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The Starting Price Regulatory Commission

ANNUAL REPORT 2014



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Chairman's Personal Statement

2014 was another testing year for the SPRC as we faced an ever developing and changing betting market

As before, there were many predictions from doom mongers that the Starting Price would collapse and disappear from this new betting world. On the SPRC, we are, however, well aware that there are some substantive reasons that lead sensible critics to question our existence and we have never been complacent about the future of our traditional product. The recent dramatic changes in technology and the progressive evolution of new betting modes and fashions present strong challenges and possible alternatives to the SP.

Our reaction has always been to listen carefully to what is being said and to adjust our procedures where required to meet real needs in the betting market. This report describes, among a tapestry of race betting matters, how we have done that in the past year.

At the root of most difficulties which arise for us, lies the disparity between the sometimes small and diminishing scale of the on course market, where starting prices are determined and reported on by us; and the huge scale of the off course market where vast financial liabilities can be incurred based on those starting prices and which have to be managed by the bookmakers involved.

Our purpose is to report on the Starting Price outcome of the diverse activities in that on course market. The SPRC does not – as some commentators and complainants curiously assume – determine the price outcomes. We report them and monitor the integrity of those activities.

It is not our objective to support the interests of the punter as against the bookmakers, or vice versa. We hope to encourage a fair balance between the two. That is in everyone's interest. If there is an excessive bias against the punter, he will look elsewhere and this great hobby will decline. If the bookmakers cannot make a legitimate profit (which some commentators seem to resent, as if the bookmakers are a charity) then they will leave the business which structures our great betting pleasures.

Despite many pessimistic predictions, the SP has not collapsed under the difficult prevailing conditions. It is a tried and trusted mechanism which still plays a crucial role in the modern betting world. Admittedly, the absolute number of SP bets now placed is in decline. But the relative number is still a significant share of the race betting market. Moreover, one of the reasons for its apparent recent decline is the increasing growth of 'best odds guaranteed prices' – but these are guaranteed against the SP, and therefore need an SP to be guaranteed against!

As for the SPRC itself, during 2014, and running over into 2015, we completed the process of modernising our Rules and our on course Procedures; and making the former available on our new website. Coupled with the detailed description in this Report, the process demonstrates how the SPRC has itself adjusted to the modern needs for openness and clarity. We shall continue in that style.

I wish to thank my fellow directors for their diligent attendance to our important and complex project and also to thank the operator members of the Technical Sub Committee which offer huge experience and valuable technical knowledge that the independent board could never match. We also greatly appreciate the daily work and integrity of the validators in the field, without whom there would be no Starting Price.

Bernard Donoghue

Starting Price Regulatory Commission Report

1 Introduction

2014 was the second successive year of strengthening the operation of the Starting Price (SP). The Starting Price Regulatory Commission (SPRC) again endorsed the decision rule for calculating the SP. This rule ensures that the SP – or a longer price – will have been offered by at least half the bookmakers in the sample. Some modest alterations were made concerning the order of precedence for inclusion in the sample. These modifications are fully set out in this Report and are a consequence of the new regulation that on-course bookmakers must now bet to standard terms.

The updating of the SP rules is set out in Section 2. Section 3 examines some comments and complaints surrounding the SP in 2014. Various miscellaneous issues – e.g. split rings, odds ladders and off-course access to on-course pitches – are set out in Section 4.

2 Evolution the rules for determining the SP and the validation procedure

During 2014 some amendments were made to the rules for determining the SP and to the associated validator procedure document. The first main amendment concerned RDT and the second was largely a consequence of “standard” each-way terms now being a condition of entry for racecourse bookmakers.

Wifi at racecourses is normally provided by RDT but because some courses may wish to supply their own system (linked, perhaps, to a particular betting exchange or bookmaker). Also, not all bookmakers use the RDT system. For these reasons the SPRC removed the specific references to RDT as system supplier.

The second set of amendments concerned the order of precedence of selecting the sample. It is now a condition of entry that racecourse bookmakers have to bet to standard each-way terms. Standard terms cover only “customary” and “criteria” terms. Customary terms are as follows:

Race type and number of runners	Fraction of win odds	Places
All races with fewer than 5 runners	N/A	No places offered
All races with 5, 6, 7 runners	1/4	1 st , 2 nd
All races with 8+ runners except those below	1/5	1 st , 2 nd , 3 rd
Handicaps, Nursery and Rated Stakes Handicaps		
- Races of 12-15 runners	1/4	1 st , 2 nd , 3 rd
- Races of 16+ runners	1/4	1 st , 2 nd , 3 rd , 4 th

Criteria terms are identical except that in Handicaps, Nursery and Rated Stakes Handicaps with 16-21 runners the fraction of the win odds is reduced from 1/4 to 1/5. Thus bookmakers can no longer bet on-course to, say, one sixth of the odds a place. The SPRC now selects the sample with the following order of precedence: customary terms, criteria terms, win only terms. The emphasis remains on those bookmakers offering customary terms.

