

National HBPA July Meeting – “Visions of Racing’s Future”

Joe Santanna, Moderator, National HBPA

- **Charles Champion , Paladin Partners**
- **Alex Waldrop , NTRA**
- **Ron Crockett , Emerald Downs**
- **Ron Maus , Washington HBPA**
- **Frank Petramalo, Virginia HBPA**

Before I Get Started, I Just Want to Point Out -

Joe Didn't Give Me Enough Time...

For the Next Few Minutes, Please Suspend Your

Disbelief and Pretend That What I Am Saying

Is, In Fact, Rational, Even If Not Right

When I am Done, You Can Tell Me Off,

BUT LET's TALK!!!

“The Times, They Are A-Changin’ ”

- Bob Dylan

- **One year ago in Minneapolis, I used that cover for a forum I moderated on Technology in the Industry**
- **The reference is one that I want to use again, but I desperately want to stress that in my view, the Times Have Changed, and there is no going back**
- **We need to act now, collectively, or we will instead collectively witness the end of racing as we know it**

The Realities and the Challenges

- I am not going to talk about numbers – everyone here should know that “the numbers” have been “off” over the last several years
- To some limited extent, it is “the economy,” but I am personally convinced that “the economy” is a crutch that we all rely upon to find *a reason* for what has been happening to us
- I would like to speak about a variety of those *many reasons*, and I would like to have us begin a dialog, an earnest dialog, as to what we do

The Reasons That I See

- **There are those who believe we callously allow our horses to be hurt**
- **There are those who believe we callously drug horses to enhance their performance**
- **There are those who think those two reasons have led to our problems or should lead to our demise**
- **I strongly believe that there are other, far more powerful reasons that racing faces its darkest hour**
- **I strongly believe that if we fail to address the more powerful reasons, our future is obvious, and dark**

The Real Challenges

- 1. There is no doubt that we have turned off and lost some part of the public due to drugs and deaths**
- 2. There is also no doubt that we suffer incredibly from increased competition**
- 3. *“There aren’t sufficient numbers of racing customers in the world anymore because they died.”***
- 4. There is no doubt but that the very things that we have come to worship in one sense or another – the internet, ADWs, TVG, etc., have seemed to add to our game but have instead taken away from it**
- 5. We have no “industry” – just a collection of self-interests**

The Future That I See, by 2020

- There will be but a handful of tracks left in this country running for anything more than amusement. Why?:
 - The decline in actual racing revenues, wagering revenues, on-track attendance, and regulatory funding will kill our ability to find, fund, and keep operators, regulators, and owners necessary to continue racing across the country
 - The enthusiasm for, and reliance upon Casino/Racino operations ultimately cheapens our product and provides the substitute for it

The Future That I See, by 2020

- **There will be many fewer tracks**
- **There will be more remote wagering “platforms”**
- **There will be more and more exotic wagers**
- **There will be less integrity in the game**
- **There will be far less horses, jobs, and people directly involved in the game**
- **There will be far less wagering overall, but the “handle” on the remaining tracks will likely increase**
- **That “handle” will generate less “net” for purses, with the lessened take-out being shared more with platform providers and bettors than horsemen**

The Future That I See, by 2020

- With no disrespect intended toward those among us who enjoy or seek Racinos, I ask:
 - If I am a rational investor, why would I want to spend many hundreds of thousands of dollars annually maintaining a depreciating multi-million dollar facility spread over 60 acres, when I can spend a fraction of that on a far more manageable 1 acre building?
 - If I am a rational legislator, where do I easily and rapidly find money that is otherwise used to prop up an industry that otherwise can't stand?
 - **So, you too are in this conversation!**

**This, My Friends, Summarizes Our
Future, and I Think Somewhat
Accurately**

OR

**WE CAN TALK,
and
Maybe We Can Act**

Holy Crap! Where Are We?

- **I cited five large challenges earlier (there are more):**
 - 1. We have turned off some of the public**
 - 2. We face significantly increased competition**
 - 3. Our base has aged and our game is tough**
 - 4. The information age has been used to the horsemen's detriment**
 - 5. We have no “industry”**

What Do These Challenges Mean To Us and How Do We Address Them?

We've Turned Off Some of the Public

- **I generally think this problem is not reversible, and I similarly think that this is the least of our concerns**
- **On the scale of what we face, does it truly matter to our economic survival if a certain and limited group of people who are not really interested in the sport are turned off by it?**
 - **I will posit that other than perception, the answer is “No” and the financial impact is negligible**
- **However, the “noise” around these issues is growing – see Sparkman in TT Today and must be addressed**

We Have Significant Competition

- I truly feel that this is one of our biggest problems, and one that we **MUST** address in order to survive on a broader scale
- _____ (**fill in your own blank here**) years ago, we did not face state-sponsored lotteries, state-licensed card rooms, independent nation Indian Casinos, and numerous other forms of significant competition
- No matter what we might want to try, there are numerous impediments to comparing the pace of our game to the roll of dice, the turn of the card, or the push of a button on the “one armed bandit”

Our Aging Base Is Dying Out

- **The quote from Peter Carlino of Penn National Gaming is SO telling**
- **The Racino industry has sidled up to tracks for only one purpose – to get “the nose under the tent” and to be in position to continue alternative gambling upon the demise of racing – and I can assure you that there will be a time when they will do what they can to hasten that demise**
- **Can we afford to have our game spoken in an ancient language in a numeric format that is available at high cost in an indecipherable DRF?**

