



Race Track Industry Program

**33rd ANNUAL
SYMPOSIUM ON RACING & GAMING**

WEDNESDAY, DECEMBER 6, 2006

**MODERN DAY & FUTURE TOTE ISSUES
PART I AN INTERNATIONAL PERSPECTIVE**

Moderator/Speaker:

John Walzak, Chief Operating Officer, Ontario Harness Horse Association

Speakers:

Paul Cross, International Wagering Manager, TABCORP

Benno Eliasson, Vice President, ATG

Aymeric Verlet, International Development Director, PMU

MR. DOUG REED: I'm sure the crowd will be filtering in. Day two, the typical behavior, they kind of trickle in here. I don't know why it is.

Again, welcome to Tucson. I think the weather report should be as good as yesterday. Hopefully, we can still keep some of you in here for the meetings. Again, welcome. Pleased to have you again this year.

To start off with the opening remarks I'm going to introduce my boss, the Dean, he is the vice provost and dean of the College of Agriculture and Life Sciences and many of you know him that have been coming here for years. He has been the dean of our college for 19 years. So please welcome Dean Eugene Sander.

(Applause)

DEAN EUGENE SANDER: Thank you, Doug. And thank you for the opportunity to participate.

I was just thinking as I was sitting out there, this actually is my 19th Race Track Industry Symposium. It's good to see many of you again. This is one of the largest, the largest conference of it's kind that the University of Arizona sponsors.

I would like to give my hearty congratulations to Doug Reed his absolutely totally organized and dedicated faculty and a group of motivated students, which really make this possible.

I go to many meetings myself and this is a well organized fine meeting. So Doug, congratulations again on another really excellent meeting. I believe this is your 34th meeting of this Symposium. What I want to say a word about this morning—you've been greeted etcetera—is something very important to our Race Track Industry Program and it's something the racetrack industry has made possible.

As many of you know, for about the past two years Doug and his faculty and others in the college have been raising money to endow a professorship in the Race Track Industry Program. And we've reached a point where the endowment is just about complete, I'm proud to announce beginning in January we will start the recruitment of an outstanding professor who will be brought to the University of Arizona's Race Track Program to fill that endowed chair. It's really a partnership between you, the racing industry, the University of Arizona and the College of Agriculture and Life Sciences, there are essentially three streams of funding that support that chair.

First of all, the proceeds on the endowment. Generated from the \$1 million endowment that we are about to have and shortly will have. Secondly is matching money that comes from a fund called "the eminent scholars matching money." That is provided through the income of state lands owned by the state and the proceeds on those come to the university, and part of those proceeds is used for the eminent scholars match. Every of endowment proceeds is matched dollar for dollar by this eminent scholars fund. Thirdly through the College of Agriculture and Life Sciences we provide a salary line for this professor. It's a three-way partnership, the whole point is that that partnership would not be able to be put in place were it not for the generosity and the foresight of the racing industry to make that endowment possible.

I really want to thank all of you for making that possible. It's going to make a huge difference in terms of where we are able to go with the RTIP program, and so from the bottom of our heart and especially from the good work of all the faculty in the RTIP program, I want to thank you for that endowment. Thank you and we're glad to have you in Tucson.

MR. REED: Well, it's not going to take long. First, I want to thank the Sponsors. We had a wonderful breakfast provided for us this morning, provided by AmTote.

We have a refreshment break following this provided by the national HBPA and last night we had a wonderful reception provided by International Surfaces.

One more reminder, just as a courtesy to our speakers and other attendees, if you have forgotten to put your phone on vibrate or turn it off, please do so before we start.

And it's a pleasure to introduce our next speaker, John Walzak. Many of you know John, and for me it's a great pleasure to introduce him. I worked with John

for a number of years, I've got to tell you, he's a hell of a guy and also a friend, and those years working with him were great.

But John, prior to coming to the university, was with the CPMA for about 17 years. He spent about seven years with us as associate coordinator of the program.

And he is also been the chair of the Tote Standards Committee. So appropriately moderating these next two panels, and currently the COO of the Ontario Harness Horsemen's Association, so he has a pretty diverse background.

So, John, again welcome back to Tucson.

(Applause)

MR. JOHN WALZAK: Thank you Doug, I appreciate the introduction. It's a little humbling, you start adding up all the years. Now, I know why have gray hair. I appreciate the opportunity to participate and I want to take a minute to push the program. We heard yesterday that the scholarship funds needed some help. I'd like to take the opportunity to urge you to support that. The scholarships are important and it's an investment in the future of our industry, so if you are asked to participate I encourage you to please do.

Our panel today is in two parts. The first part on the tote situations around the world. We have speakers from Australia, France and Sweden.

And we're going to be followed up with a North American panel with our three major tote suppliers covering what we're doing in this country.

