



Race Track Industry Program

**37th ANNUAL  
SYMPOSIUM ON RACING & GAMING**

**TUESDAY, DECEMBER 7, 2010**

**International Simulcasting – A “How To”  
Primer to Better Position Your Product  
for International Customers**

**MODERATOR:**

**David Llewellyn**, President, Australian Racing

**SPEAKERS:**

**Phil Adams**, Business Development Manager, Phumelela Gold Enterprises

**Andrew Brown**, CEO, New Zealand Racing Board

**Ines Hendili**, International Project Manager, PMU

**Matthew Imi**, CEO, At The Races

**Brendan Parnell**, COO, Sky Racing

**Kim Heng Teo**, VP Sales and Business Development, Singapore Turf Club

**Mr. Doug Reed:** It's international simulcasting. We don't want to get off schedule too much since this is also being simulcast. Kind of on that note I'll start just to let you all know in the room we are trying something new ourselves here. It's a webinar of this session and another session tomorrow so appropriately we take international simulcasting international through the web and if you have your little devices, hopefully you have your cell phones on vibrate but go ahead and text your friends if you want them to join us. It's a mere \$25.00 as an experiment here and the students get all the money in the form of scholarships so I don't think the price should be a barrier to entry. It's cheaper than simulcasting even. If you have a friend at home or someone at your organization you think could benefit that couldn't afford to be here, give them a quick text. You can still sign up to participate in this webinar.

I first would like to also mention while we're talking about the webinar we'd like to thank our sponsor, Roberts Communication Network for sponsoring this webinar. Also, this panel is sponsored by Amwest International, another entity in the international simulcast world. The beverage break was sponsored by MIR International Caliente. We have a pretty diverse and international group of sponsors. Also, one more plug for our students. This afternoon in the exhibit area right over here to my left is the senior student presentations. Please take some time to stop by there at one of the breaks. Right after lunch they'll be there. They'll be there at the break between the afternoon sessions. From 1:45 to 3:15, the students will be there presenting their work and they'd love to hear some feedback from you. There are a couple of grad students there as well that are in mid process of their project that they complete next semester and they really want to get your feedback

because they are in a position in their project where they really are just up and running and they can change it and modify it and they want to get some feedback from some people that are in this industry to make their project as relevant for participants as possible.

First, I'd like to thank our moderator. I'm sure many of you know David Llewellyn. David's been coming here for many, many years representing Australian racing and he is the president of Wyvern International. I couldn't think of anyone more appropriate to moderate this panel. This isn't a new subject. He's been at it for 26 plus years in the international simulcasting world, broadcasting Australian racing and many others and I'm sure this group will tell you about it. I'd also like to personally thank everybody here on the stage. I've known most of them for a long time and I know that they've come a long way to be here and I think it's a great panel assembled here from six different countries and I think there is a lot that we can learn plus opportunities for the future. Our keynote speaker even mentioned the growth of the business. I think this is just another area for growth.

I'm pleased to introduce David and I know David's goal is to make this interactive so don't be afraid of the microphones out there in the aisles once he gets started. David, thank you very much. He did a lot of work here to put this together. Please give David and the panelists a round of applause.

**Mr. David Llewellyn:** I think Doug you've said it all for me. I don't need to say anything else. Good morning everybody. Thank you for coming. As Doug said we are trying to do something a little bit different and today with this panel we'd like to take a different approach. Each one of these members is going to make a short presentation and we're going to try to have a discussion with you. I encourage you as they are making their presentation or during the discussion to step to the mike and ask a question that comes to mind at that time, rather than us waiting for the very end which I think sometimes make it awkward. We encourage you to ask questions. We may even get some questions from the web.

I'd like to introduce the panel to you and then they'll each do a short presentation and have a discussion. Hopefully when we're done you'll have a better idea of some experiences that they have had in trying to distribute products internationally. We'll start at the very end over here. This is Phil Adams from Phumelela Gold Enterprises in South Africa. We have Kim Tao from Singapore Turf Club, Brendan Parnell from Sky Channel in Australia, Ines Hendili from the PMU in France, Andrew Brown from New Zealand and Matthew Imi, from At The Races Great Britain. Again, they'll make a brief presentation but I do encourage you to ask questions as we go along. Phil?

**Mr. Phil Adams:** My name is Phil Adams. I work for Phumelela Gold. I'm sitting here in place of John Stuart, who has unfortunately been grounded in South Africa. I'd like to thank Doug Reed and the Race Track Industry Program for inviting Phumelela Gold to attend this panel. As has been discussed on numerous occasions before there are a number of problems and issues involved with international co-mingling. As you can see South Africa has been co-mingling both in and out for a number of years. We recently announced our latest project, which is to work with the UK tote to co-mingle money out of the UK book makers. This actually started last week.

This year's Dubai World Cup saw more than 60 hubs around the world bet into South Africa-hosted pools, which we think makes us the second biggest co-mingling event in the world after the Breeders' Cup.

On the next two slides we've listed these co-mingling issues, which have been well-documented in the past. Time unfortunately does not allow us to go through all of these in detail in this presentation but they are all gone into in John Stuart's presentation in 2005. There are a couple of ones that we'd like to run through.

Number, convention, and field sizes. In the US as you are aware horses are coupled by owner 1A and 1B. However, in South Africa horses are coupled by trainer and each one with a separate number. We only couple horses on the pick six. You couple horses in all pools. France couples in a different way. UK has no coupling at all. As a result, all of the systems are built in a different way and cannot necessarily handle each other's rules at a basic level.

Field sizes. In the UK there are frequently races with more than 20 runners. When we co-mingle into the UK tote, for fields less than 20 runners we co-mingle at UK tote rates and UK tote rules. When there are more than 20 runners we run B pools with a mutual field which have different sets of rules and different take out rates. This is obviously very confusing to the customer.

Fractional betting. It becomes very expensive for customers in a weak currency such as South Africa to bet into a strong currency such as the dollar. This means it's almost impossible for us to bet regularly into American pools because we stand too much risk. If fractional betting were accepted across the board we would be able to bet on US racing almost every night.

Take out. On this slide you will see that if we take foreign product and we co-mingle it, we are co-mingling at 14 percent win rate. We end up with 2.5 percent, just under 2.5 percent as our hold on this. However, if we run our own pool we take out 20 percent. We don't have a co-mingling fee there so we end up with nine percent. Obviously this is a barrier for us to want to co-mingle.

However, this having been said there is a need to co-mingle, if we want to compete with the every growing online operator's. We need bigger pools. We need global bets and of course co-mingling is required where we're operating at a substantially different time zone to the product we are taking because we cannot generate our own pool when it's not our peak hours.

There are however, additional issues to the ones already mentioned and some of the major stumbling blocks that the industry is faced with. The first one is aging technology. While current ITSP systems are very good at co-mingling between ITSP compliant technologies it's mainly a 1980 technology. It's very costly. It's very difficult and it's very time consuming to change these systems to enable them to take ITSP bets such as the V75 or Scoop six. This isn't necessarily the totes fault. It's partly our problem as a racing industry that we've squeezed the margins to such an extent that the totes can't invest in a system that actually does what we need it to do.

The spokes system. Everywhere outside North America the tote system has grown up in separation, in isolation. As a result they were never designed to co-mingle. The French system, the Singapore system, the Australian system and the UK system none of these were designed to co-mingle or to even take notice of each other. If you want to get two systems talking to each other it can take up to two years of spoke development. If that's the case and we want the world to co-mingle with everybody else it could take us up to 30 years to do this.

Probably the biggest problem is the industry inertia. It's a bad reflection on the horse racing industry that the issues we are faced with today and the ones I've just gone over are exactly the same as the issues that were brought up in John's presentation in 2005. If we don't take control of our destiny the industry will not be here in 30 years. Thank you.

**Mr. David Llewellyn:** Kim?

**Mr. Kim Tao:** Right. I'll start off by showing a video because some of you might not have visited Singapore before. A picture speaks a thousand words. Will you kindly please play the video?

**[Video Playing/Music]**

**Mr. Kim Tao:** Right. I hope that has given you a feeling of what Singapore is like and perhaps pique some of your interest to come and visit us sometime real soon. So that's how our entrance looks like. We started in 1842. Back then it was started by a group of British known as the Singapore Sporting Club. In 1924 the name was adopted as Singapore Turf Club to reflect racing. Up until 1987 it was actually a members club. In 1988 the government decided to nationalize it and to date it's still the only racing club and we are state owned property. Turn over last year was \$1.6 billion with a population of four and a half million people. We run about 95 race days, over 1,000 meets and we have 1,400 horses at the moment. The MRA, Malaysian Racing Association that started in 1896 which we are a member of with three other Malaysian Clubs. They are Selangor, Penang and Perak.

We had free exchanges of horse running in each other's races up until 1999 when the Nepal virus actually broke out in Malaysia and stopped the free exchange. We have been running races in our new race course since 2000 in a place called Kranji. In mid-2000 we decided we needed to explore expanding overseas as far as bringing more races into Singapore. Reason being because we needed to increase the variety and quality of racing that is seen by racing fans as well as wagering customers. We need to expose and export our racing as well to exchanges, and increase collaboration through simulcast. We actually get a lot more international horseman interested in racing in Singapore. Last but not least from the revenue we earn from simulcasting overseas that increases our prize money as well as development in racing.

That is the few slides I have to show for now and I welcome more questions later.

**Mr. David Llewellyn:** Thank you. Brendan?

**Mr. Brendan Parnell:** Thank you David. Good morning. Again to Doug Reed, thank you for being invited to be part of this illustrious panel and I hope that we can enlighten some of you with our learning's, particularly from down under as part of the Greater Tabcorp Gaming Group. I've just got a couple of slides; a little bit on our background and then a few of our learning's as well as a few wishes and solutions for those.

Tabcorp is one of the largest gambling entertainment businesses in the world with three main divisions. Casinos, has four major venues with four and a half thousand slots, and 60 restaurants and bars. I haven't been in all of them yet but I'll give it a good go. Our wagering and media division, I head up the media and international part of that. As far as the business is concerned, an annual sales of \$10.6 billion. We earn quite a significant tote not unlike the PMU. As far as our industry relationships are concerned we are in joint ventures with Victoria and New South Wales racing industries. We pay a product fee and

we also share our profits back. Over the last year that exceeded \$550 million. Compare that to our rebate of 262, we believe in a sustainable racing industry and that is a core part of our purpose. The third of our divisions is gaming, which has got roughly 13,000 slots. That's Tabcorp as a whole. As you can see there, predominately eastern seaboard of Australia but national brands of Luxbet.com, Sky Racing and TAB Sports Bet.

