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**REGULATORY REFORM FOR A CHANGING ENVIRONMENT**

**Moderator:**

**Andy Bryant**, President, Horse Racing Alberta

**Speakers:**

**Michael O'Rourke**, Director of Marketing & Communications, Horse Racing Ireland

**Tim Pettipas**, Executive Director, Canadian Pari-Mutuel Agency

**Lisa Underwood**, Executive Director, Kentucky Horse Racing Authority

**MR. STEVE BARHAM:** Welcome. First of all, I'd like to thank International Sound our panel session sponsor, as well as this morning's Turquoise Sponsors Harrington Raceway and EwingCole.

We also have a Mentor Lunch that is sponsored by American Quarter Horse Association, and Jockey Club Information System. Mentor Lunch is one where the students pick different people from the industry to have lunch with. Those of you that are picked, I thank you. Those of you who hopefully will be picked in the future, I thank you in advance for accepting. I know your time is valuable but this is really something we can give our students and the students appreciate it and so I want to say thanks to everybody in the industry that participates.

Regulatory reform. Some of you who know me maybe think this is a weird one for me to introduce, regulation has been reformed or changed to meet the changing environment. The first jurisdiction that I was aware of in my regulatory career was Alberta. And as our moderator, we've asked Andy Bryant, president and COO of Horse Racing Alberta to moderate.

When I talked to Andy, he said, "I don't know if I want to."

And I said, "Andy, you guys have been doing this for 10 years."

Now the first time wasn't the most successful but they reworked it and I was up there in Edmonton last year and I have to say, based on what I saw, I think they got it right. If anybody wants to see Andy's full bio it's in the back of the

program. I'm going to turn it over to the speakers and Andy and hopefully we can go with that. Thank you.

**MR. ANDY BRYANT:** Thank you, Steve. I know it's been a journey for us in Alberta and I appreciate the confidence you've had in us. I want to thank you and the university on behalf of our panel for inviting us here today to share our experiences and putting on the whole Race Track Industry Program Symposium. It's a very useful program and very useful to have this gathering.

Regulatory Reform For a Changing Environment. It's early in the morning and it's tough to make this topic sexy. I don't think we're going to try.

But I do hope and I know that at the end of our presentations you'll find it thought-provoking, and I also hope there's some things you can pull out of what we're going to share with you today to take back to your own jurisdictions to see if they can work where you are from.

In being asked to moderate, as Steve said, it's primarily due to our recent experiences in regulatory reform and I think the successes we've had in Alberta, and first, before we really introduced change, we had a coming together of the whole industry, the horsemen, the racetracks, regulators, the breeders, people really interested in racing and we said at that time, we need to do something, and we need to do something to survive. And make sure the industry grew.

In Alberta, we took the conventional wisdom with respect to the role and involvement of the regulator and I think we turned it on its head. A number of years ago, as Steve indicated, we went from being a commission, as everybody understands, a body of government, and were turned into a private not-for-profit corporation, we were privatized. They privatized the racing commission.

And through legislation we were given a clear mandate, and there were three points to our mandate. I think it's important that I share it with you today. It sets the tone for effective change and regulation. The first part, given direct control to regulate, manage, market and promote horse races in any and all of its forms.

Second part is protect the health safety and welfare of racehorses and racing participants in Alberta, and third, and arguably one of the most important parts, to safeguard the interests of the general public in horse racing in Alberta.

To accomplish this a board was put in place in my jurisdiction that represented all the interests in horse racing, the same folks that got together and said we needed to change. We said, okay. The government said, you're privatized now but you need a board that's representative. My board consisted of horsemen, breeders, the track and government all sit on my board. HRA, Horse Racing Alberta, developed a business model not unlike any other corporation.

We put in place a business plan that had a principal strategy of managed growth for horse racing and breeding in the province and also, and as importantly,

what occurred when the restructuring happened was the majority of revenues that flowed to horse racing in Alberta were allocated to Horse Racing Alberta so it could properly revitalize Alberta racing. Some of our racino revenues, handle, races etcetera, were provided to Horse Racing Alberta so that it could implement its legislative role.

Now this being done, the hard work started. And over the course of the past four or five years, we believe we've begun the change. We've seen a more professional sport and product in our province; we've experienced and seen steady annualized growth in both handle and attendance. We rebranded racing as an exciting entertainment option and seen a noticeable improvement in breeding and racing stock.

The other thing that my board in their wisdom, my board being the industry, is they actively went out to reposition horse racing as a significant contributor to the economy in Alberta, in particular as it relates to the agribusiness. And by virtue of having ability to speak as one voice, we have been successful in attaining long-term arrangements with government to things such as gaming revenue.

Most importantly, what's occurred over the past years, this is the neat thing, we've seen confidence by our owners and breeders and racetrack operators in a tangible way. We've seen significant increase in financial investment into the industry. In a nutshell, that's been our experience with regulatory reform.

