

PRESCRIPTION for RACING

HOW DO WE SAVE THE SPORT OF THOROUGHBRED RACING
SO WE CAN ONCE AGAIN CALL IT A "GREAT GAME"?

by **BILL FINLEY**

MEDICAL CENTER

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As Rachel Alexandra made her way into the Monmouth Park paddock for the 42nd running of the Haskell Invitational, the reaction from the thousands of fans pressing against one another to catch a glimpse of her was nothing short of hero worship. Some held up signs, some cheered. They all smiled.

Despite some of the most miserable weather the denizens of the Jersey Shore could ever remember, 37,090 showed up to watch a horse race. They came because the Haskell is an event. They came because Rachel Alexandra is a superstar with crossover appeal. They came because Monmouth Park is a facility that has class, grace and beauty. They came because betting on a horse race is risky, invigorating, challenging, fun, and you might actually make a few bucks. Some came because the beer is reasonably priced and they wanted to get wasted and have a good time. Not that there's anything wrong with that.

Is this a great game or what?

Well, not exactly.

As Haskell Day proved, horse racing can be an appealing, alluring product that can be, at times, magical. But something clearly isn't right. A great game wouldn't be reeling the way this sport is; a great game wouldn't be struggling for relevance or getting battered by casinos, lotteries and a host of other gaming options in the battle for the gambling dollar. So, what is wrong? Look beyond Rachel Alexandra and the 37,090 people, and it was all there to see on Haskell Day. Even when the sport gets it right, it gets it wrong.

A total of \$12,297,624 was wagered on Haskell Day across North America. It was a healthy number and betting activity like that is among the reasons the track could afford to award \$1.25 million in purse money to the Haskell participants.

But there was a cost. Considering that the melded takeout rates for

most tracks, Monmouth included, is about 20 percent, gamblers lost more than \$2.4 million playing the Haskell card. Had the same \$12,297,624 been put through slot machines at nearby Philadelphia Park, gamblers would have lost \$1,082,190, less than half of what Monmouth players lost. The takeout on Pennsylvania slot machines is 8.8 percent.

“As Haskell Day proved, horse racing can be an appealing, alluring product that can be, at times, magical.”

With the exception of the lottery, which offers the possibility of life-changing riches, no gambling enterprise in this nation gouges its players like racing does. Nothing, in fact, comes anywhere close. That's a

primary reason why so many gamblers have abandoned horse racing for gambling pursuits where the odds are more in their favor.

At least people who bet on Rachel Alexandra won some money, but their return on a \$2 win bet on her was just \$3. Why? Because a day earlier, the Kentucky Derby winner ran in a race that has no prestige and no history but a purse fattened by slot machine profits, the West Virginia Derby. That weakened the field and deflated Rachel Alexandra's price. To have the Belmont winner (Summer Bird) and the Preakness winner (Rachel Alexandra) run in one race and the Kentucky Derby winner (Mine That Bird) in another on the same weekend is insanity. But racing was helpless to stop it. It has no commissioner and, outside of the Triple Crown series, no structure to speak of.

Which is probably why the entire weekend was a bust when it came to television. Without the three Triple Crown winners showing up in the same starting gate, the major television outlets passed. The Haskell appeared only on TVG, while only a small player, the Fox Sports Regional Network, showed the West Virginia Derby.



THE CROWDS TURNED OUT IN DROVES TO CATCH A GLIMPSE OF RACHEL ALEXANDRA IN THE HASKELL. A SIGN OF A HEALTHY SPORT? MAYBE... OR MAYBE NOT.



PHOTO: SARAH K. ANDREW, EQUI-PHOTO

ALL ALONE AT THE HASKELL FINISH. "TO HAVE THE BELMONT WINNER (SUMMER BIRD) AND THE PREAKNESS WINNER (RACHEL ALEXANDRA) RUN IN ONE RACE AND THE KENTUCKY DERBY WINNER (MINE THAT BIRD) IN ANOTHER ON THE SAME WEEKEND IS INSANITY."

Television, though, was the least of management's worries. Once Haskell Day was over, they had to brace themselves for a jarring return to reality. When racing returned

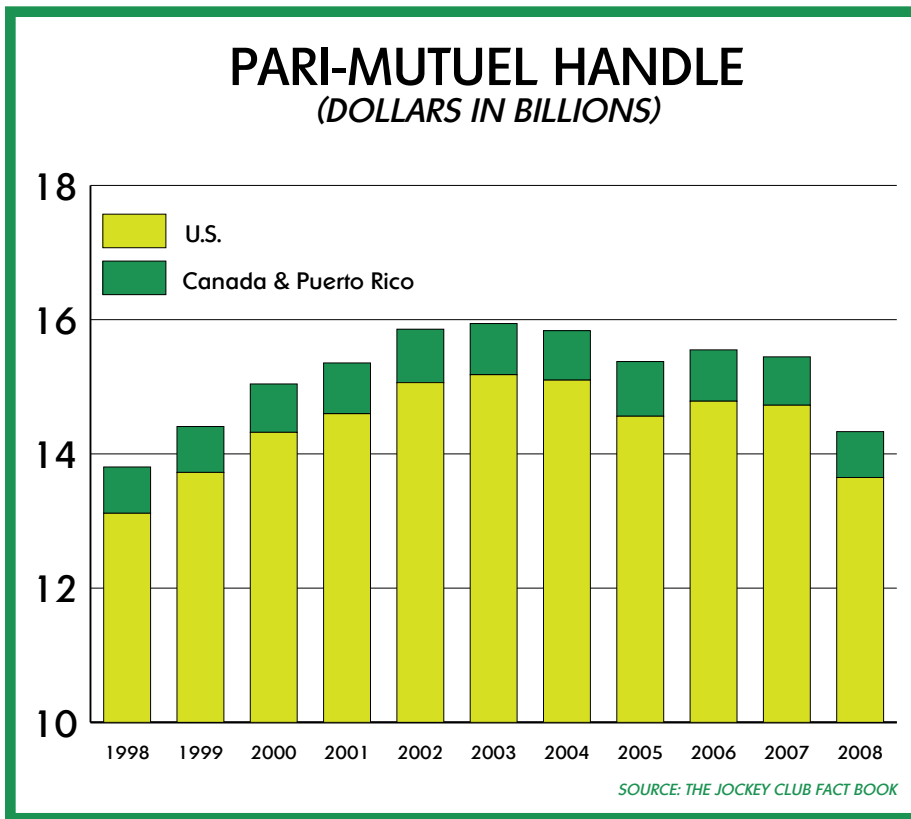
three days later, the attendance was 3,848 and \$2,480,883 was wagered through all sources. Those numbers don't work, and Monmouth Park is losing money.

The situation is so bleak that the state's largest and most influential paper, the *Newark Star-Ledger*, ran a stinging editorial in mid-July, which pointed out the state-owned Meadows and Monmouth racetracks are now losing \$21 million combined a year, and advocated an end to racing in the state. "...Taxpayers are keeping the tracks alive. Why not let horse racing die a natural death in New Jersey?" the editorial writers asked.

The editorial continued:

"The United States, in its worst economic crisis since the Great Depression, can let Chrysler and GM fail (and obsolete auto manufacturing jobs disappear), but the Garden State nags must run to keep hay farms in business. Do the math: At a \$21 million loss, it's costing New Jersey taxpayers \$5,497 per year to keep each person employed at the tracks—in a dying industry."

The answer, New Jersey racing officials insist, is slot machines. After all, they argue, haven't they made everyone in Pennsylvania racing happy and prosperous? It's conve-



nient, it's easy, and it doesn't take any creative thinking.

It's just not quite that simple. Not everyone, it seems, in Pennsylvania is happy. Politicians there have figured out that the millions going to horse racing from slot machines might just be better spent on helping the state out of its own financial morass. There are rumblings that the state will find a way to take \$100 million from the slots money that had been going to purses and take it for itself. If that happens, Pennsylvania is likely to be the first of many states to reduce racing's slice of the pie.

The result is that the economics of horse racing are out of whack in New Jersey, just as they are just about everywhere. It's an expensive game to put on. Horses must be fed. Large buildings must be maintained. Racehorse owners have to be fairly compensated. It takes a lot of revenue to make this work, revenue that has traditionally come from the track's share of the pari-mutuel handle.

Its sensibilities vis-a-vis a growing portion of the American public may be out of whack as well.

A horse died on Haskell day. His name was Tale of Victory. A 3-year-old by Tale of the Cat, his life ended as he made his way into the far turn and broke a leg. A race earlier, four horses went down in a spill, though, apparently, none of the horses were seriously hurt. Jockey Fabrizio Jimenez did break his leg in the spill.

A story about the spills and accidents in the on-line version of the area's local paper, the Asbury Park Press, included this reaction:

"Yes, folks, this is a great sport, the only sport where they use a whip to get the contestants off and running, even if it is going to kill 'em."—Hookman

But if the demand for horse racing's product is dropping precipitously, for myriad reasons, the supply of the product (the number of

races run each year) hasn't changed that dramatically. The result is an economic recipe for disaster: the demand does not come close to meeting the supply.

So how do you fix that? You have to either increase the demand or reduce the supply. The harder question is, with such a complex industry, how do you do that?

For the answers, the *Thoroughbred Daily News* turned to 11 of the brightest and most influential people in the industry. We asked them to work their way through this mess and tell us how to fix this sport, so

that we can once again call it a "great game" and do so without hesitation or reservation. That's asking a lot, but they were up to the task.

The panel consisted of some of the best and sharpest industry leaders and thinkers (see box, below).

They may not have been gathered in the same room, but what follows is a round table discussion. How are we going to fix racing?

In the following pages, we will cover the most talked-about, most-debated topics. First up, ways to make betting on horses a more popular pursuit:

ON OUR PANEL



GREG AVIOLI
President and CEO,
Breeders' Cup



EUGENE CHRISTIANSEN
Chairman,
Christiansen
Capital Advisers



STEVE CRIST
Chairman and
Publisher,
Daily Racing Form



BOB EVANS
President and CEO,
Churchill Downs



CHARLES HAYWARD
President and CEO,
New York Racing
Association



BILL NADER
Executive Director of
Racing, Hong Kong
Jockey Club



NICK NICHOLSON
President and CEO,
Keeneland



JEFF PLATT
President,
Horseplayers Association
of North America



DENNIS ROBINSON
President and CEO,
New Jersey Sports and
Exposition Authority



ALEX WALDROP
President and CEO,
National Thoroughbred
Racing Association



BARRY WEISBORD
Co-Publisher,
Thoroughbred
Daily News

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PHOTO: REED PALMER

CHURCHILL DOWNS'S SUCCESSFUL NIGHT RACING EXPERIMENT HAS FOUND AN AUDIENCE.

TDN: *Most would agree that the industry hasn't been very innovative or successful when it comes to creating new and different ways to attract people to bet on horses. The proof of that can be found within the handle figures released each year. Despite the explosion of simulcasting, total handle was stagnant for years, in the \$15 billion range and, over the last two years it has been dropping precipitously. Is there some new and different way to entice the American public to try our sport, either luring current non-gamblers, those who*

gamble on other sports, or gamblers around the world to discover American horse racing, or to entice existing horseplayers to bet more? Don't be afraid to think outside the box.

BOB EVANS: The problem is, it's not an easy product to interest someone in. There's a lot you have to learn. You have to spend some time with the product in order to understand it and understand that using it and consuming it is a fun thing to do. What we've been trying to do is to present racing differently. There's nothing unique about the dark or running at night, but the idea we had in mind was to create a

nightclub that had some racing going on as opposed to what had been typically been tried. Other tracks have said we're going to feature night racing and we'll have a band as an extra bonus. We tried to change the character of the place to be a nightclub, and I think that worked. People were there to party and there was racing going on. The per caps fell like crazy, but the people were there and they got involved. They may not bet as much as you'd typically see at a racetrack on a Friday or Saturday, but they were there. That's good. Can you turn all those of people into racing fans? I don't know. But I bet we got some.