As Doug said, I used to be involved in the technology and regulation of betting. Now I've moved on to horsemen's issues so I changed my views a little bit. That's what I want the panelists and you to think about over the next couple of hours.

My interest is now in how we can move the industry forward by better serving our current customers and new or occasional customers. And we certainly need to increase revenues and as horse people we know we need to increase our revenues that we generate from betting on our races. Rather than just technology, it's more of a customer focus I'm looking at now.

And I asked the panelists to think about three aspects, three kinds of questions of the tote business, and I'm going to ask you to have these questions in your mind as well. We're going to have a conversation about this over the next few hours as the panel starts unfolding, and I believe the questions are at the center of this conversation.

Number one, what's being done to improve the industry's presentation to our customers, the interface, the games we offer, the access points, where we offer our bets?

Second aspect, what's being done to facilitate the integrity of betting? To use Tom Casaregola's definition from yesterday's panel, what's being done to ensure the transparency of the transaction? I believe its part of a tote system's job and gets passed onto the regulators.

And thirdly, what's being done to address the management and the administration of betting, to assist in creating and using the metrics that Mark Midland designed yesterday. Important parts of any business.

And while I've got the podium I'm going to give a little editorial comment on metrics. Because we've heard that metrics of betting are important. We heard adding a race can add revenue to our industry. What we have not heard and probably won't, are the metrics of horses. That's something I'm deeply involved with. Adding and subtracting races, dropping days, moving days around has sharp and very profound effects on our horse supply, and it can cause structural problems that carry over for years. We simply don't roll horses out on trolleys and plug them in when we need a machine. We can't clone performances the way we can control software. I believe we have to control those metrics, and up in Ontario that's one of our top of the list items we got to figure out is how the horse supply is being managed to best ensure that horse racing is effectively and efficiently produced. That's my editorial comment.

Our first speaker is Mr. Paul Cross, international wagering manager for TABCORP in Australia. He has been responsible for the development of tote pooling with other jurisdictions in Australia and the import into Australia of quality international racing. This is a guy many of us in this room ought to get to know. We're all looking at selling our races around the world.

He's been in the business over 25 years, across most areas of wagering and the industry. And worked for the New South Wales regulator, Queensland racing industry, Tab Limited and New Zealand racing board and now with TABCORP. Has a keen interest in technology development and reshaping the industry. Please welcome Mr. Paul Cross.

(Applause)

MR. PAUL CROSS: Thanks John and Doug for the invitation to appear here today.

It's quite exciting, I've been here a few times now and it's great to see so many people back here again each year. We had a discussion yesterday about what we're going to talk about today and confirm some of the issues, we want to take a broader aspect. And one of the fundamental issues is about the customer and what the customer is desiring, and trying to grow that pie that we're all trying to grow with our tote turnover and any jurisdiction that we have.

But first, I can't let the occasion go by without a mention of a game called cricket which some of you may know about. Currently under way in Australia. It's

called The Ashes and it's a series of five tests. And I want to pay a special welcome to our guests from the U.K. some of whom are sitting on my left. Five tests, it's a highly anticipated series. The English think they are going to win quite easily. We have had two tests so far. The first test we won quite easily, the second test, England scored just over 500 runs in the first inning. They looked as though they had it down pat and Australia came again light in the second inning and won the match, so we're two up in a series of five — three left to go. There's some optimism there.

(Laughter)

Okay, just a bit of overview about TABCORP. Some of you may not know. It's got a market cap of around 11 billion in Australian dollars. It's actually made up of a number of different components. In terms of casinos, there's three casinos up in Queensland, the Gulf Coast towns and Brisbane. One property started in Sydney. Just under 400 tables 4,000, 600 slots 1,400 hotel rooms and over 50,000 visitors a day. So that's one area of our busy on the casino side. On the gaming side in Victoria half of the 27,000, 500 machines around 13,000 slots in Victoria, across 264 venues. One point one four million occasional and regular players. On the wagering side, we've got fixed odds betting across almost 600 outlets in Victoria and 2,200 outlets in New South Wales.

On-course, Internet and phone. In terms of our customer base, it's quite large with 700,000 regular retail customers and 350,000 account holders, by the way, we have a broadcasting company, which broadcasts the racing across Australia and internationally. And of course, the international partner in America who handles our international rights for which are 96 percent of the total rights for racing within Australia.

As far as wagering business, it goes further than that. We have TABs in Victoria and New South Wales. Victoria sales are \$3.6 billion. It's a highly regulated state. We have pari-mutuel racing and sport and fixed odds sport and racing. Again some of you may not know, we conduct fixed odds racing. Fixed odds betting on racing. We have virtual racing and we cover about 55,000 races a year. That's about 1,000 races a year — a week that we pump out there in the marketplace. So we've got plenty of product across three kinds of racing: galloping, harness, and greyhounds.

