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Your reference: 10/13175

Mr Paul Baxter  
Senior Commissioner  
Independent Competition and Regulatory Commission  
GPO Box 296  
CANBERRA CITY ACT 2601

Dear Mr Baxter

I refer to the Commission's investigation into the ACT racing industry, ACTTAB's primary submission and the Draft Report issued by the Commission in December 2010.

ACTTAB generally endorses the Commission's findings contained in the draft report. However, the Corporation believes that it would benefit the inquiry and the Commission's final report, for ACTTAB to provide the Commission with some primary data and analysis relating to the Corporation's performance in respect of racing turnover and in particular the impact of volatility in the VIP component of the market. This is particularly important given the various adverse comments attributed to some respondents to the inquiry in respect of the strategic direction and management of ACTTAB and the racing industry's desire to selectively link future funding to ACTTAB's racing turnover in financial year 2005-06, a year in which VIP turnover accounted for an abnormally high 25.83% of overall racing turnover and following a sustained period where real per capita racing expenditure was flat to trending downwards.

Attached for the Commission's information (*Attachment A*) is a summary of ACTTAB's racing turnover for the period encompassing financial years 2000-01 to 2009-10. As indicated the bulk of the Corporation's annual racing turnover is derived through the retail market with an average of approximately 16% sourced from the VIP or premium market. That market made up of professional punters and corporate bookmakers is influenced in its decision to establish business and wager in a particular jurisdiction by both the rebates provided by the Tabs and incentives offered by respective State and Territory principal racing bodies and governments. ACTTAB has found it difficult to

compete in this market limited by its size and the relevant economies of scale that apply. Despite this the Corporation has effectively managed to maintain a substantial local VIP market with strong prospects for further growth. That said, the volatility in this component of the market is anticipated to continue for some time yet and in the Corporation's view it is unrealistic for racing bodies to expect that turnover of the level witnessed in 2005-06 could be either maintained or growth levels of that magnitude sustained in the long term. 2007 saw ACTTAB's largest customer, a corporate bookmaker based outside the ACT, move their business to another jurisdiction. This was reflected in a fall of approximately 6% or \$10m in ACTTAB's total racing turnover that year. A number of VIP's have come and gone during the intervening period as competition has become more intense. As can be seen from the summary there are substantial variations year on year attributed to the movement of customers between jurisdictions. However, at the end of the day it is not as simple as paying a higher rebate to retain a customer. Other factors outside the scope of control of ACTTAB come into play.

Similarly, with the racing industry itself, external influences such as broadcasting or television agreements have impacted to diminish the desirability of the product offered to the local community and on which ACTTAB's customers wager, with the local industry largely reliant on the revenue generated from product originating in other jurisdictions. Additionally, equine influenza, an extended track closure and weather events have over recent years disproportionately impacted the local industry influencing customer wagering preferences to the detriment of both ACTTAB's business and the local racing industry. ACTTAB makes this point simply to illustrate that the position in which it finds itself is not wholly of its own making. The effect of these external factors on local on course wagering is clearly illustrated in the attached summary (*Attachment B*) where total on course turnover fell from a peak \$8.78m in financial year 2002-03 to \$3.66m last financial year and was as low as \$2.36m in financial year 2006-07.

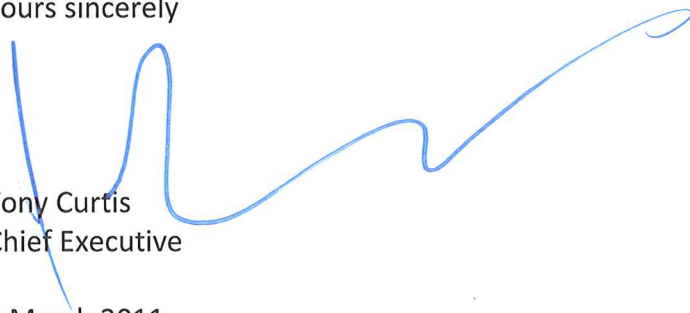
It is also to be noted that fixed odds racing turnover as a percentage of total racing turnover has steadily grown from 0.01% in financial year 2001-02 to 1.71% in financial year 2009-10, indicating a transfer of investments from pari-mutuel to fixed odds wagering. The Corporation forecasts that this growth will continue.

