

IN THE AUSTRALIAN COMPETITION TRIBUNAL



ACT 1 of 2017

RE: PROPOSED ACQUISITION OF TATTS GROUP LIMITED BY TABCORP HOLDINGS LIMITED

STATEMENT OF TIMOTHY MOORE-BARTON

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STATEMENT OF TIMOTHY MOORE-BARTON

I, Timothy Moore-Barton, of Level 13, 459 Collins Street, Melbourne in the state of Victoria, Chief Executive Officer, say as follows:

INTRODUCTION

1. I am the Chief Executive Officer of Betfair Pty Limited (**Betfair Australia**).
2. I am authorised to make this statement on behalf of Betfair Australia.
3. I make this statement from my own knowledge and from having consulted relevant staff and records of Betfair Australia. Where I make this statement on the basis of information that has been provided to me by relevant staff at Betfair Australia, I believe that information to be true.
4. In this statement, the 'proposed transaction' means the proposed acquisition by Tabcorp Holdings Limited (**Tabcorp**) of Tatts Group Limited (**Tatts**).
5. Unless otherwise defined in this statement, terms used in this statement have the same meaning as defined in the Form S that Tabcorp filed as part of its application for authorisation of the proposed transaction (**the Application**).

BACKGROUND AND EXPERIENCE

6. Betfair Australia operates a betting exchange platform that allows punters to bet against each other on a range of racing, sporting and other events (e.g. Federal Elections).
7. I joined Betfair Australia in January 2012 as Head of Corporate Development. In June 2013, I transitioned to the role of Commercial and Strategy Director. In January 2015, I was appointed to my current position.
8. Between September 2007 and January 2012, prior to joining Betfair Australia, I worked for Betfair Group PLC in London as a Strategy Analyst and Corporate Strategy Manager. Prior to my time with Betfair Group PLC, I was employed as a Consultant by Deloitte for three years.
9. The roles I have held have allowed me to develop an extensive knowledge of the wagering industry in Australia.
10. I hold a Master of Engineering (MEng) from the University of Oxford, and recently completed a company directors course at the Australian Institute of Company Directors.

BETFAIR AUSTRALIA

Ownership and regulation of Betfair Australia

11. Betfair Australia is a wholly owned subsidiary of Crown Resorts Limited. Prior to August 2014, Betfair Australia was a joint venture between Crown Resorts Limited and Betfair Group PLC. We currently have approximately 90 employees, and we have offices in Darwin, Melbourne and Hobart.
12. Betfair Australia is the holder of a Betting Exchange Operator Licence issued by the Northern Territory Racing Commission. In connection with this licence:
 - (a) Betfair Australia must pay to the Northern Territory Racing Commission an annual licence fee of 200,000 'revenue units' (see section 24(5A) of the *Racing and Betting Act* (NT)). The value of a revenue unit is currently \$1.15, meaning that Betfair Australia currently pays an annual licence fee of \$230,000;
 - (b) Betfair Australia must pay to the Northern Territory Racing Commission a 10% tax imposed on Betfair Australia's gross profit. The amount of tax payable by Betfair Australia for a financial year is currently capped at \$575,000 (see section 109Z of the *Racing and Betting Act* (NT)).
13. Betfair Australia must comply with conditions attached to its Betting Exchange Licence, including conditions requiring Betfair Australia to:
 - (a) conduct its business from premises in the Northern Territory as approved by the Northern Territory Racing Commission;
 - (b) at all times comply with the provisions of all applicable laws in force in Australia, including the Northern Territory;
 - (c) have a set of clearly comprehensible terms and conditions (including betting rules), which must be accessible at all times to all customers through all wagering channels;
 - (d) not allow any customer to withdraw monies from their nominated account until satisfactory proof of age and identity is provided in compliance with the Know Your Customer requirements in the *Anti-Money Laundering and Counter Terrorism Financing Act 2006* (Cth);
 - (e) comply with the Northern Territory Mandatory Code of Practice for the Provision of Deferred Settlement Facilities and the Northern Territory Code of Practice for Responsible Online Gambling 2016;
 - (f) provide various notifications to the Northern Territory Racing Commission; and

- (g) pay any race field levies imposed by racing bodies in the Northern Territory.
- 14. Betfair Australia's operations are regulated by the Northern Territory Racing Commission.
- 15. Betfair Australia must also comply with Northern Territory regulatory requirements such as the *Racing and Betting Act 1983* (NT), the *Racing and Betting Regulations 1984* (NT) and the Northern Territory Code of Practice for Responsible Online Gambling 2016, a number of relevant Commonwealth statutes (e.g. the *Interactive Gambling Act 2001* (Cth)) and relevant State based regulatory requirements (e.g. South Australia's *Gambling Codes of Practice Notice 2013* (SA)).

Betting exchange model

- 16. A betting exchange is an online platform that enables punters to bet against each other on an event at a known price they set. It operates in a manner resembling a stock market, in that punters can either back (i.e. buy) or lay (i.e. sell) an outcome on a racing, sporting or other event.
- 17. Betfair Australia has the exclusive right to offer the Betfair betting exchange to customers in Australia and New Zealand. The Betfair betting exchange is the world's largest regulated betting exchange.
- 18. Betfair Australia does not have any retail presence, as it does not hold a retail wagering licence in any State or Territory within Australia. It operates solely through digital channels – specifically, on-line and via telephone. It receives most of its bets online. In the last 12 months only 0.28% of the bets that it received were by telephone.
- 19. Unlike a traditional fixed odds bookmaker, Betfair Australia's revenue does not depend on the outcome of the event. Customers' bets are only accepted when they can be immediately 'matched' with opposing bets. Betfair Australia's revenue is generated by charging a commission on customers' net winnings on a particular betting market.
- 20. Betfair Australia does not offer bookmaker products (contrary to the assertion made in paragraph [4.24] of Tabcorp's Form S). That part of its business has been subsumed by CrownBet.

Commission charged by Betfair Australia

- 21. As noted above, Betfair Australia charges a 'commission' on a customer's net winnings on a betting market. If a customer has a net loss on a betting market, they do not pay commission.
- 22. Commission is calculated by multiplying the customer's net winnings by the relevant 'Market Base Rate' (MBR). The MBR currently ranges from 5% to 8%. From this Betfair Australia applies a discount to customers based on the volume of their wagering with Betfair Australia. A customer who has not previously wagered with Betfair Australia will not receive a discount for their first wager. A Betfair Australia customer will earn 'Betfair Points' every time they bet on a betting market. The customer's discount rate is determined by the number of Betfair Points they have

accrued on their account. In simple terms, the more a customer bets with Betfair Australia, the greater the discount they receive.

23. For example, if the MBR on a betting market is 5%, and a customer's discount rate is 10%, the customer will pay 4.5% commission on any winnings for that betting market.

Differences between Betfair Australia's business model and corporate bookmakers and totalisators

24. Betfair Australia's business model is very different to that of corporate bookmakers and totalisator operators. In particular:
- (a) the betting exchange model generates revenue via commission charged on a customer's net winnings on a betting market. By contrast, corporate bookmakers generate revenue when customers lose, and totalisator operators take a set percentage from the pool of all bets before distributing the remaining amount to winning customers;
 - (b) because Betfair Australia does not hold the risk on customers' bets, it does not restrict the size of their bets (as many bookmakers do, including Tatts and Tabcorp as part of their bookmaking businesses). Further, as Betfair Australia does not bear the risk this is not factored into the over rounds of the relevant betting market, such that when a betting market is liquid the over round approaches 100%, making the odds attractive to customers. The over round gives a measure of the competitiveness of the odds on offer. It is calculated by adding up the individual percentage chance of every selection based on the odds that are being offered. The closer to 100%, the more attractive the market is to customers;
 - (c) when customers bet using the betting exchange they are betting at a known price. By contrast, when they bet into the totalisator pools the odds are not known at the time of bet placement;
 - (d) because the betting exchange requires opposing bets that match, customers have the ability to trade, for example betting that an event will occur (a "back bet") at odds of \$4.00 and then "trading out" by betting that the event will not occur (a "lay bet") at odds of \$2.00. Many customers employ sophisticated, automated trading strategies with multiple back and lay bets on the same betting market, generating very high levels of turnover relative to their net customer winning position. This results in Betfair Australia's 'revenue margin' (wagering revenue as a proportion of wagering turnover) being far lower than that of corporate bookmakers and totalisator operators;
 - (e) the combination of winning customers being welcome at Betfair Australia, attractive odds, ability to trade and competitive pricing attracts a niche of sophisticated, price sensitive customers to Betfair Australia; and

- (f) unlike corporate bookmakers and totalisator operators, Betfair Australia does not offer 'exotic' wagering products (such as a triffecta or a quaddie). Betfair Australia also does not offer 'multis' (which are offered by corporate bookmakers, including Luxbet).
25. Further, I note that the dominant form of wagering activity for Betfair Australia is racing (as opposed to wagering on sports or other events). Now produced and shown to me and marked **HIGHLY CONFIDENTIAL Annexure TMB-1** is a table setting out the volume that has been wagered through Betfair Australia in recent financial years. As evidenced in this table, wagering on racing makes up 61% of the volume of wagering for Betfair Australia in the last 9 months. Sports and 'other' wagering makes up the remaining 39%.

CONTRIBUTIONS TO RACING INDUSTRY

26. In Tabcorp's Form S, Tabcorp alleges an 'imbalance' between contributions made to state racing industries by State TABs and corporate bookmakers. It says that:
- (a) State TABs contribute a greater proportion of their wagering turnover and revenue to the racing industry than corporate bookmakers; and
 - (b) corporate bookmakers are able to 'free ride' on Tabcorp's wagering support services to obtain benefits without having to fund or subsidise any of these services.
27. This is inaccurate and misleading in a number of respects.
28. First, it is true that State TABs pay licence fees in each relevant State or Territory. However, those fees are paid in exchange for the exclusive rights to operate retail wagering facilities and to operate totalisator wagering. Those rights carry with them multiple collateral benefits which corporate bookmakers and Betfair Australia do not enjoy, including:
- (a) the ability to cross-promote digital wagering products, through retail operations;
 - (b) significant and exclusive brand presence through shop frontage;
 - (c) other benefits that flow from having a monopoly on retail wagering facilities, such as:
 - (i) having a monopoly on retail-based in-play wagering on sports ("in-play" betting is betting that occurs after an event has started and before the event concludes);
 - (ii) monopoly of off-course non-account cash-based wagering; and
 - (iii) the ability to set up retail wagering outlets at premium sporting stadiums, such as the MCG.
29. The proposed amendments to the *Interactive Gambling Act 2001* (Cth) (currently before the Federal Parliament), if passed, would provide State TABs with a monopoly on in-play sports

wagering conducted through self-service betting terminals and electronic devices located in retail facilities.

30. Secondly, Betfair Australia makes a substantial contribution to the racing industry:
 - (a) Betfair Australia's customers are located in Australia and New Zealand (**ANZ Exchange Customers**). Betfair Australia pays race field fees to the various thoroughbred, harness and greyhound racing bodies in Australia for the wagering activity of its ANZ Exchange Customers on those respective products. In Victoria, for example, Betfair Australia pays race field fees to Racing Victoria, Harness Racing Victoria and Greyhound Racing Victoria. Each of these entities has issued a 'race field approval' to Betfair Australia, and these approvals require Betfair Australia to pay race field fees at particular intervals during the year;
 - (b) as evidenced in the table attached as **Annexure TMB-1** to this Statement, 40% of Betfair Australia's gross revenue from Australian racing codes (i.e. commission charged to customers, before the deduction of any other taxes, fees or expenses) was contributed to the Australian racing industry over the last 9 months;
 - (c) since Betfair Australia commenced operating in Australia in 2006, it has paid race field fees to the Australia racing bodies on the wagering activity of all Betfair betting exchange customers (i.e. both ANZ Exchange Customers and betting exchange customers of Paddy Power Betfair Plc). Since the corporate restructure in 2014 which I detail above in paragraph 11, Paddy Power Betfair Plc has reimbursed Betfair Australia for race field fee payments made on its behalf. Thus Betfair Australia has ensured that the Australian racing industry has received race field fees from Paddy Power Betfair Plc (an overseas operator); and
 - (d) in addition to paying race field fees, Betfair Australia provides sponsorship monies to racing clubs, including the Darwin Turf Club.
31. Thirdly, the 'support services' that Tabcorp provides include services which are also provided by other participants within the industry. For example:
 - (a) Betfair Australia and all corporate bookmakers publish (online) tips and ratings for racing events and other information about form, available online. The information published by Betfair Australia is accessible to members of the public (whether or not they have a Betfair Australia account);
 - (b) as Betfair Australia does not have an adversarial relationship with its customers and genuinely wants them to become better bettors, the data, tools and strategies that we provide are industry leading and designed to improve the win rate of customers rather than simply increase turnover; and

- (c) the Betfair Hub (www.betfair.com.au/hub) contains previews, form, racing sectionals and speed profile data, tutorials on betting strategies, access to historical odds data and developer tools such as Application Programming Interface (API) guidance and software development kits.
32. Finally, Betfair Australia invests significantly in technology and human capital to provide a range of valuable services and products to the racing industry, primarily in terms of its market-leading integrity systems. Betfair Australia has developed technology which allows stewards in each racing code to monitor transactions on the betting exchange in real-time. This tool, known as the 'BetMon' is not made available to stewards by Tabcorp, Tatts or any operator other than Betfair Australia. Further, the Betfair Australia systems record comprehensive information about customers' activity on the betting exchange (such as cookie, IP links and tracking each engagement made with the website by a customer), increasing the ability of racing codes to protect the integrity of their sport. These contributions are pivotal in maintaining public confidence in racing.

