

THE STARTING PRICE REGULATORY COMMISSION

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CONTENTS

STARTING PRICE REGULATORY COMMISSION REPORT

- 1 Consultation on the Starting Price
- 2 The Racing Partnership, PA and Corona
- 3 Other operational issues

APPENDICES

- 1 The Starting Price Regulatory Commission – an outline
- 2 2016 Course Attendance Statistics
- 3 2016 Bookmaker Attendance Statistics
- 4 Starting Price overruns per runner January 2006-December 2016
- 5 Rules for determining the Starting Price (SP)
- 6 Glossary

CHAIRMAN'S PERSONAL STATEMENT

The SPRC has completed another year doing the job it has carried out since our foundation in 2004.

That task is to act as a guarantor that the Starting Prices - derived by computer algorithms from a careful sample of the prices on offer on the racecourse - are produced with integrity, fairness and transparency. These prices can in turn be used by bookmakers off course to settle the bets placed by their punters, with both parties assured that they are getting a fair deal. The Starting Price will periodically have its critics; and so therefore will our Starting Price Regulatory Commission. In particular, some bigger and more sophisticated punters will point out that the SP does not always yield the best possible odds available anywhere for customers.

This is true; but it is largely besides the point. Big and aggressive (including full time professional) punters are free to shop around for better prices. We on the SPRC welcome that wide availability and choice. Nobody is compelled to use the SP. But even the biggest punters may sometimes benefit from the "best odds guaranteed" offers by leading bookmakers, where the SP acts to underpin the odds that punters are paid.

However, our SP caters mostly for the majority of average smaller punters, who do not wish or have time to engage in the bear garden of competitive pricing and are content to accept a fair price on their winners and losers. It is true that they might gain a few more shillings if they hunted down the very best prices. But that time-consuming game is not material to many punters: they want to enter a familiar betting shop or place their bets by telephone or on-line, getting the wager they want at as price they understand and trust.

Hypermarkets have their role in the commercial world. But so do reliable High Street shops. The latter is our market.

Nobody can fix the SP. Punters who bet at the SP are not being misled or ripped off. Moreover, the traditional SP has the virtues of familiarity, based on its many years as a trusted medium for the majority of punters.

As a Commission, we too seek to be a trusted body. Our board is composed of colleagues with a long knowledge of the betting world, but who are independent of other parties within the industry.

We publicise and are accountable for our activities, not least through the mechanism of this annual report, which sets out our deliberations and decisions. Our website adds to that visibility and transparency. The SPRC is both the punters' and the bookmakers' guarantee that the SP is conducted with integrity. It is a role that the Commission has been pleased to play over the past year covered by this report; and one that we will continue to play in the future - for just as long as the SP remains in demand by ordinary punters. If and when there is little or no demand for the SP bet, there will be no role for a body such as ours. With some half of current bets conducted at SP, that time is apparently not yet.

Bernard Donoghue



STARTING PRICE REGULATORY COMMISSION REPORT

SPRC deliberated on two major issues in 2016. Early in 2016 it published its response to its 2015 consultation on the starting price (section 1). Later in the year SPRC examined whether any conflict of interest might arise when PA became responsible for both the collection of data and for the validation of the SP (section 2). Many day-to-day matters were also dealt with, including: responsibility for completing the SP book, pitch relocations and some consequences of the Coral-Ladbroke merger (section 3).

1 Consultation on the starting price

In summer 2015 the SPRC launched a consultation on the future of the SP. The catalyst for the consultation was concern expressed in the media that the overround for the 2015 Grand National was too high. (The overround is a theoretical measure of bookmakers' profit margins). The consultation attracted only fifteen responses, seven from individuals and eight from bookmakers and organisations concerned with racing and betting. Analysis of the responses and proposals for changes involved numerous SPRC meetings from October 2015 to February 2016. Our report was published in late February 2016 and is available at <http://www.thesprc.org>

A few respondents suggested **alternatives** to the current SP, including: industry SP; exchange SP; individual bookmakers' SPs; Tote prices; win-only and place-only SPs; hybrid; and abolition. Other respondents favoured the status quo, some with modifications such as increasing sample size.

There were eleven relevant areas of SP activities where respondents to the Consultation suggested **modifications** to SPRC procedures. Five are not within the remit and power of the SPRC to control and change. (As noted in our February 2016 report on the consultation, the SPRC is not a statutory body and has limited powers.) These five are: bookmaker course attendances; display of overrounds; corrections and limits to overrounds; calculation of handicap odds; and the legal status of the SPRC. We indicated in the February report our reactions to these suggestions, including sympathy in some cases, but they are beyond our powers of determination.

The other categories of suggested modification do, however, come within the SPRC's remit:

- **Those relating to the sample:** whether to increase it, to abolish it or to improve its anonymity? Whether to designate certain meetings as "low attendance", with consequent changes to the sample? Whether to incorporate satellite rings into the bookmaker potential sample? We are, and have long been, sympathetic to some of these proposals. However, these changes are all subject to issues of technology and practical costs which are not under direct SPRC control, though we can, and where appropriate will, make recommendations to the SP operators.

