

PRESENTATION RELATIVE TO OFF-TRACK BETTING

IN

NEW JERSEY

PRESENTED TO THE

OFF-TRACK BETTING STUDY COMMISSION

by the

Off-Track Betting Committee Representing the

Garden State Racing Association

Monmouth Park Jockey Club

Atlantic City Racing Association

New Jersey Horseman's Benevolent Protective Association

and

The Jockey's Guild, Incorporated

May 10, 1972

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CHAIRMAN'S REMARKS

Gentlemen:

I am appearing before you tonight as Chairman of the Off-Track Betting Committee representing Garden State, Monmouth Park and Atlantic City race tracks, the New Jersey Horsemen's Benevolent Protective Association and the Jockey's Guild, Inc. We are most pleased to have this additional opportunity to make our views relative to OTB known to your Commission. In the document which we have presented to you and the remainder of the presentation which we are making to you tonight, we believe that we have addressed the questions raised by your Commission, and we believe we are presenting a very satisfactory approach towards the implementation of OTB in New Jersey.

First, let us state our understanding of the objectives of an OTB system in order to establish a base-line discussion. They are simply stated:

1. Continued high quality racing in New Jersey
2. Reasonable revenue to the state
3. An expansion of interest in racing
4. The earliest and least costly implementation of a system that will accomplish these ends.

There are many facts that were available to us which we could examine relative to these objectives. Certainly exotic wagering has

proven to be very successful in those countries that have based OTB systems on this type of approach. Exotic wagering also provides for the potential of large pay-offs and therefore would allow for higher "take out" to assure an economically feasible system. The use of delayed television and other forms of promotion associated with exotic betting could greatly enhance the revenue available from this source as well as increase interest in racing on the part of the public.

On the other hand experience has shown that conventional wagering OTB tends to sharply reduce attendance and on-track revenues and that those systems which have been proposed and/or implemented to accomplish conventional wagering OTB have proven to be very costly and complex to operate and very difficult to achieve the continuing turnover of money that contributes to the success of on-track wagering.

For these reasons, we conclude that the establishment of an OTB system in New Jersey should initially be limited to exotic wagering. This system should be made as attractive as possible to the general public by offering daily wagering through existing retail establishment and at a price which everyone can afford. We also believe that such a system can be implemented with very little state investment within the immediate future and in such a manner as to assure the continuing improvement in the quality of racing in New Jersey while at the same time providing substantial revenue to the State.

We have not at this time addressed ourselves to the specific form of legislation that should be introduced to enable the establishment of such

an OTB system. We are prepared to offer the personnel and facilities of the Thoroughbred Racing Industry towards this end. We believe that under the control and guidance of a state authority specifically established for the operation of OTB in New Jersey, the Thoroughbred Racing Industry should implement and operate an exotic wagering OTB system for the State of New Jersey which would guarantee the stated objectives of such a system and eliminate the pitfalls of other proposed systems.

I would like to at this time introduce Mr. Theodore W. Geiser, who is counsel for the H.B.P.A. and who will present our evaluation of the alternative OTB systems.

Thank you,

Thomas J. Brogan
Chairman

I. INTRODUCTION

In accordance with the expressed desires of the New Jersey Off-Track Betting Study Commission, Monmouth Park Jockey Club, Garden State Racing Association and Atlantic City Racing Association jointly with the New Jersey Division, Horsemen's Benevolent and Protective Association, have addressed themselves to the entire subject of Off-Track Betting in New Jersey and in particular, the seventeen questions to which the thoroughbred industry has been asked to respond. As was suggested, we have addressed ourselves generally to the subject matter and have incorporated in this response treatment of the problems raised by these questions.

Accordingly, Section II of the response presents a summary position statement of the Thoroughbred Racing Industry in New Jersey. This summary statement presents our understanding of objectives, current facts, conclusions and recommendations relative to a projected OTB system for New Jersey.

Section III presents the New Jersey Thoroughbred Industry response on a point-for-point basis to the seventeen questions.

Section IV presents a direct comparison between Straight Wager OTB and Exotic Wager OTB based on criteria established by the thoroughbred industry. This comparison is made on the basis of advantages and disadvantages for each type of system and a scoring of the two concepts is developed.

Finally in Section V a proposed structure for an Exotic Wagering OTB system is presented.

II. THOROUGHBRED RACING INDUSTRY POSITION ON OTB IN NEW JERSEY

The Thoroughbred Racing Industry in New Jersey has taken the liberty of preparing a position paper which presents an objective analysis of the current situation relative to off-track betting, together with a proposed program designed to afford New Jersey the opportunity to launch an OTB system in a very short time and without a massive capital outlay. In essence, the suggested program is as follows:

- a. Certain types of off-track betting offer a high revenue source for the State of New Jersey.
- b. In order to develop this revenue source, the State of New Jersey should establish a State Authority with the statutory powers to implement and operate off-track betting in New Jersey.
- c. Under the policy and guidance of this authority, and because of their expertise all aspects of the business of racing should be responsible for the operation of this OTE system.
- d. The initial venture of the Authority should be implementation and operation of an exotic form of off-track betting.
- e. Based on marketing information developed from exotic OTB and with the revenue base from exotic OTB, expanded versions of OTB would become economically feasible.
- f. Regardless of the selected form of OTB in New Jersey, an association of the race tracks should be the responsible operating party along the general lines presented in the NASRC OTB study.

In order to arrive at this position and to crystalize our thinking on this subject we are presenting our statement under four general headings namely; (1) Objectives, (2) Facts, (3) Conclusions and (4) Recommendations.

OBJECTIVES

Any off-track betting system which might be adopted by New Jersey ought to be so designed as to accomplish the following.

101. Insure the financial feasibility of the continued operation of first-class racing in New Jersey from the point of view of track operations as well as the breeding and training of first-quality horses.
102. Generate reasonable revenue to the State of New Jersey over and above recovery of capital cost and operating expenses, while affording a fair return upon the wager.
103. To the extent possible, in conception and design, to attract "fresh" money and consequently new interest in the sport and spectacle of racing.
104. Provide for the earliest possible operation, at the least capital and "start up" cost, and the most economical operational expense. To minimize initial investment risk until profitability is proven.

