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MARKETABILITY OF SIMULCAST PRODUCTS FOR THE INTERNATIONAL AUDIENCE

MODERATOR:

David Llewellyn, President, Australian Racing

SPEAKERS:

Phill Adams, International Development and Operations Manager, Phumelela Gold Enterprises

Paul Cross, General Manager, International Business Development, Tabcorp

Ines Hendili, Country Manager, Pari Mutuel Urbain (PMU)

Pablo Kavulakian, Director, Latin American Racing Channel

Mr. Doug Reed: Our first panel is the "Marketability of Simulcast Products for the International Audience," is intended to be complementary to the business meeting and networking event later today, the "Global Simulcast Marketplace." The panelists will give you some insight into the product attributes that are desirable in various international markets. It's not always just quality matters. In addition, speakers will tell us how to and what expectations maybe differ when entering international markets. The session is moderated by David Llewellyn, president of Wyvern International. David is the founder of Wyvern, which in 1985 distributed the first live telecast of the Melbourne Cup to North America. Wyvern now distributes racing throughout the Americas. Wyvern has been responsible for simulcasting races from Dubai, England, South Africa, New Zealand, and currently simulcasts races from North America to Australia and New Zealand. David's been a great help to us, developing content relevant to this topic for a few years here at the symposium. Please welcome David Llewellyn.

[Applause]

Mr. David Llewellyn: Hello, everybody. The purpose of this, I hope that we will be able to take some practical experience from our panel members and share it with you in what some people would call a brain dump. We hope to get as much information to you as quickly as we can. We have the microphones set up now. If you would like to ask a question, don't wait. Come up during the session. Just wait patiently and we'll acknowledge you. We've already received a few questions, which we'll put up on the screen in a few minutes. We'll answer those toward the end. The only stipulation that I put on our panel members is to keep their comments to two minutes so we can keep this flowing.

Let's get to it. Let me introduce everybody. I will start at the end here. This is Phill Adams with Phumelela. We have Pablo Kavulakian, Ines Hendili, Paul Cross. Paul is with Tabcorp. PMU and the International Latin American Racing. I already said Phumelela. At least I pronounced Phumelela correct. What I'd like — start with you, Phil, and we'll go all the way around. What I'd like to do is for you to briefly tell a little bit about Phumelela and each one of your organizations, and give us some information about how the international movement of simulcast signals or, however, wagering purposes, has affected your business so they can get some idea of how it's been a positive effect on each one of your organizations.

Mr. Phill Adams: Okay, as David said, my name's Phill. I work for Phumelela Gold. We are effectively the South African racing industry. We started importing foreign racing in 2003 with one UK meeting a day. We now take — 79 percent of the races that we show on our television channel in South Africa are foreign. These now account for 30 percent of our horseracing turnover in South Africa. In the last nine years, we have got \$110 million of extra revenue from importing foreign racing in South Africa. We also in 2003 started exporting South African racing on a meaningful level, and our exporting South African racing now goes to about 25 countries around the world, either as a fixed-odds product, a separate pool product, or a commingled product and that probably accounts for all of the group's total profit. Without exporting our racing, we would, the company would not actually make a profit at all.

Mr. David Llewellyn: Okay. Pablo?

Mr. Pablo Kavulakian: Okay, my name is Pablo Kavulakian. I am here on behalf of the Latin American Racing Channel. It's a company that was founded by people who are fully involved in the industry in South America. We did this company, basically, because we feel that it was very important to integrate South America to the rest of the world. Our main goal right now is the export of our content and pictures worldwide. We also import some racing to some countries in South America. As I said before, we work very strong for this integration so we did conferences in congress in Buenos Aires and in Montevideo in the past years, with the only purpose to bring our region to the rest of the world. You have to understand that Latin America has 23 different countries. There's 23 different legislations. Not all these countries has racing industries or tracks. Basically, we represent the most important of them, Argentina, Chile, Uruguay, and others.

We work strongly to develop the racing industry. Since we start, we have export thousands of races to the U.S. We start, also, in 2011, to broadcast our pictures into France and through the France Galop PMU network, to all Europe on pari-mutuel system and also through SIS to the United Kingdom and the rest of the territories on a fixed-odds basis model. In terms of importation, our region, we found out that through the past years the true benefits of imports was not really going to the racing industry, so we decided to evolve in those countries where we feel that we can help them, such as I said before, so Uruguay and Peru. We start switching those models to commingled operations and so far, it's been very successful, and other operators are following that trend as well.

Mr. David Llewellyn: Thank you. Ines?

Ms. Ines Hendili: Yeah. Hello, I am Ines Hendili. I work for the *Pari Mutuel Urbain*. It's a tote company in France. It's been created in 1930 by the French Racing Associations. It's a nonprofit company, so all our revenue goes back to the French races, which it was 876 million euros last year for a 10 billion total handle that we had last year. We used to do only pari-mutuel horserace bets, and we started doing sports betting and poker two years ago with the new regulation of the online market in France. Still, on these kinds of gaming,

we still give back all the revenue to the racing associations. On an international basis, we export our signal to more than 40 countries. It can be either separate pool and also on commingling basis. We have been expending the commingling turnover, so now it's more than 300 million euros in the total turnover of PMU. It grew from 1.4 percent to 3.2 percent in four years. Also, on the other side, so importing international signal into France, France used to take only a few group races like the major events from different countries around the world, really focusing on quality, and they would integrate these races into our own schedule. Thanks to the opening of the online market, France decided to have more international races to cover more hours in the day. Apart from taking only those big races, we started taking more races to have races at midday where we didn't have French races or races at twilight times. It was from more than 200 races in 2009, and we have 1600 races this year. On a turnover perspective, we're gonna do more, like 450 million euros this year in international races.

Mr. David Llewellyn: Thank you. Paul.

Mr. Paul Cross: Thanks. Thanks to Doug also for inviting me to come to the panel. It's great that we're on at 8:30 in the morning. I was on a panel in Paris a couple months ago. We were on the 5:00 p.m. shift, and by 5:00 p.m. half the audience had left to go to the bar outside. So thanks very much. Tabcorp, for all those who don't know, is an Australian company. It's the largest wagering operator in Australia. It's got a joint venture with the racing industry in Victoria, where it shares 50 percent of its profit in a 50-50 joint venture. In New South Wales, which is another state of Australia, it shares around 25 percent of what we make in New South Wales as well. So we've got a great partnership with the racing industry back in Australia. In terms of turnover, between pari-mutuel and, more recently, sports betting — when I say "recently," we've been sports betting on racing and sports now since 1996 — our turnover is around the 12 billion mark. It's 12 billion in the context I'm about to talk about in terms of how we've grown, the import and export market in a very, very short space of time.

If many of you can recall back to where you were in 2003 and where this industry was in 2003, it wasn't that long ago. For most people in this room, and, like I say, most people in this room I think we've been around here for a fair while. In 2003, our turnover on bringing product into Australia was around \$44, 45 million. In 2001, it was only about \$10 million. So picture yourself ten years ago in 2003, \$44 million. You might expect, if you're doing a great job, you could grow by 5 percent a year, maybe 10 percent a year. Ten years on, you could probably think you might be up to the 80 mark, the 90 mark, maybe the 100 million mark. We're actually sitting today at \$626 million in turnover on imported product. That means we take racing from New Zealand, Singapore, Hong Kong, U.K., Ireland, South Africa, France, in total around 12 countries. The reason why we do that, and they've sort of started to talk about what they're looking at in terms of how they're extending the day.