- **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.
- **Those relating to the on-course supply of betting information:** the SPRC will continue to offer close scrutiny of suppliers to ensure proper access (see the discussion of the Corona technology below).

The SPRC, in considering these matters, has to pay regard to technical limitations and cost implications. However, we will keep all these suggestions under review and our conclusions will be reported on our website.

After carefully considering the evidence submitted, the SPRC concluded that the case for the SP's abolition was not made. The SPRC note that major changes in the operation of the SP process presently underway, discussed elsewhere in this report, incorporating the PA Corona technology, should help to increase sample size and a more transparent audit trail. Both should be welcomed by punters' representatives.

2 The Racing Partnership, PA and Corona

The Racing Partnership (TRP) consists of ARC (Arena Racing Company) and certain "independent" (IRL) racecourses. TRP has appointed PA to take over the SIS operation on the collection and distribution of data at TRP courses. This arrangement takes effect from the expiration of the various SIS agreements with the TRP courses. PA started this role on 1 January 2017 at certain ARC courses.

PA will operate their new Corona technology. This has the great advantage that it permits bookmakers to be connected to the SP system, i.e. irrespective of whether the bookmaker uses RDT or Elite software.

As PA are also the SP Validator, SPRC considered whether there is a conflict of interest, given that PA will be both operating and validating the SP. SPRC, as always, wish to protect the integrity of the SP. Therefore the SPRC established a 2-person review team consisting of a distinguished lawyer and an SPRC director. The review was completed in July 2016.

It concluded that there is no actual conflict of interest. Corona will lead to a greater degree of automation, and correspondingly less human input, in the process for the compilation and distribution of the SP. This permits both an enhanced audit trail and a potentially larger sample of bookmakers to determine the SP. Both improved audits and larger samples have often been suggested by punters' representatives.

The SPRC recognise that there may still be a perception of conflict of interest. But we believe this to be misplaced. The validator role could not be carried out electronically at the time SPRC was established. The use of computer systems means that the possibility of human error is either eliminated or substantially reduced, leading to a more efficient and less costly system. SPRC will be in a better position to oversee the integrity of the SP by having access to auditable, computerised records than under the present system.

After the July 2016 review, and subsequent SPRC discussion of these issues, the following occurred:

- PA signed an agreement with Turf TV to be its sub-contractor on-course. Thus at the 34 RMG racecourses Turf TV will no longer have an operator. Instead, this task will be carried out by PA and commenced 1st January 2017.
- PA has also signed a contract with SIS to be its sub-contractor on-course from 1st February 2017.

PA will be both the operator and the validator of the SP at 59 British racecourses, Chelmsford being the exception. But the conclusion above remains. SPRC believes that there is no actual conflict of interest in the operator/validator role being undertaken by one party. And any perception of conflict, while perhaps understandable, is – we suggest – mistaken for the reasons set out above.

3 Other operational issues

A. SP Book: recording information

When attending racecourses where the betting operator publishes the SP from a digitalised version of the on-course server (OCS), the SP validator now assumes responsibility for completing the SP book. This allows the betting operator to focus solely on publishing data and the SP validator to follow and record the market for each race through to the SP. This change was implemented in July. A daily on-course report must also be completed and sent to the PA office in Howden.

B. Hereford

Hereford racecourse re-opened in October. The betting pitch location is in the same location as previously. The Gambling Commission made an informal fact-finding visit to the course to further its understanding of the sector. They spent some time with the SP validator.

C. Comments

Several emails were received via the SPRC website. These focussed on: apparent high overrounds for "bad" each-way races; shortening prices of runners towards the top of the market in the Scottish Grand National; and a suggestion that bookmakers should offer separate win and each-way markets. These emails were all acknowledged and the points raised were discussed by SPRC.

D. Pitch relocations

Betting operators have relocated betting pitches at Newcastle and have plans to do so at York. Newcastle's pitch was moved from its current location next to the Tote box at the end of the Grandstand into the Press Room. The new location provides greater privacy and improved working conditions. The York pitch will relocate to the Gimcrack Stand. The new location will offer an improved view of the Rails and improved overall working conditions.

E. Coral-Ladbrokes merger

Coral and Ladbrokes intend to bet on-course as separate brands, i.e. operating separate books. The SPRC support this initiative which strengthens competition to the benefit of the punter. We understand that Coral and Ladbrokes require separate operating licences to be separately included in the sample.

F. Retirement

Alan Goddard retired as an SP validator at the end of 2016. Formerly at Extel and a SP returner at Trinity Mirror, Mr Goddard worked for PA from 2004. The SPRC thank Mr Goddard for his service and wish him a happy retirement.



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). 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.

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 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.

