

WAGERING IN THE 21ST CENTURY

CATCHING UP TO TECHNOLOGY

By Mary Forney

For over six decades, the means by which one placed an on-track wager has changed very little.

Yet for many, while still a relatively straightforward, simple process, on-track wagering has become increasingly more tedious and inefficient.

How much has the process really changed in those 60 some odd years since one first stood in line at a betting window, made a selection, paid for the wager, and received a ticket? While lucky winners are no longer required to stand in line to “collect” their winnings at a different window than the one at which they placed their wager – on the other side of the grandstand – before hustling back to the other side, to stand in line and bet the next race, the process, in our opinion, really hasn’t improved that much.

Fortunately, that’s all about to change!

A LOOK BACK AT A SLOW EVOLUTION

In 1979, ABC (All Betting and Cashing) technology – revolutionary in its time – was first introduced at California racetracks. The new computerized wagering equipment enabled bettors to place a bet and cash a ticket at the same window.

In 1985, the industry took another small step forward with the introduction of the self-service mutual ticket vending machine.

With the 1987 launch of the California satellite wagering network, race fans were able to watch and wager on the “live” product simulcast to a limited number of off-track, or satellite, locations dispersed around the State. In 1994, North/South simulcasting was instituted, and allowed full-card simulcast exchanges between Northern and Southern California tracks and satellites. While not “technological advances” in the purest sense of the term, each represented an improvement in the distribution of and access to California horse race wagering opportunities.

Tracking the expansion of in-state wagering opportunities, the live telecasting of races from California racetracks to out-of-state facilities also began in 1985. Beginning in November 1990, through commingled pools including wagers from these in and out-of-state off-track wagering facilities, race fans around the State and throughout the country were able to wager directly into on-track pools.

All such wagers were and are processed through three California totalizator (“tote”) hubs – one at Bay Meadows, one at Los Alamitos, and one at the “live” Southern track, moving from Santa Anita to Hollywood

Park to Del Mar.

In 1999, California patrons first began to wager on race cards from out-of-state tracks.

TOMORROW’S “TOTE” TECHNOLOGY PARTNERS

A totalizator – or “the tote” – is the computerized system for pari-mutuel betting that calculates commingled wagering pool size and distributions, odds, payoffs, etc., and is the “back-end” technology on which all bet placing interfaces/machines operate. Tomorrow’s tote technology developments are for the most part being pioneered by the industry’s three long surviving tote companies – Amtote, Scientific Games (formerly Autotote), and United Tote.

In response to a request for proposals (“RFP”) issued by California racing interests, these three tote companies recently offered local racing executives a glimpse at the next generation of tote technologies each proposes to install at California tracks, beginning in 2008. Their proposals include a variety of new betting machines/interfaces and data handling systems that they believe will deliver to patrons a greatly enhanced, facilitated wagering experience. The RFP is just part of the process California racing interests are using to determine who their technology partner or partners will be for the next decade or so.

“Representatives from all the racetracks in California have been involved in the process of looking at each tote company and the best they have to offer,” said Santa Anita General Manager George Haines. According to Haines, a decision about which of the three companies will win the California contract will be made

in mid January.

One thing has already become clear as part of this process: *California racing fans will soon benefit from tote technology developments!* These developments will most certainly include everything from modern wagering terminals, to remote and on-track mobile wagering systems utilizing PDA, cell phone, and television technologies, to cashless wagering cards that can be maintained separately or tied to existing account wagering systems. Early generation wireless, handheld wagering devices are already in use in Santa Anita's Frontrunner Restaurant and box seats, according to Haines. By this fall, he expects the new cashless wagering cards to be implemented.

pad for account entry. Best of all, most of these improvements will be offered in mobile forms, meaning patrons can remain comfortably seated in their boxes or at their tables, yet able to wager without missing any of the experiences often lost while standing in line.

CASHLESS WAGERING CARDS

As flashy and exciting as the new betting interfaces/terminals will be, one of the most innovative changes proposed involves the cashless wagering card. Vic Harrison, Director of North American Sales for United Tote, explained it this way: "When you go to an airport now, you don't talk to a



NEXT GENERATION WAGERING DEVICES

In the past, wagering terminals were cumbersome electro-mechanical units. However, today's terminals are largely built on personal computing technologies that will soon be extended to integrate the worlds of computers and the Internet. These new developments will provide much faster and fuller access to wagering information and data, and offer greater "mobile" on-track connectivity to the tote system, thus improving the convenience and efficiency of placing a wager.

One of the advances that Haines is most excited about is the enhanced graphics capability. "This allows program pages to be displayed on screen," Haines said. "And in the near future, they will be able to interface with *Equibase*, making information such as past performances and replays available on screen." The current generation of terminals already has video streaming capabilities.

New terminal technology unveiled by the competing tote companies included race information, videos, past performances and handicapping data, extensive self-help functions, online player rewards account access, and even integration with amenity services such as food and beverage. Additionally, some of the companies' new systems will offer surface acoustic wave touch screens, which leave no fingerprints, can display up to 12 wagers, and even convert to a pin

customer service person; you go up to a kiosk, you swipe a card, and away you go. It speeds up the whole process. We're going to offer that option at the racetrack. You'll get a card, and use it all day to wager."

