

# GAMBLING ⚡ WARS

## IN THE BLUE CORNER - THE T.A.B.

**T**HE T.A.B. offers many and varied bet types depending on which State you reside in or you betting account resides in - win, place, quinella, exacta, trifecta, trio, first four, superfecta, daily double, extra double, running double, treble, quadrella, straight six, all up, parlay. At present it is the win option that the T.A.B. faces competition from Betfair. Betting with the T.A.B. a punter invests his money and the T.A.B. deducts a specified percentage amount. That amount used to be public knowledge but now it is a matter of commercial confidentiality and all that the public is told is that no more than 16% will be deducted on average over all bet types in a year.

The money that remains in the pool is then divided between those with live tickets and the dividend is based solely on that criteria - the more winning tickets, the lower the dividend. It is a system that every punter understands.

The history of the Totalisator Agency Board reveals that it is a far, far different beast to the one that first came onto the Australian racing scene in the early sixties and its power and influence on the racing industry has been transformed from nothing to something akin to overwhelming.

The original driving force for the set up of a T.A.B. in each State was to hopefully channel all the monies that were being invested off course with illegal Starting Price (SP) bookmakers, or in some States where there were legal off course bookmakers.

What the States were seeking was the provision of a safe and incorruptible service for betting on the three racing codes and one that would return some percentage of profits back to the codes.

New Zealand had already eradicated all bookmakers on and off course by the time Australia's first T.A.B. organisations commenced operations in the 1960/61 racing season with Victoria opening for business in March 1961 and Western Australia following one week later.

The first T.A.B. outlets operated in a manner far removed from those of today. Betting closed thirty minutes before the start, punters were unable to collect until the next day (which obviously affected Harness Racing turnover), the radio could not broadcast dividends, wagering was restricted to win, place and the daily double.

Part of the pitch from the racing industry to the legislators was that the agencies were not to be betting shops. How does that stack up now with the presence now of mystery bets on fantasy races as well as sports betting.

In that first season punters in Western Australia and Victoria were offered the opportunity to bet off course legally with someone other than a bookmaker and in that first season harness racing turnover was \$206,068 (W.A.) and \$360,642 (Victoria). Right from the start W.A. Harness Racing fared better than their Eastern State brothers-in-arms by receiving \$9,160 in distribution compared to absolutely nothing in Victoria.

The following season Victorian Harness Racing received its first dividend, some \$96,164 from a \$3.01 million turnover base with Western Australian Harness Racing allocated a \$160,086 distribution on \$3.5 turnover.

Queensland's T.A.B. commenced operations in August 1962 and the rest of the States followed thus - Australian Capital Territory (October

1964), New South Wales (December 1964), South Australia (March 1967), Tasmania (1974) and Northern Territory (July 1985).

Harness Racing T.A.B. turnover topped the \$100 million mark in 1970 with the State breakdown as follows - W.A. (\$15.5 million), Victoria (\$39.5 million), New South Wales (\$37.6 million), Queensland (\$9 million) and South Australia (\$5.4 million). The corresponding distributions were \$870,609 (WA), \$1,355,318 (Vic.), \$1,081,621 (NSW), \$275,917 (Qld) and \$175,728 (SA).

Fourteen years later all States as well as the Australian Capital Territory owned a Totalisator Agency Board with the overall average return to Harness Racing as a percentage of total Harness Racing turnover was 5.4%.

The discrepancies between distribution models between States were astonishing with Western Australia receiving \$7.35 million in distribution, the most of any State despite the fact that the turnover on Harness Racing was only \$58.5 million compared to Victoria's \$153 million and New South Wales' \$147 million.

The number of meetings covered by the State TAB's in the 1983/84 season provide some interesting reading twenty years later (the figures show local, interstate and total meetings covered):-

STATE	HARNESS RACING	THOROUGHBRED	GREYHOUND
ACT	18 - 530 - 548	33 - 810 - 843	75 - 405 - 480
NSW	303 - 313 - 616	346 - 431 - 777	524 - 111 - 635
QLD	174 - 337 - 511	216 - 523 - 739	207 - 292 - 499
SA	108 - 296 - 404	144 - 475 - 619	156 - 108 - 264
TAS	112 - 294 - 406	69 - 406 - 475	134 - 55 - 189
VIC	329 - 163 - 492	312 - 339 - 651	366 - 46 - 412
WA	185 - 130 - 315	227 - 429 - 656	120 - 1 - 121

The T.A.B. were the legal off-course betting agency that complemented the existing totalisators that operated on course at the various racecourses and in the smaller states, the T.A.B. controlled the on-course totalisators as well.

