

2. MUTUELS

Common Pool Wagering

Common or Merged Pool Wagering (Commingling) is the procedure in which a track or a betting network (Guest) merges its mutuel pools with the track (Host) on whose races it is wagering by linking tote systems.

- Benefits of Common Pool Pricing:
 - Same odds, probables, and payouts as the Host at all network outlets.
 - Tracks' ability to handle large wagers from individual bettors without grossly affecting the payoffs.
 - Common Pool Pricing allows tracks to offer wagering on multiple race cards, which might not be feasible with Separate Pool Wagering.
- Drawbacks of Common Pool Pricing:
 - Differences in taxation and take-out levels between Host and Guests.
 - The potential of wagering imbalances causing a negative cash flow in settlements between Guest and Host.
 - Dependence on communication/tote system of partner facility. Aside from system or communication malfunctions which may occur, late final pool transmissions frequently lead to odds changes while the race is being run, potentially raising patrons' ire.

Linking of Tote Systems in Common Pool Pricing

The procedure for linking tote systems together depends on the systems in use. It is essential for the Guest Track to obtain either data lines, leased dedicated lines, dial up lines, or have access to a frame relay network for accessing the Host System or Host Collator System. Requirements include redundancy: typically one "on-line" or "frame relay connection," plus a dial-up or ISDN "back-up." Hardware requirements include modems at both the Guest and Host Systems or frame relay routers at both sites for data communication. When not using frame relay communications, the type of modem required will be specified by Host System.

- Frame Relay: A high-speed, digital data transmission offering single source connectivity with multiple remote sites.
 - Cost efficient access to other sites on the network as it requires only a single T1 or a fractional T1 hook-up.
 - Ability to select only necessary bandwidth contains costs.
 - High bandwidth capability.
- Router: Hardware device to connect totalisator to frame relay (takes the place of modem hook-ups); in many instances a piece of equipment called a terminal server acts as a bridge between the tote computer and the router.
- Modems: A device enabling computers to send data, including wagering data, by telephone. Modems are used to connect the tote systems of the Host and Guest and operate at speeds (baud rates) of from 24 Kbps to 128 Kbps, with a minimum accepted norm of 9.6 Kbps.
- Data Lines (T1 lines): A special 24 channel line operating at a high bandwidth.

- High bandwidth provides fast, clear data transmission,
 - Priority for repairs if there is a system failure,
 - Costs include an install charge and a use charge,
 - Use charge higher than other types of lines, but no charge during down time.
- Leased Dedicated Line: This type of line connects two designated sites. Its bandwidth may vary and is determined by user requirements at the time of installation.
 - Sites remain continuously connected until line is terminated,
 - Speed and quality less than for data lines,
 - Secure from interruptions, supply a permanent Point-to-Point connection,
 - Because the monthly use charge is less than for data lines, this service is less expensive for sites with daily, long-term simulcast operations.
 - Dial-up Lines:
 - Less quality than other types of lines
 - Can be accidentally hung up
 - Lower initial, daily, and monthly costs

Net Pool Wagering and Pricing

In some instances, tracks and wagering facilities may wish to conduct a merged pool wager, but all facilities are not able to adopt the same takeout rate. In those instances, such as the Breeders' Cup Pick-6, Net Pool Wagering and Pricing (Net Pool Pricing) may be utilized.

Net Pool Pricing determines a base price for all participating jurisdictions, but then refines that price to reflect differing takeouts to ensure winning wagers in states with lower takeouts are paid more than those from states which deducted a larger takeout

The advantage of Net Pool Pricing is tracks need not alter their takeout and distribution of revenues to suit another jurisdiction's takeout percentage.

Disadvantages are slightly different prices in various jurisdictions and display issues, including conflicting odds for the same race/pool. In the case of account wagering, these price variances potentially could lead to shopping by bettors.

Another noticeable disadvantage is the expansion of negative breaks in Place and Show pools, as the payout pool is divided prior to calculation of the payout price. Also, low takeout customers may subsidize the payouts of high-takeout customers in a common net pool.

All Canadian-hosted pari-mutuels (which include Canadian, Australian, and Hong Kong meetings) are Net Pool Priced on an import-by-import basis, including American imports. Canadian tax law currently states that all pools have to be taxed in the jurisdiction where the association sells the wager.

