IN THE AUSTRALIAN COMpetition TRIBUNAL

Tabcorp Holdings Limited

Proposed acquisition of Tatts Group Limited by Tabcorp Holdings Limited by way of scheme of arrangement

STATEMENT OF JOSHUA PAUL BLANKSBY

Statement of: Joshua Paul Blanksby
Address: Gate 22, Station Street, Caulfield, Victoria 3145
Occupation: Executive Director, Racing & Corporate Affairs, Melbourne Racing Club
Date: 17 April 2017

I, Joshua Paul Blanksby, Executive Director, Racing & Corporate Affairs of the Melbourne Racing Club say that:

A. BACKGROUND

1. I am the Executive Director, Racing & Corporate Affairs of Victoria Amateur Turf Club (incorporating the Melbourne Racing Club) trading as the Melbourne Racing Club and the Mornington Racing Club (MRC), a position that I have held since December 2015.

2. This statement is made in relation to an application by Tabcorp Holdings Limited (Tabcorp) to the Australian Competition Tribunal for authorisation of the merger of Tatts Group Limited (Tatts) and Tabcorp.

3. Prior to my current role, I held the following positions:

3.1 April 2014 to December 2015 – General Manager, Legal & Corporate Affairs, MRC;

3.2 October 2006 to March 2014 – Director Legal & Corporate Affairs, Betfair Australia;

Filed on behalf of the Racing.Com Pty Ltd by: Johnson Winter & Slattery
Level 25
20 Bond Street
SYDNEY NSW 2000
Tel: 02 8274 9555
Fax: 02 8274 9500
Email: john.kench@jws.com.au
3.3 June 2004 to August 2006 – Consultant, BCM Hanby Wallace Solicitors (Dublin); and

3.4 March 2000 to April 2004 – Solicitor, Freehills (Melbourne).

4. In my capacity as Executive Director, Racing & Corporate Affairs, I am responsible for the management and oversight of all racing and training conducted at the 3 racing venues of the MRC, media rights, wagering, legal issues, corporate affairs, people and culture, corporate communications and membership.

B. OPERATIONS OF MRC

5. MRC is a not for profit racing club which was established under the Victoria Amateur Turf Club (incorporating the Melbourne Racing Club) Act 1963 (Act).

6. The operations of MRC are governed by the Melbourne Racing Club Rules and By-laws as amended from time to time in accordance with the Act (Rules).

7. The Rules provide that the principal purpose of MRC is to conduct thoroughbred horse race meetings, training and other related activities at Caulfield Racecourse, Sandown Racecourse, Mornington Racecourse and such other locations as the Executive Committee may from time to time determine.

8. As part of its operations:

8.1 MRC owns the following 3 racecourses from which 72 race meetings are conducted throughout the year:

8.1.1 Caulfield Racecourse;

8.1.2 Mornington Racing Club; and

8.1.3 Ladbrokes Park (Sandown);

8.2 MRC operates a gaming and pubs business through a wholly owned subsidiary, Melbourne Racing Club Investments trading as Pegasus Leisure Group, which comprises 13 pub and club venues across metropolitan and regional Victoria;

8.3 MRC operates an event business from its venues and has a number of owned events including Gourmet Cinema and Peninsula Picnic; and

8.4 MRC is the proprietor of the Caulfield Village development (in a venture with Beck Probuild) offering housing and other complementary uses.

9. The major sources of funding for MRC include:
9.1 thoroughbred racing industry distribution (which includes prize money and club funding) which it receives from Racing Victoria Ltd (Racing Victoria), the controlling body for thoroughbred racing in Victoria;

9.2 sponsorship for racing and events;

9.3 rights payments from the supply of media rights (domestic, commercial, digital and international);

9.4 gaming venue revenue;

9.5 catering, dining, hospitality and events; and

9.6 property development revenue.

10. Part of the thoroughbred racing industry distribution which is allocated to MRC and the media rights payments received are calculated by reference to the wagering turnover on the race meetings conducted by MRC. This is used by the MRC to fund its operations including track maintenance and operational expenses. The distribution is also used by MRC to fund prize money paid to race horse owners which is critical to maintaining the quality and attractiveness of the race meetings conducted by the MRC and in turn drives wagering turnover and the value of media and sponsorship rights.

C. MEDIA RIGHTS

11. Part of MRC’s strategy for driving revenue has been the development of a media and wagering strategy which acknowledges the changes in the wagering landscape over recent years, including the move toward wagering on digital channels and the growth of corporate bookmakers who offer new, attractive wagering products.