An overview on Sky for you and this is the media international division of wagering, which I head up and the rest of our team including Brett Gorman and Will Birkenstock are here with us. We have something like 230 race tracks in Australia. That includes Thoroughbreds, harness or trotting and greyhound racing. Of those we have roughly 57,000 races last year that were run in Australia. All that we covered 72,000 races. Our facilities put out three domestic racing channels under those brands there to a very broad distribution network. Our retail penetration is 5,000 betting shops, mostly hotels and clubs. In home, 2.4 million have paid television subscription in Australia and our Sky Racing One channel is the most watched channel on the whole platform on Saturday afternoons for men 25 plus. Very good penetration. Our female demographic has grown significantly last year as well.

Digital, we have a strong digital line up of brands including Sky Racing.com.au.tv, Sky archive, and jewel screen player so we offer a full suite of digital services. For radio listeners in New South Wales we have more than 400,000 listeners weekly. Our international business is quite huge from where it's grown about three or four years ago with more than seven export feeds daily to over 30 countries and extensive co-mingling arrangements already in place with South Africa and also New Zealand we are critically in line and more recently Singapore which has begun very well with future plans this next year to expand.

Three key things I'd like to share our learning's on. One is the imperatives of co-mingling including some of the issues and some of these are a little common to what Phil touched on. The second one is on how your product is presented and how it's packaged and offered to the consumer. The third one is that critical importance of data informed.

This is co-mingling 101. I still get asked by racing industries around the world, explain it to me. Quite simply it is about a guest going to visit a large party or a large gathering of funds if you like, all participating in a pool. Somebody put it to me two weeks ago; it's very much like an international airline alliance, if you like. It gives the customers, the suppliers and the producers of products better service, better price, better product and therefore better returns.

What we've learned from co-mingling and probably I'd like to share this with Andrew being on stage is particularly with New Zealand, you're going to jump into that little baby wading pool, it's a fair bit of water displaced. There is a huge impact if you bet into small pools and want to have a reasonable bet. Getting into something a bit more substantial really does create an incremental benefit. What we've seen in Australia in our co-mingling efforts over recent years, simple bet types have seen pool growth of 10 percent, exotics up to 20 percent and that's material when it comes back to your returns to racing but it's not a simple business. There's a stack of issues. Phil touched on many of these so I won't repeat the areas that he's been through. Most of the tote systems in the world have that limitation around the number of runners.

The racing and betting rule variations, if the industry could do one positive thing it would be better alignment across countries of your racing rules. Whenever you guest into a new country you have to take all of their rules on board. For a customer in Australia or another country they have to learn that their bets might have a different outcome. Capital record of

runners is also an issue in many countries. Regulatory requirements are onerous in many countries; the approval process.

Jurisdictional barriers on certain betting products. In Australia for instance, we have a cap ceiling of 25 percent. We can't participate in a bet type that has more than 25 percent. That rules out a V75, Quinté Plus and a range of bet types that have higher take outs. That's our challenge. We're working with our regulators to overcome it. The other one which Phil touched on was really urging and encouraging the American industry to look towards enabling penny betting. It would really enable us to get in on with fractional and co-mingling in this market.

The secondary I'd like to touch on is product and programming. I had to spend a few days on reconnaissance in Vegas before coming down here this week. Most of us survived. Having watched the way you program your racing, I saw so many times that races directly clashed. I see it in the European time zone. You see some great French racing clashing with South African racing or UK racing. How can we make it easier for the customer to follow racing when you're running the races off each other? It's nonsensical. For some time Hong Kong and Singapore, two great racing nations, had clashing race times. They've since worked to complement each other and the product for the customer is a lot better.

The suggestion that I give to the different racing fraternities here, think about staggering your starts think about how much more effective that could be in turn over benefit. On the right is a wagon wheel of Australian racing on a Saturday. The four red venues are our four major wagering venues and then if you had more than four venues you can schedule them in-between. The turnover or handle benefit we got in Australia was around a five percent increase the year we introduced managed race scheduling. There is turnover upside. There is customer benefit. They're not missing out on getting races. You're not competing with the track from the next door state. It's just a simple way for you to maximize your returns and customer participation in racing.

Vision presentation is key. For many countries in the world retail is king. For us it's almost 70 percent of wagering. UK it's still very, very close to that number. It's really important in those markets where retail is presented you get the audio right so the customer can consume racing much more simply and not be confused by the presentation star.

On the left is how we display in retail, our Sky One and Sky Two channels but we put one audio out. The major UK book makers do the same. They do a really splendid job. I'm not sure how many of you can read this formula here on the left. As racing we must realize that there are more customers than those in our own backyard. We must learn to deal with the language requirements. If you look at those numbers there of the world population and how many we cater to as an industry, we are missing out on great opportunities. The wagering on Australian racing in the west of Canada with a high Chinese proportion is very, very strong. This is some form that we are now going to be producing for some Asian punters and for us it's important we deliver that. To make sure you maximize your racing product, things like multi language form, 48-hour declarations and common data fields are really critical.

I thank you for the opportunity to join the panel and I'm happy to take any questions now or after everyone have finished their presentations. Thank you.

**Mr. David Llewellyn:** Ines, go ahead.

**Ms. Ines Hendili:** Bonjour. Sorry? You have a question?

**Ms. Candice Curtis:** I'm sorry. I have a question.

**Ms. Ines Hendili:** I'll say Bonjour later.

**Ms. Candice Curtis:** I have a question from one of our participants in the webinar. This is Linda Arnoldy from Canterbury Park. She has a question from the whole panel. She says we have taken a number of international signals and have been disappointed in some of the video presentations. What is the thinking in being able to offer a better visual of the odds tote boards and will pays?

**Mr. Brendan Parnell:** I'll happily give that a first go. We tailor feeds for different markets. I think it's really important you're cognizant of what each market wants. America has a very different need for vision and David's business Wyvern repackages it in a format that is known by American customers and I think it's important that we do package product that meets the local market. We made the mistake in the early '90s sending what we call wall-to-wall or continuous racing to America without that packaging in an unfamiliar format and not an imperial and we lost a lot of money. Our learning was going back, establishing a local agent and packaging for the market.

**Mr. Phil Adams:** It is also important to realize that you need to have enough customers to make it worthwhile customizing your feed. We produce one feed for the world and there are only two markets that are actually worthwhile us producing a spoke feed for because of the interest in that. It comes down to if you want better pictures; you need to get punters betting more on US.

**Mr. Kim Tao:** I think for us the experience has been what really the customer can take in terms of the interim between races. Pretty much that determines what kind of presentation we can fit into the time slot.

**Mr. David Llewellyn:** Phil, it's kind of a catch-22 what you're saying.

**Mr. Phil Adams:** I run our TV stuff and it drives me insane. We produce one feed for our German book makers as well as our Dutch co-minglers. We're running win and place odds with fixed odds prices and we're running tote underneath. It makes it very difficult to give everybody what they want but you're still coming up against the same problem of every new studio you get is going to cost you I think £40,000 a year. Every new signal is going to cost you another £200,000 to deliver. It is chicken and egg.

**Mr. David Llewellyn:** Go ahead Matt.

**Mr. Matthew Imi:** I'll come up with this when I speak in a minute but our view at GBI Racing has very much been that you need to tailor product to the customer's requirements. Certainly here in the US we do try to do that. One of the difficulties we've found in recent years in exporting our content over to this market, which Phil is alluding to, you have to be convinced that you can monetize it in such a way that you are making a net contribution to your business, having forked out the cost of supply and the content in a way that works best for the US and that's proved quite challenging.

**Mr. Phil Adams:** One other thing that's worth bearing in mind is that we have the better result where we deal with people who do their own distribution. When we're dealing with Singapore or Australia we're either providing a spoke feed to Singapore or a cling fee for Australia and they're putting their own graphics on. That works very well again in France.

If you're dealing with someone who does their own distribution then we can provide clean feeds and then it can be made to look how your customers want to see it. To do that you need to be willing to carry somebody else's product.

**Mr. David Llewellyn:** I think part of it is investment. Are you willing to make an investment? There are probably people out here that would love to talk to any of these panel members and you have a product that you would like to take to Australia or take to Britain. Are you willing to make the investment to make it so that it can be understood in Australia? I think that's the important thing here. All of these folks have made an investment to do that. We thank Linda for her question. Any other comments on that one.

**Mr. Kim Tao:** That's true. In fact a lot of our simulcast partners that have been piping their races to Singapore, initially they have been investing. There is no exception to that. Some of them actually saw pay back quite quickly. Some took a bit longer time but as David says it is important to look at it as investment and then work it from there.

**Mr. David Llewellyn:** Linda, thank you for your question.

**Ms. Candice Curtis:** Thank you.

**Mr. David Llewellyn:** Ines

**Ms. Ines Hendili:** Hello to everybody. I'm Ines Hendili. I work at PMU in international department. I'm really pleased to be here to speak about our company and what we have been doing in the last years to sell our product abroad. What I'll do I'll start to just give you some figures about PMU and what we do and then enter into national business and some specific cases to explain what issues we have faced and how we dealt with it.

PMU has been created by the horse racing associations in France to be able to take bets outside the tracks. We conceive, we can market, we totalize our bets. This year there has been an opening of the online market to do sports betting in fixed odds and poker online so we took the opportunity to do so on our website. PMU funds 80 percent of the French equine sector. It was \$994 million last year. It should be a bit higher this year. It's a bit more than 74,000 jobs. We have double this number of people working thanks to the racing industry.

We have very famous grand prix. I guess the ones you know better are Prix de l'Arc for Thoroughbred and Prix d'Amerique for harness. It was more than 80,000 horse races organized in France last year our 248 race tracks.

Just to let you know, PMU is the first pari-mutuel company in Europe and second in the world after the Japan Racing Association. We did a handle of 12.6 billion last year. We had the Quinté Plus bet that gave a record win of almost \$10 million for a punter. It was back to 2008. We have a market share of 27 percent for betting and gaming in France in gross revenue. We sell our product in 80,000 sales outlets in France. Most of them are bars, restaurants and they work under a license with PMU. We also sell our product through telephone, mobile, interactive television and Internet on PMU.fr. Our customers are 7.5 million in France. We have had this year 500,000 active accounts on Internet and our TV channel, EQUIDIA is subscribed by nine million people.

