

TDN **Q&A**

Alex Waldrop took the reins as president and CEO of the National Thoroughbred Racing Association in 2007.



Alex Waldrop
Horsephotos

The former president of Churchill Downs and partner in the Kentucky-based law firm Wyatt, Tarrant & Combs sat down for a telephone Q&A session earlier this week with the *TDN's* Steve Sherack to discuss a wide range of topics, including the NTRA's Check-Off Program and Safety and Integrity Alliance, VLTs in Kentucky, threats and opportunities to the Thoroughbred industry in Washington D.C., and his transition from the courtroom to the racetrack.

For more information on the NTRA, visit www.ntra.com.

Growing up in Kentucky, what are some of your earliest memories of Thoroughbred racing?

My childhood was spent in Western Kentucky, which is a *long* way from a racetrack. The Kentucky Derby stands out as an early childhood memory that really left an impression on me. As a Kentucky native, you *always* followed the Kentucky Derby, and I guess I fell in love with horse racing on television.

How did you first get involved in the industry?

I began practicing law in Louisville, Kentucky, and the firm that I joined represented Churchill Downs. I began working a great deal with a partner in charge of that account, and eventually wound up going [to Churchill Downs] as general counsel. I spent the next 13 years attending every race that Churchill ran [as general counsel, president and senior vice president of public affairs]. In those days, if you were on the senior management team at Churchill Downs, you were there on race day. It didn't matter what else you did or what your job was--even the general counsel, which is what I did at the time.

I gained an incredible amount of experience and knowledge, and really grew to love the horse racing industry and all the people involved--frontside and backside.

Candidly, though, it wasn't until I came to the NTRA that I began to learn a lot about horse racing from a national perspective. As great an opportunity as Churchill Downs provided me, it wasn't until I came to the NTRA that I began to see the challenges and the possibilities for horse racing on a national, and even an international scale. I learn something every day, love what I do and the opportunity I have and don't take it for granted.

Night racing has become very popular at Churchill Downs. Could you ever see the Kentucky Derby being run beneath the lights?

We talked a lot about that when I was there. While I think you should never say never, I do think that the Kentucky Derby is more than a horse race. It's a live event, and as much of a fascination as America has with the Kentucky Derby, it's one of those slices of Americana that everyone wants to experience one day in their lives. If you can maintain that in a night-time venue, then sure. But that's the challenge. I'm not sure you can. Attracting 60,000 to 70,000 people to that infield makes for a special environment. It would be hard to replicate that in a night-time venue. But 20 years from now somebody will be reading these comments and saying, 'Wow, how short-sighted was he.' You never know. It certainly works now, and it could hardly get bigger. It would be hard for them to contain it. You would do it for television ratings, no question. Even those are very strong though. You look at those ratings compared to other national major sports and there's just a handful of sports that outdraw the Kentucky Derby. That 5:30-7:00 p.m. timeslot that they occupy is a pretty good one. I know the television guys like it, and I would listen to them before I'd make any radical changes.

The slot machine/VLT issue has really divided the public in Kentucky. What's the NTRA's stance on this controversial topic?

The NTRA is careful to avoid intervening in any state issue, especially where our members are on different sides. However, I can say in Kentucky that our members are united in their belief that VLTs would still be a good alternative for Kentucky racetracks.

Having worked on that issue personally for the better part of 10 years when I was at Churchill Downs, I know how important it would be to Kentucky racing to be offer alternative gambling, but I also know how difficult and how challenging an environment it is politically in Kentucky. What they've done with Instant Racing is a good first step. Perhaps this can be successfully implemented so that people will come to see that they don't invite the kinds of problems that the naysayers allege will occur--crime, bankruptcy, etc. The public will hopefully begin to see these as entertainment options that the vast majority of people will choose, and will do so without any risk of financial ruin or psychological damage.

How has the emergence of popular social media platforms Facebook and Twitter affected the NTRA? Has it helped connect with fans?