In Handicap races with 16-21 runners, even if the sample is increased by including bookmakers betting to criteria terms as well as those betting to customary terms, preliminary research seen by the SPRC suggests there would be almost no alterations to the returned SP. The SPRC has commissioned further research on this issue and will report in due course.

3 Comments and complaints

Two interrelated complaints from a Wolverhampton bookmaker were successfully resolved.

In his blogs for Timeform, Simon Rowlands criticised the SP returned (and the SPRC) in a number of races, particularly those at All Weather (AW) tracks. The SPRC has, in previous Annual Reports, expressed concern about weak markets at some AW meetings. But the comparison Mr Rowley made with Betfair is inappropriate: the so-called Betfair SP and the SPRC SP are calculated differently, have different criteria over who is included and are dissimilar over win and place markets.

4 Miscellaneous

A. Split Rings

At some tracks – Ayr and Ascot for example – some bookmakers bet away from the traditional rails and ring. These bookmakers can be linked into the sample but cannot be seen by the returners/validators. Providing they are still in an area open to the public, these bookmakers can be monitored by stationing an operative in front of them with radio contact to the pitch. This situation remains under review.

B. Off-course access to on-course pitches

A request was received from an on-course bookmaker to have access to his on-course computer (pitch) from off-course, via the RDT system, to exert control on prices remotely. Off-course access is technologically possible through public wifi and the Elite system (albeit not by the RDT system at present, but the RDT system could be modified to permit access).

SPRC rejected this request for the following reasons:

- off-course bookmakers commonly endeavour to influence on-course prices by sending “office money” to the racecourses: the transaction is on-course. But control of prices remotely off-course implies such prices are not true on-course prices for the purpose of the SP.
- once prices are available via a computer off-course, they can be passed on to third parties. This might infringe the data rights of the Operators.
- Providing network access to on-course pitches increases the chance that a third party might infiltrate the system.

C. Odds ladders

The SPRC examined a trend which arose in certain races in the Midlands and the North where on-course bookmakers omitted prices traditionally available in the betting ring. It was suggested that such “odds ladders” potentially produced: (i) greater overround per runner; (ii) significant differences between the last show and the SP at the “off”. This is not directly an SPRC matter but it was agreed to monitor the situation.



The Starting Price Regulatory Commission – an outline

Appendix (1)

A. Purpose

The Starting Price Regulatory Commission (SPRC) is an independent body responsible for the integrity of the starting price (SP). A significant number of bets on British horseracing struck with bookmakers in betting shops and other off-course outlets are paid out according to the SP. The job of the Commission is to ensure that the returned price accurately reflects the price available on-course at the off.

B. Background

Starting Prices have been returned using the on-course market since the 18th century. With the growth of markets for betting off-course, it became essential that the SPs accurately reflect the on-course market and that they were seen to be independent of the bookmakers who accepted off-course bets. Governance therefore is of the greatest importance. The Starting Price Liaison Committee of 1994 was turned into the SP Executive in 1999, before the creation of the current body, the Starting Price Regulatory Commission (SPRC) in 2004.

The first set of operating rules for the SP was issued in 1998, and then updated in the following year. Following a review of the SP by Arthur Andersen, an accountancy firm, in 2000, further revisions were made. There were also revisions in 2006. The current set of Operating Rules and Procedures was issued following a review by the Commission in 2011.

C. Composition

The Board of the Commission consists of up to four independent Non-Executive Directors. Lord Donoughue, a former minister at the Ministry of Agriculture, Fisheries and Food, chairs it. Currently his fellow directors are Sir David Metcalf, Emeritus Professor at the LSE and a racecourse steward and Lord Lipsey, a former director of the Tote.

Jim Donnelley of the Press Association acts as a company secretary. The Board meets at regular intervals throughout the year, with executives of the operators' organisations SIS and AMRAC in attendance plus a representative of AGT. In addition there were a number of SPRC technical sub-committee and ad hoc meetings.