Another example of presenting racing differently is what we did

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Bob Evans

this year with the Oaks. We didn't continue to deal with ESPN, which presented the Oaks in a traditional way, as a sporting event. Instead, we put it on Bravo and attached it to the Susan G. Komen Foundation, the breast cancer awareness charity. We presented it as a female-centric product as opposed to a male-centric product. We saw an improvement in attendance and we saw a much different television audience. We got about the same number of viewers, but a much different type of viewer. It was much younger audience and more than half the audience was female. I believe about 22 percent of the audience was female when the race was shown on ESPN.

NICK NICHOLSON: You can't be afraid to try things. I'd like to see us try something along the lines of mutual funds. I'd like to see people come to the track and be able to bet along with Andy Beyer or Steve Crist or Longshot Louie. There are all kinds of different ways you could do this and you could do it just like you buy mutual funds. We tried some experiments here and they really were well received. And you know what brought it down? What brought it down was the worry that an IRS ticket would have to be signed by every member that bought into ticket. So the people that were making the bets for the mutual fund could not make bets that could win an IRS ticket. So we are working with Washington and the American Horse Council to try to get this changed.

This would be a great new way to play the races. You would buy into a fund and the people you invested in would place the bets for the fund. I think that would appeal to a lot of novices who aren't experienced bettors and don't quite know how the game works. Just like you've got large caps, small caps, foreign, domestic, all the different types of mutual funds with different philo-

sophies, you could have a wide variety of funds.

The experiments here convinced me that there's a market for that. We did it here, and were it not for the problems with the IRS tickets, it would have been a great hit.

GREG AVIOLI: There's a huge upside for U.S. horseracing when it comes to international commingled pools. The last I checked, betting on U.S. races is a little more than 10 percent of the world total. We have four race cards a year that have \$100 million in handle. Pretty much every day they race in Hong Kong or Japan, they have \$100 million in handle.

By fully expanding international commingled pools, I believe we could double the Breeders' Cup handle pretty quickly. It helps, of course, to have horses from some of these other countries participating in your event. For example, if we had horses from Hong Kong running in the Breeders' Cup, I think we'd see a significant increase of wagering from Hong Kong bettors on the Breeders' Cup.

It was only a few years ago that the Japanese star Deep Impact ran in the Arc. There were something like 4,000 Japanese fans who came to Longchamp to watch him run and I recall the on-track handle was way up. There's no question that when international stars run outside their countries they attract handle from around the world.

We're like a lot of other businesses. It makes perfect sense for the U.S. to look to expand beyond the borders of our country in terms of growing our business. We continue to have the most, and I believe, the best racing in the world. But we haven't done a great job as an industry in bringing international handle in. With the Breeders' Cup, I'd like to see us get 50 percent of our handle internationally compared to current levels of around 10 percent.

PHOTO: HORSEPHOTOS



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Greg Avioli

PHOTO: HORSEPHOTOS



“WE ADDED SUPERFECTAS, PICK THREES, PICK FOURS. WE NEVER CAME UP WITH ANY SIMPLE BETS, EVEN THOUGH THE PUBLIC WAS TELLING US THAT’S WHAT IT LIKES AT CASINOS.” —BARRY WEISBORD

The problem is we have major trade issues that ultimately may have to be addressed with help from the U.S. Government. For instance, there is the absolute closure of the Japan wagering markets to races from the United States. We freely allow our citizens to bet on Japanese races, but the water doesn’t flow both ways. In Hong Kong, they’ve recently expanded their policy from a total of 10 international races they can import to 15, which is progress. But again, we want that to get to the point where it’s open simulcasting for international races just like in the U.S. I mention those markets because they’re potentially the most lucrative, but there are many others. There’s an opportunity for a lot of new customers outside the U.S. to bet on our product, particularly if we offer them our very best products.

BARRY WEISBORD: There has been a trend in the gambling business, where games that take almost

no intellectual investment and have high positive reinforcement and low takeouts have been wildly successful. Slot machines have been the growth game of the last 30 or 40 years. They occupied a small part of casinos 50 years ago and now they’re a vast part of casinos. Small parts of the handle used to come from them and now a vast part of the handle comes from slots. People realized that you could build big buildings based on dollar slot players and not necessarily some guy who’s going to bet \$10,000 on the line at the crap table.

Racing’s response to that popularity—besides saying I’d like to sell that product, too, which is a recent response—was to continue to invent wagers that are more complicated. If you walk up to a slot machine and you play for five minutes, you win something and you don’t have to think. If you spend an afternoon at the races, you can go a whole afternoon without cashing a bet. But racing’s response to the fact that the

public was clamoring for simple high positive reinforcement games was to promote the Pick 6 or the Pick 6 carryover, which is totally the opposite. We added superfectas, Pick Threes, Pick Fours. We never came up with any simple bets, even though the public was telling us that’s what it likes at casinos.

Prior to the Internet, that was the wrong strategy. Since the Internet, it’s criminal. We have the only legal gambling allowed on the Internet, yet we have not have invented any games that are Internet-centric. So many regular bricks-and-mortar commerce companies invented new ways for people to book travel, buy books or bid on someone else’s junk, ways that only work on Internet. Racing did none of that. Someone else came along and found a model which could be applied to racing, the betting exchanges, and they have been massively successful. Obviously, the handle they have created over the last few years is staggering.

The technology is fantastic, but they are offering an A-B proposition at a low takeout and a very fair price. That has a lot to do with why they have been so successful.

TDN: There's one very easy way to increase the demand for horse racing's product and that is to decrease the takeout. Can this be done? Must it be done? Aren't we guilty of way overcharging our customers with a takeout rate in the neighborhood of 20 percent, which isn't competitive with so many other forms of gambling?

EUGENE CHRISTIANSEN: Racing has to distinguish between things that can be changed and things that are beyond its control. Things beyond its control include the enormous increase in gambling of all kinds that has become available over the last generation. Racing cannot control this. The marketplace has changed forever and irrevocably.

Having said that, let's look at things racing can control. The single biggest problem this industry has is that the price of its product is too high. It is simply idle and unproductive to try to force bettors who have all kinds of gaming options these days, including the Internet, to wager their money into the tra-

ditional state pari-mutuel tax structure model. That model is dead.

There is absolutely no reason why the consumer should pay \$20 for a movie ticket if they can see the same movie for \$9. It's just that simple. Until the industry is willing to face up to that and try to do something about it, I don't really think there is hope for horse racing. Consumer pricing is fundamental, and if your consumer pricing is higher than the other guy's and the other guy's product is easy to access, you have a huge problem.

I do not see any way to create renewed fan growth without including enormous pain. The price of betting has to come down to competitive levels, which would put it at something like eight percent of handle, not more. That's more than a 50-percent cut and you might need more. The near-term consequence of that for horsemen would be catastrophic, but it offers the hope of regenerating consumer interest in horse racing. It could make this product price-competitive with other products. To be price-competitive with betting on NFL games, it's not even eight percent, it would have to be four-and-a-half percent of handle. I think you can see just how serious this problem is.

JEFF PLATT: If I go to the track, I might bet 60 bucks or so. It's more a social thing, a way to hang out with friends. I won't bet more because the takeout is so high. At home, when I'm betting online or

via the phone and getting a rebate, I probably churn through seven or eight grand a day. That's all because of the pricing. If you talk to any serious horseplayer that turns any amount of money, they'll tell you that takeout is too high. It makes the game extremely difficult from a good gambling standpoint.

So through HANA (Horseplayers Association of North America), one of the things we're advocating is that if racing reduced the takeout—all pools, all tracks, every day, everywhere—to nine or 10 percent, and marketed the game as the greatest gambling game on the planet, that would turn things around. It wouldn't happen overnight. It would take a while for people to catch on. But the casual racegoer would actually have more money in his pocket after a day at the track.

If that player made any kind of serious effort, he would realize that there are certain kinds of bets he makes in certain situations that are actually profitable. And he might share that with his friends. And through word of mouth, the better gambling aspect of it would get out.

I'm from Arizona and in Arizona the tracks, they're just dying. During the middle of the week on a Tuesday, there might be 300, 400 people roaming around Turf Paradise. Half of them are there because they're owners, or friends of a trainer. There aren't nearly as many gamblers there.

And yet, Phoenix is inundated with Indian casinos. And if you

“I do not see any way to create renewed fan growth without including enormous pain. The price of betting has to come down to competitive levels.”

Eugene Christiansen

walk into any Indian casino, you'll see it jammed packed, elbow-to-elbow, retirees, trying to feed quarters into slot machines. And you talk to the operators of those casinos and they'll tell you that the typical slot machine is programmed to pay back 92 to 94 cents on the dollar.

If you compare that to a blended takeout rate where they're only paying back 80 cents on the dollar or less, people have discovered that their money lasts a lot longer at a casino.

Racing has to find a way of competing with other forms of gambling that are kicking its butt. The only way that's going to happen is if the people that run racing drop the takeout and stop demanding such a huge slice of the pie.

At some point, there is what I call an optimal pricing point where you can get takeout to a point where you have the maximum amount of money flowing in to state coffers, to tracks and to horsemen in the form of purses. Every single one of these studies has indicated that the current 20 percent blended takeout is well above that optimal pricing point.

There has to be a mechanism in place to allow takeout to seek out that optimal pricing point. And without it, racing is fighting an uphill battle. I guarantee you that the people operating casinos, Indian casinos, Las Vegas, Atlantic City, online poker, sports books, all the places that racing has to compete with for gambling dollars, those people have figured out what their optimal price point is.

And when I hear the argument that well, lower takeouts just won't work, and this is what all the track operators tell me every time I talk to them, I can point them to real world case studies in the state lottery marketplaces.

In two states, Massachusetts and Georgia, the state lotteries were performing horribly compared to other state lotteries. They figured out that

“I guarantee you that the people operating casinos, Indian casinos, Las Vegas, Atlantic City, online poker, sports books, all the places that racing has to compete with for gambling dollars, those people have figured out what their optimal price point is.”

Jeff Platt



PHOTO: HORSEPHOTOS



“PEOPLE SAY THAT HAVING FEWER HORSES IN A RACE AFFECTS HANDLE. THE FACT OF THE MATTER IS, IT SHOULD BE AN IRRELEVANT FACTOR...WE NEED TO PEG TAKEOUT TO FIELD SIZE.” —BARRY WEISBORD

by lowering the takeout on their instant scratch-off games, they were able to drastically improve their sales. The extra amount of revenue they took in added up to about \$50 million to \$70 million a year. It had a massive effect.

The people scratching those tickets, they don't know what the takeout is, but they do know that they bought tickets and they were starting to see some money coming back to them.

Racing is not doing the same thing. And again, if state lotteries can figure out how to get somewhere close to their optimal performance number in terms of takeout, we believe that racing should at least consider it.

BARRY WEISBORD: We haven't solved the fact that the price of our betting isn't competitive any more. There has to be a total overhaul of

the pari-mutuel system as we know it. We have to price our product much more competitively with other forms of gambling. Rebaters have proven this is a true fact. If we're taking 20 percent out and the players are getting kicked back 10 percent, they are willing to invest \$25 million, but if they don't get kicked back to 10 percent they're willing to invest zero. They're saying that with a 10-percent takeout the game is such that they can eke out a two percent win and they are willing to put up the \$25 million. At 20 percent they're not willing to invest a penny. It tells you how wrong the takeout is.

