

GOVERNMENT LAW CENTER OF ALBANY LAW SCHOOL
GOVERNMENT LAW ONLINE

**PLAYING THE PERCENTAGES IN
NEW ZEALAND**

JANUARY 2004



80 New Scotland Avenue
Albany, NY 12208
www.als.edu

GOVERNMENT LAW ONLINE publications are available at www.governmentlaw.org

PLAYING THE PERCENTAGES IN NEW ZEALAND

**Bennett Liebman, Esq.
Coordinator/Staff Attorney
Racing and Gaming Law Program**

JANUARY 2004

These materials are copyright by Albany Law School (ALS) on behalf of its Government Law Center or ALS licensors and may not be reproduced in whole or in part in or on any media or used for any purpose without the express, prior written permission of Albany Law School or the licensor. Neither Albany Law School, the Government Law Center or any licensor is engaged in providing legal advice by making these materials available and the materials should, therefore, not be taken as providing legal advice.

All readers or users of these materials are further advised that the statutes, regulations and case law discussed or referred to in these materials are subject to and can change at any time and that these materials may not, in any event, be applicable to a specific situation under consideration. The information provided in these materials is for informational purposes only and is not intended to be, nor should it be considered to be, a substitute for legal advice rendered by a competent licensed attorney or other qualified professional. If you have any questions regarding the application of any information provided in these materials to a particular situation, you should consult a qualified attorney or seek advice from the government entity or agency responsible for administering the law applicable to the particular situation in question.

Playing the Percentages in New Zealand

The Arizona Race Track Industry Symposium program that people may remember is likely to be the program held on the final morning, Friday, December 12. The first program featured a slugfest between Drew Couto and Dave Cuscuna on rebates and their effect on purses. The second panel featured Ed Wray, the founder of Betfair offering a non-apologetic defense of his company's policies.

Lost in between the arguments was the low-key presentation of Paul Cross, the General Manager for Wagering of New Zealand TAB. In a world where increases in handle seem to be minimal (except at rebate shops), he claimed that TAB had increased Pick Six handle by 30%, Pick Three handle by 20%, and trifecta handle by 10% through the use of percentage betting. With percentage betting, you pay a percentage of the regular price of a trifecta, Pick Three, or Pick Six wager in return for a percentage of the payout. The minimum percentage bet is \$5, and the minimum bet value of each combination is 5 cents (5%). So if the payout for a \$2.00 bet would be \$100, a person with a 5% share of the bet would be paid \$5 based on a wager of a dime. Percentage betting enables bettors to choose any number of combinations, at a cost they select for themselves. The TAB computer then works out what percentage of a full unit that equates to and a winning ticket will be worth that percentage of the full dividend. This allows bettors to spread their wagers so that they get more selections for a smaller outlay of money although their eventual return will also be less.

For carryover bets, such as the Pick Six, if the wager is won only by a percentage bettor, the percentage bettor does not win the full jackpot - but only wins the amount that his or her percentage share of the bet would enable him or her to keep. The rest of the jackpot will get carried over. For example, if the only person to hit the Pick Six - with a value of \$100,000 to be paid out has a 10% percentage of the bet, that player receives \$10,000, and \$90,000 is carried over. The use of percentage bets has forced the New Zealand TAB to end consolation payments on Pick 5's, but the benefits to the TAB from percentage wagering have been extensive.

In early December, the TAB offered a guaranteed \$1 million Pick Six, prize, the first million dollar prize in nearly four and one half years, all due to increases in wagering from percentage betting.¹ It took eight weeks to reach a \$750,000 Pick Six pool in 2002. In 2003, it took only four weeks to reach a \$500,000 pool.² Pick Six wagering in New Zealand had been stagnant for three years,³ and it has apparently been revived by the use of percentage betting.

¹ Barry Lichter, "Now for the Main Course - \$1M Pot," The Sunday Star-Times, December 7, 2003 , p. 17.

² Id.

³ Barry Lichter, "Stand By For Jackpot Bonanza," The Sunday Star-Times, August 17, 2003 Section 17.

Nor has the advent of percentage wagering affected the prices of winning combinations. The average trifecta payoff has remained unchanged since the advent of percentage betting.⁴

In addition, “people taking percentage Pick Six bets were spending on average much more than those taking full 50c units.”⁵ “Percentage betting is now so popular people taking trifectas in smaller units spend an average of \$ 11.40, compared to \$ 6.31 on ordinary trifectas.”⁶

It is likely that there are other reasons, besides the introduction of percentage betting, that are helping to fuel this increase in exotic wagering. Finding the cause of a handle decrease or increase is often Maybe, the guaranteed prize amounts are greater. Perhaps the TAB is doing a better overall job of marketing its exotic wagers. Whatever the reasons, it would seem that someone in America might want to experiment with percentage wagers.

Currently, outside of California thoroughbred racing, the Pick Six is not a significant factor in driving handle. A racetrack that wished to experiment with percentage wagering on the Pick Six would be risking almost nothing, and if the New Zealand example has any relevance, the payback in increase handle might be immense.

In American horse racing, everyone talks about experimentation. But nobody actually experiments. Here, on a modest scale, experimenting with percentage wagering could not hurt existing handle and interest in racing. It could only help. Perhaps percentage wagering could be chicken soup for the handle at a racetrack.⁷

⁴ “Off Track,” The Press (Christchurch, New Zealand) December 5, 2003, Racing P. 20.

⁵ Barry Lichter, “‘Delighted’ TAB Gives Punters Two Biggies,” The Sunday Star-Times, August 31. 2003 P. 14.

⁶ See note 3 supra.

⁷ The attached is a brochure from August 2003 introducing percentage wagering to the Pick Six in New Zealand. http://www.tab.co.nz/splashpdf/pick6_brochure.pdf