As I said we had this opening on the market in June so we started sports betting on our website and we had a partnership with Paddy Power to do that. We did also online poker in partnership with party gaming. Of course, we keep on promoting horse racing that's on our



website and of course in our outlets. The horse racing associations really increased the number of races in 2010 and then we continue in 2011. We will have 1,040 meetings in 2011 and it's equal offer for gallop and trotting. Both disciplines are very popular in France. We will have three meetings a day from mid-day to 8:00 p.m. and we also have two-day meetings at night unless in December and January.

One new thing also for PMU is we used to have only B to B agreements abroad and now we are really looking for opportunities to go directly into those markets. The idea is still to keep revenue for our racing associations and also to promote the local horse racing sectors.

Now, let's go to the international. To sell our product, what do we need? We need to send the pictures so we have EQUIDIA Programming with several languages for commentaries. French, of course, English, German and Spanish. We have a database called Info Center so it's a website you go and get the information. You also have a push way to give the information. For the IT connection to common pool we have ITSP for the simple bets and we have a homemade synchronous interface to do all the bets including the exotic ones. What we do is we have partners that offer all our races every day or just a part of it. Some of them are merely trotting countries like Sweden so they would offer trotting and not gallop. When we co-mingle you can choose between having just a part of those bets or all of them. We also give some advice to market the product.

We have partnerships in 50 countries around the world. All of the handle, separate and common-pooled, is \$1.6 billion. We have separate pools in 48 countries. Most of them take bets on a regular basis on the French races. We common pool with eight partners. Most of them are in Europe and we have Sweden of course and we should have Finland very soon.

This is just to show where our partners are. You can see that most of them are in Africa and Europe. Time slot is almost the same. You can see in the upper part, our race is from mid-day to 8:00 p.m. and it suits very well for all this part of the world, rather when we go to Australia we are late night and when we come here it's very early in the morning. What I will do after is I will give a case in Italy and what we have done with Italy, which is very close to us but we had some specific issues for Italy and then how we deal with the long distance partners.

Italy is the second market in Europe. It's \$2.6 billion in 2009 in handle. The way they are organized there is the totalizator, which is owned by AAMS and belongs to the Ministry of Finance. All the race rights are owned by UNIRE which belongs to the Ministry of Agriculture and the distribution is made by private operators. They have a lot of Italian races so it was more than 2,000 meetings in 2010 and they have both gallop and trotting. We have been working with them for ten years now for a separate pool for French racing and we also take Italian races. We wanted to improve our partnership with Italy so we worked on a Quinté Plus bet in common pool.

Why did you choose Quinte Plus? First of all take outs in Italy are quite high so we needed to have a bet interesting for the people. We have a jackpot of one million Euros every day available and the take outs let us pay everybody in Italy from distribution, state and racing. When we started looking at this we saw that there is a Quinte in Italy, a kind of Quinte but they are used to having specific information for their players, the total handle on the bet and something called Capogioco which is the handle per horse on the five positions of the Quinté combination.

This didn't exist in PMU so we had to develop this because we knew that if we didn't make some efforts to give the same information that the players are used to in Italy it wouldn't work. Italy doesn't use ITSP. They just refuse to and it's been this way for ten years. They don't want to hear about it. Our synchronous interface is just to do bets. You don't have any information on this interface so we needed to develop more information like all operation information. We open the bets. Here are the scratches. Here are the results and everything. This took time also for us to develop it in our system.

The fun thing about Italy, as I said, is you need to work with everybody. There is someone for the totalizator. There are other people for the races and to choose the races and there is the distribution. At a certain point you need to talk to everybody so it takes quite a long time. One thing you better speak Italian if you want to work with Italy. We're about to achieve our goal for the Quinté Plus in Italy.

Now, another case. As I said we have those very big events Prix du I 'Arc and Prix d'Amerique. They are famous abroad. In some markets like the US market or Hong Kong would take both or one of them. What we have seen is their requirements are bigger than all those countries that are used to our product so they need the information very early like how many runners there will be, what are the potential winners, what are the post times so we need to give this information much earlier than we are used to. You also have some specific information.

For example, in Hong Kong they want to have all the distances at the finish for all the horses where in Italy you just give three and it's fine and in France you just give ten and it's fine. We have to organize ourselves to be able to give this information to Hong Kong. We give them also promotional information like pictures and videos because of course they are not used to this product so they don't really know the track. They wouldn't know the runners. We try to give as much information to them to be able to give it to their players.

Satellite is the costly thing about those long-distance markets. We used to put our images on satellite for Europe and Africa but it's not enough so you need to uplink the video signal and make it available on other satellites, which is really costly. It's once a year so every time we need to test everything. You need to test this video signal. You need to test the way you would send the data because even if you have our website they are not used to it so we send information by email and we test everything before the event to be sure that everything goes smoothly. As they are not that comfortable with this stuff so we make people available on phone the day of Prix du I 'Arc and Prix d'Amerique

Long distance partners. What am I talking about? It's Australia. It's Singapore. For the moment it's separate pool agreements. They used to take only Prix du I 'Arc and we are really happy that a few years after they decided to take more French racing. For example, communication takes a lot of time. As you can see the time difference. You send an email in the morning but the guy started in the evening so he replies to you and has the information just the day after. It's a long process every time. You need to consider that you have the distance and the time difference. Anyway, it would take a lot of time to get things settled.

Specific data. For example in the US you have the rating. Rating in France has nothing to do with the US rating or the English rating. It is not information we could provide otherwise. We would need to explain how our rating is calculated. You also have the fractional times. It doesn't exist in France. It's not even recorded. For sure, you would never have this information in French races. We also have some issues about translation of our information in English because we have an automatic translation on our website but

sometimes, you can ask my friends, it doesn't go very well. We know that we need to improve our data.

Video signal. Satellite is much too expensive so we found some new ways to send our signal to Singapore and Australia. We share cost with the English racers to send their signal via fiber and we think also of live web streaming someday if we come to the US. It's mainly Internet wagering because it's not — the racers arrive very late at night. Also what we see is as it's night operations there are less people available there to follow all the races and the starts and everything so we need to find a way to automatic this to make the information available very quickly.

The pool sizes are lower even if they are very big horse racing markets and very big pari-mutuel racing markets. Anyway, you arrive late at night. We do believe that common pool is the great solution but we need to work on this because even if you have ITSP we have our own synchronous interface. It doesn't mean that we just plug in and it will work. We are working at PMU to find an easier way to get everybody connected. We are improving it. We are working on it. Well, this is pretty much it. Thanks a lot. If you have any questions, I'm available.

**Mr. David Llewellyn:** All right. Andrew.

**Mr. Andrew Brown:** I'm Andrew Brown. I'm chief executive of the New Zealand Racing Board. I'm just going to give you a quick, with a few slides, just an overview of the organization and then I'll focus on just one aspect of what we're doing that I think will be quite interesting as my colleagues here I think have done a lot of legwork in terms of the co-mingling issues that we face and they're pretty much the same as everyone faces.

The New Zealand Racing Board, we are the peak body that runs racing in New Zealand. When I say racing that's three codes of racing. That's Thoroughbred racing, harness racing and also greyhound racing. We kind of split into two in that sense so on one hand the racing industry is about one percent of the New Zealand GDP so that is a very important industry within New Zealand.

We employ about 52,000 people across the industry. That's about 20,000 FTE's but 52,000 people. Out of a population of 4.5 million you can see it's a pretty important employer. Historically New Zealand has had a very strong connection with the racing industry particularly through the breeding, owning and training side of things. We are very strong suppliers of horses into Hong Kong, Singapore and Australia in particular.

You can see there on the slide Thoroughbreds by handle account for about 54 percent of turnover or handle in New Zealand. Harness is 32 percent and greyhounds are about 14 percent. In terms of where that's going Thoroughbreds is kind of going down slowly, greyhounds are going up slowly and harness is staying pretty much stable in that sense.

On the betting side we turn over about 1.6 billion a year on a population of about 4.5 million so it's roughly the same size as the Singapore industry and roughly the same size as Singapore except we have 65 race tracks and they have one. We have 119 racing clubs and they have one. As you can see we have a few economy of scale issues to deal with in terms of the infrastructure of the industry.

In terms of the turn over of the New Zealand TAB, as it's called, we have a split of about 50-odd percent through our retail network. It's the second largest retail network in New Zealand after lotteries. We have 650 outlets; most of them are pubs and clubs — bars if

you like. We are above 25 percent now, about 28 percent of online is coming through online betting and 20 percent or so is phone bet. That's going down relatively rapidly. Online grew last year to 40 percent so that's growing very quickly. Retail is going down slowly as a result of all that.

That is sort of the overview of the racing board and the racing industry in New Zealand. As I said we sit at the top. The predominance of our activity obviously is in the TAB and the gambling area but we generate about, well, it's probably close to 80 percent of the funds for the racing industry as a result of the profits of the New Zealand TAB and they go directly to racing. This year it was 128 million of profits that funded the racing industry.

On this slide here, which I won't dwell very much on — I suppose I should add that we are effectively owned by the racing industry, by those three codes. The governance is as you may anticipate quite complex but at the end of the day we are here to benefit racing and to create a prosperous racing industry and that's why we operate the TAB in the first place hence all of the profits go to that name.

This gives you a very complicated world map, which gives you an idea of where our different products come from across the different time zones. The US, we are not currently taking US racing but we are working towards that and we very much want to do that because as you can see from this we have a blank spot in the 9:00 to 12:00. Basically in the morning our shops are empty.

Legislatively we are not allowed to have things like virtual racing. Particularly the bars, they have poker machines which are not ours. Those people who are in the bars would also like to gamble on horse racing if we could give it to them.

We also take product from Australia as our major partner and nearly a third of our total turnover last year came from imported racing from Australia and then Hong Kong, Singapore and to a lesser extent UK, France and South Africa as Ines mentioned. That is the middle of the night our time so clearly it's quite a difficult time in terms of getting a lot of people interested in having a bet at 3:00 a.m. in the morning.

The piece I would like to spend a little bit of time on, if you don't mind, you may have heard about. We are currently in the process of replacing our betting engine, our tote engine. New Zealand put in I believe the world's first computerized tote operation in 1982. It's still there and just and it's creaking. It's starting to fall over and we need to replace it.

Shortly after I arrived at the job about 18 months ago we made the decision to take what many people see as a risky move to become guinea pigs for a completely new betting engine called Typhoon, which we've purchased from Media and Gaming, which is an Australian company. A small company. We looked at all the available options around the world and spent quite a lot of time of this and came out with Media and Gaming as the best option.