This led to the situation in the larger States that the number one priority for race clubs was to attract punters to the track. Why? Simply because they would receive up to five times more for a dollar bet on course with the tote than for a dollar bet off course with the T.A.B.

Gradually as the T.A.B.'s power and influence grew they cannibalised all of the remaining on course totalisator companies and in the process reduced the revenue to Clubs from dollars bet on course.

With that in place the relentless campaign by the T.A.B. to restrict wherever possible the activities of the legal bookmakers was stepped up and the current plight of the bookmaking fraternity is due partly to this campaign, partly due to the bookmaker's laziness and lack of enterprise and partly due to the dramatic drop in on course attendances across the board.

Advancements in world technology were all progressively integrated into the operation of the T.A.B. moving from all the way from handwritten bets on carbon paper to terminals with mark sense terminals, telephone betting that offers three options (operator, voice recognition and touch tone) and the internet.

Ironically though the original paper receipts were far more resilient than the modern day models that can be destroyed by mere exposure to the sun.

Into the last fifteen years of the twentieth century and the options for the general public to gamble continued to proliferate at an ever increasing rate outside the confines of three codes with multiple Tattslotto draws, casinos and the advent of poker (gaming) machines.

The Victorian TAB were granted, along with the Tattersalls organisation, the right to operate gaming machines in Victoria and that literally proved a licence to print money and at the same time devastate many family units throughout the State, particularly in the so-called lower income suburbs of Melbourne.

Privatisation was the next major development in the history of the T.A.B. in Australasia with the Victorian T.A.B. becoming the private company known as Tabcorp in 1994 and the New South Wales T.A.B. taking the same path in 1998, calling itself TAB Limited.

With privatisation came a muddying of the waters as to recollection of who actually owned the T.A.B. and needless to say that wherever privatisation took place the racing industry lost any control of what would be offered to punters.

In Victoria, all three codes did benefit from access to some of the gaming profits that were going through the roof compared to that of general wagering, but it could have done so much better. The arrogance and questionable negotiating skills of Ian McEwen has meant that Victorian Harness Racing has suffered a multi million shortfall every year since.

For example Ian threw away Harness Racing's 18% fixed distribution (which was in place for some very good historical reasons) declaring something like "We can do better than that or my name isn't Ian McEwen."

There was never any chance of Harness Racing achieving that due to the powerful thoroughbred lobby in all aspects of decision making, so each year since privatisation Harness Racing has had to suffer diminished returns. In our July/August issue on page 24 we showed that 58.7% or \$26.7 million of HRV income came from a new and lower fixed distribution figure.

Another remarkable outcome was reached in respect of the distribution of some of the gaming profits that was meant to recompense the codes for the sale of the T.A.B.

All three codes were on equal footing when it came to responsibility for any of the gaming profits so it would be logical to assume that the correct moral breakdown would see all the profits split equally (33.3% each) between the three codes.

Did all the gaming money get split three ways? No. What about one half of the gaming money? No. Then, surely at least one quarter would have been split evenly? No, again.

What was negotiated for the Harness Racing industry was that all the money would be distributed, not equally, not even on the new lower fixed distribution scale, but on market share. That decision cost Victorian harness racing almost \$20 million in revenue in 2003, the \$20 million being the difference between the market share of the total gaming money available and 33.3% of that total.

What do the T.A.B. organizations in each State control? Well before the takeover of TAB Limited by Tabcorp, the privatised TAB Limited operated 1758 retail agencies, including PubTABS and ClubTABS offering betting on the three codes and sports betting through SportsTAB. All betting was also available through telephone betting as well as the internet in the past year or so.

TAB Limited, as part of the privatisation, also received three gaming licences. One of these was operate a Central Monitoring System (CMS) of all the poker machines throughout NSW, another was the right to operate linked gaming machine jackpots, and finally one to own, supply, and finance gaming machines in hotels and for machines connected to links in registered clubs.

The CMS ranks high up on the world scale in terms of size and one of the offerings through the system was the is "Maximillions" that at

one stage involved over a 1,000 machines at close to 150 venues.

TAB Limited also operated the SKY Channel satellite TV racing network, which was acquired before the privatisation in 1998 and also owned Radio Station 2KY.