FACTS

On the basis of experience elsewhere, there are facts upon which we can reasonably rely on developing a set of conclusions appropriate to the objectives set forth above:

201. "Exotic" wagering has afforded a sound financial basis for the conduct of racing operations in those countries which have adopted this form of wagering. We refer to France, Australia, New Zealand, etc. as well as Puerto Rico.

202. "Exotic" wagering, off-track, need not be fully automated although equipment is presently in use which could be readily adapted to the sale and accounting of entries without excessively high payroll costs.

203. "Exotic" wagering, because of the potential for large pay-offs, offers an attractive investment despite a larger "take out." The success of state lotteries throughout the country proves this point.

204. "Exotic" wagering can provide a broad base for OTB, thereby attracting new interest and "fresh money" which would not otherwise be available.

205. Delayed-tape telecasts during the evening can add suspense elements, particularly in the case of "exotic" wagers, and through the use of this medium develop new interest in racing.

206. "Exotic" wagering would not require complicated and expensive tie-in with on-track pari-mutuel facilities since the odds on any particular combination would depend on the single pool and have no direct relationship to actual odds on any one horse in any one race.

207. Conventional wagering off-track tends to sharply reduce attendance at the track and consequently seriously reduce collateral revenue sources such as admissions, programs and the like.

208. Conventional wagering, off-track, has been shown to have high operating costs including payroll, computer equipment, telecommunications services, real estate rental and improvements and special security and banking provisions.

209. Conventional wagering, off-track, tends to reduce per capita wager as contrasted with on-track betting because of the difficulty in "betting back" money won on a race in succeeding races.

210. Conventional wagering, off-track, where racing is conducted during the day, has an adverse effect upon industry and commerce generally, since it encourages absenteeism.

CONCLUSIONS

301. New Jersey has presently an opportunity to pattern its off-track betting upon principles proven successful in other countries and Puerto Rico.

302. The program should initially be limited to an exotic wager, on a daily basis, with tickets sold through numerous outlets.

303. The basic wager ought to be modest, one dollar or two, with the view of developing new interest in racing and attracting "fresh money".

304. The percentage take-out from off-track betting of an "exotic" nature can be thirty-five percent; twenty-seven percent for the State, four percent for the tracks and four percent for the horsemen, which would provide a sixty-five percent return to the bettor while assuring the continued improvement of the quality of racing in New Jersey.

305. Assuming "exotic" wagering only, with a basic wager of one dollar requiring selection of not less than four winners (or four in order of finish) using New Jersey tracks only, we would estimate that the gross handle would approximate seven hundred and fifty thousand dollars per day on the assumption that only one wagering opportunity was available. Increasing the number of wagers available each day would not, in our opinion, increase the handle in proportion to the number of wagers; the curve would decline sharply as alternate wagers are made available.

306. Since the exotic wager would not require "betting parlors", the costs of establishing such locations would be eliminated. We do not mean to suggest that, in the future, such a concept would not be practical. We merely observe that from the standpoint of time and economics, these sophistications are not immediately desirable. The related problems of absenteeism, loitering and the like will not arise under the proposed system.

307. The existing staff, expertise and funding capacity of presenting licensed track operators ought to be used to the fullest extent possible in order to permit the earliest possible implementation of the program.

308. The form of the legislation at this preliminary stage does not, we think, require detailed comment. We would be happy to participate in the drafting of appropriate legislation to implement the foregoing.

309. An exotic betting system would allow for a very rapid entry into the off-track betting field. This system would be used to test the available market and also as a source for the funds necessary to study and develop appropriate expansions of off-track betting.

310. We are opposed, in principle, to off-track betting across state lines. We do not feel it wise to have the wagering of New Jersey citizens dependent upon the police protection power of other states. We also feel that there is a distinct disadvantage that could accrue to the other states in the event that these other states institute OTB systems. If New Jersey were offering a better quality of racing than these other states there could very likely be a serious reduction in the amount of on-track wagering in these other states. In a like manner, neighboring states could accept wagering against New Jersey tracks without any capital investment and a lesser take out. This higher pay back could seriously effect New Jersey revenue and attract New Jersey wagering revenue to these other states. It does not seem prudent for New Jersey to enter into a revenue "war" with other states.

RECOMMENDATIONS

Based upon the foregoing, we are pleased to submit the following concrete recommendations:

401. STRUCTURE: Off-track betting ought to be supervised by and through an autonomous public corporation; an "Authority", with appropriate statutory powers. This Authority ought to employ, to the fullest extent possible, the expertise of those presently engaged in the operation of race tracks in New Jersey to administer and conduct OTB operations on a contract basis.

402. SYSTEM: The system of exotic betting should be based on existing systems such as the French Tierce, the Pick 6, the Big E, the super perfecta or other very successful systems.

403. TIMING: The proposed system of "exotic" wagering could be designed and installed in a fairly short period of time on a state-wide basis throughout New Jersey. This could be accomplished with relatively small initial investment on the part of the State of New Jersey.

SUMMARY

Based on the foregoing, there are three main items that can be deduced. The first is that the best way of achieving the objectives desired would be to enter into a cooperative effort between the racing industry in New Jersey and the State of New Jersey for the design, implementation and operation of off-track betting.

The second point is that any form of off-track betting system installed in the State of New Jersey should not be highly competitive with existing types of wagering, either on-track or the very successful New Jersey Lottery System.

Finally, that an "exotic" form of off-track wagering would satisfy these basic requirements. Such a system can be installed very rapidly and thereby provide a revenue base for the development of appropriate expansions of off-track betting. Under these circumstances it would not be necessary for the State to raise the necessary funds, either out of current appropriations or through revenue bonds to finance its entry into expanded off-track betting.

