Narrowcast technology, interactivity, and the economic relations of space: the case of horse race simulcasting

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Abstract
A shift in the horse racing industry away from broadcasting in the 1960s, and a move in the 1970s toward the satellite simulcasting of thoroughbred and harness races from one track for wagering at other tracks and at off-track-betting facilities, has meant that horse racing needed to use narrowcast technology in order to reach bettors with its content, along with interactive communication technologies to make betting on horse racing more convenient. A current wave of consolidation in the racing industry is aimed at gaining control of simulcast content in order to feed the consolidators’ simulcast networks all year-round. The result of these processes is a communication–technology–driven structure of economic, social and policy relations that is intended to infiltrate and organize the public and private spaces of individuals in horse racing’s target markets.

Key words
account wagering • convergence • horse racing • interactivity • Interstate Wire Act 1961 • (ownership) consolidation • simulcasting • vertical integration
In the past twenty years, and beneath the radar of most communication scholars studying media industries, the horse racing industry has been pioneering the use of narrowcast media technologies in an attempt to organize and colonize time and space. It began in the 1970s with the onset of off-track and inter-track betting, and continued with the introduction of simulcasting and its exponential growth in the 1990s. Now with the increasing popularity of account wagering through the telephone, internet, and interactive television, horse racing has used narrowcast technology in order to reach bettors with its content, along with interactive communication technologies to make betting on horse racing more convenient. There are more signals being beamed from more racetracks available at more outlets than customers at the first off-track and inter-track facilities in the early 1970s ever could have imagined. This article will examine the different mediated ways in which bettors in the United States can view and bet on horse racing – ways that do not necessarily involve going to a racetrack and betting at the pari-mutuel windows on live racing – and how these methods attempt to organize the spaces of media users.

SIMULCASTING AND THE CONTROL OF SPACE

Canadian communication scholar Harold Innis observed in the middle of the 20th century that the historical trend in communication technologies has been toward those that enable control over great distances from a central location. As James Carey notes in his analysis of Innis, ‘modern media create the potential for the simultaneous administration and control of extraordinary spaces and populations’, and thus they have aided the trend of territorial expansion and spatial control that Innis underscored: in other words, media imperialism of all sorts (1989, pp. 134–6). Ever since television was first introduced to the public at large in the US, the horse racing industry has tried to use the medium to gain control over audiences located in disparate spaces with national and regional broadcasts of thoroughbred and harness racing. Racing was a very popular television sport in the late 1940s and well into the 1950s – in fact, five of the first 11 issues of TV Guide featured horse racing on the cover – and prompted legendary sportswriter Red Smith in 1953 to say:

Racing, of course, has had the right slant all the time. They’ve converted countless viewers to their sport by televising big races. Until somebody invents a receiving set with a built-in mutuel window, they know that every new fan created by television will show up eventually in their store. (Quoted in Liebman, 2000: 8)

However, in the late 1950s racetrack executives found that, against all expectations, televising horse racing was cutting into attendance at tracks. People were following horse racing, but they were choosing to do it in their
living room rather than the racetrack. Since on-track betting was the lifeblood of the industry at the time, racetracks decided to get off the air. This initial attempt to reach into American living rooms and convert television fans into racetrack-attending bettors had apparently failed. Beginning in the 1960s and to the present day, only the Triple Crown races (the Kentucky Derby, the Preakness, and the Belmont Stakes) air on broadcast television, along with a few major stakes races (Liebman, 2000: 12–15).

Unfortunately, the decision by the racing industry to severely decrease broadcast time for its sport in the US caused the public to lose interest in horse racing. Consequently, attendance at racetracks decreased in the 1960s, and so did the revenue stream for the sport. By the early 1970s, racing was looking for new ways to reach bettors, this time not by bringing patrons to the track, but by bringing the track, or elements of it, closer to patrons. In the US, horse race betting is pari-mutuel wagering: that is, wagering in which the bettor is betting against other bettors, and the odds are thus established by the wagering pool rather than set by the house or track (Bolus, 1990: 26). The initial developments that made pari-mutuel wagering more readily available to the American public were the introduction of off-track betting locations (OTBs) and inter-track wagering (ITW) in the 1970s.

OTBs appeared first in New York in 1971, and they allowed patrons to go to a non-track location where they could bet on horse races. In 1979, OTBs began receiving television signals of races sent by satellite, ‘simulcast’ signals, which allowed bettors to view the races at OTBs (Thalheimer and Ali, 1992: 2). ITW – simulcasting of races between racetracks – began in 1982 in Canada, and was introduced in New Jersey in 1983 (1992: 2–3). ITW allows people at tracks where there is currently no live racing (the ‘receiver’ racetracks in ITW) to watch and wager on races at another track (the ‘host’ racetrack): if the tracks are all in the same state, then it is intrastate ITW. The resonant effect of this reorganization of horse racing’s social and economic geography in the late 20th century was, using geographer Doreen Massey’s term, to ‘stretch out’ economic relations over space (Massey, 1994: 22).