There were two reasons why we have looked at extending or extending the number of races we cover in Australia. One is the hours in the day. From a regulatory perspective, and we're all governed by heavy regulation, both here and back in Australia. The hours that we could operate was 11:00 a.m. to 11:00 p.m., and you couldn't operate outside those hours. Once tote places like ourselves were privatized, the hours became no more. We were free to operate any hours of the day. So we had this huge cost base, so we started to stretch our day. The way to do that was to find product that wasn't available at 11:00 p.m. in Australia, so we started to look overseas. At the same time, we also looked at what our customers wanted. Our customers wanted something else to bet on. It's a misnomer to think that people are not awake and betting at midnight. It's a misnomer to think that people are not wanting to have a bet at 10:00 p.m. We don't all work 9:00 to 5:00 these

days; in fact, I think most of us work probably six to eight hours a day, seven hours a day. As we look at our emails before we go to bed and our emails as we wake up. That business has grown so massively, from \$44 million to \$600 million. So that's the import side. On the export side, Sky Channel, which is one of our companies within the Tabcorp Group, owns around 99 percent of the media rights for racing in Australia.

What that does mean is that we can set up a great way of distributing our product across the globe in a very efficient manner, where we costs amongst all the clubs back home in Australia. It's a model where we try and aggregate rights and, therefore, where we share the cost base and try and minimize that cost to set up infrastructure across the globe. Today, we have that in place, so it's very easy for us to both import and export product. On the export of our product, we now go to 31 countries around the globe, and we have a dedicated team for that. It's not a piecemeal operation. It's not an afterthought. For many, it's something you thinking about. "It's great to do, oh, it costs a lot of money," but we spent the time to get a dedicated team to export, to concentrate and the export and the import of international product. I think I've gone over two minutes, so, sorry.

Mr. David Llewellyn: I think it plays into a question we've already gotten that we'll touch base on a little bit later, but I think at this point, what I'd like to do is have each one of the panel members talk a little bit about some of the actual experiences that you've had, either importing or exporting, some of the hurdles that you've had to jump over, but, yet, have jumped over and have then been successful with it. That can be anything technical, cultural, whatever the case may be. We'll start with you again, Phill.

Mr. Phill Adams: Okay, well, the basics of exporting racing boils down to three things. You've got to get a picture there. You've got to get the data there, and you've got to process back, see if you're gonna be commingling. The picture's actually reasonably simple, if sometimes quite expensive, just got to get your satellite space. The data is probably the biggest hurdle. Almost everybody in the world takes their data in a different way. Getting data in North America is probably one of the hardest, so at least you don't have that hurdle to overcome. Everybody wants to have their type of data in their type of format. It can take a massive amount of work to actually get this to happen. I remember the first time we sent racing into Australia, this is when I was working for other races, the main shift from, "Well, we got all the data you need so why don't you just take it in our format?" Actually, really did take a lot of work for us to get over. We kind of just assumed that here's everything that we've got, if you just help yourself, then that will be fine. The truth of the matter is that just doesn't work internationally. You need to go to a customer, you need to say, "How do you do this yourselves?" Then try and emulate it. If you're not able to do that, you cannot get anywhere internationally. You have to do what the customer wants.

Mr. David Llewellyn: You're customizing the —

Mr. Phill Adams: Yeah.

Mr. David Llewellyn: — information to fit the market that you're going into.

Mr. Phill Adams: Yeah, absolutely. Absolutely. I mean, you all know this, but for some it's a surprise. If we're sending data into North America, and we get one little bit of data wrong, that crashes your entire system, and you can't take it back. So if your data—in essence, learning this at the moment I'm sure, and David has had these problems in the past. Stupid things like if your prize money is in the wrong currency or if your distances are in furlongs rather than meters or the other way around, everything in North American betting system goes to pot. This happens to a certain extent, not quite as badly, pretty

much everywhere you go. So you need to work with people who really understand the data and you need to be willing to make that effort to make it happen. Picture delivery, everybody takes their picture a different way. Everyone wants to see their robes in a different way. If you're sending your picture to someone who's redistributing, they really want to receive a clean feed, but if you're sending someone who's gonna take it and put it directly out to the customer, you want to be putting it with graphics so they understand. Obviously graphics that they understand cost money, and then you have to judge like, well, if we're gonna send our product to Singapore, as we do, we will spend the money to put our graphics on that because that makes us enough money to recoup the cost. But when we're sending to Holland, Holland, although it's a great market for us, isn't in itself, individually, worth our time to do the work on the graphics and buy the extra channel on the satellite and all of those sorts of things. So it's a pragmatic viewpoint of delivering what your customer wants and working with them to make sure that they can take the bets on your racing.

Mr. David Llewellyn: Pablo, you said you launched here in North America in 2011, is that correct?

Mr. Pablo Kavulakian: Here in the States, we started in December 2006.

Mr. David Llewellyn: Two thousand and six. Can you tell us a little about some of the hurdles that you had and how you got over those hurdles and where you are now with—

Mr. Pablo Kavulakian: Sure.

Mr. David Llewellyn: — and then do you still have some headaches?

Mr. Pablo Kavulakian: Yeah, that's true. Well, I totally agree with Phill, he said. I would just like to add some specifics from our region. The first one, you say cultural things. We face some cultural things, mainly related to the organizations of the races. We have to harmonize rules that make easier for the state and other regions or countries to take our racing, regarding cupping rules, regarding all type of information needed, silks, colors, prize money to fourth places, many, many different things that doesn't necessarily has to be with technical aspects. Run on time, don't delay the horses to bring them into the starting gate because you have to accomplish other compromises in the world, so these things are the ones that we have to work through. We did it. That is why we are here. So this is a cultural thing that was important. In terms of the data, was also very important because we realized that we have all the data and at the beginning we start to think, "Hey, guys, here you have our information," and the way it was presented or the type of information was in there was not necessarily the one that the market request to you. So we understand very fast that we have to develop our own database, where all the information is there and from there is pooled to each, from our partners, in the way and format they needed for their own local market. Okay?

Mr. David Llewellyn: Customization.

Mr. Pablo Kavulakian: Exactly. So we're not going to challenge nobody there. We're just gonna deliver whatever they want in the way they want. That was the main concept. So this is the data, extremely very important.

Mr. David Llewellyn: You said you learned that very quickly. So if you picked up on this, and did you see a change once you figured out that you had to customize this data? Did you see a change in ...

Mr. Pablo Kavulakian: Indeed. We have more exposure, for example, here in the States, you used to put each quarter mile, the position of each horse, where it was at the race. We don't have that information available in South America. So this type of information was important for the punters here in this market, so we started to prepare that information and deliver that information on a regular basis, as it was shown at the beginning of the conference, in the same type of American format, which is not necessary what other parts of the world request. So I think that was very important to be presented. Another aspect of this is the telecommunications side of the business.

We are in South America and sometimes to get the pictures out or in to our region it's difficult and it's high costly, especially because some, as Phill say before, some customers request your clean feed. That means that you need additional TV production, so it's not necessarily additional telecommunication costs, also activity cost involved. So we worked with this issue. We tried to create a display in which our customers create masks. They take our dirty feed and they create masks around it so, and from there they can use a clean feed, that is not dirt by odds or regional information, local currency money, or whatever, or other advertising. If they want to use it as a reference, they will use it. A very interesting case is in some territories we start sending clean feed, and they realize that they prefer the dirty feed because the dirty feed has some key information that it was a reference for their clients, no? The increase was like that, 30 percent, 25, 30 percent, just like that. So that's a very interesting thing.