III. THOROUGHBRED RACING INDUSTRY RESPONSE

TO OFF-TRACK BETTING COMMISSION

QUESTIONS OF APRIL 27, 1972

1. The form and scope of the legislation which would enable the establishment of OTB in New Jersey necessarily depends on other basic decisions, such as the expected structure of that OTB system, and should be considered after these basic decisions have been made.
2. The revenue to be derived from racing as well as from OTB is directly related to the number of racing days. Although increasing the New Jersey racing season is a policy decision for the state, the industry favors year round racing. Of course, any investment in OTB equipment, facilities and organization would not be revenue producing in the absense of racing while some operating costs would continue.
3. We recommend the immediate implementation of a system initially limited to exotic wagering. Experience has shown that the implementation of a conventional off-track wagering system throughout the State of New Jersey would be extremely costly and very slow to accomplish. For this reason, and because it does not appear to be wise to try to immediately recover the investment costs necessary for a conventional off-track wagering system from the revenue of this system, a revenue bond or other forms of capital financing would be necessary to fund such a system. If an exotic OTB system, however, was designed and implemented in the State of New Jersey

and began to develop the revenue which it is capable of producing this exotic wagering system could then form the economic basis for the later expansion off-track betting wagering system without resorting to these other revenue raising techniques.

4. Increasing the services available at OTB parlors will almost certainly improve the amount of wagering handled by the OTB system. Increasing the services, however, would also cause a large increase in initial investment for the establishment of such facilities. This increase in investment argues in favor of the concept of first establishing an exotic off-track betting system to help develop a large revenue base to support any implementation program. Such conveniences, besides the initial costs, would obviously have an immediate and direct effect upon on-track attendance and handle with the consequent reduction in state revenue from these sources.

5. Exotic wagering OTB would constitute an independent pool while with a conventional OTB system a common wagering pool is essential. Among other considerations, different pools for conventional betting on and off-track would encourage illegitimate use of OTB. We emphasize that this problem does not arise in the case of exotic OTB.

6. As a matter of policy, the various elements of the New Jersey Thoroughbred Racing Industry oppose the acceptance of wagers upon events conducted outside of the State of New Jersey. New Jersey ought not to depend upon events lying outside of the regulatory authority of

the State of New Jersey. There are other reasons for this position. The higher the quality of the horses entered into particular races, the more the attraction of those horses to the wagerer. This is based on the fact that higher quality horses generally perform more consistently and therefore the handicapper is better able to predict the performance of a particular horse. If off-track betting existed in several states and if interstate wagering were allowed in all these states, there is a high probability that people would prefer to bet on those races which offer the highest quality horses. Based on this, we believe that it would not be wise for the State of New Jersey to enter into a revenue "war" with other states relative to off-track wagering.

7. Based upon our response to question 6, year around OTB can only exist in New Jersey if there is year around racing in New Jersey. Obviously, any OTB system instituted in New Jersey would benefit from an extension of the existing racing season.

8. Experience at the California tracks relative to accepting wagers from 18 year olds has indicated that very little growth in total handle accrues from this segment of the racing public. However, the promotion and continuing development of interest in racing is of direct and continuing importance to the success of the racing industry and to any form of OTB. For this reason the New Jersey Thoroughbred Racing Industry greatly favors the inclusion of eighteen year olds into the betting public.

9. Exotic wagering is geared to the modest investment with the prospect of a relatively large reward. A minimum bet of one dollar will certainly broaden the potential market for OTB in New Jersey. Modest wagers encourages multiple betting. The lowering of the minimum bet, however, relative to conventional wagering poses serious problems. Studies have shown that it would cause a significant drop in revenue at the race track if the minimum betting price were reduced from a \$2.00 limit now established.

10. The obvious desirability of prompt pay-out is an important consideration but must be balanced against the cost and potential security problems associated with providing such a service. In our opinion the recommended exotic wagering OTB can be structured to guarantee pay offs not later than the morning following the racing date. If the suggested plan for the implementation of exotic OTB and later implementation of expanded OTB were accepted, methods of accomplishing very rapid prize payment could be studied during the delay period. When the decision is made to go ahead with expanded OTB, then a suitable rapid prize payment system with the necessary security shall be made available.

11. The ideal organizational structure would provide for operation of OTB under the policy guidance of an autonomous public authority created under a statute which guarantees the growth and prosperity of the Thoroughbred Racing Industry to assure the success of OTB. The interests of the state, the tracks and the horsemen have always been

symbiotic; this interdependence must be continued lest racing expire in New Jersey.

Consequently, the proposed Authority ought to be so organized as to provide positive insurance against the destruction of the industry upon which OTB will depend. This Authority should employ the expertise of those presently engaged in the operation of race tracks in New Jersey to administer and conduct OTB operations.

12. The percentage of take-out which is calculated to best produce the desired results certainly depends on the form of wager. An exotic wagering system warrants much larger take-out than a straight wager system, and this could be accomplished without offending the reasonable bettor. Based on present experience it appears that for an exotic wager OTB system that a 35% take-out, of which 27% accrues to the state and operating organization, 4% to the tracks and 4% to the horsemen, is a reasonable base line. If an association of the tracks is called upon to implement and operate all or part of this system, recompense for this effort will be necessary. Experience with this division of take-out will determine the adequacy of these percentages. After serious consideration of the economics of a conventional OTB system, we find it extremely difficult to recommend a specific distribution of take-out. Experience indicates that the cost of operations is in excess of 12% of the handle. Our studies indicate that another 10%, minimum, of the handle or a total of more than 22%,

would be necessary to compensate tracks and horsemen for the expected losses while at the same time continue to have these organizations provide the best possible racing in the State of New Jersey.

Appendix A to this document presents an analysis of the necessary compensation to the tracks and horsemen if the total OTB handle equalled the loss in on-track handle. Appendix B presents tables of necessary compensation for different levels of reduction in on-track handle and gross OTB handle.

