

SESSIONS OF IFHA ANNUAL CONFERENCE IN PARIS WAGERING SESSION / STIMULATING TURNOVER

Session 4 of IFHA's Annual Conference addressed Wagering / Stimulating Turnover. Winfried Engelbrecht-Bresges was the moderator of this session, which featured presentations by Hernán Lavallen (LARC), Richard Cheung (HKJC), Martin Panza (NYRA) and Will Lambe (BHA).

Below, we share the transcription of the lecture given Hernán Lavallen, General Manager at LARC, about the scenario in South America, and the opportunities for stimulating betting in the region.



HERNÁN LAVALLEN, SOUTH AMERICA

Lavallen made an introduction by thanking IFHA authorities for inviting him to make a presentation in this panel, where he will address how is the current situation in South America, and how to stimulate Global Turnover.

The total betting generated by the members of IFHA in 2016 was 105 Billion Euros, where Latin American countries represent only the 0.6% of this total.

Below, we can see a table showing the comparison between Latin American countries in Part I, and Part II and III, and the rest of the World, and the evolution from 2013 to 2016.

Area	2013 (EUR M)	2016 (EUR M)	Increase
LATAM (Part I)	506	569	12,6%
LATAM (Part II & III)	46	55	19,1%
REST of the World	86.689	105.472	21,7%

It is clear that countries in Part I in Latin America have not evolved at their best in the area of betting, as the rest of the world has.

Lavallen speaks about the South American racetracks in Part I countries and some countries in Part II but with races in Part I:

- Argentina: Hipódromo Argentino de Palermo
Hipódromo de San Isidro
Hipódromo de La Plata
- Brazil: Gavea
Cidade Jardim
- Chile: Club Hípico de Santiago
Hipódromo Chile
Valparaiso Sporting Club
Club Hípico de Concepción
- Peru: Monterrico
- Uruguay: Maroñas
Las Piedras

All these racetracks stage races all year round, and most of them carry out around 100-160 meetings per year. Below, a detail of the betting distribution in these countries

South American Turnover per Country for Domestic Races (Pari-Mutuel) :

Year	Country	Avg. Races per Year	Annual Turnover USD (M)	Turnover per Race USD (K)
2014-2016	ARG	5.621	194	34
2017	ARG	5.596	202	36
2014-2016	BRZ	3.241	94	29
2017	BRZ	3.068	63	20
2014-2016	CHI	5.030	285	57
2017	CHI	4.926	293	59
2014-2016	PER	1.914	30	15
2017	PER	1.913	25	13
2014-2016	URU	1.572	28	18
2017	URU	1.607	24	15

Below, we can see the distribution of betting channels in each of these racetracks. Even though in some cases online betting is significant, unfortunately it is quite the opposite for other tracks.

South American Racetracks: Distribution of Bets

Racetracks	% Online	% Phone	% OffTrack	% OnTrack
Gavea	21%	3%	65%	11%
Valparaiso SC	11%	10%	69%	11%
C.H. Santiago	9%	9%	62%	20%
Hipodromo Chile	9%	10%	61%	20%
C.H. Concepcion	8%	7%	71%	14%
Las Piedras	6%	22%	45%	28%
Maronas	6%	22%	45%	28%
Monterrico	1%	0%	57%	42%
San Isidro	0%	1%	72%	27%
TOTAL	9%	9%	62%	21%

Gavea racecourse is the track which most stands out for online betting. In 2016 they have hired an international betting operator to handle their online bettings, and this has made a difference in just 1 year, and has been improving since then.

In the case of Chile, since 2015 they have created an online betting platform, and since then they have been gradually increasing their turnovers by this method.

South American Racetracks: Evolution of Online Bets

Year	Country	% Online	% Phone	% OffTrack	% OnTrack
2014	CHI	0%	8%	71%	21%
2015	CHI	4%	7%	73%	16%
2016	CHI	7%	7%	71%	15%
2017	CHI	9%	8%	67%	16%
2016	BRZ (GAV)*	17%	4%	67%	12%
2017	BRZ (GAV)*	21%	3%	65%	11%

* Since 2016, Bets Operated by PMU Brazil

Export Development (Fixed Odds/B-Pools)

Then, Lavallen came to explain about the Development of the Export of South American races to the rest of the world.

Before 2006, there were no South American races broadcasted outside the region. Then, in that year, South America began to export the signal to the USA on a daily basis, to the Maryland Jockey Club. Given the success achieved in that market, in 2009 a second channel was launched to the USA.

Since 2011, South America exports the signal to the United Kingdom and France, then in 2013 they extended to Turkey, in 2014 to Australia and since 2016 to Brazil.

With the exception of the United Kingdom (which is Fixed Odds), the rest of the market applies B-pool.

The table below shows the evolution of the Fixed Odds exports in the UK. An average of 3 meetings per month in 2011, and currently LARC exports 1 meeting per day, from each of its associated tracks.