Mr. David Llewellyn: Okay. Ines, you've gone both ways, import, export. What are some of the hurdles that you've come up against? Some of your rules are much more strict than some other countries.

Ms. Ines Hendili: Yeah, well, that's true. I mean, first, one thing, and I am indeed selling French races abroad. It's another person who is taking care of importing the races. I can see the difference between when you are in a big market where the national handle is so big that you need to protect it and to do everything, like I want to know, like keeping the bet rules as they've been there for 50 years, when in international markets it's completely different. So, as a big market, we would ask to the international tracks, to adapt as much as they can to our needs so it can be on post times. It can be, indeed, sending a clean feed or a dirty feed, sending us pictures, the previous pictures, the races of the other runners. We would ask a lot of information and tools to be able to market the product to our own customers and adapt it as much as we can.

Indeed, what we've noticed is that as long as you, I mean, the international races look like the French ones, so the same time you show the horses before the race. You have bring screen, mainly with the horses. You don't have — I don't if in the USA you have all this data on both sides. We don't have this, so it's very important for the French punters to see the horses. This is what we face when we import races, but I am doing the other side. The other side, I get it hard to adapt as much as I want, our own product, to international markets. So, I mean, we sell, I mean, this data, the Equibase Five, for me it's a nightmare. I mean, it's like — first time I saw this, I say, "Oh, my god, how long we gonna do this?" We already know that some information we don't have it, like the fractional times as we said. Then it's like when we go back to the racing association and we say, "Oh, it would be good to have something like that," and it's, "No, because it's useless for the French market." That's the way they think, so we try to convert what we can to have the data looking as good as expected.

Mr. David Llewellyn: The customization again, yeah.

Ms. Ines Hendili: But then we have trotting races. So, that's, yes, Curtis is laughing because it's our, yeah, it's a big game, so you have—another way of presenting trotting data in the USA. So this is gonna be another thing to do, to adapt to the market. Yeah, again, the bets, we have specific rules. Every time you have a whole explanation that needs to be done, and the famous bets you have here are not that famous in France. Here people like trifecta. Trifecta in France is tiny. We like trio, which is first two horses in any order. This is very popular. Trifecta, no, not that much. So it's all these differences, and also the language, of course. We can't expect to send French races with French commentaries and French data, so we have to adapt. We have to do a lot of things in English, so we have English calls on all our races. This is very important. We do it in German. We do it in Spanish. It was important to adapt it because sometimes you would go to a market, and they wouldn't like to do the effort of doing this translation for the commentaries. So, yeah, I think you really need to adapt, and what we see is that the smaller the national market is, the better people are willing to adapt to your needs.

Mr. David Llewellyn: So in other words, customization is important.

Ms. Ines Hendili: Yes.

Mr. David Llewellyn: Then realizing cultural differences is also important. I think there's another aspect which, Paul, you and I always deal with on a conference call almost every time is, it's the bottom line. It's dollars. I remember, years ago, when I first started with Australian racing, we had been going a month, and I was getting no cooperation from the Australians in trying to do these cultural things, to try to customize this. Suddenly, I sent the first check down to them, and things changed. So it's a matter of — it's gotta be a bottom line. Talk a little bit about when you go into a new market, or you're bringing something in, how long do you let it go to judge and what are the parts that you look at when you're analyzing?

Mr. Paul Cross: Yeah, it's an issue we'll talk about later, but we'll talk about quality and timing and what have you. There are a few things we look at, and I want to talk about it later on, not right now, but they want me to talk to you a little bit about it. There are things like, and you might not think about this, but one of the things we look at is integrity, the integrity of racing. What's the integrity of racing like? We might all assume that it's fine and it's dandy, and everyone's above board, but sometimes you do question certain parts of the world in terms of the integrity of racing. That's one, an aspect, not the overall aspect, but the issue for us is time zones. When is the best time zone? Is there a gap in their time zone? We see operators throughout the world, who are slowly looking at what we were looking at, probably, ten, fifteen years ago, in terms of time slots. There's a time slot there that's not being used. We know there are customers out there who want to place a wager. Where is the product? Where is it available? What type of product is it? So we look at importing galloping racing and thoroughbred racing, standard bred, or harness racing, and greyhound racing, all three, all three codes from around the world. So time zone's important to us.

But also I want to talk about this issue of culture. It's one thing that we've learnt over the last ten years or so, you can't assume that what you do in your home country is exactly what another foreign market requires. When commercial negotiations are done, there's an expectation, as Phill said, that when you sell your product overseas, it's more than just your product. It's the vision associated with the product. It's the data associated with the product, and if you're commingling or wagering on the product, it's also that as well. So

there's an expectation, when we do a deal for a new market, we'll supply the vision. We'll supply the data. We'll supply the commingling that's required. It's a whole package.

The best way to export product overseas is to make it as easy as possible for someone to say, "Right, I can tick that box. I can tick that box, and I can tick that box," and they can start fairly readily. If you go to another market, and they say, "Well, look, I can give you the vision," and you've done the deal that way, but, "Look, if you want the data, you're gonna have to go and see someone else." Then when you go and see someone else, "Well, yes, look, we've got the rights to that data, but it's gonna cost you extra money for that." Then when you go to looking at commingling, "Well, yes, look, that's a bit more difficult, and it's gonna take a bit of time." It's far easier to deal with a country that says, "Right, we've got a package here. It's ready to go. When would you like it?" I know it's not as easy as that, but that's the sort of thing we look at.

When we look at the U.S. market, and we're starting to import a bit of U.S product, and it's quite going reasonably well, but we do face those issues, particularly with the issue of data, getting racing data, as part of the agreement. We talk about culture, and I earlier spoke about the importance of that dedication, that focus on it. A lot of countries don't really focus on it too well. We had a situation in Australia about four years ago where we had equine influenza, hit the country for the first time. It was something we'd never seen before.

I remember quite vividly — and it's one of those events that you will never forget — and I remember on a Friday, I was watching Sky racing and word has started to spread about the impact of this virus and what was going to happen to racing. On Friday night, at 11:00 p.m. on Friday night, you could sense that there was something gonna change quite radically for Saturday and for coming weeks. Saturday, as in most countries, I suppose apart from France, is our biggest turnover day, so we could hit Saturday morning and potentially have no race, and, sure enough, we wake up at 5:00 or 6:00 in the morning, one of the states was down. The next state was down, and out of a two-hour period, the whole country was down for racing for a Saturday and first for many weeks thereon.

So we had to turn our attention to, well, what the hell are we gonna do? Luckily, at the time we had this great set-up, that infrastructure in place, that within three hours of making phone calls to all our international customers, getting people out of bed overseas because the time zones weren't working too well, we were out to contact Japan, Hong Kong, we'd already taken Hong Kong, our South African colleagues, our UK colleagues, our Irish colleagues, our French colleagues, and we're out bringing out as much product as we could. We were able to turn that on fairly quickly to make that happen. So much so, that we didn't suffer too much, and the industry didn't suffer too much as a result. So there's an example that whilst export is something that, you know, yeah, it's over there, it's a few dollars, it also comes in handy when times get tough. Believe me, there are times that do get tough, and it can threaten the entire industry if things are not handled that well.

Mr. Phill Adams: Can I just pick up a couple points Paul made?