Virtually all of our marketing has a *substantial* component for social media--even our television. Our webstream product, called NTRA Live, includes live chat and is driven primarily by social media. We even advertise for the broadcast using social media. We don't have a large budget that can afford network television the way the NTRA did once, even two years ago, so it's a cost-effective way of reaching a large number of people, and the right demographic groups as well.

Even middle-aged adults, the baby boomers, are beginning to embrace social media. It's a great way to get the word out. There's no question that it's the future of marketing for our business. Thankfully, for the most part, horse racing is embracing it and seeing it as a huge opportunity. NYRA and Keeneland have done a great job. Most of the major racetracks are using social media and other Web 2.0 platforms to get the word out. It's one of the beauties of horse racing. Unlike many other major sports, we easily adapt to the Internet. Not only from a viewing standpoint, but from a wagering standpoint. One of the huge advantages that we have moving forward is the resilience of our product. We criticize ourselves for being old and slow to change, but it's really untrue. Look at the history of our sport--we've innovated many times to maintain our status on the sports landscape in this country. We've embraced the internet as openly as any sport that I'm aware of. We may not have the MLB's financial resources to put forth this gargantuan website, and we may not have the cooperation that some of the sports leagues have, but we certainly don't lack for enthusiasm, passion, or for interest when it comes to social media and other advertising via the web.

Earlier this year the NTRA website began providing live coverage of major stakes races, including the seasonal debuts of Zenyatta and Rachel Alexandra. How's the feedback been so far?

NTRA Live is our web-based product, which is unique in that it's not a live-streaming video of an event, but in fact, it's a produced show. We take the stream of the race from the racetrack and we add our own commentator in Randy Moss. He brings in live or taped interviews from people who are at the track or in the paddock. We add Eric Wing, who runs a live chat that goes alongside so people are able to comment constantly throughout the broadcast and interact with one another. I've been involved in the broadcast on the chat, and we've had other guest commentators involved as well.

Rachel Alexandra and Zenyatta really catapulted this project and have drawn viewers from all over the world. We routinely now see people from 30-40 countries tune in to watch our broadcasts. I wish I could show you all the comments. They thank us profusely because without that web broadcast, there's no way they would be able to see that race. Some tracks do webcast, but most don't. Providing them with this service has been huge. That makes a difference--not only for the perception of Thoroughbred racing in America in the international community, it also helps the Breeders' Cup because they strive to be more of an international competition each day. It also gives us here in the U.S. a broader perspective of what we're doing, and appreciation of the fact that people from around the world are watching us every day. It's been heartening to see the response and hear the many thanks that we've gotten.

We found ourselves too often unable to broadcast key races because of rights and monetary issues--it just isn't feasible for us to spend the \$250,000 it would take to cover. Now, with this property, we can very easily turn on the broadcast and produce the show for a fraction of the cost. There are still some rights issues, but we think it's the future of simulcasting racing because of the international opportunities. It's been an interesting experiment, we've learned a lot and it's been worth every nickel that we've invested.

What's the NTRA's Check-Off Program?

The NTRA's Check-Off Program is a mechanism for funding our legislative action campaign. That funding is used to support our federal lobbying, and our legislative programs. Buyers and sellers at the sales can contribute 1/4 of one percent of the horse's sell price, which equates to \$2.50 for every \$1,000 of the value of the horse. Over the last 10 years, we've raised almost \$10 million to fund our lobbying efforts. We've been very successful as a result.

Why should buyers and consignors support the Check-Off Program?

It's pretty clear that without the NTRA's presence, there really would be no united effort for the racing industry. The NTRA's voice is unique in that it's the *only* voice out there for horse racing. No one else is protecting the industry's interests in Washington D.C. There are other individual efforts and interests, and there are other *broad* efforts for *all* horses and *all* equines, but no one else out there is looking out solely and particularly for Thoroughbred racing.

The beauty of the Check-Off Program is that it's broad-based. It doesn't matter whether someone is in Book 1 or 6 [at the sale]. Those dollars go specifically and entirely to support the legislative campaign. That in itself makes our campaign invaluable in Washington D.C. Lawmakers hear from lobbyists all the time. It's rare that they hear from the industries speaking with one voice. That's why the NTRA has been so successful, because we are more than just a hired gun lobbying for them. We are an industry association that speaks for the industry with one voice and, as a result, we've been successful.