Export Development (Fixed Odds):

Year	Host (LARC Content)	Fixed Odds Network	# Races
2011	ARG/CHI/URU	UK	617
2012	ARG/CHI/URU	UK	3.057
2013	ARG/CHI/URU	UK	4.285
2014	ARG/CHI/URU	UK	4.139
2015	ARG/CHI/URU	UK	4.080
2016	ARG/CHI/URU/PER	UK	4.079
2017	ARG/CHI/URU/PER/BRZ	UK	4.127
2018	ARG/CHI/URU/PER/BRZ	UK	4.316
TOTAL			28.200

We can observe the same growth in the B-Pool market

Export Development (B-Pools):

Year	Host (LARC Content)	B-Pool Networks	# Races	USD M
2006	ARG	USA	56	2,31
2007	ARG/CHI/URU	USA	1.972	48,07
2008	ARG/CHI/URU	USA	2.109	50,34
2009	ARG/CHI/URU	USA	2.159	46,45
2010	ARG/CHI/URU	USA	2.274	45,90
2011	ARG/CHI/URU	USA/FR	3.789	90,55
2012	ARG/CHI/URU	USA/FR	3.767	121,62
2013	ARG/CHI/URU	USA/FR/TUR	4.254	160,86
2014	ARG/CHI/URU	USA/FR/TUR/AUS	4.232	158,15
2015	ARG/CHI/URU	USA/FR/TUR/AUS	3.722	164,70
2016	ARG/CHI/URU/PER	USA/FR/TUR/AUS/BRZ	3.310	154,38
2017	ARG/CHI/URU/PER/BRZ	USA/FR/TUR/AUS/BRZ	3.920	171,97
2018	ARG/CHI/URU/PER/BRZ	USA/FR/TUR/AUS/BRZ	4.814	203,40
TOTAL			40.378	1.418,70

South American races are well accepted throughout the world. Having begun with only 56 races and a betting turnover of USD 2.31M back in 2006, we have reached 3,920 races and a turnover of USD 171.97M in 2017, and are expecting to finish 2018 with a total of 4,814 races and turnover of USD 203.40M.

In the last 12 years, we have achieved a turnover of USD 1,418.70M. This is most important for our region, encouraging our industry to develop a good product for export.

We are currently exporting the 40% of the races organized by LARC associated racetracks, and we can generate in those B-Pools a 43% of domestic bets. You can imagine the impact it would have in our pool if every track operated commingling. This is our great challenge.

Export Development (B-Pools):

LARC Annual Export Races	Annual ALL Races	% Export
4.814	12.119	40%

LARC Export Bets USD (M)	Domestic Bets USD (M)	% Export
203,40	474,01	43%

As regards the export of races in Commingling, before 2014 there was nothing made in this matter within South America. Since that year, commingling began between Peru and Uruguay.

Then, since 2015, Uruguay began to export races to USA and to Central America through ADW, and by 2017, it already represented 4.25 % of the total Uruguayan turnover.

As from 2018, a couple of Chilean racetracks also export to Central America through commingling.

Export Development (Commingling) - While South America has taken a few steps towards working with commingling, there are still important issues that don't allow for a proper development of this betting mode.

- *Commissions and fees:* In addition to the commissions that should be received for the export of South American races, the Argentinean and Chilean legislations would require for a few changes to be made to their regulations: there are currently a series of fees applied on the total turnover exported, such as a Prize Money for the local races (in ARG it is currently the 9% and in CHI it is the 10.5%), and Local Taxes (2% in ARG and 3% in CHI). These figures make it an expensive product to export, compared to the current international competition. In the case of Brazil, Peru and Uruguay, there are not such additional fees or charges applied.
- *All South American countries have low pools:* the average turnover is USD 36K, with a minimum of USD 12K and a maximum of USD 81K, depending on the racetrack and the betting types. These figures are not competitive in an International market.
- *Non-competitive Take Outs:* South American countries are aware of this situation, with an average of 28% (Min 23%-Max 41%), also depending on the racetrack and the type of betting. Some tracks have a fixed takeout of 30% for all their bets.
- An important case worth remarking is that of Hipódromo Chile, which changed their fixed takeouts in 2014, from 30% to an average 26.5%. This meant they increased the turnover, encouraged their clients, they didn't lose in the profitability and began paying their punters more than USD 4M per year.

South America needs help from the Big Markets around the World:

- South America needs to export races in commingling and increase its pools
- South American pools are currently low and non-competitive
- South America cannot do this alone
- South America needs help in finding solutions together with those big markets, and move from B-Pools to Commingling, attracting new markets to the commingling pool

Import Development (B-Pool) - As regards the import of races in South America through local B-Pools, the only country to mention is Chile, who is importing races from the USA, United Kingdom, France, Argentina, Brazil and Peru on a daily basis.

But this doesn't mean that this is working well, as their local pool is very small.

Currently, we are working with Argentina and Chile to change their legislation to allow the import of races in commingling.

Import Development (Commingling) - As regards the import of races in commingling, Uruguay began importing from USA back in 2010. Then, in 2011 Peru also began to import races from USA, and finally Brazil began importing from USA and France in 2016. All of these countries are currently importing an average of 60 races per day.

The table below shows the evolution of the Import commingling turnover in Uruguay and Peru during the last year, which shows the importance and the potential of an international simulcasting web that we should work to develop. If South America does not have simulcasting and does not import races, we are losing the income from this business, as well as the contribution for the local horseracing industry.

Import Development (Commingled)

Year	Country	Import Commingled USD (M)	Local Races USD (M)	Import vs Domestic Bets
2014	URU	8,90	30,43	22,63%
2015	URU	8,99	26,45	25,38%
2016	URU	7,69	26,15	22,72%
2017	URU	10,51	24,33	30,16%
2014	PER	7,20	33,52	17,68%
2015	PER	10,82	29,33	26,94%
2016	PER	10,15	25,98	28,09%
2017	PER	6,67	25,40	20,81%

Conclusions:

- South American races are well accepted by punters Worldwide, with more races being exported each year.
- There is an increase in the turnover for the races exported
- South American authorities need to find solutions to move the bets from B-Pool to Commingling
- In countries where simulcasting is not available yet, they should open their borders to import races.
- There should be simulcasting between countries within the same region, with no restrictions.
- South America needs Professional Betting Management and a continuous, solid investment in new technologies.
- South America must innovate and adapt business to become an attractive sport for the new, younger generations.
- It is vitally important for South America to count with the support from the racing markets around the Globe, for them to open up and give South American countries the opportunity to export our signal abroad.

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