Three of my colleagues here who are all at various stages of reforming their regulations and working with their industries are going to share their experiences. I'd like to now introduce our first speaker, Ms. Lisa Underwood, the recently appointed executive director of the Kentucky Horse Racing Authority. The Kentucky Horse Racing Authority is an independent state agency, which has the responsibility of regulating the conduct of horse racing, pari-mutuel racing in Kentucky. With that, Lisa.

**(Applause)**

**MS. LISA UNDERWOOD:** Thank you. I want to thank you all for inviting me here today. I was appointed very recently, two months and five days ago, not that I'm counting, and I enjoyed having the opportunity to meet some of my colleagues here this week. It's been very educational for me and through the process I've realized how much we all have in common and we're all thinking through some of the same issues, so I think if we can work together it's helpful.

Prior to being appointed executive director, I'm a lawyer and had done legal work for the horse racing authority. So I helped with regulations for the last year-and-a-half and we worked on the drug rules and regulations for the breeder incentive fund. Also updated the jockey advertising reg.

I'm going to have three parts to the speech. First a brief overview of the regulatory process in Kentucky and then talk about some of the questions you may

want to ask yourselves and members of your working group if you are thinking about regulatory change.

And I'll give a few examples of some things changing with the standardbred regulations. I had been asked to talk about standardbred regs today because that's we're currently revising our entire standardbred regulatory scheme. We filed 33 of those regulations and have six more to go. I thought I could use it as an example to show how the process works.

Before we filed those first 33 regs we met with a lot of people and got a lot of input from various interested parties and groups. The harness horsemen's association, Kentucky standardbred breeders, representatives from all three standardbred tracks, the authority members were involved. We have one authority member who is the standardbred appointee. He was extremely involved. Our presiding judge was involved with all those discussions, and we had, of course, two or three lawyers involved and I was one of those from time to time. There's another lawyer that spearheaded the effort who has done a yeoman's share of the work.

After the regs were drafted and consensus was basically reached we sent them to the horse racing authority for the authority's approval. After they were approved they were then filed with the legislative research commission and published in the administrative register. That publication starts the public hearing process or the public comment period, and so that's a 30-day period. During that time if someone wants a public hearing, if one person asks for it, you are required to have a public hearing. We did have one request, so we had a public meeting and two people showed up.

We also received two letters with some comments, and I feel like the low number of comments we received is a testament to us working together before we brought the regulations in front of the authority. We did the groundwork up front, so that helped.

Once we received the public comments, though, we did listen to those and made some changes to the regulation, which we filed with the LRC. The LRC also gave us some comments; they have two committees that have staff members who review the regulation for both technical changes that they want to request as well as big picture changes they want to request. And those also were incorporated into an amendment that was filed.

We will — some of the regulations will appear in front of the administrative regulation subcommittee next week, it's the agency that's given the authority to promulgate regulations. We're the ones that are supposed to be drafting and coming up with the regulations. The legislature does not technically approve regulations but they can call them deficient if they find the regulations exceed the statutory authority of what the agency is allowed to do or if they conflict with the statute. But other than that the agency is charged with drafting the regulations.

After we go in front of the administrative regulation review subcommittee we'll be assigned to the committee of jurisdiction, for horse racing it's "license and occupation." They will hear the regulation or it will become effective within 30 days.

That, in a nutshell, is how the process works. It's kind of dull but there's a lot of people involved and a lot of time. Technical work, moving commas around and changing words from "may" to "shall" and things like that can be very important. The whole process from the time a reg is filed to when it becomes effective may take about six months. So we have to build that into our time factor.

Next I'd like to talk about questions that you may want to ask yourself or your group that you are working with if you are thinking about regulatory reform.

Is the existing regulation currently being followed in practice? If not, why not? Does the process need to change? Or does the regulation need to change to fit the process? What are other jurisdictions doing regarding the subject matter? Are they doing something better, or maybe your regs are better?

Is there a model rule? Do you want to follow all of the model rule or part? What makes the most sense to protect the participants and the stakeholders, participants, you think, like jockeys and drivers and their physical safety? And you should also think about economic safety, and that would be the safety to the wagering public, to the horse owners, racetracks.

Another question, does it further the goal of protecting the integrity of the industry? Integrity is a large part of this conference this week, and always on our mind. So does the regulation you're thinking about putting into place further the goal of protecting the integrity of the industry.

Another question, what's the financial cost to the regulated community? We are actually required when we file regulations to put as one part of the regulatory package, how much the reg will cost the community? For example, if you put in a new rule requiring flak jackets for our drivers, which is part of our standardbred regs now, we've got to put that cost in there because our drivers will have to be purchasing the flak jackets. Another question is, does the agency have the resources to implement and enforce the regulation? I feel it was touched upon some in the last session with the discussion on veterinarians and state veterinarians. And, will the regulation promote the industry?