RACE FIELD FEES

33. Australian wagering service providers need approval to publish race field information, or to otherwise use race field information in the operation of their businesses. Those approvals must be obtained from the relevant racing body responsible for organising the race.
34. As Betfair Australia's business model is significantly different to that of the corporate bookmakers and totalisator operators, it is important that appropriate 'betting exchange' provisions are incorporated into our race field approvals. In particular, the standard definition of 'assessable turnover' that is included in the race field approvals of corporate bookmakers and totalisator operators cannot be included in Betfair Australia's race field approvals, as (unlike the corporate bookmakers and totalisator operators) we earn revenue by charging a 'commission' on a customer's net winnings on a betting market. A 'one size fits all' approach in race fields approvals simply does not work.
35. The race field fees are payable in each state by interstate operators, ie all corporate bookmakers, betting exchange operators and interstate totalisators. The home-state totalisator has separate funding obligations to the racing industry in return for the rights and entitlements granted to that licence holder.
36. The use of turnover by many state racing bodies as a basis for race field fees has favoured and currently favours totalisators. By imposing turnover-based fees, the racing industry increases the relative price of wagering services offered by corporate bookmakers (and betting exchanges) who operate on lower revenue margins in competition with high-margin totalisator operators.
37. Betfair Australia, and to a lesser extent corporate bookmakers, are disproportionately affected by turnover based product fees because Betfair Australia operates on the lowest gross margins or

yields in the wagering market. That is, the race field fees are significantly higher for Betfair Australia as a proportion of its gross revenue than they are for totalisators.

38. Betfair Australia has been forced to increase its prices in jurisdictions that adopt a turnover model to recover the race field fees paid (for example, the MBR for New South Wales thoroughbred racing is 8%, whilst the MBR for all codes of Queensland racing is 6%). This has the effect of increasing the relative prices of betting exchange wagering compared with totalisators. The effect is to preferentially advantage totalisator operators and impede price competition from Betfair Australia, increasing the competitive relativity of the totalisator operators.
39. Tabcorp and Tatts therefore obtain a significant competitive advantage from race field fees being set by reference to 'turnover'. The higher the percentage of turnover that must be paid in race field fees, the greater that advantage
40. I consider that a combined Tabcorp/Tatts entity would have significantly increased bargaining power with respect to racing bodies given the increased scale of such an operator, and the reduction in competitive tension on state based retail licences (which I expand upon further in paragraph 85 below). The high take out rate of the totalisator operators means their business model is high margin, leading them to favour race field agreements/approvals that are 'turnover' based. Given that corporate bookmakers are lower margin than the totalisator pools, and that Betfair Australia is again even lower margin, it would be in Tabcorp/Tatt's best interest for product fees to be at a high percentage of turnover, knowing this would penalise other operators far more than it does them. As I explain above, Betfair Australia already pays a substantially higher percentage of its gross revenue in race field fees. In the table attached as **Annexure TMB-1** to this Statement, I have included an example which clearly demonstrates that Betfair Australia pays a higher percentage of its gross revenue in race field fees (compared to totalisator operators). In my view, any further increase in race field fees would have to be passed on to customers. Given their price sensitivity, this would risk driving them to bet with illegal offshore operators (see paragraph 7575 below).

PRODUCTS

Loyalty schemes versus rebates

41. As noted above, Betfair Australia offers discounts on its MBR, depending on the punter's accumulation of Betfair Points. The maximum discount offered by Betfair Australia is 60%, meaning that on an MBR of 5% our lowest effective commission rate is 2% of net customer winnings.
42. I am aware that totalisators offer rebate arrangements to high-volume, low margin customers (sometimes referred to as 'premium' customers) via rebate ladders where the rebate increases at different levels of customer turnover (e.g. \$5-10m, \$10-20m, etc.). My understanding is that the rebate percentages (i.e. the percentage of volume returned to the customer) range from 3% at a

lower level to 10% for the larger customers. This would imply that at a totalisator take-out rate of 16% (i.e. for win and place pools) the net take out rate for the larger customers would be 6% of customer turnover.

43. Whilst it is noted that Betfair Australia and totalisators offer unique products to certain segments of the market (i.e. Betfair Australia caters for customers looking to trade (back and lay), and the totalisators cater for the mass market customer), both business models actively compete against each other for share of wallet of these premium customers. Corporate bookmakers do not compete for these customers because the margins that they generate are too low relative to the risks posed by the customers.
44. The proposed transaction would reduce the number of competitors for premium customers in the Australian market from 3 to 2. This will inevitably impact on customer choice, and in my view lead to more customers electing to bet offshore.

In-play betting

45. As I stated above, "in-play" betting is betting that occurs after an event has started and before the event concludes. Currently, online in-play betting on sports is prohibited in Australia, but telephone and in-person (i.e. in a retail outlet) in-play wagering is legal. As has been noted by Bet365 in its submission to the O'Farrell Review, in-play online wagering on sport is a highly popular form of wagering; over 80% of Bet365's sports-betting turnover for its non-Australian customers was made in-play in 2014/15. Now produced and shown to me and marked **Annexure TMB-2** is a copy of bet365's submission to the O'Farrell Review.
46. In the current regulatory framework, corporate bookmakers and Betfair Australia can only offer in-play betting on sport via the telephone. As noted above, telephone betting makes up only 0.28% of the total numbers of bets placed through the betting exchange. I believe that this is because it is a less convenient method for consumers to use when compared to online wagering.
47. In contrast, Tatts and Tabcorp are permitted to offer in-play betting through cash-based retail wagering facilities. Tatts and Tabcorp have obtained a significant competitive advantage with the popularity of in-play wagering on sport through their extensive respective monopolies on retail wagering. Tatts has invested significant resources into the re-design of its retail network, including the roll-out of 'Australia's first 'in-play' betting platform (UBET Live), allowing punters to bet in-play on branded tablets from the comfort of their seat anywhere in the store.' Now produced and shown to me and marked **Annexure TMB-3** is a UBET media release dated 9 April 2015 relating to the opening of UBET's first store in Brisbane, and a print out from the 2015 Sydney Design Award website summarising the UBET Retail Experience.
48. The retail wagering sector is expected to be bolstered by the proposed amendments to the *Interactive Gambling Act 2001* (Cth) currently before the Federal Parliament. These amendments will enable on-premises in play wagering on sport on electronic devices in licensed retail outlets,

thus enhancing the competitive advantage of Tatts and Tabcorp and highlighting the lack of platform neutrality.

49. For an operator to compete effectively on in-play wagering, significant investment needs to be made to back end systems in order to quickly process bets and set odds in real time. At present, given the legislative restrictions on in-play betting, the only two Australian operators making significant investments in this space are Tabcorp and Tatts. The merger reduces this number to one.
50. The increased scale and synergies of the merged entity would enable it to invest to increase the barriers to entry for any wagering operator considering entering the retail market (particularly in respect of the technology necessary to effectively exploit the commercialisation of in-play betting).

Cash versus account betting

51. Corporate bookmakers and betting exchange operators (like Betfair Australia) are not permitted to conduct cash wagering. In other words, all betting through corporate bookmaking and Betfair Australia is account based. Punters must set up an account, establish their identity and deposit funds via an approved source in order to place a bet.
52. In contrast, totalisators can accept cash bets (both on-course and via retail wagering facilities).
53. Cash based bets are an advantage for Tabcorp and Tatts as retail monopoly holders enabling them to attract customers that prefer the cash based wagering rather than the account based system used by online operators.
54. Tabcorp is also very effectively integrating their cash-based services into their multi-channel operation, with services such as their 'cash & collect' offering which enables cash deposits and winning cash-based bets to be deposited into the accounts of their customers.
55. If the proposed transaction proceeds, the merged entity will be the only off-course wagering operator (other than the WA Tab) licensed to take cash, and will have a unique ability to leverage this advantage to its competitive advantage in other channels. It can also be expected to utilise its enhanced influence and lobbying-power to resist any regulatory or policy changes sought in relation to cash-based betting based on the obvious money laundering concerns (which were central to the recent case brought against Tabcorp by AUSTRAC).

TATTS AS A COMPETITOR TO TABCORP

56. On the whole, I do not believe that Tatts has been as effective a competitor to Tabcorp (or to corporate bookmakers) in recent years as it could have been. In my view, this is because:
 - (a) Tatts appear to prioritise its lottery business ahead of its wagering business;
 - (b) until recently, Tatts has been under resourced in key management wagering positions;

- (c) Tatts has not sought to invest in racing vision for its digital offerings; and
 - (d) until recently, there has been a lack of investment by Tatts in relation to online wagering.
57. However, recently UBET have significantly ramped up their marketing in order to attract consumers to the brand. For example, UBET has been publishing static advertising at locations in Victoria, thus seeking to attract new Victorian customers – clearly competing for acquisitions and customer share of wallet from Tabcorp.
58. It is my view that the scale, scope and nature of the offerings made recently by UBET is market leading and aggressively aimed at acquisitions and market share. One example of this is UBET's recent 'cash-back' promotion, which is market leading, (most other operators have shifted to 'bonus bet' offers, which are less costly). Under cash-back offers, a customer receives cash upon the occurrence of a specified event (e.g. their horse running second or third), and that cash is immediately available to the customer, including for withdrawal.
59. Furthermore, my understanding is that the rebates offered by Tatts are usually higher than those offered by Tabcorp in an attempt to attract premium customers into their totalisator pools.
60. In my view, there is no reason Tatts will not be a vigorous and effective competitor in the wagering market in the future, provided it is properly managed and continues to invest in its marketing, and successfully leverages the monopoly it has regarding in-play sports retail wagering in the jurisdictions in which it holds these licences.

THE KEY INPUTS FOR WAGERING

61. There are a number of key inputs that are necessary to conduct wagering operations, including media access rights, programming and advertising opportunities.

Media rights

62. Betfair Australia does not currently have access to racing vision, which is a constraint on our business. Betfair Australia, as a low margin operator, has less gross revenue (after deduction of race field fees) with which to pay expenses, including for access to Racing Victoria's vision. Further, as the fees charged by Racing Victoria are based on turnover, the effective cost on Betfair Australia is necessarily greater than higher margin operators.
63. Betfair Australia would be very interested in pursuing access to racing vision, for integration with its digital offering. This is something that we believe our customers want. I am firmly of the view that racing vision is a driver for wagering activity. I note that Betfair Australia would only be interested in digital content.
64. Tatts as the exclusive retail and totalisator operator in four states has the relationships, scale and capability to be a bidder for media rights, and to compete with Tabcorp in this space.

65. If the proposed transaction proceeds, the combined power of the merged entity will make it less likely that there is competition for access to rights going forward. Key reasons for this are:
- (a) at present, Tabcorp holds all media rights for greyhound and harness racing;
 - (b) in the case of thoroughbreds, although Racing.com exists as a competitor, given Tabcorp will be the wagering partner in all states except WA, there will be great pressure on thoroughbred racing bodies to continue to sell their rights to Tabcorp;
 - (c) Tabcorp has a near monopoly on distribution, meaning that distribution will be limited to subscription television (Sky 1 and Sky 2) in pubs/clubs or at home or via Tabcorp's digital assets;
 - (d) in addition to these restrictions, Tabcorp has complete discretion on what content is shown, which may be to the detriment of wagering activity for digital operators.
66. Given the elements listed above together with the fact that the racing bodies are financially incentivised to drive wagering through their state based totalisator, the merged entity would be able to exert more pressure on racing bodies to assign their rights to Tabcorp/Tatts and lock up distribution.
67. Racing vision is a key driver of wagering activity. This has been evidenced by Racing Victoria's decision to distribute their racing vision on a non-exclusive basis, taking their content from a Sky Racing subscription based model to a combined distribution model that included Sky Racing, Free to Air (Racing.com's channel 78) and digital streaming with wagering operators. Racing Victoria's 2016-17 half year results credit their media rights strategy as a reason for their strong turnover growth. Restricting racing vision to Tabcorp's channels (Sky Racing subscription tv and Tabcorp's digital assets) could lead to a decrease in wagering activity on racing.

Programming

68. Tabcorp's control over programming is significant. For example, Tabcorp can determine whether races are shown on Sky 1 or Sky 2, which can significantly impact wagering activity on that race.
69. In theory, racing bodies can determine their own race times. However, in practice, race times are coordinated by Tabcorp. Tabcorp's varying media rights agreements with individual racing bodies dictate the scheduling of times which may not necessarily be for the benefit of the customer, individual racing bodies or wagering activity. This has been evidenced on numerous occasions where the coverage of a smaller state's premium racing has been compromised by larger state's standard racing due to conflicts within Tabcorp's media rights agreements.
70. If the proposed transaction proceeds, the combined power of the merged entity would have yet further power to control programming to the potential detriment of individual racing bodies, and consumers.

