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by joe applebaum

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As racing in New York is in full Saratoga swing, change is coming to NYRA. Governor Cuomo is on the verge of appointing new board members and managers to solve NYRA's most basic operational problems. What remains to be seen is if the Governor has the vision and conviction to bring in real change agents to the NYRA Board and executive suite.

By just about every measure (handle, attendance, TV ratings, zeitgeist), horse racing has struggled over the last 40 years. Two significant cultural forces--losing the gambling monopoly and the massive expansion of entertainment options--have pummeled horse racing. In New York, a combination of ineffectual management and suffocating regulation compounded these problems.

Yet, with the influx of VLT revenue, New York has a rare, once-in-a-generation opportunity, to establish a truly special horse racing program. A correctly done makeover would serve as a model for a re-tooled racing industry in the United States. Moreover, it would showcase the transformative benefit of effective state intervention while spurring economic activity and job growth throughout New York.

NYRA clearly needs to get its operation in order and a dramatic re-structuring is long overdue. However, mere fixes of well publicized, but small-bore problems, such as regulatory compliance and accounting, are necessary but not sufficient for success. NYRA needs a deep-rooted institutional makeover, including significant changes to culture, outlook, personnel and scope of operations.

NYRA still retains real assets--Saratoga, the Belmont Stakes, facilities with great locations, over 100 graded stakes races, and \$2.5 billion in handle. The significant VLT revenue must be used to leverage these assets into a well-run, internationally competitive horse racing venue. In order to accomplish this, our goals must be to A) re-establishing trust with the public; B) create a more compelling product when racing leaves Saratoga; and C) solve its long tortured relationship with State government.

Here is my less-than-humble opinion of how to achieve these goals.

The Way Forward: Consolidate and Innovate

1) **Simplify Oversight** -- NYRA is overseen by too many state entities, hampering its ability to innovate, and making it unclear which regulators are responsible for oversight. While legislation is already in place that will move in the right direction, it is not enough. Operators need the freedom to innovate and make significant changes. State oversight should be focused on animal and human safety, gambling integrity and accounting. These are jobs that regulators do well. The state should not be involved in business decisions like pricing, takeout, personnel and racing dates. The state is likely to be ineffective in this role and will only hamper needed innovation.

2) **Consolidate Downstate OTBs with NYRA's Tote/ Re-establish Presence in NYC** -- Horseracing's business model is broken. While providing little added value, bet takers (ADWs and OTBs) receive an outsized share of the wagering dollar, depriving operators and horsemen of needed dollars. With the financial difficulties of the OTBs in New York City, Nassau and Suffolk Counties, it is an opportune time to combine the tote of all these entities. The counties would be relieved of an ongoing economic burden, yet still receive licensing fees, and NYRA would be on a more stable financial foundation, with more money flowing to operations and the purse structure.

3) **Re-affirm New York's commitment to VLT Funding** -- Some people do not believe that horse racing is entitled to money from VLTs or casino operations. They are wrong. Horseracing has no moral right to the money, but VLT money is rent for using a facility (Aqueduct). Lawmakers and casino developers were able to bypass potentially crippling and costly zoning battles by placing casinos at racetracks, facilities that already host gambling. There is a cost for that, and quite frankly, it is fairly minimal. Think of the fight that went on to place a basketball arena in downtown Brooklyn. Now, imagine if that had been a casino.

4) **Innovate in the Tote** -- Horse racing has used pari-mutual wagering as its basis for close to 100 years. Yet declines in real handle over the last 40 years have been staggering. Why are we wed to this model? NYRA should test a number of new wagering and pricing models, looking for those that most resonate with the modern gambler. For example, exchange wagering has been a wild consumer success overseas. Testing it in New York would be low risk, as the exchanges would augment the win and place pools that were long ago surpassed by the exotic wagering pools. Changes to state law will be necessary, but in June we saw how quickly the state can make legislative changes.