TABCORP Holdings Limited (nee Victorian TAB) licences to operate on-course and off-course wagering throughout Victoria at approximately 650 retail outlets and also provides fixed odds sports betting (TAB Sportsbet)

The SuperTAB network, which was formed in 1992 by the Victorian TAB used to combine pools from the Victorian TAB with those from SA TAB, WA TAB, the Tasmanian TAB and ACTTAB although after SA TAB was swallowed up by the Queensland TAB (UNiTAB), it withdrew from the SuperTAB network.

As mentioned earlier TABCORP holds one of two licences in Victoria relating to gaming machines marketing some almost 14,000 machines through Tabaret venues in hotels and clubs.

Club Keno, which is operated by the other gaming machine license holder Tattersall's is also available in Tabaret outlets.

TABCORP also supplies the ubiquitous 'Trackside' animated racing game, which allows punters to bet real dollars on unreal thoroughbred, standardbred and greyhound races.

UNiTAB is the new name for the privatised company formerly known as TAB Queensland Limited and the name was chosen to reflect the much wider coverage of the TAB following the acquisition of the Northern Territory TAB in July 2000 and the South Australian TAB in January 2002. UNiTAB provides wagering and sports betting through a network of nearly 1,100 agencies across the three states and RadioTAB, operated by UNiTAB, provides a common radio program for Queensland, South Australia, and the Northern Territory.

The WA TAB is a Western Australian Government agency and is Western Australia's only licensed off-course betting organisation offering on-course wagering in W.A. as well as off-course totalisator wagering and Sports Betting through an agreement with TABCORP. There are over 270 retail agencies in W.A.

Tote Tasmania is a state-owned company formed from the merger of the Tasmanian TAB and Racing Tasmania in March 2001 and the corporation represents the three racing codes and all the race clubs in the state. At present there are moves afoot to extend the control and influence of Tote Tasmania over the total conduct of the three codes in Tasmania. There are around 130 outlets in Tasmania and Tote Tasmania also operates Tote Sports Radio.

ACTTAB's principal activity is the provision of totalisator wagering throughout the Australian Capital Territory, however, it also offers Keno through an agreement with the Lotteries Commission of South Australia and Sports Betting through an agreement with TABCORP. Punters have access to around sixty different venues to place bets in Canberra.

The fluid movement of the T.A.B. organisations has seen the takeover of TAB Limited this year by TABCORP in a complex arrangement that involves a sub deal with UNiTAB involving some of the gaming business.

When officially completed, the merger/takeover will form a gambling company with a market capitalisation of nearly \$8 billion and combined wagering pool for NSW and Victoria of \$9 billion.

Following the completion of the takeover Tabcorp, which also owns Brisbane's Jupiters casino and Sydney's Star City casino, will become a top 30 listed company in Australia, comparing favourably with Qantas and will certainly be one of the ten largest gambling conglomerates in the world. For the financial year ending June 30, 2004 the net operating revenue for Tabcorp was \$2,462 million.

You will agree that this represents a far cry from the fledgling organisation that was established back in 1961 to attract some of the monies being bet with illegal off course starting price bookmakers.

# GAMBLING WARS

## IN THE RED CORNER - BETFAIR

**T**O PLACE a bet on the British-owned and based Betfair you can place yourself in the position of being a punter or bookmaker and the Betfair organization deducts a commission on the result of bet (around 5%). You must register with Betfair and deposit enough funds to cover your betting activity as you would with your T.A.B. telephone account. Once subscribed and with dollars in your account you place bets against other punters rather than against a bookie.

The traditional arrangement is for a bookmaker to draw up a list of odds for an event and punters (customers) place bets on the outcomes that appeal to them. Colloquially those punters are backing a horse.

With Betfair, you are faced with odds laid down by other punters and as those punters do not have the overheads that the professional bookmaking fraternity have the odds are in general more favourable and looking at overseas reports the figure of 20% better is quite prevalent.

The other option is for subscribers to specify their own odds. Should a bookmaker be offering 3/1 for a win for a horse named Leithamstead or the tote is offering an identical \$4 return on a \$1 outlay for the same horse you can either take the odds or leave your money in your pocket or purse.

With Betfair, you (Punter A) can test the waters if he/she wants better odds and post odds of say 4/1 for Leithamstead and if another Betfair customer (Punter B) accepts (the Betfair lingo is "matching" the bet), that's the price you'll get if Leithamstead wins.

