

**The Task Force on the Future of Off-Track Betting in New York State
Summary of Comments Received from the May 2009 Request For
Information From
Tote & Service Providers**

AmTote – (Tote provider for NYCOTB and Buffalo Raceway)- They earn revenues from NYS racing operations in two ways, as a provider of tote services and ITW interface fees with locations that don't use AmTote.

- Expressed concern of the “increased political momentum” of placing the cost of monitoring tote activities on the tote company. Believes cost is a major issue.
- Support regulating ADW providers that have customers in NYS just as current state operators are.
- Believes concentration should be on increasing revenues and not on cost cutting. Ideas to increase revenue are:
 - Ease account sign-up for ADWs
 - Enable casual cell phone based wagering
 - Ease expansion of restaurant/pub/convenience store OTB outlets
 - Ease introduction of new super exotic wagers targeted at the non-traditional horse wagering customer.
- Believes that consolidation of tote services under one provider will not produce significant savings. States that 86% of tote cost is from staffing and paper which will not change with consolidations and that 91% of capital cost are terminals and outlet-based equipment that will also not change as a result of consolidation.

United Tote – (Tote provider for NYRA, Capital OTB, Western OTB, Batavia Downs, Finger Lakes, Tioga Downs and Vernon Downs) – States that the NY OTBs were originally intended to enlarge the market areas of the tracks and enhance customer service. However they have become competitors with the tracks and their operations are imbalanced by regulatory impositions.

- Suggest the tracks and OTBs consolidate resources and their governance to increase profitability.
- Consolidation of some or all of the 6 OTBs would reduce the cost of operations, increase technical efficiency, improve regulatory capabilities and efficiencies and vastly enhance customer experience. Provides several examples of duplicate cost including the fact that ITW interface fees would no longer be required. ITW interface fees are typically .15% of handle (about \$4 million per year) and that personnel cost are about half of one percent of handle. One central system would also present huge cost savings for Internet account wager platform and allow customers to use their accounts at any NYS location, which currently cannot be done.
- States that fewer systems handling larger volumes of data provides for better regulatory control and will lower costs for 3rd party monitoring of the systems.
- Suggests that consolidating NYCOTB tote system with Capital and Western OTBs massive efficiencies can be achieved. Even more could be done if Catskill

OTB were to join. They do not recommend mandating such consolidation but rather establishing a consolation plan that addresses long-term costs and benefits.

- Other regulatory suggestions include:
 - Eliminate surcharge on winnings
 - Eliminate other breed and time of day restrictions including restrictions on thoroughbred and harness.
 - Eliminate subsidies payments that some entities are currently forced to pay others, frequently their competitors.
 - Aligning ADW operations with the tracks into a source-based model.
- Believes that NYS should regulate out-of-state ADWs, including United Tote's parent company Youbet.com however there should be no newly created fees and taxes imposed on such entities. United Tote believes that such additional fees would artificially suppress the largest growth for NYS track handle (ADWs) and therefore cause an adverse effect on them. Furthermore other jurisdictions may follow suit, which will in turn further suppress handle particularly on NYRA races.
- Recommendation to optimally utilize the OTB system are:
 1. Provides specific ideas on the form of a single Statewide OTB, its directors and regulatory structure.
 2. Promote NY racing as a whole and have the OTBs operate as an extension of the tracks, they way it was intended. Says the image of OTB is tarnished and needs to be "re-branded".
 3. Combine live teller operations into a single service based system so there is one provider that can be accessed throughout the State.
 4. License ADW's to ensure security and protection to the bettors and not create market manipulation protectionism.

Scientific Games Racing LLC – The key to a healthy horse racing industry is distribution and the OTBs are the primary way to achieve this. Believe the NYS OTBs are at an unfair competitive disadvantage to out of state ADWs and that this situation should be addressed. They recommend the New Jersey model for regulating ADWs be explored. They support legally compliant measures to increase handle and suggest OTB models in other countries such as Sweden, UK, France and the Dominican Republic be studied for ideas on ways to increase distribution and handle in New York. They believe that tote operators, because of the nature of the business, can provide useful information in this area and appreciate the opportunity to do so.