatts) job in January last year I think there were a lot of people in the industry who thought I might have been a McIlwain (version) two. I'm not.

I have a very different operating style. I have a very different view of where the world's got to and where we need to go.

That's not in disrespect to Dick, It's just that I'm a different person. I'm my own man and I have my own views as to what we do here.

That was one of the hard things coming on board. A lot of people were wondering whether I was someone they could work with, could partner with and I hope what we've generated through this process, through some very tough negotiations, I think we have come out the

other end with a much improved relationship and trust with Queensland racing, Tatts and the Government about what we're committed to do.

NE: GIVEN the way the wagering landscape has changed in the last 15 years, does "Exclusivity" really mean anything today?

RC: Obviously because we paid up for it!

It is one of those interesting ones. Back in 1999 when we had exclusivity it was quite a different proposition. What you're relying on today is the benefit that retail franchise can give you in terms of the brand.

That's the biggest opportunity — under-utilised at this time — for us. We've got 800 touch points with consumers, either retail or pubs and clubs, where we have an amazing opportunity to advertise our brand. That's something to date the business hasn't done well.

We have the Tab brand, TattsBet, tatts.com out there and there's no consistency in the public positioning of our product.

The desire of the business is to get that branding seamless at all touch points and then you leverage off that brand position and that exposure.

So when people go past one of our shops and they're thinking about going online, they should be thinking about going to ours, as opposed to the moment when you see a TAB outlet you go to the natural conclusion of tab.com.au and you're betting with our southern cousins, not with us.



📷 The rebranding of Tatts Group will occur in this calendar year according to CEO Robbie Cooke. Picture: Darren England.

NE: So is it a holding pattern until you launch that new brand?

RC: We've been working furiously the last six months and it is something quite radically different to what we have at the moment. That's a deliberate strategy.

We've also been looking widely across Australia and overseas to see what others are doing in a retailing sense, so when we do our rebranding we can refresh our retail approach as well.

We're flagging it will be this calendar year. The linchpin is getting our website, which will be a best of breed website, delivered and that will be the catalyst for change. Exciting times.

NE: How many people had an input into the name?

RC: I was around when we changed from TAB Queensland to UNiTAB and that was after we bought South Australia and the Northern Territory.

That was a staff contest to come up with UNITAB. Not a lot of sophistication in the process there!

This one we worked very closely with a branding company who worked with Virgin, Woolworths and it has been a very scientific process where we have talked to customer groups and segments, try and determine what they are looking for in the product offering and building up from that to what the brand should be and how the brand should respond to those different segments. We're hoping that science plays out well.

NE: You have made a huge financial commitment to upgrading your retail facilities. That surprised a lot of people in this day and age.

RC: There's an enormous investment in retail in the UK and the experience has been when a new store sets up, there's a lift in online sales and retail.

People assume online is going to kill traditional retail. The best evidence from my experience in my days of travel was Flight Centre.

Flight Centre has the biggest retail business of any travel business in Australia. They also have an online business and they've managed to make those two work hand in glove.

An opportunity exists in the wagering space as equal as it does in the travel space. That's what we're going to prove.

People forget back in 1999-2000 we had the old Tabonline.com site which was the online leader at that stage. We lost our way a little bit.

We had the leading online site, we were the first wagering company in southern hemisphere to introduce natural language speech recognition which was bleeding edge technology back in the day, we had enormous phone based business and we had pub, club and agency network.

We've always practised that multichannel model, we just in the last number of years lost our way, lost our momentum and lost our leading position.

That's what this is about. The next two to three years is about regaining the mantle in both bricks and mortar and online.

NE: Young people cut their teeth on sports betting now. Is there a way to convert them to racing?

RC: I think so. We strategize about this. It's one of the challenges for the racing industry generally.

Betting on sport is more attractive to the younger demographic. It's going to be a growth product, but it does open the path, if people are coming to TattsBet that way, we can then market to them, encourage them and educate them about the racing product.

I don't think it should be seen as the death of betting on racing. It's a way of engaging people. It might be a starter product.

The critical piece also comes back to the customer information database. We need to make it a seamless thing for them to go from one to the other.



📷 Converting the younger demographic from sports betting to racing is one of the challenges for the whole industry. Picture: Chris McCormack.

NE: You have been openly critical of corporate bookmakers. Do you concede they have done a good job in securing clients and offering products that people find attractive?

RC: Don't get me wrong, I am not a person who shies away from competition. When I was at Wotif.com we had more than 100 online sites trying to eat us for lunch every day.