13. /14. It is the opinion of the Thoroughbred Racing Industry that any form of OTB would reduce attendance and handle at the race tracks. It is our opinion, however, that the 4% allocated to the tracks and 4% allocated to the horsemen as indicated in our response to question 12 would probably overcome the losses associated with attendance and mutuel handling, while at the same time providing an attractive incentive to so structure the races in New Jersey as to attract the highest possible OTB handle through exotic wagering. It should be noted that even with this return, New Jersey would not be able to approach the New York or California purse structure.

15. As Appendix C to this document, the racing industry is attaching some information relative to the public relations and other activities of the race tracks which have been implemented to increase attendance and interest in the sport of racing. It should be noted that segments of the Thoroughbred Racing Industry have been advised by counsel that

premiums and giveaways may be in conflict with certain State laws. It should also be noted that legal class action is underway in other states relative to promotions that have been carried out in the past that could be considered discriminatory.

16. Using New Jersey tracks only and limiting wagering to exotic combinations, we estimate an initial handle of approximately \$750,000 for the combined thoroughbred and standardbred races per racing day. We believe this to be a reasonable estimate and one which is based on an OTB structure which would not be competitive with the existing New Jersey Lottery. For a conventional OTB system, experience has shown that the OTB handle tends to about equal the loss in handle at the tracks. For this reason and based on the comparative size and betting nature of New York City and New Jersey, we believe that the maximum OTB handle that could be expected in New Jersey would be \$500,000 per day for both thoroughbred and standardbred racing.

17. The New Jersey Thoroughbred Racing Industry is not in favor of opening OTB parlors in the State of New Jersey at this time. Instead we believe that an exotic wagering OTB system could be operated very successfully through the use of existing racing facilities and existing members of the New Jersey business community. Once this exotic wagering OTB system was under way and developing the revenue base necessary for the implementation of expanded OTB, then that kind of a system should be developed by the same cooperative effort between the new State Authority and the racing industry.

SECTION IV.

In this section a comparative evaluation is made between Exotic and Conventional OTB systems as they relate relative to the immediate implementation of these systems.

IN ORDER TO ESTABLISH A SUCCESSFUL OTB OPERATION
IN NEW JERSEY IT IS FIRST NECESSARY TO MAKE A
COMPREHENSIVE ANALYSIS OF HORSE BETTING FROM
AN INVESTMENT, OPERATING COST AND MARKETING
VIEW POINT

- THIS WAS NOT DONE IN NEW YORK OR
ANYWHERE ELSE
- WHAT WAS DONE IN NEW JERSEY FOR
LOTTERY MUST BE DONE IN NEW JERSEY
FOR OTB
- WE ARE TAKING THIS APPROACH FOR
NEW JERSEY

THE FOLLOWING SLIDES DETAIL THE ESSENTIAL CHARACTERISTICS OF CONVENTIONAL OFF-TRACK BETTING AND EXOTIC WAGERING.

WE DEFINE CONVENTIONAL OFF-TRACK BETTING AS A SYSTEM WHICH PROVIDES THE SAME WAGERING OFF-TRACK AS ARE CURRENTLY AVAILABLE ON-TRACK.

WE DEFINE EXOTIC WAGERING AS A SYSTEM REQUIRING THE SELECTION OF A MULTPLICITY OF ENTRIES SUCH AS THE FRENCH TIERCE OR THE PUERTO RICAN 5/6.

OVERALL ECONOMICS

	<u>EXOTIC WAGER- ING</u>	<u>CONVEN- TIONAL OTB</u>
PRIZE PAYMENTS	50-65%	83 %
OPERATING EXPENSES	18 %	More than 22%*
NET STATE REVENUE	17-32 %	NEGATIVE

CONCLUSIONS

- CONVENTIONAL OTB IS VERY SENSITIVE TO FLUCTUATIONS IN OPERATING COSTS AS WELL AS BEING A LOW PERCENTAGE REVENUE PRODUCER WHEREAS EXOTIC BETTING HAS MUCH HIGHER RETURN POTENTIAL AND CAN BE SUCCESSFUL ON LOWER GROSS HANDLE.
- EXOTIC WAGERING HAS THE APPEAL OF OTB AND THE ECONOMIC CHARACTERISTICS OF MASS CONSUMER PRODUCTS

* This value does not include the amortization of the original investment cost for either the required computer equipment and programs or the establishment of betting parlors.

CONVENTIONAL OTB

CHARACTERISTICS	ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none"> • SHOULD BE LIKE TRACKS <ul style="list-style-type: none"> • EASY TO PURCHASE • LATEST ODDS • PUBLIC ANNOUNCEMENTS • PLEASANT RECREATIONAL ATMOSPHERE * • REFRESHMENTS, • REST ROOMS, • LOUNGES • SALE OF PROGRAMS • CLOSED CIRCUIT TV • COMMON POOL A NECESSITY • IMMEDIATE PAYMENT OF PRIZES 	<ul style="list-style-type: none"> • MORE ACCESSIBLE THAN TRACKS • FRIENDLY ENVIRONMENT • APPEALS TO ENTHUSIASTS 	<ul style="list-style-type: none"> • COMPLEX ON-LINE FACILITIES • DIFFICULT TO ACHIEVE AN ATMOSPHERE LIKED BY ALL SEGMENTS OF THE PUBLIC. THE MORE OTB SERVICES PROVIDED THE GREATER THE NEGATIVE IMPACT ON ON-TRACK OPERATIONS. • DIFFICULT TO ACHIEVE EASY ACCESS TO RURAL AND SUBURBAN AREAS • SUBJECT TO EQUIPMENT AND COMMUNICATIONS DISRUPTIONS • WOULD REQUIRE A LARGE INVESTMENT FOR AN UNCERTAIN AND UNPROVED DEMAND • LONG IMPLEMENTATION PERIOD • REQUIRES CAREFUL PLANNING • LOW PERCENTAGE RETURN • COMPETES WITH TRACKS • REQUIRES TIGHT CONTROL TO HANDLE CASH RECEIVED AND PAID OUT.