Mr. David Llewellyn: Sure.

Mr. Phill Adams: When I talked to UK bookmakers about taking South African racing, they'll say, "That's great. That fits in this time slot." The next question they'll ask is, "What have you got between 5:00 and 7:00?" They don't say, "I'll tell you what, I really want to take some East Coast, American product." They don't know that. They definitely don't know whether Philly's a better track than Aqueduct. What they say is, "I want something

that comes in between 3:00 and 5:00 and is competitive." That's what they want. When you're selling your stuff it's nice. It's very important to be aware that buyers, like us, are not necessarily after the best quality all the time, but we want to do something that's gonna fill a slot. I think this comes to another point that Paul made about when they had their problems with disease. The UK in 2004 had an issue with foot-and-mouth disease, and suddenly there was almost no racing in the UK for about three months.

The UK bookmakers were faced with the problem that Paul has just related, but the UK bookmakers weren't in a position to find that much more to pick up. SIS did pick up racing from Germany and France and all over the place, but the what UK bookmakers did is, they said, "Right, let's try virtual racing, and having believed that no one was ever going to bet on cartoon horse racers, they found that it did so much better than they ever thought, photo racing is now a staple of every UK betting shop. I think this is an important thing to bear in mind. If you're not exporting your racing now, people who are your potential customers will find other things that you think just don't have the same value as your product, but to them it will have the same value. That money could be going to your racing industry will instead be going to computer programmers based in, I don't know, Loggerhead.

Mr. David Llewellyn: Right. Well, we touched on this a little bit, let's move on to commingling. We all know that commingling is not necessarily the end-all, be-all, 'cause we do have some markets where we are not commingling. If each one of you could talk a little bit about your experiences with, not only how commingling can benefit in certain places, but, also, what's involved to get that going.

Mr. Phill Adams: Commingling for us is probably about 30 percent of our turnover. We commingle with Australia, but we don't commingle with Italy. They basically market for us, and where you've got a market that's big enough to support its own pools, its fine if they wanted to do that. We can't pick up the small customers without commingling because they don't have enough liquidity to run their own pools. Commingling helps us when we export, not that — the problems with that are well known to anybody who works in totes — there are, apart outside of the UK and South Africa and probably Latin America, I think there's very few AmTote United Scientific Games type hubs. So, the UK has its own system, PMU has its own system, Singapore has its own system, Australia has its own system. These are slowly getting to be ITSP, but they're not getting there across the board. I think the thing that we'd like to stress, as an importer, I think more than an exporter, is South Africa has got quite a weak currency, so we have all sorts of problems with currency exchange issues. These can be overcome by fractional betting if people put in fractional betting on their whole system, which makes it lots easier for us to bet. Probably the bigger problem than fractional better or exchange problems, which are long and kind of involved, is the minimum bet. A \$2.00 minimum bet is too much for U.S. racing to become a big ...

Mr. David Llewellyn: Phill, let me interrupt for a second. Give somebody an impression of what a \$2.00 bet would be equal to in rand.

Mr. Phill Adams: Right, well, to be fair, I'm not very good at this 'cause of the English Mervin would be better if he's around somewhere.

Male Voice: Sixteen.

Mr. Phill Adams: Yeah, yeah, it's what I can't really equate is what 16 rand will buy you in South Africa, but most ...

Mr. David Llewellyn: Right, but 16 rand ...

Mr. Phill Adams: What will 16 rand buy you in South Africa?

Mr. David Llewellyn: Yeah, so.

Phill Adams: Merv?

Mr. Mervin Gamble: Two McDonald burgers.

Mr. Phill Adams: Okay.

[Laughter]

We're not talking about a rich country. South Africa is a country of rich and poor. We find that even with the strength of our currency, it's difficult for us to export into some places in Africa. So while you're sitting there and saying, "You have to have a \$2.00 minimum bet," that doesn't make any sense.

Mr. David Llewellyn: It's a lot of money.

Mr. Phill Adams: It's a lot of money, and that has a direct effect on your turnover. Although commingling is great in some instances, it's detrimental to your export business if you apply the same strict rules that are there for commercial reasons, not for local registry or textual reason, but for commercial reasons. If you're saying your customers have to do exactly what you're used to doing, that can be a real problem. Two-dollar minimum bet also can come out as a weird percentage so it's going to be, what, one euro, no, two, one, one euro, 80? I don't know. I'm trying to think. That's a kind of a weird figure to be handing over as well.

Mr. David Llewellyn: You've got this customization issue. You've got the cultural issue, and you also have the technical issue of trying to make the exchange and accommodate your customers, and \$2.00 is just way too much. So you would prefer to not commingle in that case 'cause then you can ...

Mr. Phill Adams: America's a new product for us in South Africa, so we have to commingle because we're struggling to expand our openings now. UK racing does very well for us when it runs in the evening, but there is not a lot of UK racing in the evening in the winter. So that's where we're pushing it in. We do need to be able to commingle, if not we're only three or four pools and then that doesn't have the same draw. I think the one other thing that really gets to us, and this is a dull, technical issue, is scratches come through on the US totes. That's how we pick a lot. We pick up our scratches by the tote. We're not integrated with Equibase. We don't want to manually enter them in case we get them wrong. Because our scratches come through on our tote — the totes only open up half an hour, an hour before racing — so we can only get the scratches an hour before the races start. So that means that we get the scratches about 4:00 or 5:00 in the afternoon. That means that we can't take any bets on American racing when there are most people in our shops. So it's these sorts of little things that you don't necessarily think about as, "Oh, well, that's always been done like that. That's just the way it does in the adjustment. Everybody's got to work around." Well, when you start exporting your racing and your customers have different needs, you have to make a choice. You say, "Is it worth this opening up the tote early or is this money that we're happy to see going to somebody else?"

Mr. David Llewellyn: Flexibility —

Mr. Phill Adams: Yeah.

Mr. David Llewellyn: — is the word. Pablo, experience in commingling?

Mr. Pablo Kavulakian: Well, you have to split in two our experience about commingle. In terms of importing, it has been very successful. Our customers face the possibility to bet into larger pools, face the possibility to cash the total amount of what the pool is in a different type of bet with no limits about it. It has been a strong engine to marketing, to keep the attention of our customers and to increase the volume of handle, for sure, no question. We have to work all these issues that have just been said, but the effort worth, by far, the challenge. In terms of export, it's a little bit complicated because we had to — first of all, we have very young laws. In the racing industry, at least in Latin America, most of the countries have laws that came from the beginning of the century, last century. So in that law was not prepared for these type of challenges at that moment, was not the vision at that moment. We need to work in those countries. We did in some of them, and we did it successfully, and in others we are working on it to change, to explain, to work through and get the approvals for working with other jurisdictions. This is one thing.

The second thing it is central bank regulations. When you wire money out of the country or you bring money inside the country, money laundry, so there's a lot of things that you have to take a look to that in terms of exports. From the commercial point of view and also in the area of export, it is very important, but it is also very important to have consistency on sending races abroad. Why? Because in Latin America, the pools are not the pools such as in France or Australia or South Africa. They are small pools. So if we are not sure that we are going to be for a long term, it's difficult to have very big pools one day and the other day very low pools. From the commercial point of view, these ups and downs, we believe that it is not the best for our customers in terms of the message.

Mr. David Llewellyn: Because they see that.

Mr. Pablo Kavulakian: Yes.

Mr. David Llewellyn: They see that it was big yesterday, but today it's ...