Of course, from a product point of view, the usual products. Win, place, quinella, doubles, two out of three, exacta, trifecta, first four, and a product called "mystery six." And I might talk about that later on.

We commingle our pools in Victoria with our colleagues in West Australia, ICT and Tasmania, so we've a few colleagues here today, I think. I can't see through the lights.

In New South Wales about \$5 billion in turnover, again, a very highly regulated state. A pari-mutuel racing sport. Fixed odds sport and racing, 55,000,

exactly the same as Victoria, similar products except for Mystery Six and across the three kinds of racing.

On the fixed odds side, our brand or logo is TAB Sportsbet. It offers fixed odds betting on sport and racing, through all our TABs, it got established over 10 years ago, so we're quite experienced in fixed odds betting.

Turnover in New South Wales, about \$570 million. And we're the agent for all Australian TABs through TAB Sportsbet. On the Sky side it broadcasts racing and sports into commercial outlets, about 5,000 broadcasts through the cable or pay TV network in Australia. There's a radio station called TKY in New South Wales, again 55,000 races a year. Whatever Sky puts on we actually bid on. It holds international racing rights for most of Australia, and it's been going now, just celebrated 20 years of operation. It's a well-run operation and produces the most live content of any television station in Australia, probably the world.

The last point there is a product that's been developed over a number of years called Trackside, it's known here at racetracks, it's a virtual racing product. As far as Australia is concerned it's only available in Victoria but sold internationally, and complements live racing. So we have a thousand races a week pumped in the marketplace but also a virtual racing product.

In terms of product availability, there's a whole portfolio of products available to our customers, which we are constantly refining.

In terms of distribution channels, New South Wales and Victoria. Total of 588 outlets. Operators across 120 states, touch-tone, 680 lines, and New South Wales, over 2,100 outlets. A very, very strong retail presence. Four hundred-eighty operator seats, a thousand lines for touch-tone and speech recognition. And quite a number of race meetings that participate. There's quite an amount of product that goes on.

A few stats for you that shows you how large our tote system has to be. Our tote system has to encounter a situation every day. During the spring carnival we received 5.7 million phone calls. On Melbourne Cup day alone over 550,000 people visited the TAB Web site. Melbourne Cup day. Thirteen-point seven million pages reviewed on the TAB Web site and 29 million individual transactions occurred on Melbourne Cup day. So it's quite a big experience for us. And our tote system has to be built to accommodate that virtually every day. It must make that demand every day.

That's an overview about TABCORP. There's a number of tote issues. First one being keeping a good relationship with the racing industry.

While we step one step apart from the industry, it's important that we maintain a good relationship with the industry. If we have a good racing industry, we have good tote turnover.

We work hard on that.

We're not saying its perfect every day of the week, we go through our rough periods, but we try to keep our good relationship going forward.

The second element is the focus on the customer and understanding who they are and what they want. We do a lot of market research on our customers and as we have tried to focus our marketing came pains to capture the mainstream once again. One of the difficulties we have, we have tended to move away from mainstream. I see a lot of it here in the U.S. It's not so bad in Australia, we're still part of the mainstream, but we try to have a few marketing campaigns that try to bring the mainstream back again, and I'll plain shortly what it means.

And we continue to develop our distribution channels. Introduce new betting products, and introducing new racing products internationally.

Keeping a good relationship with the industry.

TABCORP has a joint partnership with the New South Wales racing industry.

In Victoria last year we distributed over \$278 million to the industry. It keeps the industry funded well. Increased prize money increases ownership participation and makes for a vibrant industry. In New South Wales a slightly different relationship. However both industries receive a product fee and a share of the profit. And New South Wales, they received over \$218 million to the New South Wales racing industry last year.

Some of the things we're working on, again, relates back to the tote issues. We're trying to increase participation in racing ownership. If there's more owners involved, there's more bettors involved and our turnover power should grow. So it's a heavy campaign in terms of racing ownership. Particularly through syndication.

We're working with the industry on race programming. We know if we get the race programming right from a tote point of view, it lifts turnover and grows the pie for the entire industry.

The third point there is race scheduling. And again, we have Sky Channel who are the sole company organization that derives the schedule for racing. There's only one party that determines the schedule and we all follow the schedule all across Australia.

And so we try and avoid clashes. As you know, the the more clashes we have from a racing point of view the less turnover and increases in the pie. And the last point there is increasing the number of starters. It surprises me over the number of years I look at tote turnover how important the number of starters are to turnover. And we keep a very close eye on the number of times we have races with less than eight starters, because it affects dividends. And we say optimum

number of starters is between 12 and 14 runners, that's what we think is optimum. I've been working closely with the industry to try to boost field size. We know it has an impact on tote turnover and therefore the pie and therefore the returns going back to the industry.