* MAY HAVE TO LEVY REASONABLE ADMISSION CHARGE

EXOTIC WAGERING

CHARACTERISTICS	ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none"> • DAILY ACTION • WIDE AVAILABILITY VIA RETAIL OUTLETS • LOW PRICE • EASY TO PLAY • REQUIRES QUALITY HORSES AND A FULL FIELD FOR MAXIMUM PUBLIC ACCEPTANCE 	<ul style="list-style-type: none"> • LOW INVESTMENT • SUCCESSFUL IN OTHER COUNTRIES • APPEALS TO BOTH HANDICAPPERS AND NON-HANDICAPPERS • INCREASES GENERAL PUBLIC INTEREST IN HORSE RACING • RAPID IMPLEMENTATION • SIMPLE TO PROMOTE 	<ul style="list-style-type: none"> • MAY NOT APPEAL TO ALL HANDICAPPERS

THE FOLLOWING SLIDES PROVIDE A COMPARISON
BETWEEN CONVENTIONAL OTB AND EXOTIC
WAGERING. THE FOLLOWING FACTORS ARE
CONSIDERED:

- RISK
- NET RETURN TO NEW JERSEY
- PUBLIC PARTICIPATION
- TIME TO IMPLEMENT
- INVESTMENT REQUIREMENT
- MEADOW LANDS DEVELOPMENT
- UTILIZATION EFFICIENCY

RISK

SYSTEM	RISK FACTORS	LOWEST -10 HIGHEST - 0 RATING
• CONVENTIONAL OTB	COMPLEX ON-LINE SYSTEM SUBJECT TO COMMUNICATIONS AND EQUIPMENT OVERLOADS, BREAK-DOWNS AND DEGRADATION	0
• EXOTIC WAGERING	REQUIRES BATCH PROCESSING COMPUTERS AND TICKET HANDLING EQUIPMENT WHICH CAN BE BACKED-UP IN CASE OF MALFUNCTION. TIME CRITICAL ACTIVITIES ARE MINIMIZED	8

TIME TO IMPLEMENT

SYSTEM	IMPLEMENTATION FACTORS	LOWEST -10 HIGHEST - 0 RATING
• CONVENTIONAL OTB	SET UP PARLORS, HIRE PEOPLE OBTAIN MACHINES, COMPUTER DESIGN SYSTEM AND SOFTWARE AND AT LEAST 16 MONTHS FOR START OF INITIAL OPERATIONS. PHASED IMPLEMENTATION AT LEAST THREE YEARS CONSTRU- CTION OF GOOD PARLORS ON A STATEWIDE BASIS.	0
• EXOTIC WAGERING	APPROXIMATELY 6 MONTHS DE- SIGN & STATEWIDE OPERATION	10

NET RETURN TO STATE

SYSTEM	% RETURN	LOWEST - 0 HIGHEST -10 RATING
• CONVENTIONAL OTB	17% GROSS RETURN-LESS 10% OPERATING COST-LESS 10% COMMISSION-NET TO STATE IS NEGATIVE	2
• EXOTIC WAGERING	50-35% GROSS RETURN-LESS 18% OPERATING COST NET TO STATE 17-32%	10

PUBLIC PARTICIPATION

SYSTEM	PARTICIPATION	LOWEST - 0 HIGHEST -10 RATING
• CONVENTIONAL OTB	RACING ENTHUSIASTS MAINLY - MORE FREQUENT PLAY THAN AT TRACK COMPETES DIRECTLY WITH TRADITIONAL TRACK ATTENDANCE AND WAGERING	2
• EXOTIC WAGERING	RACING ENTHUSIASTS AND THE GENERAL PUBLIC - WIDE ACCESSIBILITY OFFERS AN ADDITIONAL MODE OF WAGER- ING WHICH CAN ATTRACT NEW INTEREST IN HORSE RACING. ONLY MODERATELY COMPETITIVE WITH TRACK ATTENDANCE	10

INVESTMENT REQUIREMENT

SYSTEM	INVESTMENT	LOWEST -10 HIGHEST - 0 RATING
• CONVENTIONAL OTB	INVESTMENT - VERY HIGH NEW APPROACHES MAY REDUCE COST. LONG LEAD TIME TO RECOVER MONIES	2
• EXOTIC WAGERING	LOWEST INVESTMENT - WILL BE PAID BACK QUICKLY	10

MEADOWLANDS DEVELOPMENTS

		LOWEST - 10 HIGHEST - 0
SYSTEM	FACTOR *	RATING
• CONVENTIONAL OTB	INTRODUCTION OF OTB WOULD REDUCE PROJECTED REVENUES AT THAT FACILITY. UNCERTAINTY ABOUT EFFECT OF OTB WILL INCREASE BOND COSTS AND COULD JEOPARDIZE FINANCING THE ENTIRE MEADOWLANDS DEVELOPMENT	0
• EXOTIC WAGERING	EXPECTED TRACK ATTENDANCE DECLINE IS NOT EXPECTED TO BE AS PRONOUNCED.	7
	* THE MEADOWLAND, IT IS ESTI- MATED WILL REQUIRE AT LEAST \$200 MILLION FINANCING BY MEANS OF REVENUE BONDS. RACE TRACK REVENUES WILL BE THE SOURCE OF INCOME FOR INTEREST AND PRINCIPAL REPAYMENTS.	

UTILIZATION EFFICIENCY

		LOWEST - 0 HIGHEST - 10
SYSTEM	FACTORS	RATING
• CONVENTIONAL OTB	HEAVY INVESTMENT IN FACILITIES AND LABOR REQUIRES YEAR ROUND RACING FOR ECONOMIC UTILITY.	2
• EXOTIC WAGERING	YEAR ROUND RACING IMPROVES PROFITABILITY AND FACILITIES AND LABOR UTILIZATION. HOWEVER, CURRENT SCHEDULE CAN BE MAINTAINED IF DESIRED WITHOUT ADVERSELY AFFECTING SYSTEM FEASIBILITY.	7

SUMMARY CHART

RATING	MAXIMUM VALUE = 70	
	CONVENTIONAL OTB	EXOTIC BETTING
RISK	0	8
TIME TO IMPLEMENT	0	10
NET RETURN TO STATE	2	10
PUBLIC PARTICIPATION	2	10
INVESTMENT REQUIREMENT	2	10
MEADOW LANDS DEVELOPMENT	0	7
UTILIZATION EFFICIENCY	<u>2</u>	<u>7</u>
TOTAL	8	62

CONCLUSION:

EXOTIC WAGERING IS PREFERRED TO CON-
VENTIONAL OTB IN ALL CATEGORIES.

