
Ontario Racing – An Opportunity To Move Forward

Presentation to the Symposium on Racing 2007
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The Presentation



- About OHHA and the scope of horse racing in Ontario
- Racing an important contributor to the Ontario economy
- The Economics of racing: We need to race to continue to grow
- Impact of slots on horsepeople
- Effects of slot revenue on racetrack host communities
- The Ontario race industry - What's working/what's not
- Why OHHA supports the government 'Review Panel'
- The challenges for growth and self-sustainability
- Moving forward together
- OHHA Recommendations: a new governance structure

About OHHA



- The Ontario Harness Horse Association was formed in 1961 by an interested group of owners, trainers, and drivers of standardbred horses. Its founding objectives:
 - To represent Ontario harness horsemen in negotiations of purses, racing conditions, and all matters affecting the industry as a whole;
 - Liaise with tracks, Standardbred Canada, the Ontario Racing Commission, and the Provincial and Federal governments.
- After 40+ years of service to horsepeople, OHHA's role has grown to include:
 - Negotiating with the OLG regarding slot agreements
 - Promotion of the standardbred industry through Ontario Sire Stakes programs, OHHA race dates and tracks, a speaker's bureau, advertising and marketing, youth camps and media days
- OHHA currently represents approximately 5000 horsepeople and their families directly licensed in the racing industry

Scope of Horse racing in Ontario



- 16 Harness racetracks; 2 Thoroughbred racetracks; 1 Quarterhorse racetrack
- Over 1600 race days (about 1350 Harness) and over 16000 races
- About \$1.1 Billion bet
- Approaching \$300 Million in purses (about \$180 Million Harness)

Racing is an important contributor to our Ontario economy



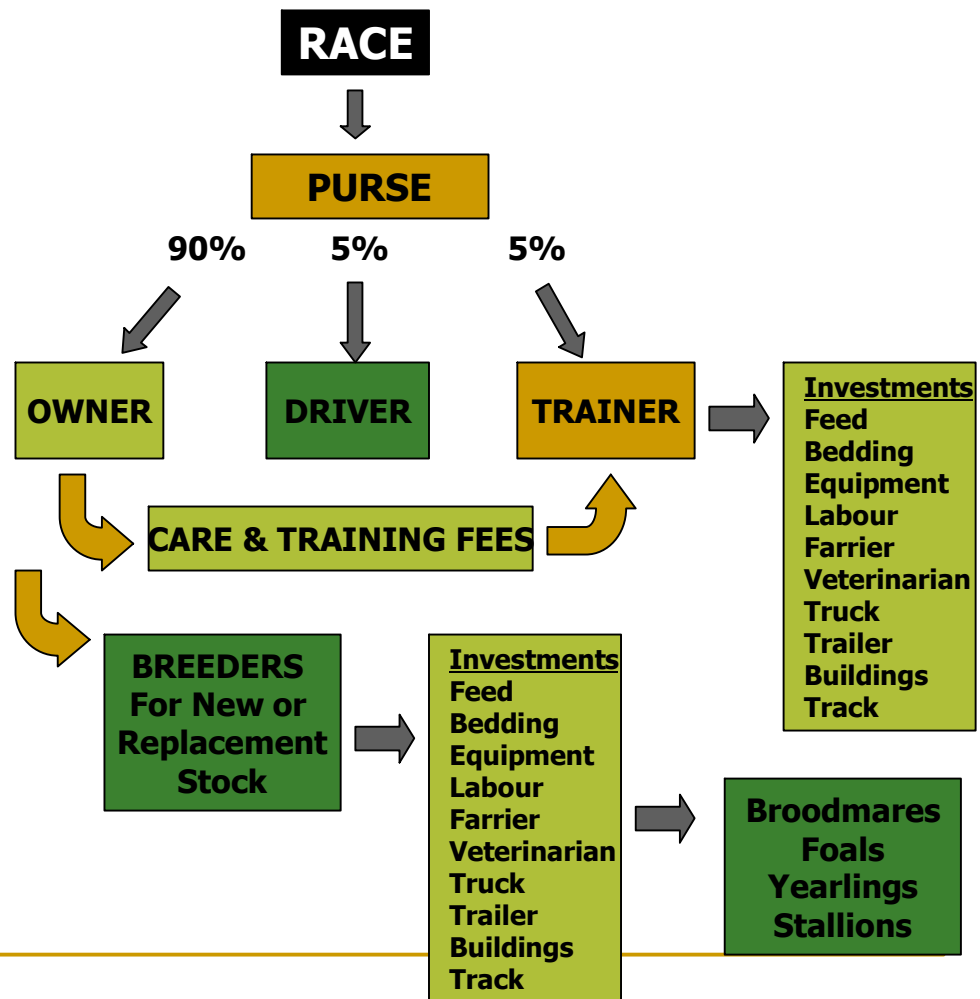
- The standardbred horse racing and training industry is an agricultural-based industry that has linkages throughout the agricultural sector, supporting-service industries, and the rest of the Ontario economy.
- This industry has a particularly important impact on rural areas, where most of the business activity is located.
 - Huge multiplier effect
 - One of the few agricultural areas that is growing and thriving in the current economy
 - Our investment in each horse is a 4-5 year one as they are bred, raised, trained and, hopefully, raced
 - Major growth in the export of yearlings and aged racehorses
 - The entire horse racing industry generates 65,000 full and part-time jobs in mainly rural Ontario
 - The horse racing and breeding industry annually generates \$2.6 billion income (up from \$1.6B in 2000)
 - A total of 4,448 person years of employment are sustained by the horse racing industry in the agricultural sector
 - On a per dollar basis, every dollar of expenditure in the industry results in \$1.22 in net impact on the Ontario economy
- Critical to remember that the horse industry plays an important role in the entertainment industry, providing the horses to support racing and associated activities at race tracks throughout Ontario