The only reason we wouldn't go with them frankly is because we are the first and there always has to be a first. We're going to be the guinea pigs. We're going through that process now. We're about halfway through the process of installing the new betting engine.

I think delivery of the software and so on we'll finish early next year, early in 2011 and then we'll start either testing and rolling out from this stage from the end of March across first of all the Internet, then into the phone bet, retail next and then onto the race course, which is going to be extremely complicated. We are very positive about this move.

First of all we know it's the right decision to make. We are also very confident having been doing this for a year or so now that it will work and it will deliver absolute leading functionality.

One of the most important things and one of the reasons it was very interesting for this panel is that it will deliver a level of flexibility for co-mingling particularly in that no other, as far as we understand anyway, no other betting engine currently is able to offer.

Most of the totes that exist in the world like ours at the moment are Legacy systems built by each of the individual organizations. They were originally built in their own world without any conception that people would want to co-mingle or that you could even co-mingle. In the '70's or early '80's or before that even it was simply a completely different world then.

This is something that is being designed and built in the 21<sup>st</sup> Century and clearly it's built with co-mingling in mind. That will enable us to be much more flexible. I think what is likely to happen as this succeeds is that others are going to take up some or all of the software options that are available through the Typhoon process. I get the feeling that lots of other players are out there basically waiting and watching to see what happens with us and then basically once it's there and it's up and running then they'll believe that it can actually be done.

We are very confident at the moment. We are about three months behind where we thought we were going to be, which is an 18 months or two-year process for software, I'm sure those of you who have been involved with these kinds of things know that's not too bad actually. One of the reasons we're behind actually is because when we originally set the time frame we were thinking of focusing only on a Pari Mutuel engine, pool betting type of engine but we also have added in fixed odds so Media and Gaming are also building for us a risk manager side to this as well so it's a fixed odds engine as well as this. That's really what's contributed to the extension of the time.

That will mean that we are able to add that level of flexibility not only to tote betting that we have of about 15 to 20 percent of our business at the moment is fixed odds and we'll be able to expand that significantly through the addition once the Typhoon engine is up and running.

There are a lot of benefits. Things like the more than 20 or 24 or however many horses are in a race won't be an issue anymore. We can currently handle 30 events in a day. That won't be an issue anymore. All those levels of flexibility enable our business to expand and to give basically, deliver new benefits to the customers that they're not currently able to enjoy and that are really what I guess we're all about here and the new betting engine will enable that in spades.

That was kind of the one area that I wanted to just dwell on briefly. I think I have a conclusion slide, which I don't need to bore you with. Aside from that, that's it from me.

**Mr. David Llewellyn:** Thank you Andrew. Matthew?

**Mr. Matthew Imi:** Firstly many thanks to Doug for inviting me to speak here. It's a great pleasure. I'm Matthew Imi. I'm joint chief executive of GBI Racing, which is the hat I'm wearing today. I also wear another hat which is running At the Races. I have a very short film to show you which will give you a flavor of the type of racing that we represent at GBI racing. Please run the video. It doesn't last longer than a minute.

[Video playing/music]

**Mr. Matthew Imi:** I'd just like to tell you a little bit about GBI Racing. We are a 50/50 joint venture between two UK based companies, At the Races and Racecourse Management Group. We launched in March, 2010 and I'll come onto the sort of significance of that in a moment. Effectively for the first time in a long time you have one company now representing the interests of all the British and Irish horse racing so under one umbrella if you like. Our remit really is very simple and relative to the final point it's important to say that we're a rights holder and we're not actually a tote so we have a slightly different perspective to some of my colleagues on this panel.

Our number one remit is to maximize the revenues that we can generate from international market place through GBI Racing targeting largely bricks and mortar betting shop outlets or racecourses, tracks and then certain online wagering platforms.

Our product is very simple. It's all the fixtures that all the British and Irish racing offers, which is about 1,800 a year. We race all year round apart from three days and it covers turf, flat racing, all weather racing and jumps. We like to think of all weather as being immune to the weather but the snow that we have back in the UK now has even decimated some of our all weather fixtures, which is slightly annoying but there we go. We offer fixtures across the day parts.

Here I have to be suitably deferential because a number of our key customers are actually sitting next to me. Andrew, I'm sure you will be at some point, I hope you will be. These are our key customers and clearly an incredibly important part of our business. When we looked at the challenges that we faced effectively re-launching British and Irish horse racing into international market place, front of mind, top of the list for us was really to ensure that we gave each of our key customers what it was that they wanted. Not what we thought they wanted.

There are three key challenges that we faced over the last 12 months and I'll happily tell you what they are and provide a solution to each of them. This time last year and for the previous five or six years, in some respects quite bizarrely British and Irish horse racing was represented by two companies. That was At the Races on one hand and Phumelela on the other hand. Phumelela represents the rights to racing UK's content outside of UK and Ireland. Fantastic company. Lots of strong points and we're very, very close to P.G. but for our sports back home it was sub-optimal for a number of reasons.

Firstly, it was very difficult to have a sort of collective coordinated strategy on how you distribute your content if you have two parties who are effectively rivals knocking on the same doors. That was one issue. It was very confusing, we found, to a number of our customers. It was difficult to support the content with proper marketing. There was no real strategy for our industry in that respect. Certainly in some cases, and it doesn't apply to any of my colleagues here but there was definitely an opportunity for us to be played off against each other and therefore there was a potential for pricing disparity, which within our industry is not necessarily a good thing. It's a global business but in some respects it's quite small.

The solution was that we brought all the rights together under one roof and that's GBI Racing. For the first time in many years A, we're managing our own rights and B, we can engage and agree that sort of collected approach to how we sell, market and distribute our content. It's probably easier for us as an industry to have a more effective relationship with

our key customers. I always thought that one of the advantages of many of my colleagues along here is that you can talk to one person and that one person many times is running the racing, running the totes, has the rights and that's great. That hasn't been the case or wasn't the case in the UK.

Overnight there are massive cost efficiencies which we saw. You went effectively from having two sets of satellites and two sets of marketing blah, blah so you could really slim that down into a quite nice sort of elegant, lean position. Also, number one for us, there was an opportunity for us to maximize revenues by giving our key customers what they want.

With that in mind we have this new company, GBI Racing. What we had to do then at the start of this year is effectively re-launch the whole of our industry in the international market place and how we are going to effectively monetize our fixtures. Our original thought I think somewhat naively was that we should create what we called a best of breed racing channel, for want of a better expression, which had all of our content, was very glossy, lots of fantastic graphics and we thought that every one would absolutely die to have that. That's not what anybody wanted at all really. The reason for that is the reality of the market is that all of my colleagues along here and a number of others really are operating their own business in their market place. They got their own pool structure. They have their own way of wanting to deliver our content through their systems to their customer base.

The solution, which I alluded to earlier, is to listen to what we're being asked to do and create a number of different services and that's what we've done now. We have our core GBI Racing feed, which has got the vast majority of our fixtures within that feed and that goes out amongst others to UNIRE in Italy, to Sky Channel in Australia, to the Turkish Jockey Club and here in the US. Others would prefer a clean feed so that's what we provide to the PMU and to Phumelela in South Africa. Kim came along and said I'm interested in taking your content but what works for us is a slightly more of a spoke service so could you do some more voiceovers? We want parade ring shots. It's a service much more tailored to his requirements. The same is absolutely true of the Hong Kong Jockey Club as well. Brendan came back and said I want the GBI Racing feed but I'd also quite like to have a little of the spoke stuff as well as a whim. That's what we've done.

What that means really is that we can now offer not just existing customers but potential customers, which is almost as important; a real range of different content offerings. We touched on this earlier as well but we're also looking at delivering our content in a cheap and more effective in some respects ways through MPLS and point to point IP and IPTV.

The final challenge really was to try to understand what we were and what we weren't and one thing we are not is a tote. We are not a betting operator. In that respect we do differ from the rest of the people on the panel. We weren't quite sure if that was a problem or not. We were suffering a bit of an identity crisis. The consequence of that was should we be pursuing a co-mingling strategy where we're encouraging our customers to co-mingle back into the UK and Irish tote pools where possible or were we really not that fast and we're happy with separate pools? Bear in mind now that it is a lot easier through the connectivity of companies like Scientific Games, Sportech and i-neda offer to co-mingle back into our domestic pools.

We settled on the following answer. We don't really care. We will let the market decide so whatever a customer wants that's what we're happy with and we'll work with them in that respect. There are certain short comings to co-mingling into the UK type pools one of which

is the really low take out rates on the win bets. Also there are liquidity issues, which go with the fact that in the UK tote represents three or four percent of the market rather than all of the market in many other territories.

Where we find ourselves now is that there are customers co-mingling quite happily into our tote pools, Phumelela, here in the US, Holland, Germany and PMU does some as well. There are an equal number who are quite happy to operate their own separate pools and we're very supportive of that.

A couple of other key challenges. Firstly from a sort of regulatory perspective. Clearly that dictates a lot of what we do around the world and on the one hand I would say we've got greater influence over that and we have to rely on our partners and potential customers to try and affect a change in regulation that will assist us in getting our racing into certain markets. In most cases, what we're finding now is that regulatory chains do actually mean that markets are opening up rather than sort of retracting.

We've touched on this, certainly Ines did that we feel very strongly that you have to localize the product and you have to invest in that. One thing that racing can be quite poor at is marketing its content. We work very closely with our customers to ensure that we are giving them the assets they need to market our content to their customer base. We will sponsor Group One, Group Two races in various markets around the world. We create local language websites. We sort of strip down our own GBI Racing website that has all of our race cards and forms, etc. and we turn it into an Italian version UNIRE or a Turkish version for TKJC or I think we're about to do it for Singapore as well. Equally we invest in local language and race cards form and data products.

**Mr. David Llewellyn:** I think the theme here is tailor your product to the market you're going into. If I could see a show of hands of anybody in here that has a product that they would like to distribute to any of these folks, would you raise your hand? Okay. What type of questions would you like to ask them or would you like to sell your product right now? Step to the mike and give it a go. Don't want to sell your product that bad? All right. Everybody knows everybody and knows what their product is, some of the pitfalls they've had moving their products internationally. I'd like to open the discussion amongst our panel members and start with Andrew and Brendan. Your two organizations spent close to two and half years doing your co-mingle project. Could you just speak a little bit to some of the pitfalls, some of the successes, things that were easy, not easy? It's all come together and it's really been quite beneficial for both of the organizations.