People say that having fewer horses in a race affects handle. The fact of the matter is, it should be an irrelevant factor. That's an easy problem to solve. Tie takeout to field size, which is what they do in Europe. Bookmakers take out more on

a 30-horse handicap than they do on six-horse Group I race. There's no statute that tells them to do that. It happens that way because they understand the customers, and they know what the customer is willing to pay. The reality is the customer is entirely willing to pay more to bet on something with 30 possible outcomes than something that has six possible outcomes from a takeout perspective. Yet, here, we're locked in to charging the same rate no matter the size of the field.

That's why people bet less money on races with smaller fields. If the handle were prorated, you might have your biggest handle on races with small fields. With the right takeout, you'd have something along the lines of a football wager, where there are only two outcomes and the takeout is minimal. Wagering on football is tremendously popular and successful. No one

minds that there are only two outcomes because the takeout is fairly pegged at five percent, something the consumer is willing to pay. What the consumer is not willing to do is pay 17 percent for six possible outcomes. But he may be willing to pay 17 percent for 12 possible outcomes. Maybe that's still not priced properly. Maybe the right price is 12 percent.

This is why so much handle migrates to exotics. The consumer, while they're not mathematicians, they understand that with a 10-horse field, there are 90 outcomes in the exacta. There are only 10 outcomes in the win pool, yet one bet is taxed at 17 percent and the other at 20 percent. When the difference is only three percent, bettors understand there's more value in the exacta bet. The consumers aren't stupid.

This is a big problem, but something we can easily solve. We need to peg takeout to field size and re-adjust the takeout for the various bets.

We need a system that makes

sense, that charges the consumer less, creates more churn, creates more positive experiences, creates more players. If we do that, instead of other forms of gaming stealing from us, we might be able to reverse the trend and see gamblers come back to our fold because we have become the game offering fair value.

TDN: *There's no doubt that a lower takeout would boost business, but it's hard to imagine how any racetrack could slash its takeout rate across the board to something in the area of 10 percent. For one, horsemen would never approve of it. Secondly, the receiving tracks would probably not take the signal of any host track that had such a low takeout. How, then,*

do we go about changing the economics of the game so that the customer gets a better deal?

ALEX WALDROP: I'm not sure whether we've had a true test yet when it comes to takeout reduction. Laurel did a test. Ellis did a test. But none of these tests ever seem to work. They always tend to work against the operator and they are abandoned. I'd like to see a more cautious approach to testing, maybe sale bets, like this is 10 percent Tuesdays. Do it sporadically. Doing it across the board will result in failure in the short term. We need some long-term strategies. I don't know if we'll ever get the takeout to where people would like to see it, in part because states continue to tax us.

CHARLES HAYWARD: You do it in increments. You could start by going from 20 to 15. The problem is that the simulcast-pricing model



“...BETTERS UNDERSTAND THERE'S MORE VALUE IN THE EXACTA BET. THE CONSUMERS AREN'T STUPID. “ —BARRY WEISBORD

“The problem is that the simulcast-pricing model does not properly compensate the quality net exporting tracks. ...Fix that and you open up all sorts of opportunities, including takeout rates.”

Charles Hayward

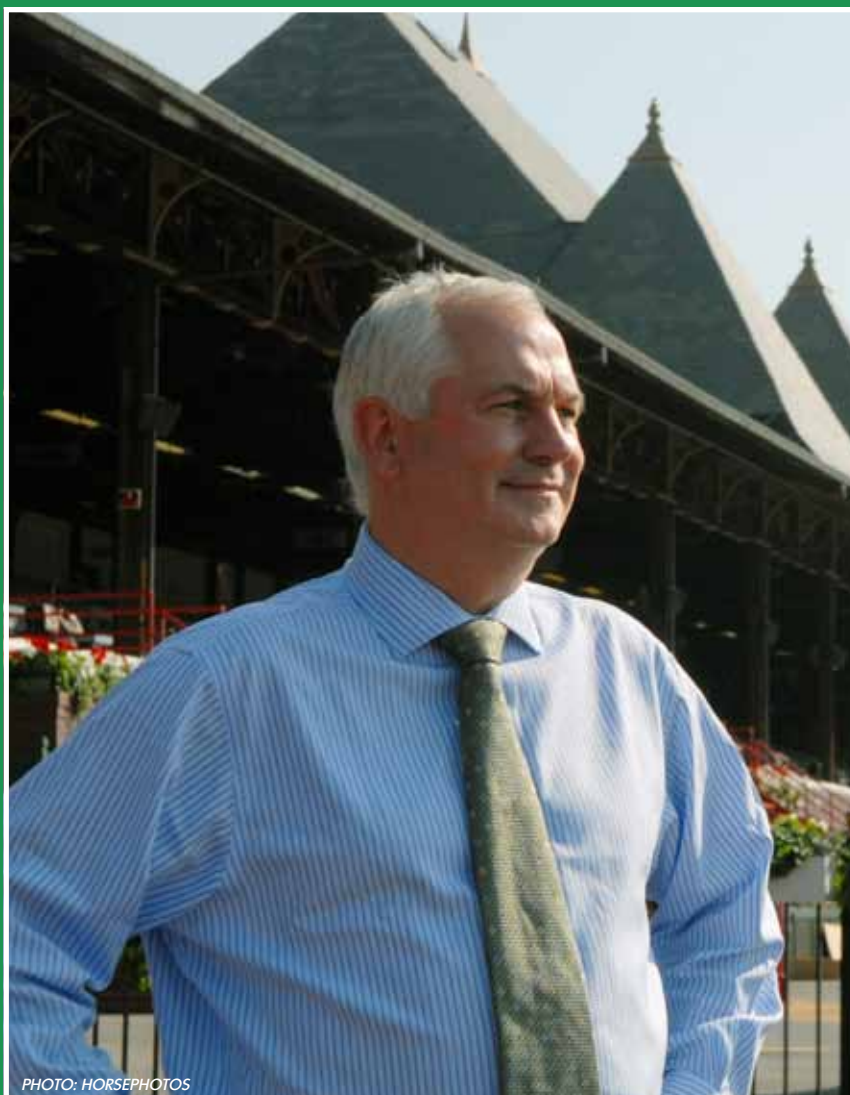


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does not properly compensate the quality net exporting tracks. If we have a 20 percent blend on the takeout and I am selling our signal for five or six percent, then I'm getting far less for every dollar bet than we did 30 years ago when all the bets were made on track. Fix that and you open up all sorts of opportunities, including takeout rates.

BILL NADER: Frankly speaking, the enthusiasm demonstrated for the takeout quick fix does not allow the business operator (racecourses) to generate enough revenue to make capital investment and market effectively to all customer segments—including the mass market that may not see price sensitivity as the key driver. No racetrack executive would have the guts to admit this, but they all think this way, some more than others. They do not believe the upside in business would offset the reduced margin. Further, the casino industry could argue that its effective takeout on sports betting and table games is still less than a nine percent takeout and therefore more attractive. Summary point: I am all for reduced takeout, but in a more targeted and structured format. It is only one piece of the solution and a multi-layered approach is needed to really break through.

NICK NICHOLSON: Keeneland is not afraid to be a laboratory for the industry, and so we try things. And some things we tried worked, and some things we tried didn't work. We lowered the takeout here a few years ago and immediately got cut off from most other signals. One group was the Mid-Atlantic, and one of the leading members of that was Maryland. And I almost laughed out loud when I read that Laurel was going to cut their takeout last year, after the way that they treated us when we did it. We, of course, took Laurel's signal.

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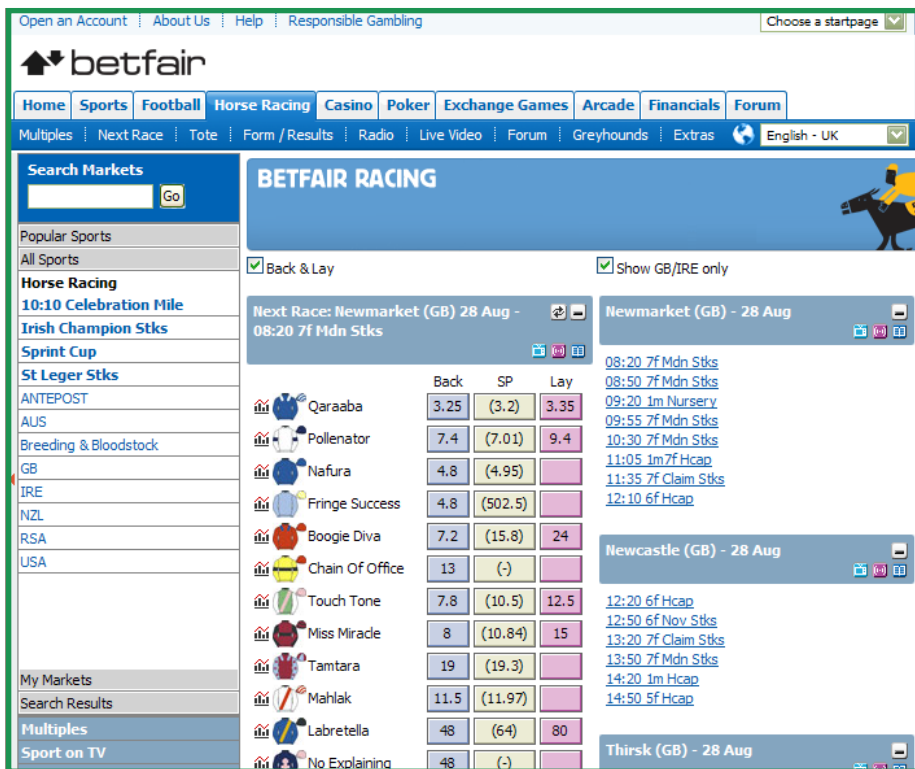
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AFTER ITS FISCAL YEAR ENDED IN APRIL, BETFAIR REPORTED A 27 PERCENT GROWTH IN REVENUE AND NET PROFITS OF \$121 MILLION.

TDN: *It's not true that the entire gambling industry is faltering under the weight of the current economic climate. Betting exchanges, and in particular Betfair, are flourishing. After its fiscal year ended in April, Betfair reported a 27-percent growth in revenue and net profits of \$121 million. Clearly, Betfair has created a method of wagering with wide appeal that grows more popular by the day. Shouldn't U.S. racing either embrace Betfair or create a betting exchange of its own? Isn't this exactly what U.S. racing is looking for—a way to get new fans and to increase the popularity of betting on horses?*

ALEX WALDROP: Exchange betting scares me to death and it's not because of integrity issues. I think they do an admirable job of dealing with that. With a betting exchange, someone else is controlling your wagering product and the margins are razor thin. So little money comes back to the industry through exchange betting. I fear betting exchanges the way the South should have feared kudzu. It came in from Japan and everyone thought it would be perfect, something that would control erosion of the clay banks. Instead it took over everything. It's invasive, you can't stop it and it takes over everything it touches. A betting exchange would do exactly the same thing to us. If allowed to, it will take over our pari-mutuel wagering system and do so for a fraction of the amount of money that now goes back to the industry. There has to be a balance between the players and the participants. That's why takeout is such a controversial issue. There's always a question whether the players are

“If a betting exchange wanted to come in and guarantee the amount of revenue that is now being paid to the participants, then everybody would be in favor of betting exchanges.”