In his analysis of Harold Innis’ work, James Carey observes that as long-distance communication technologies improve, human relationships become, in a way, stretched out, as they are increasingly constituted by ‘large numbers of people, physically separated in space but tied by connection to extra-local centers of culture, politics, and power’ (1989: 162). The economic and social relationships made possible by electronic communication technologies in the horse racing industry today provide a quite tangible example of how people in disparate locations, often even across national boundaries, perform exactly the same function – betting – in order to feed
the process of production at a faraway center of power. And indeed, the colonization of social and economic space by horse racing through ITW, both intra- and interstate, and OTB has proven quite successful for the racing industry. OTBs allow more people to wager at locations distant from the production centers (the racetracks); these spread in the 1980s and 1990s. This happened despite valid fears among racetrack managers that simulcasting would cut into revenue from live racing. In the 1990s, wagering on simulcasts accounted for an increasing proportion of horse racing revenue, while the proportion of handle (total money bet) from live racing fell. By 1998, about 80 percent of horse racing handle in the USA came from wagers on simulcasts (Shulman, 2000). However the goal of simulcasting was and continues to be an increase in overall pari-mutuel wagering through market expansion.

The potential to expand the market through simulcasting comes with several expenses for racetracks. Most notably, the growth of simulcasting in the 1990s forced most tracks to renovate their facilities to accommodate the necessary television monitors showing races at a variety of other tracks, and to include minimal television production facilities and personnel for their own simulcast packages (McQueen, 1995: 61; R. Mitchell, 1994: 1757). Many tracks, such as Churchill Downs (Louisville, Kentucky) and Philadelphia Park (Philadelphia, Pennsylvania metropolitan area), constructed new off-track facilities devoted to simulcast betting (McQueen, 1995: 61). Philadelphia Park itself was renovated in 2000 to resemble one of these simulcast facilities. The interior of the building behind the grandstand was divided into a variety of separate simulcast viewing and wagering spaces. One area features tables where groups or individuals can eat, drink, and watch simulcast races; another is comprised of rows of seats facing a wall of simulcast monitors; and yet another, which caters to less social bettors, has individual carrels, each of which contains its own set of small simulcast monitors. All of these spaces are quite comfortable and modern, and some resemble high-end sports bars.

The different spaces of the renovated Philadelphia Park allow bettors to position themselves as more or less part of a social group, and thus construct simulcast viewing and wagering as a more or less social activity. The Philadelphia Park renovation is striking in the way in which it has reorganized the spaces of racetrack social activity; in particular in the way that it has redefined the racing experience as a highly mediated one that has very little to do with seeing horses and racing in person. From all of the newly-constructed and highly differentiated simulcast viewing spaces it is quite difficult to see how one would actually get to the grandstand, clubhouse or paddock to see firsthand, in the flesh, the horses racing at Philadelphia Park that day. However this is largely irrelevant to the owners of a racetrack such as Philadelphia Park.
The renovation of Philadelphia Park has created spatial niches that are designed to optimize the economic productivity of the facility through the mass-mediation of experience, not to bring the public in contact with horses. It therefore adds a further degree of alienation to the relationship between two of the key means of production present at the racetrack: the horses and horsepeople without whom there would be no simulcast content, and the wagerers, without whom there would be no reason to provide simulcast content. Yet, unlike prestigious ‘spa’ tracks such as Saratoga, Keeneland, and Del Mar, which run short meets, offer large purses, and attract the highest level of competition, and unlike the upper echelon of other tracks in prime locations that can offer large purses, such as Belmont Park, Churchill Downs, Gulfstream Park, and Santa Anita Park, most medium-sized tracks such as Philadelphia Park and their smaller cousins cannot afford the luxury of trying to survive on the quality of the races they offer live – thus the signals they send to receiving tracks and OTBs. Instead, they must draw customers to their facilities by offering the opportunity to view and wager on signals from those premier tracks, and this economic imperative has caused Philadelphia Park to reconfigure its spaces of social and economic activity. Philadelphia Park has designed spaces that structure social experience around viewing remote races on television monitors and placing bets into a pari-mutuel pool that may be located several states and time zones away. Through this it has become the pre-eminent example of a simulcast signal receiving track and a key participant in the process of stretching out the relations of horse racing’s economic production over space and time.

For all racetracks, whether they are primarily signal receivers such as Philadelphia Park, River Downs in Ohio, Tampa Bay Downs in Florida, Great Lakes Downs in Michigan, and countless others, or senders such as Churchill Downs, Belmont Park, Gulfstream, Del Mar and so on, simulcasting is seen as a key to increasing revenue and expanding the market for pari-mutuel wagering (especially in combination with newer technologies – as will be seen in the discussions of telephone, television, and internet betting – which further reorganize the space and time of the horse race wagering experience.) Because of this, a few consolidators in the industry are seeking to increase their market share through ownership of a large number of signal-sending tracks, thus controlling more content to transmit over their simulcast networks. In this respect, the horse racing industry in the US in the early 21st century looks a bit like a scaled-down version of the global media industry in the 1980s and 1990s, when an unprecedented wave of conglomeratation and ownership concentration took place. In the horse-racing marketplace over the past three years, Churchill Downs, Inc (CDI) acquired Calder Race Course in South Florida, Hollywood Park in Los Angeles, and Ellis Park in western Kentucky; built
Hoosier Park in north-eastern Indiana; and absorbed Arlington Park outside of Chicago in a merger. Canadian industrialist and thoroughbred horse breeder/owner Frank Stronach has recently undertaken a process of racetrack consolidation that parallels Churchill Downs. Through the Magna Entertainment subsidiary of his multinational automobile parts corporation, Magna International, Stronach has purchased Gulfstream Park in South Florida, Santa Anita Park in Southern California, Bay Meadows and Golden Gate Fields in Northern California, Remington Park in Oklahoma, Thistledown in Ohio, and Great Lakes Downs in Michigan.