12. This has involved, among other things:

12.1 the granting of MRC’s media rights to Racing Victoria following the winding up of ThoroughVisioN Pty Ltd;

12.2 the aggregation of MRC’s media rights with the media rights of the other Victorian thoroughbred racing clubs (being Victoria Racing Club, Moonee Valley Racing Club and Country Racing Victoria) to create leverage in the media rights negotiations with Sky Channel Pty Ltd (Sky); and

12.3 the agreement between Racing Victoria Ltd and Seven West Media to establish Racing.com as a joint venture between Racing Victoria Ltd and Seven West Media Limited (Seven West Media).
13. Racing.com provides a dedicated 24 hour racing service, which enables the broadcast of Victorian thoroughbred racing to be viewed:

13.1 online, via desktop, mobile and tablet (including through the streaming of vision on to the digital platforms of a number of wagering operators);

13.2 on free to air digital television (Channel 68/78); and

13.3 on Foxtel Channel 529.

14. Since the inception of Racing.com at the beginning of the 2015/2016 season, there has been growth of more than 7% in wagering on Victorian thoroughbred races. This growth in wagering reflects the clear link between wagering and vision and the importance of having a broad based distribution strategy that recognises and exploits the changes in the wagering landscape.

15. The MRC currently exports vision of its racing directly to international jurisdictions. Prior to 2 July 2016, this was conducted by Sky as agent as part of its aggregated control of MRC’s media rights which included domestic, commercial, digital and international. The introduction of Racing.com and a strategy to distribute Victorian thoroughbred racing widely via digital channels, meant MRC were no longer solely reliant on Sky’s distribution channels. This allowed the MRC, as part of the negotiation surrounding all of its media rights in June 2015, to include the option under certain circumstances to remove from Sky the right to distribute our racing in international jurisdictions without concern that the domestic distribution may be negatively impacted by decisions from Sky.

16. The MRC has enjoyed strong growth in revenues from international jurisdictions due to the removal of Sky’s agency fee and having direct relationships with overseas racing jurisdictions.

D. VISION INTO PUBS AND CLUBS

17. Each of the 13 pubs and clubs within MRC’s gaming and pubs business offers the Tabcorp retail wagering service to its customers.

18. In order to do so, Tabcorp requires the venues to enter into an exclusive agreement which prevents the venues from advertising or promoting any other wagering operator within the venue.

19. This contractual requirement has a detrimental effect on the value of any sponsorship deals that MRC is able to reach with other wagering operators. By way of example, even though MRC has a sponsorship agreement with Ladbrokes which provides MRC with an important
source of revenue, it is not able to advertise or promote Ladbrokes in any of its pubs or clubs.

20. It is also a condition of the Tabcorp wagering agreement that every venue which offers the Tabcorp wagering service must also acquire the Sky Racing services. The amount which must be paid for those services is based on a standard rate card.

21. The cost of the Sky Racing services is significant for the venues, particularly in circumstances where only 2 of our 13 venues are profitable from wagering operations, and are able to:

21.1 acquire Victorian racing vision at no cost through Racing.com, on a free to air channel; and

21.2 acquire access to many of the major, most popular race meetings through free to air on Channel Seven.

22. Following the establishment of Racing.Com, in or about August 2015, I spoke to Matt Isaacs of Tabcorp and asked whether Sky would consider reducing its fees to our pubs and clubs for the Sky Racing services, given that MRC was now able to obtain Victorian racing vision for free through Racing.com.

23. In response, Sky agreed to reduce its rate card nationwide. However, it did this by determining the Victorian thoroughbred contribution by volume to racing across all codes (including greyhound, harness and international) and decreased the fee by 4% nationwide. This failed to acknowledge that Victorian thoroughbred racing contributes a material proportion of wagering turnover in MRC pubs and clubs due to their location in Victoria.

24. As Racing.Com acquires greater content, this will give our pubs and clubs a viable alternative to Tabcorp and Sky. In this respect:

24.1 The pubs and clubs could remove the Tabcorp retail wagering service, and rely on punters to place wagers through the telephone or on digital applications; and

24.2 The pubs and clubs could provide Racing.com in their premises and have the choice not to purchase the Sky Racing services.

E. VIEW ON PROPOSED MERGER

25. The merger will result in Tabcorp and Tatts being vertically integrated with the dominant broadcaster of racing vision in Australia. I am concerned that this will enable the merged entity to use its increased market power to influence the principal racing authorities' decisions in relation to:
25.1 how they deal with their media rights (i.e. by requiring those rights to be granted to Sky, rather than Racing.com or any alternative broadcaster);

25.2 their dealings with corporate bookmakers (including by seeking to prevent them and racing clubs from entering into sponsorship or advertising deals with corporate bookmakers or streaming of vision to their digital platforms); or

25.3 race fields fees (including by penalising its joint venture partner for any future increases in race fields fees under the joint venture funding agreements).

26. The ways in which Tabcorp and Sky could use their increased market power includes blacking out the vision of races or moving the races from Sky Racing One to Sky Racing Two, which is an inferior channel from a distribution perspective. In the case of the MRC, this would have a direct effect on the wagering turnover on our races and therefore the industry distribution that we receive from Racing Victoria which is calculated by reference to wagering turnover and the quantum of media rights payments received. It would also impact on the distribution of our racing, impacting on the value of sponsorships and media rights.