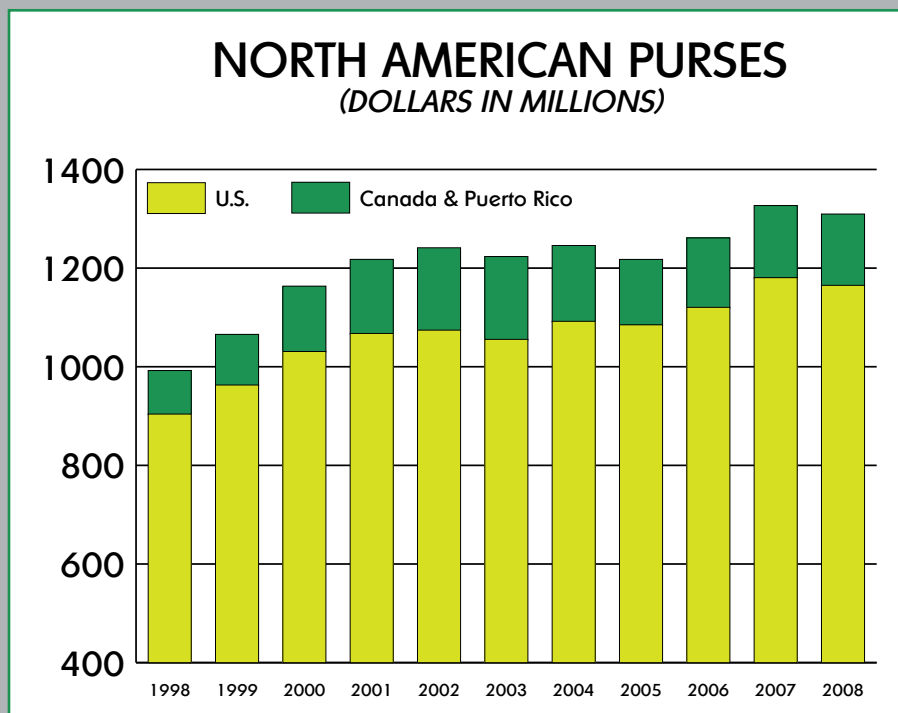
Bob Evans

getting their fair share back or the participants are keeping a proper share to maintain their costs. We're always trying to find the right line. With exchange betting, the fan gets it all. I want to fan to get a lot, trust me, but he can't get it all in contrast to the participant.

BOB EVANS: It's a math problem. As an industry, we'd be pretty dumb to adopt a new way of betting that results in us getting less revenue. It's a simple as that. If a betting exchange wanted to come in and guarantee the amount of revenue that is now being paid to the participants, then everybody would be in favor of betting exchanges. But the truth is they produce less. Until that problem is overcome I can't see them being embraced. If a betting exchange is taking bets on the outcome of a tennis match, that's one thing. There isn't really a market for that anyway, at least a legal one. With horse racing, there is a legal market and a way of conducting that business and it produces more revenue than a betting

BY THE NUMBERS

Gross purses in North America in 2008 slipped 1.3% from the record level achieved in 2007 as a decline of more than \$1 billion in pari-mutuel handle in 2008 reduced the contribution to purses from wagering. Bucking the trend, however, was Pennsylvania, where available purse money increased 44.5% in 2008 and has more than doubled during the last two years following the introduction of alternative gaming at the state's race tracks and the opening in 2007 of Presque Isle Downs. Pennsylvania trailed only California and New York by offering \$110.2 million in gross purses in 2008.



TEXT AND DATA SOURCE: THE JOCKEY CLUB FACT BOOK

exchange would. I've had people shout at me and say that's not true, betting exchanges are great. Then guarantee it. If you are so sure that they're going to produce the same rewards, just guarantee it and everyone will go right along with it.

EUGENE CHRISTIANSEN: It is not true that the public, either in the United States or globally, has lost interest in betting or betting on horses. Betfair has proved this and proved it abundantly. Betfair did not exist until 1999 and today it is a vibrant, growing business and anecdotally, a very large percentage of their total business is on horse racing globally. But look at where the con-

sumer pricing is. I even know casual bettors that will hang out on betting exchange sites because they think it is fun. That to me is so fundamental. One of the things this industry did not do that it should have done, in 1999 or 2000 at the latest, when it became clear that Betfair was taking off, was to wholeheartedly embrace betting exchanges. If it had gotten into the business at that point, we wouldn't be having this conversation today about the woes of racing. Just trying to ignore betting exchanges wasn't the answer. The consumer is always right. The consumer is never wrong. It is not wrong for the consumer to want lower prices. Betfair has demonstrated to my satisfaction

that if you give the consumer what he wants, he will bet horses. Betfair has proven that. Lower consumer prices are a big part of their success.

BARRY WEISBORD: There are companies, Betfair and the other betting exchanges, that have invented an Internet-only style of betting and they have been massively successful. Obviously, the handle they have created over the last few years is staggering. The technology is fantastic, but the reason betting exchanges work is because they are offering an A-versus-B propositions at a low takeout and a very fair price. There are issues about betting exchanges, particularly how much money goes back to the industry, but those are solvable issues. The important thing is that you match up buyers and sellers in an unbelievably time-efficient manner, even to the point that you can bet during a race. That's how quickly they can process your wagers. The idea of incorporating betting exchanges in this country seems like one of the logical steps that need to be taken. How can we turn our backs on something that has been so successful?

“Just trying to ignore betting exchanges wasn't the answer. The consumer is always right. The consumer is never wrong...Betfair has demonstrated to my satisfaction that if you give the consumer what he wants, he will bet horses.”

Eugene Christiansen

“We need to get past this situation where we have 14 different account wagering companies and exclusivity problems. It should be: just go to *horseracing.com* and bet on horse racing. Figure out how to carve up the money. That’s such a minor side issue. Just have one person do it, with one blended rate, have everyone get paid fairly and move on.”

Steve Crist

TDN: *We’ve already talked about Belfair and how successful it is. Its success obviously has something to do with how it has found a way to effectively take wagers on horse races with a takeout of five percent or less. It also, no doubt, has something to do with how that company has figured out how to make wagering on the Internet fast, easy, simple and fun. The U.S. racing industry has Internet wagering, but it’s fair to say we have yet to figure out a way to really exploit the Internet. What should we be doing?*

STEVE CRIST: The big opportunity that the industry has blown completely is with online betting. It’s the only thing people can legally bet over the Internet in this country. It’s like the monopoly we had 60 years ago, and nobody is exploiting it or pushing it. Where is a single race-track focusing its marketing cam-

aign on the fact you can bet on horse racing from home? I really don’t understand why.

How do we do a better job? For one, simply telling people it’s out there. I don’t think the general public even understands you can bet horses over your computer. People are always sitting in front of their computers looking for new games to play and looking for new sites and they don’t even know there’s one out there where you can go and gamble real money. The industry has done a terrible job getting the word out.

We need to get past this situation where we have 14 different account wagering companies and exclusivity problems. It should be: just go to *horseracing.com* and bet on horse racing. Figure out how to carve up the money. That’s such a minor side issue. Just have one person do it, with one blended rate, have everyone get paid fairly and move on.

GREG AVIOLI: We need to be a much more collaborative industry. The fact is there have been multiple efforts to try to bring one industry-wide account wagering firm to fruition, where customers could bet through that entity, sort of like an iTunes for horseracing. And they all

failed, generally because everyone got very provincial and wanted to protect their piece of the pie.

Nobody wanted to turn over a business they thought they could make money on to a broader group. Some people may not remember in 2000 the NTRA tried to found a national betting-services hub for the whole industry in Oregon, which didn’t work for a lot of reasons. I think this failure to act collaboratively is among the reasons we haven’t gotten as far as we could have with the Internet betting.

What you’re seeing now, though, is a concerted effort on behalf of a number of tracks and associations, largely not-for-profit, to come together to develop something that would have the necessary scale to be meaningful. You’re still going to have for-profit companies that go their own direction on this because they have their shareholders to answer to.

But for the not-for-profits, there’s a real opportunity to come together. Del Mar seems to be ahead of the curve. They have come out with their own, Del Mar-focused Internet betting site and it’s quite good. Their ideas include lessening the barriers of entry for the consumer and that’s a good step in the right direction.

To make our overall industry situation better, including how people bet on the Internet, we have to have multiple entities in the industry working together as opposed to everyone pursuing their own solution.

TDN: *Where else can technology help us?*

JEFF PLATT: What racing really needs to do is step up and either purchase or contract out for a tote system fast enough to render odds and payoffs in a real time. It has to be secure and it has to be monitored.

And the analogy I can draw is if you look at what you have when you

buy stocks or you sell stocks, your price quotes are instantaneous. I buy 1,000 shares of XYZ company, that order is processed in real time. Somebody else getting a quote, their quote will have my order, my executed order, reflected into it, their quote will be updated a nano second after I make my buy or sell. And vice-versa. That's what racing needs. In this day and age, it's an embarrassment that it takes 45 seconds for odds info to cycle through.

NICK NICHOLSON: I think we should take more advantage of technology than we do. Once again, I have seen it first-hand. I feel it, I watch it every day when we're racing: this crowd appreciates the fact that we've got a computer chip in each saddle and that we can demonstrate all this data to them. We can demonstrate a blimp shot, we can demonstrate the chicklets. And we need to get our arms around this. Now, Barry (Editors' note: *Thoroughbred Daily News* publisher Barry Weisbord is an officer and board member of Trakus) will love that sentence. He won't like the next sentence.

The company that's doing this, Trakus, has been unable to make its technology, for whatever reason, fit the economic needs of most race tracks in America. Either we need to find a way to invest in Trakus, or we need to find a way to have Trakus cheapen the price. We need to create a market for the data so that they can sell more data.

That would be one of the areas where we should not accept the status quo. And I am a huge advocate for the fact that we're not going to be able to bring in this next generation without toys like this.

At least once a day I try to watch a race from behind the fans. I watch where their heads are. They're watching this tote board. And even when horses are 200 yards to their left, they're watching the tote board.



RACING FANS AT KEENELAND WATCHING THE TRACK'S STATE-OF-THE-ART INFIELD TOTEBOARD.

And then they'll come by and they might follow them, but they're no longer looking left.

The fans like the high definition shots that we show and the close-ups and the head-on shots. We've got sometimes four, sometimes five different things going on at the same time. And the fan likes it. It's closer to what they're used to in other sports. And when I go to a track that has not invested in high-definition equipment, and which has not invested in computer chip technology, the difference is startling. We've got to find a better way of displaying the race and then we've got to find a better way of using the data from the race.

If you peel the onion back, there's a guy in a press box with the binoculars screaming into a tape recorder, and he's guessing how many lengths behind each horse is. And that's the foundation of the information.

You've got very "sophisticated"

sheets that people buy to bet on, that analyze the "trip" that a previous horse had. That is all subjective, much of it based on what path the horse was in. Well, when you're watching a replay or you've got a set of binoculars, and you're hundreds of yards away, and you're going to say four path, five path, three path.

Computer chips give us the ability to tell you exactly how many inches away from the rail a horse was every step of the race. I can tell you at the end of the race exactly how many feet each horse ran.

I never claimed to fully understand the horseplayer. One of the things I don't understand is why these players are not screaming for more of this information. And I'm convinced that the more they understand about it, the more they'll start screaming.

BARRY WEISBORD: People love simple, and they love convenient. What's more convenient than reach-

ing into your pocket to bet on your phone? We're more convenient than lotteries, casinos, and technology exists now where we can deliver a race or its graphic equivalent on your phone. We should be exploiting our advantage. We grew up playing the races accessing the data that the *Racing Form* delivered us. Shouldn't we be able to see all types of data that can be collected with new technology on the internet, at the consumer's choice?

Streaming technology has also given us the ability to not just read about past performances, but watch races on the internet, not only from the U.S. but from other parts of the world. It's a fantastic tool, and it makes betting on and owning horses more fun. Why can't we offer video past performances, where instead of reading about the fact that a horse was checked at the quarter pole, you can watch it? The consumer should dictate how much or how little information he wants to access.