The goal of such consolidation is to make money by controlling more of the simulcast content in the marketplace (Hazelip, 2000): packaging various tracks’ signals, promoting them as part of a streamlined package, selling the signals to receiving tracks, and reaping the benefits of greater revenue gained from reaching more bettors across disparate geographic spaces. Racetrack consolidators are seeking a form of vertical integration. A person such as Frank Stronach, who breeds thoroughbreds at his three North American farms; owns horses throughout their racing and breeding careers; owns many of the tracks at which his horses, or horses he has bred, race; who controls the simulcast network through which the signals of those races are sent; who owns many of the receiving tracks for that signal; and who is investigating ways to penetrate the market for in-home simulcast viewing and wagering: someone such as this has a tremendous amount of control over racing at several levels. This is exactly what Herbert Schiller describes in the media industry, albeit on a much smaller scale, when he refers to giant companies that posses the hardware and software to fully control messages and images, from the conceptual stage to their ultimate delivery to audiences… [T]he creation of private domains that will produce data and entertainment… package them, transmit them through satellite, cable, and/or telephone lines into the living rooms and offices of individuals and businesses. (1996: 95)

This sort of consolidation in the media industry has created a system in which there is significant duplication and homogenization of media content. Robert McChesney notes that ‘media conglomerates are risk-averse and continually return to what has been commercially successful in the past’, which results, for example on US cable television, in ‘each of the largest media conglomerates offering the same family of commercial-laden channels: business, news, sports, reruns, movies, shopping, and music videos’ (2000: 32–3). These conglomerates try to acquire more and more media properties in order to cross-market and cross-promote their products in a number of media venues and markets (2000: 22).

The media consolidation-racetrack consolidation analogy is not necessarily an obvious one, at least at the level of content effects. Whereas media
conglomerates hold a wide range of properties, and the content that they produce tends to reflect a desire to be saleable across that range of properties, the companies involved in racetrack consolidation are companies that originated as racetrack-owning entities, and consolidation has not had a noticeable effect on the quality of the content – the races – that they offer. These track consolidators share with conglomerates such as Sony and AOL/Time-Warner the goal of gaining control over ‘software’ (in the case of racing, the race telecasts) to provide content for the ‘hardware’ they possess (for racetracks, simulcast facilities). However, in most cases the acquisition of tracks by racetrack consolidators has not appreciably affected the quality or nature of racing at tracks. But there are some notable exceptions. Magna founder Frank Stronach has diverted part of his large string of active racehorses to humble Great Lake Downs in an effort to improve the quality of competition at this Magna-owned track. In addition, Churchill Downs, Inc’s merger with Arlington Park in the Chicago area may well have an effect on the quality of simulcast content from Arlington Park. Before linking with CDI, part of the Arlington meet overlapped with the meet at Churchill Downs, and thus many of the top trainers in the Midwest would opt to keep their horses in Louisville and bypass the first part of the Arlington meet. After the merger, CDI and Arlington were able to successfully lobby the Illinois state racing commission for new, slightly later racing dates for Arlington that commence near the very end of the Churchill meet. This will increase the likelihood of the best strings of horses in the Midwest moving directly to Arlington Park after the close of the Churchill meet and therefore potentially increase the quality of racing at Arlington throughout the summer.

The more noticeable effects of racetrack consolidation are likely to be economic effects. Certainly there are parallels here to the media industries. Just as media conglomerates often absorb or eliminate competing independents, through their economic and political clout the racetrack consolidators may put many smaller unaffiliated tracks out of business. This may have already happened in the Miami area, where historic Hialeah probably held its last racing meet in spring 2001. CDI, which owns Calder in the Miami market, and Magna, owner of Gulfstream Park near Miami, successfully lobbied the state racing commission for a set of racing dates that did not overlap with each other, but that did overlap with the entire Hialeah meet. This meant that whenever there was racing at Hialeah, there would also be racing at either Calder or Gulfstream in the same metropolitan area for much larger purses. The ownership of Hialeah has therefore put the property up for sale, arguing that the track cannot successfully compete under these conditions.

Consolidation may not mean that all small tracks will fold, or be absorbed by larger companies, but it quite likely will further segment tracks into
content providers/senders, such as the Magna tracks, CDI tracks, and the tracks operated by groups such as the New York Racing Association and the Ontario Jockey Club, and content receivers that survive through buying signals from the larger groups and receiving a small portion of the money bet on those signals. Yet the example of media consolidation does provide a cautionary tale for racetrack consolidators. As Richard Barnet and John Cavanagh note in their book *Global Dreams: Imperial Corporations and the New World Order* (1994), some multinational media conglomerates have found that the acquisition of properties at the cost of many millions or billions of dollars is not always the most profitable approach. For example, Sony discovered that it was often more cost-effective to license some kinds of content than to own it outright (1994: 133). Furthermore, McChesney observes that the debt incurred by conglomerates in acquiring media properties may never be erased, and if it is, it may only happen a decade or two after the acquisition (2000: 27). If this also proves true of racing consolidators acquiring racetracks to provide content for their simulcast networks, then it is highly unlikely that, in an environment of increasing competition from other forms of gaming such as riverboat casinos, lotteries, and Indian casinos, these companies can wait very long for their investments to pay off. Perhaps as media conglomerates continue their forays into interactive technology and programming, and as racing continues to exploit its potential as a vehicle for interactive media use, simulcast networks will prove to be attractive acquisitions for media conglomerates.