Obviously Punter B does not think Leithamstead can win and if you feel the same way about another horse you can post some odds (usually far more generous than what is on offer in the public domain) on the Betfair site in the hope that someone matches the bet. This is called laying and is what bookmakers do in every horse race.

For example you may have regarded Copper Beach as a huge risk in the Breeders Crown final from barrier one because of her lack of gate speed and the number of fast beginners on the front line which could result in Copper Beach being buried three or four back on the fence.

However, you are not sure whether Self Denial will bounce back to her best, or whether Australian Oaks winner Moment in Time will win again or whether Nemeeshar might be rewarded for her consistency. Or you have a sneaking feeling that there could be a blowout with a rank outsider winning the event.

Currently with the T.A.B. or the legal bookmaking system you could try and fashion a profitable outcome by backing every other horse in the race other than Copper Beach, however, the likelihood is that it may be mathematically impossible to do so and if it was possible then the percentage profit would be minimal.

If after weighing up all the ethical pros and cons you become a Betfair customer there would be an alternative. As a customer you might have posted a price of 3/1 for Copper Beach and given that she started at \$2.50 (odds of 6/4) your bet would have been matched I imagine very quickly for whatever amount you want.

The business of laying a horse or betting for it to lose means that you can obtain odds of even money (less commission) every time you want to attempt this manner of betting.

Going to the Betfair website it was impossible to exactly define what commission Betfair will extract from your winnings (no

commission is extracted from losing bets) because the commission is based on several variables. To best explain how it works an extract from the Betfair website is reproduced below.

**Commission rate:** The current rate at which you are charged commission (on your net winnings on any market) and your commission rate is updated each week according to our Commission Points Scheme.

Our Commission Points Scheme enables you to lower your commission rate from our starting rate of 5% for new accounts to our lowest rate of 2%.

You earn commission points every time you bet on a market, in direct proportion to your net profit or loss (not volume) on that market. You earn 1 point for every 25 pounds profit or loss per market (or equivalent if your account is in another currency). You earn commission points whether you win or lose.

For example, if your net profit is 200 pounds on a single market, you would earn 8 commission points. If your net loss is 100 pounds on a single market then you would earn 4 commission points. Note that your net profit or loss is kept as a running balance and is not adjusted for rounding on each market.

Your commission points will accrue from the moment you open your account however, once your new commission rate has been recalculated on Sunday for the following week, your total number of commission points will "decay", or be reduced, by 15%.

For example, if you have 4,300 points on a Sunday night, your rate will be set to 3.1% for the whole of the following week. Immediately afterwards your total number of commission points will be reduced to 3,655 and any new commission points you earn during the following week will be added to this new total. Note that if you do not earn any commission points during the following week then your commission rate will go up to 3.2% on the Sunday.

As a result of the weekly commission points "decay", commission points you earn during the current week have more impact on your future commission rate than those earned the week before, which in turn have more impact than those earned the week before that etc.

Commission will be charged on your net winnings according to the commission rate you have at the time the market is settled and not at the time your bets were placed and your account statement will show the commission rate charged on each market. The table ranges from 0 - 9 (5%) to 1013 - 1181 (4%) to 4311 - 4964 (3%) to 18360 plus (2%).

An interesting aspect of the operation is that punters (customers) are not charged commission on losing bets and are only charged commission on the net profit a punter has on a particular market (e.g. golf or horse racing) for the day. Say for example a punter loses 600 pounds in a series of unsuccessful bets on horse racing but snares a 700 pound profit in another successful bet. The punter would be charged commission only on the resulting 100 pound profit.

The horse racing betting component is only one piece of the overall action as the other options people can bet on include American Football, Australian Rules, Baseball, Basketball, Boxing, Chess, Cricket, Financial Bets (Dow Jones index, FTSE index, interest rates), Gaelic Football, Golf, Greyhound Racing, Horse Racing, Hurling Ice Hockey, Motor Sport, Olympics 2004, Rugby League, Rugby Union,

Soccer, Special Bets (elections, the next Pope, 2012 Olympics venue, Tennis and more some strange reason, Trotting (the only race was the Swedish Derby). Australian and North American Harness Racing is included under Horse Racing.

