

THE STARTING PRICE REGULATORY COMMISSION

ANNUAL REPORT 2017



JUNE 2018

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2017 has been a year of turmoil in the gambling industry. The government's consultation on its plan to cut the maximum stake on FOBTs, perhaps to £2, represents a threat to betting shops. Meanwhile local government has sought greater planning controls over new openings. The horserace levy has been extended to bookmakers based outside Great Britain which should lead to increased payments from betting to horseracing. Online betting continues to grow: it is now a fiercely competitive international industry. Corporate changes, both in top management and in company structures continue, with betting increasingly seen as a technology driven business, more and more removed from the traditional racecourse bookmaker. Concern about problem gambling has risen. Bookmakers have been criticised for closing winning accounts. Gambling advertising has given rise to a stream of complaints, sometimes claiming that children are being targeted.

Some would argue that against this emerging backdrop, the starting price is a dead duck. Its origins date back to the 18th century. Today, with the myriad of alternative prices available to punters – exchanges, best odds guaranteed, we pay if your horse is first past the post – what purpose does the SP serve?

The SPRC would propose: as important a purpose as it ever served. Yes of course many punters out there will search high and low for the bargains in the market place, and good luck to them. Equally however there are many punters who see their bets as a bit of recreational fun. These punters don't want to spend their leisure hours pouring over arcane new products, hunting out the best value. Many of them – particularly in LBOs – want to be able to take a price – the SP – which is transparently calculated, and which accurately reflects the racecourse market for each race. That the way of returning it is updated to take advantage of emerging automation to do it, even better; and that, at the end of the day, the price concerned is [fair] to bookmakers and punters. We understand that the majority of bets struck in LBOs on horseracing are still placed at SP.

One confusion was rife during the year. There are occasions on which the returned SP seems generous to the bookmakers due to a high overround. There are then calls from punter bodies for the SPRC to intervene.

It may be that the "regulatory" in "Starting Price Regulatory Commission" leads to an exaggerated view of our powers. To be clear: we do not set prices, overrounds or margins. Indeed, we would not wish to do so and substitute our judgement for that of the on-course marketplace. Our responsibility is simply and straightforwardly to set the parameters by which the SP is calculated and to ensure, so far as within our power, that racecourse bookmakers are operating within the framework we have specified. The purpose of the SP is to provide an accurate reflection of the prevailing odds available in the racecourse market at the time a race starts. If there are imperfections in that market, that is not something which is within our power to rectify. We can identify concerns – such as the declining number of racecourse bookmakers – and can facilitate dialogue between interested parties but we are not a statutory body and have no power to compel anyone to do or not do anything.

However this does not mean that the SPRC is indifferent to the prices returned. Our contention is that the SP strikes a [simple and fair] balance between the conflicting interests of punters and bookmakers. If evidence is produced which suggests that for whatever reason that balance is not being struck in the right place, we are bound to be concerned. As 2017 turned to 2018, for example, punters complained about the overrounds on returns from Ffos Llas. The racecourse is rightly on the case. But the SPRC is of course watching closely what is going on. We have a strong vested interest on punters' behalf in a trusted SP. Otherwise the SP will lose credibility.

We are in constant discussion therefore with all parties. Relations with on-course bookmakers are cordial. We are always open to discuss the views of bodies which seek to represent punters and we welcome the new Chair of the Horserace Bettors Forum Matt Bisogno, and look forward to a productive dialogue in 2018.

Meanwhile the SPRC continues to refresh itself. Richard Hayler the managing director of IBAS, the Independent Betting Arbitration Service, has joined the SPRC bringing his unrivalled knowledge of betting and unchallenged independence to our table. The SPRC membership will evolve further combining experience with the most modern knowledge.

Bernard Donoghue

STARTING PRICE REGULATORY COMMISSION REPORT

1 INDUSTRY STRUCTURE AND THE INTEGRITY OF THE PROCESS OF DATA GATHERING AND DISSEMINATION

The arrangements for collection and distribution of betting shows and SPs vary depending on the racecourse concerned. ARC courses – a combination of courses owned by Arena and Northern – together with some independently owned courses established a new company, The Racing Partnership (TRP), to handle media and data rights at these courses. The LBO media and data rights to all other racecourses (except Chelmsford) are handled by Racecourse Media Group (RMG).