TDN: *We could have one industry-wide Internet betting site if we had a commissioner. Everyone seems to understand that having a racing czar would be beneficial for the industry as a whole, but no one seems to have*

any idea of how to make that happen. Let's start with Dennis Robinson, the President and CEO of the New Jersey Sports and Exposition Authority, which operates the Meadowlands and Monmouth. Prior to taking over as the head of the Meadowlands, he was the deputy commissioner of the NBA, where he saw first-hand how important it is to have an effective, powerful commissioner in David Stern. Does racing need a commissioner?

DENNIS ROBINSON: I wouldn't get too caught up in the term "commissioner." That's just a word, something that is symbolic of an economic and competitive structure that works. It just so happens that, with the way professional sports have evolved, there is tremendous power in the office of the commissioner. The teams, the owners and even the players realize that having a commissioner's office is in everyone's best interests because the commissioner balances the interests of the owners and the athletes and has to play the middle.

The commissioner prevents the haves from beating up the have-nots and, hopefully, at some point balances the interests of the individual athletes and the owners of these franchises—in our case, the tracks. Right now, there is an imbalance of power between the horsemen's groups and the racetracks because at the end of the day, what happens in our industry is that the horsemen are able to control your ability to distribute your product. It would be like the players' association of any league being able to tell the league whether you can broadcast on ESPN, ABC, NBC, whatever. Basically, horsemen have unilateral power to pull the signal if there's something out there that doesn't suit their purposes. There is a tremendous imbalance of power that exists within the industry and is legislatively embedded in the industry.

Racing may not be able to have a commissioner, but it needs to find a way to get things back in balance. Could we have a commissioner? The question is if you think that model is something that should be emulated by the racing industry, how does one get there? You'd have to have the major players in the industry agree to this concept and have the major players be willing to cede some control and potentially even cede some revenue streams to help build this over a period of time. You'd have to agree to a legal structure, a constitution and bylaw structure, potentially a franchise-type agreement, agree to a season and schedule that doesn't compete for the same athletes from day to day, week to week. The only way that will really happen is if the industry decides that it had better do these things or else it won't have a future.

Anything, including finding a way to have an effective commissioner's office, can happen if you have participants that want to make it happen. It's as simple as that. Is it practical? Is it more of a pie-in-the sky idea,

“Anything, including finding a way to have an effective commissioner's office, can happen if you have participants that want to make it happen. It's as simple as that.”

Dennis Robinson

“Talking about leagues and commissioners is good long-term thinking, but today what we need are practical achievable results and that’s why we created the Alliance.”

Alex Waldrop

more of an idealized version of the way the world could be? Probably. But on the other hand, if the major participants in this industry decide that the only way this sport is going to survive is to put some structure together, then it could happen.

I understand that it has to be reflective of the unique nature of racing. You cannot just duplicate something else that is out there. But if people are willing to cede some control and power and, in many respects, some revenue streams for the good of the whole, then I think something can happen here.

ALEX WALDROP: I probably think about that issue more than any other single issue. People often judge the NTRA based on our ability or inability to achieve the results people generally expect from a commissioner’s office. Former NFL commissioner Paul Tagliabue and current commissioner Roger Goodell were both labor lawyers and they came from the same firm. We have sat down with people from that firm and have worked very closely with them. We were looking at the Alliance and talking about how this was the time to restructure racing. We sat down with them and explained to them how racing is configured and its decentralized nature, and how frustrating that was for just about everyone involved. We asked them to help us put some structure around this business. How can we use the NFL as an example



ALEX WALDROP AT THE CONGRESSIONAL STEROIDS HEARING ON CAPITOL HILL IN JUNE, 2008.

PHOTO: GETTY IMAGES



MANY IN RACING HAVE LONG TALKED ABOUT THE NEED FOR A 'CZAR,' LIKE THE NBA COMMISSIONER DAVID STERN.

and how could we give a commissioner some real authority?

These individuals told us that there is not any analogy between football and our business. Theirs is an employee-employer relationship. When Roger Goodell sits down to talk with Michael Vick to decide whether he can come back, that's because Michael Vick has signed away his rights contractually and he knows to get into that league, he has to sign a contract to become an employee of a team and live by the league's rules. Roger is free to say he can't be an employee.

I've looked at various ways we could structure the industry and I've looked at leagues and privatization. There are significant legal impediments, whether they are anti-trust or the fact that the state interjects itself in our business and they are not going to give that up. As long as you have states inserting themselves into our business and declaring they have jurisdiction over our business, then you're going to have racing commissions, and when you have racing commissioners, they become effectively the commissioners in each state.

We determined that in the near term the only way to try to put any structure into this business was through the Alliance, through a voluntary cooperative effort where people say they will agree to abide by a code of standards and if we do not abide by the code we will suffer whatever sanctions the organization puts out. We can't fine anybody, but we can deny them membership and there may be other things we can deny them in the future. In the near term, that's probably the best solution we have. A league is ultimately a cooperative effort—a voluntary agreement to put your hands in the hands of a third party.

It's more helpful for us to play the cards we're dealt. Talking about leagues and commissioners is good long-term thinking, but today, what we need are practical achievable results and that's why we created the Alliance. We have cooperation and people are buying into the concept. That's progress. Politics is the art of the achievable. At the end of the day, you have to do what you can achieve and you dream, think big, aim high, but at the end of the day, you have to

make progress based on the realities.

CHARLES HAYWARD: A czar will never happen. But we have had a series of conversations among like-minded non-profits. One of the things that has become very clear is that in the racing industry, which is a no-growth business right now, the for-profit public companies cannot necessarily put their horsemen first or the fans first. They have to put the shareholders first. That's what they're required to do as a public company. It shouldn't be of any surprise to anybody if Churchill Downs is being more aggressive in the account-wagering business, which seems to be one of the more rapidly growing, higher-margin businesses, and less inclined to expand racing dates or buy new racetracks. We have had a series of informal conversations that have included Keeneland, Del Mar and Oak Tree about initiatives we might work together on. It could be a consolidated tote. It could be account wagering. That's not having a commissioner, but it would be a matter of some tracks working together for common goals.

TDN: If the sport had a commissioner, probably the first thing that person would do is to cut down on the numbers of tracks we have and the amount of races we run. If we can't increase the demand for racing's product, shouldn't we cut down on the supply? Is it inevitable that that will happen?

STEVE CRIST: One of the lessons of simulcasting is that a lot of people are perfectly happy to wager on a race 1,000 miles away looking at a TV set and maybe we don't need as many tracks and can't sustain as many tracks as we used to. There absolutely has to be less product. There are going to be contractions in every part of the industry, including the breeding industry. You have a reduction now in the foal crop and if you lose 10 tracks it's got to fall even further. I don't know enough about each track's financial position

to say who is going to be the first to close, but take Prairie Meadows, the first real slots bailout track. There probably isn't a market for eight months a year of live racing in Des Moines, Iowa. There's not enough interest. Considering the economic realities everyone is facing, it figures that racing is going to get a lot less money from slot machines because governments are going to take that money for themselves. So you might see a slots track like Prairie Meadows have a six-week meeting instead of an eighth-month meeting.

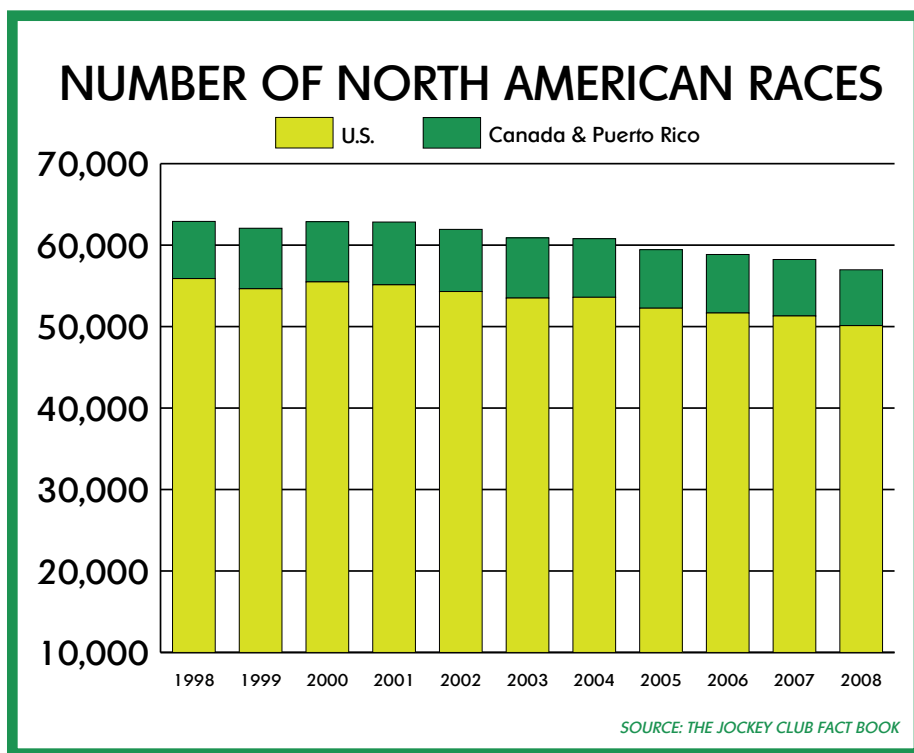
Maybe that's not the worst thing in the world. Maybe that six-week meeting becomes a little more of an event. We know it's not going to be Keeneland, but at least it might be "Prairie Meadows is open again and for six weeks in the summer they've got a decent race meet." Once you take away some of the slots money they're obviously not going to do eight months a year. I don't think we're going to see a cataclysmic series of shut downs, but I think we will see a lot of tracks run shorter meets. The idea that you need virtually year-round racing in a market the

size of Des Moines is an idea that is going to have to go out the window.

NICK NICHOLSON: There is no professional sport that tries to play at the same facility for 100 days in a row. It leads to flat, boring sports. If we had to do that at Keeneland, if we had to run for 200 days a year, we would have boring, low-quality racing that would have no relevance to the national championships. It would be racing that beats down our fans and our participants.

I believe all things are on a pendulum and all things come and go with an ebb and a flow. Perhaps a generation ago, it made sense to have year-round circuits everywhere. It's now time for the pendulum to go back the other way.

The modern consumer has so many more choices in front of them; there's so much vying for their attention. We have to start giving them a better product or they won't respond because they don't have to respond to mediocrity when they have so many high-quality options looking at them.



“The idea that you need virtually year-round racing in a market the size of Des Moines is an idea that is going to have to go out the window.”

Steve Crist

BOB EVANS: We have a factory. Calder is factory. It's hard to imagine those economics will work for many more years and not just at Calder but anywhere. Here, it's a Tuesday and we probably have, counting harness and the overseas guys, 25 tracks that are available on TwinSpires.com. I imagine TVG has about the same amount. Probably on Saturdays and Sundays, you have 30-something tracks running. With 10 races a card, that's 300 plus races you are offering the public and that's too many.

There's probably a niche for one or two factories. Everyone can't be special. But what are the most popular race meets in the country? Del Mar, Keeneland and Saratoga, all boutique tracks. Do you think any of them would be as popular if they ran 180 days a year? I don't think so. You're going to see tracks have shorter meets. There just aren't enough horses to go around and the economics of running 300 days a year aren't working any more. We're going to see more and boutique-style racing.

BILL NADER: It's not just that the U.S. has too much racing. You need to take inventory of what your real

assets are and you build on those assets. You start with the Triple Crown and then the Breeders' Cup. You take that as a foundation and say, okay, what really works and let's look at how we can borrow from them and make the entire sport better. Of course, it's hard getting consensus and having people buy in like they must in order to make serious changes.