It has been estimated that around 70% of Betfair betting activity in Great Britain is done on U.K. horse racing and soccer, however, only a fool would consider that should Betfair get a license to operate in Australia that betting on Australian events would grow exponentially given our reputation for betting on two flies crawling up a wall.

The history of Betfair, the company, is brief and the associated background of the man who came up with the Betfair concept may be regarded by some as questionable and totally unworthy of someone you may want to do business with.

That man is Andrew Black, a grandson of the Tory MP Sir Cyrille Black who ironically was a strident campaigner against anti-social behaviour of which he regarded gambling as one of the worst types.

Andrew does not possess a glamorous CV being kicked out of university, not having an actual 9 to 5 job until he was 26, subsequently sacked from several jobs, spending time a professional punter, a golf caddy, supermarket shelf stacker and having two years off just tending to his dying brother's needs.

Probably his first serious job, and maybe his longest, was working in writing computer software and having a flair for mathematics certainly helped him in the formative days of computer programming.

He became an avid follower of the stock market and marvelled at the amounts of money parlayed each day on outcomes and maybe because he did not have the funds to enter into this sort of "gambling" action he turned to the cheaper version, horse racing.

His fascination extended beyond horse racing though and Black ended up writing his own programmes not only for horse racing, but also for football (soccer) and golf. Instead, Black turned to more conventional forms of gambling for his kicks - and his income.

As it the case with most gamblers he kept no records of his success except that it provided him with an income, but eventually personal satisfaction at how he was spending his time affected the bottom line.

In his own words he said, "I think I became bored of it. At the end of the day as a gambler you might have more money in the bank than you started with, but you haven't actually achieved anything. There is no product, no day's work. I guess that wasn't enough me, I needed to feel I was progressing. Also I started losing because I was bored and couldn't keep my concentration - I'm not good at applying myself to something unless I know I'm interested in it."

He gave up the punting and returned to the New York stock exchange albeit briefly as he was sacked after a disagreement over business ethics (no details available) and he returned to computer programming, which saw him earn obscene amounts of money for very little work (IT skills were very much in demand in the late 1980s).

However as most punters would know the gambling urge is a difficult one to put behind you and when that is in a person who loves an intellectual challenge then something is going to happen and that something was Betfair.

The transition from idea to business was a slow one, and might easily have never happened because as an IT contractor Andrew has a pretty good lifestyle because of the income he was earning and the fact that his job was strictly a nine to five with no overtime required and never any hassles that would spill over into his private life. The gambler in his blood won him over to taking the risk because he explained, "In my heart I knew I had to do it because I couldn't face the thought of going to my grave having had one great idea and not actually putting it into action."

Mind you nothing would have happened had Black not had a partner who completed understood business and was totally disciplined when it came to finances. That man was Ed Wray.

After many arguments involving mainly Wray's insistence of taking their time to have the best business plan and Black's enthusiasm to actually get started, Betfair was born in 1999, however, another company called Flutter (founded by Tim Levene) got in before them.

The pair were distraught at this but they picked themselves up and went door to door with the banks and raised over a million pounds adding 30,000 pounds each themselves and launched their betting service on June 9, 2000, the day before the English Derby.

In its first week Betfair traded £30,000, but it wasn't until they merged with rival Flutter in 2001 that they hit the big league, the merge coming about because simply the Betfair model was superior in all areas and punters had agreed. The rest is history, as they say and now Betfair has established itself as the No.1 online betting website in the world.

An insight into what sort of profits has been generated can be gleaned by the announcement on the 11th August 2004 that Betfair, in conjunction with the racing club at Doncaster, announced a 400,000 pound (\$A1,015,443) sponsorship of the world's oldest thoroughbred race, the English St. Leger and another feature event, the May Hill Stakes.

Australia's biggest punter and one of its five most powerful business figures, Kerry Packer, has latched onto the potential with Betfair and Channel Nine has entered into a joint venture with Betfair and it is not insignificant that Nine's TV contracts with rugby league (2007), cricket (2006) and Australian football (2006) are due for renegotiation.

With the Australian Liberal Government doing a Pontius Pilate in respect of the betting exchange issue a future can be imagined of thousands of punters sitting in their lounge rooms betting interactively while sporting events are in progress. Whether that includes Harness Racing, thoroughbred racing and/or greyhound racing is subject certain to cause much angst over the next twelve months.