At the moment, racing’s dream of synergy through racetrack consolidation and narrowcast media use has proven rather more promising than reality. For example, Churchill Downs, Inc is currently able to provide simulcast product through the tracks it owns to bettors nationwide for eight-and-a-half months of the year. Many of these tracks race at the same time (Calder, Hollywood Park and Churchill in late autumn and early winter; and then again in the early summer), but Churchill has yet to achieve its goal of keeping its simulcast pipeline working year-round to provide content to receiving tracks. It faces a situation in which the signals of tracks that it owns are in competition with each other in the marketplace, a situation not too conducive to optimal corporate synergy.

Consolidation is certainly the most salient trend in the horse racing industry at the moment, and it cannot be separated from the industry’s expectation of a more widespread integration of communication technology, both old and new, into the practices of racetracks and bettors. Like other industries associated with the media, racing is eagerly embracing the notion of ‘convergence’ and looking forward to a day in the not-too-distant future when potential bettors can be reached through a single ‘pipe’ that brings scads of digitized audio/video/text/graphic information directly into their homes. The players are now scrambling for optimal position, not just
amongst themselves in racing but within a broader media environment, by gaining control of resources in three key arenas: telephony, television, and the internet. This scramble has brought the agendas of horse racing interests and media companies into close proximity.

’NEW’ AND ’OLD’ TECHNOLOGIES

Telephone account wagering

A relatively ‘old’ communication technology that has been used by tracks in some states in an attempt to expand the market for pari-mutuel racing is the telephone. A handful of states – Connecticut, Kentucky, Maryland, Nevada, New York, Ohio, Oregon, and Pennsylvania – currently allow interstate telephone account wagering (Kiefer, 1997: 67; Shulman, 2000: 314). Pennsylvania has been particularly important in pioneering the use of account wagering by racetracks, since it began experimenting with telephone betting back in the early to mid-1980s and first allowed interstate phone-wagering in 1995 (McQueen, 1998: 48; R. Mitchell, 1997: 210–16). Pennsylvania has been particularly important in pioneering the use of account wagering by racetracks, since it began experimenting with telephone betting back in the early to mid-1980s and first allowed interstate phone-wagering in 1995 (McQueen, 1998: 48; R. Mitchell, 1997: 210–16). As with ITW and OTB, racetracks that operate phone-wagering services seek to increase handle, and thus increase revenue, by increasing betting volume. More people might be motivated to bet on horse racing if they do not have to travel to a racetrack or OTB, and thus phone betting is seen as another market expansion tool for the industry.

Inter-track and interstate telephone account wagering as it exists extends racing’s reach into the homes of bettors, and even more so into the homes of those using these systems in conjunction with the racing programming services that can be viewed on one’s home television. In the earlier years of account wagering, only bettors who received local or regional cable services such as Philadelphia Park’s Racing Channel benefited from the convergence of phone-wagering and in-home televised simulcasting. Today, with the availability of the Television Games Network (TVG) on Louisville and Lexington, Kentucky area cable television and nationwide on the DISH network, The Racing Network (TRN) on the DISH network and satellite, and YouBet.com online, it is possible for a growing number of people to watch races and place wagers at home.

TELEVISION SERVICES AND INTERACTIVE CABLE WAGERING

TVG grew out of the ‘On Demand Services’ (ODS) television racing and wagering system, which had been operating in Louisville since 1995 (Television Games Network, 2000). It is now primarily owned by TV Guide–Gemstar, which in turn is partly owned by Rupert Murdoch’s News Corporation. Churchill Downs, Inc also owns a small percentage of the company. When TVG was launched in Louisville in September 1999, there were approximately 1700 ODS account holders in the Louisville area who
could start wagering on TVG-broadcast races (Rees, 1999: 8E). TVG still plans to offer its interactive television wagering feature and internet wagering on a large scale, but so far these features have not been available to many users. The bets are processed through the National Thoroughbred Racing Association (NTRA)-operated TVG wagering hub in Oregon (TVG Home Page, http://www.tvgnetwork.com). The NTRA’s involvement with TVG, as a marketing partner and operator of the wagering hub, has upset TVG’s television competitors and some track owners. For example, Frank Stronach believes that by operating the hub, the NTRA is essentially competing with its member tracks, since several member tracks offer account wagering that competes with TVG’s account wagering system (LaMarra, 1999: 6908).

TVG usually carries only 12 hours of live racing each day. The vast majority of tracks carried by TVG are thoroughbred tracks, although it also offers racing from some harness tracks and tracks with both thoroughbred and quarter horse racing. Over 30 of TVG’s tracks are ‘Exclusive Partners’, which means that these tracks’ races can only be shown on TVG, another source of controversy in the racing industry.

