IT DOESN'T ADD UP

BY FRANK ANGST

Lack of latest technology in tote systems hurts potential industry gains

WAGERING ON A SINGLE 2016 Santa Anita Park race card involves bets from 197 pari-mutuel associations comprising 541 locations all reliant on a tote system that—at its core—is running on technology built to handle wagering at a single, on-track location.

That scenario for Santa Anita is typical of major U.S. tracks, where wagering is handled by three major tote companies, AmTote, owned by racetrack owner The Stronach Group; United Tote, owned by Churchill Downs Inc., also a track owner; and Sportech.

With a $5-billion decline in pari-mutuel handle since 2003—including a sluggish period in recent years—tote companies, which operate on tight margins, have been reluctant to invest in technology. Insiders believe that approach has limited opportunity for creativity in pari-mutuel wagering, racing's economic engine.

"The innovation of the tote companies has been throttled by the economics of the business, so competition isn't driving innovation other than to provide tolerable service at ever decreasing costs," said Mike Rogers, a Stronach Group board member.

A former tote company programmer who now works in information technology at a prominent advance-deposit wagering outlet said this approach has tote companies scrambling just to keep pace with current demands, much less

As many as 197 pari-mutuel associations can be involved in the wagering on one Thoroughbred race; insets, inside the Sportech tote company (top and bottom), and an historic wagering machine (above)

bringing any innovation to the pari-mutuel product. Jason Martin, IT director at AmWest, said tote companies clear data each night just to have enough space to conduct routine operations the next day. He believes the current approach is contributing to the stagnation of pari-mutuel wagering.

"A modern-day tote system would answer so many overall industry problems. The only issues are willpower and funding," said Martin, who credited tote company programmers and operators for being creative but said more product investment is needed. "The industry as a whole needs to get serious at some point about the technology that is essentially the backbone of everything. Without it there is no racing and there is no racing industry.

"In the end the industry desperately needs a tote system built on modern-day software; it would be easy to make an always-up system capable of truly global operations."

That lack of investment has contributed to continuing security and integrity concerns 14 years after three scammers hit for $3.07 million on a forged ticket in the 2002 Breeders' Cup Ultra Pick Six wager before their plot was discovered. In an effort to address customer concerns, tote companies have been pushed

to provide more timely information on odds changes; meanwhile they might be at-risk for a scandal the industry can ill afford.

There have been harbingers.

• In April of this year, $109,092 in phantom wagers showed up in a pool for the Standard-bred track Plain-ridge Park in Massachusetts. The wagers, appearing to be two massive daily double bets, showed up in the track's pools because of a computer glitch linked to United Tote, which ultimately paid out the lucky players who hit a falsely inflated daily double payout when the two phantom wagers did not connect. The same glitch resulted in millions of phantom dollars pouring into a Laurel Park pool late last year, but officials caught that mistake early and removed the errant money.

• In an effort similar to casinos putting photos of big winners on their walls,

Mike Rogers

"Competition isn't driving innovation other than to provide tolerable service at ever decreasing costs"

MALLORY HAIGH

the California Horse Racing Board has been encouraging tracks to acknowledge big winners publicly—an effort that would have the added effect of providing transparency for all players by posting those winning tickets. In discussions of the plan in October 2015, a CHRB committee acknowledged that about 40% of such information was not readily available for tracks. That percentage has been improved this year, but track officials and CHRB executive director Rick Baedeker acknowledged it's still falling short of what was envisioned.

Such information for California would have been readily available had a Tote Security System initially outlined in 2011 by Thoroughbred Racing Associations subsidiary Thoroughbred Racing Protective Bureau become reality. As described, the real-time monitoring provided by TSS also would have flagged the phantom money glitch. But with money tight, racetracks pursued a less costly approach.