The numbers are not important, but from a tote view, we do a lot of market research. We ask our customers what they want. This little graphic on the left-hand side is from May 2005, compared to the blue side, March 2006. We do market research for a tote view to find out how or where people are about wagering product or betting products. In our analysis of the last couple years, the awareness of TAB, the product has grown from 85 percent to 92 percent.

So if you survey the general population, in this case New South Wales, 92 percent would have some awareness of TAB betting. And the trick for us is to try to make the funnel that goes down to the narrow element as thick as we can. As we go down the funnel, we come to the bottom, which is the frequency of people that have a bet once a week or more frequently. So of those surveyed, it comes down to 6.1 percent have a bet once a week or more frequently.

And there the target audience from a day-to-day perspective, if we can grow the bottom one, we add to our wagering turnover and boost tote, and comes back for a more vibrant industry. So the trick here, market research goes on constantly, we try to understand our customers from a tote view, and make the funnel as wide as we can. Compared to May 2005 to March 2006, we had an improvement of 5.1 percent to 6.1 percent. It's not too bad.

Okay, I mentioned earlier, it's back to tote issues and trying to get the message back to mainstream, and we tried to move away from typical racing marketing campaign from a betting perspective. We want to target infrequent customers, make sure that betting completes the experience, so the experience of racing is not about betting per se it's about enjoying the experience, and what caps it off is having a little flutter with the experience. It was moving away from standard racing advertising.

And it's been successful over the last two years. In fact, we've never seen so many people ask us for the bottom ad, "Spring, when there's only one thing on your mind." We had an inundation of people asking for that particular print. And again, it was a campaign aimed at more mainstream. All the advertising campaign was out of the sports section and into the mainstream parts of newspapers, into radio stations that don't necessarily have racing, to a younger audience, and from the figures we've seen so far, it's been a highly successful campaign.

In terms of distribution channels, again, fundamentally, our retail outlets, 72 percent of our turnover comes from our retail outlets. We are very retail-focused. On-course, we've had a renewed focus on-course, if we can get more people to the track that should spin off in terms of tote. Tote betting, again, comes back to the tote issues. We believed successfully in the spring carnival, we had people dedicated on track to help explain what betting is all about. We know we have the

infrequents turning up once a year at the spring carnival. So a lot of work has gone into that.

Continuous improvement on Internet betting. It's amazing how the Internet channel continues to grow, we continue to refurbish our activities on the Internet. Continued improvement on VR and natural language. Account sales. Phone betting, as well as interactive voice response, and natural language, so people can ring up and talk to a computer and it's been quite successful.

Availability of betting as most people are aware, everyone is working on it, we're trying to improve access for our customers. Wherever they are, wherever they have access to a betting terminal, through a PDR, through the phone, whatever, we're more likely to get a bet from then. It grows the tote pie and increases returns to the industry.

Just in terms of our make up, turnover by channel. On-course six percent, OTB through the agency, 31 percent, OTB through pubs and clubs, we have quite a few, it's a marrying up of where the customer is. Our customer typically is in a pub or a club. We found that the more we get closer to our customer, the more turnover there's going to be. If you add those up, 72 percent is based at the retail level, through the phone, 14 percent. Internet betting facility, eight percent.

I want to turn to products, and again, the issue of bringing new products to market. We do a fair amount of market research. Two products we introduced in Victoria. They were available in New South Wales for a couple of years. Left-hand side, First Four, is picking four place-getters in one particular race. It's truly amazing how quickly Victorians have taken the product up. Almost instantly, 4.4 percent market share in two months.

Truly amazing.

Victorian customers have taken to it with glee. On the other side, we introduced Flexi Betting, like a fractional betting system. The focus on the customer, it's the customer who determines how much they want to spend. With Flexi Betting a customer can spend \$20 on the number of combinations that might normally cost you \$60. So you might be prepared to pay \$20 but it would cost you \$60 under the old system. So that's 20 over 60, or one third if you win. You get one third of the dividend. It's as simple as that. Virtually instant take-up, in the space of two months, 41 percent of bets are new Flexi Betting. Truly amazing.

The next thing from the product point of view. We're doing market research on a new product that will produce what we call a lifestyle-changing win.

So some product out there, may be out there already, may not be, that's winnable from a customer point of view and producing life style changing wins.

I'll spread it a bit more. In terms of new international racing products, we're seriously looking at lunchtime product from New Zealand. In Australia, in the

summertime, most of the races go back to one-thirty, two o'clock in the afternoon. New Zealand is about two hours in front of us. They have quite a bit of product, so we're looking to import more product from New Zealand during the lunchtime period.