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5) Prune the Racing Season -- A significant consolidation is already under way throughout the industry. Foal crops have fallen precipitously the last five years and the future fight for horses will be brutal. NYRA will not be immune. It is imperative that the industry works to re-size itself to a level consistent with its fan interest and owner participation. Tightening up the schedule should be viewed as an opportunity in New York, one that would refocus NYRA on producing the strongest racing in the country both in Saratoga and downstate.

NYRA doesn't need to be all things to all horsemen. Running a \$20,000 conditioned claimer immediately after the GI Belmont S. is a prime example of confusing the public and distorting your brand. NYRA should move quickly to replace the conditioned claiming races that form the bulk of its program with more allowance racing.

6) Create a best-in-class testing program -- Horse racing is a dangerous and competitive sport, not unlike Nascar or professional football. We owe it to our athletes (equine and human) and our to fans that the racing they see on the track is as safe as possible and has competitive integrity. Too often our industry is behind the curve in engaging the public on the issue of medication in sport. Thoroughbreds are professional athletes and, as such, require treatment and care to compete at the highest level. However, modern pharmacology and the competitive desires have blurred the lines between treatment and enhancement. NYRA and its regulators needs to create a comprehensive medication policy that creates clear policies for race-day treatment, as well as for the period between races.

7) Integrate Horse Rescue -- The horses are the stars of our show. After their careers are over: Where do they go? How are they cared for? More difficult questions should be asked: Does every horse have the right to a home? How will it be paid for? Can we adopt an ASPCA-style system? There is a potpourri of organizations that have taken up this cause, but to the average horsemen, confusion reigns when it comes time to retire a horse. There is no standard for retirement, nor any systematic approach. As an owner it is frustrating to be left on one's own to figure out what to do. NYRA should put in place a comprehensive retirement program that makes it easy for the owners to do the right thing.

8) Invest in Digital Presentation - Horse racing is the ideal sport for the information age. The tools of the trade (past performances, pedigrees, videos) are easily digitized and readily available. Races are being watched and wagered on through a multitude of websites. This is a massive advantage in the domestic sports/gambling markets. NYRA should seek to extend in support this trend by investing in a massive upgrade of its presentation and digital tools. Quality video, date and wagering opportunities must be extended as broadly as possible.

Basic upgrades like broadcasting in HD are a start, but to compete with the sport, entertainment and wagering options that proliferate on the internet, much more is needed.

9) Consolidate and Upgrade Aqueduct and Belmont -- The physical footprint of the downstate tracks is overwhelming, and it no longer meets the needs of the fan base. Empty stands abound, depressing the customers. The facilities are poorly maintained and provide few of the amenities that are available at Yankee Stadium, Met Life Stadium or even Madison Square Garden.

Especially at Belmont, NYRA should consolidate operations in a smaller footprint where it could properly serve the customers. With a smattering of fans spread out all over the facility, it is an impossible task to serve them all well. The 5,000-10,000 daily fans could all fit easily in the clubhouse with plenty of room to spare. Then they could be provided with appropriate food and beverage, decent televisions and a P.A. system that one can actually hear.

And we must ask ourselves about the efficacy of maintaining Aqueduct: Should the downstate racing be consolidated to Belmont? Should we race on the inner track anymore? Does the moving from track to track hamper the ability to invest and develop a single, more enjoyable facility?

10) Practice Transparency -- For too long, NYRA has seemed like a sphinx, afraid to communicate with the public about its own operations, industry issues or horse conditions. Showing the public, both betting and not, the accounting, meetings and decision-making process would go a long way to re-establishing trust. Its not just what the decisions are made, but the why and the how. We live in the age of Facebook and Twitter, where all information is eventually exposed. If you act like you have something to hide, most people assume that you do.

A re-constituted NYRA has a great opportunity to create a special horse racing program. Hopefully, New York's elected leaders will not waste the opportunity that other states have squandered by making superficial changes while continuing to operate as if there are no structural problems to confront. With VLT revenues available, difficult choices can finally be made and NYRA can focus on providing the essentials for a compelling horse racing program: the highest quality racing possible and a truly enjoyable customer experience at all its venues and in the digital realm.