A few examples of the types of changes we will have in the standardbred industry. One type of change you may see is to change the reg to fit the regulation to the way the practice really works. For example, with entries, most of our entries come in by telephone. The old reg says, entries have to be in writing and signed.

That's going to change now to make it clear that telephone entries are fine.

We also have some changes that are going to help protect the integrity of the industry such as conflict of interest provisions are strengthened to provide not only racing officials but that their assistants are subject to the conflict of interest provisions things like you can't directly or indirectly wager on a race that's under your control.

Obviously the medication regs will be updated, and they are going to be more in line with what we did last year with the thoroughbred regs. With some changes that are specific to standardbred industry.

Some changes are being to be made to increase the safety for the participants, the flak jackets I mentioned, also wearing helmets will be required whenever the drivers are jogging, training and exercising the horses. It used to be that they just had to wear them an hour prior to post.

That's a quick overview. I want to conclude by saying I think regulatory change is an ongoing process; you're never truly done. I think you're always going to be looking at how can we do things better. There are changes in technology and all these new things to think about. Thank you.

**(Applause)**

**MR. BRYANT:** I better not blow this next introduction because the next speaker is currently reviewing regulations in Canada and I've got two or three things in front of him that I'd like to see through.

I'd like to introduce Tim Pettipas, executive director of the Canadian Pari-Mutuel Agency. And the position he has been in since September 2005. For those of you that don't know, the CPMA is the federal regulatory agency responsible for supervising pari-mutuel wagering on races right across Canada. With that, Tim.

**MR. TIM PETTIPAS:** Thanks Andy. I very much appreciate the opportunity to be here today to chat about the review we're undertaking. It's an extremely high priority for us at the Canadian Pari-Mutuel Agency and one aided and formed by having this form of dialogue.

What I hoped to do in the next 10 or 15 minutes is to give you a quick snapshot of who we are at the CPMA, what it is we do, our general lines of business, and why we're undertaking the review which is critical foundation. The general scope, those issues under consideration, equally those issues not under consideration. The process through which we're advancing the review is at a fairly early stage, so the process is a big part of it. And I'd like to conclude with a quick sketch of the key considerations we have as government in undertaking the review and speak to the next steps.

Very quickly, we're a federal regulatory agency, and Andy touched on that quickly. Interestingly, my sense after the first year in this position is that we're not

a typical structure or necessarily have an equivalent mandate as do a lot of our international regulatory partners.

We are part of Department of Agriculture and Agri-Food Canada, and by virtue of being an agency, we benefit from a degree of autonomy from our home department. And without boring you with a ton of detail on government architecture, the salient point is that we don't exist in the context of a legislative agency as do a lot of my counterparts, and by virtue of that we don't have a board of directors, appointed commissioners, we are a typical traditional government function.

What's our mandate, very clear, it's narrow but fundamentally important in my view. We regulate and supervise pari-mutuel wagering on horse racing across country and we do it with a view to protecting the betting public.

And maybe just to elaborate on that a little more, we're all about the integrity of the bet. That's where we start and end. We have a lot of activities that provide us the opportunity to do that. And I must admit it's a little humbling when I see the slide prepared for me put our entire operation in seven words and three bullets, but as you can appreciate, there's a lot more texture to those and it's a little deeper than that.

Our bread and butter is the regulatory oversight of the pari-mutuel system.

Obviously, the supervision of pari-mutuel system. In terms of race surveillance and programs we provide the provision of race patrol services and photo finish services across the country. And drug control, obviously an important issue to us, and our drug control program is not limited to the sample collection and analysis process associated with post-race testing, it's also a research program inclusive of our CPMA lab. We have a CPMA research firm that collaborates with our contracted official lab to have an ongoing research program, which is pretty critical to where we see things going in the future.

So maybe, with having touched on a bit of what we are and what we do, I'd like to talk about the environment in which we're operating and more importantly, the environment within which the industry we're regulating is operating and our clients, the betting public, are participating into. I don't think I need to spend a lot of time complaining to anybody in the room who surely can appreciate it more than I, it's a rapidly changing environment. The increase and availability of other forms of gambling are paramount. There's a whole lot more competition for the betting dollar, that's for certain.

And I realize it exists not only in Canada. The globalization of betting options, I spent the better part of the last decade in the arena of international trade, coming to this position, one of the things I was struck with immediately, the horse racing industry broadly speaking, has been no more immune to the contacts of globalization than most sectors of the economy.

So, I had this reference to technology and I don't pretend to be an expert in that area. I think it's fairly clear the advances in technology, particularly telecommunications, are playing a fundamental role in essentially facilitating these two broader changes I referred to above. From a regulators perspective what's really important about that is when we look at this environment we're working in and the industry we regulate is working in the regulatory framework, it hasn't kept pace with the change. There's been a number of ad hoc regulatory amendments throughout the years and I think they have played an important role in facilitating that I changes as they have arisen.