## **TesioPower 2000** **launches into the 21st Century**

with the

*latest version of the internationally acclaimed software  
program for horse breeding enthusiasts  
incorporates new features*

- A seven generation on-screen pedigree facility
- X factor line with duplicates highlighted
- Sire finder for Rasmussen Factor matchups
- Facility to email all reports and pedigrees
- Additional key horses

**Complete with extensive  
world wide database  
exceeding 65,000 horses**

**\$429 (GST incl.)**

**complete with manuals  
and free technical backup**

*Payment available through Visa/Mastercard/American Express*

**TesioPower 2.0 users  
enquire about upgrading**

*telephone for a demo copy*

*Dennis Lyle (Ph) 08 85254010 (Fax) 08 85254021*

*PO Box 30 Wasleys SA 5400*

*Email: dennis@tesiopower.com*

## THE RACING INDUSTRY AS THE REFEREE

THE Australian racing industry position so far as the three racing codes is pretty clear with the Betfair organization regarded as vermin with the potential to destroy the fabric of racing as we know it in Australia and they have undertaken a concerted campaign to have the Federal Government outlaw betting exchanges such as Betfair.

To deal with the issue the Federal Government set up a review and over eighteen months took submissions from the three racing codes, the State T.A.B. organizations, bookmakers, welfare groups, gaming business operators, church groups, State governments and individuals.

At the end of the inquiry the racing industry received what could only be described as slap in the face when the Federal Government declined to ban exchanges as part of its review of the Interactive Gambling Act, thereby apparently affording (or ignoring) little credence to the wider concerns promulgated by the racing industry about the integrity of racing and industry funding, preferring to focus on the issue of preventing the spread of problem gambling.

Australia's Minister for Communications, Technology and the Arts, Daryl Williams confirmed this by saying, "the report, which will be tabled shortly, found no compelling evidence to suggest that betting exchanges were likely to contribute to an increase in the level of problem gambling."

While the Federal government has decided not to act to ban exchanges, Williams threw the ball back into the court of the individual states and territories by stating in his media release, "Today's decision does not prevent the States and Territories from acting on licensing issues falling within their own jurisdictions relating to interactive wagering and betting exchanges. The licensing and regulation of gambling services has traditionally been a matter for the States and Territories."

The Australian Harness Racing Council responded with the letter reproduced on this page while its thoroughbred equivalent, the Australian Racing Board met in mid August 2004 and re-affirmed its total opposition to Betfair and totally dismissed any discussions with them about a memorandum of understanding (as in Great Britain) and a product fee. Betfair's Memorandum of Understanding allows sporting bodies full access to any betting information that they request and there is no doubt that the information available would be more extensive than anything the TAB could provide because every Betfair transaction is recorded against a customer.

Here is an edited version of the media release of the Australian Racing Board after its members from all states and territories met in Melbourne in mid August to consider a national strategy to arrest the invasion of betting exchanges into the Australian racing industry.

"The meeting received detailed submissions from Betfair and TABCORP regarding the extensive financial and integrity issues that surround the operation of betting exchanges and without exception, the position of the ARB membership was clear and unambiguous.

"Betting exchanges present the greatest threat to Australian racing as we know it in the 170 year history of our sport," said Andrew Ramsden, Chairman, Australian Racing Board. "The two volume report of the Racing Ministers' Betting Exchange Taskforce came out with this verdict 12 months ago and everything that has happened in the time since then has only added weight to its original findings.

"Betting exchanges have no place in Australian racing and threaten the very existence of the sport and its long-term sustainability," said Mr Ramsden.

"Anyone who thinks that good can come from turning millions of Australians into unlicensed bookmakers and encouraging punters to make money from horses losing, rather than winning is grossly naïve," said the ARB Chairman, Mr Andrew Ramsden.

"For the past 18 months, we have been prepared to work within the Federal Government structures and await the outcome of their recent IGA review. Now that they have said this is a matter for the states - we will be taking the fight up at every level to make sure betting exchanges are shown the door and sent home," said Mr Ramsden.

The strategy unanimously supported today includes: widespread changes to local and Australian Rules of Racing; legal action against betting exchanges both here and in the UK; development of a set of sanctions to protect Australian racing; investigation of illegality of current betting exchange operations in specific Australian states; calling on all state and territory governments to legislate to protect their racing industry (based on the model proposed by NSW); continue strong representations with Federal Government and Opposition parties

"To date, we have expended a lot of our time working through this issue which we all acknowledge is complex, and involves a number of layers of government and industry. But after our meeting today, there is no question about the way forward for racing - betting exchanges are an enormous threat to the industry and go to the very heart of the world class integrity we have fought long and hard to establish and we cannot sit by and let them erode our magnificent sport. All our efforts, in every racing club and administration across Australia will go to eradicating their presence here and the campaign starts today," said Mr Ramsden, ARB Chairman concluded.