Mr. Pablo Kavulakian: Exactly.

Mr. David Llewellyn: They don't know what's gonna happen next.

Mr. Pablo Kavulakian: Exactly. So that's an issue, but it clear will come. It definitely will come. For the people who like to bet on pari-mutuel system, commingle is the best way to boost those pools and make it more attractive to compete with other alternative of entertainment. Definitely.

Mr. David Llewellyn: Ines?

Ms. Ines Hendili: Yes. Commingling. As we were talking, it is again about liquidity, so this is so important, but here again France has got such a big pool that we don't really look for commingling into others' pool because ours is big enough. Sometimes when we commingle in other pools, we would represent most of the handle so what's the point? What's the point also because of these bet rules differences? So every time we commingle into another pool, we are sure we're gonna have different bet rules from what

our punters are used to. So we need to do a whole explanation about these differences and what happens in each case. Usually, what we also do when we commingle into other pools, we would take some of the bets that are available in that pool, but we will still keep our own bets in a separate pool also because we have some exotic bets that we can offer to our customers. It's very important to keep those, to have a total turnover on the race that is still very interesting.

We've been commingling on foreign races since 1997, and that was the British Cup. The turnover in commingling on British Cup really grew up year by year, and we take now the two days, and it's really a product that our punters enjoy and the figures are very good. We commingle into English and Irish races, and we used to commingle into Italian races too. Yeah, so, really, sometimes it's not really worth it because it's — you need to get this whole technical connection and all the bet differences and understand them to explain them and so on. When we think that for some specific time of the day it's worth to commingle because our own pool wouldn't be big enough on like a race at 6:00 a.m. in the morning is worth commingling or we also would like to do that on a reciprocity way 'cause when we really like to push to have commingling into our pool. So, in that case we are willing to do some more efforts in the other way.

Mr. David Llewellyn: Paul, you've lots of experience in this. Touch a little bit on commingling and not commingling and house rules.

Mr. Paul Cross: Yeah, and very quickly because topic's been talked about for so long now. Essentially, we have been doing internal commingling within Australia since 1998. Internationally, we have been doing it since 2007. It was a big learning curve internationally for us. We actually did learn a lot. Today, we commingle with New Zealand both ways, where we act as what we call as host and guest, where we pool backwards. With our colleagues Phumelela, South Africa, we pool both ways. In more recent times, we've begun pooling with Singapore. We actually go into Singapore in the last 18 months, and then they're working to come into our pool. There are a few lessons that we've learnt. When we kicked off commingling internationally, we found that there are turnovers on the international event and vice versa. It grew around 10 to 10 percent. There's a kick, one off kick, soon as you commingle, your bets, and as we know, the primary reason for that is liquidity and getting that variability in dividends. It works quite well.

A couple other lessons we learned out if it was that it's fairly costly to do it for every direct connection that you have. For us, it cost a lot of money, so in terms of developing the business case, it took quite a while to substantiate some of the numbers, but what we did see was that the way to get Australian racing overseas better was to enable both existing markets and new markets to be able to commingle. A good example: New Zealand. New Zealand doubled their coverage of Australian racing, not because they loved us, but because they were able to commingle on us. Thanks Brent. They're able to commingle with us, and, therefore, they had instant liquidity. Without that, they wouldn't be able to cover those moves. South Africa: we did our deal with South Africa. We export quite a bit of product from Australia into South Africa. They wouldn't be able to take those races and bet on those races because, as Phill said, their liquidity is not that high. Again, coming into our pool gives them that instant liquidity. They're sort of the existing markets, but we also use it for new markets. So we're been around the game for a while now, and we're in most of the major markets. It's now a test for us to get into new markets, so it might be a different part of Asia. It might be Eastern Europe. What we find is that, again, this issue of liquidity, and the way to export your product and to maximize the export is, in fact, to add that commingling component to it where you can.

Mr. Phill Adams: One other thing about that is what commingling enables you to do is enables you to sell your product in a time slot that isn't ideal. The reason that we can take Australian racing is because of commingling, but that's because Australian racing comes in between 10:00 and 1:00 in the morning. We can't generate our own pools, so that's why we need it. It's really valuable when you start getting to the edges of your customers. Thanks a lot.

Mr. David Llewellyn: We kind of touched on—scattered throughout these comments is how we want them to understand how to export their product. We could go around and, even if you're repeating yourself about cultural differences and customization and so forth, try to relay what you look for when you're importing a product from somebody here in America or Canada or wherever, what the package you're looking for that Paul kind of touched on a little bit.

Mr. Phill Adams: Well, we're all gonna say the same things. We're all gonna say we're looking for time slots to sell, and we're all gonna say we want exciting racing. We're all gonna say that we want it to ... *[laughter]*. I think the thing to bear in mind is that the most important thing you can have, if you want to export our racing, is a will to export your racing. Customers don't come to you and beg, "Please, can I show your racing?" If someone expresses an interest, you really should be hammering that down as hard as you possibly can because if they don't buy it from you, they'll buy it from somebody else. What is good does not necessarily equate in your own mind. South African racing outsells UK racing in Holland. South African racing outsells UK racing in other places. The UK industry will say, "Well, obviously, Ascot and Epsom and all of these great tracks are much better quality. Quality isn't necessarily a factor of how highly your horses are rated. Quality as a customer is based on the idea that this makes me a lot of money. It will make me a lot of money if there are 10 to 12 horses, if the finishes are exciting. If you don't have massively clear favorites, that's a situation where no one is gonna bet. We're not looking for beautiful pictures of beautiful horses. We're looking for competitive racing, which will make us money.

Mr. David Llewellyn: Pablo?

Mr. Pablo Kavulakian: Thank you for letting him the answer. I would like to add that I think, from our experience, it is very important when you go to the market either to buy or to sell, if it's not just a single track alone. It is important if the company that who is speaking with represent a lot of content because it will optimize your time, will help to work better on the time slots. If I don't have this track, I can use this other or this one or this one, play around that. Consolidation of the content is very important, from our experience, in both ways. This is good to know. The other thing that is important, at least to understand better opportunities, in our case, in our region, is that we are very strong horse racing, but the turnover in Latin America on pari-mutuel bets not very high comparison to the importance of the racing. Just for the people here to know better, maybe somebody know already, it's almost 0.51 percent of the total turnover, worldwide, is represented by Latin America, so that's almost nothing. But we look to that when we start the company. It's a strong opportunity because we knew that we can only go in one direction. That is up. We knew that we can double our turnover. We can grow 100 percent. We can get those figures if we start from that point of view.

There is definitely a huge opportunity to buy and sell, for sure. We're totally convinced about that. That is why all this process of consolidation, tracks, pictures, information. We have to deliver this package as easy as possible to make it fast, and, at the end, to provide to our customers other choices for entertainment and sports. I agree with Phill also that,

from our experience, I mean quality of racing is obviously necessary. It's good. It's great, but the punters not necessary are following that. We saw that, for example, we have a Grade 1 race with six horses running, and the turnover was this little against a six-year-old horse that never won a race and you have 14 of those horses. The turnover was two or three times more. So, the people who, before this happens, people who run the different federations say, defend the great races, but suddenly the numbers says another thing, so they have to start to open their mind and accept that there's a different point of view out there.

Mr. David Llewellyn: So you're not necessarily looking for the — both of you are saying you're not necessarily looking for the Group 1's races.

Mr. Pablo Kavulakian: Correct.

