



20 May 2013

Bills Committee on Betting Duty (Amendment) Bill 2013
Legislative Council Secretariat
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To whom this may concern

Please find attached the submission to the Bills Committee on Betting Duty (Amendment) Bill 2013.

Yours sincerely,

A handwritten signature in black ink, appearing to be "Brendan Parnell", is written over a horizontal line.

Brendan Parnell
Chief Operating Officer, Media & International - Tabcorp

Submission to the Bills Committee on Betting Duty (Amendment) Bill 2013

We understand that the Hong Kong Legislative Council is presently considering the Betting Duty (Amendment) Bill 2013 which, in part, deals with the possibility of the co-mingling of the Hong Kong Jockey Club's (HKJC) totalisator pools, both in and out of, Hong Kong and the removal of taxation on foreign bets.

Tabcorp Holdings Limited is Australia's leading wagering, gaming, racing media and Keno operator. It is a top 100 ASX listed company with more than 132,000 shareholders.

Tabcorp operates a strong portfolio of customer brands, serving millions of customers each year. The company's operations include:

- Wagering in the states of NSW and Victoria through a TAB-branded network of approximately 2,900 agencies and licensed venues, as well as on-course, telephone, interactive and online channels.
- Luxbet, a national online racing and sports bookmaking business, based in the Northern Territory.
- The Sky Racing media business which broadcasts more than 85,000 races a year to 2.4 million homes and 5,400 commercial outlets.
- The Sky Sports Radio network in NSW.
- Keno through approximately 3,600 licensed venues in NSW, Victoria and Queensland.
- Tabcorp Gaming Solutions, the leading gaming services provider to licensed venues under Victoria's new gambling industry structure.

Tabcorp's wagering retail distribution network stretches across Australia's two most populous states, NSW and Victoria. It operates under the TAB brand, serving 1.8 million customers annually. Tabcorp also operates on-course betting at 270 racetracks in Victoria, NSW and Queensland.

TAB has more than 315,000 active account customers who access totalisator and fixed odds betting products through tab.com.au, iPhone, iPad and android betting applications, telephone betting and TAB active which is available through subscription television services.

Tabcorp returned more than \$650 million to the racing industry in the 2012 financial year

Sky Racing is a world leader in Australian and international race broadcasting and is part of Tabcorp's Media and International business. Sky operates three racing television channels in Australia, as well as Sky Sports Radio.

Sky Racing's international business exports Australian and New Zealand racing to 51 countries and imports racing content from 10 countries. The company is also a leader in global co-mingling.

Tabcorp has had many years of experience with co-mingling, both domestically in Australia and internationally across the globe in various time zones.

Tabcorp believes that this submission can provide the committee with further insight into the growing international trend of co-mingling totalisator pools based on 'day to day' practical experience and its dialogue with wagering regulators across the globe.

Betting is offered by Tabcorp to its customers on over 85,000 races per year, 7 days per week. Whilst totalisator betting is offered on all of these races, fixed odds betting is increasingly also being provided. In 2012, turnover reached \$A10.24b.

Our global coverage of racing extends to Hong Kong, Japan, Singapore, United Kingdom, France, New Zealand, South Africa, Dubai, Canada and the USA.

Tabcorp and the HKJC have had a very supportive and collaborative relationship for many years now. As valued partners, Tabcorp offers Hong Kong racing to customers in Australia. Our customers value the strength and integrity of racing from Hong Kong so much so that betting takes place on every race that the club offers. Additionally, customers in Hong Kong have enjoyed selective coverage of racing from Australia.

The next logical stage in the development of the relationship is to be able to offer our customers access to the world renowned HKJC totalisator pools and secondly, providing the opportunity for HKJC customers to access Tabcorp's Australian totalisator pools.

Co-mingling

Over the years, Tabcorp has gained a significant amount of experience and expertise in the area of co-mingling. So much so that Tabcorp representatives are frequently asked to speak at major international conferences, engage in international workshops with racing clubs seeking to understand more about co-mingling and presenting to various international government officials.

The USA, Canada, Singapore, New Zealand, South Africa, France and the United Kingdom are just some of the countries that have been engaged.

Tabcorp commenced co-mingling domestically in 1998 linking pools from Western Australia, Northern Territory, South Australia, Australian Capital Territory and Tasmania. With a number of privatisations of various government owned tote agencies Tabcorp's domestic pooling partners with its Victorian pools are now Western Australia and the Australian Capital Territory, whilst the other states now pool with other totalisators.

