



Hon. Justice Middleton
President, Australian Competition Tribunal



Email: registry@competitiontribunal.gov.au

ACT1 of 2017 – application by Tabcorp Holdings Limited

Submission in support of the application by Community Clubs Victoria



Tabcorp's acquisition of Tatts

Submission in support of the amalgamation

6th April 2017

We make this submission in support of Tabcorp's application for approval to merge with Tatts.

Our support for the application is based on

- 1. Tabcorp's proven reliability as a partner to clubs**
- 2. Our assessment of potential benefits flowing to clubs from the merger, including the potential for improved wagering products that will stimulate retail wagering**
- 3. The availability, subject to regulation, of bigger, more stable betting pools**
- 4. The need for a stronger competition from the regulated land-based wagering operators against corporate bookmakers.**

We believe that clubs in Victoria and in other states stand to benefit from the merger of the two wagering operators with no detriment to competition. We believe the merger will provide Tabcorp with resources and motivation to continue to support clubs – a strong TAB offering will attract business to clubs.

This submission has been circulated to CCV members and we believe it has broad support from them.

Community Clubs Victoria (CCV)

CCV is the peak industry association representing the interests of Victoria's not-for-profit licensed and community clubs. Our membership includes clubs in every Local Government Area in Victoria, many of which conduct gaming and wagering as part of their overall entertainment offer to members and guests.

Our primary aim is to serve our members as an employer's body, thus we provide service and support for industrial relations and human resources including direct round the clock telephone support. This is important as clubs in Victoria are generally smaller than their counterparts in northern states and few have a dedicated internal IR/ HR function.

CCV also provides information to members on governance (including governance training for boards and managers), liquor licensing, dispute resolution, food safety, anti-money laundering/ counter-terrorism financing obligations, food safety and responsible gambling. We also offer assistance by liaising on members' behalf with government on all aspects of club governance and operation. We represent clubs on many government advisory groups and industry working parties.

We communicate with members regularly, including *via* weekly newsletters, regular bulletins, a quarterly magazine, and regular social and networking events.

Our own Board is informed on club matters through a series of discrete advisory councils on which member clubs volunteer to serve. We have active councils for

Gaming;

Wagering and Keno; and

General club management.

1. Tabcorp's proven reliability as a partner to clubs

Tabcorp's engagement with Victorian clubs covers their product offerings of wagering, keno and gaming. Over a journey of decades, many clubs have been supported and strengthened through their relationship with the TAB/ Tabcorp. It is true that there have been ups and downs (consider: the "split vision" episode of 2014-15 that led to sharp declines in wagering activity) the overall trajectory of the relationship has been positive and ***above all, Tabcorp has proven to be reliable, developing the strongest and most recognisable wagering brand in Australia.***

There is considerable goodwill between our member clubs and Tabcorp, and between Tabcorp and CCV. It is our experience that Tabcorp gets done what it says it will do.

In recent years Tabcorp has improved the way wagering is presented to customers – among other initiatives there has been digital (paperless) form that is far superior to information available on paper form and field guides, electronic betting terminals (EBTs) that have met the customer sweet spot of providing greater ease of use and greater control in the hands of the customer, and recently the availability of new bet types.

These advantages have not been available to clubs in the 'Tatts states'.

Tabcorp has also introduced digital commissions that will provide an additional revenue stream for clubs. Clubs will receive not only a sign-on bonus for new account customers, but also a trail of commissions for bets made by that customer whether they are in the club or at home or away (one exception being that commissions are not paid when the customer bets in another Tabcorp site).

2. Our assessment of potential benefits flowing to clubs from the merger, including the potential for improved wagering products that will stimulate retail wagering

In addition to product enhancements and new wagering products, Tabcorp has committed to longer-term support for clubs.

Our members with wagering on site receive

- Direct assistance to reduce the cost of obtaining race vision, and
- Access to a capital development fund, and
- Dedicated promotional funds.

It is our understanding that clubs in 'Tatts states' do not receive these benefits and we consider that the merger will assist them, too, by bringing these benefits into play. These would be additional to the digital commissions mentioned above.

Tabcorp has a track record of successful product innovation in both fixed odds and pari-mutuel betting and this has created a superior retail offering. There is no real dispute with this proposition throughout the industry. The merger of Tatts into Tabcorp will see these innovations flow to the other states.

Tabcorp has committed to continuing new product development and their history as a reliable wagering partner gives us reason to trust that commitment.

3. The availability, subject to regulation, of bigger, more stable betting pools

The merger of Tabcorp with Tatts increases the likelihood that the separate state pari-mutuel pools could be combined into a single, large national pool, subject to the established rules of distribution of funds from pari-mutuel pools.

The benefits from this are clear – stability of pricing and payouts, and access to greater funds to support new bet types on the totalisator.

Australia's greatest racehorse trainer Bart Cummings is known to have been an advocate for a strong tote** for the advancement of racing is an effective active totalisator, and we are inclined to agree. The 'tote' remains at the heart of wagering activity and has delivered returns consistently to racing across the country. The proposed merger makes the tote stronger and more stable. This benefits clubs by helping create a compelling retail wagering offer.

**Note our concluding paragraphs

4. The need for stronger competition from the regulated land-based wagering operators against corporate bookmakers

One issue under consideration in the merger has been whether it could lead to a reduction of competition in the provision of wagering services. CCV believes that the merger will improve competitiveness, not weaken it. We see the real competition as being between on the one hand a strong wagering operator with a belief and support for retail wagering, and on the other the various corporate bookmakers whose advertising and promotional campaigns have attracted customers who use the 'bricks and mortar' and social environment of clubs as a backdrop for their online wagering activity.

A typical situation is where a person enjoys the comfort and ambience of the club including the vast array of forms and betting information, and bets with a corporate bookmaker by phone. When this occurs, clubs earn nothing for their provision of facilities.

Tabcorp has addressed this issue for bets made with its own online agencies as described above – clubs receive commissions for all bets made with Tabcorp on their premises, whether *via* the in-house facilities or their phone or mobile device. The corporates provide nothing in exchange for the provision of the club's facilities.

We believe that there will continue to be a strong competitive environment between the regulated land-based wagering operators and the online corporate bookmakers.

In conclusion,

CCV believes that the proposed merger will be positive for clubs, for racing, and for consumers.

James Cummings quotes his famous grandfather Bart, and says

“My grandfather always said that the tote was the most important thing in racing...it was all about the punter, about keeping them happy”

A strong and innovative TAB offering from a national operator will strengthen the pari-mutuel offer, provide new products, offer marketing strength and thereby attract custom from members and guests. This increased business will be helpful to clubs as they pursue their true purposes serving their communities.