What does the U.S. have, 51,000 races a year? Whatever the number is, it's too many. Just as importantly, there are too many Grade I races. There are too many of them that don't mean anything anymore. You need to cut that number so a Grade I race starts to mean something again.

TDN: *Why are we losing existing customers and having a hard time attracting new fans? Many believe that has something to do with the underlying perception, whether it's true or not, that racing is a sport over-run with drugs. We allow more legal medications*

than any racing country in the world and there are many horseplayers out there who firmly believe the races aren't won by the best horses but by the horses with the best drugs in their systems. How big a problem is this and what can the industry do about it?

CHARLES HAYWARD: As a racing fan, a wagering customer and a racetrack executive, to me, head and shoulders the biggest problem racing has is the perception people have that there's not a level playing field from a medication standpoint. So how do we fix that? We have 18 labs today and we're spending \$30 million on testing, which is exactly what we spent 30 years ago. A lot of people in the industry say the cheaters are always going to be ahead of the regulators and the racetracks and I just don't accept that. There has to be more money invested in the Racing Medication and Testing Consortium. There has to be consolidation of the labs. We have eighteen. There should be four or five. That way, you

“You need to take inventory of what your real assets are and you build on those assets. You start with the Triple Crown and then the Breeders' Cup. You take that as a foundation and say, okay, what really works and let's look at how we can borrow from them and make the entire sport better.”

Bill Nader

can spend the same \$30 million and get a lot more bang for your buck. We have to employ some of the reverse engineering research they did with the BALCO steroid situation to catch those guys.

I don't think the racing fans should have to worry about what vets are working for what trainers, and, unfortunately, that's how a lot of people handicap today. We have to do more R & D on drug testing and try to figure out what we should be testing for and what's the proper way of testing for it.

Then there are penalties. They have to get reset. Right now, we have the same penalty structure for minor overages of therapeutic drugs that really aren't performance-enhancing as we do for serious overages of other more serious drugs.

In my view, it's a solvable problem, but it's going to cost money. The one glimmer of hope we have is how quickly this industry, which was very embarrassed by steroids in the Big Brown situation, reacted to the steroid situation. In a period from the Derby to the end of the year, we pretty much got a uniform enforcement of steroid protocol, fairly consistent penalties and fairly consistent withdrawal periods. That's something that didn't exist with any other drug-testing initiative.

STEVE CRIST: I'd love to be able to get up in front of the people at The Jockey Club Round Table and say drugs are making you lose 10 percent of your customer base a year and if you don't do something about it you're not going to have any customers left. I can't honestly do that. There's no evidence to support that. That doesn't mean that people aren't upset. But, in and of itself, I don't think it is eroding the existing customer base.

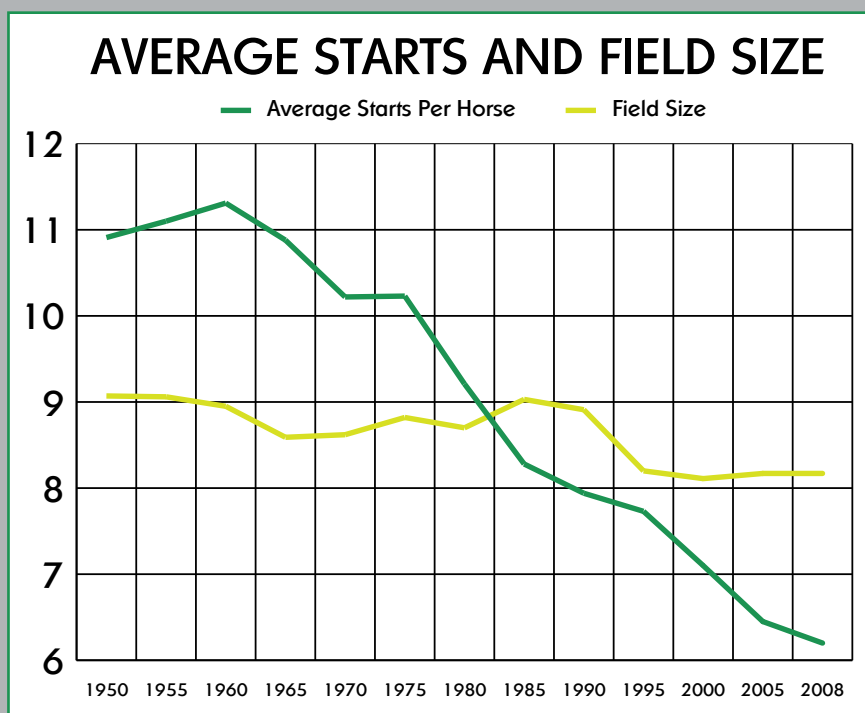
Is it scaring off potential newcomers? Yes, I think to some extent it is. At the end of the day on the medica-

“There has to be more money invested in the Racing Medication and Testing Consortium. There has to be consolidation of the labs. We have eighteen. There should be four or five.”

Charles Hayward

BY THE NUMBERS

The average field size for Thoroughbred races in the U.S. and Canada has declined slightly over the last half century but is largely unchanged since 1995. The decline in average annual starts per runner was consistent over the 30-year period 1960-1990 before the rate of decline began to lessen marginally. Between 1960 and 1990, annual starts per runner declined by an average of 0.112 starts per year. Since then, the average annual decline has been 0.097 starts.



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PHOTO: HORSEPHOTOS

“MOST OF THE PARTICIPANTS WILL TELL YOU THAT WHEN IT COMES TO LEGAL MEDICATIONS, WE HAVE IT ABOUT RIGHT--THAT WE ARE BALANCING THE INTERESTS OF THE HORSE AND THE INTEREST OF INTEGRITY.” —ALEX WALDROP

tion issue, people, especially those at the top of the sport who have influence and power are going to have to make a moral, sporting, ethical decision and not a business one. That will be, do we want to set high standards and hold ourselves to them because that's the right thing to do for the horses and the right thing to do for something we consider a sporting undertaking?

You can't really make a business argument that drugs are a serious problem. When I first came around, people were standing around the televisions and calling Ferriola and Moschera cheaters. Whoever the hot claiming trainer is, you're always going to have some percentage of the people yelling at

the TV that guy is a crook and a cheater. That's kind of built into the game. It's not that different from anything else. In every sport, there's a healthy slice of fans that think everything is fixed. The NBA games are fixed. They're putting the big market teams into the finals. There's no dealing with that kind of “Joe from Queens, first-time caller” nutty sports fan paranoia.

JEFF PLATT: You see trainers get a 30-day or a 60-day suspension and \$1,000 fine for their ninth, 10th or 11th or 13th career drug positive, and they might be ruled off the grounds for 30 days. But he's still calling the shots from his cell phone and the horse goes under the

name of his assistant. Nothing really changes except the name that you read about in the Racing Form as to who the trainer is.

That sends the wrong message to the fans. It tells the fan and the would-be fan, that hey, the game of racing might not be entirely on the up and up. HANA believes that the game of racing needs to be regulated in a way where there are absolutely no questions whatsoever about integrity.

We don't have that right now. We need a national drug policy with teeth. I'm not going to purport to know what drugs are what, what should be allowable and what the tolerance levels should be. But I do believe it has to be consistent from one racing jurisdiction to the other and the rules have to be enforced. And if you're caught cheating, there has to be a far more severe price to be paid than what you have now. You have to clean this game up.

ALEX WALDROP: We test 120,000 horses each year and we test for more drugs and medications than any athletic competition in the world. We spend \$30 million a year on drug testing a year in this country. Yet, we still have this specter over our heads that drugs are rampant in this business and that for health, safety and integrity reasons they have to go. Clearly, the core fan is genuinely concerned. It's getting harder and harder to justify the use of any medication in the current environment. Having said that, this is a Herculean task. The RMTTC (Racing Medication and Testing Consortium) continues to be the best forum for these discussions because you talk to participants and most of the participants will tell you that when it comes to legal medications, we have it about right--that we are balancing the interests of the horse and the interest of integrity. It's a hard thing to communicate to the core fan, so there is work to be done.



PHOTO: HORSEPHOTOS

“EIGHT BELLES CREATED SUCH AN OUTCRY ON THE PART OF OUR CASUAL FANS WHO SAID THEY WANT US TO DO EVERYTHING WE CAN TO ENSURE THE SAFETY OF OUR EQUINE AND HUMAN ATHLETES.” —ALEX WALDROP

TDN: While drugs certainly give racing a black eye, the specter of horses like Eight Belles and Barbaro dying as the result of injuries sustained in marquee events has to be an even bigger problem. Whether it is fair or not, there are a lot of people out there who believe that horse racing is a barbaric sport. There’s no doubt that that perception stands in the way of this sport truly flourishing. How bad of a problem is this and what can be done about it?

ALEX WALDROP: With any business, to come out of a malaise like

the one we are in, you have to look at how you market your business in order for it to grow. We came to the conclusion at the NTRA a long time ago that there are certain fundamentals that have to be addressed as part of a marketing plan. Those fundamentals were safety and integrity, and that’s why we formed the alliance. We saw people, certainly in the wake of Eight Belles, raising huge questions about the safety of our thoroughbreds. The realization that our athletes die in competition was a major trauma for a lot of our casual fans. They didn’t know it. They didn’t understand it or had never witnessed it first-hand. That’s why Eight Belles created such an outcry on the part of our casual fans who said they want us to do everything we can to ensure the safety of our equine and human athletes. And, right or

wrong, people are most concerned about the equine athletes.

People are not able to understand why our athletes sometimes die in competition. That is the single biggest challenge we face as a marketing strategy. How do we convince people that we are doing everything we can possibly do to keep our equine athletes safe? That’s something we took for granted for a long time in this business. Everything that I see and read, everything I hear through my blog, tells me this issue is primary.

We’ve structured the Alliance to look at the environment in which the races are conducted and research is being done to determine how to make horses healthier. We are also looking at solutions concerning what to do with the horses after they are finished racing.

Still, some people will never ac-

cept that any horses die in competition. There's no question there's a segment of the public that will not accept that. I recognize there is an increasing sensitivity to the abuse of animals in this country. It's a reality of life. What we can do, at least with the people who have an open mind, is convince them we are doing everything we can. Initially, that means gathering the data to determine what the causes and the solutions are. Then we must come up with a plan and do whatever is necessary.

NICK NICHOLSON: If we're going to grow the sport, if we're going to connect with young people, then we have to have a certain philosophical foundation. They have to believe that we, the leaders of this industry, care about our human athletes and our equine athletes. We all hate it when a horse breaks down. It's the worst part of my job. As long as I've been in the industry, I still get literally nauseous when I see an accident hap-

pen on the racetrack. It sickens me.

We can't just accept the status quo on safety, and it goes both ways for humans and horses. You have a breakdown in front of the crowd and every time it happens there are thousands of people that say, "I'll never come back to this. This is not a sport."

We love these horses and the wonderful athletes who ride them. These horses are our passion. That has to be very real, very believable, or else the modern consumer is going to walk away from us. The old adage, "it's part of the game," that's a horrible sentence.

TDN: *If horse safety is a problem at the top-tier tracks, is it a bigger problem in the minor leagues? Is there a role for these tracks, and do they ultimately serve some purpose in marketing our sport?*

"We love these horses and the wonderful athletes who ride them. These horses are our passion. That has to be very real, very believable, or else the modern consumer is going to walk away from us. The old adage, "it's part of the game," that's a horrible sentence."