ESPECIALLY DURING START-UP, PRUDENT
BUSINESS JUDGMENT HEAVILY FAVORS
IMPLEMENTATION OF EXOTIC WAGERING.

OTB CAN BE EXPANDED AS THE REQUIRED
OPERATIONAL TECHNOLOGY MATURES
AND AS PUBLIC DEMAND AND STATE
REVENUE REQUIREMENTS INDICATE.

APPENDIX A

IN THIS APPENDIX WE PRESENT THE
EXPECTED LOSS OF REVENUE DUE TO A 10, 15,
AND 20% DECLINE IN INCOME AT MONMOUTH PARK
JOCKY CLUB DUE TO BOTH A REDUCTION IN MUTUEL
HANDLE AND ATTENDANCE. THE LOSS IN REVENUE
IS EQUATED TO THE PERCENTAGE OF THE OTB
HANDLE REQUIRED TO COMPENSATE FOR THIS LOSS
IF THE OTB HANDLE WAS EQUAL TO THE REDUCTION
IN ON-TRACK HANDLE.

APPENDIX A

Off-Track Betting

Assuming 10% Decline in Total Revenue including Mutuel Play
(using M. P. J. C. 1971 Results)

Total Gross Income Year 1971		\$ 8,450,125
Less Items not related to Racing		
Rents	156,536	
Interest	68,694	
Bad Debts Collected	<u>39,400</u>	<u>264,630</u>
Balance of Year 1971 Gross Income		8,185,495
10% Estimated Decline		818,550
Less Estimated Payroll Saving		<u>50,000</u>
Balance of 10% Estimated Decline		768,550
Per Racing Day		12,809
Pari-Mutuel Play Year	115,026,076	
10%	11,502,608	
Per Day	191,710	
Percentage of \$191,710 needed to offset loss to track	6.68%	
Percentage to Horsemen	<u>3.74%</u>	
Total to Track & Horsemen	10.42%	

Off-Track Betting

Assuming 15% Decline in Total Revenue including Mutuel Play
(using M. P. J. C. 1971 Results)

Balance of Year 1971 Gross Income (Page 1)		\$8,185,495
15% Estimated Decline		1,227,824
Less Estimated Payroll Saving		<u>75,000</u>
Balance of 15% Estimated Decline		\$1,152,824
Per Racing Day		\$ 19,214
Pari-Mutuel Play Year 1971	\$115,026,076	
15%	17,253,911	
Per Day	287,565	
Percentage of \$287,565 needed to offset loss to track	6.68%	
Percentage to Horsemen	<u>3.74%</u>	
Total to Track & Horsemen	10.42%	

Off-Track Betting
Assuming 20% Decline in Total Revenue Including Mutuel Play
(using M. P. J. C. 1971 Results)

Balance of Year 1971 Gross Income (Page 1)		\$8,185,495
20% Estimated Decline		1,637,099
Less Estimated Payroll Saving		<u>100,000</u>
Balance of 20% Estimated Decline		\$1,537,099
Per Racing Day		25,618
Pari-Mutuel Play Year 1971	\$115,026,076	
20%	23,005,215	
Per Day	383,420	
Percentage of \$383,420 needed to offset loss to trade	6.68%	
Percentage to Horsemen	<u>3.74%</u>	
Total to Track & Horsemen	10.42%	

APPENDIX B

THIS APPENDIX PRESENTS SCHEDULES OF THE PERCENTAGE TAKE OUT FROM OTB HANDLE REQUIRED TO COMPENSATE TRACKS AND HORSEMEN FOR VARIOUS LEVELS OF DECLINE IN ON-TRACK REVENUES. THESE SCHEDULES HAVE BEEN PREPARED FOR 10 THROUGH 30 PERCENT DECLINES IN ACCORDANCE WITH VERBAL REQUESTS FOR THIS RANGE OF COVERAGE. PLEASE NOTE THAT THE EXPECTED DECLINE WOULD EVENTUALLY REACH 30% AND THE EXPECTED VALUE OF OTB HANDLE WOULD BE 500,000 PER DAY. AT THESE VALUES THE REQUIRED TAKE OUT FROM OTB HANDLE JUST TO COMPENSATE FOR LOSSES WOULD BE 11.96 %.

APPENDIX B

Off-Track Betting

Assuming 10% Decline in Total Revenue Including Mutuel Play
(using M. P. J. C. Year 1971 Results)

Balance of Year 1971 Gross Income (Page A-1)	\$8,185,495
10% Estimated Decline	818,550
Less Estimated Payroll Savings	<u>50,000</u>
Balance of 10% Estimated Decline	\$ 768,550
Per Racing Day	12,809

Estimated O. T. B. Wagering
on MPJC Racing

	<u>% Needed</u>		
	<u>Track</u>	<u>Horsemen</u>	<u>Total</u>
150,000	8.51	4.72	13.23
200,000	6.40	3.58	9.98
250,000	5.12	2.87	7.99
300,000	4.27	2.39	6.66
400,000	3.20	1.79	4.99
450,000	2.85	1.59	4.44

Off-Track Betting

Assuming 15% Decline in Total Revenue Including Mutuel Play
(using M. P. J. C. Year 1971 Results)

Balance of Year 1971 Gross Income (Page A-1)	\$8,185,495
15% Estimated Decline	1,227,824
Less Estimated Payroll Saving	<u>75,000</u>
Balance of 15% Estimated Decline	\$1,152,824
Per Racing Day	\$ 19,214