Both TRP and RMG have appointed PA to collect and distribute data, including betting shows and the Starting Price, from their respective racecourses.

For the compilation of betting shows and the SP, PA uses the new Corona system which provides greater automation (and correspondingly less human input) in the process.

Data is transmitted from the on-course bookmakers (whether they are using RDT or Elite software) to the on-course server and the betting shows and SPs are then transmitted onwards directly to PA's off-course customers.

The use of computer systems should mean that the possibility of human error is either eliminated or substantially reduced leading to a more efficient and less costly system. Further, SPRC has an obligation to scrutinize the validators and operators. We believe that SPRC is in a better position to discharge this operation by having access to auditable, computerised records than under the system Corona replaced.

2 CONSULTATION ON THE FUTURE OF THE STARTING PRICE

In summer 2015 the SPRC launched a consultation on the future of the SP. Our response was published on February 24, 2016 at www.thesprc.org/consultation

Some respondents suggested alternatives to the SP. Others suggested modifications, some of which are beyond the scope of the SPRC but others are within the SPRC's remit. We reported on this consultation in the 2016 Annual Report. In 2017 the SPRC continued to analyse possible modifications within its remit.

Issues discussed include:

A) SAMPLE

- Whether to increase it, or abolish it or to improve its anonymity?

The introduction of Corona now allows bookmakers using the Elite system to be available for sample selection in much the same manner as those using RDT's system. Potentially this allows for a greater sample size at some courses than previously.

Increasing the maximum sample significantly beyond its current limit, or abolishing sampling in favour of using all bookmakers present, could prove impractical for human monitoring and will require investigation into whether this could be automated, if this is to be explored further.

Abolition of sampling removes any anonymity regarding sample constituents. Only sampling provides an opportunity for the anonymity (some low attendance meetings aside) of the sample to be protected.

- Whether to designate certain meetings as 'low attendance', with consequent changes to the sample?

Although low bookmaker attendance is beyond the control of the SPRC, the use of Corona permits the potential for maximising the sample size with the facility to include both RDT and Elite clients fulfilling sample selection criteria.

- Whether to incorporate satellite rings into the bookmaker potential sample?

With the opportunities for bookmakers to bet away from traditional areas continuing to increase, technology now permits the principle of collecting data from bookmakers in satellite rings. Corona possesses the scope to collate all bookmaking betting data on a racecourse, irrespective of location, while maintaining reliability and credibility. Whether bookmakers betting in these new areas continue to fulfil the criteria for inclusion in a sample, as defined by the SPRC's rules and procedures, is something to be considered.

B) DATA INFORMATION

- Those relating to data information, especially its transparency of access. The SPRC always supports the maximum availability of and access to its data, though this issue is again subject to the practicalities of automation and costs.

- These relate to the potential for publishing dynamic prices offered by each bookmaker in the sample on a race-by-race basis, and the suggestion that on- and off-course bookmakers display overrounds.

No platform or end user for dynamic bookmaker price data was suggested by the contributors during the consultation process and none subsequently has been received or identified.

As noted in the Consultation Report, the SPRC cannot compel bookmakers to display overrounds, but would be supportive of any firm doing so on a voluntary basis. It is believed that no bookmakers currently display overround or overround-per-runner information.

- Relating to the on-course supply of betting information, the SPRC will continue to offer close scrutiny of suppliers to ensure proper access.
- With very few exceptions, all bookmakers offering price data at a race meeting can be accessed via Corona.

3 OPERATIONS

A) CHELTENHAM 01/01/2017

Cockney Wren was declared a non-runner but crucially, due to an unspecified communication error, this was not relayed to the on-course bookmakers.

As a result the horse was included in the on-course market and its price reduced from 16/1 to a SP of 14/1. This made a difference in the Rule 4 deduction from zero (16/1) to 5p (14/1).

Allegations were reported (e.g. in Racing Post) that bookmakers on-course knew the horse was a non-runner and deliberately ensured that its SP reduced to 14/1 to generate a Rule 4 deduction. In fact, there was no evidence of deliberate manipulation. Rather, it was a communication error resulting from a technical fault on the BHA racing administration website. The Chair of the SPRC, and one director, sent a letter to the Gambling Commission detailing this saga.