Olswang LLP continues to be the Commission's legal advisors.

D. Company Status

The Commission is a non-profit organisation operating on a cost recovery basis.



Appendix (2)

2014 Course Attendance Statistics

Month	2014			2013		
	Attendance	Actual Fixtures	Ave. Daily	Attendance	Actual Fixtures	Ave. Daily
January	143,753	90	1,597	101,793	85	1,198
February	120,944	88	1,374	133,737	90	1,486
March	432,237	107	4,040	392,389	97	4,045
April	484,245	123	3,937	437,505	126	3,472
May	629,553	154	4,088	642,619	157	4,093
June	877,308	137	6,404	920,654	142	6,483
July	855,384	145	5,899	837,913	145	5,779
August	802,557	147	5,460	874,457	151	5,791
September	426,482	115	3,709	390,153	112	3,484
October	363,940	119	3,058	321,812	114	2,823
November	337,598	106	3,185	327,733	110	2,985
December	345,969	97	3,567	299,176	101	2,962
Total*	5,819,970	1,428	4,076	5,679,941	1,430	3,972
	+2.47%	-0.14%	+2.61%			

* Statistics do not include Epsom Derby Day customers on the Hill

2014 Course Attendance Statistics

Day	Total Attendance		Actual Fixtures		Average	
	2014	2013	2014	2013	2014	2013
Monday	359,386	369,737	178	176	2,019	2,101
Tuesday	359,985	383,036	185	194	1,946	1,974
Wednesday	556,305	526,053	219	217	2,540	2,424
Thursday	658,031	700,716	220	227	2,991	3,087
Friday	1,142,312	1,064,577	235	228	4,861	4,669
Saturday	2,242,235	2,149,713	274	269	8,183	7,991



2014 Course Attendance Statistics by Type

National Hunt and Flat Comparison

	Total Attendance		Actual Fixtures		Average	
	2014	2013	2014	2013	2014	2013
National Hunt	2,104,963	1,996,588	544	535	3,869	3,732
Flat Turf	3,415,641	3,413,438	574	578	5,951	5,906
Flat AWT	274,366	247,417	307	314	894	788
Mixed	25,000	22,498	3	3	8,333	7,499

Afternoon and Evening Comparisons

	Total Attendance		Actual Fixtures		Average	
	2014	2013	2014	2013	2014	2013
Afternoon	4,867,580	4,663,368	1,076	1,069	4,524	4,362
Evening/Twilight	952,390	1,016,573	352	361	2,705	2,816

	Total Attendance		Actual Fixtures		Average	
	2014	2013	2014	2013	2014	2013
NH Evenings/Twilight	148,000	151,909	59	56	2,508	2,713
Flat Turf Evenings/Twilight	673,398	738,490	150	158	4,489	4,674
AWT Evening/Twilight	130,992	126,174	143	147	916	858

	Total Attendance		Actual Fixtures		Average	
	2014	2013	2014	2013	2014	2013
NH Afternoons	1,956,963	1,844,679	485	479	4,034	3,851
Flat Turf Aft.	2,742,243	2,674,948	424	420	6,468	6,369
AWT Flat Afternoons	143,374	121,243	164	167	874	726
Mixed Afternoons	25,000	22,498	3	3	8,333	7,499

	Total Attendance		Actual Fixtures		Average	
	2014	2013	2014	2013	2014	2013
National Hunt	2,104,963	1,996,588	544	535	3,869	3,732
Flat Turf	3,415,641	3,413,438	574	578	5,951	5,906
Flat AWT	274,366	247,417	307	314	894	788
Mixed	25,000	22,498	3	3	8,333	7,499

Bank Holidays

	Total Attendance		Actual Fixtures		Average	
	2014	2013	2014	2013	2014	2013
Bank Holidays	225,968	201,299	42	39	5,380	5,162

Appendix (3)

2014 Bookmaker Attendance Statistics

	2014	
Tatts	25,841	26,193
Rails	10,221	10,042
Minor	6,609	6,694
Total	42,671	42,929

Source: AGT

Appendix (4)