But what we haven't seen is a comprehensive look, and there's a number of elements of the framework that have become outdated and stale over the years. As a result of that stakeholders are seeking a much more progressive regulatory framework, and to be honest, we as regulators are as well. I have this conversation quite frequently with a lot of the constituents to Canada that certainly were responding to the changing landscape and concerns on the part of industry that the framework has become outdated. But it's not a response on the basis of that view solely, but it's one that government more generally has a strong interest in assuring our framework is modern and does keep up to date.

So what has the government's response been to this? This spring, the federal administrator of Agriculture and Agri-food in Canada initiated a comprehensive review of the regulatory framework of the Canadian Pari-Mutuel Agency. That's quite a mouthful. What it means we're looking at the relevant pertinent elements of federal legislation that apply to pari-mutuel wagering on horse racing and the regulations that support that mandate is going deeper as well. In terms of looking at the policies of the agency, the practices of the agency, the programs. It is essentially what we do and how we do it. The objective is equally clear, we want to come out of this with a fully modern, effective and efficient system that allows us to protect the betting public as well as we can.

So the process, how we are getting this done, and I think Andy mentioned everyone on the panel is at somewhat different stage of their review, we are at a fairly early stage. But the overriding principle for us without question has been and will continue to be ongoing substantive consultation with all Canadian stakeholders. We don't in any means pretend to figure this out as government by ourselves, locked up in a room, and our ability to accomplish that is in many respects driven by the interest and constructive input of all stakeholders.

A big part of that, we have a fairly wide-ranging set of stakeholders. Given that we share jurisdiction for regulating horse racing in Canada, the rules of racing primarily rest in the jurisdiction of the provinces and pari-mutuel wagering with ourselves. It's critical not just with the review process but on an ongoing basis, to make sure we have that kind of dialogue with the provinces, the industry representatives, the betting public — clearly betting public is our client and they need to be a big part of the process — the industry, including racetracks, horsemen and others.

In terms of how we moved forward with the process, when we launched it, we did it through informational sessions across all regions of the country.

What we wanted to accomplish was to give people a real appreciation of why we're doing the process, what's the scope, what are we looking at changing and making sure we put people on an equal footing to ensure they had an informed understanding what we are doing so they can contribute informed views. We facilitated it through a discussion document of sorts where we tried to put up targets, and trust me, as a regulator it's not hard to put up targets to the industry.

We put a number of targets in all different areas. We touched on themes around the provision of information, commingling and moving to foreign pools. Issues around our architecture, the mix of tools, should we be moving towards more policy-based or more regulatory standards? The transparency visibility of the agency, is there a way we should be effectively communicating that we're not?

So it's a pretty wide range.

Concurrent to that, we move out with panels with bettors across the country and advertised fairly strongly with the cooperation of racetracks and others to get the word out to bettors that we were interested in getting their views as well, obviously. And that culminated for us in a range of submissions. I spent a lot of time pounding the table that I was happy to hear people's views, but I really did need something the government could work with, wring views on the changes people wanted to see through the process. And currently we are in the process of a stage of general clarification, we're going back to the people that give us the submission, walk us through what you want to see here so we're not trying to guess on the nuances between different proposals.

And the only other point I want to make strongly, the international comparative review, to us, is critical. And this has been touched on briefly by Lisa, but we will spend the remainder of the afternoon today meeting with other regulators that are here. We've been going, doing interviews with regulators in our jurisdictions because we simply recognize in the global environment we need to be in a position where we're learning from others' experiences, particularly in areas where we're going to proceed to as a result of this review, I want to benefit from the experiences of others. So I do appreciate all of those that have taken time to meet with us and I hope we can continue to get that sort of cooperation.

And just before I wrap up, I do think it's important that we talk about the lens through which the government will look at these changes. We spent the most part of the process so far pulling information into the process. So we can make sure we're making proposed changes on the right basis. We thought it was equally important in the information sessions we did with industry. We spent a lot of time talking about the considerations that the government has in making changes, and they are not limited to these four, but this is the North Star for us of the entire exercise is this notion of avoiding unnecessary impediments.

Regulation by definition, it's an obstacle. We fully recognize it. It's not about removing obstacles. Even if all stakeholders come forward with the view of get rid of provision X, it's stopping me from doing business, that's probably not adequate. What we are looking for and we've gotten is constructive engagement, is there a better way to achieve the objective of the government in this area? And so it's really about getting rid of any unnecessary restrictions that currently exist.

Cost benefits, Lisa touched on that, I won't go through it anymore except to highlight its cost benefit for everybody. For the industry, for the bettors and for the regulator. Overlapping duplication with a couple of jurisdictions in play, we have to make sure we're reducing any burden and not running into each other in there, in the area of commercial enterprise, and once again, compatibility with approaches from our international partners. I think that's part of any approach to regulatory patterns these days.

So what have we heard? We didn't really ask for views, but got strong support for federal presence.