Nick Nicholson

STEVE CRIST: A contraction is inevitable, but there is a kind of unrealistic vision out there. People say, "let's get rid of all these small tracks and just have six to 10 supertracks." That won't work because something like half of all horses don't pan out. You have to have a minor league. But the minor leagues have gotten too big and they race too much. What I think would be ideal would not be to pray for all the Beulahs of the world to go out of business, but the Beulahs of the world should have six to eight-week meetings and not six to eight-month meetings. You absolutely need that circuit. You can't say let's just have top-class racing at six super tracks. What are you going to do with the rest of the horses? You need a minor league. It would be great to have little meetings in dozen of markets because that's how you turn those people into year-round simulcast customers, network television viewers. It's still the best way to generate interest, to have some sort of racing in the small markets.

ALEX WALDROP: I don't ascribe to the notion that we need fewer tracks or that we need 20 supertracks. I don't think that's where we are heading and I don't think that would be good for racing. Kentucky is a prime example. Under most scenarios, Ellis Park would not be a survivor if you had just 20 tracks, but talk to anybody in Kentucky and they will tell you that the Ellis Park portion of the Kentucky circuit is vital to Ellis and Keeneland. Perhaps we need less racing, but not fewer racetracks. It's the racetracks that give people the opportunity to come and fall in love with racing. I don't think that's the solution. More vital racetracks, yes. But having fewer tracks would not be positive development for us.

“In Hong Kong, racing outperforms the lottery by a margin of 10 to 1. That illustrates how much people like to bet on horses here. I’ve seen first-hand how people will respond when you give them only the very best when it comes to your racing product.”

Bill Nader



PHOTO: HORSEPHOTOS

TDN: *One of the reasons the idea of “supertracks” appeals to people is because the consumer obviously wants quality racing. A supertrack might have a 15-race card with 14 horses in every race and pay out \$1 million a day in purses. Whether we have six tracks or 600, shouldn’t the industry find a way to give people more of what they want, which is quality product? There’s clearly not enough of that out there.*

BOB EVANS: With the way things are now, what you’ve got to do in the horse business to survive is to focus on quality. What we’re breeding or what we’re trying to race or what we’re doing with the racetracks--the focus has to be on quality. If there are going to be fewer tracks, the

ones with the best product will be the ones to survive.

BILL NADER: In Hong Kong, racing outperforms the lottery by a margin of 10 to 1. That illustrates how much people like to bet on horses here. But it’s also a case of them preferring to bet on something where they believe that have a realistic chance of winning. They study hard. They know they’re going to get 12.5 runners per race, which has been our average for the last three years. They know they’re going to get integrity because the enforcement of the rules and regulations here is much more stringent than anywhere else. They’re going to get deep wagering pools. We bet, on average, almost \$12 million per race. And then you get really good, competitive races. The average margin of victory here is very small. I’ve seen first-hand how people will respond when you give them only the very best when it comes to your racing product.

TDN: *Let’s stick with this subject. We all know that the very best product racing can offer the public is the rich, high-quality stakes races that attract the game’s biggest stars. But we have stakes schedules with no cohesion, tracks competing against one another for the biggest names and, outside of the Triple Crown, no rhyme or reason to how we do things. Never was this more evident during Haskell weekend when Mine That Bird went off to West Virginia to compete instead of facing Summer Bird and Rachel Alexandra in the Haskell. All that did was to diminish the importance of the weekend and allowed the major TV networks to ignore what was going on. Can’t we do a better job when it comes to structure? Must we do a better job when it comes to structure?*

BARRY WEISBORD: The Triple Crown is what commands the most attention. Those are the races with structure. But we can and we have to go beyond that. We no longer can have a situation where a major horse wins a major race and everyone is guessing where he will show up next. The next start should be obvious. It should be within a series of races. It should be a matter of if the horse is healthy, there’s really only one place to go.

You need something where, like with the Triple Crown, people understand what’s going on and how this works. People will get more

familiar with the horses, jockeys, trainers and owners, and those are the things that drive interest. By putting a very bright light on a finite number of races and defining them as the best we offer, we create structure and an easily understood format of top-quality races.

If you throw out the right carrot, owners will respond. The reason this could work, next year more than any time in recent years, is because breeding stock values have plummeted. The promoters of the game didn't make that happen, but they can benefit from it. We've found ourselves in a situation where owners are going to be more willing to keep their horses in training and run for big money. Now, all you have to do is get the right carrots out there and behavior can be changed. There will be a new paradigm of good behavior. Good behavior might be, "How do I earn \$10 million running my horse?"

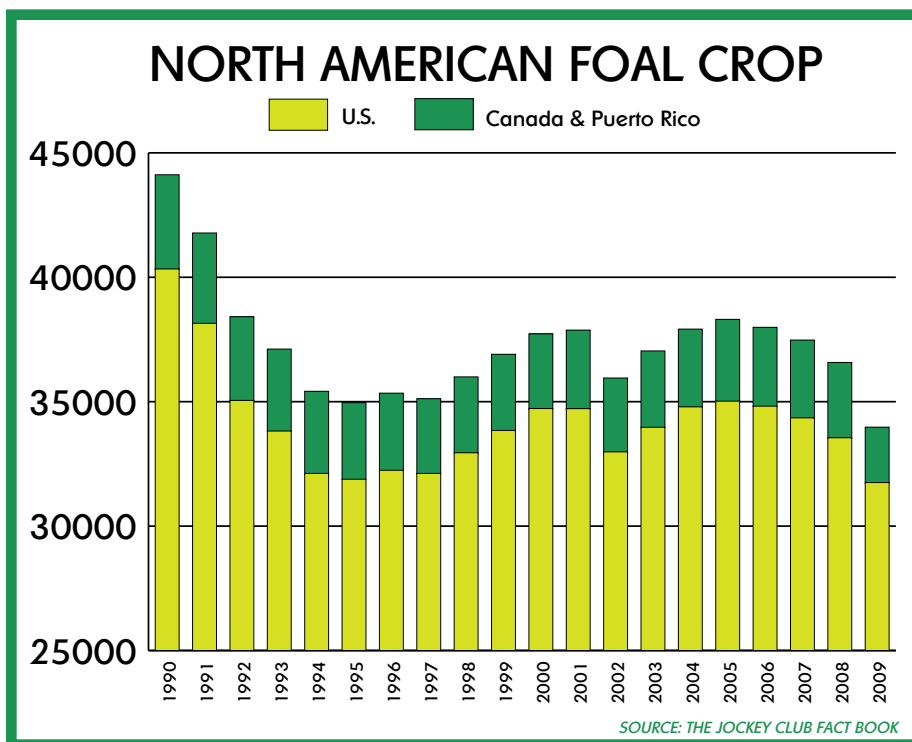
Once you create this structure, you have to create finances that work. How do you get the carrot big enough so that you can get the best horses to consistently run against one another? Once you've done that, you have to promote this properly. If you want to understand how to properly promote a sport in this modern era, just go to mlb.com and you'll get a really good idea of someone who understands promoting their sport in the modern way. The amount of content they have is amazing and there is something for every level of fan, from the casual to the hardcore. It is unbelievably well done and it is free.

With our sport in general, there's so much that can be done electronically. The trouble now is that we have no place to have this body of work distributed because the Breeders' Cup promotes Breeders' Cup races, NYRA promotes NYRA races and Churchill promotes Churchill races. Nobody is pro-

moting some wide umbrella where we have one-stop shopping, where you can find out everything you want to find out about racing, the top horses and what they are doing.

STEVE CRIST: I completely agree with what Barry Weisbord has been saying. We just need to start over with the stakes schedule in this country. We need something where, for eight or 10 months, you have a day each month where there are a

series of top-class races run in concert with one another, something that gives the whole thing cohesiveness. The current stakes schedule is a remnant of how racing operated 50 years ago. How can it be that the foal crop is half of what it used to be and we have 20 percent more Grade I stakes than we used to have? These races have lost their meaning and nobody gets excited when they hear there is a Grade I stakes at their local track on Saturday. It doesn't mean



PRECIPITOUS DECLINE? THE JOCKEY CLUB ANNOUNCED A PROJECTED FOAL CROP OF 30,000 IN 2010.

“How can it be that the foal crop is half of what it used to be and we have 20 percent more Grade I stakes than we used to have? These races have lost their meaning.”

Steve Crist



PHOTO: GETTY IMAGES

“What’s the most exciting part of the baseball season? Opening day. You go from opening day, you have the season, the playoffs, the World Series and then you crown an ultimate champion. Our champions don’t even want to compete against each other. That’s because we have no structure.”

Dennis Robinson

anything. You need a cohesive year-long series building to the Breeders’ Cup to give the sport some kind of overall structure. People need to know there’s one day a month when, if they like racing, that’s the day they should pay attention. Start with that and you’ll take people from following races three days a year to 12 days a year. From there, it’s not a stretch to think you can get them to become everyday fans of the sport.

DENNIS ROBINSON: This is what’s missing from this sport. We have no opening day, no closing day,

no season. Think about every other sport. What’s the most exciting part of the baseball season? Opening day. And then the World Series. You go from opening day, you have the season, the playoffs, the World Series and then you crown an ultimate champion. Our champions don’t even want to compete against each other. That’s because we have no structure. You need a season, a league, a championship, something that builds up to a crescendo. We have some very exciting individual events and we have the Breeders’ Cup, which I see more as an All-Star

Game. To grow the sport’s popularity, you have to have something a lot more than that.

BOB EVANS: Look at the other sporting events. There’s something on the order of 40 NASCAR race days a year. If you add in the Craftsman Truck Series and the Sprint Cup Series, you’re still in the neighborhood of 80 or 100 days of racing. We’ve got, roughly speaking, 50,000 races and 5,000 days of racing. NASCAR has 100-something, and the PGA has 40 events, four days each--160 days of professional golf. We have way too many days, as well as days that don’t mean anything. This idea that the future is a smaller number of premium products doesn’t surprise me.

Somebody will eventually figure out how to structure this. I doubt that it will get done solely by putting the best horses together on that day. You’re going to have to find other ways to attract the people to this thing called horse racing. Here’s an interesting conundrum. Our best product, theoretically, is graded stakes races. Yet, they are the least profitable races to run. Rarely does a graded stakes race procure enough purse dollars itself to pay that purse. As goofy as it sounds, our best products aren’t paying for themselves. That’s like having a Super Bowl and saying it costs a boatload of money but we have to do it anyway because we need a championship game. The opposite is true. The Super Bowl is a huge economic success.

People are going to want to do that to create the next big event. My guess is, it doesn’t start with someone saying, “we’ve got the very best horses in the race that day and therefore it must be interesting to the public.” It’s going to have to have a story line that interests the general public and racing is going to be a part of the outcome. You could pretty much argue that the Derby isn’t about the race. It’s a

three-week, almost four-week celebration in the city of Louisville and it starts to pick up a national flavor in the last couple of days before the Oaks and Derby. The race itself takes two minutes. What we have is pageantry, spectacle and the entertainment value.

Look at NASCAR. NASCAR went a long time conducting races that the general public wasn't the least bit interested in. Then all of a sudden they hit on a way of presenting the product differently. It became important that the drivers were attractive and young and personable and were doing things the public was interested in. It's just how you present it. In racing, someone will come along and invent the newest, best thing.

TDN: *So, if we can make horse racing a lot more exciting as a sporting event, will the industry flourish? That's a popular sentiment within the industry. But it also ignores the gambling components of the game. Will people flock to bet great races that don't offer great betting value?*

EUGENE CHRISTIANSEN: In concept, it should be possible to revive horse racing through promotions and big events. In practice, though, people have been trying to do that since the sixties and no one has succeeded. That says something about how hard it is. Entertainment, whether it is sports, movies, what have you, is a tough business. It's only an easy business when you have someone like Steve Wynn involved, who is good at it and makes it look easy. If Steve were to buy half a dozen big racetracks, look at them for a couple of months, he might come up with a winning strategy

for building on the entertainment values of this sport and rebuilding it. It hasn't happened here and a lot of people have tried. I have to say it is a concept that hasn't worked anywhere and it's probably not the best idea. The only way to create new fans in large numbers is to drastically reduce the takeout or the price people pay for the product.