Are there any extra benefits for those who Check-Off?

One of the great benefits of the Check-Off Program is that it makes you eligible to participate in the other aspect of our legislative effort, which is Horse PAC (Political Action Committee). The PAC supports the federal political candidates. Our legislative action campaign spends money on lobbyists and on research--that would be what we call soft-money contributions. The PAC makes hard-money contributions directly to candidates to support their candidacies. They are two different efforts and both are important. People who do both are vital to this industry. The Horse PAC has raised almost \$2.5 million since 2002, making it the largest PAC in horse racing or gaming in America.

In a short period of time, we've established ourselves as players on the national stage through the Horse PAC. It's important to keep up those contributions as well.

You are also eligible to participate in the NTRA Advantage program [when you support the Check-Off Program]. You can get discounts on John Deere tractors, Sherwin Williams paints, etc. We're adding new partners daily, and continuing to grow the program.

How has the recession impacted participation in the Check-Off Program?

There's no doubt, we've seen a substantial drop since 2006--almost a 50-percent drop in our contributions. It's essentially mirrored the drop in North American sales. We fully understand all the challenges that buyers and sellers face in this marketplace.

We haven't seen a diminishment in the effort, even though we've seen some significant decline in contributions. We still have over 1,000 people in this industry who contribute on an annual basis to the program. We still have strong support from all the sales companies in America--Keeneland, Fasig-Tipton, OBS and Barretts. People have cut back because of the economy; we've been able to make up the difference through our member dues. We all have to be reminded to be vigilant. And it costs money to be vigilant.

How big of a hit was it to have the four Churchill Downs tracks--Arlington, Calder, Churchill and Fair Grounds--pull out of the NTRA this year?

Anytime we lose a member, it's disappointing for us. Churchill is a big member, so it was a financial blow, although in the last three years we have moved increasingly away from dues as our exclusive funding source. In fact, today only about 30 percent of our funding comes from dues. So it wasn't devastating for us financially, and we continue to be in contact with Churchill. They will hopefully participate in our newly revamped NTRA National Handicapping Championship, and we continue to accredit their racetracks. I can't say that we've closed the chapter on that one; it's still a conversation that's ongoing.

How much money does the NTRA spend annually on federal lobbying efforts, and what are some of threats/opportunities facing the industry in Washington D.C.?

We spend about a million dollars a year on our lobbying efforts. Right now, we're focusing on two major threats that are facing the industry. One would be online wagering. We're watching I-Gaming, and to what extent the Barney Frank bill will legalize other forms of internet gambling that would be competitive to the horse industry. The Barney Frank bill would subject us to a new regulatory and tax system, which would not be good for us--we have to get an exemption from that. I-Gaming is a major issue that we're watching now because as that goes, so does the horse industry.

I'm not sure that it's going to pass anytime soon, but we certainly need to monitor it. The second issue involves Wire Act questions that continue to surface. Credit cards and processing has been a real challenge since the implementation of the Internet Gambling Enforcement Act.

There are some huge opportunities out there, too. It's not just about defensively protecting against threats. We're always on the lookout for tax vehicles to lower the capital gains holding period on racehorses from 24 months to 12. That's the way most other investments are. There are also opportunities out there to eliminate the automatic 25-percent federal withholding that major horseplayers are subjected to. It's a real difficulty for people who hit large exotic wagers in excess of \$5,000. We're trying our best and have a couple of good ideas, not only legislative, but also a regulatory route for eliminating that 25-percent withholding. We think we may have one before the end of this session. With the Bush tax cuts coming to an end, there may be an opportunity for us. Stay tuned.

Does the NTRA support the National Racing Compact?

We don't have a formal position on it--we have members who support it and we have members who do not. We've never taken a vote. We were on the steering committee that helped draft the model legislation and business plan that's been developed, but we've not taken a position because of the concerns raised by some of our members.