Advertising

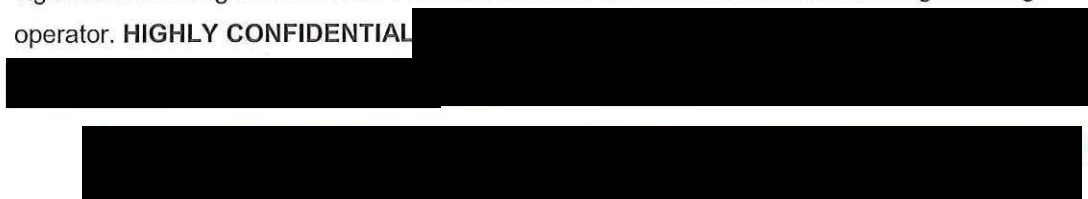
71. Betfair Australia and corporate bookmakers are unable to advertise through Sky Media. This is a significant impediment to Betfair Australia's advertising capabilities. At the broader industry level, the inability to advertise through Sky Media means that advertising is necessarily less targeted. Betfair Australia and corporate bookmakers therefore resort to advertising to the general public, rather than to a captive audience of punters.
72. If the proposed transaction proceeds, the combined power of the merged entity will further the issue of other wagering operators being precluded from any opportunities to advertise via the Sky Racing channels. It is noted that Sky control vision of the races and, in particular, have control over the visibility of other wagering operator's sponsorships (e.g. signage at the track, race names).

THE IMPACT OF THE MERGER**On wagering**

73. As noted above, Betfair Australia is concerned that if the proposed transaction proceeds, the merged entity would be able to exert more pressure on racing bodies to increase race field fees and/or impose flat rate fees on all wagering operators (i.e. imposing a fee structure that does not distinguish between corporate bookmakers generally and the betting exchange model).
74. If the costs borne by Betfair Australia and corporate bookmakers increase as a result of the merged entity's influence on racing bodies, these costs will be passed onto punters. The merged entity will therefore exert significant control over prices across the industry.
75. Given how price-sensitive our customer base is, it is highly likely that any increased pricing will lead to a significant leakage of revenue to offshore illegal wagering operators, such as Citibet. This will have significant implications, not only in terms of tax receipts to Commonwealth and State governments, but also in relation to the integrity of our sporting codes and anti-money laundering repercussions.

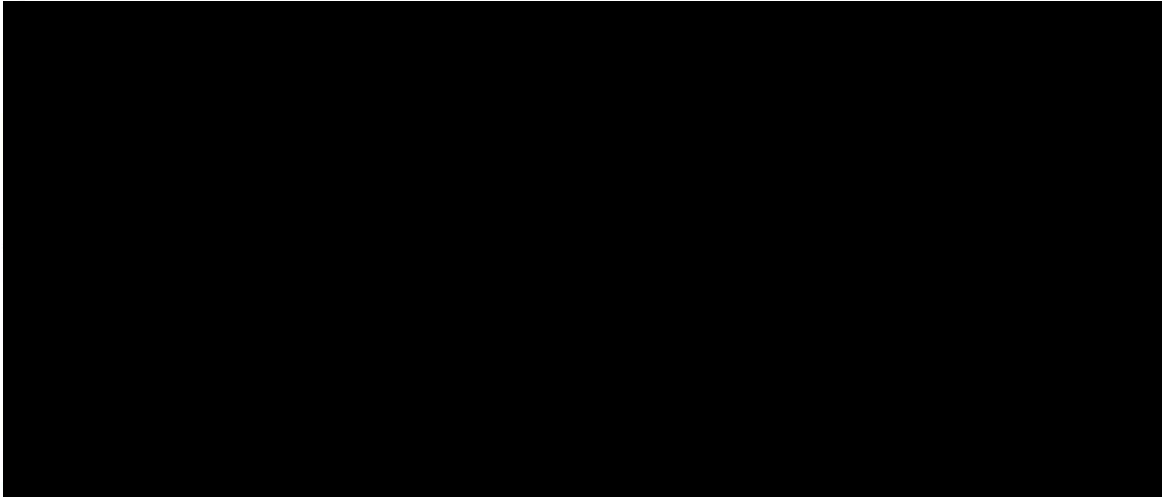
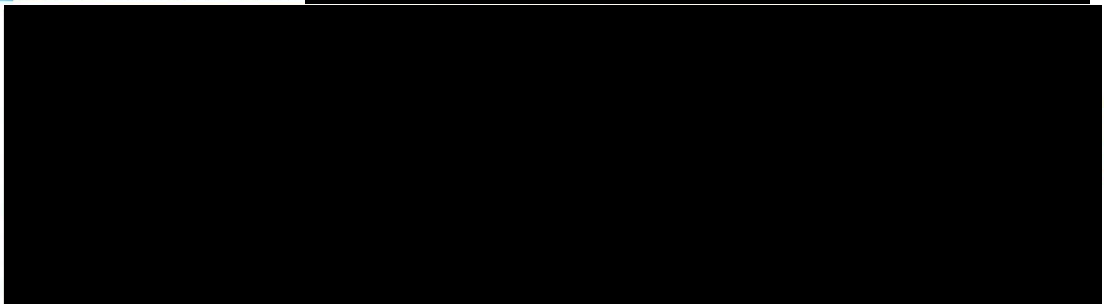
CITIBET & BETFAIR LIQUIDITY COMPARISON

76. Citibet is a betting exchange operator based in the Philippines. The below snapshot highlights the significant challenges that Betfair Australia faces as an Australian licensed betting exchange operator. **HIGHLY CONFIDENTIAL**



77. 

HIGHLY CONFIDENTIAL

78. HIGHLY CONFIDENTIAL 

79. This will lead to a significant 'black hole' as offshore providers do not have the same stringent integrity requirements that are imposed on Australian-licensed wagering operators. Unlike offshore wagering providers, Betfair Australia has information sharing agreements with sporting and racing codes across Australia. As part of these agreements, Betfair Australia devotes significant resources to its Risk and Integrity Team and ensures that we are proactive in the disclosure of suspicious betting activity across racing and sporting codes. Betfair Australia also provides integrity tools to racing codes to ensure that they have all the information they require to protect against the threat of race-fixing.
80. As a domestically licensed operator, Betfair Australia is subject to various regulations, legislation and codes relating to the responsible provision of gambling. This is in stark contrast to the unregulated and risky environment that exists with offshore illegal operators. Consumers are vulnerable to unscrupulous providers that operate beyond the reach of the Australian consumer agencies and law enforcement bodies. While reform and development of the domestic online sector continues with the federally led National Consumer Protection Framework, there is a distinct lack of protection in place in the offshore context.

On access to media rights

81. For the reasons outlined in section 8 above, if the proposed transaction proceeds, the combined power of the merged entity will make it less likely that there is competition for access to rights going forward. Among other things, Tabcorp will be the only bidder for greyhound and harness racing rights.

On the market for retail licences

82. I consider that Betfair Australia is unlikely to bid for a retail wagering licence as: (a) as a low margin business it is unlikely to be able to cover the higher costs involved in running a retail network; and (b) the exchange is not a mass market product, but rather services a niche sophisticated customer that would not transact via a retail network (for example because their betting activity is highly automated and can only occur over the Betfair API).
83. In my view, there are two serious bidders for retail wagering licenses within Australia: Tabcorp and Tatts. My understanding is that none of the corporate bookmakers have shown any serious interest in looking to apply for retail licences. Therefore the proposed transaction would effectively remove all competition for retail licenses.
84. This is because bidding for a wagering retail license in Australia holds significant risks for applicants. There is a high degree of regulatory know-how required to go through the complexity of the application process and it is my opinion that the requirements create an exceedingly high barrier to entry. Given the experience of previous entrants into the gaming market, such as Intralot with Victorian lotteries, it is my view that there would be limited appeal for other applicants. It is likely that a future prospective bidder for a wagering license (i.e. other than Tabcorp or Tatts) would be deterred by the cost of entry, domestic loyalty to a brand, lack of any certainty regarding access to racing vision, and a complex regulatory environment.
85. In a post-merger environment it is likely that there will be significantly less competitive tension for the bidding of future wagering licenses. Consequently governments are likely to receive less attractive bids for license periods and greater pressure in terms of tax rates from the sole bidder. The racing industry will also be under greater pressure to accept smaller funding receipts as there will be no viable alternative provider and the consumer will experience a retail wagering outlet that will not be under any pressure to innovate.

OTHER COMMENTS ON TABCORP FORM S

86. I note that the statement 'any customer of a betting exchange can effectively act as an unlicensed bookmaker' is an inaccurate and misleading statement. Betfair Australia is a licensed wagering operator and, as is evident from paragraph 15 above, is highly regulated. When a customer of Betfair Australia places a wager on the betting exchange, he or she is doing so as a customer of Betfair Australia and in accordance with strict customer terms and conditions. The reference to

'effectively acting as an unlicensed bookmaker' is both inaccurate and misleading and misunderstands the regulation of betting exchange wagering in Australia.

I verify that I have read the contents of this statement and the documents referred to in it and that I am satisfied that to the best of my knowledge, information and belief, it is true and correct in every particular.

DATED 13 APRIL 2017

A handwritten signature in black ink, appearing to read 'Tim MB', is written over a horizontal line.

Timothy Moore-Barton

INDEX OF ANNEXURES TO STATEMENT OF TIMOTHY MOORE-BARTON

Annexure	Title	Confidentiality
TMB-1	Table setting out Betfair Australia data	Highly Confidential- Restriction of publication of part document claimed
TMB-2	Copy of bet365's submission to the O'Farrell Review	
TMB-3	Copy of UBET media release dated 9 April 2015 relating to the opening of UBET's first store in Brisbane, and a print out from the 2015 Sydney Design Award website summarising the UBET Retail Experience	

IN THE AUSTRALIAN COMPETITION TRIBUNAL

ACT 1 of 2017

RE: PROPOSED ACQUISITION OF TATTS GROUP LIMITED BY TABCORP HOLDINGS LIMITED

ANNEXURE CERTIFICATE

This is the annexure marked "TMB-1" annexed to the statement of TIMOTHY MOORE-BARTON dated 13 April 2017.

HIGHLY CONFIDENTIAL Annexure TMB-1

Table setting out Betfair Australia data

Filed on behalf of (name & role of party)

CrownBet Pty Ltd (Intervener)

Prepared by (name of person/lawyer)

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Law firm (if applicable)

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Betfair Exchange

	Period	Volume (\$m)	Back bet volume (\$m)	Net Customer Winnings NCW (\$m)	Gross Revenue (\$m)	Yield (%)	Product Fees (\$m)	Gross Revenue (%)
		Sum of back and lay volume (stakes)	Sum of back volume (stakes)	Sum of net customer winning positions on all individual markets	Commission generated by applying commission rate to NCW	Gross Revenue / NCW	Sports and racing product fees	Gross Revenue / Product fee
Total wagering (Sport, Racing, Other)	FY16							
	FY17 YTD							
Global Racing (all codes)	FY16							
Sum of Overseas and Australian racing	FY17 YTD							
Overseas Racing (all codes)	FY16							
	FY17 YTD							
Australian Racing (all codes)	FY16							39%
	FY17 YTD							40%

Racing as % total	FY16	59%
	FY17 YTD	61%

Notes

Data shows just Betfair Pty customers

FY17 is year ending 30 June 2017

Financial year to date (FYTD) is 9 months to 31 March 2017

		Back bet volume (\$m)	Net Customer Winnings NCW (\$m)	Gross Revenue (\$m)	Yield on turnover (%)	Product Fee Rate	Product Fees (\$m)	Gross Revenue (%)
		Sum of back volume (stakes)	Sum of net customer winning positions on all individual markets	Commission generated by applying commission rate to NCW	Revenue / back volume stakes	Race field fee rate	Sports and racing product fees	Gross Revenue / Product fee
Racing NSW (Thoroughbred) example								
Betfair		100	70.1	3.2	3%	1.5%	1.50	46%
Fixed Odds (Corporate Bookmaker)		100	N/A	10.0	10%	1.5%	1.50	15%
Totalisator	No rebate	100	N/A	16.0	16%	1.5%	1.50	9%
(assume 16% take out)	10% rebate	100	N/A	6.0	6%	1.5%	1.50	25%

Notes

Assumed margin for corporate bookmaker 10%

Race field rates as per "Standard meeting" in RNSW race field agreement

Betfair (FY17 YTD) race fields as % of revenue compared to totalisator

No rebate	5.0
10% rebate	1.9

IN THE AUSTRALIAN COMPETITION TRIBUNAL

ACT 1 of 2017

RE: PROPOSED ACQUISITION OF TATTS GROUP LIMITED BY TABCORP HOLDINGS LIMITED

ANNEXURE CERTIFICATE

This is the annexure marked "TMB-2" annexed to the statement of TIMOTHY MOORE-BARTON dated 13 April 2017.