Separate Pool Wagering

Separate pool wagering is the equivalent of the Guest conducting its own live race-wagering event. The Guest receives the live video signal of the race(s) from the Host, but there is no interaction with the Host's mutuel/tote operation. Wagers made on those races at Guest sites will be maintained separately from the Host's wagering pools, and prices will be calculated in accordance with the wagering regulations of the Guest jurisdiction. The Guest will calculate prices based only on the aggregate wagers sold through its own system and will not be affected by the payoffs at the Host site.

There are two methods of accommodating a separate pool simulcast into your racing program:

- It can be scheduled and numbered as a race in the Guest's program and be wagered on as if it is one of the Guest's live races. It should be noted that if the Host was to delay the running of the race for some reason, it could cause that race to be run out of order on the Guest's card.
- It can be designated as a separate wagering program, keeping the Host track race number separate from the Guest's live race schedule. Because the race's original number is left intact, it is possible to have three races on one card with the same race number (9th from Belmont, 9th from Arlington, and 9th from the Host track). Some tote systems' defaults automatically put the track name on the ticket to identify the race; make sure your tote operator sets up a separate race program and titles each of the races with specific details on the ticket identifying the Host being wagered on.

Separate pool wagering was the standard, but now has become a less common practice in the pari-mutuel industry.

Betting Odds: Separate Pools versus Merged Pools

In separate pool simulcasting, the betting odds at the Guest site reflect the betting of its own network customers and are different from those at the Host site.

Displaying Host Track Odds

When conducting a separate pool, the Guest facility needs to be aware that the Host site odds are displayed to the Guest facility's bettors via the video feed, which may confuse or irritate them.

On the other hand, more sophisticated handicappers may wish to view the odds at the Host site to see and respond to betting patterns at the Host track. If the Host odds are shown, the Guest site should somehow indicate, perhaps by using a crawl, these odds are being shown for informational purposes only and are not the true odds at the Guest facility.

Radically different payoffs between the Host and Guest site pools can produce strong reactions among your customers, especially if the pool sizes of the Guest track are small.

Importance of Pool Size

The most important factor in choosing between separate and merged pools is the difference in the size of those pools. Can separate pool wagering offer patrons the opportunity to wager as much as with a merged pool without creating substantially lower odds/payoffs? Much of the growth of simulcasting has been fueled by the wagering opportunities opened to small market bettors through the introduction of much larger merged pools.

It can be argued racing fans have responded more to the wagering opportunities associated with larger pools than to any increase in the quality of races presented through simulcasting. Many smaller tracks have found a disproportionate share of their handle has moved from live races to simulcasts simply because of the larger pools.

System Dependent Procedures - Common Pool Wagering

Setup

- The Guest selects a particular track and/or race.
- Guest links up with Host via modem or frame relay.
- Host and Guest synchronize totalisator clock settings by using time service (1-900-410-TIME); ITSP 5.14 Protocol and later versions will inform if time discrepancies exist.
- Guest's access to the system must be verified and double checked, by assigning daily entry codes to Guest sites and identifying the key personnel involved.
- Guest initializes event configuration on tote system by either downloading live runners/morning line and wagering pools from the Host System or by inputting that information directly into its system.
- **ITSP 5.14-b (and subsequent versions):**
 - Verifies pool definitions and live runners,
 - Enables Host to identify (log) any discrepancy in minimum wager values for all bet types and alert the Guest,
 - Transmits to Guest Systems any scratches,
 - Automatically stops betting on current race at a configurable minutes to post—no later than zero—if there is a communications interruption.
 - Supports tote reconcilable data through the TRA Settlement File (See page 5.3) from individual pari-mutuel facilities wagering through a tote hub.
 - Generates and transports settlement files to host.
- Scratches and refunding procedures can also be initiated manually by Guest.
- Host transmits late mutuel changes, such as the elimination or addition of a pool.

Smooth operation of the simulcast requires the Host track to know what totalisator systems are being employed by Guest sites and whether or not those tote systems utilize ITSP 5.14-b or later protocol.

If a Guest system does not utilize this Protocol, it may be necessary for the tote operator to manually input the scratches and refunding procedures. This is a common area for errors to occur.

Stop-Betting Signal

The stop-betting signal is sent by Host System or, as a backup, handled by the Guest, but the final responsibility is with the Guest site. Once **the final cycle has been completed**, all systems receive confirmation of pool data being received by the Host. If a pool or pools fail to be received, pools are re-sent, either automatically or manually.

Stop betting procedures vary state-to-state and track-to-track. Some common pool Hosts require betting be stopped at the Guest site(s) a number of minutes before actual post time, while others do so only on specific Pick-N or super exotic carryover pools.