AUSTRALIAN HARNESS RACING COUNCIL Inc.

390 ST KILDA ROAD MELBOURNE VICTORIA AUSTRALIA  
Telephone (03) 9667 8033 Fax (03) 9666 8356  
Email: [ahrc@ahrc.org.au](mailto:ahrc@ahrc.org.au)

ARF 19 877 260 923

Ref:fedmin-bettingexchanges21-7

July 23, 2004.

Senator the Hon Helen Coonan  
Minister for Communications, Information  
Technology and the Arts  
Parliament House  
CANBERRA ACT 2600

My Dear Minister,

As Chairman of the Australian Harness Racing Council, I call on you to reconsider your Government's recent response on the Racing Code's submission on the Interactive Gambling Act. Council has acted collectively with the Australian Racing Board and Greyhounds Australasia in determining an industry wide focus on the unacceptable and unregulated growth and development of Betting Exchanges allowed through the inaction of the Federal Government. Unfortunately, your Government's level of disinterest by neglecting to address changes in the Interactive Gambling Act threatens the very fabric of an industry that fosters the lives, well being and employment of many Australians involved in our sport.

Harness Racing is extremely disappointed by this approach where the insistence on integrity is a critical factor in our national operations. The Federal Government has required the maintenance of ethical standards in many sporting areas. Our industry must be given the legislative framework to maintain and promote similar integrity governance objectives which can be enforced in our industry's commercial environment and the perception of the actions of its participants. Our industry has developed collaborative funding mechanisms with all levels of governments over a significant timeframe. These prudent and sound commercial arrangements will be irretrievably put at risk by your Government's passive response and inaction to this major threat. The choice to do nothing is not an alternative!

I am personally asking you to reconsider our industry's joint approach which has been collectively agreed with the Racing Ministers in each State Government. We are advised that the means to immediately deal with Betting Exchanges is available by regulation, our proposal is attached for your implementation.

Yours faithfully,

Mick Lombardo  
Chairman

Copy to The Hon D Kemp, Minister for Arts & Sport

# THE PUNTING PUBLIC AS THE REFEREE

**F**OR those Australian punters who like to bet win and are not fussed with the exotics and who are computer literate and have no allegiance or involvement with any of the three codes either as an administrator or participant, their decision in a contest between Betfair and the TAB would be that Betfair should be allowed to operate so as to provide them (the punters) with an alternative.

Their decision would be based on the lower commissions charged by Betfair, the better prices offered and perhaps there would also be some recognition of how they had been treated by the TAB in the past.

Positive moves have been made in respect of the ambience of the TAB agencies and there is no doubt that the overall infra structure is world class. However, the disappointing part is that the TAB's failure to embrace all punters is that it is placing at risk the employment prospects of some of the customer service employees of the TAB such as the telephone operators and the agents who do a remarkable job in dealing with the punters.

Several events last month (August) cemented just how poorly the punter has been treated the first being a TABCORP media release that declared that the local (Victorian) punters would score big with the merger of because "Victorian punters will have the bonus of a minimum \$1.05 dividend under the Tabcorp-NSW TAB Ltd. merger, bringing it into line with the NSW TAB's policy of a minimum win and place dividend."

Another section of that release stated that rules would be brought in to prevent exploitation of the minimum dividend and an example was given that a \$10,000 bet on a long odds-on favourite would return a money-back dividend.

The moral dilemma of accepting a \$10,000 bet in the knowledge that they can claim a commission whether the horse/dog wins or loses, while the punter can either lose the \$10,000 outright or have no possibility of returning a profit if his selection wins is one that obviously does not affect TAB administrations.

I would have thought it was a basic tenet of betting and an absolute right of a punter to be able to win if they successfully select a horse/dog and if the TAB won't pay a dividend then the moral decision would surely be to refuse the bet.