Note particularly in drug control, I think it's more than that. What we really heard there was a strong degree of support for all aspects of integrity. We heard it across the board and that was comforting to hear. But at the same time the coordination of activities applies to drug control, but there was a sense that industry wanted to make sure we weren't falling all over each other.

Modern regulatory structure, this is where the bulk of issues have come forward to us so far. And for the most part it's flexibility to being able to react as effectively and efficiently as commercial enterprises to changes in the marketplace, this exhibits itself in views on regulations that pertain to approving new bet types, new distribution models, ensuring that the framework for the future provide for and can adapt to new changes in distribution models.

And from a regulatory perspective there's a range of regulations and policies that apply to that for us, it's information around theater requirements, off-track betting. There's a lot there, and we would say the information more generally, we got a ton of comments from a full range of stakeholders and we're currently having a lot of follow-up discussions on those issues. And we're getting repetitive on the international models, but we wanted to make sure that was clear, and we heard that from stakeholders as well.

So in terms of next steps, we're going to continue to consult over the next number of months. To dig in our analysis, we'll be actively ensuring we gain a fuller and fuller appreciation for every other model of relevance out there on the regulatory landscape. And we do that with a view to dovetailing a lot of that work into final recommendations, and obviously flowing from that will be the end point in terms of implementation in changes.

That's sort of the long and short of what we're doing in Canada. It's early and I wanted to provide a pitch today. I recognize it doesn't set up for a lot of

questions, but to the extent to anyone afterwards has gone through some of these experiences, has views on how we should view the next steps, I would very much welcome them.

Thanks.

**(Applause)**

**MR. ANDY BRYANT:** Well, thank you, Tim.

Our next speaker and panelist is joining us from Ireland. I'd like to introduce Michael O'Rourke. Michael oversees the marketing department of Horse Racing Ireland. The department runs advertising public relations campaigns for racing and provides marketing support and information services to Ireland's 25 racecourses. With that, Michael, the podium is yours.

**MR. MICHAEL O'ROURKE:** Thank you Andy, it's late in the week for you all and I'm the last speaker and the topic is regulation and I feel a little bit like Elizabeth Taylor's fifth or sixth husband who reputedly turned to his best man and said, "I know what I'm expected to do but I'm just not sure how to make it interesting."

**(Laughter)**

I will do my best.

I'm not so sure what the Irish experience can teach anyone here. We have come through a long process of reorganization. The company I represent, Horse Racing Ireland, is a government-funded body, what we call a semi-state body. And it's to develop and promote the sport of Irish racing. We have attempted within that to separate the development and promotion areas from regulation. By regulation, we tend to define it as the body responsible for the integrity of racing, regulation is slow and difficult and this is the third manifestation of this body which started back in the '40s, was reinvented in the '90s, and that body which was set up in '94, really identified the critical issues, lack of adequate funding and lack of adequate take from the betting sphere into what we needed to do. We think we have it right, we have the adequate funding, but of course there are some issues, I'll move through these reasonably quickly.

Just to set the scene, there are 27 racecourses on the Island of Ireland, 25 in what is known as the Republic of Ireland.

That's the south and two in Northern Ireland. The regulatory body in Ireland is an all-Ireland body. I won't get into too much of the detail. You can see the difficulty it represents. Twenty-seven race courses on a small island. Population 4,000,000.

They are not all, strictly speaking, hard-nosed commercial enterprises. Some of these stage less than 10 meetings a year. There's a great deal of voluntary efforts, a great deal of passion that goes behind some of these tracks. Some are

small, some large. Galway, which you see on the left of the screen attracts over 200,000 people to its week-long festival in summertime, which makes it one of the biggest meetings in the world.

Just to give you an idea of the importance of racing and breeding in Ireland, we're the third biggest producer of foals in the world, second only to United States and Australia. It's something in the blood of the Irish population and very much why racing is very much seen by us as an extension of the agricultural industry, and that's the Canadian experience as well. Just to treat it as a sport, the funding model that's arisen, probably wouldn't stand up, but we look at the benefits overall of the breeding industry to the country.

This is background information where Ireland is at the moment. I came to this conference 12 years ago and learned a great deal. In that time Ireland has been transformed. It's gross domestic product is the biggest in Europe, second only to Luxembourg which has it's own statistical anomalies. We're 40 percent above the European average GDP. There's been a massive growth in the wealth of Ireland helped I'm glad to say by a lot of inward investment from the United States entering the European markets. So the transformation from a previously very poor and underresourced country has happened quickly.

The structure of Irish racing's three bodies, Horse Racing Ireland which I represent, the Turf Club which is now called the regulatory body responsible for the integrity of racing, and the Association of Irish Racecourses, one body that represents all the racecourses together and has a seat on our board.

