



27 February 2014

Mr John Miller
Principal Council Officer
Select Committee on Greyhound Racing in New South Wales
Parliament House, Macquarie Street, SYDNEY NSW 2000

Dear Mr Miller

Thank you for the opportunity to appear at the 6 February Public Hearing of the Select Committee on Greyhound Racing in New South Wales.. Attached as requested in your email of 13 February 2014 is the corrected transcript together with the response to the Question Taken on Notice.

1. Corrected Transcript

Corrected transcript (pages 2, 3, 4, 5, 7, and 10) follows. It should also be noted that pages 4 & 5 of the transcript records the Hon Steve Whan referring to a 1.5c maximum. The AWC is of the opinion that this figure should be stated as a percentage (i.e. 1.5%) not a monetary figure.

2. Response to the Question Taken on Notice

The following example from France highlights how high tax rates can drive operators and customers offshore:

In May 2010, the French Government chose to regulate the gambling sector by enacting Law 2010-476, which among other things, imposed a turnover based tax of 8.5% on sports betting and 7.4% on racing. Additionally the legislation limited payout ratios to 85%. As a result of the increased tax and limited payout ratios, wagering operators offered lower odds to customers in order to preserve their margins. This highlighted the price differential with other providers not based in France and customers followed the odds, which resulted in a 24% quarter on quarter reduction in gross win generated from sports betting in 2011. A simple example below highlights the relative profitability of a regulated local operator and an offshore operator in France under this regime, which highlights that offshore operators can offer a higher payout ratio and therefore better odds to consumers, yet all else being equal, maintain the same profitability as local operators.

	Local Operator	Offshore Operator
Turnover	100	100
Payout Ratio	85%	93.5%
Gross Win	15.00	6.50
Tax	(8.50)	0
Profit after Tax	6.50	6.50

To maintain profitability, wagering operators reduced their media advertising budgets by 58% in 2011, which was further exacerbated by the fact that the majority of this marketing expenditure was based on bonuses and sponsorship allocations.

As a result of the regulatory regime and the resulting declining margins, a number of wagering operators incurred losses, which forced a number of participants to exit the market, including William



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Hill and Ladbrokes. It is widely speculated by industry participants that wagering operators in France have still not found a sustainable operating model in order to break-even, and it would therefore be likely that further decline in the regulated wagering industry will continue in France for the foreseeable future.

Should you require any additional information or clarification, please do not hesitate to contact me.

Yours sincerely,

Chris Downy
CEO