In terms of our product, we've been bringing in Hong Kong for quite a while now, again, quite successfully particularly on Sunday. They are our number two racing product on Sunday thus far. South Africa just over a year we've been underway. In the U.K. we've started bringing in racing on Saturday nights in the last couple months. Again, quite successful, and we've had a few shots at France, and France has been quite a good and valuable product that we've seen thus far.

Other international product. During the afternoon we often get races from Japan, and again, a very, very, strong following from a customer point of view.

We've tried a few U.S.A. racing but we know for sure the key to growth in that international market is commingling. And we're steadily on the path of being able to commingle with the international jurisdictions in 2007. We already commingle with our partners through most states of Australia, but we want to do it internationally. We've developed the software, we're just in testing mode at the moment, with a target launch of 2007.

We just recently signed a memorandum of understanding with the New Zealand Racing Board, and that's our first target for commingling from a guest and host perspective. It gets underway in 2007 using ITSP 5.18. So we're in a little bit of a learning curve from a commingling perspective internationally. We look forward to it. From a tote point of view it's a key driver.

Back to the customer, from a market research point of view, there's a great demand for international product, and the way to make it successful is to commingle between the two countries, which gives us instant liquidity and makes a success of the product.

Can I wrap it up? I think I've gone a bit overtime.

Just to remind you about photos, 5:30 to seven. Those of you who have enjoyed Australian beer, those of you who drink have and found it quite good. Thank you.

(Applause)

MR. WALZAK: Thank you, Paul.

Boy, lots going on in Australia for marketing and coordination. Our next speaker is Aymeric Verlet the international development director of PMU. Pari-Mutuel Urbain.

It's the French operator that conceives, promotes, markets and totalizes bets

with the aim of financing the French equine sector. He is in charge of the international partnerships in order to develop betting on foreign and French races through separate and common pools, another theme coming up, it's going across borders.

Aymeric joined the PMU in July 2003 as an area manager. Represented more than 1,500 outlets with a turnover 1.5 billion Euros in 2005. And contributed to the promotion of the Southeast racetracks. He's been appointed international development director in October of this year. Aymeric Verlet, French PMU.

(Applause)

MR. AYMERIC VERLET: Thank you, John. Thank you for the opportunity to speak here today. It's great to be in Tucson, it's the first time for me. I would like to thank the University of Arizona for hosting this event every year.

Today my issue is about the French racing industry and in particular, Pari-Mutuel Urbain, and my presentation, I will break it in three parts. Firstly, the horse racing industry, secondly, figures about PMU and thirdly, international issues.

To conclude we will show you a short video about French racing which is quite exciting.

I'll introduce my purpose with a short history of betting and racing in France.

I think 1776 was important here in the United States. In France it was our first organized betting race.

In 1836, it was the first trotting race in Cherbourg, Normandy, to show in France we have we have gallops and trotting. In 1880, Joseph Oller invents the pari-mutuel system in France. Which leads in 1891 to the total ban of bookmaking in France. Since this year we did not have any legal bookmakers in France.

In 1934, there was off-track betting and the founding of Pari-Mutuel Urbain, which was the only network to allow bets in France on racing. In 1954, we had the creation of the tierce bet, which was the first exotic bet, like a trio. It was a huge success for many years, and 1989 we launched the Quinte bet, which is still today our main product. The Quinte is vertical bet where you have to choose and find the first horses, five horses in order.

But racing and betting in France, a quick overview. About the market. Today on the market we have only casinos, national lottery and pari-mutuel and racing which are allowed. In 2005 the total gambling in French market is worth \$45 billion. Horse racing's share is 23 percent. In France we have around, each year, 6,500 national races, which are, organized on 12 major metropolitan racetracks, and 60 leading regional racetracks. We have around 248 racetracks in France, which is I think a lot.

France has also 27,000 horses in training, 12,200 breeders and 7,400 owners. In France we have also 6.5 million horseplayers, around 13 percent of the population. France is 61 million people.

We cannot talk about French racing without talking about the quality of our races. I will talk about the best leading international races in France, everybody knows the Prix de l' Arc de Triomphe, Longchamp, turf. Prix d'Amerique, trotting, Vincennes. Prix du Jockey Club, turf, Chantilly. Grand Prix de France, trotting, Vincennes, and Grand Steeplechase de Paris, jump, Auteuil.

French-trained winners in North America drivers and horses traveling around the world and winning. Thoroughbred, Shiracco 2005 Breeders' Cup Turf. Six Perfections' 2003 Breeders' Cup Mile. Banks Hill, 2001 Breeders' Cup Filly and Mare Turf and Fan Idole 2002 Trot Mondial, Montreal.

The two next slides are about the PMU. The turnover in 2005 was \$10.5 billion. PMU is the leading operator in Europe and the second worldwide. Generates, in 2005, a revenue of \$745 million, which was returned entirely to the horse racing associations.