**Mr. Andrew Brown:** If you like the junior partner in that process we — I wasn't around at the time so I can only account by third party. We stood to benefit a lot from being able to co-mingle with Tabcorp. I think that probably shaped our approach to those discussions. We had to be flexible. They were the 800-pound gorilla and we weren't. Probably a spider monkey or something I guess we would be. We had to be flexible. In saying that, it's much easier said than done. As I indicated before we are working with 120 odd clubs and we are working with 65 different racecourses. We have 1,000 different race meetings a year and we had to find ways of making that fit in properly and to Brendan's point before, make sure that we didn't have clashes with the key Australian race meetings.

On the other hand there are 230 racecourses in Australia and they're not going to bend themselves out of shape for a small 4.5 million person country like New Zealand. We had to compromise on some of those issues and obviously what we sought to do is avoid the big metropolitan race meetings in Australia and as I said be flexible in that process. That is in the race scheduling.



On the tote side, that's where I think a lot of the real stumbling blocks came out from a technical point of view and Brendan can talk more about that than I can because I'm not of a technical bent.

**Mr. Brendan Parnell:** That was our first step from our perspective into co-mingling as well. For us it was quite a learning curve. We were very fortunate that the racing worlds were very similar across the Tasman. From that perspective we didn't have to introduce a lot of change for customers either in New Zealand or Australia. To put it in perspective — I'm aware that my peers up here import and export a lot of racing — this year our turnover on imported racing is going to top \$500 million out of our total sales on racing about 9.5 billion. That is quite material. New Zealand is more than 50 percent of that. It's quite critical in content for us and the reason why co-mingling was so important, New Zealand couldn't offer racing on quite a few Australian events because the pools were immaterial. You couldn't have a \$50.00 bet because you'd kill your odds. For us we knew it was a certain win. There was a demand and appetite for the product but they wanted some price stability.

It took I think about 18 months of development time to fully launch the full product. We still have one or two products that we aren't co-mingling. One of those is related as I mentioned earlier to that take out restriction. New Zealand would have to lower its take out on the quinella or trifecta in order to participate. The question mark is will the upside in revenue be off set by the downside in the smaller take out.

There has been a lot of learning for us but what it's delivered for both racing industries is quite fantastic. I mean the growth that New Zealand has seen and the growth — we represent all Australian racing so all three codes, they're rights and last financial year alone we shared \$11 million in product fees back to the Australian racing industry on top of the local product fee. Incremental no extra cost for putting on a race meeting. It's a benefit for the local racing industry. From our perspective, two years of hard work, a lot of learning's. It's still not always faster to get co-mingling developed, approved, tested and all of those things but for us it was a very powerful learning.

**Mr. David Llewellyn:** Could we go to each one of the organizations and — I'm plucking a subject out of the air but just to see how we each deal with it. It was one that Phil mentioned earlier and it's coupling of horses and how each organization either deals with it or doesn't deal with it.

**Mr. Phil Adams:** It's a bigger problem for us on our export than our import I think. Most of the racing we import, because we own our own TV channel, because we own our own betting outlets we can make our own liquidity of it. We make our own liquidity on French, which have got different company rules to ourselves and the American imports can be a problem because we run on the AmTote system. The problems we have are where we try and export our products.

We recently launched co-mingling out of the UK shops into the South African pools. It's a bit of a fake. It's not proper co-mingling. We're basically we're pretending that South African tracks are British tracks. What this means is that we can't co-mingle a pick-six because the UK tote system has no idea what a coupled horse is. That's our biggest issue I think.

We're very used to generating our own liquidity. Probably about 30 percent of our turnover is now on imported racing and our exported racing has actually increased by double digits

this year. The international works very well for us in both importing and exporting but the coupling is actually the biggest problem for us on the export to non-ITSP American style countries.

**Mr. David Llewellyn:** Kim?

**Mr. Kim Tao:** For us it's actually more fundamental. First and foremost we got to convince our stakeholders that co-mingling actually doesn't mean cannibalization on betting on our own races, that the odds of the offshore bettors are just as good as the local bettors so that the local customers are not disadvantaged. We have to talk to the government to work out so that there is no double taxation. Double taxation will not permit co-mingling to ever happen. That process itself actually took something like three years just to convince the government that there would be no loss of tax revenue that the customer interests are protected and most importantly there is actually incremental benefit both to the state and also the racing industry in Singapore. To us that was really the most difficult part of international co-mingling to date.

**Mr. David Llewellyn:** Brendan?

**Mr. Brendan Parnell:** Well as you know we are about to launch into a trial of US racing and that remains one of our great concerns is coupling. We expanded our hours earlier this year to do 18 hours a day 7 days a week of live racing. The next stage for us is looking to expand our morning, much like Andrew. It's more palatable for Andrew's time zone but nonetheless we're looking to begin that from early next year. It's problematic from a systems perspective to include racers that have bracketed runners. That's the basic of several of the major tote systems around the world. That's why it's encouraging to hear new tote systems are building much more flexibility and the capacity to offer that functionality.

**Mr. David Llewellyn:** Ines?

**Ms. Ines Hendili:** We have much more co-mingling on our racing than what we import from abroad so we co-mingle on English and Irish races. We have co-mingled on the Breeders' Cup since 1997. We really created an event around this Breeders' Cup so we took Friday and Saturday and I think Kim can confirm that we really are a big part of the common pool in the US. We started co-mingling two years ago, two years and a half ago in Italian races. It's been really complicated to implement and it took us two years to do that.

What we see also we have specific bets. I mean our rules are specific so quinella really works well, exacta less. In Italy exacta and trifecta are really good bets but not in France so when they would put them together there is a difference. We really bet on win but less on exacta and trifecta and it's a contrary in Italy. They do bet a lot on their trifecta. It's fun to see the way the pool goes.

We have — I don't know — the quinella — I was explaining a bit the specific rules. We have a long runner. We just don't reimburse. We have like consolation dividends if you get the winner on your two-horse bet. We still have to consider this in the co-mingling. We need to be able to explain it to punters because they don't understand. The hard thing about it is I don't know. I guess we would say well why don't you change your rules? It's too complicated to explain that you have non-runners and everything. We have a nine billion year old market. They are used to those rules. They are used to play in no order. We have a trio in any order that works much better than a trifecta. It's hard to say to the French punter, okay we change everything because we would like to co-mingle much more.

It's hard because we have this market that is very important and it's clearly a priority for PMU and the horse racing associations to keep this market growing but we need to find ways to adapt to develop co-mingling. We need to work on many sides of it. The IT protocol we need to work on the rules. We need to work on the marketing to explain those specificities. As you said the coupled horses, we have different rules. We can have coupled horses with the owner and also the coupled horses with the trainer. We don't present it as it does in the US. You have like 1 and 1A. We have one with an A. We have 12 with an A. we show odds for the two horses just to give an idea to the players which one is the best among those two and we show the odds for the coupled horses, the A odd, and in the end you win the A odd.

We know its France, La France, vous etes specifiques. Anyway, it works in other countries. As I said we have almost eight common pool countries. We're working on increasing this number. We aim to have 30 partners in a three-year time so we definitely work on this but I guess we will not change all our betting rules.

**Mr. David Llewellyn:** Andrew?

**Mr. Andrew Brown:** As Brendan mentioned we don't have coupling at the moment and so we have — not as Australia so our main co-mingling partner doesn't have that specific rule that would make life very difficult I think. The general theme is that because we are kind of the opposite of France in as much as we are small and therefore the benefit to us of co-mingling is very large. We are principally guests into other peoples' pools so we have to be flexible.

Getting back to the software and how changing the betting engine, I think that's been one of the big things that's driven us is to realize that in order to expand our product that we're going to have to be able to change ourselves. We can't expect the French or the Australians even or any of the American market to change its practices so we have to be flexible enough to accommodate those differences between what our punters are used to and what punters in other countries are used to and we'll find ways of displaying that or dealing with those changes.

**Mr. David Llewellyn:** Matthew?

**Mr. Matthew Imi:** I mean coupling really isn't an issue within the UK but just on the broader level I think the encouraging thing is that over the last two, three or four years there has been some significant progress in the appetite for simulcasting and co-mingling. I think five years ago if we'd been here or at Asian Racing Conference then that's what the talk was all about.

I think it has been progressed and that's great and certainly as a rights holder I think we have been a beneficiary of that, which is a good thing. One thing I'm quite interested in asking my fellow panelists is that part of the motivation — to what extent is part of the motivation to open things up and become more flexible down to the economic climate over the last couple of years and certainly in the UK, identifying areas of growth for horse racing? Domestically it's very difficult so our industry tends to look outside our market place.

I just wondered if you feel the same way. There is a limit to how much growth you can expect to get in the short term from your own markets and therefore you've had to open things up and consider taking international content and investing the technology and etc.

**Mr. Brendan Parnell:** I think Matthew from a Tabcorp perspective in Australia, like a lot of the world wagering has many challenges. For us we began our international drive led by Brett Gorman and international team was around complementarily so we would not compete with Australian product by and large.

We have really looked to support our racing industry, who earns a product fee on every dollar wagered on imported product.

New Zealand comes in and marries that in with the Australian racing dirt. Hong Kong and Singapore are the only two lots of product that do clash with Australian product but we schedule around it because we manage all the race times in Australia.

Then, overnight we bring in French racing, UK and Irish racing, South African racing and it's all about complementing your local product to grow your wagering offer. We're competing against slots, online poker, sports betting and a range of other leisure activities. It's important that we offer the racing fan product over an extended. It's a bit like a supermarket. You want to make sure your shelves are always full and the doors are open as long as possible if we're going to maximize the returns to racing as well as to our shareholders.

**Mr. Kim Teo:** For us part of the reason why we are exporting our races is really we see the domestic market before and a half million people actually being limited. When we export we have actually increased from no betting on Singapore races in 2005 to more than 200 million. It's about 20 percent of total betting on Singapore races in Singapore. With that comes co-mingling. That in itself will also drive the customer interest in our betting pools because dividends will get better. There is more stability. There is more liquidity. Depth and width of the pool itself.

It's necessary for us to grow the domestic market by going international and that is how we have approached this.

