Monthly Report July 08

UNiTAB Wagering

[redacted]

Highlights

[redacted]

- Margin (after product fees) was $1.2M (7.3%) ahead of budget

[redacted]

[redacted]

Expenses

Product fees and **wagering taxes** reflect revenue performance and average around 52% of wagering revenue. [redacted]

Product fees are unlikely to be impacted as a result of the introduction of Race Fields Legislation (refer later discussion).

The **total margin** after [redacted] product fees and [redacted] was $17.8M or 41.0% of wagering revenue and compares favourably to budget (38.8%) and to last year (40.2%) assisted by the high totalisator take-outs in July 2008.

[redacted]

[redacted]

Race Fields Legislation and the Gentlemen's Agreement

Racing NSW has been successful in having the NSW Government promulgate legislation which will enable the NSW racing industry to charge a product fee of 1.5% to all wagering operators that field on NSW racing. This legislation reflects that which is currently in place in Victoria and Western Australia. However, the Victorian and Western Australian racing industries have to date honoured the "Gentlemen's Agreement", that is they have exempted inter-state TABs from paying the product fee on the basis that those TABs support their local racing industry.

The NSW racing industry has left no-one in any doubt that they do not intend to honour the Gentlemen's Agreement. If the NSW racing industry is successful (and it would appear that they are willing to prosecute to ensure the collection of the product fee), it will rapidly unravel the Gentlemen's Agreement. In such an event, every State (particularly Queensland and South Australia) will need to ensure that like legislation is in place to enable cross border fees to be effectively charged by the racing industry in each State.

The UNiTAB businesses are relatively well protected against the introduction of product fees in that any fee paid can be off-set against product fees paid to the Queensland and South Australian racing industries, and an adjustment can be made against the wagering tax paid to the Government in the Northern Territory.

The racing industries in Queensland and South Australia would appear to be net exporters of racing product, so assuming like legislation is put into place around Australia, they will both benefit in the short term. In the absence of mirror legislation in Queensland and South Australia and if NSW alone applies the 1.5% fee on betting on their racing, Queensland would have been $7.6M and South Australia $2.5M worse off in FY2007. This would have represented 6% of the Product Fees paid to them in FY2007.

The problems arising from access to race fields is compounded by what happens with racing vision. Live race telecasts control the betting coverage, and ultimately what each State racing body will receive in product fees.

Currently, racing vision is controlled by Tabcorp through its ownership of Sky Channel. TVN (which is owned by the three Melbourne Metropolitan Clubs, Country Racing Victoria, the AJC and the STC) owns the rights to all Victorian racing and metropolitan racing in NSW. These rights have been assigned to Sky Channel until 31 December 2012. TVN may be successful in gaining rights to Queensland racing when they become available, at which time they would have control of a around 75% of the thoroughbred racing that currently makes up the race day program.

[redacted]

Barrie Fletton
CHIEF EXECUTIVE – UNITAB WAGERING

FOR BOARD MEETING HELD ON 28 AUGUST 2008