Mr. Phill Adams: When I was selling UK racing, when I was doing other races, 2005 I think it was, at the top ten grossing meetings, four were Royal Ascot. The other six were all the Hampton. This is horrible for UK racing industry to hear because you want people to say, "Our biggest races makes the most money," and that doesn't necessarily equate.

Mr. David Llewellyn: Ines, do you have anything you can ...

Ms. Ines Hendili: Thank you. First, we have a question.

Mr. David Llewellyn: Oh, good.

Audience Member: Thank you, Ines.

Mr. David Llewellyn: Go ahead.

Audience Member: Thank you, Ines, I was very interested by your comment on the quality of racing, as opposed to field size, but I would like this panel's feedback on how U.S. racing is seen globally, in terms of this hot subject of medication. We are more permissive in our medication than many other countries. I was wondering if you had any impressions with the attractiveness of the U.S. signal or how your punters feel about betting on races in which there's more medication than in their own home countries.

Mr. David Llewellyn: That's a very good question. Who wants to jump on that one first?

Mr. Paul Cross: I can talk. We just started importing U.S. racing, and we've done a few trials in previous years, but the liquidity wasn't there to keep the trial going. At the moment, it's more on harness racing than it is on thoroughbred racing. The issue for us, and I touched on integrity earlier on, and it's an issue for us, but for punters it's about, is the outcome of the event the proper outcome of the event. As soon as that's questioned, then our punters will start to shy away from it. For us, for our punters back home, it's a question of how much confidence we have in the racing that's going on. Now, when medication leads to some doubtful or some ways where horses to continue to race more than they should, or there's some doubt about the form of an animal, so that tends to change. Our punters will tend to shy away from it. But from an Australian perspective, as it stands today, we're not seeing too much of an impact because we're not importing that much U.S. racing at the moment. As we do more, that may become an issue.

Mr. David Llewellyn: Anybody else?

Mr. Pablo Kavulakian: We believe it's very important. Medication is an issue also in South America. We're following what is happening in the U.S. as well. For betting purposes, it really doesn't have an impact, at least when we take U.S. racing. Punters, it's not very important at this moment right now if a horse — of course, it's important to know if it's medicated or not, but not if you are running without medication, or the horse, or without not. That will not make them change their mind. Now, we think that in the very near future, this would change because, at the end, especially with this global trend about medication, running free of drugs, it's about the welfare of the animal. It's about the integrity of the racing. It's about moving out all the possible suspicions if a drug will help to perform better or not, a horse. So for the integrity of the racing, for sure, it will be very, very important that if this issue of medication can be solved. Everybody knows that it takes time. It is not a decision that you make it now, and tomorrow it will happen. It doesn't happen that way. Take years just to happen, and as soon as this is decided, the best, for sure, no questions, Scott, about that.

Mr. David Llewellyn: Paul, can you just explain for the audience what your rules are when it comes to medication in Australia so they have some perspective on how ...

Mr. Paul Cross: Virtually, it's drug free. There are testing at the racetrack. There's testing off the track for each of the three codes, for thoroughbreds, harness, and greyhounds. Each code engages in drug testing through every race meeting that occurs. Drug samples are tested, not only in Australia, but also through drug laboratories overseas. Samples are tested and stored and frozen so that they can subsequently be tested for any drugs that they discover. We're very hot to trot on drugs and drug-free racing in Australia.

Mr. David Llewellyn: Drug free, right. Okay. We have another question.

Audience Member: Yes, when importing races into your market, do you take the take-out rate into consideration? Which do you find more attractive, higher purses or larger field size?

Mr. David Llewellyn: Ines, you want to try to answer?

Ms. Ines Hendili: I prefer the take out. It depends if you commingle or not. I mean, if we do separate pool, I mean, it doesn't change anything for us. It's our own take-outs that will prevail. For commingling, it's all economics, so take outs, as opposed to the fee, it has to be, I mean, the bottom line. You were talking about the bottom line. It has to be worth it. Also, because our own taxes are different from, in our country, so sometimes it's not interesting to do that because of these different take-outs. As per purses and field size, I mean what we can see is the higher the purses are, it's because it's big group races, and we might face races with a few runners when big field size — I mean, it changes everything. We have pretty much the same figures, like less than 7 runners and more than 14 runners, it's just a third on a turnover perspective. We really need big field sizes because it gives more opportunities for the punters to play and also because we have additional — I mean, we have exotic bets that need a minimum of runners, and we cannot offer them to our players if the field size is not big enough.

Mr. Phill Adams: I don't think I've ever looked at the purse. I don't think I've ever looked at the size of the purse.

Mr. David Llewellyn: When you're negotiating with somebody, you ...

Mr. Phill Adams: I know the Kentucky Derby, but our customers will know the Kentucky Derby. They know the Royal Ascot. They don't necessarily care about the Group 3's, you know. We'd rather see 12 runners, running for 3 pounds, 50 than 7 runners running for a million pounds.

Mr. Paul Cross: True, but having said that, if you have a race, if you have a feature race on a program that you're importing, there'll be a lot of coverage about that particular race —

Mr. Phill Adams: Absolutely, yeah.

Mr. Paul Cross: — so, therefore, that will lead to an increase in turnover, but then on the next race on the same program, it'll go less because there's not as much coverage. Yes, time zone's an issue, but if you put a good Group 1 race on at exactly the same time as a claiming race, all things being equal, you're gonna turn more over on the Group 1.

Mr. David Llewellyn: The field size and all that equal.

Mr. Phill Adams: But this is also a question of familiarity, you know. When we started taking UK racing in South Africa, we took one meeting a day, and people were just betting on it because it was on. We were hanging our hats on the Ascots and the Derbys and stuff like that. Nine years down the road, we can actually say that there is a decent Group 2 here. We know because our customers have come to know that, but at the moment, when you're dealing with North American racing as a whole, there's no real understanding of the North American racing structure outside of a certain amount, apart from the Triple Crown, Breeders Cup, and a number of big races. I talk to customers in the UK and ask them to name the best five South African races, and they can probably name three. These are people who have been paying us, collectively, half a million pounds a year for the last five years. There's not necessarily a massive understanding of how a newly imported product works.

Mr. Paul Cross: On that purse issue, yes, purses are great, yes, but from a wagering perspective, it's about consistency and regularity and having the same event on a Friday, every Friday, for 52 weeks a year, you see. I'll presume the behavior is similar in other countries. I'll speak for Australia, but our customers will look for consistency. If they see a race meeting coming from America at 7:00 a.m. on a Friday morning, 52 weeks a year, from the same track, with the same type of horses running around, that's when we will tend to get a growing pattern of turnover. Now, some of those races might be group races, and that's fantastic, but that's not going to be possible 52 weeks a year at the same track. So, it's this issue of, yes, quality by itself is important when all things are equal at a certain point in time, for a certain race, for a certain part of the year. But when you're looking for something that's consistently available 52 weeks a year, 7 days a week, like our customers are, it's this consistency of product and familiarity with that product, 7 days a week, 52 weeks a year.

Mr. David Llewellyn: So you don't necessarily have to be a big name.

Mr. Paul Cross: No, not at all.

Mr. David Llewellyn: You can be a little player in this business if you find that right time slot —

Mr. Paul Cross: Yes.

Mr. David Llewellyn: — if you have consistency and you have full fields take out, that's an important part. Any track can work anywhere in the world as long as they find their time slot.

Mr. Paul Cross: Yeah.