27. Tabcorp has in the past sought to exert influence over racing bodies in this way. By way of example, Sky has blacked out vision of races as a strategy in its media rights negotiations with racing bodies. In addition:

27.1 In February 2016, Racing Victoria sought to trial 30 minute intervals between races at nine meetings over a week (including some of the meetings conducted by MRC);

27.2 The trial was expected to take between 45-60 minutes off the length of race days in order to make attendance more appealing and improve the race day experience;

27.3 During the trial, the MRC held a race meeting at Caulfield on 6 February 2016. The Caulfield meeting was the premium meeting in Victoria and with Randwick the two highest turnover meetings in Australia on that day. Sky were opposed to the 30 min gap trial due to the impact on the timing of other race meetings across Australia and relegated certain Caulfield races from Sky 1 to Sky 2 – despite the impact this would have on Tabcorp’s wagering.

27.4 Racing Victoria extended the trial by a further week, as the data from the opening weekend was compromised by the Sky Racing broadcast.

28. Annexed as Annexure JPB-1 is a copy of media reports relating to the 30 minute interval trials.
Signature

Joshua Paul Blanksby

Date: 17 April 2017
Tabcorp faces Victorian racing fight

Perry Williams  
Published: February 10, 2016 - 6:21PM

Punters betting on the Caulfield races in Victoria last weekend received a rude shock when an afternoon of clashes with high profile NSW races meant the southern state's meetings were bumped from Tabcorp's main Sky Racing channel.

Racing Victoria's decision to shorten the space between races to 30 minutes from the standard 40 minute gap sparked a networking headache for Tabcorp and led to seven of the nine Caulfield races being pulled from the main Sky channel. The direct clashes with competing races around the country meant Victorian racing was instead relegated to the subscription-based Sky Racing 2.

The decision by Tabcorp caused an uproar in racing circles with Sky choosing to run vision from regional and New Zealand races on its main Sky channel at the busiest time of the week for racing punters.

Racing Victoria chairman David Moodie told Fairfax Media said it was a poor result for punters.

"The customer was treated with disdain on the weekend when Victorian racing got shoved on Sky 2," Mr Moodie said. "It got to the farcical situation on Sunday when Victorian racing got relegated in favour of a New Zealand trots race."

Racing Victoria plans to meet with its NSW counterpart on Friday to devise a solution to the scheduling snafu while Tabcorp will make its secondary subscription channel made free to viewers this weekend to appease angst among punters.

"A co-ordinated national racing schedule is essential to optimise industry funding and customer experience, particularly in the retail partner venues," Tabcorp said in a statement on Wednesday.

The incident highlights the frayed relationship between the country's largest wagering operator and Victoria's powerful racing industry.

Last year Racing Victoria ditched a new broadcasting deal with Tabcorp's Sky, instead agreeing a new venture with Seven West Media to show vision through the racing.com channel which is also available for corporate bookmakers to show on their own websites.

Tabcorp instead agreed to a non-exclusive rights deal with Racing Victoria for vision to go on Sky Racing and its tab.com website, joining Sportsbet, Ladbrokes and Crownbet as streaming vision holders.

Tabcorp has an exclusive deal with Racing NSW, but in Victoria the racing industry has embraced rival bookmakers who are keen to cash in, particularly in the growing fixed-odds business.

Melbourne Racing Club chairman Mike Symons said while Tabcorp was an important player in the industry, it will also work with a new breed of digital players who are providing a good source of competition for punters.

"Victoria has had much shorter retail licence periods compared to other states and a more open mind about the long-term benefits of a competitive wagering landscape," Mr Symons said.

Tabcorp boss David Attenborough took a swipe at the Victorian racing industry's relationship with corporate bookmakers at the company's interim results last week.

"The misalignment is around essentially the Victorian industry embraces the advertising of corporate bookmakers in their market and the New South Wales racing industry does not," Mr Attenborough said.
He went on to suggest repairing the relationship may be difficult given the moves made by the racing.com venture.

"I think it is a model that Victoria with their racing.com and advertising model have gone down. And we work with that," Mr Attenborough said. "We have a joint venture, we focus on operating that joint venture as effectively and efficiently as we can."

Mr Moodie said the relationship with Tabcorp remains strong and delivers good returns to the industry. Yet as the latest ructions with Sky vision show, some tension remains between the two sides lingers.

"It's like any relationship. Is it absolute alignment? Perhaps it is not as strong as it should be. But it is respectable given we're coming at it from different angles," he said.

The Racing Victoria chairman said it remains vital the industry moves with the times.

"There's no point in standing still in the 1980's any longer," he said. "It's time to get a bit innovative in these matters and there is no denying corporate bookmakers are now a fact of life."

This story was found at: http://www.smh.com.au/business/tabcorp-faces-victorian-racing-fight-20160210-gmpnel.html