The Tote Security System was going

to be a redundant communications and reporting system running parallel but be independent of the Inter-Tote System Protocol, which transmits race-day wagering information. TSS would have created an information network, allowing host tracks to manage security and transparency of wagers better from every tote hub within its network, secure its stop-betting control, authenticate each simulcast association's participation in the host track's races, and create a wagering transaction database enabling the host to audit bet details in near real-time, including multi-race horizontal pools on a leg-by-leg basis.

For bettors, that version of TSS also would have provided expedited reporting of odds information in the final two minutes before post and allowed improved will-pay information for exotic wagers, such as potential trifecta and superfecta payouts.

But, ultimately, wagering outlets balked at the $950-a-month cost required to fund TSS. This year the TRPB is rolling out a compromise that concentrates on audit bet detail. It is being funded by the TRA members—all 41 of its members are participating—and non-

TOTE VENDOR BY TRACK

TRACK	STATE/PROVINCE	TOTE COMPANY	TRACK	STATE/PROVINCE	TOTE COMPANY
Albuquerque	New Mexico	Sportech	Finger Lakes	New York	United Tote
Aqueduct Racetrack	New York	AmTote	Fonner Park	Nebraska	Sportech
Arlington International	Illinois	United Tote	Fort Erie Racetrack	Ontario	United Tote
Assiniboia Downs	Manitoba	AmTote	Golden Gate Fields	California	AmTote
Belmont Park	New York	Amtote	Gulfstream Park	Florida	AmTote
Belterra Park	Ohio	AmTote	Gulfstream Park West	Florida	AmTote
Canterbury Park	Minnesota	United Tote	Hastings Racecourse	British Columbia	Sportech
Charles Town Races	West Virginia	Sportech	Hawthorne Race Course	Illinois	Sportech
Churchill Downs	Kentucky	United Tote	Hazel Park	Michigan	Sportech
Del Mar Thoroughbred Club	California	AmTote	Hoosier Park	Indiana	United Tote
Delaware Park	Delaware	Sportech	Horsemen's Park	Nebraska	Sportech
Delta Downs	Louisiana	Sportech	Indiana Grand	Indiana	United Tote
Ellis Park	Kentucky	AmTote	Keeneland Racecourse	Kentucky	United Tote
Emerald Downs	Washington	Sportech	Kentucky Downs	Kentucky	Sportech
Evangeline	Louisiana	Sportech	Laurel Park	Maryland	AmTote
Fair Grounds	Louisiana	United Tote	Lone Star Park	Texas	Sportech
Fairmount Park	Illinois	AmTote	Los Alamitos	California	AmTote

TRA members who pay a fee to participate. Efforts to increase the rate of odds reporting as a race approaches have been placed on tote companies.

"I think it's addressing the main issues, the two things we were most concerned about, in complete transparency from throughout the network so that the host track—in almost immediate time—can see all the wagers, what they were, the ticket structure, time stamp; the important things to verify the validity of the pool," said TRA executive vice president Chris Scherf. "It's working well there. Once we get 100% compliance, we'll be in good shape on that front.

"We were going to go into an odds-production in the original plan with the big goal of drastically reducing the cycle times, but tote companies—on their own and working with us—have been responsive to doing that. That has had a real and evident impact on the late odds shifts; not that they don't happen, but not as often and not as drastically."

Tote improvements have taken place in recent years. For instance, the three largest ADW providers, TVG, TwinSpires.com, and XpressBet.com, have launched mobile apps after working with the tote companies to develop them.

"TVG has been able to effectively integrate its ADW platform with the major U.S. tote system suppliers," said Kip Levin, chief executive officer of Betfair US and TVG. "We are always interested in discussions with these companies about ways to improve the customer experience."

AmTote has made technological advances, many spurred by its assistance in developing and continued handling of the historical racing operation initially launched at Oaklawn Park. Rogers said with historic racing machines thriving, AmTote has committed resources to improving the product and that commitment has helped racing.