**Mr. Phil Adams:** For us it works two ways. We start racing in the morning with Hong Kong and Singapore and then we move onto Sweden and then onto South Africa, the UK, Irish and France. We take in content from I think 11 countries. We'd like to co-mingle all of that but there is the issue of profitability and the issue of actually being able to get into those pools. As we own our own TV channel, as we own our own betting outlets we can create our own liquidity as long as we are careful with our scheduling so that we don't get too many meetings going on at the same time.

For our export it's much more important for us. We are doing more deals with some of the UK online book makers at the moment. It's an attractive thing to them to be able to offer a tote betting option because it means they don't have to sit there and worry about managing their own book. They don't have to sit there and worry about working out the prices. They don't need to worry that somebody is going to take them to the cleaners. We can turn up and say we'll give you the strings, we'll give you the data, and we'll give you the tote access and just pay us a percentage of the handle.

That means we can turn on smaller operators much quicker because we wouldn't be able to do the same deals with someone like Ladbroke if they had to run their own liquidity. I think that is the biggest issue for us when it comes to co-mingling. It doesn't stop us from having big partners like Australia or Singapore but what it does give us is it gives us the ability to pick up the smaller ones; people like Holland or Germany or some of the online operators.

**Mr. David Llewellyn:** Anybody else on that subject?

**Mr. Andrew Brown:** I think Matthew's point was is this a short-term sort of push or is this actually part of a long-term push. My view is that it is part of a long-term push but it's actually driven by the same sort of problems that we face out of the short term crunch that's the recession or the effects of the global financial crisis. I think it's true to say all of racing worldwide is suffering a long term structural challenge of decline of interest and therefore in each of our home countries, most of us anyway, are finding significant challenges in finding growth because people have, as Brendan said, much more to do with their dollar.

We look to new customer bases and look to find new ways of selling the product that we make to more people because we can't get more. It's proving very difficult to get more out of the same customer base, the same people, and the local market. Unfortunately that is seen by some I think in the racing industry as being the panacea. If we can sell, in our case, lots more races into Hong Kong the world will all be great. Well, it won't be because in the end you don't actually get that much from selling that much. It's good to have, Brendan mentioned \$11 million, and it's \$11 million that's very good to have and we have about a similar number going to our racing participants as a result of selling to Australia. It works well.

In the context of the total amount of \$120 or \$130 million that we distribute, and doubling that amount is still not going to fix all of the structural problems that the racing industry faces. We have our own particular problems but I think each of those represented here on the panel today, each of the industries has its own issues broadly around a long-term structural decline in interest in racing. That is what's prompting people to go off shore more and more I think.

**Mr. David Llewellyn:** Anybody else? Ines?

**Ms. Ines Hendili:** Regarding the French market, what we have seen all those last years is we used to have two meetings a day; one race every 15 minutes and that's it and it was working very well. We kept on increasing our number of races. Now we are almost at three meetings a day. We see other horseracing markets leaving exactly the inverse of what we have. Let's say Italy which used to be a very great horseracing market. They are decreasing their races. Here it's an opportunity for us to sell. I think you agree with me Matthew that we sell much more races now because they have some spare time to fill. They need to keep a lot of offer to their punters because they used to have so many races during the day.

This year — it started last year but mainly this year and the coming year what we've seen in France is with the opening of the Internet market new gaming like sports betting and poker tournaments going all the day long, it was an opportunity for us to say okay we need to cover much more of the day with our races. We started by really adding a lot of foreign races. We used to have not more than 200 races a year and we at least doubled this this year and it's going to be even more next year because we would like to be able to offer racing in France almost all the day long. From the moment we go from like 11:00 a.m. until evening.

There is really an interest to bring international racing to our country. Even if it's not —for the one whose sales — it's not like you're making all your money thanks to this but when you buy international racing, it doesn't cost you that much. Really, you pay a percentage

on the handle and that's it. You don't need to organize the race. You receive the signal. You don't need to create it. It's just there. It's available and it's very cost effective.

I think we are moving this way but how many races we will add; I don't know. I guess at a certain point you need to limit the number of races but we are on a good trend and we are on an increasing trend.

**Mr. Matthew Imi:** I'm just picking up on your point about online. We see distribution of our content online as a big growth opportunity.

The reason for that is the time differences across the world make no difference. We currently stream every single UK and Irish race to a number of online bookmakers around the world. The cost as a consumer online is probably the most interactive way of consuming your horseracing and betting content.

You could be set up with a number of different live streams coming through from X, Y and Zed. You can have all your form and data and race cards next to you. You can have your punting opportunities there. I think online is going to be a positive going forward if it isn't already.

**Mr. David Llewellyn:** I think we have a web question.

**Ms. Denise Pharris:** Actually, I'd like to make an announcement to our web viewers right now. Some are having trouble accessing both the PowerPoint's and the speakers. I just want them to know that there is a link above the live stream that says toggle PowerPoint feed. If they click on that they will see both windows. This way, tomorrow they can view everything instead of just the speakers. Thank you.

**Mr. David Llewellyn:** I'm still waiting for somebody to come up to the mike to try and sell their product. I don't see anybody doing that. We do? Come to the microphone.

**Audience Member:** I have a question that's a little bit off the mark.

**Mr. David Llewellyn:** That's fine.

**Audience Member:** In the past some of you had dealt with — in exporting your product into the US, do you have any experience or opinions with regard to whether the Interstate Horseracing Act has any application to your product?

**New Speaker:** Scared the hell out of our board for a while.

**Audience Member:** What has been your experience in that regard? I have some specifics in the act that I'm interested in but they probably wouldn't interest other people in here.

**Mr. David Llewellyn:** Can I take that one for Australia? Before we brought Australia in the first time we hired a professional CPA and a lawyer that had experience just with the Interstate Horseracing Act. This was some 26 years ago. The act doesn't specifically address anything international. What we did with the business model for Australia is to abide by those rules and regulations because we felt like we were here on the territory that belongs to the United States so we should follow their rules and regulations.

That was one of the things I think that everybody has already said today is you have to be ready for those rules and regulations and to abide by them. I don't know if that answers your question but at least that was the approach we took with Australia.

**Audience Member:** Can I ask a more specific question?

**Mr. David Llewellyn:** You can try. I'm not a lawyer but I'll give it a go.

**Audience Member:** Well, I am. I wonder if any of you have faced this situation and can offer any solutions. If we have competing tracks in a jurisdiction, as you know, we cannot, without permission, receive a simulcast signal during a live race meet. If you have faced that question in this jurisdiction or have thought about it, could competing tracks receive an international signal during the time of each other's live racing as opposed to not being able to receive a national signal — Do you follow my question?

**Mr. David Llewellyn:** I see your question.

**Mr. Phil Adams:** I was working for Matthew when this came through and I was working America. We went to various lawyers and said we know the pari-mutuel betting on horse racing, us exporting our product into America is legal. Find us a lawyer to tell us that's the case and we couldn't. If we couldn't get that level of clarity then I think it's going to be very hard to really understand what is and isn't legal if we can't get an American lawyer to say something that we know to be true is true.

**Mr. Matthew Imi:** To follow up on that Phil, we adopted — when I say we that is At the Races and our shareholders in ATR of 54 percent racecourses includes Arena, Northern and Ascot and the balance is owned by Sky. Certainly on the Sky side I had a number of directors on my board who have travelled to and from the US on a regular basis. When we went to them and said that we are about to sign a three-year exclusive deal with TVG there was some concern as to what implication that might have on the directors. As Phil said we did seek legal advice. At the time what came back was that TVG was also adopting fairly conservative approach and I think at the time we're in 12 states. We got legal advice and on that basis we were happy to proceed.

Subsequent to that we have had to take a view on broadening our distribution onto for example, Youbet. I know it's been acquired but obviously Youbet was going to distribute our content to 40-odd states. Once again we took some legal advice. At the time we were the only international rights holder whose content was not being distributed on Youbet's platform. For various reasons legal advice and I guess just taking a view — you have to take a view on the risk. Our view was that the risk was minimum. We progressed with the deal and now we're widely distributed across all the platforms I think. Clearly, in our minds at least any risk that was probably a lot higher five years ago is a lot lower now.

**Mr. David Llewellyn:** I think we have two other questions.

**Mr. Doug Reed:** David, I'll take you up on that challenge. What I'll do is I'll say I'll represent any race track in America for a small fee that will go to the student scholarship fund and will be the middle man. I'll direct my question to Andrew Brown. I think I heard you say that you'd like to have some American product. You have this time zone gap. I'm going to specifically ask you to be a little more detailed on that. There are people here that — there is greyhound racing in this country. There is quarter horse racing. There is gallop and trot as you refer to them where we call them harness racing and flat racing. Also,

what's important to you? What type of racing? Is quality more important than field size? Specifically if you are shopping, tell me what you as a customer wants.

**Mr. Andrew Brown:** Good questions. I address it in sort of a hierarchy I guess that I'm making up as I go along. The first would be reasonable quality, consistent Thoroughbred racing. That's what we do the most turnover on. Our field size is probably more important than whether it's a group race or not because with a few exceptions our punters are not going to know particularly locally important race. Outside the Triple Crown basically it's going to be very difficult — and the Breeders' Cup — it's going to be difficult for them to pay much attention to the quality. You want to talk it up in the selling process once you've got it acquired.

Field size is consistency of field size is very important. Consistency of track surface, that's one thing that most American racecourses offer, which is very good so that is extremely important. Then things like consistency of off times and so on so being able to know when the races are going to go off. As was touched on earlier being able to schedule accurately and consistently racing is very important to us and understanding when they are going to come in.

Then I think we'll get into the discussions around co-mingling and how easy or how difficult it will be to do that. Also, the ability — basically how quickly we can get a deal done as well. Need to go back to the horsemen in a particular state and have approval of that before you can export your product and so on. That's obviously going to slow things down and make it more difficult.

It would mean that one particular racecourse or another might be favored over another. Actually what we're looking at at the moment we would like to have co-mingling. I don't know if that's going to be possible so we're looking at options for stand alone pools. Another reason for that are the coupling issues. That's solved if you have your own stand alone pools.

It's actually the basis of just having good solid consistent racing that people can rely upon. One thing I didn't touch on and that is the data and that's also very important being able to get the form and the fields in a timely fashion and have the information for the people to bet on. Clearly the time zone for us works very well from 9:00-ish in the morning until 12:00 we're empty at the moment. We're very keen for anybody who would like to sell to us.

We're working with Brendan and his team and Brett to solve some of those problems so that we can actually between us both have our shops full of racing in the mornings.