The Australian Capital Territory is a unique jurisdiction both in size and population and it is unrealistic to be benchmarking ACTTAB's performance against other Tab's in the absence of all the facts. Certainly, innovation in technology has played a part and the ACTTAB Board acknowledges this. However, the fact that the parent company of the international provider who submitted the successful tender to supply ACTTAB's new betting system went into Chapter 11 bankruptcy in the United States of America as a result of the global financial crisis at the end of 2008, was unfortunately a matter beyond the Corporation's control and resulted in a considerable delay in implementation and roll out of the replacement system. Compounding the decision to proceed with the new system was a decision by ACTTAB's host pooling partner to

terminate the existing pooling agreements and not renew the Corporation's sports wagering agreement. Whilst this certainly impacted other Tab's the effect on ACTTAB and resultant decisions relating to the Corporation's long term sustainability have probably not been appreciated by some in the racing industry. Whereas the new products delivered by the new betting system will certainly result in growth in racing turnover, it will not by any stretch of the imagination equate to that which might be delivered by a single new VIP customer.

As a Territory-owned Corporation ACTTAB's principal business objective is to maximize the return on investment to our shareholders, the ACT Government. The Corporation does not see its role as leading the race to the bottom in the payment of rebates to professionals and corporate bookmakers, the levels of which have become quite ridiculous and are patently unsustainable. Inevitably further rationalization and consolidation will occur within the industry as some players will likely fall by the wayside, as will some race clubs. This has been the case since racing commenced in this country a hundred and fifty plus years ago. A process of evolution and refinement continues. It is ACTTAB's goal to ensure a sustainable business and a fair and equitable return on investment to our shareholders as well as ensuring a sustainable future for the racing industry in the ACT.