"The graphical interface has created a new approach to the underlying user interface technology; the speed required to process the wagers forced the creation of the 'hyper hub.' Innovation is driven by

J. Curtis Linnell

"We've had a lot of hubs that have consolidated in data centers. That's one of the reasons the network's a lot more stable"

the demands of the customers," Rogers continued. "The historical racing market is growing; the revenue is growing, so we must innovate to meet the growing demands of the customer. In addition, the economics of the historical racing marketplace enables the customers to provide the economic incentive to AmTote to continue to innovate.

"Because the historical racing games provided by AmTote are all 100% pari-mutuel and the same physical hub that processes historic racing bets also processes live horse racing bets, every innovation made because of historical racing is immediately a part of live racing. So, yes, historical horse racing has been a major driving force in the innovation at AmTote."

Of the three major tote companies operating in North America, AmTote is the only one to participate in this story. Repeated requests to Churchill Downs

TRACK	STATE/PROVINCE	TOTE COMPANY	TRACK	STATE/PROVINCE	TOTE COMPANY
Louisiana Downs	Louisiana	United Tote	Sam Houston Race Park	Texas	Sportech
Mahoning Valley Race Course	Ohio	Sportech	Santa Anita Park	California	AmTote
Marquis Downs	Saskatchewan	United Tote	Saratoga Race Course	New York	AmTote
Meadowlands	New Jersey	Sportech	Suffolk Downs	Massachusetts	AmTote
Monmouth Park	New Jersey	Sportech	Sun Ray Downs	New Mexico	Sportech
Mountaineer	West Virginia	Sportech	Sunland Park	New Mexico	United Tote
Northlands	Alberta	Amtote	Tampa Bay Downs	Florida	AmTote
Oaklawn Park	Arkansas	United Tote	ThistleDown Racino	Ohio	Sportech
Parx Racing	Pennsylvania	Sportech	Turf Paradise	Arizona	Sportech
Penn National Race Course	Pennsylvania	Sportech	Turfway Park	Kentucky	United Tote
Pimlico Race Course	Maryland	AmTote	Will Rogers	Oklahoma	AmTote
Portland Meadows	Oregon	AmTote	Woodbine	Ontario	AmTote
Prairie Meadows	Iowa	Sportech	Wyoming Downs	Wyoming	United Tote
Presque Isle	Pennsylvania	Sportech	Zia Park Racetrack	New Mexico	Sportech
Remington Park	Oklahoma	Sportech			
Retama Park	Texas	AmTote			
Ruidoso Downs	New Mexico	Sportech			

(United Tote) to supply comment were not answered, and phone calls to a Sportech official were not returned.

According to some of its customers, United Tote scores highly in terms of service and direct work with tracks and ADWs and its ability to handle handicapping contests. Sportech offers large "Quantum Data Centers" that provide access to real-time monitoring and have reduced the number of hubs in the tote system. Also, Sportech has partnered with Longitude on single-pool technology that aims to improve liquidity in pari-mutuel pools.

J. Curtis Linnell, vice president of wagering analysis and operations for the Thoroughbred Racing Protective Bureau, said the data centers have improved the tote network.

"We've had a lot of hubs that have consolidated in data centers. That's one of the reasons the network's a lot more stable," Linnell said. "Rather than having systems flung all over the continent and globe, we now have more of those systems confined in a small number of data centers with lots of bandwidth and redundancy."

Still, many believe the industry is not addressing underlying problems in the current tote system and—besides hindering the wagering product—that lack of commitment puts the industry at risk of scandal.

Chuck Champion headed previous United Tote owner Youbet.com. While Champion is now out of racing, it's his understanding that many of the problems encountered when Youbet.com purchased United Tote in 2006 still exist.

"The tote technology that we currently operate today would be like asking us to stay on land lines and rotary phones; it's that far

Winfried Engelbrecht-Bresges

COURTESY THE JOCKEY CLUB

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behind. It's just a matter of time before there's a serious problem. When the industry loses $100 million or something because of the tote, it will wonder how it happened," Champion said. "But that's not beyond the realm of possibility."