**Mr. Doug Reed:** Thanks. I'm going to start working the crowd.

**Mr. David Llewellyn:** We have another question over here.

**Mr. Phil Adams:** There is one other point to that.

**Mr. David Llewellyn:** Go ahead. Go ahead Phil.

**Mr. Phil Adams:** I have been approached by my lot in South Africa. It's fractional betting. It's very difficult to co-mingle into North American pools when you don't have fractional betting. We would like to be able to bet on American racing but we need to have fractional betting. The other one is a high take out rate.



**Mr. Matthew Imi:** At At the Races for the last probably ten years we've dedicated a fairly large portion of our schedule every day to showcasing US racing. Pretty much every day across the year from 9:00 p.m. until 2:00 a.m. in the morning we've got US racing. Certainly in the UK there is a very dedicated sort of hardcore group of racing fans who will bet on US racing.

Over the years we have tended to get our content in through TRNI and that is a relationship that has worked very well. All the handle that is generated in the UK does get co-mingled back into your horse track pools. One of the difficulties that I find and it's a source of frustration is that here in the US — I'm not as up to speed as I should be but there still seems to be lots of different people you can talk to about accessing US racing content and whether it's the horsemen or NYRA or Churchill Downs or TrackNets things seem to sort of change a lot in this market.

I suspect that there will be opportunities to improve the way in which US racing content is showcased overseas if there was possibly a more sort of collective and holistic approach to exploiting your content outside your domestic market.

**Mr. Brendan Parnell:** If I could just say one point to that as well. It's an expectation and I understand through our negotiations up here around horsemen fees or track fees that have to be paid, countries such as Australia and the UK have quite a skinny margin in which to pay for product. After we take out our state government, federal government taxes and after we pay our racing industry product fee, any expectations of high percentage of return for that is impossible for us to pay. We lose money when we bet on the Breeders' Cup and the Kentucky Derby. We pay the premium which I think is around five or six percent they charge internationals.

We do it as a loss leader. We do it because it's a feature race for our customers but we couldn't afford to go year round at that sort of level. That is our challenge when we seek new product but we look for reciprocal arrangements when we set these up. With New Zealand and Australia we have an equal and equivalent product fee arrangement so both industries know exactly what that is.

**Mr. Kim Teo:** Picking up on that point a lot of the feature races that we take from the international tracks are loss leaders at least for the first couple of years but it's important because we want to build the variety and sort of quality and standards of racing that our customers can watch. That is key. Quality does drive. That is our experience.

Even though to answer Doug's question if I may, Brendan has alluded to that earlier, timing is everything. Scheduling makes sure that everybody gets a time slot and then it's up to the customer to pick which race or which track they want to bet. If they're not given the choice to choose between tracks or races then nothing much is going to happen. In fact, everybody loses out so timing is everything.

**Mr. David Llewellyn:** Before we take your question I just want to make one point to everybody. I think your point Matthew is when you're dealing with the United States it's scattered. The testament to all of your organizations is that you are one central organization for your country and it makes it that much easier to deal across borders. In the United States we have so many entities that are trying to vie for international scheduling that you're overwhelmed with everybody calling you on the phone literally trying to get the product to you.

In your case with TRNI, you had a central location to go to and it worked out. That might be something that the audience can take into account that we have central organizations here that are working with other central organizations.

Your question?

**Audience Member:** For anyone who cares to address it, two states in the United States are looking at legalizing exchange betting. How would its legalization here affect the international simulcast market?

**Mr. David Llewellyn:** Go for it Brendan. You're holding yourself back.

**Mr. Brendan Parnell:** I'll step up for this one. I think it's really important, at TABCORP we want a sustainable racing industry. The financial model and the way exchanges are set up, unless it's adjusted, the returns to racing will suffer. We're going through the same issue in Australia as far as product fees are levied on the industry and this great debate on should it be based on turn over versus the revenue line.

The simple math of it all is — there have been some significant legal outcomes in the last few weeks in Australia is that our turn over insures that racing is guaranteed a revenue stream which can sustain it. On revenue it doesn't quite equate that way. If you look at the Spring Carnival that took place — and there will be plenty of people who will disagree with me on this one — the corporate bookmakers in Australia who now turn over \$5 billion a year out of the market of about \$21 billion — they paid, if it was based on turn over around .6 percent for the right to bid on product whereas if it was on price profits, which they were, that's why they came back at .6. If it was on turn over obviously they would be paying a lot more than they did back to the racing industry.

Whether that stands up in court in the test of time, I think there is a customer demand for an exchange to our product. It's insuring that the racing industry is being supported while new products such as that are rolled out.

**Mr. David Llewellyn:** Anybody else? Phil?

**Mr. Phil Adams:** One of the issues with exchange is obviously the amount of money they are taking as commission. One of the other issues with exchange is that once you have one exchange it's not that hard to set up another one. Once you have two exchanges you have price competition. Whereas with a tote pool you can set your own price because you have all liquidity in one place. If you have two exchanges, you can run two exchanges with a lot less liquidity just by the way they work and that will lead to price competition. As soon as you have price competition then you do have less money back to the sport.

**Mr. Brendan Parnell:** Actually we run in Australia — TABCORP runs two Pari Mutuel pools. Turn over in New South Wales roughly five billion and four in Victoria. We find that our larger customers love that arbitrage opportunity so two large — in fact there are three in Australia when you consider TATS as well provides a really good source or avenue for customers that want to play multiple pools.

That competition has been healthy. As a totalizator we are quite heavily taxed and regulated so it doesn't give us a lot of margin in how we deal with our customers but it does work well.

**Mr. David Llewellyn:** We have another question?

**Mr. Bob Decker:** Yes. Good morning. I'm Bob Decker. I'm the managing director of Global Leisure Partners, which is an investment banking firm that specializes in leisure and gaming businesses on a global basis. First of all I would just make a comment that David, you and the panel members have done a very, very good job of explaining the challenges that are facing racing and international simulcasting and how they're slowly over time being overcome and that business is building. I think that is fortunate and really important for the industry.

My question has to do with an ancillary opportunity that I saw in a previous life with Churchill Downs. It goes back eight or ten years ago where we saw a real opportunity for racing to compete in the international gaming market. It was through a global 24/7 simulcasting channel and Internet gaming distribution network whereby all of the major racing distribution entities and content providers around the world, of which each of you certainly are participants along with US racing would be able to package their program together on a 24/7 basis that would then be able to be distributed throughout the world with each entity participating in its appropriate time slot.

If this was to be achieved many of the challenges that you spoke about. Pool size. Pool size could be immense out of this. The programming and coordinating of races would be accomplished. I'm just wondering. I haven't heard anything about that over the last eight or ten years. I'm wondering if somewhere that is being addressed and discussed and put together because I believe it continues to be a real opportunity for racing but it needs to happen pretty quickly if it's to actually be done.

**Mr. Brendan Parnell:** I think it's a great aspiration, one of the challenges from this — it has many, many thorns attached to it. Until recently in the great British vision I think it was one significant obstacle for that to occur and now GBI Racing is producing a tailored feed. It doesn't include the best from the French and it doesn't include the best from South Africa. That's that time zone. For that 12 hours of the day there are three distinctly separate operators. At the moment in Australia we aggregate the best of the content and then we produce and Australianize if you like, that coverage.

What we're doing about creating an offer not just for customers at home is we launched a new channel this year in May called Racing World. Sky Racing World as it is — it's branded at home. We'll be using that as an export vehicle but only for the 12 hours, 9:00 a.m. to 9:00 p.m. Australian time and that will be available for customers whether it's a direct telecast with say Matthew Imi At the Races business or if it's an online stream into new territories.

We realize we can't go the whole 24 hours yet there are issues so we're taking that first step as Tabcorp to look into that opportunity. We hope that in time and I know that Matthew and I have had many discussions about this. There can be a creation of that other 12 hours or perhaps it's six and six with six on the European time zone and six on the US time zone to complete the clock. It's not simple.

**Mr. Bob Decker:** That would really take each of you working together then and sitting down and figuring out how to make it happen, which as you point out is not going to be easy but there is such a big opportunity that it would seem to me that it would be worth the challenge of trying to put that together and everybody to give some and take some in order to make that happen.

**Mr. Phil Adams:** I think it's been discussed many times over the last seven years between all of us, many of you. The fundamentals that need to be in place are the things that we are working on at the moment anyway which are highlighting the fact that we all have different rules; highlighting the fact that we all have different data; highlighting the fact that we all have different declaration times and the fact that our totes don't talk to each other. All of these problems need to be solved before you can actually have that 24-hour channel. All of these problems are being solved for our own selfish reasons.

In South Africa we want to be able to co-mingle into all pools in Australia and all pools in France. Once that can happen then the 24/7 channel would have legs.

**Mr. Bob Decker:** Well, good luck with it.

**Mr. David Llewellyn:** Thank you Bob. We have another question over here?

**Mr. Kenleigh Hobby:** Yes. Good morning. My name is Kenleigh Hobby from the Race Track Industry Program. I'm a student here. This is a continuation from the gentleman's last question. Obviously you all have the same issues of net pool pricing, fractional and the laws. Do you guys foresee yourselves trying to create like an international pick six where you guys all align yourselves and transmit through each country to create the international buzz and drive interest and create that globalization to the sport to benefit everybody?

**Mr. David Llewellyn:** What year are you in school?

**Mr. Kenleigh Hobby:** I'm like a junior and a half/senior.

**Mr. David Llewellyn:** Okay. You better watch this guy. Go ahead.

**Mr. Matthew Imi:** There has been a global tote group that has been working on looking for an international bet type and all of the reasons Phil just went through; the hurdles or obstacles that have been in place to achieve it. Things such as tote systems that don't talk; peculiar rules around these bet types; many of us have a different pick six bet type and getting the systems to talk because of the uniqueness of those is one of the problems.

By co-mingling though and giving your customers as we have recently done access to the Singapore pools, gives them access to substantial trifecta's, first fours, pick fours. All of these things are there and they're already big, big pools. Singapore has big pools. Hong Kong doesn't have double taxation. Treaties with Australia at the moment we're not participating there. Co-mingling will enable it. Is there one knock out bet type? It hasn't been identified. They tried the trifecta but it was a dismal failure in the global bet type.

**Audience Member:** But saying you guys create some type of teaser bet that would create us Americans to be familiar with your products because obviously it's very expensive to export your signal and compete into an international market. This would allow the bettors to start to be familiar with your product and over time then they should start playing your full cards and this energy would be created.