However, perhaps of greater concern in racing at large than TVG’s relationship with certain tracks and the NTRA is the practice of ‘poaching’ bettors. In the few jurisdictions in which it is legal to bet on races through TVG, many racetrack operators and OTB groups were concerned that when TVG began (or begins) taking wagers from customers in their markets, the number of people betting on races at the tracks and OTB facilities in those markets would decrease; revenues from takeout that would otherwise go to the tracks and their ‘horsemen’ (track owners who receive their revenue from purses offered at the track) would instead go to TVG. This is known as ‘poaching’. TVG has attempted to allay such concerns by returning an average of 10.5 percent of each wagered dollar to tracks for the tracks and horsemen to split in the source markets where TVG wagering customers are located. Of each TVG wagering dollar, 80 percent is returned to bettors as winnings; out of the remainder, 25 percent forms the hub tax, which is divided between the State of Oregon and its racing industry; 3 percent is the fee paid to the host track; the NTRA retains 0.75 percent for operating the hub; the 10.5 percent source fee is paid; and the remaining 5.5 percent is TVG’s revenue (Harrell, 1999: 22; Television Games Network, 2000).

Some might observe that TVG, by circumventing local racetracks and OTBs as wagering venues, is doing nothing different to what a company such as Amazon does when it sells books to customers via the world wide web rather than through their local bookstores. Therefore, according to this argument, TVG and similar services should not be obligated to pay source fees to local wagering outlets. Does Amazon compensate bookstores in
localities with many Amazon customers for these bookstores’ lost business? Of course not. However, the relationship between TVG and racetracks is quite different from the relationship between Amazon and local booksellers. Amazon and local bookstores are both retailers competing for customers, and there is no clear reason for Amazon to cultivate the goodwill of bookstores by compensating them for lost business. On the other hand, in the case of racetracks and in-home wagering services, there is every reason for interactive services such as TVG to maintain cordial relations with racetracks and OTBs (most of which are operated by racetracks). While tracks and OTBs compete with in-home wagering services, services such as TVG are also entirely dependent upon these racetracks to provide the content that they broadcast and from which they derive their profit. In this way, the relationship more closely resembles the relationship between a company such as Amazon and book publishers.

It is for this reason that TVG has been forced to deal with the problem of poaching. Less forthcoming in addressing the issue was the other major player in the television wagering marketplace, TRN, which no longer operates in the USA but still operates in Canada. TRN was able to avoid formulating a policy on poaching because it does not have an explicit interactive wagering component. TRN was the first national horse racing network to go on the air, launching its North American service in late March 1999 (De Martini:1999 17). To start TRN, Greenwood Racing, Inc, the parent company of Philadelphia Park, teamed up with Ladbroke Racing Corporation and the Ontario Jockey Club (OJC), and it also received investment dollars from an Irish company, International Investment & Underwriting (De Martini, 2000: 17; Racing Network, 1999). Although TRN offered four channels of continuous racing action to thousands of satellite TV viewers, its viewers could not wager on races through TRN. Instead, TRN was marketed as ‘an entertainment and information service only’ that was ‘not involved in pari-mutuel wagering’ (Racing Network, 1999). According to TRN President Bill Hogwood, TRN was meant to be ‘an independent TV network that promotes pari-mutuel wagering and pari-mutuel sports. But our show [did] not encourage wagering at all. We’re purely a sports channel’ (quoted in Foley, 1999: 21). The stated mission of TRN is to expand the television audience for racing and raise the public’s level of awareness of the sport (Racing Network, 1999). Thus, there were no instructions on how to establish a telephone wagering account on TRN, nor were there advertisements for telephone wagering services.

This arrangement may have seemed a bit odd, because the three racetrack organizations that began TRN – Ladbroke, (whose account wagering hub in western Pennsylvania was subsequently bought by Magna Entertainment), OJC, and Philadelphia Park’s parent company, Greenwood Racing – all operate major telephone wagering services. Indeed, as already discussed,
telephone pari-mutuel wagering was pioneered in Pennsylvania, and largely at Philadelphia Park, where TRN’s US broadcast facilities were located. Hogwood claimed that TRN did not have a wagering component because of its owners’ concern that future federal legislation limiting or banning telephone and internet gambling could be disastrous for the network, and thus TRN is presented as a sports channel only (Beyer, 1999: D1). Therefore subscription fees provided TRN with its revenue, rather than a percentage of handle and they did not provide enough revenue to keep the network in operation.

In spite of the demise of the U.S. version of TRN and controversies over practices such as poaching, interest in interactive television betting continues to grow. Frank Stronach has brought people from DirecTV and from prominent internet firms to Magna Entertainment, and out of the remnants of the US Racing Network he has launched his own satellite television racing service. Moreover, this is an international trend, with DirecTV’s 1998 addition of an interactive horse racing channel in Japan, and with Rupert Murdoch’s launch of the Sky Racing Channel in Australia and interactive wagering through BSkyB in the United Kingdom (McQueen, 1998: 47).