The integrity of the wagering pool is dependent upon **all** wagering **everywhere** being brought to an end at the start of the race. Failure to meet this basic requirement violates the integrity of the pool, opens **all** parties involved to legal liability and regulatory action, and undermines patrons' confidence. Host tracks should be aware a lax policy on policing the close of wagering directly affects all bettors and can make wagering on its races unattractive to fans. There may also be regulatory and legal implications.

If a Guest system is unable to adequately ensure its wagering ceased at the required time, both Host and Guest should have written agreement on what procedure will be followed.

Furthermore, patrons at facilities of the Guest system should be made aware of the procedures that will be implemented should there be a failure of the wagering to close at the proper time. *The TRA 2020 Committee has taken the position all close cancel delays should be eliminated. In 2003, the Canadian Pari-Mutuel Agency mandated a zero close cancel delay for all Association hosted pools in Canada.*

See "Emergency Procedures - Common Pool Wagering" at the end of this chapter for stop betting procedures when there is a break in communications between Host and Guest.

Race Results and Prices

Placing Judges generate the race results, which then are relayed to the Guests by either telephone or via the video feed on separate pools and electronically through the tote systems on common pools. Host calculates all merged prices and sends them to Guests when the race becomes official.

Advance Wagering on subsequent races either has remained open or is reopened automatically by the Host or manually by Guest. If board displays are in use, the current race is *named* (becomes the default race in the tote system) for purposes of display.

Variations in Procedures

Although there are minor differences in the operation of each vendor's systems, most of the flexibility in operation is there for different applications in the field. Almost every system in use today operates on at least ITSP 5.14 protocol so all can communicate, but most North American

systems are currently using ITSP 5.18 or 5.19. The implementation of ITSP Version 5.18 provides greater security protection to the tote system, including the leg-by-leg reporting of Pick-N pools through progressive scans.

Pick-N Pools/Progressive Scans

In the past, a scan was generated by the Host System immediately after the penultimate leg of the Pick-N was made official. However, the Breeders' Cup Pick-6 scandal in October 2002 made it clear scans were needed after each official leg of the Pick-N pool so that mutuel managers can identify any anomalies in betting totals, as well as any potential fraudulent activity. Consequently, the tote companies in cooperation with ARCI developed ITSP 5.18 to safeguard tote systems against such breaches. ITSP 5.18 can generate a "progressive" scan after each leg so that all dollars can be tracked, losing as well as winning, throughout the wager.

Progressive scans provide an increased level of security by maintaining a constant log of the distribution of wagers throughout the Pick-N pool. Each scan is important in immediately identifying situations where there are imbalances or errors, in pool totals and/or winning dollar amounts. While every tote company has integrated automatic alerts to advise of any potential problems, mutuel managers should verify the integrity of the pool with every progressive scan generated by the Host System.

For step-by-step instruction of manually interpreting progressive scans, follow the link off the TRA website, <http://www.tra-online.com/ProgressiveScans.ppt>.

For Pick-N pools, it is important to identify scratched horses so they can be eliminated as live runners. Any delay in identifying scratched horses in Pick-N pools is unfair to the betting public and hinders interest in the wager. Continued wagering on scratched entries will dilute the payoffs unnecessarily and unfairly if the favorite wins.

Advance Day Wagering

In making the decision to offer advance day wagering one should evaluate potential increases in handle against possible technical or customer-related problems that could arise. The term "advance" denotes additional time for Murphy's law to come into play through system problems or drastic changes in the condition of the race in question.

The Triple Crown races and Breeders' Cup Day are events whose enormous public interest justifies the implementation of advance day wagering.

National Wagers

Multi-race national wagers such as the Breeders' Cup Pick-6 and NTRA National Pick-4 are specialized national common pool wagers.

National wagers can confront one with the challenge of operating across multiple time zones, coordinating races from different locations, and merging pools from Guest sites with widely varying systems and networks.

Experience in national wagers identified three areas of paramount concern:

- All pools lock at stop betting.
- Pools totals are accurate.
- Winning dollars are accurately reported and prices correctly calculated.

From a mutuel and tote room perspective, scratches, the official order of finish (OOF) and the listing of post time favorites must be accurately entered into the Host tote system and communicated through the Protocol to each wagering outlet.

Any delay in identifying scratched horses in multi-race national wagers prior to the first leg is unfair to the betting public and hinders interest in the wager.