The Economics of Racing:

We need to race to continue to grow



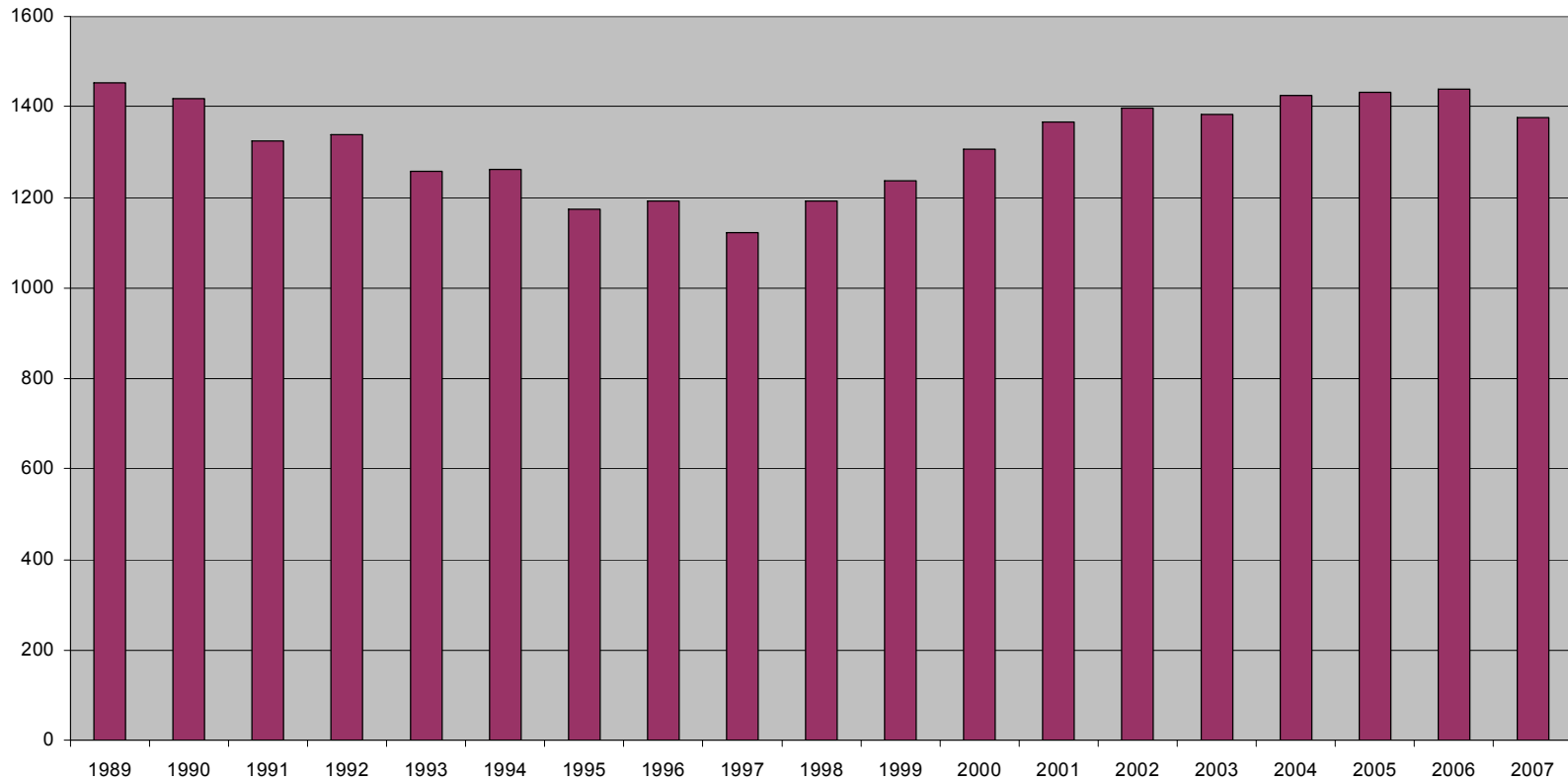
- Racing purses fund the day to day financials for our industry
 - Growing the purse pools spurred the initial expansion of the industry
- Decline in racing opportunities can offset gains and affect the entire industry
 - If horses are limited in their ability to race, the pool of purse money is immaterial