Indeed, BSkyB proves an interesting example of how in-home horse race wagering can be integrated into a broader system of interactive media services. Through its interactive digital television service, subscribers can participate in online banking, shopping, and horse race betting at a cost of about $39 per month. A *New York Times* article by S. Kapner quotes a female 32-year-old London resident and graphic design firm manager who occasionally bets on horse races through her BSkyB digital system, as saying that she would not bet on races if she had to visit a bookmaker to do so: ‘I wouldn’t want to walk into a betting shop on my own’ (Kapner, 2001). A hope of interactive television packages such as BSkyB’s is that similar users will be drawn to the service for one feature – for example, online banking or pizza ordering – and will explore other features such as interactive betting, that might not otherwise have been of interest. The experience of horse race wagering could be smoothly integrated into the experience of engaging in interactive commerce, thus expanding the market for this activity.

Although such a system would be undoubtedly be attractive to television services and simulcast signal providers in the US, whether it would be successful, or even possible, is questionable. While interactive television has proven generally popular in the UK, prominent failed interactive television experiments in the US such as Time-Warner’s Full-Service Network in the mid-1990s have made media companies wary of launching large-scale interactive television packages, and have instead led them to focus their efforts on internet projects. In the UK in 2001, 23 percent of households will use interactive television services, compared with a mere 7.5 percent in the US In Britain it seems, media users have opted for interactive television...
in many instances over online services, something that has not tended to happen in the US, where over 20 percent more households are connected to the internet than in the UK (Kapner, 2001). A further obstacle to implement a system such as BSkyB’s in the US is that while horse racing in the UK is centrally regulated at the national level, in the US each state has its own set of rules and regulations pertaining to pari-mutuel wagering, and these regulations that would prohibit the use of an interactive wagering function by system subscribers in most states.

Finally, the jury is still out on whether wagering on horse racing through BSkyB will prove successful and profitable, and even on whether the BSkyB interactive digital package itself will succeed. Although almost $46 million in gambling revenues were generated by BSkyB between July and December 2000, one British media industry observer, Richard Kilgarriff of iballs Media, questions whether wagering through BSkyB will prove attractive to most of the digital system’s users. He notes that a national survey on the social impact of gambling in the UK found that only a small segment of British society – ‘problem’ gamblers who tend to be 24 to 35-year-old men – would be more likely to wager through a set-top box than through a traditional gambling outlet (Kilgarriff, 2001). He further argues that the British enjoy doing things in groups, including betting, and thus that gambling alone at home may not be attractive to most people in Britain. Plus, even though internet connectivity in the UK is not as widespread as in the US, internet use is growing exponentially, and Kilgarriff notes that the British may soon find that they prefer online betting to interactive television wagering, because it ‘is quicker, and open to offshore competition’ (2001: http://www.guardian.co.uk/Archive/Article/0,4273,4163349,00.html/).

In the end, the key point to remember as the BSkyB interactive wagering experiment unfolds is that just because people in increasing numbers can now bet on horse racing through their televisions, it does not mean that they will. This in part may have to do with the demonization of gambling in most Western societies, or with the wisdom of not engaging in games unlikely to return one’s monetary investment. But horse race betting in particular has inherent qualities that make it less attractive than many interactive media activities, including shopping and alternative forms of gaming. Unlike various online lottery games, traditional lotteries, slot machines, and more advanced table games played in casinos, horse race wagering requires a great deal of knowledge and research. In order to engage in informed betting, a bettor must be able to study form, which contains arcane, coded information on past performances, bloodlines, owners, trainers, and jockeys. In handicapping a race, bettors interpret the significance of this data for all the runners in order to try to determine
the outcome. Some supplement the form with statistical data purchased from other services, such as Thoro-Graph in the US. In addition to understanding past performance charts and related data, even casual horse race bettors have to understand the basic kinds of bets.

The intensive research and analysis usually required to be successful in horse race betting sets racing as a form of gaming in stark contrast to wagering alternatives that are not data-intensive. In the interactive environment, it also sets racing apart from shopping services that appear inviting to the channel-surfing viewer and that can present all the necessary information to make a decision on a single screen. Mediated purchases requiring some research may be more analogous to horse race betting, yet these kinds of purchases are likely to be relatively infrequent, whereas each race on a track’s daily ten to 12-race card is a new research project. This phenomenon is compounded when one is faced with simulcasts of race cards from several tracks. One might argue that the casual fan targeted by interactive services such as BSkyB is not meant to be engaged with a whole afternoon of racing, yet even the prospect of gathering and interpreting enough information to reasonably bet on one or two races within a compressed timeframe might prove daunting when compared with alternative interactive gaming or shopping activities – even when a variety of interactive data resources are available to the user. For these users, interactive horse race betting would hold no perceptible relative advantage (see Esrock, 1999) over other available interactive options.

**Internet betting**

As shown by the preceding discussion, it is impossible to examine television services that offer pari-mutuel betting, or that may offer it in the future, without at the same time looking at the status of internet horse race betting. Both of these alternatives, and telephone account wagering too, face the same two fundamental obstacles in making services widely available: (1) the questionable ethics of ‘poaching’ bettors and whether/how to compensate tracks; and (2) the legality of interstate wagering through telephone lines, co-axial cable, and fiber-optic networks. The first issue has already been addressed; however, the second requires further examination, which should begin with an overview of the primary site of legal (or so it has been presumed) online horse race wagering in the US, YouBet.