Competition is good, it keeps you nimble and keeps you on your toes. Online will always remain a very competitive space and we're going to be in that environment competing head to head with the corporates and that forces you to stay relevant and make sure you're offering best of breed.

I think they have brought an energy into the industry that wasn't there before.

But they have had a very large advantage and they haven't contributed as much to the industry as the TABs and that's the point of differentiation.

NE: They argue it's easier for TAB's to do that when there's certainty in the parimutuel pool, compared to them being exposed to more risk. How do you respond to that?

RC: If you pull apart their financials, everybody loses sight of the fact these are companies with huge corporates behind them. You are talking about William Hill, Paddy Power. These aren't small companies, they are large billion dollar companies. They have very sophisticated risk management systems, they are yielding double digits.

They have a very predictable business. Their vulnerability to fluctuation in win rates is pretty benign. I would argue the other way. I think they have very predictable businesses.

NE: The wagering trend has been away from parimutuel to fixed odds. Is that a concern?

RC: I don't believe parimutuel will die. I believe it will find its own natural level and we're still on the way to that path. Parimutuel has some big advantages that people lose sight of.

You hear a lot of commentary about people not being able to get large bets on with corporates or fixed odds. There is never that issue with parimutuel. That will continue to be an attraction of those pools and in the exotic markets as well.

In the early 2000s there was a lot of aggressive pricing going on, where win rates were 3 per cent, people thought it would be a race to the bottom and margins would be savaged.

The reality is that win rates are still double digits in fixed price.

NE: Would you give any consideration to dropping parimutuel takeout rates like Hong Kong?

RC: The biggest issue for parimutuel is in some of the minor codes where it's the pool size that is the critical element.

Once people get certainty the pool will be at a certain level, that tends to act as a magnet and attract money. That's the critical element more so than where the deductions are.

We have the flexibility to move our take-out rate and we do that from time to time. You can do that to stimulate activity but we think pool sizes are the most critical element.

NE: What about canning the rounding down of dividends, which infuriates punters?

RC: When it was a 50 cent unit it was more significant. Now we've gone to a dollar unit, the roundings are not as large in a percentage sense as they were seven years ago.

It's not something we're actively looking at the moment.

NE: What percentage of the Tatts Group business does wagering make up?

RC: It's about 35 per cent. You do get people who say we are more focused on lotteries than wagering. Nothing could be further from the truth. Wagering has consumed more of my head space in the last 16 months than anything.

This is a business I am passionate about.

The thing a lot of people miss is that there's some huge efficiencies we get by running both the lottery and wagering businesses.

We have 400 IT professionals based in Brisbane that support those two businesses. We can leverage that resource.

We effectively run them off the same IT systems. That brings a lot of efficiencies to the table which benefits both lotteries and wagering businesses.

NE: The Product deal includes the 39 per cent of racing revenue, the \$15M fixed fee CPI to 80% and the retail Sports betting (capped to \$5m). But do you see the real upside for this deal in some of the Joint Ventures?

RC: I do. The one that we've specifically mentioned is virtual racing, virtual sport product. We are investigating that at the moment in rolling out into the retail network.

That's a 50-50 JV, we fund it. That has opportunities for both of us.

There are other ideas we have put forward. We can't share them at the moment, they require regulatory approval, but I think if we can get at least one of those ideas up and running, it gives the potential for new business and revenue streams.

We haven't gone out publicly with any numbers, but they are significant. They will make a difference to both the racing industry, the government and also to ourselves. It's a win-win-win.

NE: The rumour mill says you start work at 3am each day. Is that right?

RC: I am an early starter. I normally get up around 3.15am. I'm a morning person.

People make a thing of that, but at the end of it, if you want to be good at something, at anything, you have to put the hours in. You can't expect things to happen without putting

the hard yards in. I wouldn't do it if I didn't love it.

NE: You have been quoted previously that there's a short lifespan on the term of a CEO. How long do you see yourself in this position?

RC: Dick McIlwain had been in the chair for 20 odd years. I was in the chair at Wotif for seven years. I think that's a good time. I was able to achieve what I wanted to do.

I'm a fatalistic person by nature and if you're doing a good job, people appreciate what you're doing, if you're enjoying it and if there's still stuff to do and you haven't lost your energy, they are the keys for me.

If the day comes when people think I have lost my energy and enthusiasm and they think I should walk off, then that's a fair call.

I hope I realise that before I get to that stage.