The mission statement, to develop and promote Ireland as a world center of excellence for horse racing and breeding. And the reasons for the establishment of Horse Racing Ireland were: Pre-2001 the racecourse infrastructure was seriously out of the date. Most of those tracks were barely holding on and barely staying in business. We were not competitive in prize money terms, probably the worst of all major racing nations in terms of the return a trainer might get from his involvement in the business. It was returning about 20 percent at best. There was no income stream from off-course bookmakers.

I should clarify this. Ireland and England have free market for bookmakers and our betting industry is dominated by chains of bookmakers, basically shops in High Street that take in betting and can bet on anything they want, not just sports but almost any topic, and that's the environment we've been in and those shops operated without a contribution to racing for many years.

The administration of racing was split two bodies, The predecessor organization of Horse Racing Ireland and regulatory, there was a great deal of confusion, which wasn't helping us in terms of lobbying government for extra funding, and the best horses were exported overseas with the result they were going out of training in Ireland. People tended to follow the horses, too, and there was a great diminution of our skills base.

The new funding arrangement which we were looking for to put Ireland's racing on a proper footing needed a new administrative structure answerable to the state because the state was going to be the major shareholder. We were looking for the state to come up with a funding mechanism for us. We are the national authority for racing in Ireland established by the government in 2001, responsible for the overall administration.

We have four racecourses, a tote system quite different from the model you have, and a thoroughbred marketing arm, which sells Irish thoroughbreds internationally.

The fund that was set up at the recommendation of the previous body by the government was called the Horse and Greyhound Racing Fund, which basically put a levy on all off-course betting of five percent and divided that resulting fund 80-20 between the racing and greyhound industry. Fortunately, it was pinned to the year 2000 so we get increasing revenues, or at least the year 2000 recalculated for inflation in the consumer price index.

The key to our success was that we ended up with a truly representative board and a single voice for the industry in Ireland. The chairman of our company is appointed by the government, he is a very senior successful businessman in Ireland, and the Turf Club, which previously was a stand-alone body, it was formally recognized in 1790 but its roots go back to the 1740s, believe it or not—and prior to the twentieth century it was the sole body for racing in Ireland. A self-electing gentlemen's club, a lot of private effort and still there, a selfless contribution to the industry. But they were given an exclusive regulatory role and five nominees were placed on our board, persons employed in the industry, two nominees, one nominated directly by the government and one is a trade union representative so that the staff working on the ground feel they are represented at the boardroom table. Northern Ireland has one nominee to represent their interests. The breeders have one, the racecourse association, which represents all courses, have one, bookmakers have one. There are different types of bookmakers, on-course, which we refer to as authorized bookmakers licensed to bet on the tracks, the trainers have a nominee on the board, and the owners.

The effects of that since 2001 have been, one, to crucially address the problem with the infrastructure. Ailing racecourses, which were not attracting racegoers, particularly the new market. Young people coming through in racing demand very high standards. My principal role in this is marketing and trying to get people to go to racing. Young people will not accept the standards their fathers might have accepted where they were happy just to watch good horses racing on good tracks and didn't care much about the bars and restaurants. We were losing market without this redevelopment. And the overall effect has been a capital development spending of \$300 million.

And the racecourses in Ireland have been transformed. Our two main tracks will be completely rebuilt in the next number of years. The prize money pool grew over 100 percent. And the basis of our funding was linked to the off-course betting

turnover. We ended up with one body that speaks for racing, and growth of ownership within the country has grown dramatically, 25 percent.

What happened to the Turf Club, which was, in historical terms, the single body, it became virtually an exclusive regulatory body. But its functions, which were really accepted broadly by consent of people working in the industry, were enshrined in legislation. The government recognized that this body even though it was a private club was to be the regulatory body with full independence confirmed and solely and independently responsible for the rules of racing. The integrity of races is in the hands of that body. I'll run briefly through the stats. I know you need time for questions at the end.

But this has been the effect 2001 to 2005, this injection of money into the sport. The number of foals born increased dramatically. The number of horses in training has increased. New owners register has also grown, the growth in GDP. The amount of wealth in the economy has helped. People can now afford to buy horses and keep them in Ireland, rather than exporting them as in previous years. It had to top out sooner or later. The number of horses coming on stream, there's not enough races available from Ireland to meet the demand for the number of horses that are there.

The total of races, we have increased almost to the maximum extent. There's not a great deal of room for growth in that. One of the things, the good results, the government when they put the money in, they want to see a return on investment. We say to the government, we have return on the investment. Our horses are achieving great things on the track at home, England and internationally.

The number of people employed in the industry is growing and maintaining a good indigenous skills base. While the rest of the economy is modernizing, we're keeping people in work on the farms, spread throughout the region and that works very well with government.

A Taoiseach, that's Irish for Prime Minister, he said, "The transformation in the fortunes of Irish horse racing has come about through hard work, planning and a unified approach across the industry."

With the establishment of Horse Racing Ireland in 2001, the government had an effective vehicle to utilize the significant resources it was willing to commit, funded largely by the duty of off-course betting.