Race dates for all Ontario Harness racetracks



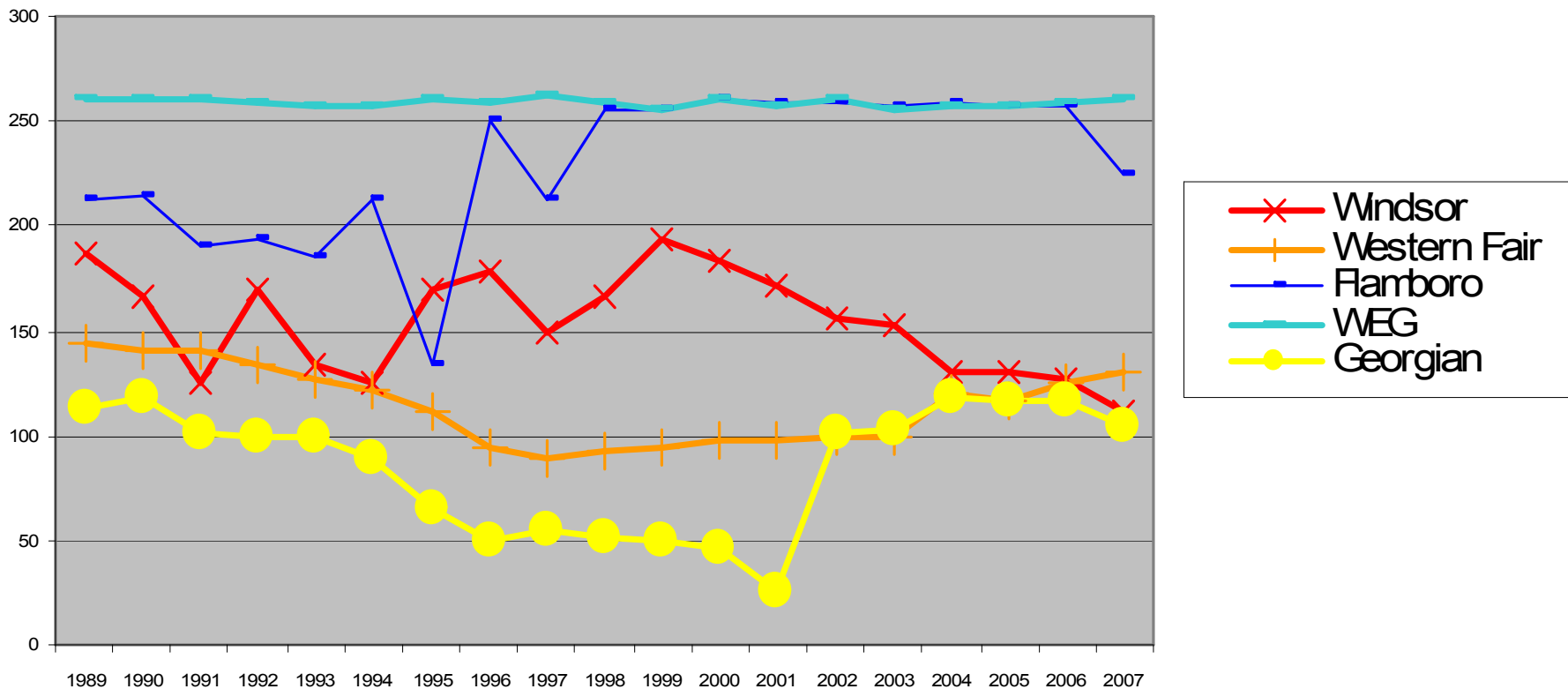
Ontario Harness Race Dates 1989-2007



Declining race dates at Ontario 'bread and butter' racetracks



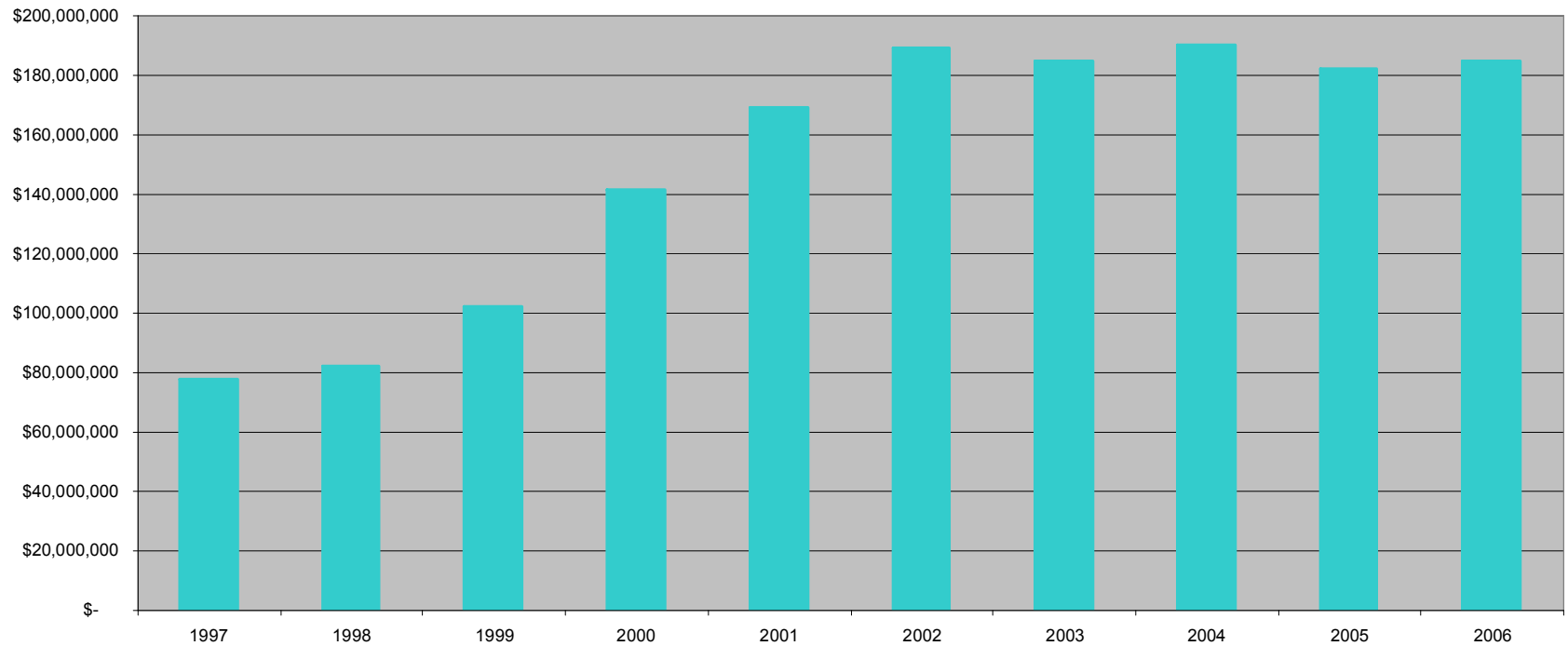
Our Bread and Butter Tracks
1989-2007



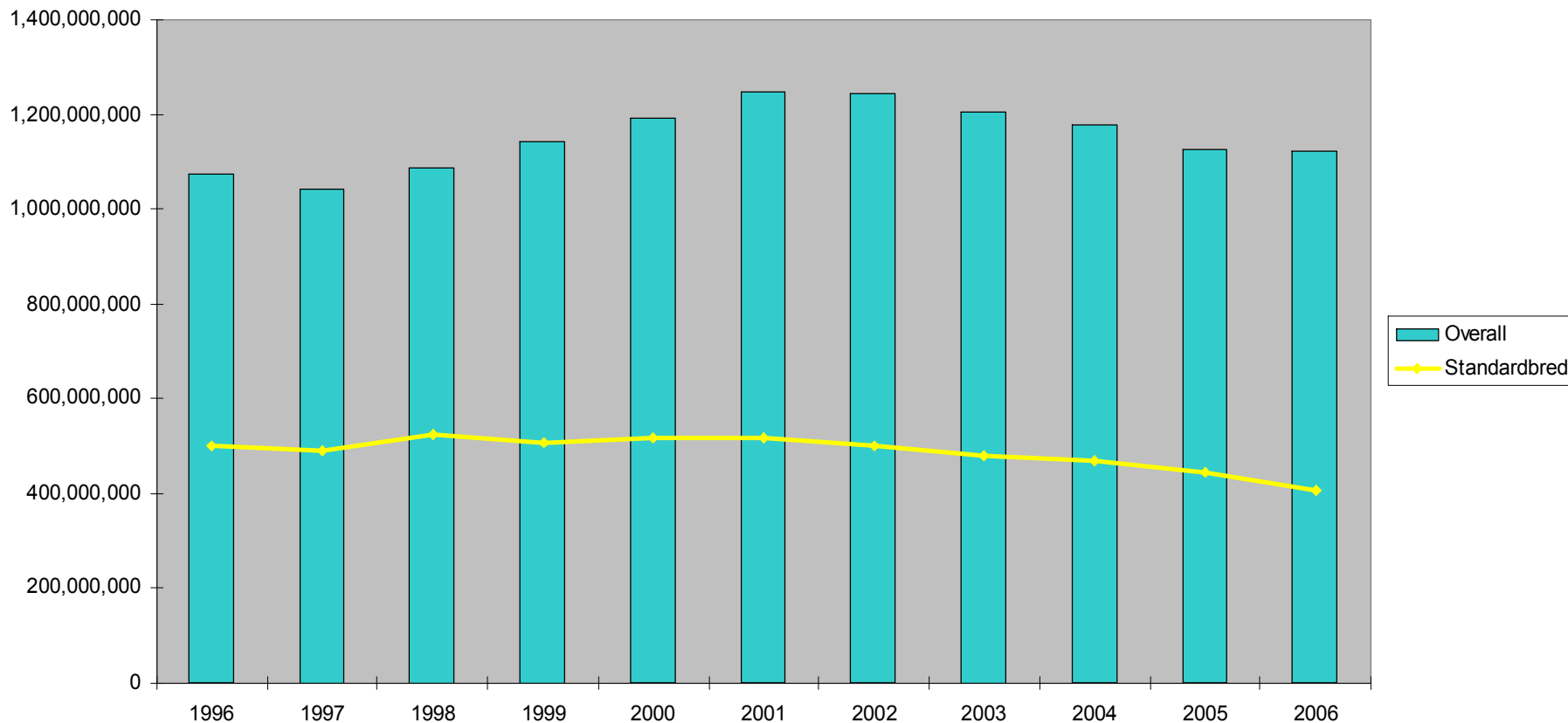
Purse money since the introduction of slots



Purse Money
1997-2006



Wagering in Ontario on Horse Racing



Impact of slots on horsepeople



- Horsepeople thank the Ontario government for the opportunity to race for more money, bigger purses
- The 10% slot revenue that horsepeople receive yearly is essential to the Ontario race horse industry
- Ontario agricultural communities and rural Ontario have enjoyed the economic benefits of the slots at racetrack program
- Slots have changed the race horse industry in Ontario and the impact is still being felt
- The race horse industry is the second-largest agricultural program in Ontario
- Agricultural communities and rural Ontario would feel real economic hardships if the government were to decrease slot revenue funding
- Horse racing is now part of the entire gaming industry in Ontario and should be included in the development of Ontario's gaming strategy
- As predicted by the Harris government when they agreed to put slots at racetracks – it would cause a negative impact on pari-mutuel wagering
- As we begin the second phase of expanding slots and other possible gaming opportunities certainty around the horsepeople share of slot revenue is essential
- Utilization of the racetracks' 10% from slot revenue must be clarified