As part of our international wagering strategy, Tabcorp embarked on co-mingling with international totalisator partners in 2007. The first country was Australia's closest neighbour, New Zealand with the New Zealand Racing Board (NZRB). In the first instance, the NZRB co-mingled its totalisator pools with Tabcorp on Australian Racing. Based on early success, Tabcorp co-mingled its totalisator pools with the NZRB on NZ Racing.

With the success of New Zealand, Tabcorp extended its international co-mingling in 2008 to include South Africa. The totalisator is operated by Phumelela, a publically listed company. Similar to the experience with NZRB, Tabcorp and Phumelela co-mingled totalisator pools both ways.

In 2011, international co-mingling was extended to the Singapore Turf Club (STC) where Tabcorp co-mingles its totalisator pools on Singapore Racing with the STC. Tabcorp is now working with the STC to extend co-mingling from the STC to Tabcorp as well as providing whatever assistance it can to the HKJC.

Tabcorp has learnt much from the co-mingling experience, particularly the technical and regulatory issues that arise in setting up such operations, not to mention the difficulty with the potential for the double taxation of bets which significantly and adversely impacts the economics of betting. It is an internationally accepted practice that the 'Host' jurisdiction provides a tax exemption to the 'Guest' jurisdiction on pooled bets. Tax exemptions are required as the margin provided by the commission deductions applicable in each country or jurisdiction would otherwise be subject to double taxation of the same bet.

It is also internationally accepted that a consistent product fee should apply to ensure a commercial return for the respective racing and wagering industry conducting the events.

Benefits of Co-mingling

There are a number of benefits that flow naturally from the co-mingling of totalisator pools. These include:

1. **Growing revenue.** As a direct consequence of co-mingling, Tabcorp, as well as our co-mingling partners across the globe, have been able to grow revenue from increased turnover. For example, in the first year of co-mingling with New Zealand, Tabcorp increased its turnover on NZ by 12 percent whilst the NZRB increased its turnover by just over 20 percent.
2. **Growing export.** The ability to export more racing product to new and existing markets. It is extremely difficult for many international totalisators to establish sufficient cash liquidity in a pool to justify coverage. Co-mingling provides 'instant' liquidity and therefore removes most of the risk for the foreign totalisator, increasing the opportunity for export. Tabcorp now exports Australian racing to over 50 countries with co-mingling links growing steadily.
3. **Stability of dividends.** The greater the size of the totalisator pool, the greater the stability of approximate dividends, particularly with the foreign totalisator pooling with the 'Host'. This encourages greater betting activity as evidenced by Tabcorp's experience with co-mingling with New Zealand. As an example, this was highlighted when NZ horses race in Australia. The NZ tote 'bias' towards its own runner is removed when co-mingling into Tabcorp pools as the volume of money wagered on the NZ horse is counterbalanced by the volume of money on other runners. This means that the price of the NZ horse is more reflective of the true market.
4. **Growing import.** Whilst co-mingling assists with exporting, there are also benefits from an import perspective. Tabcorp has embarked on progressively increasing the import of foreign racing. Today, foreign racing is imported from major countries every day of the week.

This has resulted in increased revenues for the local racing industry, government and the racetrack providing the foreign racing.

Co-mingling with New Zealand, South Africa and Singapore has also enabled Tabcorp to expand the import of foreign racing particularly with races very late at night. Tabcorp is in discussions with several other international totalisators to add further to the co-mingling list.

HKJC and Co-mingling

Tabcorp has enjoyed a harmonious relationship with the HKJC over many years. Customers in Australia have enjoyed watching and betting on racing from your country with coverage of every single race.

From a reciprocal perspective, we believe that customers in Hong Kong have enjoyed racing from Australia, limited as it is when compared to our racing coverage in Australia. A quick glance at the level of turnover on Australian Racing in Hong Kong would demonstrate the confidence that customers in Hong Kong have on Australian Racing.

The revenue that flows from foreign coverage of racing in both countries has had benefits for each of the local racing industry, government and the totalisator operator.

For some years now, Tabcorp has been talking-with the HKJC about co-mingling. It is the logical next step in our relationship with the HKJC. However, the double taxation of betting in Hong Kong has been the stumbling block not only for Tabcorp, but every other major totalisator operator around the globe.

There will be significant foreign interest and investment in racing from Hong Kong if the double taxation of betting is removed.

Tabcorp has worked with all of our existing co-mingling partners to be granted a tax exemption in Australia when connecting to totalisator pools operated by Tabcorp.

Tabcorp is confident that the HKJC would also be granted wagering tax exemption should it be able to co-mingle into Tabcorp totalisator pools.

If Tabcorp can be of any further assistance to the parliamentary committee, it is quite prepared to visit Hong Kong and share its experiences with the committee.