Annexure **TMB-2**

Copy of bet365's submission to the O'Farrell Review

Filed on behalf of (name & role of party)

CrownBet Pty Ltd (Intervener)

Prepared by (name of person/lawyer)

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Review of Illegal Offshore Wagering: Submission by bet365

Key Contacts:

Daniel Moran

Chief Executive Officer, Australia

Jon Moss

International Development Manager

15 November 2015

1. Executive Summary

- 1.1 bet365 is the largest online wagering company in the world, and is licensed in multiple overseas jurisdictions (including the UK since 2007). Our global experience with different regulatory regimes for online gambling informs our submission.
- 1.2 bet365 believes that the Review of Illegal Offshore Wagering should be the platform for regulatory reform in Australia which meets the following objectives:
 - a) Protecting vulnerable Australians by minimising the incidence of problem gambling. This is not possible if the wagering is conducted offshore (i.e. on overseas-based websites).
 - b) Keeping crime (such as corruption in sport) out of wagering. This is not possible if the wagering is offshore and unregulated.
 - c) Keeping the economic activity within Australia and to Australia's economic benefit. This is not possible if the wagering is offshore.
- 1.3 The proportion of illegal offshore wagering by Australians is substantially higher than that in any other jurisdiction where bet365 is licensed. The Australian Wagering Council estimates that by 2020, if the existing regulatory regime in Australia is maintained, 60% of wagering by Australians will take place offshore.
- 1.4 These very high proportions are largely the direct result of the Interactive Gambling Act 2001 which prohibited online in-play sports-betting. This segment is by far the largest of bet365's wagering segments and accounts for 75% of our worldwide wagering turnover (including racing). 90% of bet365's worldwide wagering customers bet online in-play. Since the Interactive Gambling Act 2001 took effect, 35 other overseas jurisdictions have passed legislation permitting online wagering and not one has prohibited online in-play sports-betting.
- 1.5 If the proportion of illegal offshore wagering is to be substantially reduced, then the Interactive Gambling Act 2001 has to be amended so that the current online in-play sports-betting prohibition is removed. Such reform would have clear benefits in meeting the objectives stated above. No other strategy to reduce illegal offshore wagering will suffice – payment blocking and site blocking simply do not work and the offshore leakage in Australia is simply too big, and the resources too small, for other measures to do anything more than tinker around the edges of the problem.
- 1.6 Of similar importance is reform of responsible gambling / harm minimisation measures.
- 1.7 Some Australian States (including NSW and VIC) do not even insist on the minimum responsible gambling requirements which have been mandatory under bet365's UK licence since 2007 and were also mandatory from day one in other jurisdictions, including Denmark, Spain and Italy. These requirements include:
 - a) **Voluntary pre-commitment** (known in other jurisdictions as deposit limits). This facility is compulsory in every other jurisdiction where bet365 is licensed but is not required in NSW or VIC (and not offered by Tabcorp to residents there) yet 19.8% of bet365's Australian customers in 2014/15 took advantage of this important financial control.

- b) **Personal self-exclusion.** In the UK, licence-holders have to offer this facility with a minimum of six months exclusion and this is done via a single-click process which, in bet365's case, excludes a customer within a maximum of one minute. This tool is not a requirement for wagering licensees in NSW and VIC, although Tabcorp does voluntarily offer it; it is by way of a four-page form which has to be manually filled out and posted in.

In other jurisdictions outside Australia, bet365 is also required to offer short breaks from gambling (one day/week/month), time-based alerts, proactive contact with customers exhibiting potential problems and be a member of national self-exclusion schemes.

- 1.8 If the Review's objective is to ensure that a much greater proportion of Australian consumers wager with domestically-licensed sites rather than offshore sites, then this must be accompanied by the establishment and enforcement of a nationally consistent set of minimum responsible gambling standards such as the two highlighted above. If these standards are not proven to be met, then no operator should be allowed to offer online in-play sports-betting or indeed any form of online gambling.

2. About bet365

- 2.1 bet365 is a privately held group of companies which was founded in Stoke-on-Trent in the UK in 2000 and, through its subsidiaries, is now the largest online betting and gaming company in the world. bet365 has approximately 2,900 employees and 14 million customers in 170 countries around the world. The bet365 websites are available in 18 different languages and 22 different deposit currencies. In the financial year 2014/15, bet365's online betting and gaming revenue was approximately \$AU 3.2billion.
- 2.2 bet365 is licensed and regulated for online wagering in Australia by the Northern Territory Government. In 2014/15 bet365 Australia generated \$58.8 million in revenue and from that paid \$17.6 million in product fees (a form of wagering tax) to racing and sports bodies, paid \$2.3 million in GST, payroll tax and other Government fees and paid \$23 million in staff salaries. The company is a relative newcomer to Australia – bet365 commenced operations in Australia in 2012 – and has a small online and telephone market share compared to companies like Tabcorp, Sportsbet and William Hill. The company employs 215 staff in its two main Australian offices which are located in North Sydney and Darwin.
- 2.3 bet365 is also licensed and regulated by, among others, the British Gambling Commission, the Danish Gaming Authority, the Spanish General Directorate, the Amministrazione Autonoma dei Monopoli di Stato in Italy, the Gibraltar Regulatory Authority and the Malta Gaming Authority. The company has substantial experience of working with online gambling legislators and regulators around the world.

3. Channelling Consumer Demand

- 3.1 Channelling is the term used in Europe to describe the proportion of online gambling consumers who gamble on locally-licensed sites compared to illegal offshore sites. (Channelling may also refer to the proportion of online gambling turnover or revenue). Achieving a high rate of channelling is seen as key to meeting the following overall objectives: (the comments in quotation marks are the actual wording from the British Gambling Commission objectives):
- a) A Government cannot “keep crime out of gambling”, e.g. money laundering, betting corruption, if a high proportion of the betting activity is conducted offshore.
 - b) A Government cannot ensure gambling is conducted “fairly and openly” if it is conducted offshore.
 - c) A Government cannot “protect children and other vulnerable people” if they gamble at offshore sites outside their control.
 - d) A Government cannot keep the economic activity (and hence collect fees and taxes) onshore if consumers wager or gamble offshore.
- 3.2 As such, the Governments and Regulators in the UK, Denmark, Spain, Italy and other jurisdictions have adopted a policy that can best be paraphrased as allowing, monitoring, controlling and protecting, rather than prohibiting. Or put another way – the best way to minimise the offshore illegal market is to make the legal and regulated market sufficiently attractive to consumers.
- 3.3 This channelling approach has proved extremely successful and industry estimates are that in excess of 95% of UK consumers gambling online do so on locally-licensed websites. In Denmark, this figure is around 90% and in Spain and Italy, it is over 80%. It is no accident that the proportions are so high. They are the inevitable outcome of Government, regulatory and taxation policy, as consumer behaviour is quite predictable – they want choice and value. (See Section 5 for further information on why consumers play on offshore sites.)
- 3.4 In Australia, the situation is very different in that the entire online gaming sector (casino, poker, etc) is prohibited yet Australians can easily access and play on 2,000-plus overseas-based gaming sites. Within the online wagering sector (sports and racing), the biggest segment internationally – online in-play sports-betting – is also prohibited. Therefore, Australians who wish to bet online in-play on sport, including on native Australian sports such as the AFL, can only do so on illegal offshore websites.
- 3.5 To illustrate the scale of the channelling issue in Australia, we have provided below (and in Appendix 1) an analysis of the estimated total UK online gambling market in 2014, which was selected because it a) the data sources are generally reliable and b) like Australia, the UK has a strong racing industry – so it is a good proxy. The UK summary is:
- a) The total online market, measured by revenue, was £2,644 million (\$AUD 5,730 million) and was split 56% online gaming (casino, slots, bingo, poker, etc) and 44% online wagering (sports and racing).

- b) Within the 44% represented by online wagering, by far the biggest segment – 45% – is online in-play sports-betting.
 - c) So, if Australia’s “normal distribution” of revenue was similar to that in the UK, all 56% from gaming is prohibited and nearly half of the remaining 44% is prohibited meaning that only 24% of the total market is allowed and 76% is prohibited.
- 3.6 No other jurisdiction in which bet365 is licensed in attempts to prohibit 76% of the “natural market” since the policy objectives – keeping crime (including sports corruption) out of gambling, ensuring gambling is fair and open and protecting children and vulnerable people – simply could not be accomplished to any meaningful extent.
- 3.7 In summary, though online gaming is a longer term question to be addressed, this review is about online wagering only and by far the most effective single measure to reduce illegal offshore wagering is to remove the prohibition on online in-play sports-betting.
- 3.8 Compared to Australia’s current approach, 35 jurisdictions across the world have passed new online gambling legislation since the Australian Interactive Gambling Act 2001 came into force. Not one of those jurisdictions has prohibited online in-play sports-betting. Further information can be found at Appendix 2.
- 3.9 Information addressing “what is in-play sports-betting and why consumers prefer to wager that way” is found in Section 8 while Section 9 addresses concerns about online in-play betting which may be raised.

4. What are the factors that cause people to use illegal offshore wagering operators?

- 4.1 Consumers use one wagering site rather than another (just as they use e-commerce sites servicing other sectors) for a variety of reasons, including brand reputation, first-hand or passed-on positive reviews, site speed and ease of use, customer service quality, speed of getting winnings paid etc. Australian-licensed sites, such as Tabcorp, Sportsbet, William Hill and bet365, generally score very highly on these factors and much more highly (in general) than offshore sites. For a customer making a wagering site decision, the two particularly dominant factors are customer value – mostly “good odds”, but also other factors, such as bonuses and incentives – and customer choice, in other words, “can I place the sort of bet that I want on the sport, race, league or event that I want in the way that I want”. This is no different to a consumer choosing Amazon because it has a very wide range of goods and it has, generally, very competitive prices. Our contention is that Australian-licensed sites are significantly disadvantaged compared to their offshore competitors when it comes to these two key factors and also that these factors impact in very different ways in racing and sports respectively:
 - a) With racing, we believe that the customer choice on Australian-licensed sites is excellent, with many high-quality offerings. The key issue is that a relatively small number of high-spending customers may be attracted to offshore sites because of better customer value. Offshore sites have “inbuilt better value” because they do not pay product fees (wagering tax) to Australian racing bodies. These product fees

are high, have increased several times over the past few years, are based on turnover rather than revenue and therefore local operators have to keep their margins relatively high and their customer value lower in order to compensate. bet365 is not arguing against product fees in this submission, though it has to be recognised that no other country in which we operate imposes a similar regime on wagering operators. High racing product fees in Australia are impacting on the customer's value proposition.

- b) With sports-betting, we do not believe the issue relates to value but to customer choice. By way of evidence that there is not a value issue, in Australia last year, bet365 returned 96% of amounts wagered by customers back to customers in the form of winnings. Other operators are also competitive. On this basis, there is no need for consumers to look offshore for value. There is, however, a very strong motivation for consumers to look offshore for choice, since online in-play sports-betting, the largest segment, is prohibited in Australia under the Interactive Gambling Act 2001.

- 4.2 To evidence the scale of the consumer's motivation, 80% of the sports-betting turnover for bet365's non-Australian customers was made in-play in 2014/15 and the proportion has been over 50% since 2008/09. To further illustrate this point, in 2014/15, 90% of bet365's sports-betting customers outside Australia bet in-play at some point, yet 0% of our customers in Australia were allowed to do the same thing. If 90% of customers in the rest of the world are able to place their bets in a certain way and Australian customers are not allowed to do the same, then a large and increasing number of Australian customers will seek out one of the hundreds of offshore sites that *do* offer online in-play sports-betting – and will place many if not all of their bets there.
- 4.3 Potential concerns raised about in-play sports-betting when the Interactive Gambling Act commenced in 2001 (and in commentary since then) are addressed in Section 9. Since 35 jurisdictions around the world have not prohibited online in-play sports-betting since 2001, it is fair to say that these Australian concerns are not generally shared internationally.

5. Responsible Gambling

- 5.1 The Australian Government's Department of Social Services (website www.dss.gov.au) addresses several policy objectives, of which two of the key points are a) to ensure a strong and safer online gambling environment and b) to develop nationally consistent minimum standards. bet365 agrees with these objectives but they are not currently being achieved in Australia. Evidence of this is that although offering consumers voluntary pre-commitment has been a requirement in the UK since 2007, has been a day-one requirement in other jurisdictions we are licensed in, it is not a nationally consistent requirement in Australia.
- 5.2 By contrast, the British Gambling Commission, which licenses all online gambling operators servicing UK consumers, requires all operators to comply with the following as mandatory licence conditions:

- a) Adhere to a robust set of national “Licensing Conditions and Codes of Practice” (LCCP) which deal with responsible gambling and which are the subject of consultation with all stakeholders. They are updated on a regular basis and the most recent set of conditions came into force on 31 October 2015. A further set of new conditions comes into force on 30 April 2016.
- b) As an example of these conditions, the UK licence requirement since 2007 is that a consumer must be able to set a voluntary pre-commitment limit (known in the UK and elsewhere as setting deposit limits). Importantly, the question “Do you wish to set a deposit limit?” must be asked at the time of online registration and cannot be avoided. There is a cooling-off period for any requested increase. The original requirement was further strengthened in 2015 by the requirement to re-confirm any requested increase. The requirement for a consumer to be able to personally self-exclude (again, in force since 2007) has been enhanced by the additional requirement for operators to provide a “self-service” option so that all a consumer has to do is “tick the box” to self-exclude (taking effect within one minute in bet365’s case). A new “time-out” option, where a consumer can take a break for one day, one week or one month was also introduced in 2015 with these short breaks intended to complement the minimum six months that applies to self-exclusion.