**Mr. Phil Adams:** I think one of the issues is that each one of us has our own particular big bet. In the non-ITSP countries the big bets tend to be the weird ones. In the UK it's the scoop six which is a £2 minimum bet, per line and rolls up to I don't know. I think the record is up to four million. It's not an ITSP bet so not only can you not get your tote system to send the bet to us, you can't get your tote system to understand what it is. The V75 in Sweden is exactly the same. It's weekly up to about what? What would you say

about eight million Euros? Yeah? Last Saturday it was ten million on the pick seven but because it's not an ITSP bet it's a very hard thing to get everyone else to pick up on.

**New Speaker:** If you could create a bet like that, I suppose the V75 comes as close to it in terms of the opportunity, what it does give you is it gives you a marketing hook. That's one of the things that racing, in my opinion, really needs. It needs it because it's all very well creating bets for people who love racing but what we should be doing is trying to create roots into the sport for people who haven't been exposed to it before. A bet type like that I think would certainly benefit the industry because I think you would capture new eyeballs, new interests in the sport simply because of the financial opportunity, the financial rewards should you win.

**New Speaker:** I agree.

**Mr. Kim Teo:** Thinking outside the box I think perhaps it's a lot easier to create a new global lottery bet rather than trying to educate or re-educate the different jurisdictions on what that bet time actually means. You might have a better chance of succeeding. It's not easy to reinvent something and usually what happens is that most of the time people just give up and not wanting to find out the nuances and the differences. It might be easier say if you have a bet type that is picking nine in the right order for example and then everybody is set on understanding what the rule is and go ahead and bet it. One way is to really do a customer survey, understand what everybody likes or not likes about it and then tweak the bet that actually fits as much as possible everybody's expectations. I think you probably have a better chance of succeeding.

**New Speaker:** I think everybody on this panel thinks it's a really good idea and would love to have it just exactly the same as the 24-hour channel. We've all spent quite a lot of time talking about these things. Everyone on this panel also knows the efforts that have gone into the thinking behind something like this and the barriers that exist. The good news is some of those barriers are being removed kind of on a daily basis and all the different jurisdictions are working to remove those barriers so at a certain stage in the future we may get to a point where then launching a global lottery bet would be a feasible proposition.

Unfortunately because of all these things that Phil talked about, two plus years to do software development just for introducing one new bet type between two jurisdictions to co-mingle. It just takes a lot of time with the current structure. They're being worked through. In the future then once the end of that path is in sight I think people will then start to get quite excited and maybe it's the V75 or the pick six or the scoop six or whatever it will be, there will then be a big incentive then for all of the racing jurisdictions around the world to get behind such a thing.

**Ms. Ines Hendili:** I just would like to add something about PMU. We did participate in the global trifecta experience. You're talking about pick six. It doesn't work in France. We have Quinté Plus. You need to find the five horses on one race. We tried a few years ago to launch — we called it Grande Sept which was to pick the first horses for seven races. It didn't work. V75 is successful in Sweden. You have pick six, which is successful. It doesn't work in France. I guess it's going to take us time to have this kind of vertical bets working in our country because our customers are not used to it.

We think after this global trifecta experience we think that we already need to build regional common pool so country to country and at a certain point it's going to be easier to get all together. For the moment we can't see all of our experiences. You want to do a common pool with one. It takes so much time. Making a common pool with many countries is going

to be even longer. We prefer to do one to one common pool relationship and then later work on something more global.

**Mr. David Llewellyn:** Thank you. We have another question over here?

**Ms. Candice Curtis:** I have another question from one of our online participants.

**Mr. David Llewellyn:** Yes please.

**New Speaker:** This comes from Tom Charters from New Jersey. He would like to know how much of your international import is between the hours your live racing ends and live racing begins or on your dark days.

**Mr. David Llewellyn:** Did that make sense?

**Mr. Brendan Parnell:** Yeah. We do imported racing seven days a week. We start our racing day at 10:00 a.m. with New Zealand product and that meshes in with Australia which starts generally around mid-day to 12:30. We have night time racing of all three codes of racing and then we bring in UK, South Africa, France, etc. from around 10:00 p.m. at night and that goes through 2:00 a.m. It's complementary other than the Asian racing which is generally scheduled with the Australian racing.

**Mr. Matthew Imi:** We'll start our schedule in the morning with South Africa and France and anything from Singapore or Hong Kong that we can show either live or delayed basis and then we go into our own domestic racing until through about whenever it finishes. Then we'll have US racing largely from 9:00 p.m. until 2:00 a.m. and then from 2:00 a.m. through to the morning we'll have Australian.

**Mr. Kim Teo:** For us in Singapore it's only four race days a week. Wednesday night we basically start from 6:00 until about 11:00 p.m., Friday nights as well. On the weekends, Saturday and Sunday we will basically be racing from 12:00 noon until about 6:00 p.m. so we do have pretty short racing hours. We are slowly increasing that.

**Mr. Phil Adams:** South Africa races every day except for Christmas Day so we're always open. We start in the morning either with Hong Kong or Singapore or Sweden and we'll go through the end of UK racing. I'm sorry we start with Australia don't we. And then we'll fit in anything that works for us that fits into the every 15 minutes a race. We would take America in the evening because we have been surprised about how well our UK racing has done in the evening but again it's fractional betting.

**Ms. Ines Hendili:** We start our racing in France usually at 12:00 a.m., sometimes a bit earlier at 11:00. We would have like two or three race meetings. Twice a week we have night meetings from 8:00 p.m. until 11:00 p.m. so what we have done this year we've filled some gaps with international racing between 6:00 p.m. and 8:00 p.m. and we continue doing this and also to bring some mid-day racing. The idea is to fill all the gaps between 11:00 a.m. and 8:00 p.m. and sometimes later. What we have avoided to do until now is to bring just international racing without having French racing on the same time slot because we've seen that players just leave the shops and it works less than when you have French racing.

**Mr. Andrew Brown:** Not much I can add. One thing I suppose the difference for us by comparison to Ines is that our customers are very used to Australian racing so actually we can sustain the shops being open later in the evening after New Zealand racing is finished

and Australian racing continues for a good three or four hours. Our customers are already used to that and think quite closely about Australian racing so that works quite well. If that wasn't so close you wouldn't be able to sustain it I think in those dark hours. But then the Internet customers are always there so if you have it available for example streaming it on the Internet then that enables you to reach those smaller number of customers much more cost effectively.

**New Speaker:** Thank you very much.

**Mr. David Llewellyn:** Doug, are you in the audience? I think this is a testament to your web capabilities that you're getting so many questions over the web. I think you'd have a future in this. Are there any other questions? Here. Let's start here. Go ahead.

**Audience Member:** How are you handling past performances when you are importing?

**Mr. David Llewellyn:** Want to start Phil? How are you handling past performance when you're importing?

**Mr. Phil Adams:** When we're importing we'll try and get hold of everything that we can that's an XML feed and we'll do our own formatting and we'll publish it in our own style. We try and do the same when we export. Our punters want to see it in our style.

**Mr. Kim Teo:** Likewise for us we'll package the race format for what a customer needs and likewise for the race that we are importing. We also expect the race originator to format it in the style that our customers are used to as well.

**Mr. Brendan Parnell:** David, I don't know if you want to answer for the territory here but a lot of different formats are produced. Different states have different requirements. XML, PDF. You name it, David's got it. If you go to Australian Racing.com you'll see a multitude of different formats tailored for individual needs.

**Ms. Ines Hendili:** We do have also different formats according to the markets. It can be very detailed past performances. This information comes from our horse racing associations so we usually have the ten last races for each runner. We have PDF files. We also have XML files that we send directly from our system and we try to adapt it.

**Mr. Andrew Brown:** It is one of the key challenges for international simulcasting is making sure that you're making available that form to your customers. It basically enables you to market your product more effectively. Having said that with American, for example as we go towards importing we'll probably have to tailor that I think or in conjunction with Tabcorp we'll probably have to tailor it to the American form to make it digestible by our punters but we're willing to do that because we see a significant benefit. If on the other hand it's a small country exporting and trying to break into a market typically, as Ines and the others said you have to actually — you go that yard and tailor your form and your information to those customers. It's a balance I think in this case between the scale of the opportunities.

**Mr. Matthew Imi:** Yeah. We get our past performance from our various customers in lots of different formats. It's important data. It's information that our customers value whether we give it out on air or online. One of the things that work very well for us with our own content is making archive races available online within minutes of the end of a race. I suppose going forward I guess that would be an utopian ideal for importing content from

international rights owners as well as sort of the text driven data we can also offer archived video.

**Mr. David Llewellyn:** I think I know why you are asking the question. It seems to me that when they're asking me for data they want it in some type of XML format. That seems to be the standard now whether it is the Equibase type of XML or any type of XML. That seems to be the preference. Most of your programmers want to work in that.

**Audience Member:** Question not asked at the microphone

**Mr. David Llewellyn:** There is something you have to be aware of and I think they touched on it a little bit earlier. We can bring in XML files from all these locations and pour them into a format that we're used to here in the United States. In the case of Australia, they don't gather all that data. In France there is a lot of data that they don't gather at all. That's why you'll see holes in foreign data. I hope that answers your question.

**Mr. Doug Reed:** If there are questions they need to use the mikes so that we can hear in the back and also on the webinar. We probably have time for one more question as the lunch is starting next door.

**Mr. David Llewellyn:** Okay. Any others?

**Mr. Robert Earle:** Hi guys. I'm Rob Earle from 123 Gaming. You talked about bet types before. We created a new bet type called 123 Racing, which is an approved wager here in the US. We've partnered with Sportech to distribute that wager and obviously we want to push the wager out into the international markets. It is an interactive wager where players are picking like a pick six but are scoring points based on the win, place and show dividends. Of course, as an interactive leader board you can play against your friends so you can see where your friends are. What we tried to create was something that was more of the social network aspect which is really I guess where the racing industry needs to go.

I think they talked before about creating a global site. You only have to look at what Facebook has done to the social networking industry and I think that's possibly where the racing industry needs to go. Create the social community. I think online is definitely where the market is going to grow for everybody. I'd like to talk to you guys about 123 Racing obviously. As I said it's interactive. There are a whole lot of other new bet types that are out there and I think we need to create new product and not sell the same product to the same people because it just won't work as you know. Thank you.

**Mr. David Llewellyn:** Other questions? I think we've gone over time. I think it's been very good. I appreciate you all coming. If there aren't any other questions, we'll go have lunch. Thank you.