It's extraordinary we have the level of support from the top down, from senior ministers in government and from the Prime Minister himself. So that's, I think, government would not have the confidence to give a substantial amount of bet revenue to a private body or semi-private body. It now has full accountability for the amount of money it puts into racing.

So everything is okay. Well, no. That's what regulation is all about. The things change, and nothing stays the same. Reemergence of the "free rider" problem with bookmakers—no sooner had the ink dried on the agreement to establish Horse Racing Ireland funded by five percent of the take of off-course bookmakers than the pressures came on to reduce it. In year one, the levy was reduced from five percent to two percent, and last year it was reduced further to one percent.

Now, the reason behind that is, the bookmakers, betting shops, are saying to government, if betting is taxed at five percent, the money is going offshore and goes online, and there was evidence it was happening. It was an effort of the government, the Department of Finance, to make the decision to try to protect the revenue that they gradually reduced it. And it's interesting in Ireland at one stage the levy on betting was 15 percent. Which was going straight to government coffers, and as they progressively reduced the levy on betting the income rose and off-course bookmaking revenues have risen dramatically. They are headed for three billion Euros next year on the off-course.

Now, the problem being, the fund that used to cover the cost of Irish racing no longer does so and it has to be topped up from the Exchequer and that's not a popular thing with us or with the public. And you can imagine the political pressure that comes on. Why is the government subsidizing racing?

That is, having come to a brief five years of success and the industry has been established on a strong footing. We have a new challenge to deal with governments in the future. We need ways to capture more betting duty, we need ways to make sure online, offline, different types of betting are captured into the overall revenue pool. And that's my lot.

That's our Web reference point, if you want to learn more about Irish racing, I'll be glad to deal with it if I can.

Thank you.

**(Applause)**

**MR. BRYANT:** Well thank you, Michael. I think at this point we'll open up the floor to questions.

**A VOICE:** Question, Rudolph from Jamaica, question for Mr. O'Rourke, are the racecourses privately owned?

**MR. O'ROURKE:** I didn't quite catch the question.

**A VOICE:** Are the race courses privately owned?

**MR. O'ROURKE:** Largely privately owned. We own four, the rest are privately owned. A number of different structures there. Typically, the set-up of a

racecourse in Ireland would be the land is passed down through generation's people who put the land for racing and hold it as a trust.

**A VOICE:** My second question, do the bookmakers pay rights fees to the racecourses for the use of their intellectual properties?

**MR. O'ROURKE:** Yes, they do. The on course bookmakers pay a percentage of the turnover. It's quite small. The duty on on-course bookmakers was also reduced because taxes on betting were unpopular. The mechanism is: all revenues paid to bookmakers go directly to the racecourses. They are not that significant.

**A VOICE:** Question for Mr. O'Rourke. Is the Turf Club in Ireland the enforcement body for drug control and those sorts of the issues?

**MR. O'ROURKE:** Yes, it is. It's the complete authority for dope testing and analysis.

**A VOICE:** Who makes up the Turf Club and how do we become a member of the board?

**MR. O'ROURKE:** The Turf Club is a private body, it has deep roots in history. It was established formally in the 1790s but even before that. It's a club, you cannot just join, the members nominate people to join. There's a great deal of voluntary effort. It sometimes surprises people that a private club controls such a vital part of integrity but it's worked and a lot of people give a great deal of free time to the industry. At one of our race meetings there's a number of stewards being paid. They are voluntary, they give a lot of free time. It has worked and the government, we're happy to recognize the role in the legislation.

**MR. BRYANT:** Are there any other questions from anybody on the floor?

I have an observation. One of the things we've heard and we heard today through these experiences, effect of regulatory reform, we have to listen to the people that participate. To implement that reform it's critical and, Michael, you may want to comment, to have the ability of the industry to speak as one voice to implement it, and we can write rules, good rules, those rules have to be embraced and the strategies for the industry need to be embraced by everyone involved.

Otherwise the chances of success are diminished significantly. You may have a comment.

**MR. O'ROURKE:** If you ask people in the industry in Ireland, owners, trainers, they will all say that. The advent of a single body representing the sport, it obviously gave the government enough comfort to release the funding, but also within the industry there's a great deal of harmony, there's no one left outside the body. And I'm aware, we attend board meetings and there's been consensus on all the major issues to date.

One thing I didn't mention, there's no race-goer on that board. There was on the previous board and it was felt that it's impossible for one person to adequately represent the race-goers' position. But there's a body called the Race-Goer Forum, enshrined in legislation where we have a panel of 12 race-goers from around the country, we meet with them every quarter and give their reports to the board. They have recently produced the Forum report, which says what they feel needs changing. The race-goers feel they have a voice in the structure of racing.