Do you think that the Racing Compact is gaining momentum? Where does it currently stand?

It didn't pass in New York--it's going to have to be re-introduced. The bill that has now been developed is better. I think that the RCI (Racing Commissioners International) is becoming better organized and that they have more of a strategic view of it now. They are more actively promoting it, too. From that perspective, I think it has a better chance of passage. There are still unanswered questions that some our members and others have--how will it ultimately be implemented and whether it will result in the loss of state's rights. Some participants, horsemen's group and others, are concerned that it could be used as a bully pulpit to force organizations or states to go along with plans that really haven't been developed by the consensus of the industry--that's an ongoing concern. We continue to look for ways to address those concerns in the way in which proposals would be presented to the Compact. That's a huge part of where we're focused right now in making sure that horsemen's groups in particular are listened to and incorporated into Compact regulations.



Visit the [TDN Q&A archive](#) for a series of in-depth one-on-one interviews with interesting figures in the industry.

A lot of times on major racing days, graded stakes tend to go off at the same time or overlap. Is there anything that the NTRA can do to help organize post times?

Over the years there have been several efforts to do just that. Certainly there's more coordination that can happen. There's a variety of reasons why things get out of balance. You start out fully attempting not to run on top of one other, but delays happen. Races aren't run in a clockwork fashion the way we would like. My 12 years at the racetrack taught me that--there's a delay here, there's a need to hold the windows open for a minute or two there, etc. When you have live animals as your participants and competitors, there's much room for change. When you have multiple stakes going off, it makes it more and more difficult to coordinate. We're always looking for better ways to do it, but it's a huge challenge because of the nature of our game.

Any parting thoughts?

One of the things that we as an organization have been putting a lot of energy and focus into is the NTRA Safety and Integrity Alliance. We believe that it is an important foundation for marketing and advocacy. Aside from the fact that safety and integrity are hugely important to our fans, the people who are watching and wagering on Thoroughbred racing, it's very difficult to market something that doesn't have integrity. It's very difficult to promote or advocate for something in Washington D.C. if you can't assure lawmakers that you're doing everything that you can to keep your athletes safe. The Alliance is an important support for all of the other initiatives that the NTRA does. Increasingly, we're finding that having a voice and having a platform like the Alliance makes us more credible spokespersons for the industry, especially in the event that there would ever be a high-profile catastrophic injury. As an industry, we can step up and say that we're doing the things to address these issues. Two years ago, we didn't have much credibility when we stood up and said, 'Trust us, we care about the horses' safety.' That didn't work. But today we can point toward the Alliance and to the Track Accreditation process. We could say that we know that there are 20 tracks out there that are doing the right thing, there are many more that are stepping up and looking at ways to join the Alliance, and that the industry is addressing its problems and not ignoring them. That goes a long way to solving the problem--doing what's right by the horse, and also giving us a credible response to our fans and general public when crisis arrives.

Was the Eight Belles tragedy the lightning rod that got this going?

It was happening before then. I'd say that Barbaro was probably the wake-up call to the industry. Barbaro and his injury created a lot of positive focus on the industry's efforts on keeping our athletes safe. Barbaro was probably the crisis that was the catalyst for a real change.

It was not until people saw the potential downside to doing nothing, or at least doing less than all we could do. It wasn't until Eight Belles and equally Big Brown, to be honest. The outcry from the public to the use of steroids in our game was probably--according to our polling--equally as troublesome as Eight Belles's catastrophic injury. We knew we had a lot of things to address, and it brought the focus to the Safety and Integrity issues in ways that we as an industry never had before. You had good work coming out of the Safety Committee, TOBA, Breeders' Cup, etc. There was a lot of concern at the time about the lack of structure in the business and a lot of calls for federal intervention. We looked at other industries like health care, insurance and education who use the accreditation model to reform their business, and did the same. It's worked out very well so far, but there's still a lot of work to be done and tracks to accredit. People are not just saying the rights things, they're doing them, and that's exactly what the Alliance was intended to do.