Mr. Phill Adam: Yes.

Mr. Paul Cross: I can remember in the U.S., when we had some problems back home, I was at this conference, actually, a few years ago. I sat down at the mentors' lunch with a student, and we were talking about racing from Australia. He remembered a race meeting from Mt. Isa. Now, Mt. Isa, which 99 percent of you won't know, apart from a colleague at the back there, Mt. Isa is in the back of the never-never in outback Australia, in Queensland. Their race quality is like, I think from memory, five or six starters per race, so it wasn't that strong, but at the time, because of equine influenza, that's what we had. There was good turnover on the race, even with the few races coming from Mt. Isa, and for me it just showed me, again, that it's not necessarily about the name. It does help, yes, but it's more about what product have you got at that time zone. That's something we always look for when we're looking for bringing imported product.

From an internal perspective, we had a — and I talked earlier about 11:00 a.m. to 11:00 p.m., that's how we used to operate. We used to have a time slot between 5:00 p.m. and 7:00 p.m. where there was no racing at all, virtually nothing. Why was that? Because the galloping code would race during the day, and then the greyhounds and the harness would take over at 7:00 or 7:30. If you looked at a turnover curve for the day, you'd see turnover rise, then drop to virtually nothing, then come back up again, not as much as galloping though. All that here is at work, what — are we expecting people that they don't do anything? Did they stop working or they continued to work?

What we found was that if we supplied product between 5:00 p.m. and 7:00 p.m., we could get some very good turnover. So much so, when we first kicked it off, we were getting turnovers on a greyhound meeting, a 10-race greyhound meeting, between two states, of almost a million dollars in turnover. Why? Because people were leaving work at 5:00 p.m., going down to the pub or the hotel for a drink, seeing the races up on Sky Channel, our Sky racing service, seeing a tab which is right very next to where they were in the pub, and they were having great bets. So almost a million dollars, so much so, that when you look on that, ten years on, you think, "Why didn't we do that 30 years ago?" It's amazing. Then we look at time zones outside our normal operating hours. New Zealand is two hours in front of us, so we don't normally start racing 'til about midday back home. New Zealand can give us product at 10:00 a.m. in the morning. What they did, yes, was, when we talked to them about commingling, and about re-packaging, about exporting, as we are doing today, we said, to them, "It would be great if you could supply us product from 10:00 a.m. in the morning," because we know that customers, when their shops open, shops open at 10:00 a.m., what do they do? Customers come in, there's no activity, they go back out again. But if there's some sort of activity going on, we know that they will bet. Because they will bet, we have seen some great turnover in New Zealand.

Now, five years ago, it would have been unheard of for us to consider bringing in greyhound racing from New Zealand. Today, everyone is betting on New Zealand greyhound racing in Australia. Why? Because they're able to deliver programming that suited our time zone. It wasn't about the fact that all our punters love New Zealand greyhounds. It was more about there's product available in that time zone that, yes, we've got that type of racing already in

Australia, but our punters quickly adapted. We did that at 10:00 a.m., and then we look at what happens at the end of the day. Our end of day means that places like France, the UK, South Africa then come on board. Again, there's product that we don't have that we could get. Again, our punters immediately responded, once they became familiar with the product, and the more information we could supply about the product, the better off we are. We saw the draw of the day increasing every year, so much so that we start betting about 10:00 a.m. in the morning. We normally finish around 3:00 or 4:00 a.m. in the morning. You might say, "3:00 a.m. or 4:00 a.m., my goodness, are people still awake then?" Yes, they are. There are thousands, millions of people out there who are watching racing at 2:00 a.m. in the morning. It's amazing some of the turnovers we're getting at that time of night.

Ms. Ines Hendili: Yeah, we faced pretty much the same thing, like we used to run between 2:00 and 6:00 p.m., and we had some meetings, trotting meetings. Indeed, when we decided to have a bigger offer because it was because our shops are mainly cafes and restaurants, so the people are there midday, and, indeed, when they get out of the office, they would go back and have a drink. We started to fill those times with foreign races because ours were not still organized to run at that time. It's been very successful because we were starting at midday, perfect timing, people have lunch and, you know, have some bets, and then the twilight hours, we'd bring to the night meeting. We started with foreign races and now the French races run also at those times, so we would mix between the French and the foreign races.

Mr. David Llewellyn: I think we have some questions that we got preliminary. Doug, I don't know if they can be put up there? Do you have? Yeah. Let's see. This is, "Can each panel member discuss the experiences regarding items found different when expanding or exporting racing products, fixed-bet odds, bookmakers, bet types, regulation issues, or customer acceptance?" I think we really touched base on all that except maybe the regulatory. If everybody could talk of their experience in regulatory.

Mr. Phill Adams: To be fair, our export is pretty simple. It's find somewhere where you've got a customer, and they tell you it's legal to take a bet. As long as you can't prove them wrong, you sell them what you've got. There are places across Europe where the laws are changing. Cyprus recently changed its law, so that means that now they're closing down the illegal bet cafes that have been operating there for ten years. It's now proving to be quite a fertile market for South African and UK racing. But I don't, apart from the legality of can you actually bet on my racing, I don't really think about the regulatory issues at all.

Mr. Paul Cross: We are a bit more harder than that. When we came in, particularly, we will, when I say we, I mean Tabcorp being our regulators, we want to say that that party, or that operator, that is betting the races is actually licensed and what's behind that licensing.

Mr. Phill Adams: Yeah, I mean, that's what I'm saying, it has to be legal, you know. As long as they're a legal operator, that's about as far as I think that we would really ...

Mr. Paul Cross: We would do our own do-do just to be sure, absolutely sure. In terms of our export, it's not only pari-mutuel-type betting, in some markets there's only fixed-odd betting. Sri Lanka's a good example. How many people in this room know that there's betting activity in Sri Lanka?

[Laughter]

Probably half a dozen. Yet, it's one of our bigger markets for, not only for Australia, but also the UK. People don't think about that, but it's a good market, but it's a fixed-odds market. So there are different pockets around the world where it's not necessarily tote betting. There's also fixed odds betting going on on racing, and that's also a viable market. The UK, well, although that's fixed odds betting, I want to say a lot of that, most of it is fixed odds betting. You need to understand that it's not only tote betting available across the world. There's also fixed odds betting on your racing.

Mr. David Llewellyn: Any regulatory issues that ...

Mr. Pablo Kavulakian: In terms of export, there is no issue in our region. The main regulatory problems we faces are mainly on the imports. We have different countries, I'm not going to bother with all of them, but just for you to have an idea, for example, in Argentina, it is totally prohibit to import racing from outside the country unless it is a Grade 1 race or there is some reason why that race is of interest of the racing industry in Argentina. This is the point of view. This is mainly because some of the people there believe that it's a threat to their own turnover and their own industry. That is why it is working that way. Have other countries, for example, Chile. Chile, right now, it's prohibit as Argentina, but they submit a project to the Congress to open the borders and import racing and send the benefits of those import racing back to the industry. In Uruguay, for example, Uruguay is totally open, but it's run by the license, the only license right now there is run by Maroñas Racetrack, racetrack who can import as many races as they want. They have an economic equation with the racing industry and the government, in which part of the benefits go back to the industry as well.

On the opposite side, this is just to brief you on some examples, we have Peru. In Peru, it's totally open. Anybody can apply for a license and sell international content and nothing from that can — sorry, nothing — must go to the industry racing industry. So they're in the opposite situation, and they're working to change this because it's hurting them a lot, as you can imagine. This is a little bit introduction of different the scenarios in our region.