Ultimately, cashless wagering will be the norm – much easier to process, safer for the patron, environmentally more friendly, and a natural extension of the convenience of account wagering. As Harrison concluded, "This is the new face of wagering at the racetrack."

Cashless wagering will eventually reroute the entire flow of patron traffic inside the racetrack, virtually eliminating the need for stand alone ATM machines, and to otherwise stand in line, by allowing a player to simply use one wagering "terminal" for nearly every function, be it funds replenishment, wagering or collecting one's winnings, ordering food, obtaining additional handicapping data, etc. Bettors will soon be able to swipe a debit card, enter the pin number on a secure banking pin pad, and select the amount to be transferred to the wagering card or account. The bettor can then use those funds to place a wager on the same terminal.

The process will work in reverse as well, enabling players to transfer winnings from their wagering account/cashless card to the player's bank account. Of course, players will still have the option of funding their wagering activities and accounts on-track by the more traditional methods of personal check or cash.

As Dave Haslett, VP of Operations for Scientific Games,

said, "It will be like with VISA or American Express – you can go anywhere in the world and use it. Our industry needs to embrace these kinds of concepts, get this convenience factor."

Cashless wagering opens up perhaps the most exciting aspect of improved wagering technology – single account portability. In other words, a bettor will be able to use one



REAL-TIME DATA CENTERS

account to bet at the track, at a satellite wagering location, over the Internet, or with a cell phone.

Regardless of which tote company California chooses, it appears that the three hubs in California will eventually be integrated into one central hub, serving the entire State. The new hub will be a 24/7, real-time, state-of-the-art, secure data center, hosting the super-powerful tote computers. Wagering transactions will be faster, with

fewer interruptions, and conducted under tighter security than ever before.

In addition, proposed are redundant communications and power capabilities, such that if anything were to happen to the primary communication system or power supply, there would be an immediate backup and stored energy battery system that would protect operations.

A key element in the implementation of these technologies is the Wagering Transmission Protocol ("WTP"). The WTP is the accepted, industry standard governing pari-mutuel transactions and security. It has been a major focal point since the 2002 Breeders' Cup Pick Six fraud, when wagering pools were breached. That incident, and the ensuing investigation and publicity, led to development of better technology and tighter security.

California – always in the forefront of innovation in this industry – made security and wagering integrity top priorities in their requests for proposals from the tote companies.

A BRIGHT FUTURE

"Technology is an enabler," said Haslett, "to bring new people in to the sport." As an industry whose bottom line depends on wagering, we must be constantly searching for ways to make betting more convenient and attractive. California is doing just that by introducing the most modern equipment and the latest technologies – all supported by impeccable data handling standards and methods.

Get ready for an exciting ride as California wagering catches up to the 21st Century!

Stabling & Vanning Update

By Guy Lamothe

As a board member of both Northern California Off Track Wagering, Inc. ("NCOTWINC") and Southern California Off Track Wagering, Inc. ("SCOTWINC"), TOC chairs their respective Stabling and Vanning committees. Looking ahead to 2007 and beyond, the Committees have identified and are working on several long-term strategic issues.

Offsite Stabling: In the North, planning efforts are underway for an alternative offsite stabling location, likely Vallejo, while the installation of a new engineered surface at Golden Gate Fields takes place beginning June 2007. Longer term, the likely closure of Bay Meadows presents an even more serious problem, one that will require either the accelerated development of Dixon Downs or a major renovation of an existing Fair facility. Both will be considered in greater depth by the Committee, and independently by TOC.

Subsidized Intrastate Shipping: TOC has advocated various means to subsidize intrastate shipping for starters between Northern and Southern California meets. While still a priority, these efforts have stalled as some track partners remain skeptical of their effectiveness, while others contend there are other priorities.

Inventory Management & Technology: California racing lacks a

real-time racing inventory management system. TOC and our track partners are working to develop more detailed information, including standardization of the process to better track this inventory, on a statewide basis; i.e., location and quantity in training, eligibility, lay-ups, etc.

Organizational Efficiencies: Duplication of resources and efforts among and at California tracks and off-track facilities suggests opportunities to develop efficiencies statewide. TOC, along with California track partners, is constantly analyzing initiatives to consolidate the management and monitoring of common statewide programs and responsibilities affecting the State's entire racehorse population, including, for example, the Microchip program, subsidized intrastate shipping, inventory management, off-track stable audits, vet/trainer/farrier continuing education, out-of-state horse recruiting, workers' comp programs, medication, toe grabs, security audits, feed programs, etc.

Funding: The CHRB approved an increase in the NCOTWINC Stabling & Vanning rate to 1.15% from 0.94%, effective August 24, 2006. This additional funding will be used to minimize operating deficits – despite on-going efforts to reduce expenses – created predominately by the cannibalization of satellite facility handle through expanded ADW growth.