Starting Price overruns per runner January 2004 - December 2014

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
January	1.60	1.49	1.49	1.62	1.69	1.61	1.62	1.61	1.59	1.82	1.80
February	1.53	1.54	1.45	1.62	1.73	1.74	1.59	1.59	1.63	1.77	1.77
March	1.50	1.49	1.41	1.68	1.76	1.61	1.62	1.52	1.61	1.73	1.74
April	1.52	1.50	1.41	1.73	1.76	1.63	1.56	1.62	1.60	1.68	1.67
May	1.54	1.55	1.45	1.77	1.80	1.67	1.57	1.61	1.56	1.69	1.68
June	1.62	1.51	1.48	1.79	1.80	1.70	1.67	1.67	1.60	1.71	1.77
July	1.65	1.54	1.54	1.73	1.78	1.74	1.65	1.64	1.70	1.76	1.74
August	1.64	1.51	1.65	1.78	1.79	1.72	1.65	1.65	1.74	1.77	1.78
September	1.45	1.41	1.45	1.70	1.61	1.62	1.58	1.53	1.68	1.66	1.63
October	1.47	1.45	1.52	1.59	1.61	1.57	1.48	1.43	1.62	1.62	1.59
November	1.49	1.43	1.72	1.64	1.69	1.61	1.55	1.54	1.68	1.68	1.72
December	1.58	1.48	1.79	1.85	1.70	1.60	1.64	1.62	1.81	1.72	1.72

Annual average for 2014 is 1.72

Source: Racing Post.



Appendix (5)

Rules for determining the Starting Price (SP), introduced December 2011

The starting price for each horse is the market price at the off generally available to good money on the boards of those bookmakers in a sample whose each-way terms for a given race most closely reflect the each-way terms on offer for that race in the off-course retail market.

A. Decision rule for calculating SP

For each horse in a race the prices on offer by all bookmakers in the sample are ordered into a list from longest to shortest. The list is then divided into two equal halves and the SP is the shortest odds available in the half containing the longest odds. The SP or a longer price will have been offered by at least half the bookmakers in the sample.

B. Selected definitions

i Bookmaker

A bookmaker is defined as an on-course bookmaker betting in accordance with the Gambling Commission's Licence Conditions and Codes of Practice. For the purpose of SP sample selection, these rules categorise bookmakers as SP Qualified or Non-Criteria. An SP Qualified bookmaker displays prices against every runner for at least ten minutes before the scheduled off time of each race and continues to do so up to the off. A Non-Criterion bookmaker does not display prices in this way.

ii Good money

Generally that offered by a Starting Price Qualified Bookmaker who, in the judgment of the SP Validator following consultation with the Betting Operator, is prepared to lay a single bet to lose at least £500 on each horse in a scheduled race at that meeting.

C. Each-way terms

The sample is selected (see below) partly on the basis of each-way terms offered. Customary each-way terms are:

Race type and number of runners	Fraction of win odds	Places
All races with fewer than 5 runners	N/A	-
All races with 5,6,7 runners	1/4	1, 2
All races with 8+ runners except those below	1/5	1, 2, 3
Handicaps, Nursery and Rated Stakes Handicaps		
- Races of 12-15 runners	1/4	1,2,3
- Races of 16+ runners	1/4	1,2,3,4

Criteria each-way terms offer 1/5 of the odds in Handicaps, Nursery and Rated Stakes Handicaps (first four places) in races with 16-21 runners.

D. Sample selection

The maximum sample size is 24 and the normal minimum is 6. If there are fewer bookmakers available, as often occurs at winter all weather meetings, the minimum sample size can be lower, but never less than 3. The sample is selected on the following order of precedence:

- SP qualified bookmakers offering customary each-way terms
- SP qualified bookmakers offering criteria each-way terms
- SP qualified bookmakers offering win-only terms
- Non-criteria bookmakers

E. Monitoring

The purpose of these new rules is to ensure that the SP remains robust and is impartial to both punter and bookmaker. It follows from the sample selection rules that the sample may alter in successive races at the same meeting.

Appendix (6)

AGT	Administration of Gambling on Tracks Limited Police the administrative aspects of the ring, such as pitch allocation, late payments, disputes, etc
AMRAC	Amalgamated Racing Ltd. Provider of TurfTV, a pictures and data betting shop subscription service.
Gambling Commission	Police the regulatory aspect which forms part of a licence condition for the bookmakers including the display of maximum guaranteed liabilities
Press Association	Manages and employs the validation team
RDT	Racecourse Data Technologies. A computer systems and software company
SIS	Satellite Information Services. Provider of picture and data sources to the betting industry
SP	The starting price for each horse is the market price at the off generally available to good money on the boards of those bookmakers in a sample whose each-way terms for a given race most closely reflect the each-way terms on offer for that race in the off-course retail market

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