

**Supplementary
Submission
No 996b**

INQUIRY INTO GREYHOUND RACING IN NSW

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ON BETTING

I write again due to the need to clarify some of the information provided in evidence. First, I should add that I have no particular problem in examining some of the suggestions made by Mr Eberand, and which are worth evaluating. However, others may be incomplete or misleading.

1. The question of charging online bookies on the basis of gross margin or turnover again emerges. This is confused by the fact that GRNSW has more than once outlined how the former is more lucrative than the latter. In practice, GRNSW is the one out of step. No doubt its figures are accurate but it must be asked why this is so in view of the fact that virtually all the big guys have welcomed the High Court-inspired shift to commission on turnover and have been banking many millions more than previously. Notably, Racing Victoria saw the light and moved from what was really a dog in the manger position (and poorly advised by its consultants). Racing NSW was correct and so banked another \$100 million in back pay.

The issue is that NSW greyhound betting into the online bookmaker group has to represent a distorted position. For commission on surplus to do so well indicates that either (a) the bookmakers are making excessive profits or (b) NSW gamblers are amazingly incompetent. Or both. Whatever it is, it may not last.

Further, note that basing your fortunes on the profits of a third party, over whom you have no control, is not only a peculiar business practice, but extremely risky. It also bears no relation to the nature of the service being provided.

2. The gambler profile has changed radically over the last 10 years or so – from a domination by knowledgeable punters to the rise of mug gamblers. Evidence is there now on every front – overbetting on favourites, distorted dividends for Quinella v Exacta, popularity of Mystery bets (which degrade dividends for multiples) and offering very small pools into which to bet (ie of uncertain prices).

3. In the latter case, the increasing frequency of races on the TAB calendar has split the available funds into smaller pieces – eg often down to Win pools of \$5,000 or so, of which only about half will be visible even to

late punters as the communication system funnels everything through from widespread sources. In effect, racing authorities have dumbed down the product in the hope of making the pie bigger. The long term effect of disenfranchising good customers seems not to figure – and no doubt helps the rise in sports betting. Have authorities considered such an impact?

In another sense, this is why Mr Eberhand emphasised the option of improving the quality of the racing and betting product, thereby attracting more turnover.

4. Claims by online bookies that any increase in racefield fees would harm the overall market is a fine theory in isolation, and I agree with the principle. However, it begs two questions: first, their gross margins are huge (by comparison with TABs) and easily capable of absorbing any such change, and second, it is unlikely to affect business with less discerning gamblers (see last point) who may not be so literate statistically.

5. In context, the last point is emphasised by the habits of the average trainer/punter, observed over many years. His prime concern is seldom the price on offer but the amount the bookie will accept. But, whatever the customer mix, real progress will be achieved only when more sophisticated and more cashed-up punters take part. (Mind you, that is unlikely to happen if track qualities and betting markets continue at their current low level).

6. Mention is made of Fixed Odds betting increases in relative and absolute terms. Quite so. However, note that all betting operators publish odds that are well above those applying in the normal tote market – ie generally based on a book of about 130%, compared with about 116% for the tote and much less than that for typical city gallops bookmakers. Note that there would be a difference between the published book and the end result achieved by an individual bookmaker, all depending on how he balances his book. In any event, over time, selling what is effectively a lower than market price means Fixed Odds purveyors must always make high or higher profits, while the customer is worse off. Nominally, there is open competition in this area, however the price differences are small and are probably outweighed by other factors, such as the way the product is presented, or the incentives offered.

They can get away with this for two reasons: (a) the market is less financially literate (see above again) and (b) all operators retain and use the right to accept, reject or alter the bet applied for. Indeed, anecdotal evidence is available in numerous areas of the habit of online bookies of cancelling accounts for customers who win too often. All of this contrasts sharply with the way the tote and on-course bookies operate.

Best wishes,

Bruce N. Teague