Estimated O. T. B. Wagering on MPJC Racing	% Needed		
	<u>Track</u>	<u>Horsemen</u>	<u>Total</u>
250,000	7.70	4.29	11.99
300,000	6.40	3.58	9.98
350,000	5.48	3.07	8.55
400,000	4.80	2.68	7.48
450,000	4.26	2.39	6.65
500,000	3.84	2.15	5.99
600,000	3.20	1.79	4.99

Off-Track Betting
Assuming 20% Decline in Total Revenue Including Mutuel Play
(using M. P. J. C. 1971 Results)

Balance of Year 1971 Gross Income (Page A-1)	\$8,185,495
20% Estimated Decline	1,637,099
Less Estimated Payroll Saving	<u>100,000</u>
Balance of 20% Estimated Decline	\$1,537,099
Per Racing Day	\$ 25,618

Estimated O. T. B. Wagering on MPJC Racing	% Needed		
	Track	Horsemen	Total
350,000	7.32	4.13	11.45
400,000	6.40	3.58	9.98
450,000	5.69	3.18	8.87
500,000	5.12	2.86	7.98
550,000	4.65	2.60	7.25
600,000	4.26	2.39	6.65
700,000	3.65	2.04	5.69
800,000	3.20	1.79	4.99

Off-Track Betting

Assuming 25% Decline in Total Revenue Including Mutuel Play
(using M. P. J. C. Year 1971 Results)

Balance of Year 1971 Gross Income (Page A-1)	\$8,185,495
25% Estimated Decline	2,050,000
Less Estimated Saving	<u>125,000</u>
Balance of 25% Estimated Decline	\$1,925,000
Per Racing Day	\$ 32,000

Estimated O. T. B. Wagering on MPJC Racing	% Needed		
	Track	Horsemen	Total
400,000	7.95	4.44	12.39
500,000	6.41	3.58	9.99
600,000	5.32	2.97	8.29
700,000	4.55	2.53	7.08
800,000	3.99	2.23	6.22
900,000	3.54	1.98	5.52
1,000,000	3.22	1.79	5.01
1,500,000	2.14	1.20	3.34

Based on:

Pari-Mutuel Play - 1971	\$115,026,076
25%	28,756,519
Per Racing Day	479,275

Off-Track Betting

Assuming 30% Decline in Total Revenue Including Mutuel Play
(using M. P. J. C. Year 1971 Results)

Balance of Year 1971 Gross Income (Page A-1)	\$8,185,495
30% Estimated Decline	2,440,000
Less Estimated Savings	<u>150,000</u>
Balance of 30% Estimated Decline	\$2,240,000
Per Racing Day	\$ 38,000

Estimated O. T. B. Wagering on MPJC Racing	% Needed		
	Track	Horsemen	Total
400,000	9.52	5.41	14.93
500,000	7.63	4.33	11.96
600,000	6.36	3.61	9.97
700,000	5.47	3.11	8.58
800,000	4.77	2.65	7.37
900,000	4.23	2.40	6.63
1,000,000	3.82	2.16	5.98
1,200,000	3.16	1.79	4.95
1,500,000	2.71	1.54	4.25

Based on:

Pari-Mutuel Play - 1971	\$115,026,076
30%	34,507,823
Per Racing Day	575,130

APPENDIX C

IN THIS APPENDIX THE THREE
THOROUGHBRED RACE TRACKS PRESENT
INFORMATION RELATIVE TO PROGRAMS
THAT THESE RACE TRACKS HAVE ENTERED
INTO TO IMPROVE ATTENDANCE AT THE
TRACKS AND INTEREST IN THE SPORT OF
RACING.

ACTIVITIES OF GARDEN STATE PARK TO PROMOTE
THOROUGHBRED RACING AND ATTRACT BUSINESS

1. Special promotions including bands, mounted troops, radio broadcasts, name stars, acrobatic acts, antique car displays, antique display booths, blacksmith demonstration, Mummers' bands, barbeques in conjunction with Stevens under outdoor tents, handing out of gardenias on Gardenia Day.
2. Group plan sales including price benefits for admissions and dining for organizations spending a day at the races, weekend package sales through local hotels, promotional arrangements with all major hotels in the greater Philadelphia area.
3. Free admission and parking for taxi and bus drivers bringing people to the races.
4. Naming of races including presentations for special groups at the race track.
5. Management activity in civic associations and organizations including the Chamber of Commerce, United Fund, Rotary, Economic Development Council, etc.
6. Substantial advertising and promotion expense for both spring and fall meets, including TV, radio, newspaper, magazine, as well as direct promotional.
7. Cherry Hill Inn and Cherry Hill Lodge operating as a division of Garden State Racing Association with special package plan through the Inn & Lodge. Drawing from New York City and

surrounding areas.

8. A stakes program totaling over \$700,000, with three outstanding races with added money totaling approximately: The Jersey Derby - \$300,000; The Gardenia - \$188,000; The Garden State - \$325,000; Total - \$813,000; The Jersey Derby and The Garden State are two of the five richest races run in the United States. Total purses and stakes exceeded 3.9 million dollars keeping New Jersey in a prominent position in racing.
9. A film, "Go Garden State Park," has been produced and is made available to groups without charge. Within the past five years, more than 50,000 men, women and children have seen the film.
10. A special activities program, "A Night at the Races," is staged throughout the Philadelphia-South Jersey metropolitan area, at which time civic and charitable groups are furnished films of races at Garden State Park, and proceeds from the night's program go totally and directly to the fund-raising group.
11. Saturday morning tours of Garden State Park are conducted without charge, and with several hundred men, women and children (including Boy and Girl Scouts, 4-H Groups, HI-Y's, etc.) participating.
12. Ladies Days are conducted each Thursday, with reduced prices for admission, and with fashion shows offered without charge.