B) BORIS BHA RACING PLATFORM/HUB

It was reported that there had been a few teething problems with the implantation of the Boris system, which automates the distribution of official raceday data from BHA to the end customer. On occasions the judge fed the wrong result into the system and this error was not corrected for up to 2.5 minutes, resulting in losses to the bookmakers. PA, RMG and TRP are working with BHA on an on-going basis to improve the situation.

Betfair advert

Our attention was drawn to a Betfair advert. Concern was expressed concerning the accuracy of its contents: on what basis are they claiming "best odds"?

C) WILLIAM HILL QUERY : SANDOWN PARK 17:25 RACE 16/06/2017

The William Hill on-course representative queried the SP of Dominating in the 17:25 race at Sandown Park. He expected it to be 6/4 rather than the returned 7/4. The William Hill Head of Group Racing also took an interest. He was supplied with a screenshot from Corona showing that half the bookmakers in the sample were offering 7/4 or greater at the off.

D) FFOS LAS

SPRC noted that the meetings on August 25 and September 17 generated overround per runner percentages higher than normal. This was probably the result of a weak ring and lack of intense competition among the bookmakers present.

E) FIBRE OPTIC INSTALLATION

Fibre optic installations continue. This provides stable connectivity for delivering the SP. As PA takes over the SIS returning operational function at TRP courses it is expected all will have fibre optic connectivity.

F) LADBROKES/CORAL

It was noted that the merged entity has multiple pitches. Their intention is to continue to run separate books. This will be monitored in 2018

G) BOOKMAKER ATTENDANCE : NEWCASTLE 15/11/2017

SPRC noted that only three individual bookmakers were present for the twilight meeting. This is the minimum number required to return a SP. Bookmaker attendance is not determined by the SPRC but the SPRC will continue to encourage all parties to ensure sufficient attendance for a robust market.

H) LINGFIELD 21/11/2107 13:40 RACE

The SPRC website received an anonymous email concerning this race. It asserted "malpractice and gross manipulation of the SP of the favourite". PA investigated and the screenshot at the 'off' confirmed that the correct SP was returned.



APPENDIX

1 THE STARTING PRICE REGULATORY COMMISSION – AN OUTLINE

1 PURPOSE

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

2 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 reflected the on-course market and that they were seen to be independent of those bookmakers who accepted off-course bets. Governance therefore is of the greatest importance. The Starting Price Liaison Committee of 1994 became 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 and incorporate some minor subsequent amendments.

3 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, Lord Lipsey, a former director of the Tote and Richard Hayler, Managing Director at Independent Betting Adjudication Service (IBAS).

Jim Donnelley of the Press Association acts as a company secretary. The Board meets at regular intervals throughout the year (four times in 2017), with executives of the operators' organisations SIS, AMRAC and TRP in attendance, plus a representative of AGT. In addition there were a number of ad hoc meetings.

CMS Cameron McKenna Nabarro Olswang LLP continues to be the Commission's legal advisors.

4 COMPANY STATUS

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

2 2017 COURSE ATTENDANCE STATISTICS

MONTH	2017			2016		
	ATTENDANCE	ACTUAL FIXTURES	AVE. DAILY	ATTENDANCE	ACTUAL FIXTURES	AVE. DAILY
January	175,313	102	1,719	179,162	88	2,036
February	145,463	97	1,500	140,263	92	1,525
March	427,040	113	3,779	452,689	107	4,231
April	528,667	126	4,196	519,888	127	4,094
May	623,569	154	4,049	619,149	150	4,128
June	898,888	147	6,115	894,316	143	6,254
July	864,373	146	5,920	993,517	148	6,713
August	853,785	146	5,848	708,169	144	4,918
September	422,985	111	3,811	446,473	116	3,849
October	362,650	116	3,126	400,201	118	3,392
November	316,978	108	2,935	283,505	105	2,700
December	334,038	98	3,409	349,835	96	3,644
Total	5,953,749	1,464	4,067	5,987,167	1,434	4,175
	-0.56%	2.09%	-2.59%			

DAY BY DAY COMPARISON

DAY	TOTAL ATTENDANCE		ACTUAL FIXTURES		AVERAGE	
	2017	2016	2017	2016	2017	2016
Monday	355,659	407,778	185	185	1,922	2,204
Tuesday	429,533	405,367	199	190	2,158	2,134
Wednesday	541,885	570,800	225	218	2,408	2,618
Thursday	658,591	663,374	219	217	3,007	3,057
Friday	1,183,498	1,216,093	234	235	5,058	5,175
Saturday	2,290,937	2,271,999	290	275	7,900	8,262
Sunday	493,646	451,756	112	114	4,408	3,963