Emergency Procedures - General

Many things can go wrong during a simulcast operation, including:

- Bad Data Line - Have a back up, either another data line or a dial up voice line.
- Faulty Modem - Always have a spare available.
- Power Loss - Have a cellular phone/fax machine on standby in tote room.
- Possibility of a refund - Print prominently in each day's program a Hold Harmless Statement that informs your customers if technical difficulties arise beyond your control, you may either pay off by calculating your own pool or, in dire emergencies, cancel the simulcast and refund all wagers, as per the pari-mutuel rules and regulations in your jurisdiction.

Emergency Procedures - Common Pool Wagering

Failure of Transmission of Stop Betting Signal

If the communications link between a Host and Guest is broken at zero minutes to post, ITSP versions 5.14 and later must be configured to automatically stop betting at Guest sites to ensure tote system integrity.

For special bets such as the national wagers, the stop betting time may be several minutes before post time to ensure all Guests can lock prior to the off time of the first race.

Failure to Get A Pool To The Host

During system or communication malfunctions, the wagering data may be manually merged, provided such an attempt does not adversely affect the Host's pools. Whether a manual merge will be made is the decision of the Host's mutuel department, as addressed by the simulcast contract.

The procedures to be instituted in the event of a failure to electronically transmit pool data should be part of the formal simulcasting agreement.

In all instances, the track should reserve the right to accept a manual merge if it is determined

the manual merge may corrupt the pool or cause an unacceptable delay.

If the Host does not accept the pool, the Guest has three alternatives depending on contractual and state or jurisdictional provisions:

- Separate Pool pricing,
- Pay Host track's prices, or
- Refund pools.

The method of final resolution should be a set procedure and disclosed to the public. Past precedent has led most bettors to believe that an issued ticket is a contract and attempts to issue refunds on what would have been winning tickets will be met with strong resistance by patrons and their attorneys.

Manual Merges of Common Pools

Although the loss of data transmission connection has become increasingly rare, a simple manual merge exercise can be completed in a very few minutes if the Guest can promptly produce a manual merge form, suitable for faxing.

A manual merge occurs when the Host takes Guest pool information over the phone, by fax, or email and manually accesses its system to incorporate that information before calculating prices.

The manual merge process can be summarized in five steps: 1) Close, then clear any guest data in pools; 2) Input total guest dollars on winning combination for each pool; 3) Input total guest losing dollars in same pool; 4) verify total dollars per pool matrix equate to Guest recorded total per pool usually by a secondary method (e.g. telephone call); 5) Incorporate (re-merge) Guest matrix into total common pool matrix to recalculate winning dollars, total dollars , and price.

Manual merges are disliked by all participants. Problems faced by Host tracks include:

- Disruption of live card with long delays for entering and checking data and calculating official prices.
- Integrity of data received in merge can be questionable. Because of infrequency, the procedure is usually not completed efficiently.
- Merging procedures not standardized – tote and mutuels should be trained better.
- Lack of proper concern from many Guest tracks, who may still be selling tickets while problems necessitating merges have not been resolved.

The following procedures will make manual merges more acceptable to Host tracks:

- Limit the number of manual merges by a Guest to instances of rare circumstances.
- Require cellular phone, fax backup, and e-mail in all mutuel departments.
- Improve technology to increase transmission speed of manually merged data.
- Improve integrity of data by requiring audit after the fact and verification of Guest lock time.
- Practice manual merges periodically, so all parties are familiar with the procedure.

- When a problem occurs, Guest should lock pools, run reports, begin faxing/e-mail, and then attempt to re-link.

As part of its due diligence audit of the manual merge, the host should produce a prices report for the Guest before going official with the prices.

Emergency Procedures - Separate Pools

Separate Pool Wagering

A separate pool simulcast can be affected only by a local tote problem or an error in program information dissemination from the Host, which may be corrected in a timely manner. Procedures involving invalid pools and refunds are the same as for a live race. Some jurisdictions require a video feed or Stewards phone call to verify the lock time and the OOF.

Rebuilding Separate Pools

All tote systems have the capability of re-building pools given enough time.

Track management must decide how long it can wait before announcing a decision, short of riling the public. Most pools can be rebuilt and the public satisfied, averting the frustration and problem of refunds. Depending on state or jurisdictional regulations, choices are somewhat limited. Action should be taken as quickly as possible with the betting public's interest being the major concern.

(The ARCI *Model Rules of Flat Racing*, Chapter 9: "Pari-Mutuel Wagering," can be obtained online at www.arci.com or by contacting ARCI.)