YouBet got underway in 1997, when the company signed a contract with a Pennsylvania harness track, Ladbroke at The Meadows, that made Ladbroke’s hub YouBet’s wagering hub. YouBet began accepting wagers on races at the tracks it carries in 1999, and it currently can carry up to eight tracks at a time on which customers can bet. Users set up accounts with Ladbroke’s Call-A-Bet telephone account wagering service, and then they
can place bets via their home computers by using an onscreen wagering pad. From each wager, YouBet pays a 3 percent host fee to the track that provided the signal, and 3 percent to Ladbrokes: and it plans to return 7 percent of each wager as a source fee to tracks whose bettors YouBet is perceived as poaching. Even with the source fee subtracted from the takeout – the takeout is the portion of revenue unpaid to the bettors as winnings – YouBet derives a substantial amount of revenue from each bet, and its expenses for facilities are far less than those of a racetrack: and it does not have to devote part of the remainder of the takeout to purses as a racetrack does. Furthermore, YouBet brings in revenue from the monthly subscription fee that it charges its subscribers; and through its Los Angeles office, YouBet makes handicap information available for customers to purchase online (Molnar, 2000).

While one can get information on YouBet from the company’s webpage, wagers are not placed through the internet, but instead through a semi-private, closed-loop system (or intranet) dialed up by the system’s users. Steve Molnar of YouBet argues that because YouBet is not an internet wagering service, it would not be subject to any laws enacted that prohibit internet gaming (Molnar, 2000).

Although YouBet has faced a host of problems, including an FBI raid on its Los Angeles office on the suspicion that YouBet was illegally accepting account wagers in California, consistently declining stock prices, and problems with its interface, internet gaming on the whole is a booming business. It is impossible for anyone to know how just much money is being bet online on horse racing or on any sorts of games. (One estimate given in Green, 1999, is that over $811m was bet worldwide through the internet in 1999, but there is no reason to think that this figure is more accurate than any other guess.) Gambling via offshore virtual casinos undoubtedly comprises a huge portion of the money bet through the internet, but in addition to YouBet in the US, companies have begun legitimate ventures overseas that enable their customers to use the internet to wager on horse racing. For example, Australia hosts companies such as eBet and historically has been more open to internet wagering than the US. In order to avoid becoming entangled in the question of the legality of internet wagering for US residents, Australian services have generally avoided accepting bets from the US (Hepworth, 1999: 63). In addition, it should be noted that currently in Australia there is a movement, headed by Prime Minister John Howard, to ban internet gaming (Schneider, 2000: 32).

The Australian movement mirrors the movement to ban internet wagering in the US. By all appearances, internet wagering is illegal. The Interstate Wire Act of 1961 is part of the United States Code, with the intent of aiding states in enforcing
laws pertaining to gambling, bookmaking, and like offenses and to aid in the suppression of organized gambling activities by prohibiting the use of wire communications facilities which are or will be used for the transmission of bets or wagers and gambling information in interstate and foreign commerce. (18 USC section 1084)

‘Wire communications facilities’ certainly applies to the internet, as well as telephony, even in this age of wireless. However, gaming industry consultant Eugene Christiansen argues that the purpose of the Interstate Wire Act of 1961 was to give law enforcement officials another tool to use in the fight against organized crime, since organized crime was the only entity involved in prototypical ‘interactive’ wagering at the time (2000: 4). The potential for non-criminal use of the wires for pari-mutuel wagering under the auspices of businesses such as TV Guide Inc may not have occurred to legislators fully engaged in a battle against organized crime in the early 1960s.

In 1978, US Congress returned to the issue in light of changes in the horse racing industry, passing the Interstate Horse Racing Act. Essentially, this codified the simulcasting practices that already existed. The language of the Interstate Horse Racing Act of 1978 – which is meant ‘to regulate interstate commerce with respect to wagering on horse racing’ and to ensure that ‘States will continue to cooperate with one another in the acceptance of legal interstate wagers’ – gave horse racing something of an exemption from the strict language of the Interstate Wire Act of 1961. As long as the states involved were in agreement, the transmission of simulcast signals and wagers across state lines was allowed. Some states interpreted the Interstate Horse Racing Act of 1978 to mean that telephone (and today, even internet) pari-mutuel account wagering was legal, so long as it was conducted in and between states where pari-mutuel wagering was legal (see, for example, Christiansen, 2000: 18–20).

Conflicting interpretations of both Acts, and thus questions over the legality of account wagering on horse racing, have led the racing industry in recent years to lobby Senator Jon Kyl, a republican from Arizona and former chair of the Senate Judiciary Committee’s technology subcommittee. Kyl’s Internet Gambling Prohibition Act would have amended the Interstate Wire Act of 1961 to make internet gambling illegal, since Kyl did not believe that internet gaming could be effectively regulated, and it would have subjected those convicted of gambling through the internet to mandatory fines and prison terms (Crist, 1998: 85). After its introduction, an amendment was added to the Kyl Bill that would have exempted pari-mutuel wagering from the prohibition. In the 1999–2000 legislative session, the bill was approved in the Senate and in the House Judiciary Committee,
but it never came up for a vote on the House floor. The bill was reintroduced but it did not reach the floor of either house of Congress. Yet even if the bill passes, the Justice Department has said that it is uncomfortable with the inclusion of any exemptions in the Act (Harrell, 2000). Until the Bill does or does not become law, and perhaps too until various questions are addressed by the courts, including the question of if and how the Interstate Wire Act of 1961 pertains to account wagering through legitimate entities, the legal status of internet wagering – and more broadly, all interstate account wagering – on horse racing in the US will remain unclear.