PMU is an important economic actor in France. Today funds 80 percent of the French equine industry, 61,000 direct jobs and 130,000 indirect jobs.

Concerning betting. We have an average win, place, and show pool of \$2.6 million per meeting in France. Our best product is the daily Quinte, a record dividend for a four dollar bet, \$6.7 million in 2006.

2005 average carryover for 1.7 million. And it has been helped a lot by the Pariez Spot system of betting. What is that, it's like the Quick Pick in the United States. A way of betting that works well to recruit new customers. It works well because in 2005 bets increased 37 percent.

Networks we have around 9,400 distribution points in France. One hundred fifty outlets per million inhabitants. It's important because our network makes around 93 percent of our turnover. The other kind of distribution, remote betting, and interactive television, we launched in 2000, Internet, 2003. 2005 we made \$240 million with Internet and more than 100,000 accounts open today. And the last summer we launched mobile betting, just beginning. The customers are happy with this kind of distribution.

Media coverage, Equidia horse channel in 5.1 million households, and racing on two national networks. And a nice point about the media, it's important to know in France we are helped by the press, which covers the racing in France.

Let's talk about international, beginning with France betting on overseas racing. You can see from America total. Far East we are present in a lot of countries. Especially the United States. In 2005 we had a total of 95 races from 17 countries on four continents. The most famous races, Breeders' Cup, common

pool. 2006, we had a turnover over \$4,400,000. The second international pool behind Canada. Breeders' Cup is a good international product, because the quality of the race is appreciated by all, especially in France. And you can have some horses and jockeys from everywhere, and from France. This year we had a good experience with Breeders' Cup. From the United States, we take the races of Arlington and Hambletonian. And 2006, we start common pool on U.K. and Irish racing since the Royal Ascot.

Overseas betting on French racing, we have a lot of agreements in the world. And sometimes monthly, sometimes weekly, sometimes daily, with different kinds of common pools. For example, more than 40 countries in the world have taken this race. And half million dollars turnover with this race. International races can be very productive for the industry.

Overseas betting on French racing, we have to talk about the common pool partnerships in which we have a great experience. Beginning with Monaco, it's small, but in 1987 a common pool with the French-speaking area of Switzerland in 1991. Then Germany and Austria, common pools in 2003. 2005, we work with U.K. and also Spain, but only with the Basque area.

So the international handle on racing was important since 1999, we increase from \$78 million to 2006, \$130 million.

To develop the international pool we use the ITSP protocol, which is useful. And version of 5.18. We develop main exotic bet protocol, and send to our partners through a system of HTML racing data.

So what are the tote commingling issues for the future?

Firstly, the marketing issues. We think that bet types, rules differ from country to country, even when they appear similar. For example, the exacta, trifecta are very different. It's an important issue when you do common pool.

International commingling requires foreign partners to adapt to the host operator betting standards and practices.

Legal and economic issues, the main ones you have the legal restriction to the organization of international common pool that remains in some countries like Japan. I think for the common pool and the necessity of finding a takeout distribution system satisfactory for all parties. Now the United States net pool pricing, it's a nice system.

Technical issues, the increase of the number of remote partners may adversely affect the performance of the host system, notably the bet collecting and processing times.

ITSP can't used for all bet types. Specific protocols are required if exotic bets are included in the commingling agreement.

PMU is supporting WTP process.

So in conclusion, about these issues, international commingling of pools represents a real asset, we think, which is most profitable for the global horse racing industry. Commingling of pools is a chance for racing to develop events with worldwide audience and attractive betting products.

For that PMU today, with these objectives, is working closely with the International Federation of Racing Authorities and on these global developments. So I hope this presentation has been helpful, that the French tote system is more clear for you all. I want to present a short video on a French racing and I let you appreciate the image.

(A videotape was played)

Thank you very much.

(Applause)

MR. WALZAK: Thank you, it's very good. A couple themes, marketing, image, distribution.

Our next speaker, Benno Eliasson, became executive vice president of ATG—the organization in Sweden that markets and sells bets on horse races—he became the vice president of ATG in October 2005, came from a business manager background as a finance manager from companies working with consumer Internet banking and credit card business, as well as leading positions in different retail companies. More retail and mass marketing experience coming forward.

Because the panel is going to roll into the next panel, we will be loose with the time. We will take our time and move through seamlessly, a short break after Benno.

Benno Eliasson, ATG.

(Applause)

MR. BENNO ELIASSON: Thank you, John. Thank you to the university for the invitation. First I will start to give you three good reasons for staying in this session and listening to me. First one, we have a lot of success in our part of the world. We have a fast-growing international business. And success stories are always interesting to hear.