Effects of slot revenue on racetrack host communities



- Individual racetrack owners and operators, horsepeople, and racetrack host communities have all seen the positive economic effect of slot revenue
- Racetrack host communities and specifically their local municipal councils have determined how slot revenue money has been spent in their local areas
- In many instances, local citizens have no idea of how their local community is being helped essentially by the local racetrack and the local horsepeople
- Getting the word out has not been done well – government and race industry partners must do a much better job of informing the citizens
- The design of gaming and racing in Ontario acts as a barrier to promote these contributions as well as gaining public support for racetracks and racing
- Local racetrack host communities are important partners to market and sell racing in their regions

Ontario race industry - What's working/what's not



- All racing partners want to build a strong, vibrant, and self-sustaining industry (common purpose)
- Major industry partners include the provincial government, racetrack operators, horsepeople, racetrack host communities, the broad equine community, breeders, the agricultural community, the University of Guelph, and the gaming industry
- Despite having a “common purpose” race industry partners have not been allowed to work well together
- Too often one race industry partner is pitted against another which has resulted in working relationships that have not benefited the industry as a whole
- Clearly structural changes in the way horse racing is governed is overdue
- Current governance model works as a disincentive towards building good working partnerships and the result of that estrangement is obvious
- Different options available however the time is right to “change the wiring” which will allow for new working partnerships to get on with the job at hand

Why OHHA supports the government Review Panel



- During the past few years OHHA has been advocating for a review of the racing industry as we felt several major industry issues needed to be addressed immediately
- A decade has now passed since the Ontario government expanded gaming in the province by introducing slots at racetracks
- We have a mix of new and old racetrack owners, private and public racetrack operators who are now reviewing slot expansion plans and have or will be implementing these plans soon
- For the review panel to do a thorough assessment of the industry there needs to be clear industry benchmarking established that can assist them in developing an upcoming strategy for the industry
- OHHA fully supports the Horse Racing Strategic Review Panel to ensure that the government's investment is properly managed to produce the intended results

The challenges for growth and self-sustainability



INCREASE FAN BASE

- Over the years horse racing in Ontario has enjoyed a strong fan base without much marketing
- With a very competitive gaming market horse racing in Ontario has seen a decline in its fan base and in total wagering dollars since the introduction of slots
- The climate is right with higher purses and faster, more competitive, horses to bring more not fewer people to racetracks
- OHHA believes the decline in attendance is not indicative of a disdain for horse racing but rather a significant flaw in how the sport is governed that inhibits the ability to compete in a fierce gaming market

NEW GOVERNANCE STRUCTURE

- Since the introduction of slots at racetracks we have seen some racetrack operators focus on the lucrative slot portion of their facilities to the detriment of maintaining, producing, and promoting live racing
- In the absence of a governance change this focus on slots versus racing is a systemic problem that will only get worse
- The ORC has an obvious anomaly in its role as regulator in governing operational issues
- In marketing and promoting racing in Ontario the ORC does not have the expertise or the resources to develop marketing plans, promotional events, and to implement communication strategies that in the long run will increase the fan base
- There are also questions around the ORC having the expertise and resources currently in place to review and approve racetrack business plans as well as setting race dates
- There is no way to strategically link the race industry partners
- There is no central marketing plan, marketing expertise, government expertise

GOVERNMENT FINANCIAL COMMITMENT

- The Ontario government must continue to uphold current slot revenue agreements with horsepeople, racetracks, and racetrack host communities

PARTNERSHIPS

- Strong, fresh partnerships are needed
- Meaningful partnerships begin with a new governance structure

Moving forward together



OHHA believes that:

- Industry issues can be fixed
- Our fan base can increase
- Change requires new, fresh partnerships
- Change in governance structure that will demand clear expectations in an accountable framework for all partners
- System-wide marketing and promotional plans are needed to sell our industry
- The ORC has a clearer more defined regulatory role
- All actions reflect and respect public policy
- Slot revenue benefits rural and agricultural communities, enhance live horse racing, and enhance the equine industry

OHHA recommendations



1. The Ontario government maintains its financial commitment to the horse racing industry.
2. The ORC maintains race dates at current levels until the strategic review is completed
3. The Ontario government partners with the horse racing industry to create a new governance structure that would:
 - Run the business of horse racing
 - Include Horsepeople and racetrack operators
 - Promote and market the sport and betting