In the meantime, at the state level there is continuing confusion and ill-will over the existence of some online wagering (basically, YouBet) and of telephone account wagering. A few attorneys-general in states where account wagering is not allowed, such as California and Arizona, have actively worked to keep their residents from opening and using out-of-state wagering accounts. For example, the attorney-general’s office in California has sent cease-and-desist letters to betting services accepting wagers from California residents. Former California Attorney-General John Van de Kamp, now head of the Thoroughbred Owners of California, argues that states that accept wagers from California residents are in violation of the Interstate Wire Act of 1961 (Kiefer, 1997: 67).

Various jurisdictional issues are at the crux of the interstate account-wagering dilemma. In particular, Eugene Christiansen (2000: 1–8) puts forth these key questions.

1. What is a bet on an out-of-state account? Is it a mere bet or wager (outlawed by the Interstate Wire Act of 1961), or is it ‘information assisting in the placing of bets or wagers’, in which case it may be legal?

2. Where do bets occur? In the jurisdiction where the bettor is located, in the jurisdiction where the tote system managing the pari-mutuel pool is located, or in the jurisdiction where the system receiving bets is located? The state laws regarding interstate account wagering may be quite different in these different jurisdictions.

3. Is a bet a contract? Booked bets at fixed odds are, but perhaps pari-mutuel wagers are more correctly viewed as investments, since the bettor may be seen as merely purchasing a share in a pari-mutuel pool for an unknown return, rather than entering into a contract with a bookmaker. If this is the case, then different bodies of law apply.
These sorts of questions will undoubtedly need to be addressed before there is any kind of consensus on the legal status of account wagering in the US.

**Offshore internet and phone wagering**

Working out interstate legal issues relevant to the use of electronic media in pari-mutuel horse race betting is certainly crucial to the racing industry’s ability to more effectively disperse its power across geographic space. Likewise, paying a source fee to help counteract the ‘poaching’ of bettors by telephone, internet, and interactive television pari-mutuel wagering services can be used in the attempt to control subjects at geographically distant sites by enabling account wagering services to maintain a presence in these locations. Federal legislation and source fees can help to placate certain segments of the industry, but they do not extend control over the flow of money to offshore gambling outlets, including those that woo big-money pari-mutuel bettors by offering them rebates on their wagers. Tracks that offer ITW, and even telephone account wagering, and the off-track wagering facilities that they operate (or that are operated by non-racetrack groups, as in New York), have facilities costs, employment costs, various other expenses; and tracks and track-operated facilities must split takeout revenue with the horsemen’s purse account. Even though television operations such as TVG do not have to split their revenue with horsemen, much of the takeout goes to taxes, the source fee, and the NTRA, and they also have significant production costs. They have to pay on-air talent, production staff, handicappers, and other employees; they must pay for satellite time, and so on. However, offshore shops have comparatively low facilities and employment costs, and because they are wagering operations only, there are no horsemen with whom they must split the takeout. Their only real expense is the host fee paid to sending tracks. This set-up allows outlets in offshore locations such as the Caribbean (and they also reportedly exist in less exotic locales such as New Hampshire) to attract horse players who may wager $10,000 a day or more with rebates of up to 10 percent (E. Mitchell, 2000: 1814–16).

Some tracks such as the Fair Grounds in New Orleans first attempted to deal with rebate shops by no longer selling their signals to them. However at the Fair Grounds, when President and General Manager Bryan Krantz determined that these operations’ customers were not located in Louisiana, he began selling the track’s signal to them again, but at a higher rate (E. Mitchell, 2000: 1815). Selling signals to rebate shops at premium rates, or deciding not to sell to them at all, are the two main options currently available to signal-sending tracks. Yet even then the tracks are not addressing a less manageable problem: the problem of offshore bookmaking operations that pirate signals and set their own odds, and thus lure serious bettors away
from legitimate operations without paying anything to the tracks from whose product they are profiting (E. Mitchell, 2000: 1818).

CONCLUSIONS
At the beginning of the 21st century, pari-mutuel horse racing in the US has a variety of new communication technologies available to transmit its content to the public, and new techniques available for receiving wagers. The internet and interactive satellite and cable television can bring thoroughbred racing from around the globe into the neighborhoods and homes of American bettors. Likewise, these technologies can be used to send racing signals from the US around the world. Telephone account wagering has made it much easier for bettors in several states to wager on races, and the convergence of in-home telephone line, cable, and video technologies could make betting on horse racing an even simpler process. The result is a geographically organized, communication–technology driven structure. A structure of economic, social, and policy relations with a few centers, and unimaginable potential peripheries that exist both as part of, and apart from, the broader media-industrial landscape in interesting, and potentially highly informative ways.

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