The second one is we come from Scandinavia. And Scandinavian countries are known to have a lot of early adapters when it comes to new consumer technology. So we have more Internet access and more mobile phones in our country. And third reason, you can learn more about the V75, which we believe is

the greatest game of all.

Sweden is a horse country. We have 9,000,000 citizens and 275,000 horses. Seventy thousand trotters, 5,000 thoroughbreds. We have more horses than cattle.

We have sport professionals that are very accepted to a broad audience. Seven thousand amateur trainers, 1,000 breeders and 42,000 owners.

Part of the sport. So it's a very broad sport in Sweden.

We are owned 100 percent by the sport. Ninety percent by trotting and 10 percent by trotting organizations. Our turnover was about \$1.5 billion U.S. last year and international turnover of about \$110 million U.S.

We also have in our network, \$300 million sales of non-gaming products, railway tickets, prebooked tickets, telephone calls and a lot of other things.

That's a good additional business for our network and ATG as well. We are a total 220 employees, and market share on the Swedish gaming market of about 24 percent. That's similar to American and PMU. We have 37 racecourses, 32 trotting and five thoroughbreds. And about 1,100 race meetings every year. Three or four a day except for Saturdays when we only have one meeting. And I'll tell you why later.

Our situation today. We have a mature market. We have been successful during a lot of years but the last five years, we find it more difficult to attract new customers. We have our core customers but it's harder to find new ones.

We have lot of new aggressive competitors, Internet pirates, but also big international lottery companies coming to Sweden hiding behind charity organizations. But we have a lot of these right now competing in Swedish markets. And a lot of other telebetting and other stuff coming up last year. We have Internet bookmakers, the pirates we call them. Sports betting. Poker, sports betting and latest, casinos and bingo on the Internet.

I can give an example. Today for Sweden, it's a small country, we have 40 different companies offering Internet poker, 40 different companies. And it's not allowed in Sweden, but 40 companies still do it.

And we have a lot of other new products. Poker, I told you about. A lot of live sports betting is coming right now. I think they have a breakthrough this year's world championships in Germany and soccer, which made live betting even bigger than it was before.

What's also part of our situation, we have a unclear legal situation in the European Union. The EU commission, the government of the EU is preparing a process against several member countries. We have not a perfect match between the national laws and the EU law. So that's a problem right now.

And there's a issue that is coming up fast. That's gaming addiction. In Sweden, Norway, and Scandinavian countries it's a big issue. Politicians are very worried about gaming addiction. Seventy percent of Swedish members of parliament said on a questionnaire they want to have warning signs on all betting advertising. Warning signs like on cigarettes and alcohol in some countries. Betting has turned from amusement to something linked to drugs and alcohol and stuff like that. And that's not a good situation.

What to do? I think we need competitive products, it's number one in most businesses. We favor big pools with big payouts and easy to play. We have products that are a good match for these conditions. Exotics are hard to copy for Internet pirates.

We also have strong focus on distribution. I think it's very important. A large number of OTBs, more than France. I think less than 5,000 people per OTB.

We, of course, we have developed Internet and mobile phone betting. Availability is very important. You don't, if you are not nearby an OTB you have to make a bet with the mobile phone or Internet connection, so that's important.

Bets all around the day, all around the week. That will be very important in the future. Still, have focus on the major events that can be event a day, week or whatever. You can build the pools in some of these events and don't just throw out a lot of races.

International cooperation, commingling is a key factor to the future as well. We think that's the way to do it.

Next thing that we have developed well in Sweden, the media and TV coverage. National television coverage, I think, is rather unique. We have a program of 45 minutes every Saturday afternoon with famous Swedish television profiles in a program format that's very effective for the mainstream customer. Five hundred thousand people of 9,000,000 are betting every week on these products and look at the races on national TV on Saturday afternoon.

Of course, for the core customers we have to have pay TV programs that are deep and not so broad, and showing pictures on the Internet and mobile phones and all over the places. But for the mainstream customers, it's very important to be on national TV in a program format that attracts the mainstream customer.

Also a strong brand name is important. Reliability is an issue. I give an example from Sweden. The Swedish national lottery company got in March this year Internet poker, and it's very mature market in Sweden for Internet poker. As I told you, 40 different operators. Overnight they got 25 percent of the customers because of the brand name. Reliability. People believe in the brand, their security and overnight 25 percent of the market. That product wasn't better than anyone else. I think it was worse, but reliability is very, very crucial.

My message is, fight the pirates. Do not expect the regulators to protect you. They will be there sooner or later. You have to face the Internet pirates, you have to fight them at all levels. You have to have better products, distribution, broader media coverage, and I should add, better customer service, because they are good at customer service. And better technology.

And my message is, don't make Internet betting your enemy, make it your best friend and a tool for the future.

Now I will show a short film, six minutes to show you about the V75, our biggest and most important product.