The industry dodged just such a black eye late last year when $24 million in phantom wagers poured into a Laurel Park superfecta pool. The phantom money was linked to the same United Tote glitch that showed up again months later on a smaller level at Plainridge Park. In the Laurel case Maryland Jockey Club officials, as well as officials from its tote provider, AmTote, noticed the extra millions of dollars in the pool and removed it before actual betting began.

Had those officials not taken action, winning bettors potentially could have been listed as being due payouts in the millions of dollars. The MJC, various betting outlets, and tote companies involved would have faced a massive financial burden of paying out millions of dollars never really in the pool or the public relations

nightmare of not paying bettors money they thought they'd won.

Plainridge Park bettors received the payouts based on the $109,092 of phantom money in the pool, with United Tote covering the losses.

Most tracks continue to lack real-time betting information on many wagers made into their pools. Until last year about half the wagers coming into California tracks had no real-time monitoring. About 40% of the wagers required, according to a CHRB committee, a "time-consuming process of requesting those details from those outlets not providing them to the TRPB."

A pari-mutuel wagering committee for the CHRB realized the lack of real-time reporting when it began to look into the feasibility of posting winning Pick 6 tickets that included wagering detail. It discovered the task wouldn't be as easy as first thought. Last October the committee determined that only about 60% of wagers would be available in a reasonable amount of time—same day—from the TRPB.

For its just-concluded meet, Del Mar envisioned posting big winning tickets, including wagering detail, but resorted to providing reduced information. The track put out releases on the number of winning tickets and if they were purchased in California.

"We sometimes get information on out-of-state sales, but it often is hard to track down and sometimes does not become apparent until the following morning," said Del Mar director of media C.P. "Mac" McBride.

Baedeker said California began considering a requirement of licensing that tracks provide such winning ticket information on a timely basis after it took two days last year to get ticket detail on a single Pick 6 ticket at Santa Anita.

"This has been an ongoing problem," Baedeker said. "And it creates uncertainty with players and a suspicion that somebody is hiding something."

Linnell said improved, near real-time reporting thanks to the revised TRPB's bet-audit system continues to come online this year. He said all TRA member tracks are participating—at this point at varying levels. Linnell said the bet transaction detail is normally available six or seven minutes after a race. He expects the system to be up and running at the upcoming Santa Anita Park meet.

Rogers said tote technology at AmTote has made important improvements in recent years, citing strides made in performance, access to foreign content, security, and communications. He doubts that tote technology is hindering the industry, saying regulatory issues that make it difficult for a new bettor to sign up at an ADW are a far more significant hurdle to expanding pari-mutuel wagering than tote system technology.

Rogers did acknowledge that tote user interfaces are the weak link in the current tote system. It's a particularly noticeable problem because outside of racing, huge strides have been made in interfaces. The racing customer has come to expect similar service.

"I believe that many people don't understand the amount of innovation that has happened at AmTote. The technology deployed on the Amtote hubs is the same technology used by high-frequency traders on Wall Street," Rogers said. "The speed of the system is mind-boggling, so maybe we need to do more marketing to show the innovation, but that doesn't solve the problem of old and tired user interfaces and the devices they sit on. To solve that, we need an economic incentive for that innovation to happen at the user interface level, and we are working on that."

The expectations of the gambling customer certainly have been raised by pari-mutuel wagering's seemingly ever-expanding competition.