C. Composition

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

2016 Course Attendance Statistics

Month	2016			2015		
	Attendance	Actual Fixtures	Ave. Daily	Attendance	Actual Fixtures	Ave. Daily
January	179,162	88	2,036	195,804	100	1,958
February	140,263	92	1,525	194,540	91	2,138
March	452,689	107	4,231	485,001	105	4,619
April	519,888	127	4,094	523,677	125	4,189
May	619,149	150	4,128	646,536	152	4,254
June	894,316	143	6,254	941,224	141	6,675
July	993,517	148	6,713	911,262	146	6,242
August	708,169	144	4,918	784,070	143	5,483
September	446,473	116	3,849	455,844	114	3,999
October	400,201	118	3,392	392,952	120	3,275
November	283,505	105	2,700	288,391	105	2,747
December	349,835	96	3,644	308,771	98	3,151
Total	5,987,167	1434	4,175	6,128,072	1,440	4,256
	-2.30%	-0.42%	-1.90%			

Day by Day Comparison

Day	Total Attendance		Actual Fixtures		Average	
	2016	2015	2016	2015	2016	2015
Monday	407,778	379,567	185	185	2,204	2,052
Tuesday	405,367	384,655	190	189	2,134	2,035
Wednesday	570,800	563,731	218	215	2,618	2,622
Thursday	663,374	721,801	217	227	3,057	3,180
Friday	1,216,093	1,188,970	235	229	5,175	5,192
Saturday	2,271,999	2,407,100	275	281	8,262	8,566
Sunday	451,756	482,248	114	114	3,963	4,230



2016 Course Attendance Statistics by Type

National Hunt and Flat Comparison

	Total Attendance		Actual Fixtures		Average	
	2016	2015	2016	2015	2016	2015
National Hunt	2,240,527	2,254,935	549	557	4,081	4,048
Flat Turf	3,368,611	3,500,065	559	570	6,026	6,140
Flat AWT	369,163	365,648	325	312	1,136	1,172
Mixed	8,866	7,424	1	1	8,866	7,424

Afternoon and Evening Comparisons

	Total Attendance		Actual Fixtures		Average	
	2016	2015	2016	2015	2016	2015
Afternoon	4,955,675	5,033,921	1,070	1,080	4,631	4,661
Evening/Twilight	1,031,492	1,094,151	364	360	2,834	3,039

	Total Attendance		Actual Fixtures		Average	
	2016	2015	2016	2015	2016	2015
NH Evenings/Twilight	154,642	137,789	54	52	2,864	2,650
Flat Turf Evenings/Twilight	707,220	783,778	157	164	4,505	4,779
AWT Evening/Twilight	169,630	172,584	153	144	1,109	1,199

	Total Attendance		Actual Fixtures		Average	
	2016	2015	2016	2015	2016	2015
NH Afternoons	2,085,885	2,117,146	495	505	4,214	4,192
Flat Turf Aft.	2,661,391	2,716,287	402	406	6,620	6,690
AWT Flat Afternoons	199,522	193,064	172	168	1,160	1,149
Mixed Afternoons	8,866	7,424	1	1	8,866	7,424

Bank Holidays

	Total Attendance		Actual Fixtures		Average	
	2016	2015	2016	2015	2016	2015
Bank Holidays	237,397	239,210	36	41	6,594	5,834

Appendix (3)

2016 Bookmaker Attendance Statistics

	2016	2015
Tatts	25,573	25,280
Rails	10,531	10,451
Minor	5,971	6,453
Total	42,075	42,184

Source: AGT

Appendix (4)

Starting Price overruns per runner January 2006-December 2016

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
January	1.49	1.62	1.69	1.61	1.62	1.61	1.59	1.82	1.80	1.67	1.73
February	1.45	1.62	1.73	1.74	1.59	1.59	1.63	1.77	1.77	1.70	1.74
March	1.41	1.68	1.76	1.61	1.62	1.52	1.61	1.73	1.74	1.71	1.70
April	1.41	1.73	1.76	1.63	1.56	1.62	1.60	1.68	1.67	1.65	1.68
May	1.45	1.77	1.80	1.67	1.57	1.61	1.56	1.69	1.68	1.66	1.68
June	1.48	1.79	1.80	1.70	1.67	1.67	1.60	1.71	1.77	1.75	1.70
July	1.54	1.73	1.78	1.74	1.65	1.64	1.70	1.76	1.74	1.80	1.72
August	1.65	1.78	1.79	1.72	1.65	1.65	1.74	1.77	1.78	1.81	1.76
September	1.45	1.70	1.61	1.62	1.58	1.53	1.68	1.66	1.63	1.69	1.73
October	1.52	1.59	1.61	1.57	1.48	1.43	1.62	1.62	1.59	1.66	1.67
November	1.72	1.64	1.69	1.61	1.55	1.54	1.68	1.68	1.72	1.69	1.77
December	1.79	1.85	1.70	1.60	1.64	1.62	1.81	1.72	1.72	1.73	1.69

Annual average for 2016 is 1.71

Source: Racing Post.



Appendix (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	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 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

Appendix (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.

292 Vauxhall Bridge Road
London
SW1V 1AE
United Kingdom