- 5.3 These minimum standards of pre-commitment and self-exclusion are also in place in all other jurisdictions in which bet365 is licensed. bet365 has been meeting these minimum standards voluntarily in Australia since launch although they are not yet a general or national requirement in Australia. It is the submission of bet365 that these minimum standards must be introduced for all forms of online gambling. To demonstrate that Australians want these controls, 19.8% of our new Australian customers last year took up the option to set a pre-commitment limit.
- 5.4 Although the UK does have high responsible gambling standards in many respects, it is not the leader in all cases. For example, bet365 has been live with a National Online Self-Exclusion scheme in Denmark (known as ROFUS) since January 2012 and also in Spain (known as the RGIAJ) since June 2012. Such a scheme is planned, but is not yet operational, in the UK. However, it is an existing licence condition in the UK that licensees must join the scheme as soon as it is implemented.
- 5.5 In summary, bet365 supports the introduction and enforcement of a set of national responsible online gambling standards in Australia. The international experience provides ample evidence as to what these standards should be – there is no reason for months or years of debate, these standards have already benefitted millions of customers in multiple countries for some years. For reference bet365 has detailed the recommended specific minimum standards in Section 11.

6. Enforcement Measures

- 6.1 As noted above, each of the jurisdictions (with the exception of Australia) where bet365 is licensed is dealing with a relatively small “illegal offshore” problem – by industry estimates 5% (or less) in the UK, 10% in Denmark and less than 20% in Spain or Italy going offshore compared to up to 76% in Australia. It should also be pointed out that regulators in these jurisdictions are, in general, well resourced. For example, the British Gambling Commission employs around 280 staff who are backed up by confidential telephone hotlines to report non-licensed and other illegal activities.
- 6.2 With the exception of Italy, which did introduce IP (internet traffic) blocking in 2007, no jurisdiction that we are aware of has introduced and implemented IP blocking measures through legislation. The only jurisdictions we are aware of that have introduced payment blocking in recent years are the USA and Norway. Both Italy and Norway have publicly recognised the ineffectiveness of these measures. The USA has yet to do so despite ample evidence that they do not work. Other jurisdictions that have introduced legislation in the past five years have not followed blocking measures, again, for the simple reason that they do not work. The British Gambling Commission was under political pressure to introduce blocking measures but did not do so. They have found some innovative and non-legislative ways to reduce illegal offshore gambling but we believe that these can only be effective if a jurisdiction is trying to address a small problem, not a big one, and has ample resources to do so.

7. Approaches to Betting Integrity

- 7.1 bet365 has signed 20 different “product fee and integrity agreements” with the various Australian racing and sports bodies. bet365 also works with numerous state and federal law enforcement bodies to assist in the investigation of suspicious wagering activities around events.
- 7.2 In the case of sports, Australia has a number of Sports Controlling Bodies (SCBs) which, in general, are very aware of the risks of sporting corruption and hence will conduct betting audits which include players, officials and employees of the various bodies. This is backed up by employment agreements for staff who work at the SCBs – the SCBs also ban employees from placing bets on sports in which they are involved.
- 7.3 The SCBs are also active in protecting their respective sports against perceived integrity issues. Every betting “market” (i.e. a bet type, such as how many runs there will be in an innings) that an Australian bet365 customer places on a sport managed by an SCB must be approved before it can be offered, whether that is a pre-game or in-play market. For example, Cricket Australia prohibits ball-by-ball “micro bets” as does Tennis Australia for point-by-point micro bets. bet365 supports the role of the Australian SCBs as being the main arbitrator of the bet types that should be allowed on their sport.

- 7.4 The other aspect of these agreements relates to product fees. Every Australian-licensed wagering operator contributes to the funding of the various racing and sports bodies based either on a percentage of turnover or a percentage of revenue.
- 7.5 In the UK, bet365 and all other operators licensed by the Gambling Commission are required to report suspicious betting activity under a mandatory licence condition known as LCCP 15.1. Any such reports go to a specialist unit within the Gambling Commission known as the Sports Betting Intelligence Unit (SBIU) and also to the relevant racing or sports body. The SBIU do nothing other than work on sports and racing integrity investigations. The overall scheme is known as the UK Sports and Sports Integrity Action Plan and the Police and the National Crime Agency are a part of the Plan. A link to the Action Plan can be found here: <http://www.gamblingcommission.gov.uk/pdf/SBI-Action-Plan.pdf>.
- 7.6 There is only one UK agreement, but in Australia there are 20 different agreements. Although the situation in Australia could be simpler, and less costly, it is generally regarded as effective. See Appendix 3 for a list of bet365's UK and Australian integrity agreements.
- 7.7 Most importantly – and regardless of whether there is a national approach as in the UK or the approach taken in Australia – if wagering is conducted offshore, then there is no visibility of the wagering activity and the monitoring, detection and prevention of sports corruption must suffer. In bet365's view this is a compelling reason to reduce the proportion of illegal offshore wagering.

8. What is in-play sports-betting and why do people prefer to wager that way?

- 8.1 In-play sports-betting (also called “in-running betting” or “live betting”) is as simple as placing a wager on an event after the event has started, rather than what is typically called pre-game betting which takes place prior to the event. These in-play wagers can be placed during the 80 or 90 minutes of a rugby or soccer match, during a basketball game or tennis match, or during a five-day cricket Test match or a four-day golf tournament.
- 8.2 For the 90% of bet365's customers who like to bet on online in-play sports (all of these customers are based outside Australia), they do so for two main reasons:
 - a) The first relates simply to the immediacy of modern life – Instead of getting our news from the evening television or morning papers, we want it “now” from social media posts and Google News. Rightly or otherwise, the “now” culture is reflected in how people want to wager.
 - b) The second is that many customers find in-play wagering more “interesting”, especially when the unexpected happens, as it often does in a sporting event. For example, in the semi-final of this year's US Open tennis, Serena Williams was playing a rank outsider, Roberta Vinci. Ms Williams was on course to complete the grand slam, Ms Vinci was a huge underdog and before the game, bet365 took very few bets on who was going to win as it was generally accepted that “the result was obvious”. Ms Williams won the first set and was 2-0 up in the second set. The outcome seemed inevitable. Ms Vinci then turned it around and managed to win,

almost unbelievably, and in-play wagering reached very high levels as customers asked themselves “can she really do it?” and 90% of the bets on who was going to win were placed in-play.

9. What are the concerns raised about in-play wagering?

9.1 Concerns fall into three main categories:

- a) it may encourage “repetitive gambling” and therefore possibly increase problem gambling.
- b) it may raise sports-betting integrity concerns.
- c) it may result in just “more gambling”.

9.2 Before addressing each of these concerns, it should be pointed out that the other 35 jurisdictions which have introduced legislation since the Interactive Gambling Act 2001 may well have had concerns of their own but not one has prohibited online in-play sports-betting.

9.3 **Repetitive Gambling**

bet365 understands that there is research that shows repetitive play on Electronic Gaming Machines (“pokies”) may cause customers to “disassociate” or “get into the zone” where they can lose track of time and/or expenditure. This is understandable when a spin can be made approximately every four seconds and there are no easily available expenditure or time controls. We do not however believe the same risk applies in say a game of cricket or tennis where balls or points are separated by, on average, 40 seconds and there are longer breaks between overs or games. The British Gambling Commission has also commented on problem gambling in their report on in-play and states “so far there has not been evidence to suggest that in-running betting poses a specific identifiable risk to problem gambling as opposed to other forms of betting or online gambling”. Please see:

[http://www.gamblingcommission.gov.uk/pdf/In-running_betting_position_paper - March 2009.pdf](http://www.gamblingcommission.gov.uk/pdf/In-running_betting_position_paper_-_March_2009.pdf)

9.4 **Sports-betting Integrity** – this is just as much of a concern to bet365 as it is to individual sporting bodies.

- a) To quote the British Gambling Commission again, they say in the report linked to above that whilst “research work identifies areas of theoretical risk to betting integrity, there have been relatively few incidents reported of concerns over (in-play) betting patterns and even fewer that still appear suspect after initial examination”.
- b) Another study, from the Asser International Sports Law Centre in 2015 also said that “the claim that side bets (micro-bets) pose significant match-fixing risks lacks empirical support” and “the claim that live betting would pose a specific or greater match fixing risk in comparison to traditional pre-match betting lacks empirical evidence” The full report is here: <http://www.asser.nl/about-the-institute/news/the-odds-of-match-fixing-facts-figures-on-the-integrity-risk-of-certain-sports-bets/>



- c) As pointed out in Section 7, all licensed Australian wagering operators can only offer bet types on Australian sports, both in-play and pre-game, that are approved by the Sports Controlling Body.

9.5 **More Gambling** – Whilst the overall global wagering market (all forms, land-based and online) has grown relatively slowly, there have been and will continue to be major shifts and displacements within the market – for example, from land-based to online, from racing to sports, from pre-game to in-play and from desktop to mobile. We do not believe that online in-play sports-betting increases overall wagering spend, it results in the same market displacement that has already happened elsewhere in the world.

- a) The UK-based consultancy, Regulus Partners, has looked at the available UK data from 2005 to 2014 and has concluded that the total wagering market (racing and sports, land-based, online and telephone) grew at an average of just 2.7% per year during that period but with much bigger shifts by sector i.e. land-based wagering was down by an average 1.8% a year, telephone betting was down by an average 9.6% a year, but online betting (including in-play) grew at an average 18.7% a year. The end result has been an overall wagering market that has grown at barely above the rate of inflation, but dramatic displacement within that market.
- b) bet365 also understand that the Australian Wagering Council has commissioned a report from the research and analytics company, H2GC, which will affirm the position above.

10. **bet365 and Responsible Gambling**

- 10.1 bet365 is strongly committed to responsible gambling. Apart from meeting the required standards in each jurisdiction where we are licensed, we offer the following evidence to support that claim.
- 10.2 In both 2013/14 and 2014/15, bet365 contributed in excess of \$1 million to the Responsible Gambling Trust (RGT), a UK-based problem gambling charity which provides treatment and sponsors research.
- 10.3 bet365 offers high responsible gambling standards to consumers in all jurisdictions even where it is not required to do so as a licence condition. As an example, although pre-commitment (deposit limits) was not required under our Northern Territory licence until September 2015, we have offered it to all of our Australian customers since going live with the Australian site in June 2012. In 2014/15, 19.8% of our new Australian customers availed themselves of this financial control facility. This is proof that Australians want and need to be offered this control and bet365's strong view is that it should be a compulsory licensing requirement for all operators and for all forms of online gambling licensed by all Australian jurisdictions.
- 10.4 In 2014/15, 1,328 of bet365's Australian customers self-excluded from all online wagering. They can do this electronically and immediately on our website. In contrast, several

Australian jurisdictions do not require this facility to be offered and although some licensed operators do so voluntarily, the customer has to fill in a form and put it in the post.

- 10.5 Other facilities required to be implemented in the UK by 31 October 2015 (and not legally required in Australia) have also already been implemented for our Australian customers, including time-outs, deposit limit confirmations and betting time activity alerts.

11. Recommended Minimum Online Responsible Gambling Standards

- 11.1 In bet365's view there should be a set of nationally applicable responsible gambling standards which are required and enforced by all licensing jurisdictions. Below we have detailed a minimum set of standards which we believe should be adopted straight away. All these standards are proven and some have been in place since 2007, benefiting millions of consumers in other countries. They do not need to be discussed over months or years.
- 11.2 **Financial Self Control** - This key control, usually known as "deposit limits" in other jurisdictions but known as "voluntary pre-commitment" in Australia, is a must. The question "do you wish to set a deposit limit?" should be asked during the registration or first deposit process and customers should be compelled to answer. If the customer says "yes" they should then get the choice of setting a daily, weekly or monthly limit, which is applied immediately, and can only be increased after a 24-hour cooling off period.
- 11.3 **Personal Self-Exclusion** - This should be set as a prominently-flagged online self-service option so all the customer has to do is "tick the box" on the website and they are excluded immediately (within a maximum of one minute) from all gambling. They should be able get access to their account to withdraw funds. During the self-exclusion period, they should not be sent marketing material. Our view is that the minimum length should be six months.
- 11.4 **Time-Outs** - This is an alternative/complement to self-exclusion and applies for shorter periods, such as one day, week or month.
- 11.5 **Time Checks** - This involves the customer setting a parameter such that they want to be reminded whenever a specific period of time has elapsed, to indicate that they are still logged in and/or gambling. The time check has to be acknowledged before play can proceed.
- 11.6 **Self-help tools and references** - These include links to the controls above plus questionnaires, self-help sites, specialist support and other information. As an example, please see help.bet365.com.au/en/responsible-gambling.

12. Recommended Medium Term Goals for Online Responsible Gambling Standards

- 12.1 National online self-exclusion scheme
- a) Such a scheme has been in place in Denmark (called ROFUS) since January 2012 and in Spain (called RGIAJ), also since 2012. Participation is a mandatory licence requirement for all online operators. Both schemes are run by the national gambling regulator. The projects were assisted by both countries having national identity card

systems so there is no confusion as to identity. Both countries consider the cost and resource required to be low compared to the benefit.