TDN: *There might be some out there thinking right about now that we shouldn't be spending so much time focusing on what's wrong with racing because the sport is flourishing in the many, many places that have slot machines. Mountaineer Park just had a \$750,000 race that attracted the Kentucky Derby winner. Tracks like Philadelphia Park have \$50,000 allowance races. Still, most know the slots phenomenon is a double-edged sword. Let's look ahead. Where is the slot era going and what can racing do to get the most out of the slots money and avoid a situation where the slot machines start working against us, not for us?*

ALEX WALDROP: Racing now plays second fiddle to a much bigger business, which is gaming. That is an environment we need to monitor very carefully. Racing needs to be able to hold its own in this new environment. That's my primary concern.

This is a subsidy, and a subsidy can be here today, gone tomorrow. The challenge is, when gaming comes to

a racetrack, management tends to be dominated by the casino perspective, because that's where the money is. That is a continuing concern and I don't know how you ever get beyond that. You have to legislate.

Clearly, racetracks and casinos do not peacefully co-exist. The single biggest threat to racing is the indignant expansion of casino gambling throughout this county. We obviously have to figure out how to co-exist and take from those operations what we need to thrive and prosper on a long-term basis.

BOB EVANS: Slots keep you in the game with your racing. The slots business is a source of additional profits to the racing company that operates it and it's a source of new information about customers. Can I use that additional money and that additional information to in some way generate more business for racing? The first reaction people will probably have to that is 'no.' People think, "Why bother?" The

“Racing needs to be able to hold its own in this new environment...

This is a subsidy, and a subsidy can be here today, gone tomorrow.”

Alex Waldrop

slot operations are cranking out a bunch of cash and there is a contribution to the purses.

That may not always be the case, because eventually the slots business has to stop growing. The markets in which casinos exist are getting saturated. With the growth rate slowing down, people are going to look at other ways to make money. I think people will start to take another look at racing as a potential moneymaker.

Imagine the customer impact if, instead of taking the purse subsidies and doling them out they way people do, running a racing factory for 250 days a year, you tried to do something really interesting with the purse money. Why not create a festival that rivals what they do in Dubai? With most casinos you could easily do that based upon the amount of money already going into the purses. You just couldn't do it for 250 days a year, but you certainly could do it for 10.

I'm back to that boutique angle. The people who get innovative with that sort of thing will be the winners in the long run. The amount bet on horse racing every year in this country may get down to \$10 billion, but it may be bet on only a very small number of races compared to what it is today. When you get the handle per race up to a high enough number, it gets pretty economically attractive to keep running races. You go back far enough, and it used to be an economically viable business.

Capital will go where people be-



DUBAI WORLD CUP FESTIVAL, 2009.

lieve there is adequate return. People will say, "I have this capital and I can deploy it in a lot different ways. I can build a Dairy Queen or I can invest it in the racing business or I can put it into more slots." When racing can put itself in a position where it makes most economic sense as a way to invest capital, then it will take off again.

STEVE CRIST: The mistake hasn't been taking the slots money. If anyone says, "We're going to throw you millions and millions of dollars at you every year," you're not going to say no. The mistake is when you don't use that money wisely to rebuild the infrastructure of the sport and do some real marketing and build some kid of fan base for the future.

The day is going to come when the politicians go, "Wait a second. Why are we subsidizing a dying sport? They're going to take your money away. Then what do you do? That's pretty much what has happened. I can't think of a single slot track, starting with Prairie Meadows and Delaware Park, that has said, "Let's use this bonanza for something else besides throwing money at horsemen." To have \$5,000 claimers race for \$25,000 is a ridiculous imbalance. Who is investing that money for the future and building wonderful palatial facilities or doing real marketing for horse racing? Instead, everyone has been just taking a handout that everyone knows is going to disappear some day. That is scary.

"Imagine the customer impact if, instead of taking the purse subsidies and doling them out they way people do, running a racing factory for 250 days a year, you tried to do something really interesting with the purse money. Why not create a festival that rivals what they do in Dubai?"

Bob Evans

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EUGENE CHRISTIANSEN: I do not believe that subsidizing racing is healthy. I do not believe that it is a sound basis for planning this industry's future. You can do the numbers yourself. Just take out all of the purse money that is generated from slot machines and look where this industry would be. Look how many racetracks would close tomorrow. That can still happen. The problem with subsidies is that government can give them, but government can take them away too. Since we advise a lot of governments, I find it increasingly common to have people in the governors' offices or in the legislatures' offices ask me why, exactly, when the state treasury is broke and we need money so badly, are we subsidizing horse racing with slot-machine revenue that actually belongs to us?

If there is a way forward, it isn't more subsidies. If you think there is a way forward and it is relocating capital into the slot machine business, that means you are essentially ignoring horse racing. That, of course, is no way to revive and restart growth in the fan base. For horse racing, nothing else matters. Making new fans is the whole ball of wax. You cannot make new fans unless you give the consumer what he wants. The consumer has said as clearly as anyone ever could say that he wants lower prices. If you don't, you're just going to have a slow death.

TDN: *Everyone knows the sport has problems and that its back is against the wall. Some will tell you that the sport is doomed if it does not fix its problems. Yet, racing is notoriously slow to change or to fix anything. What might happen if the status quo persists and the industry doesn't find a way to make drastic changes? Is racing doomed?*

GREG AVIOLI: I probably have a different perspective than most when you bring up these gloom-and-doom scenarios. I think we spend far too much time talking about what's wrong with racing and talking about the negatives. We need to focus more on the positives and what's good in the game, what we have to offer and how you build on that.

Last week, the *Sports Business Journal* put out the list of popularity over the last three months for all sports. Interestingly enough, although we continue to rank near the bottom of the list, we are ahead of NHL, ahead of WNBA and we're actually within the range of the majority of the sports, excluding football and basketball.

Thirty-plus percent of people in this country define themselves

as fans of horseracing. That's not all that different from golf, tennis, figure skating, etc. That hasn't changed if you look at those numbers going back for a decade. That 30 percent to 35 percent range is pretty consistent.

So we have a strong fan base for the sport. You're going to get a television rating for the Derby and, when the Triple Crown is on the line, for the Belmont, that's going to be as good as any sporting event in the U.S., other than the NFL and the Olympics. That's something a lot of sports would die for. As a sport, I honestly believe we're better positioned than most in this increasingly diverse world of sports and entertainment.

BOB EVANS: This perspective that somehow racing should be saved because it should be saved, well, that's what you do with a museum. You raise money and sustain something that otherwise probably wouldn't be sustained. You keep something around for the next 10 generations so they can see what it used to be like.

I see that as a completely unacceptable future. If you get to that, you've missed the boat. I think clever people will find ways to deploy capital into racing that is economically viable. I don't think we've hit the answers yet. My guess is it involves presenting it differently, trying to do more online and making the quality

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Eugene Christiansen

of what you produce as good as you can make it.

Otherwise, so be it. There are a lot of things that I am interested in personally that I wish there were more of. I'm sure there's somebody out there that loves curling, but try to find it on TV. There are people who love bicycle racing and, other than the Tour de France, it doesn't get television coverage. I like horse racing. I like the beauty of it, the athleticism of the horse, the challenge of trying to breed the best horse you possibly can. I like that, but if not enough people do, so be it. We're never going to be able to force an unwilling public to pay attention to it.

NICK NICHOLSON: I don't think the status quo will persist. Things are not going to get perfect. We're not going to wake up tomorrow and discover a magic wand. This is going to be a journey, and that's what I'd like to see. I'd like to see us beginning the journey and figuring out where it is we want to go. Instead of spending years talking about 'oh, woe is us,' let's start acting.

TDN: *Will racing start acting? It's easy to be skeptical and frustrated. Frankly, racing doesn't ever seem to do much of anything about anything, at least when it comes to serious issues and making serious changes. Will the sport get its act together, do the right things and get through this mess?*

STEVE CRIST: I don't have a whole lot of confidence. Weren't we all kind of talking about these things 20 years ago? There are things that have improved for the better and have changed for competitive reasons or technological advances. The



“I don't think this sport will die.
It's too great a sport and
too beautiful a sport to die.”

Jeff Platt

horseplayers of today have never had it so good in a lot of ways, in terms of the quality of information, the access of television signals with simulcasting, with more interesting and varying betting menus. The Internet is so well suited to horse racing in so many ways in terms of viewing races and getting information. Yes, playing the game for the customer is better than it was 20 years ago. I still don't have any confidence that the so called “Lords of Racing” are going to sit down and be farsighted and strategic any more than they have in the past. Everyone just seems to be trying to get through the day, the week, the quarter and the current financial crisis. I don't see a lot of visionary planning going on out there.

JEFF PLATT: Yes, and here is how it is going to happen: the consumer is going to become more and more conscious of things like takeout,

field size, pool integrity, drugs and signal availability. Eventually, enough customers will act, and that will leave racing with no choice but to change. There is going to be a track somewhere that will realize that it can either change or close its doors. That track will try a much lower takeout.

Our group has already had an impact. Hawthorne began offering a program last year where players could get a rebate of up to four percent if they bet on track. That's a step in the right direction and you're going to see more tracks trying that sort of thing.

I don't think this sport will die. It's too great a sport and too beautiful a sport to die. But you're going to see a lot of tracks close and you're already seeing serious problems like Magna being bankrupt and Hollywood Park closing. My God, that had better be a wakeup call that what you are doing is not working. ■



PHOTO: SARAH K. ANDREW

We gave our panelists one sentence to tell us what is important to them:

IF YOU HAD THE POWER TO FIX ONE THING IN RACING TODAY, WHAT WOULD IT BE?

GREG AVIOLI: I would replace the U.S. tote system with state-of-the-art technology that would allow for additional security, better flow of information to our customers and real-time processing of wagers with the same efficiency that is currently found in the international securities markets.

EUGENE CHRISTIANSEN: Lower the consumer price of pari-mutuel betting to competitive levels.

STEVE CRIST: I would replace the synthetic racing surfaces recently installed at major tracks with new and improved dirt tracks, to correct a terrible mistake that is not making racing the slightest bit safer but is clearly driving away customers, tearing the industry apart, and ruining the form and significance of many of the sport's most important events.

CHARLIE HAYWARD: I would rationalize and strengthen drug testing and penalties for the Thoroughbred racing industry; this would include uniform testing protocols and consistent rules for all states, a significant increase of funding for research and development and a separation of penalties for marginal overages of therapeutic medications and much more severe penalties for trainers and owners for positives for performance enhancing substances.

BILL NADER: I would wipe the slate clean, wish for a complete industry do-over, and chair a 12-member panel with absolute authority to create an all-new American Racing blueprint.

NICK NICHOLSON: I would mandate that racing do everything in its power to ensure that no rider or horse would ever be injured.

JEFF PLATT: I'd reduce takeout to about nine percent—every track, every pool, every day, all the time—and then market racing as the greatest gambling game on the planet: creating an explosion in interest from new players and an upward explosion in handle to go with it.

DENNIS ROBINSON: I would create a one-hour, race-of-the-week program on national television highlighting the stars of our game from around the country.

ALEX WALDROP: I would institute unprecedented industry cooperation and collaboration and focus our combined efforts on creating innovative ways to improve our business where all participants are concerned including not only horsemen and tracks but also horses, jockeys and fans.

BARRY WEISBORD: I would reform the pari-mutuel product—lower takeout to make betting on horse racing more competitive, while also introducing new, simplified, low-takeout bets. ■