13. Senior Citizen Days have been established in conjunction with the Camden County Office on Aging, the Camden City Office on Aging, and the Mercer County Senior Citizens Agency. On these special days, senior citizens are offered group prices, and occasionally, free admissions.
14. Special "during-the-week" tours of Garden State Park have been conducted for the nearby public and parochial school children (Erlton School, St. Andrew's Methodist Church School and many others).
15. All hospital horse shows conducted by Cooper, West Jersey and Our Lady of Lourdes Hospitals have been held on the grounds of Garden State Park, with promotional and publicity assistance extended by Garden State and with facilities furnished at no rental fee, only direct labor costs assessed. Other off-season shows, such as J.C.'s, Hero Scholarship Fund, 4-H and Fourth of July fireworks.
16. GSP has furnished leadership in U.S. Savings Bonds efforts over the past 30 years, resulting in numerous citations for such activities. GSP is a charter Savings Bonds sponsor and is host to the campaign's kick-off luncheon.
17. Establishment of a New Jersey tradition--Jersey Derby Weekend. The historical observances conducted as part of the Jersey Derby Memorial Day pageantry has twice won Garden State Park the Freedoms Foundation medal--the only race track in the nation to be so honored.

18. Establishing a full day of activities on Jersey Derby day, utilizing area bands and entertainers, including the top barber-shop quartets from the South Jersey area. Setting up Jersey Derby Day as a "family day" with acrobats and clowns for the children. On two separate occasions, more than 50,000 persons have attended these programs.
19. Substantial contributions to charities and local benefit programs to promote goodwill, as well as considerable contributions of highway right-of-ways to the State in order to promote better access road facilities.
20. Garden State Park is host to the New Jersey Senate, Assembly, State House Press, BIE Day, Civil Service personnel, and the New Jersey Breeders group.
21. Garden State Park is a Civil Defense staging area in the event of an emergency.
22. Garden State Park recently offered to the Delaware River Port Authority a substantial tract of land for location of a high speed line terminal for access to Philadelphia and other major population centers.

ACTIVITIES OF MONMOUTH PARK JOCKEY CLUB TO PROMOTE THOROUGHBRED RACING AND ATTRACT BUSINESS

Monmouth Park has one of the largest convention group plans of the nation's thoroughbred race tracks. These groups receive low price admissions, seating and, if they desire, luncheon and a race named in their honor with a trophy presentation.

We offer racing fans three added attractions to help the average fan learn more about the sport.

- 1) The Dawn Patrol, held every Tuesday and Thursday morning from 7:15 to 9:30, includes a trackside introduction to Monmouth Park and to thoroughbred racing in general. Starting with a breakfast snack on the clubhouse apron, race track officials conduct a tour of the paddock, jockey's quarters, starting gate and stable area.
- 2) Wednesday and Saturday at 12:40 p.m., Monmouth Park's Post and Paddock Club, a racing discussion group, convenes in an area between the walking ring and saddling enclosure adjacent to the jockey's quarters. The program features horsemen, racing officials, jockey and graphic aids as an introduction to racing for the public. A question and answer period follows each session.
- 3) Breakfast at Monmouth, a program particularly attractive to family groups, which was inaugurated in July of 1969, gives children and adults alike an opportunity to enjoy

leisurely, reasonably-priced breakfast in the Terrace Club Patio area of the clubhouse while witnessing thoroughbreds working out on the racing strips and listening to informal interviews with jockeys, trainers and prominent racing personalities.

Each year, on the last Saturday evening of July, Monmouth Park lends its facilities and personnel to the Monmouth Park Turf Charity Ball and Carnival Committee. The members of this committee organize and plan the Annual Turf Charity Ball and Carnival for the purpose of raising funds to aid the needy sick of Monmouth County. To the monies thus raised each year Monmouth Park adds its own donation of \$25,000 and the total is made available to the Monmouth Park Charity Fund, Inc., a group of local civic and welfare authorities, to distribute to qualifying organizations. The total amount so raised and distributed over the last twenty-three years is almost two million dollars. Because everyone thoroughly enjoys dancing to a name band, a program of varied entertainment, auctions, prizes, and the gay, colorful evening - all for a worthy cause - the annual Charity Ball is an important social event of the local season.

Monmouth Park distributes a 27 minute color film "Showcase for Champions" to T. V. stations, schools, clubs, and fraternal groups across the nation.

ACTIVITIES OF ATLANTIC CITY RACE COURSE TO PROMOTE THOROUGHBRED RACING AND ATTRACT BUSINESS

In order to attract new patrons A. C. R. A. was the first track to solicit group business. These groups receive low price admissions, luncheons, seats and a race named in their honor. Every race track in the country as well as all the baseball teams have followed our lead.

We have instituted a "Morning Glory Club" which meets each Saturday morning. This club is open to all. There is no admission charge and free doughnuts, milk, and orange juice are provided. The people are entertained by tram rides, movies, horse workouts and special events such as Budweiser horses, wrestlers, karate exhibitions and a special feature horse race each Saturday.

In the past several years we have spent 3 million dollars on modernizing our plant. We now have one of the most beautiful all-weather dining rooms in the country. All our rest rooms have been completely redone and new more spacious eating areas have been added.

Each year our important stake races are filmed and distributed to theatres. These features are shown in theatres throughout our area. One of these films, "Worth Running For", won the CINE Award for 1969 of the Council for International Non-Theatrical Events.

During the past two years we have had half price tickets being distributed throughout the New York and Philadelphia area by Hiram Walker liquor salesmen. The response on these tickets has been excellent.

We were the first track in New Jersey to introduce turf racing and now have one of the finest turf stakes program. In 1966 we introduced quinella wagering in New Jersey which caught on quickly and now has been replaced by similar type exacta betting. Our courtesy girls who handle patron complaints as well as give information were innovated by A. C. R. A.

Other promotional ideas which are used at A. C. R. A. include Ladies Day at the track with accompanying fashion show, hospitals day with special admission and a big car raffle, Paddock Patter with interviews of guest stars of the sport, regular daily broadcasts of the feature race and a new time luncheon radio show with news and interviews. We also use extensive mailings to clubs and business organizations.