- b) The UK's national gambling regulator, the Gambling Commission, has also made it a mandatory licence requirement for online operators to join such a scheme when it is ready. There is no national identity card scheme in the UK so implementation is more complex but a combined Gambling Commission and industry working group (of which bet365 is a part) has been working on the technical, data protection and other issues and a full consultation is expected before the end of 2015, with implementation expected in 2017.
- c) In bet365's view, a national self-exclusion scheme would be very beneficial for Australians and should be driven and implemented by the Federal Government.

12.2 Proactive customer protection

- a) Operators should also provide proactive help – for example, targeted messages or questionnaires – where it looks like customers may be getting themselves into trouble but haven't recognised it yet. As an example, a customer who requests increased deposit limits over a short time period may be heading towards a problem. These potential harm indicators or triggers can also be combined, e.g. a customer who requests increased deposit limits and changes their payment method may be at more risk than a customer who only does one of those things. bet365 started an initiative to provide our customers with such proactive help in late 2014 and the early results are promising. Again, bet365 also extends this service to our Australian customers. The company will be sharing its findings with the Responsible Gambling Trust (RGT, an industry-funded treatment and research body in the UK) and we are also using two external partners to complement our own internal expertise.

13. International Responsible Gambling Comparison

- 13.1 It is not possible to compare each of our international licensing jurisdictions with each of the States and Territories in Australia in a simple table but we have provided in Appendix 4 a sample of responsible gambling controls in the UK, the Northern Territory (where bet365 and many other corporate bookmakers are licensed), New South Wales and Victoria.
- 13.2 By way of a simple analysis, voluntary pre-commitment has been required as a condition of the licence in the UK since 2007, in the Northern Territory since September 2015 (with industry requests to implement the same going back to June 2013) but it is not in place in either NSW or Victoria. As a generality, Australian responsible gambling standards are inconsistent and a long way behind international best practice. bet365's position is that this needs to be addressed as a matter of urgency and that consistent national minimum standards should be put in place so that all online gambling jurisdictions, operators and consumers are covered by them.

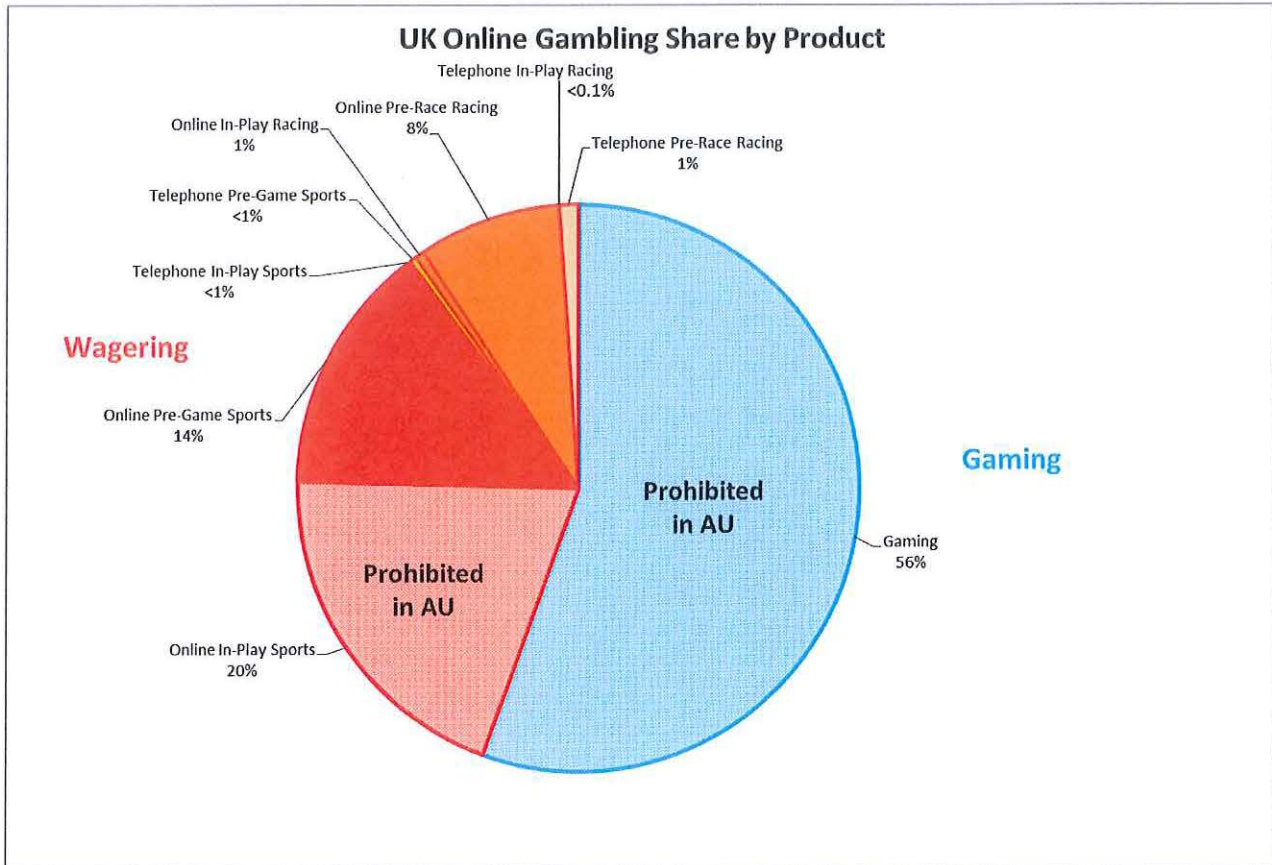
14. Case Study on another Jurisdiction – the UK

- 14.1 Much has been made in this submission of the UK's approach towards responsible gambling and the important role of its national gambling regulator, the Gambling Commission, <http://www.gamblingcommission.gov.uk> This positive situation did not occur in a vacuum but is the result of long-term Government policy in a number of areas including the following:
- 14.2 Government policy with regard to gambling has to be based on research and evidence rather than just opinion, so the UK Government has funded long-term and consistent research into the prevalence of gambling and problem gambling with wide-scale surveys being carried out in 1999, 2007, 2010, and 2013. The next survey will happen in 2016. For further information, visit www.gamblingcommission.gov.uk/Gambling-data-analysis/Gambling-participation/BGPS/BGPS.aspx
- 14.3 A UK Government Department called the Department for Culture, Media and Sport (DCMS, www.gov.uk/government/organisations/departments-for-culture-media-sport) has had long-term policy responsibility for gambling and is also responsible for sports, which has helped in a coordinated approach on betting integrity. The DCMS is responsible for legislation and sets overall policy, in conjunction with the Gambling Commission, guided by the research.
- 14.4 The Gambling Commission sets more detailed policy and, very importantly, regulations, of which the most important aspect is the licensing conditions and codes of practice (LCCP) which govern how we and other operators engage with consumers in the UK.
- 14.5 The Gambling Commission is advised on responsible gambling strategy by the Responsible Gambling Strategy Board (RGSB, www.rgsb.org.uk) and a separate organisation, largely funded by the industry itself, known as the Responsible Gambling Trust (RGT, www.responsiblegamblingtrust.org.uk) funds education, research and treatment centres. The RGT raised GB£6.5million (\$AU 13.9 million) from industry in 2014/15.
- 14.6 In summary, the UK regime is effective in meeting the policy goals to keep crime out of gambling, to conduct gambling fairly and openly and to protect the vulnerable. It also greatly assists in keeping gambling's economic activity within the Government's control.

15. Next Steps

bet365 would be pleased to provide additional information regarding these important issues through additional face-to-face engagement, or through submitting additional written material.

Appendix 1



Source: Gambling Compliance Research Services (GCRS), bet365

Appendix 2

GCRS Research - November 2015

JURISDICTIONS WHICH HAVE INTRODUCED ONLINE SPORTSBETTING LEGISLATION SINCE 2001

Jurisdiction	Date of Legislation	Legislative Framework	Is Online Sportsbetting explicitly permitted?	Is Online In-Play Sportsbetting prohibited?
Australia	11/07/2001	Interactive Gambling Act 2001	Yes	Yes
Colombia	16/01/2001	Law 643/2001	Yes	No
Finland	23/11/2001	Lotteries Act 2001	Yes	No
Philippines	01/01/2003	Cagayan Economic Zone and Free Port's Interactive Gaming Act 2003	Yes	No
Tanzania	05/04/2003	The Gaming Act 2003	Yes	No
New Zealand	18/09/2003	Gambling Act 2003	Yes	No
Malta	20/04/2004	Remote Gambling Regulations 2004	Yes	No
Montenegro	28/07/2004	Law on Games of Chance	Yes	No
South Africa	01/11/2004	National Gambling Act 7 of 2004	Yes	No
Slovakia	16/03/2005	Law 171/2005	Yes	No
United Kingdom	07/04/2005	Gambling Act 2005	Yes	No
Latvia	17/11/2005	Gambling and Lotteries Act 2006	Yes	No
Italy	01/03/2006	Decree 111/2006	Yes	No
Estonia	15/10/2008	Gambling Act 2009	Yes	No
Romania	24/06/2009	Emergency Ordinance 77/2009 as amended	Yes	No
Croatia	10/07/2009	Act on Games of Chance 2009	Yes	No
Poland	19/11/2009	Gambling Act 2009	Yes	No
India-Sikkim	30/03/2010	Sikkim Online Gaming (Regulation) Amendment Rules 2010	Yes	No

Jurisdiction	Date of Legislation	Legislative Framework	Is Online Sportsbetting explicitly permitted?	Is Online In-Play Sportsbetting prohibited?
France	12/05/2010	Online Gambling Act of May 2010	Yes	No
Denmark	04/06/2010	Gambling Act 2010	Yes	No
Liechtenstein	30/06/2010	Gambling Act 2010	Yes	No
Bolivia	25/11/2010	Law 60/2010	Yes	No
Nicaragua	25/05/2011	Law 766/2011	Yes	No
Spain	27/05/2011	Law 13/2011	Yes	No
Greece	22/08/2011	Law 4002/2011	Yes	No
Georgia	09/11/2011	Law of Georgia on lotteries, Games of Chance and other Winning Games	Yes	No
Serbia	02/12/2012	Act on Games of Chance 2011	Yes	No
Germany	15/12/2011	Interstate Treaty on Gambling 2011	Yes	No
Bulgaria	30/03/2012	Gambling Act 2012	Yes	No
Cyprus	11/07/2012	Law 106 (i) 2012	Yes	No
Singapore	18/11/2014	Remote Gambling Act 2014	Yes	No
Ireland	15/03/2015	Betting (Amendment) Act 2015	Yes	No
Portugal	29/04/2015	Decree Law 66/2015	Yes	No
Lithuania	21/05/2015	Gambling Act 2001 as Amended by Law XII-1734/2015	Yes	No
Bosnia and Herzegovina	24/06/2015	Act on Games of Chance	Yes	No
Nevada	Revised August 2015	Nevada Regulation 22 Nevada Revised Statutes 463	Yes (mobile only)	No

JURISDICTIONS WHICH ARE CURRENTLY UPDATING THEIR GAMBLING LEGISLATION

Jurisdiction	Draft Proposal	Is the Jurisdiction considering prohibiting Online In-Play Sportsbetting?	Additional Comments
Czech Republic	Draft Gambling Act 2015	No	Draft legislation awaiting approval
Mexico	Draft Federal Gaming and Raffles Law	No	Draft legislation awaiting approval
Netherlands	Draft Gambling Act	No	Draft legislation awaiting approval



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Gambling Compliance Research Services is a full service provider of legal, regulatory, political and business insight for the global gambling industry.

Based in London, Washington D.C., San Francisco and Taipei, we offer existing market participants, regulators, governments and investors easily accessible and up-to-date information on market realities, and a reliable and independent listening post to monitor legislative developments at local level.

Tracking regulatory change across the global gambling industry is our core business, which means we can provide you with immediate access to an independent, cost effective and skilled team to deliver tailored research reports.

Contact us to find out more: research@gamblingcompliance.com

Appendix 3

Betting integrity agreements – sports and racing

- In Australia, bet365 pays product fees to major racing and sporting bodies.
- Effectively, this is a tax on wagering.
- Payment of these fees makes it legal for us to offer markets on the racing and sporting events that the racing and sporting organisations conduct.
- Betting integrity agreements also compel us to immediately report any suspicious behaviour and betting patterns.
- While overseas-based websites offer Australians the opportunity to bet on Australian racing and sport, none pay product fees to Australian racing and sporting organisations.