Mr. David Llewellyn: I think we're getting close on time here. I see that we've got one other question, which probably hasn't quite been covered yet. Let's see, "What is the international standard for payment of distribution cost, i.e., satellite time, data, etc." Let's talk about, I mean, you've done it amongst yourselves. What do you look for when you're negotiating with somebody. Who's paying for what? Phill?

Mr. Phill Adams: The exporter pays for everything to get it to the customer. It's as simple as that. We have —

Mr. Paul Cross: What was that, Phill, again?

Mr. Phill Adams: The exporter pays for everything to get it to the customer. Alright. We have three satellites that we have full-time coverage on that covers the entire world. We have fiber between London and South Africa. We have studio facilities in London. We have studio facilities in South Africa. We spend, probably, a million and a half dollars a year getting our picture around the world, all right?

Mr. David Llewellyn: You're paying for all that when you're exporting?

Mr. Phill Adams: Yeah. If you're a customer in Cyprus or if you're a customer in Sri Lanka or if you're a customer in Mexico, you come to us and you say, "We want your picture." We would say, "It's on that satellite," and we'd send you a decoder. That's really

how it works. You might give us a deposit for a decoder, because that's our equipment. But it's not up to the customer to say, "I'll tell you what, I will work out how to get your picture from South Africa to my shop." We would provide all data our free of charge in almost every circumstance, but definitely, in every commingling and tote circumstance we would provide as much information as our customers could realistically require. Where there are translation services, such as where we're sending it to Singapore, we pay the cost of translating our race cards into the local language so that these can go out.

Mr. David Llewellyn: Would everybody agree with that? That if you're going to distribute your signal —

Mr. Paul Cross: Yes.

Mr. David Llewellyn: — you've got to pay for to get there and everything associated with it.

Mr. Pablo Kavulakian: It is almost the same, mainly, the message that I would that I would like to add is that take a look to the technology for the people who is willing to either export or import, no? Because technology is a tool. Technology will have an important economic cost impact there that can help you either to make a business successful or not. Could be satellite. Could be other ways of broadcasting pictures. Could be the quality of the picture that needs to be broadcast. Some customers require certain level of quality, and this is more bandwidth. This is more costs. So the lines will cross, for example, I don't know if some customers request HD, so HD means more bandwidth, but it's good for the business because you get better quality of picture as well. So technology is moving all this around, so my suggestion is to just keep an eye on that because when the opportunity comes, it will help to sell your product. Definitely.

Mr. Paul Cross: Whether we're talking about broadcasting or streaming or the provision of data, for example, we have over seven towered feeds going out to our international markets, so where we can, we try and accommodate what they international market requires. A good example is that one particular country wants greater coverage of the mounting yard or the parade room. We do give it some coverage, but they wanted more coverage, so we actually got another camera in to assist that, to make that happen. David knows all about it. That's the sort of lengths we go to try and tote — Now, there is a cost associated with that, so I wouldn't want all the smaller tracks to think, "Oh, my god, it's going to be far too expensive." If you're only setting up one meeting a week or one meeting occasionally, it's more about coming to talk to us about there are ways that— because we do have communication links right across the globe. There are ways that we can accommodate you, and we do try and do that, but the basic philosophy is that if you're exporting your signal, you're the one required to deliver it to the new international market or the international market.

Mr. Phill Adams: I think the other thing to bear in mind is that we all work very closely together. We had an issue recently where we lost UK racing, and we ended up picking it up from Australia. They were taking it from fiber to Sidney, then they were up linking onto a satellite, which we were then taking down in South Africa. So, we all have satellite space. I mean, we've got, as I say, three full-time satellites, but we're only really covering from, this is South African time, probably 10:00 in the morning 'til about 5:00 in the afternoon if we haven't got an evening race. So we've got like 60 percent of our satellite time free there, doing nothing. Now, up linking and moving the stuff around can be difficult, but there are ways of working smartly together, and for the small tracks, there are ways that ...

Mr. David Llewellyn: Economy of scale.

Mr. Phill Adams: Yeah. Potentially, you've already got ways that you can distribute your content. As far as, I'm trying to work this out at the moment, as far as I understand it, but if you're on the last platform on Roberts, it's going into South America, that's also got a down link beam in Europe. So there's a possibility there that you might already have all the distribution infrastructure that you actually need to be able to send your picture to where your picture is most valuable, which is realistically, at the moment, Europe and South Africa.

Mr. David Llewellyn: What we're doing right now, the fiber optic we use to bring Australian racing into the Americas, we're now using that same fiber optic to send races from America down to New Zealand and Australia. So we're using that economy of scale to do that, but I think the point here is that if you're an exporter of your product, it's your responsibility to pick up those costs to get it to where it's going to go, and to make sure it's customized, and that it fits in the time zone. Then, finally, the cultural differences, be it bet types, exchange, all those things need to be considered when you're exporting a product.

Mr. Phill Adams: But the biggest single thing to exporting your product is to want to do it. We've been trying to buy North American content for use in South Africa, and, to date, we've managed to pick up three tracks, and the only people we've managed to get a signal to are online. There are lots of people in North America with lots of good racing, and we sat on this panel two years ago and said, "Does anybody want to sell your racing to these people?" I mean, I'm probably — those two are the giants

[laughter]

Nobody stood up to your yet. If you want to sell your racing, you've really got to want to sell your racing because it is difficult. It's not a walk in the park. If it was, anybody would do it, but ...

Mr. Paul Cross: That's an important point. It is difficult to start it and to set it all up. However, once it's set up...

Mr. Phill Adams: Once it's set up, it just churns.

Ms. Ines Hendili: It's really not signing a contract. I mean, selling your product is not just, "Okay, let's sign up the contract and it's done." You want the pictures, "come and get them." You want the data, "Go and buy it." You want additional information, "Oh, I don't have it, just figure out yourself." It's really you need to do all the efforts to bring as much information. It's like you sign on the contract, okay, but you need to ask your customer, "What do you need? How can I help and what I can provide to you?" This is very important.

Mr. David Llewellyn: Customer service. That's what it's all about.

Mr. Phill Adams: Like Paul says, once you're in place, you are in place, you know. The deal that was done with South African racing brought UK racing into Australia was done once, and now makes up, I don't know, maybe a third of our international business. I'm sure it's probably a third of GBI's international business. It's done once, and then you've just got to handle people. It's not the hardest thing in the world to go to Australia and handle all that.

Mr. Paul Cross: Another thing that's also happening in the international market is that a lot of countries are actually getting together, so we're talking to Phumelela, to our French partners, to our UK brethren over there about how can we go to a new market. Why is it that one country goes to this new market and then another operator goes to this new market. Why don't we all come together and go to these new markets because, essentially, we're not competing in terms of time zone. It's a great opportunity to get into the new markets where we're not into now by bringing together the resources that we've all got. I stress again, which I stressed at the start, each of us have dedicated resources to the export of product. There are teams that just solely work on the export and import of product. That's paid huge dividends for all the organizations in this process, but we're now moving to the next level now where we're working together and collaborating together to actually penetrate new markets around the globe.

Mr. David Llewellyn: Any other questions? I think we've run over time, haven't we, Doug?

Ms. Ines Hendili: We're good. Okay.

Mr. David Llewellyn: All right. Well, thank you very much.

[Applause]



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