

THE STARTING PRICE REGULATORY COMMISSION ANNUAL REPORT 2019



NOVEMBER 2020

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CHAIRMAN'S PERSONAL STATEMENT

Looking back on the 2019 racing and betting year from where we sit now in 2020 is a curious experience. We do not primarily observe and recall those recurring SP problems and technical issues familiar to us from much of the past decade. We now mainly look back on a 2019 racing world then seemingly blessed with a deceptive calm and security which has since been blown away by the Covid pandemic.

We can only hope to return to that apparently secure 'normality' early in the coming year - though aware that, when it finally comes, it could be a different sporting, leisure and financial normality from the one we earlier experienced, and I think enjoyed, in 2019.

This Report as usual sets out our main activities during 2019. In fact, it was a relatively quiet year for the SPRC. The main issues which arose were already familiar to us. First, was our prime task of monitoring racehorse prices and hence returning the official SPs. (We stress again that the SPRC has no powers - and does not wish to have such powers - to intervene to moderate, nor to boost those prices.) Secondly, was our oft repeated concern with declining bookmaker attendances on course, particularly at all weather, evening or small course fixtures. This impacts directly on the SP sample available to us on course.

Because of this problem, together with the huge expansion of online and mobile betting, the on-course market now accounts for a worryingly small share of betting revenue - generally accepted to be in low single figures as a percentage of the betting total. Not for the first time this raised concerns about the perfect suitability of our Starting Price model for calculating the SP, based wholly on an ever diminishing on-course sample.

Consequently, we again began to consider the desirability or otherwise of incorporating off-course betting information into our process of determining the SP. In the event this crucial discussion, intended to be presented in a public paper, was not completed in 2019. It has been taken much further in 2020, but was then overtaken by the Covid crisis (including requiring PA and the SPRC to sprint technologically into producing a satisfactory SP based wholly on off-course information - but that story is for the 2020 Annual Report.) Apart from those major issues, the SPRC continued its traditional tasks of refining its own technical processes, consulting colleagues in the wider horse betting industry and listening and responding to complaints (not many, dealt with mainly through our website). We also had helpful meetings with representatives of the Horserace Betters Forum. Exchange tracking remained an issue during the year. It does not impact on the integrity of the SP and, as reported below, was resolved this time by the RCA Betting Advisory Group.

Various other operational issues were speedily handled, including those relating to connectivity, to information provided by broadcasters with reference to the SP, and to dissatisfaction with racecourse public announcements.

I wish to thank fellow members of the board for their constant wise advice, derived from their huge experience of racing and betting; also to thank our technical colleagues who guide us through many complex betting minefields; and particularly our Secretary, Jim Donnelley, who is a living encyclopaedia of the race betting world to which we are all happily attached.

Bernard Donoghue



STARTING PRICE REGULATORY COMMISSION REPORT

1 OPERATIONS

During the year, we dealt with the following issues:

Newcastle – 8th March – 17:55 Race

A complaint was received via the SPRC website concerning the returned SP of the beaten favourite (2/5). The complaint asserted that 4/5 was available on the exchanges. The SPRC responded that only three bookmakers were present and, for now, the sample is comprised only from on-course bookmakers.

Ayr – 13th April – 13:25 Race

A broadcaster on ITV Racing claimed the SP for Azzuri (5/2) was wrong and should have been 11/4. From a large sample of bookmakers only two were offering 11/4 at the 'off'.

Salisbury – 16th June – 16:10 Race

An irate punter accused the SP Validator of fixing the SP of a particular horse. The SP of the runner in question was found to have been correctly returned.

Musselburgh – 9th August – 15:10 Race

The William Hill Group Racing Co-Ordinator contacted PA to query the SP overround (132%) of the five-runner, 15.10 race. SPRC representatives confirmed the SPs were correctly returned and provided William Hill with the relevant edited screenshot at the off.

Racecourse Announcements

SPRC representatives expressed concern regarding the apparent variation in procedures when announcing withdrawals or whether a horse was a runner or withdrawn.

The SPRC were represented at a BHA 'Raceday Communication and Betting Ring' meeting held in November to discuss how raceday information is communicated and the impact it may have on the betting ring and data collection. The meeting proved constructive and several actions were taken away by the BHA for further discussion at an upcoming Stewarding Consultation Forum.

There was a particular example at Perth (25th September, 14:40 race).

As the runners went to post the SP Validator (SPV) and Race Day Manager (RDM) heard an announcement stating number four had been withdrawn. Both agreed what they had heard and withdrew the runner (Le Frank 7/2) from the betting, suspending the market. The runner was also withdrawn from betting by on-course bookmakers. Shortly afterwards the SPV/RDM heard number four called to post by the commentator and appear on the track. The SPV entered the weighing room to query this and was informed that the withdrawn runner was number four in the following race.