Jurisdiction	Agreement with	Is there a product fee?
United Kingdom	British Gambling Commission	No
Australian Racing	Racing Victoria	Yes
	Greyhound Racing Victoria	Yes
	Harness Racing Victoria	Yes
	Racing NSW	Yes
	Greyhound Racing NSW	Yes
	Harness Racing NSW	Yes
	South Australian horse/harness/greyhound racing	Yes
	Racing Queensland	Yes
	Racing and Wagering WA	Yes
	Tasmanian horse/harness/greyhound racing	Yes
	ACT horse/harness/greyhound racing	Yes
	NT racing	Yes
Australian Sports	Australian Football League	Yes
	National Rugby League	Yes
	Cricket Australia	Yes
	Football Federation Australia	Yes
	Tennis Australia	Yes
	Australian Rugby Union	Yes
	Professional Golfers Association (PGA)	Yes
	Netball Australia	Yes

Appendix 4

Online Responsible Gambling Licensing Requirements – UK/Australia Comparisons

<u>Online Responsible Gambling Control</u>	<u>United Kingdom</u>	<u>Northern Territory</u>	<u>New South Wales</u>	<u>Victoria</u>
Pre-commitment (deposit limit self-control). Question compulsory on registration, with 1 day, 1 week, 1 month options and 24-hour cooling off on increases	Yes (since 2007)	Yes (since Sept 2015)	No	No (though Tabcorp makes limits available on request)
- Confirm increase post-cooling off	Yes (2015)	No	No	No
Personal self-exclusion, minimum 6 months	Yes (2007)	Yes (no minimum time period)	No (Tabcorp offers the BetCare self-exclusion program voluntarily)	No (Tabcorp offers the BetCare self-exclusion program voluntarily)
- Automated process to self-exclude	Yes (2015)	No (in new responsible gambling draft however)	No	No
- Must request return	Yes (2015)	No	No	No
National self-exclusion scheme	Yes (as a license requirement, not yet implemented)	No	No	No
Time out (1 day/1 week/1 month)	Yes (2015)	No	No	No
- Confirm return	Yes	No	No	No
Time played reminders	Yes (2015)	No	No	No
- Confirm to continue	Yes	No	No	No
Name and age verification time period	72 hours	45 days (since Sept 2015, was 90 days previously)	90 days	90 days
Responsible gambling self-help tools, i.e. access to problem gambling helplines	Yes (since 2007)	Yes	No (Tabcorp does provide this voluntarily)	Yes

Note: The above only considers the requirements that are imposed by a jurisdiction's legislation/regulation for the online betting/wagering companies licensed in that jurisdiction.

IN THE AUSTRALIAN COMPETITION TRIBUNAL

ACT 1 of 2017

RE: PROPOSED ACQUISITION OF TATTS GROUP LIMITED BY TABCORP HOLDINGS LIMITED

ANNEXURE CERTIFICATE

This is the annexure marked "TMB-3" annexed to the statement of TIMOTHY MOORE-BARTON dated 13 April 2017.

Annexure TMB-3

Copy of UBET media release dated 9 April 2015 relating to the opening of UBET's first store in Brisbane and a print out from the 2015 Sydney Design Award website summarising the UBET Retail Experience



Australia's first UBET store opens in New Farm

Strictly embargoed: 9 April 2015

A new era of retail sport and race betting began today with the opening of Australia's first UBET store in Brisbane.

The historic opening saw bets placed at the New Farm store, marking the first significant milestone in the rebranding of TattsBet to UBET and the commencement of a multi-million dollar overhaul of over 1,200 outlets in the retail network.

The investment by parent company, Tatts Group, in the new brand and retail concept is targeting increased sales from the remodelled stores, to lift market share and to secure the future of the racing industry in Queensland, following the signing of a 30-year exclusive wagering licence in 2014.

In 1962 TAB Queensland, then a government entity, commenced trading with 11 stores in Brisbane and the Gold Coast. TattsBet now operates in more than 1,200 locations across the country, generating sales in excess of \$3.5 billion and employing – directly and indirectly - more than 3,000 people.

The new UBET lab store is a dramatic change from the old 'TAB' model, with cutting edge video wall technology, sound canopies to provide directional audio as well as sports stadium seating, bringing to life the concept billed as 'your home arena'.

In an Australian first, the inclusion of UBET Live, a digital, in-play sports betting solution will allow punters to bet through a customized app on a tablet device.

Chief Operating Officer Barrie Fletton said this was the first significant milestone for the UBET brand ahead of the full production launch which will become active imminently. It will include a new website and mobile apps.

"The customer and innovation have been at the heart of this concept. This is designed to be a fully-immersive experience, second only to being at the game or at the track," Mr Fletton said.

"This is a vastly improved experience for our existing customers. We expect to attract a younger, more sports-focussed punter who might not have previously found the TAB to be appealing.

MEDIA RELEASE



"We're taking a very customer-centric approach to the project. This is what we call a 'lab' or test store. We'll be gathering feedback from customers to understand what they like and if there are any modifications we need to make before we embark on our full roll out."

Mr Fletton said the convergence of digital and retail was another important aspect of the new store.

"This is an unprecedented investment in our retail operations. While the online channel is growing, retail still represents 70 percent of our business and gives us a unique and truly multi-channel offering, compared to the online-only competitors.

"The new concept allows us to better align those two worlds. UBET Live is without doubt a game-changer for wagering in Australia, allowing punters the flexibility and ease to bet live on an in-house digital platform. This is a huge advantage for us as we look to grow market share in a highly competitive sector," he said.

Mr Fletton said the rollout of the concept across the 1,200 retail outlets, nationally, would take three to four years.

"It will be a phased approach and in line with our overall retail strategy to ensure we are where our customers want us," he said.

Around 42 stand alone agencies and around 250 Pub and ClubTABs would become UBET stores over the next 12 months.

UBET will launch nationally in April.

ENDS

Notes to editors:

- UBET New Farm is the first of Tatts Group's new wagering retail outlets to be launched in Australia, located at 98 Merthyr Road, New Farm, 4005, Queensland.
- Around 42 standalone and 250 Pub and Club outlets to be rebranded UBET in first twelve months.
- Entire retail network to change over three to four years.
- A time capsule to commemorate the occasion will be gifted to the Queensland Racing Museum.



Concept

'Your home arena' – a fully immersive sports entertainment experience. The concept has been designed to deliver:

- Brand consistency across all customer touch points
- Future-proof design to accommodate technological advancements
- Modular and scalable to adapt to different retail environments
- Technology convergence – a seamless integration across online and retail platforms
- Safety and security will be paramount
- Removal of barriers to increase social interactions and improve service.

Digital innovation

- Video wall technology: cutting edge video technology will enable the racing and sports vision to be adapted to suit the occasion. The central entertainment hub features two screen walls each consisting of twelve 42-inch thin bezel monitors (6 x 2 grid).
- UBET Live is an Australian first: an innovative standalone unit dispensing tablet devices, with a dynamic app allowing punters to bet on a digital platform in the comfort of their seat, subject to regulatory approval.
- A new betting terminal which is more interactive, intuitive and allows for customers to make one-touch quick bets and bet corrections, subject to regulatory approval.
- UBET Self-Service: An enhanced self-service terminal accepting cash and UBET self-service card (cash acceptance not available in SA or TAS), subject to regulatory approval.
- Sound canopies have been introduced to provide directional and highly-focused audio within specific zones of the store.
- USB ports: available to charge personal devices.
- Headphone jacks: allows the punter to tune in to their audio of choice in their personal space.

For more information:

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[\[SYD15\]](#)

Key Dates

~~30 June 2015~~ — Earlybird Deadline

~~14 July 2015~~ — Standard Deadline

~~30 July 2015~~ — Extended Deadline

~~4 August 2015~~ — Judging & Ratings

~~4 August 2015~~ — Rating Closes

~~5 August 2015~~ — Winners Announced

~~12 August 2015~~ — Awards Presentation

[Support](#)

UBET Retail Experience

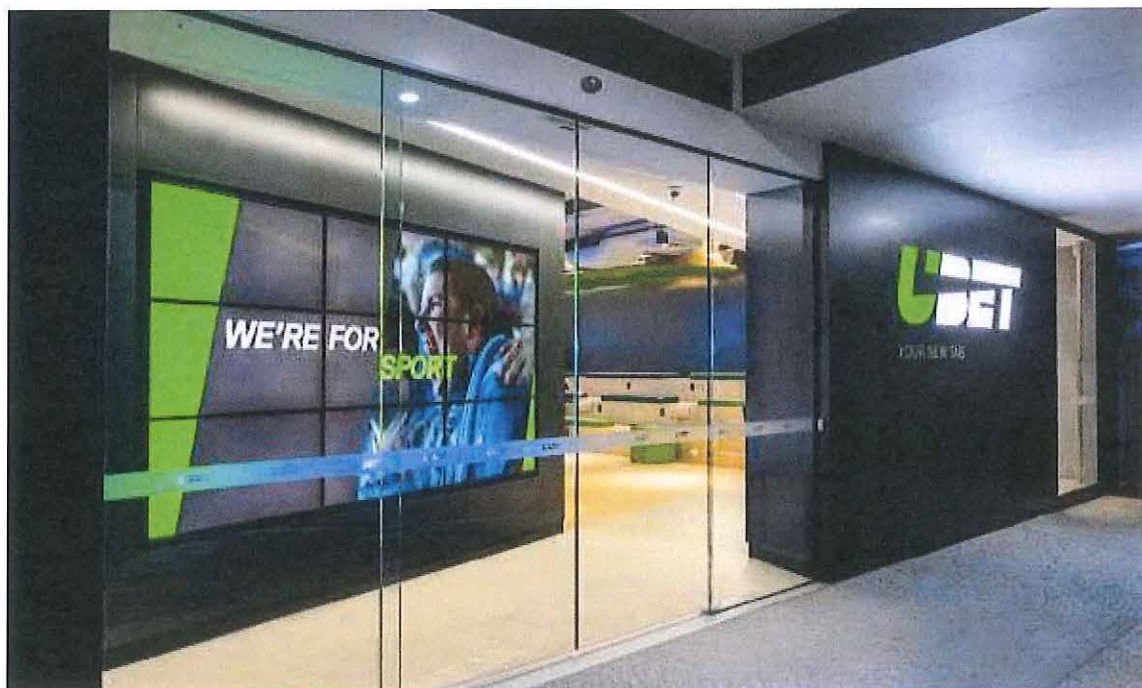
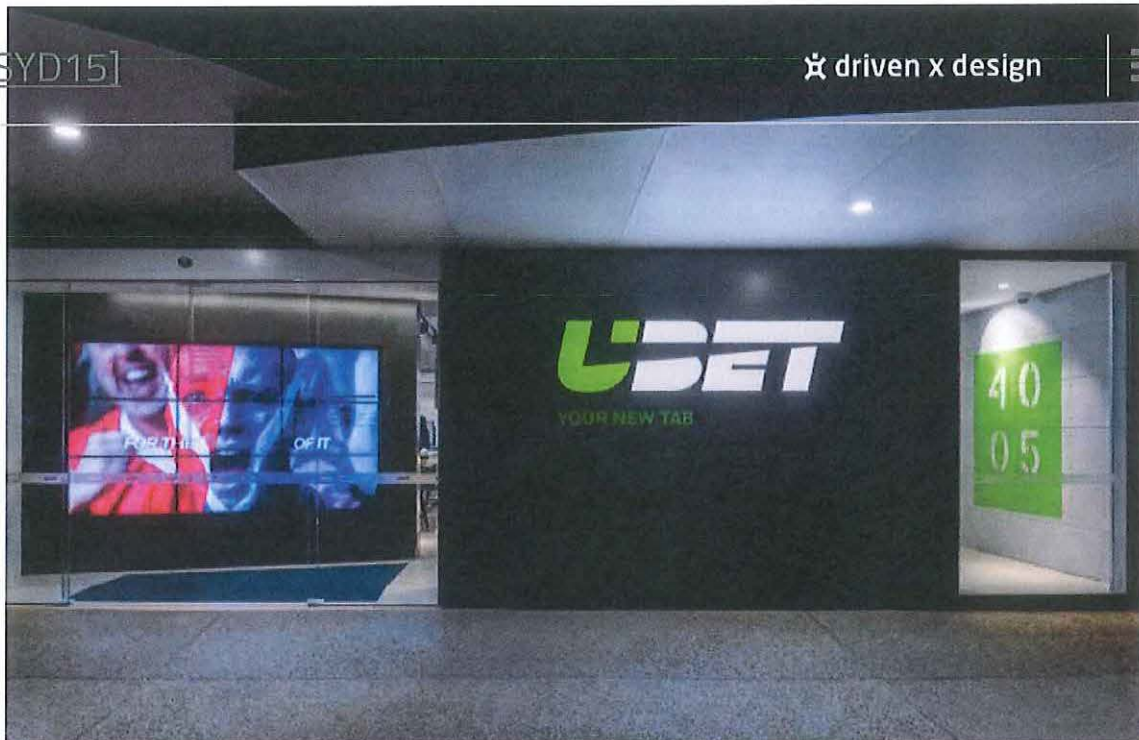
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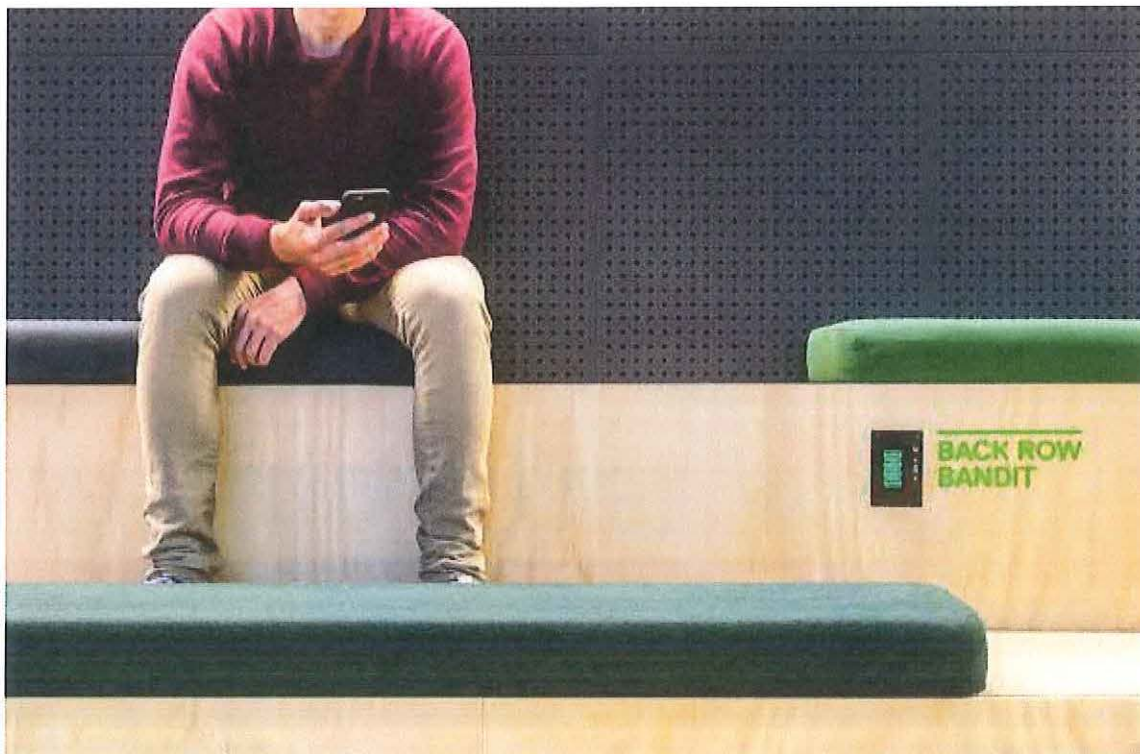
[Tatts Group](#) / [Hulsbosch/McCartney Design](#) | [Service Design - Retail](#)