Yours sincerely

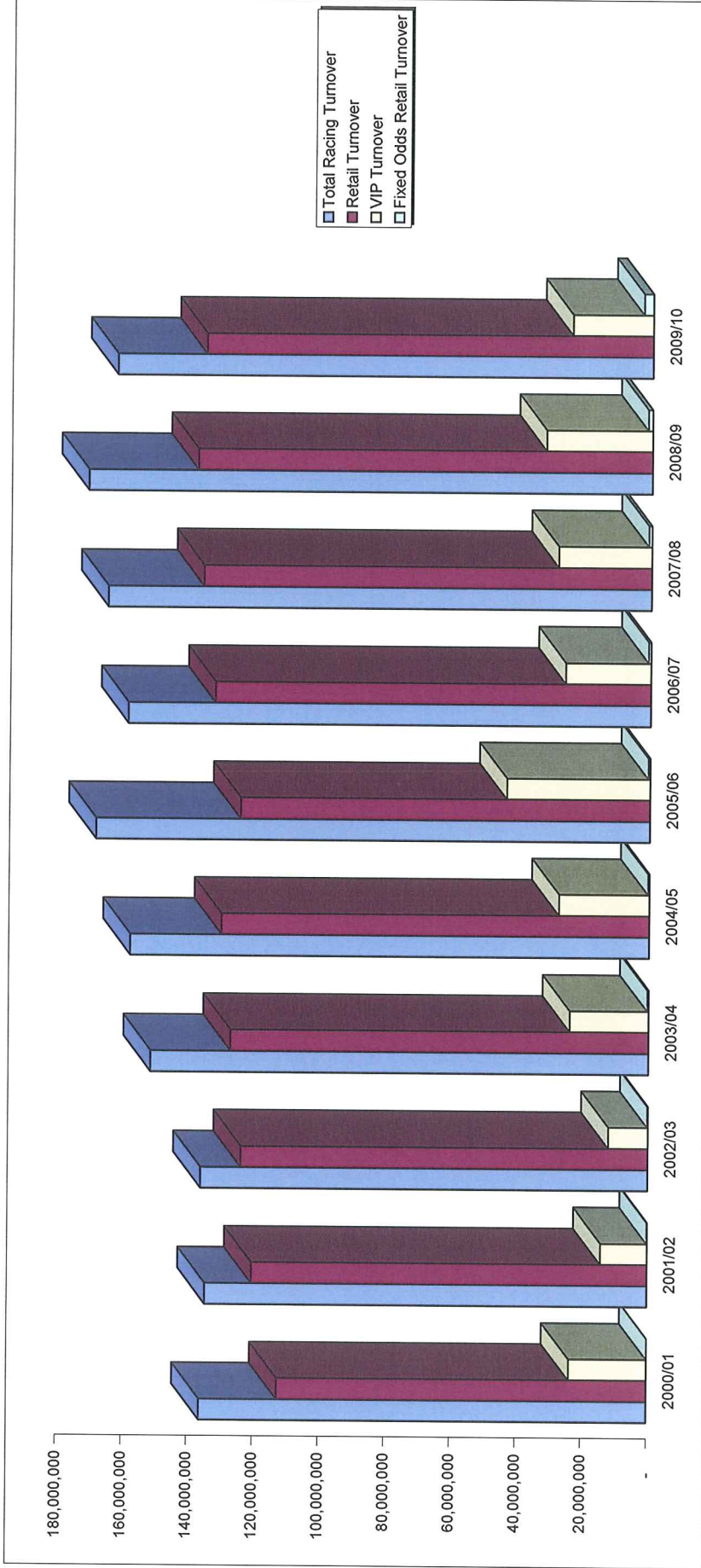


Tony Curtis  
Chief Executive

1 March 2011

### ACTTAB Racing Turnover Summary (2000/01-2009/10)

Year	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
<b>Total Racing Turnover</b>	136,249,036	134,665,636	136,174,112	151,637,853	158,005,013	168,698,352	159,022,960	165,423,312	171,586,989	162,914,611
<b>Retail Turnover</b>	112,581,152	120,428,773	123,916,407	127,291,428	130,171,164	124,558,722	132,450,561	136,221,024	138,132,165	135,741,008
<b>VIP Turnover</b>	23,661,013	14,125,794	12,037,269	23,918,555	27,410,560	43,575,566	25,874,330	28,274,466	32,129,101	24,386,645
<b>Fixed Odds Retail Turnover</b>	6,871	111,069	220,436	427,870	423,289	564,064	698,069	927,822	1,325,723	2,786,958
<b>Retail Turnover % of total</b>	82.63%	89.43%	91.00%	83.94%	82.38%	73.84%	83.29%	82.35%	80.50%	83.32%
<b>VIP Turnover % of total</b>	17.37%	10.49%	8.84%	15.77%	17.35%	25.83%	16.27%	17.09%	18.72%	14.97%
<b>Fixed Odds % of total</b>	0.01%	0.08%	0.16%	0.28%	0.27%	0.33%	0.44%	0.56%	0.77%	1.71%



**ACTTAB On Course Raceday Turnover**

Year	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
<b>Total On Course</b>	6,991,616	8,500,853	8,781,395	8,038,273	6,363,001	3,097,186	2,356,310	3,548,655	3,349,830	3,656,959
<b>Thoroughbred Park</b>	6,132,797	7,633,329	8,155,383	7,325,887	5,598,539	2,387,074	1,485,226	2,581,574	2,307,909	2,369,886
<b>Harness</b>	327,816	337,582	242,862	299,374	260,875	215,217	292,964	106,180	223,233	232,482
<b>Greyhounds</b>	531,003	529,942	383,150	413,012	503,587	494,895	578,120	860,901	818,688	1,054,591
<b>Thoroughbreds % of total on-course turnover</b>	87.72%	89.79%	92.87%	91.14%	87.99%	77.07%	63.03%	72.75%	68.90%	64.80%
<b>Harness % of total on-course turnover</b>	4.69%	3.97%	2.77%	3.72%	4.10%	6.95%	12.43%	2.99%	6.66%	6.36%
<b>Greyhounds % of total on-course turnover</b>	7.59%	6.23%	4.36%	5.14%	7.91%	15.98%	24.53%	24.26%	24.44%	28.84%