NATIONAL HUNT AND FLAT COMPARISON

	TOTAL ATTENDANCE		ACTUAL FIXTURES		AVERAGE	
	2017	2016	2017	2016	2017	2016
National Hunt	2,217,714	2,240,527	606	549	3,660	4,081
Flat Turf	3,340,078	3,368,611	571	559	5,850	6,026
Flat AWT	387,227	369,163	329	325	1,177	1,136
Mixed	8,730	8,866	1	1	8,730	8,866

AFTERNOON AND EVENING COMPARISONS

	TOTAL ATTENDANCE		ACTUAL FIXTURES		AVERAGE	
	2017	2016	2017	2016	2017	2016
Afternoon	4,928,321	4,955,675	1083	1,070	4,551	4,631
Evening/Twilight	1,025,428	1,031,492	381	364	2,691	2,834

	TOTAL ATTENDANCE		ACTUAL FIXTURES		AVERAGE	
	2017	2016	2017	2016	2017	2016
NH Evenings/Twilight	150,393	154,642	57	54	2,638	2,864
Flat Turf Evenings/Twilight	676,842	707,220	154	157	4,395	4,505
AWT Evening/Twilight	198,193	169,630	172	153	1,152	1,109

	TOTAL ATTENDANCE		ACTUAL FIXTURES		AVERAGE	
	2017	2016	2017	2016	2017	2016
NH Afternoons	2,067,321	2,085,885	549	495	3,766	4,214
Flat Turf Aft.	2,663,236	2,661,391	417	402	6,387	6,620
AWT Flat Afternoons	189,034	199,522	157	172	1,204	1,160
Mixed Afternoons	8,730	8,866	1	1	8,730	8,866

BANK HOLIDAYS

	TOTAL ATTENDANCE		ACTUAL FIXTURES		AVERAGE	
	2017	2016	2017	2016	2017	2016
Bank Holidays	196,601	237,397	28	36	7,021	6,594

3 2017 BOOKMAKER ATTENDANCE STATISTICS

TATTS	25,516 (2016 – 25,573)
RAILS	10,597 (10,531)
MINOR	6,009 (5,971)
TOTAL	Total 42,122 vs a 2016 total of 42,075

4 STARTING PRICE OVERROUNDS PER RUNNER JANUARY 2007-DECEMBER 2017

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
January	1.62	1.69	1.61	1.62	1.61	1.59	1.82	1.80	1.67	1.73	1.73
February	1.62	1.73	1.74	1.59	1.59	1.63	1.77	1.77	1.70	1.74	1.78
March	1.68	1.76	1.61	1.62	1.52	1.61	1.73	1.74	1.71	1.70	1.68
April	1.73	1.76	1.63	1.56	1.62	1.60	1.68	1.67	1.65	1.68	1.70
May	1.77	1.80	1.67	1.57	1.61	1.56	1.69	1.68	1.66	1.68	1.71
June	1.79	1.80	1.70	1.67	1.67	1.60	1.71	1.77	1.75	1.70	1.76
July	1.73	1.78	1.74	1.65	1.64	1.70	1.76	1.74	1.80	1.72	1.77
August	1.78	1.79	1.72	1.65	1.65	1.74	1.77	1.78	1.81	1.76	1.75
September	1.70	1.61	1.62	1.58	1.53	1.68	1.66	1.63	1.69	1.73	1.68
October	1.59	1.61	1.57	1.48	1.43	1.62	1.62	1.59	1.66	1.67	1.64
November	1.64	1.69	1.61	1.55	1.54	1.68	1.68	1.72	1.69	1.77	1.72
December	1.85	1.70	1.60	1.64	1.62	1.81	1.72	1.72	1.73	1.69	1.75

Annual average for 2017 is 1.72

5 RULES FOR DETERMINING THE STARTING PRICE (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.

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	¼	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	¼	1,2,3
- Races of 16+ runners	¼	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 in 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 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.

The current rules for determining the SP came into force in December 2011 and incorporate some minor subsequent changes.

6 GLOSSARY

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. Betting shop service providing pictures and data sources to the betting industry.

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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