[SYD15]

driven x design

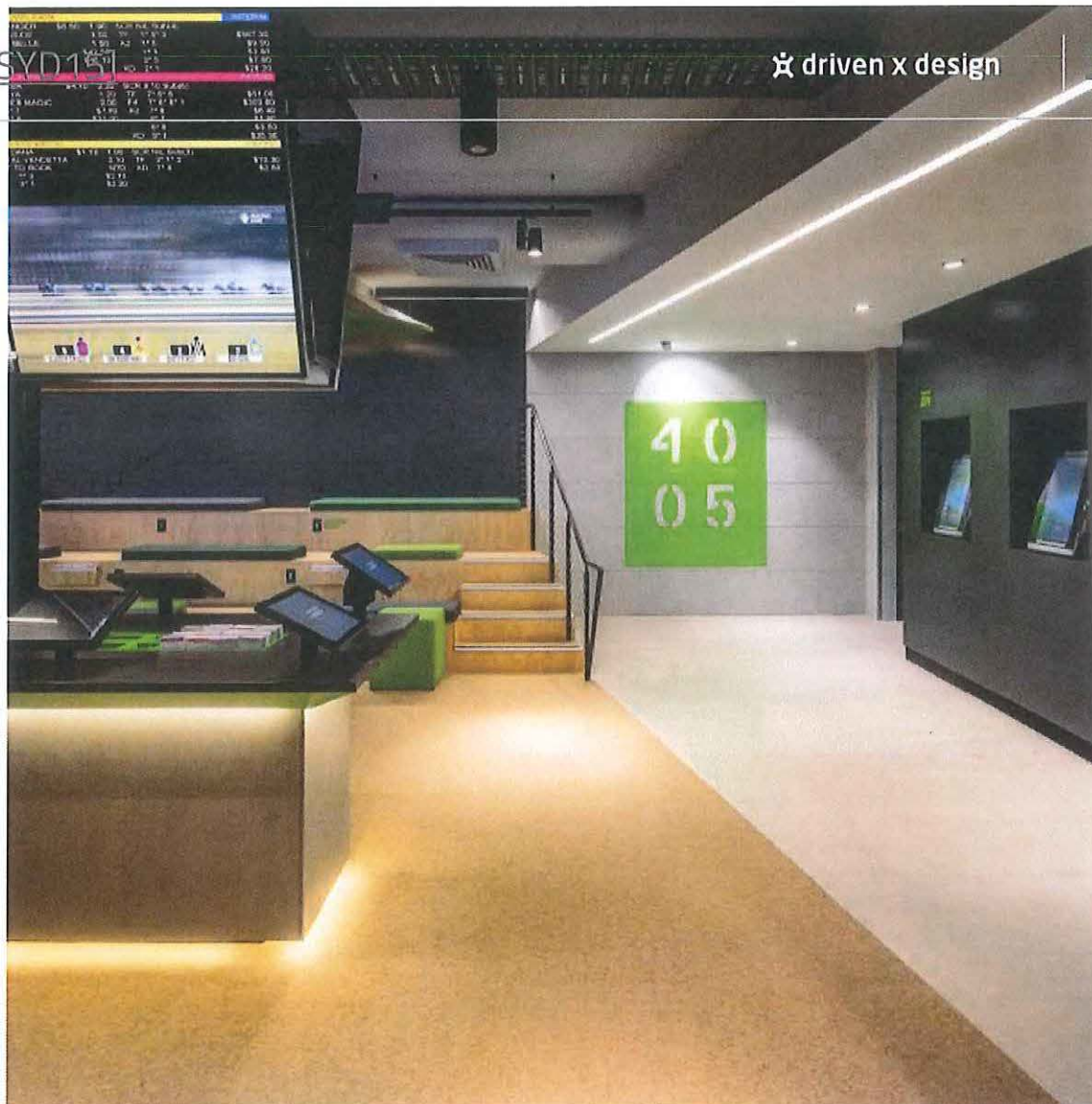


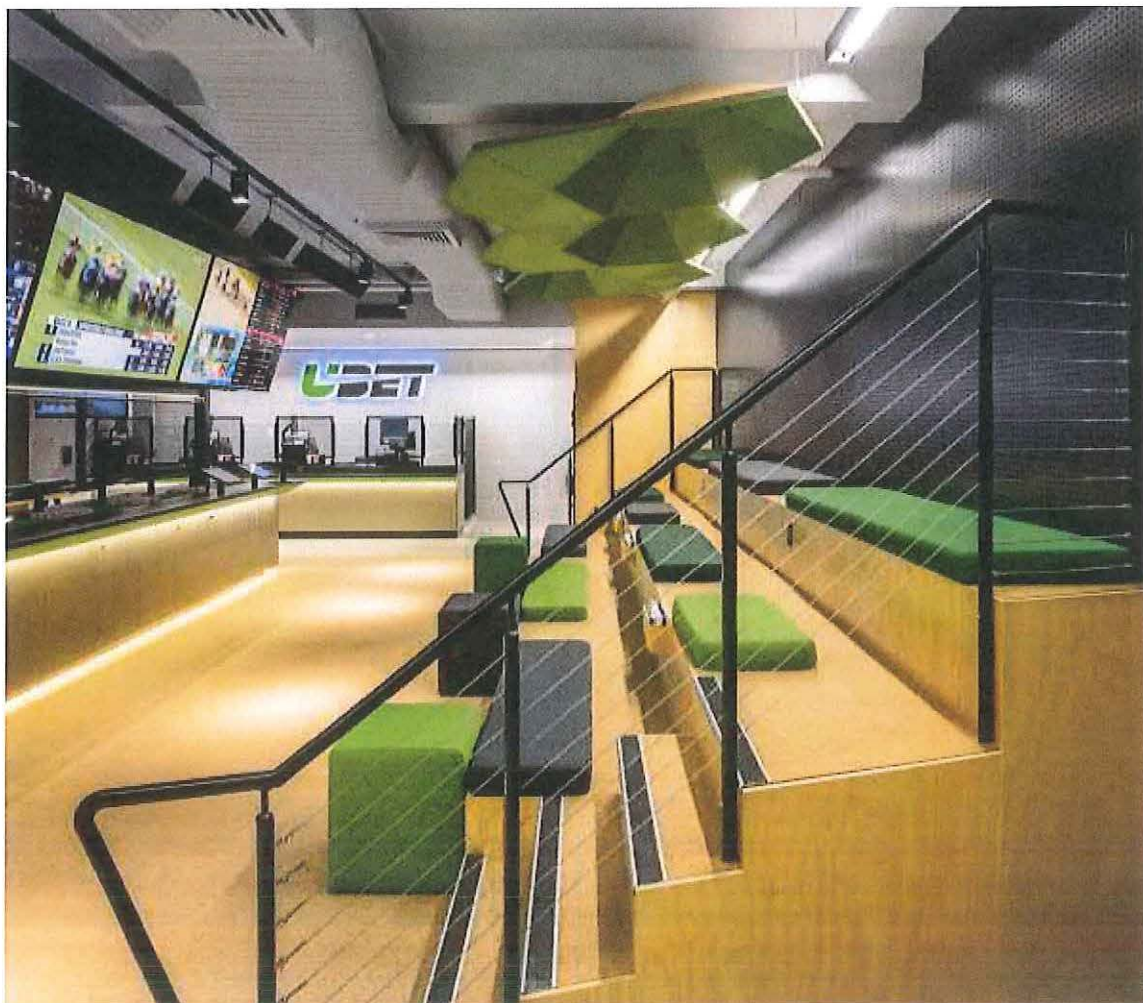


[SYD15]

driven x design







[SYD15]
Photo Credit : Steve Back



[Website](#)
[SYD15]
[Twitter](#)



TattsBet is Australia's largest race and sports betting provider with 1,400 retail outlets nationwide. In December 2014, the company unified its betting operations under the new brand UBET as part of a transformation process to reclaim its leadership position in a highly competitive consumer sector. The UBET store is the first of a rollout of stores that bring the new brand to life in the retail arena.

Nomination Commissioner

Tatts Group

Nomination Creator

Hulsbosch/McCartney Design

Team

Hulsbosch

-

Hans Hulsbosch, Executive Creative Director

Jaid Hulsbosch, Director

Linda Jukic, Creative Director

Belinda Hubball, Design Director

Phil Wadewitz, Senior Designer

Sophie Zetterberg, Designer

Samantha Pang, Account Manager

McCartney Design

-

Gary McCartney, Owner/Creative Director

Tarquin Willis, Design Director

Zita-Mari Seymore, Senior Designer

Sinéad Kelly, Client Services Manager

Bettina Easton, E-Lux Lighting Designer & Consultant

Project Brief [SYD15]



The brief was to bring about a revolution in retail wagering and to set an international benchmark – not only in what it looks like but in how it's done. To overcome the tired, uninspiring stores of the past and entice a younger, sport-focused customer in store alongside the existing (sometimes older) racing customer – ultimately appealing to a broader range of punters and creating a more dynamic experience.

Project Innovation/Need

Opportunities identified from extensive ethnographic research by Hulsbosch and Tatt's enabled us to deliver a best-in-class and first-to-market experience across sight, sound, touch and scent. This included self-service terminals, virtual betting, Wi-Fi infrastructure and directional audio technology.

Branded and BYO digital devices also enable Australia's first 'in-play' betting platform (UBET Live), allowing punters to bet in-play on branded tablets from the comfort of their seat, anywhere in the store.

A distinct tone of voice applied across the internal signage system brings to life the thrilling and sociable aspects, expressing the new brand personality and increasing brand awareness and product engagement.

The store layout is also a key innovation – literally turning the TAB of old, inside out. The screens were moved from the outside walls to the centre of the store, transforming it in to an immersive and social environment.

Design Challenge

There were a number of challenges – the retail destination needed to merge racing, sport and entertainment under one roof, appealing to different customer groups at the same time. To address this, we conceived a strategy around the 'local arena', creating a space that was the next best thing to being at the game.

The customer journey was also fragmented. We reimagined the space to be more seamless – improving flow, efficiencies and engagement through a new zoning strategy.

And to create a unique space that stood out from the competitors, we

designed an entirely bespoke fit-out – with the grandstand, central screen hub, walkstations, bleachers, transaction zone and 'sound canopies' all derivative of the UBET logo.



Finally, the fitout needed to be cost-effective, modular and scalable to adapt to different retail outlets across the network and position UBET as the betting brand experience of choice, bringing to life its new values – thrilling, passionate, social and fun.

User Experience

The new, retail experience has more than delivered for UBET with an increase of 110% in foot traffic on key betting days. Dwell time and comfort metrics increased among existing patrons and the attraction and visitation of the targeted young male demographic was noted.

The store's licensee has seen immediate adoption in online behavior through the branded and BYO devices, including Australia's first 'in-play' betting platform (UBET Live). This has required additional support staff to cater for customer education and technology support.

An extensive PR campaign which secured international earned-media across all channels has also contributed to increased brand awareness.

UBET Chief Operating Officer Barrie Fletton said, 'The customer and innovation have been at the heart of this concept. This is designed to be a fully-immersive experience, second only to being at the game or at the track.'

Service Design - Retail

This award celebrates creative and innovative design in the retail environment. Consideration given to attracting, engaging and motivating customers to make purchases, the use of colour, lighting, space, product information, sensory inputs (smell, touch, sound) as well as technologies such as digital displays and interactive installations.

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CITY DESIGN TOUR - Nov 06-25

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