The SPV returned to the betting pitch and instructed the RDM to reinstate number four as a runner and continue betting. This was swiftly suspended again as it became clear there was further confusion in the betting ring as the on-course bookmakers were either unaware number four was an intended runner or were unwilling to return to the betting as it had been prior to withdrawing the horse in error. As this 'new market' held little resemblance to the one available prior to the incorrect withdrawal, the SP was given as the last show.

After the intervention of the Perth CEO, SPRC staff noted an improvement in the volume, clarity and timing of announcements for the remaining races.

Chelmsford - September

A PA representative was involved in a conference call in September concerning various technical issues, including: connectivity (access points, aerials, signal strength); availability of SIS tablet; power outages; number of bookmakers attending and potential contingency plans. The meeting was composed of representatives from Chelmsford management, AGT, RDT, SIS and PA. Subsequent to the call, the minimum number of bookmakers attending has been increased to five and an additional local bookmaker is now licensed and available on a stand-by basis.

Leicester – 8th October

A query was received via the SPRC website concerning the returned SP of Dansepo (66/1). The query stated the price should have been 150/1. In fact, at no stage was 150/1 published from the racecourse during the show period.

2 SAMPLE

Two issues regularly discussed in previous Annual Reports were discussed during 2019. First, low bookmaker attendance at twilight all weather meetings remains a cause of concern. Second, the growth of satellite rings raises issues over sample selection. A recent example is Windsor: the eight additional picks on the lawn area close to the paddock are popular. Invariably, this impacts on the traditional ring, virtually creating two rings at some meetings. SPRC will continue to monitor this.



3 HORSERACE BETTORS FORUM (HBF)

Meetings were held, both in London and at Southwell racecourse, between the Horseracing Bettors Forum (HBF) and SPRC representatives. The meeting in London provided an opportunity for the SPRC and the HBF's incoming Chairman and Deputy Chairman to become acquainted, while at Southwell a member of the HBF joined the PA's SPV and was given an overview of the SP process during a day's racing. The SPRC values the constructive input from HBF.

4 EXCHANGE TRACKING

In our 2018 Annual Report we discussed so-called "exchange tracking" in some detail. Issues included: potential impact on the integrity of the SP; a greater number of price changes per race during the show period (albeit this does not impact on the SP). We concluded that while the prospect of bookmaker prices moving automatically may impact on the racecourse experience for on-course bettors, there was no impact on the integrity of the SP.

The issue of exchange tracking continued into 2019. Because it does not affect the SP it is a matter for the RCA rather than the SPRC. After extensive discussion, the RCA Betting Advisory Group proposed an alteration to the Racecourse Terms and Conditions of Entry that prohibit the use of software by on-course bookmakers that monitors/tracks the prices offered by betting exchanges online and, based on that monitoring, automatically generates a price that is displayed on the bookmaker's board. The recommendation being that each course be given discretion on whether to permit the use of 'tracking' software.

5 MISCELLANEOUS

The SPRC's website was updated in August 2019. The Chairman has confirmed that "the website is a key contact point for serious questions for, or to raise with, the SPRC. It is therefore important that the public facing website contains sufficient information and answers to previous questions so as to offer initial assistance".

Grand National

There was some comment concerning the overround of 163% (e.g. Guardian 8/4/2019). The overround is a theoretical measure of bookmakers' profit margin but can be misleading because most money is placed on the top few horses in the betting. In the event the favourite won. It was emphasised again that the SPRC monitors prices and returns the SP. The SPRC has no powers (and does not wish to have any such powers) to intervene to moderate or boost prices.



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 and accuracy of the starting price (SP). The SP is used in the settlement of the majority of bets on British horseracing struck with licensed bookmakers in betting shops or through their websites. The role of the Commission in 2019 was to ensure that the returned price accurately reflects the price available to bettors on-course at the 'off' of each race.

The SPRC does not set individual prices, overrounds or margins, nor does it set targets for what they should meet. Indeed, its members would not wish to do so and substitute their judgement for that of the marketplace. The SPRC's responsibility was simply and straightforwardly to set the parameters by which the SP was calculated and to ensure, so far as within its power, that racecourse bookmakers and the SP Validators – and the technology that they use to monitor on-course market movements – were operating within the framework it specified.

The SPRC was not responsible for the conduct or integrity of on-course bookmakers. Any complaint about the fair settlement of an on-course bet should be directed first to the Betting Ring Manager at the racecourse and then – if it cannot be resolved – to the Tattersalls Committee (www.tattersallscommittee.co.uk) a provider of alternative dispute resolution for on-course bettors. Any complaint that an on-course bookmaker has acted in an unfair matter or in a manner prejudicial to the good name of betting should be directed to the Gambling Commission (www.gamblingcommission.gov.uk) the regulatory authority for betting in Great Britain.

2 BACKGROUND

The SPRC was created as a result of a study commissioned by the SP Executive, a group of representatives from the Mirror Group, SIS and the Press Association. The aim was to provide an opportunity for independent scrutiny of the processes used to return the SP, particularly to deal with questions about the accuracy and integrity of individual starting prices from off-course bookmakers, bettors and other interested parties, a role that the SPRC has fulfilled ever since.