Then came the revelation of the extent of the rounding down of dividends that has occurred in the past and it seems will continue in the future. Although the fifty cent bet is still legal, TAB dividends has been declared for \$1 for some years and what this means is that a horse/dog that is due to pay 54.99 cents for 50 cents will actually pay money back for a dollar (the 54.99 cents is rounded down to 50 cents). The punter loses 9.98 cents and similarly one paying 59.99 cents for fifty cents will be rounded down to 55 cents creating a dividend of \$1.10 being declared for one dollar (the punter again loses 9.98 cents in the dollar). What is happening is that the TAB is extracting a virtual commission on these bets of in excess of 24%!

I wonder if anyone at the TAB has dared to do a discussion paper on increasing the minimum win and place investment to one dollar on the proviso that it is accompanied by a minimum \$1.05 dividend and a proper rounding up - rounding down policy i.e. a dividend of 105.1 cents to 107.5 cents is rounded down to \$1.05, but a dividend of 107.6 cents to 109.9 cents is rounded up to \$1.10?

In August no-one correctly selected the four quaddie leg winners at a Nyah Harness Racing meeting despite spending \$56,126 in an attempt to do so and TAB subsequently proudly announced that there will be a carryover Quaddie Jackpot of just \$44,900!

This underlines the TAB philosophy of getting their cut regardless of whether the punter gets a dividend or not and what makes this regular occurrence all the more galling is that the TAB in these situations gets to take another 20% cut (\$8,980) of that \$44,900 carryover amount as part of new jackpot pool. In this situation you are looking at the TAB taking a total of \$20,205 in commission from the punters' original \$56,126 - a take out of 36% (note that by law the largest commission allowed for a single bet type is 25% - see box).

Remember too that the T.A.B. has retained fractions and unclaimed dividends from all punters for years only to direct some recently towards the funding of a thoroughbred only Hall of Fame.

Just about every punter will have a story to tell that reflects badly on the T.A.B., especially the smaller punters who like to invest modest amounts in many races as well as having a small flutter at the higher paying exotics.

My pet gripe is the ever increasing bet limits on telephone operator bets and the restrictions on Harness Racing punters at night and on Sundays that have denied some small punters completely, while bet limits on touch tone and window selling are all aimed at getting punters to either bet over their limit or disappear.

There is also the not insignificant matter of denying punters certain bet types for years - Victoria with superfecta, percentage betting, straight six (preferring all up) and parlay and New South Wales with quaddies.

The irony of all this is that the TAB has courted the bigger punters, which is fine, but has done so at the expense of the smaller (and often older) punters for years and now the prime target of Betfair are those bigger punters. The majority of smaller and older punters are unlikely ever to tackle the intricacies of using the Betfair internet operation and would keep betting with the TAB system if they were welcomed.

## TAB AND GOVERNMENT BETTING DEDUCTIONS

**AUSTRALIAN CAPITAL TERRITORY:** Win/place linked to Supertab. 14.25% (win/place), 19.00% (trifecta), other bet types (15%).

**NEW SOUTH WALES:** (prior to privatisation): 14.25% (win/place), 14.75% (quinella), 18.00% (doubles/exacta), 20.00% (trifecta/superfecta), 22.50% (first four), 25.00% (Footy TAB)

**NEW SOUTH WALES:** (after privatisation): Maximum individual takeout is 25% with annual average over pools (including Footy TAB) not to exceed 16%.

**NORTHERN TERRITORY:** All pools combined with TABQ. Maximum individual takeout is 25% with annual average over pools not to exceed 16%.

**QUEENSLAND:** Maximum individual takeout is 25% with annual average over pools not to exceed 16%.

**SOUTH AUSTRALIA:** (prior privatisation): Win/place is combined with Supertab. 14.25% (win/place), 15.00% (quinella), 17.00% (doubles), 20.00% (trebles, trifectas, fourtrella, Pick 4)

**SOUTH AUSTRALIA:** (after takeover by UNITAB): Maximum individual takeout is 25% with annual average over pools not to exceed 16%.

**TASMANIA:** Win/place is combined with Supertab. 14.25% (win/place), 15.00% (quinella), 16.50% (forecast), 17.00% (doubles and Straight 6), 20% (quaddie, superfecta, trifecta).

**VICTORIA:** Maximum of 16% over the year

**WESTERN AUSTRALIA:** Win/place combined with Supertab for interstate racing and Perth gallops. 14.25% (win/place), 15.6% (non Supertab win/place average), 20.00% (doubles, quinella, quartette, trifecta, sweepstakes, superfecta), 25.00% (favourite numbers)