(A videotape was played)

Welcome to Sweden, home of ATG, the Swedish horse racing tote organization that offers Europe's largest horse racing betting pool every Saturday all year around. The game is called V75. During the first 10 years over 700 Swedes enjoyed individual wins in excess of over \$120,000. Now ATG gives us a sparkle to Saturdays, not only in Sweden but worldwide.

Trotting has a long tradition in Sweden. The horse played an important role in society for work and play. Circumstances have changed, but the horse remains as popular as ever. Equestrian sports are one of the most popular competitive activities today among Swedes due to their love and respect for animals. Trotting has developed into exciting combination of sport and entertainment, appealing to a wide audience, and this is partially due to ATG's first-rate reputation for security betting.

As one of the foremost countries in the world for trotting, the greatest trainers and drivers in Sweden take advantage of the continuously developing incentives as the sport expands. This sets a basis for first-class game, which until now has been exclusive to the territory of Sweden. Now V75 is available globally.

V75 is the premiere league of trotting. Every Saturday, all year around the best horses and drivers compete in seven races at one of the many tracks across Sweden.

Since its debut in 1993, V75 has been the biggest single game in Sweden. V75 offers the largest horse racing betting pool in Europe with a turnover of \$10 million every Saturday.

A single winner can pocket as much as \$2.5 million week after week with as little as a few cents deposit. V75 can be played in two ways, either using one's own expertise or, alternatively, letting Harry Boy pick the winners for you. The principle is the same, to guess the winner, five, six or ideally all seven races. You're a winner.

Originally, it was a game of know-how, where a player tried to guess the

winner of each race and threw in a few back-ups to increase the chances of winning. Today it's still the most popular way to play for those who have a deep interest in the sport.

The easiest way to win is to buy a Harry Boy system. It's compiled almost instantly without the player doing anything. The computer chooses the horses for you, with preference to the player's markings. Harry Boy is a clever guy. He offers you his educated guess.

When it's jackpot time it's possible to become exceedingly rich. A jackpot occurs when there's been no seven, six or five right.

The prize money is added to the amount for the following round. The same applies if there's many tickets with just five or six. The amount is so insignificant the prize money is increased. When it's jackpot time you have the possibility to win up to \$6 million. Whether playing Harry Boy or your own system the chances are the same.

V75's success is enhanced thanks to the extensive media coverage it receives. In Sweden the events are covered by most of the major newspapers and results reported by TV and radio. Every Saturday it's broadcast on television and one of Sweden's leading sports programs. And we have our media center. A 24-hour editorial office is in operation.

TV programs are produced daily from the many racetracks in the country, and are available to outlets in Sweden and internationally. The Web site offers race information and statistics. A player can find everything needed to make an accurate analysis and possibly choose the winning horse.

Since V75's introduction, turnover has tripled and figures still climbing. The success of V75 is built on three main factors. Customers show confidence in the organization, technology and healthy reputation for security betting. Swedish trotting is second to none.

This sets the firm groundwork for entertaining and exciting game to be enjoyed by all. Regardless of expertise or inexperience every Saturday all year around anywhere in the world.

Thanks for listening.

(Applause)

MR. WALZAK: Well, some themes: Marketing, branding, access to betting, direct port to the horse racing industry. Maybe we will get horse metrics and a different way of organizing the industry.

Time is starting to become an issue. If you have an immediate question, I will ask the three gentlemen to stay up at the front on the next section and we will direct questions through the next section as well.

Any questions now for them? Think about it.

Yes, sir.

A VOICE: A common theme of the panel was the importance of big payouts. Here in the United States, we have competition from the lotteries, it's more accessible. Here in the United States, knowing the limitation, how do you promote getting the jackpots to increase the accessibility of the wagers?

MR. CROSS: The key thing is to let as many people as you can know there's a jackpot available to the marketplace. I've seen time and time again, when the jackpot gets to a certain level, you will attract your lottery players. The important thing is the jackpot amount and having a campaign that gets to that audience as quickly as possible.

MR. VERLET: In France we have a jackpot for two years. We marketed it two years ago, and we have a jackpot, quite important. It's a big success to attract new customers, attract people that play the lottery, the jackpot is a good way.

MR. ELIASSON: I just agree.

MR. JOHN WALZAK: Yes, sir.

A VOICE: You say the Flexi Betting is up 41 percent. Is that in addition to your betting or redistributing your betting?

MR. CROSS: The 41 percent is the proportion of turnover that's classed as Flexi Betting. In trifecta, 41 percent of the bets are Flexi Bets. It increases the amount of betting behavior for more exotic products. It has led to some growth.

MR. WALZAK: Other questions? They will be available, and I may have questions later. Let's take 10 minutes. Get the switchover, get the new panel up, and we'll reconvene our tote sessions.

(Applause)