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 set of Operating Rules and Procedures used during 2019 was issued following a review by the Commission in 2011.

3 COMPOSITION

The Board of the Commission consists of up to four independent Non-Executive Directors. Lord Donoghue, 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).

The SPRC's work is funded by contributions from the bodies which control racecourse data rights. Jim Donnelley of PA Sport acts as the SPRC's company secretary. The SPRC's directors are all independent of the bookmakers and would be obliged to declare if any conflict of interest arose.

The Board met at regular intervals throughout the year with executives of the racecourse data controllers in attendance plus a representative of AGT (Administration of Gaming on Tracks). Ad hoc meetings were called as required to consider specific issues arising of interest to the SPRC.

The Commission's legal advisers are CMS.

4 COMPANY STATUS

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

2 2019 COURSE ATTENDANCE STATISTICS

2019 ATTENDANCE REPORT

MONTH	2019			2018		
	ATTENDANCE	ACTUAL FIXTURES	AVE. DAILY	ATTENDANCE	ACTUAL FIXTURES	AVE. DAILY
JANUARY	177,533	103	1,724	172,056	102	1,687
FEBRUARY	111,251	80	1,391	131,580	93	1,415
MARCH	467,073	110	4,246	430,414	98	4,392
APRIL	483,853	122	3,966	413,264	108	3,827
MAY	639,430	153	4,179	621,466	156	3,984
JUNE	922,372	136	6,782	983,218	147	6,689
JULY	766,975	146	5,253	765,935	151	5,072
AUGUST	803,021	151	5,318	817,008	151	5,411
SEPTEMBER	379,071	121	3,133	438,403	123	3,564
OCTOBER	291,887	118	2,474	335,109	122	2,747
NOVEMBER	275,560	107	2,575	305,098	115	2,653
DECEMBER	306,968	96	3,198	359,217	105	3,421
TOTAL	5,624,994	1,443	3,898	5,772,768	1,471	3,924
	-2.56%	-1.90%	-.66%			

DAY BY DAY COMPARISON

DAY	TOTAL ATTENDANCE		ACTUAL FIXTURES		AVERAGE	
	2019	2018	2019	2018	2019	2018
MONDAY	337,155	393,243	179	192	1,884	2,048
TUESDAY	409,951	358,452	188	182	2,181	1,970
WEDNESDAY	493,344	562,987	220	225	2,242	2,502
THURSDAY	673,494	670,145	227	226	2,967	2,965
FRIDAY	1,132,520	1,160,839	229	237	4,946	4,898
SATURDAY	2,168,135	2,203,855	283	296	7,661	7,445
SUNDAY	397,664	423,247	100	113	3,977	3,746

3 2019 BOOKMAKER ATTENDANCE STATISTICS

TATTS	23,736 (2018 – 24,316)
RAILS	10,050 (10,396)
MINOR	5,282 (5,604)
TOTAL	39,068 vs a 2018 total of 40,316

Source: AGT



4 STARTING PRICE OVERROUNDS JANUARY 2009-DECEMBER 2019

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
JANUARY	1.61	1.62	1.61	1.59	1.82	1.80	1.67	1.73	1.73	1.73	1.80
FEBRUARY	1.74	1.59	1.59	1.63	1.77	1.77	1.70	1.74	1.78	1.78	1.82
MARCH	1.61	1.62	1.52	1.61	1.73	1.74	1.71	1.70	1.68	1.76	1.89
APRIL	1.63	1.56	1.62	1.60	1.68	1.67	1.65	1.68	1.70	1.72	1.86
MAY	1.67	1.57	1.61	1.56	1.69	1.68	1.66	1.68	1.71	1.75	1.86
JUNE	1.70	1.67	1.67	1.60	1.71	1.77	1.75	1.70	1.76	1.82	1.99
JULY	1.74	1.65	1.64	1.70	1.76	1.74	1.80	1.72	1.77	1.89	1.94
AUGUST	1.72	1.65	1.65	1.74	1.77	1.78	1.81	1.76	1.75	1.89	1.99
SEPTEMBER	1.62	1.58	1.53	1.68	1.66	1.63	1.69	1.73	1.68	1.85	1.88
OCTOBER	1.57	1.48	1.43	1.62	1.62	1.59	1.66	1.67	1.64	1.76	1.68
NOVEMBER	1.61	1.55	1.54	1.68	1.68	1.72	1.69	1.77	1.72	1.74	1.73
DECEMBER	1.60	1.64	1.62	1.81	1.72	1.72	1.73	1.69	1.75	1.80	1.88

Annual average for 2019 is 1.86

Source: Racing Post

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
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
RMG	Racecourse Media Group. Betting shop service providing pictures and data sources to the betting industry
SIS	Sports 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
TRP	The Racing Partnership. Provider of picture and data sources to betting shops and the wider betting industry.



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