**MR. BRYANT:** In our experience in Alberta we have four positions for the general public, and one winds up becoming the chairman. And that's selected through a basically an advertisement application process. And everybody at the present table to effect change that's really necessary for the growth of horse racing, the legislators that we all report to in one form or another, don't want to hear from you unless there's a consensus. They don't want to deal with the challenges involved of upsetting one group or another.

**A VOICE:** Question for Tim, you said that drug control is federal. But the policing of various thresholds and drug standards, it is provincial. What's the interface in terms of the provinces pressing for changes in relation to any drug standards?

**MR. PETTIPAS:** You properly articulated it. In a sense, we provide for national standards and the broader drug control program.

The adjudication process and fines and penalties reside with the provincial authority's ongoing dialogue, and one of the things we recognize is that throughout the early stages of this process, we don't have an exclusive mandate on the issue of drug control. We have the backbone but there's increasingly other levels of engagement in drug control from provincial authorities. The thing we heard loud and clear, we need the effective coordination of that, and that's one of the early deliverables we're seeing coming through that process.

**MR. BRYANT:** One thing I'll add to that, in Canada and I believe it—and I won't speak for some of the provincial regulatory bodies but I think it would be echoed—we're fortunate to have national standard on drug control and on pari-mutuel wagering. That has also allowed in my instance in Alberta, allowed my organization to focus on the things we do well and knowing the CPMA is there, really ensuring the integrity of the wagering system, we can drill down and spend a lot more time on the integrity of the other racing issues knowing we have national standards.

In the states it's an ongoing debate. National standards or not, drugs in racing, we're very fortunate in that we just continually tweak it, but we have those standards and in the various provinces, if they choose to can raise the bar and do more to protect the integrity as it relates to doping.

Sir?

**A VOICE:** Hi. I found it interesting, the comment from Mr. O'Rourke about governments subsidizing racing, and I know in this country and many jurisdictions,

I'm not sure on a national level, in many jurisdictions racing is subsidizing government.

And I was wondering where Canada comes into line with that.

**MR. BRYANT:** Do you want Michael to answer, or me to take a poke, why don't you go first, Tim?

**MR. PETTIPAS:** If I understood the question properly, you're saying where are we in terms of financing the regulatory function that we have in Canada.

**A VOICE:** In essence, the bottom line. Government taking in more money from racing than what they are spending to promote and regulate.

**MR. PETTIPAS:** Sorry.

I think it's an interesting question. In the sense that the agency, the Canadian Pari-Mutuel Agency operates in a specific fashion given its mandate, it's directed towards protecting the betting public, and that mandate is narrow.

We fund it through a levy process, and it's all directed to those particular functions, so I take your broader point but it's not a general revenues issue in terms of collecting general revenues in the government for disbursement. And I think where we're different because we have that split jurisdiction and the rules of racing and the general economic and promotional aspects, the jurisdiction is provincial. It's apples and oranges with other jurisdictions.

**MR. BRYANT:** I hear "government-subsidized racing" and I just cringe. We, in Alberta because we have racinos there, we receive a rather large portion from the racinos. We structured our financial arrangement for horse racing in Alberta, we only get what we earn. To address how the money flows and the perception of whether government is scooping in money for their general coffers, that's a state-by-state thing. In Alberta, what we receive, the government allowed us handle, racino, we have fees and stuff. We have eight strategic areas that we focus on, from marketing to breeding to purses, purses are critical, that we flow back to the industry. Operational support and capital support for our racing infrastructures.

We require that we get business plans from the various groups we provide the funding to that have a plan, a strategy. We insist on a plan and strategy for the operators and industry. And then we flow the money through. But we flow the money through, it comes to Horse Racing Alberta and we flow it through. It's quite important that it was structured that way, because it has allowed us to grow. I'm not sure if I answered your question, but from my experience that's how we deal with that perception.

This will be the last question, there's a Mentor Lunch going on.

**A VOICE:** Question for Michael. You still have fixed odds betting at the racecourses by bookmakers? How do you find in terms of the competition that offers vis a vis a totalizator?

**MR. O'ROURKE:** The fixed odd bookmaker on the race course, it's split about 80/20 between the bookmakers and the tote. The fixed odd bookmakers take about 80 percent of the handle as you call it.

**A VOICE:** Eighty or eight?

**MR. O'ROURKE:** Eighty.

**A VOICE:** What's the arrangement between the bookmaker and the racecourse in relation to their right to be there.

**MR. O'ROURKE:** There's a fixed negotiation. The Association of Irish Racecourses negotiates and they pay a fixed rate. It's calculated as a multiple of the admission fee on the day and a percentage of the betting turnover.

**A VOICE:** At the turnover, 80 percent is to the bookmakers?

**MR. BRYANT:** With that I would like to thank everybody for coming today. I'd like to thank the panelists, I believe you guys are all around for the rest of the day if anybody wants to come up to us independently. I have to go to the other lunch. Please take me aside if you have questions of me. And thank you for coming and enjoy the day.

(Applause)

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