

State Lawmakers Urged to Take ADW Action

By Jack Shinar

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As the popularity of advance deposit wagering increases, states need to take action to protect their horseracing industry, the president of the Thoroughbred Owners of California told a group of legislators meeting June 13 in Northern California. Drew Couto told the National Council of Legislators from Gaming States conference in Napa, Calif., that the conflict between ADW companies, the tracks and horsemen "is extremely problematic for our industry.

"Less than 50 percent of the revenues from ADW flow to racing interests," he added.

Couto noted that only two states – California and Virginia – have laws governing the relationships between the tracks, horsemen and ADW providers. He urged lawmakers to examine those statutes in order to produce a model law that can be adapted in all states where pari-mutuel wagering is legal.

Legislators, he said, need to specifically define issues such as host fees, which are paid to the horsemen and tracks that produce racing; source markets, which are where wagers originate; and source market fees, the rate ADW companies pay for the right to take those wagers.

Couto said that otherwise, out-of-state ADW companies can continue to harm the industry by, for example, defining the host market as only the area within a 25-mile radius of a racetrack. Under California's law, he said the entire state is considered a host market.

But elsewhere in the country, "There's a free-for-all going on (with ADW) that's hurting the residents of your state," he said.

Bettors that used to wager at the track or at simulcast facilities are increasingly attracted to the ease and convenience of account wagering by phone or computer, Couto explained to the NCLGS pari-mutuel committee. The percentage of revenue that tracks and horsemen used to get drops dramatically when the bet is placed through an ADW provider.

He said ADW companies now conduct wagering in 43 states and estimated that the service providers receive about 58% of the revenue realized through such bets.

"These are companies that contribute nothing – nothing – to the overall good of the industry," Couto said.

Couto did not specifically address ADW disputes in jurisdictions such as Florida and Texas, where horsemen have

demanded a bigger share of the pie and have withheld contractual consent. He said horsemen, in "one of those rare times in the industry," are prepared to fight this issue.

In other reports, industry consultant Ken Kirchner updated the pari-mutuel committee on progress toward a national policy governing racehorse medication. He noted that the U.S. Congress has called for a meeting with the racing industry on medication issues and other problems related to breakdowns.

He said that wagering security continues to be a problem, noting the recent fracas involving Scientific Games regarding quick-pick wagers in California.

"It points out," he said, "that the weak link in wagering security continues to be the totalizator companies ... that in many ways operates unfettered by oversight."

Dr. Rick Arthur, the California Horse Racing Board's equine medical director, told the committee that the state has seen a significant decline in horse fatalities as a direct result of breakdowns since tracks have switched to synthetic tracks. But he also noted that specific types of racehorse injuries, such as rear end problems, appear to be on the increase, although there is no scientific data to support that finding.

Arthur also told the committee that several states, including California, are moving ahead with model rules patterned after those in Australia that bans the use of anabolic steroids in horses. He said several other jurisdictions are struggling with the issue of testing costs, but that California intends to hold the first anabolic steroid-free Breeders' Cup at Santa Anita this fall.

"The major problem is adequate funding for testing," Arthur told the legislators. "It's a very expensive process and technically demanding. California, Pennsylvania and New York have well-funded (lab) programs but other states don't. Frankly, it's an inefficient way to do business. "