Within racing, Betfair invested millions to launch a sophisticated betting exchange for horse racing in New Jersey that allows players to lock-in odds, play the role
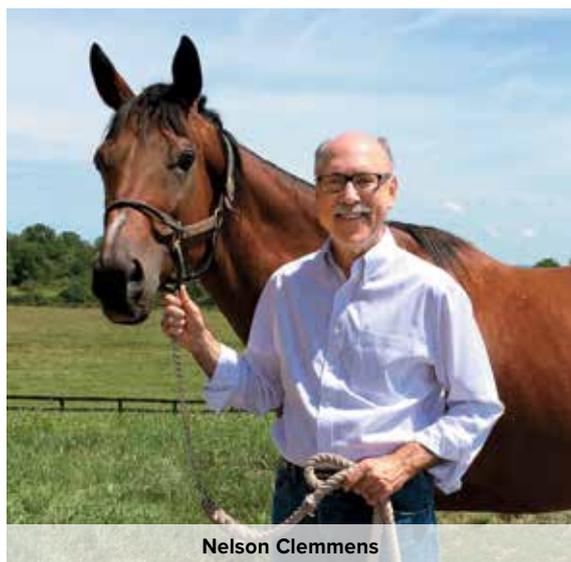
Nelson Clemmens

"The whole tote system could be done on the Internet. You don't need the antiquated infrastructure that we use as an industry"

of house and offer odds, and bet during the race. Levin, of Betfair US, said the platform was specifically developed to handle millions of trades in real-time.

A similar belief in its product has seen daily fantasy sports outlets invest millions in state-of-the-art platforms to attract bettors. Both exchange wagering and daily fantasy particularly target younger bettors, a demographic that has proven elusive for pari-mutuel wagering, through technology.

The technological advances of the competition,

which throughout the world would include online sports wagering, online poker, and online casino gaming, have not been lost on racing's international leaders. Speaking with many of the world's leading racing executives at this year's Asian Racing Conference, Hong Kong Jockey Club chief executive officer Winfried Engelbrecht-Bresges said improved tote technology is needed to compete in today's gambling landscape and that pari-mutuel wagering's strength is its exotic wagers.

"As an industry, we must do the following things: embrace technology to connect directly with customers and create relevant offerings and to develop new tote technology, which supports a better customer experience," Engelbrecht-Bresges said at the January conference. "We must advance the development of a new tote protocol for commingling, leveraging our strength in exotic bet types."

This year's Kentucky Derby Presented by Yum! Brands (gr. I) lost out on millions of dollars going into its pools because of an internal problem at TVG. While TVG emphasized that the problem was not tote-related, tote company officials acknowledged that, under the current system, weeks of preparation and stress tests are required before a big wagering day. While it's great news that such protocols are in place for racing's biggest days, it also raises questions of why a tote system more capable of handling big race days isn't already in place.

Nelson Clemmens, owner of the ADW AmWest, said he thinks a centralized, web-based tote system would be an improvement over the current system that collects wagers from various locations at hubs and then sends those wagers to numerous host tracks. More than a decade after calls for

their elimination, "double hops," where money is collected and then sent to two hubs before arriving at the track, still exist in Arizona and Florida.

A centralized system would greatly reduce the information being exchanged, quickly provide odds information, and resolve settlements between host tracks and participating sites. Clemmens said any "improvements" in the current tote system are often a story of Peter taking from Paul.

"If you really look at it, the whole tote system could be done on the Internet. You don't need the antiquated infrastructure that we use as an industry," Clemmens said. "Given our current infrastructure, there's always trade-offs. If you improve ease of integration—better application programming interface and features like that—you might lose some speed. If you have more speed, you might lose some other feature."

Jerry Brown, developer of the Thoro-Graph handicapping products, believes an improved tote system would make pari-mutuel wagering more attractive by offering more information on will-pays, like trifectas and superfectas; expand future wager fields, and provide contest-type wagering. Improved tote technology could help the industry be a leader in potential markets for pari-mutuel fantasy sports games and pari-mutuel sports wagering.

Ultimately, Brown doesn't see many industry officials who truly believe in the pari-mutuel product, resulting in a lack of commitment to technology.

"There's a lot of things like that," Brown said. "You could be able to create your own mutuel fields if they did this right. The larger issue is that people in this game don't realize that their customers matter." B