The Information Age Has Been Wasted

- **We once celebrated the “opportunity” to increase the wagering base through the internet and the ADW platforms**
- **The reality of this however, has been a shifting of wagering from on-track with maximum contributions to operator and horsemen to off-track minimalized returns to operator and horsemen**
- **While more information is readily available to the “declining base” of people that can read the ancient language of numbers in the DRF, the key phrase there is the “declining base”**

There Is NO Actual “Industry”

- **This may be the one biggest obstacle to the success of those of us in this collection of self-interests**
- **No quarterback, no linemen making blocks, and no playbook to draw upon**
- **22 players on the field without lines or instruction as to what the game is – but they each know that the pie is shrinking, and they each want to “get theirs”**
- **Name your poison: HBPA, THG, TOC, NTRA, Jockey Club, CDI, Stronach, NYRA, ARCI, RMTC, TOBA, Breeders Cup, etc., etc., etc.**
- **So, to whom do we turn for leadership and results?**

What Are Some Ideas?

Perception Issues:

- Due to the volume and makers of the noise, we are going to have to capitulate to some extent
- Insert YOUR IDEAS HERE: _____

Competition Issues:

- We are a gambling game, set in a wide swath of romantic notions
- The gambling has to be identified for what it is, differentiated from a game of chance, made to appeal to those who want a problem to solve, and we must find ways to improve the dissemination of the “answer keys” to those who are inspired learn

What Are Some Ideas?

Competition Issues:

- It is my clear view that we need to combine the issues of the second (competition), third (dying out base), and fourth (we blew the information age) challenges as an “industry” – **but, WAIT! There is no “industry”** - and create content, high-quality, wide-ranging content, from elementary to advanced, and make it be available at all times in a streaming fashion
- It is also my clear view that the “industry” (**oops! there is that false reference again**) must do everything in its power to make inroads against the competition, citing skill, intelligence, the puzzle, and the romance

What Are Some Ideas?

Competition Issues:

- It is also my view that we have – in a chase to provide more BIG TICKETS (new Pick 5's and other multi-race events designed to provide BIG TICKETS) lost sight of the HOOK – *we have to find ways to let 'em win*
- *My son loves to win money while at the races*
- *My son despises losing money at the races*
- I would not be here if I had started wagering on trifectas, superfectas, Pick 5's, 6's, and the rest
- *We need to simplify and increase wins and increase winners – BUT NOT with EXCHANGE WAGERING*

What Are Some Ideas?

Competition Issues:

- **“If you can’t beat ‘em, join ‘em.”**
- **That old saw needs to be considered. We might want to see if we, as horsemen, can come up with a network of gaming ideas that we can run between races, probably on a pari-mutual basis, and possibly networked in some fashion that can provide entertainment, adrenaline, and wagering opportunities for persons attending our events to a broader grouping than single tracks.**

What Are Some Ideas?

Our Aging Base is Dying Out:

- The anecdotal stories of the kid who went to the racetrack with his or her Grandpa and learned to read the Daily Racing Form at his side are historic
- There is no doubt that this is true
- This base must be replaced, and can only be replaced with significant effort at making the bettor aware of our gambling product, allowing that bettor to understand our game and how he or she fits into it, and what his or her options are in playing it, and why our game is superior to his or her other options
- The message must get out, or we go with Grandpa

What Are Some Ideas?

We Blew the Information Age:

- We need to find ways to take back the platforms and convert the returns from the ADW provider back to those who put on the show – track operator and horsemen**
- We must also use the internet for hosting high quality readily accessible promotions of all nature for the gaming aspects of our game as well as the romantic aspects of our game**
- There is still opportunity to seize the day, but we need to do so in coordinated, high-quality segments in order to have any reasonable impact**

What Are Some Ideas?

We Blew the Information Age:

- We labor in many ways with the “haves” and the “have-nots.”**
- It is not equitable that certain of the operators of tracks can thumb their nose at smaller tracks, and charge higher / lower host fees / source market fees to those markets less attractive to them**
- Virginia has taken actions to address this on a local basis**
- It is my belief that – despite antitrust concerns that could be raised, the small track operators and their HBPA's need to find ways to cooperate and survive**

What Are Some Ideas?

There is NO “Industry”:

- I really believe this is true, so I suggest that we find ways to align interests by creating new opportunities and doing a much better job of picking our partners, and doing so in a broader fashion
- We need to pick excellent partners as operators where we run
- We need to pick excellent partners to provide platforms that fairly divide take-out between the horseman, operator, and platform provider
- As horsemen, we need to find ways to look very hard at where we are and to consider all the ways in w

What Are Some Ideas?

There is NO “Industry”:

- As horsemen, we need to find ways to look very hard at where we are and to consider all the ways in we can align, legally, to grow our mutual standing in relation to those operators and platforms that do not want to act as our partners to ensure that we have the best leverage possible to survive
- As people, we need to understand that everyone tends to favor their own self-interests, and that if we are to help our game, our sport, our “industry” survive, together, it will come through change, mutual sacrifice and sharing

What Are Some Ideas?

There is NO “Industry”:

- We have a shrinking pie. That is a fact. Each of us wants more and more of it. It can't work that way
- IF we continue as we have been, my vision of the future is all but assured.
- Is there anyone here who believes that LUCK will save us or that all of these challenges will “just somehow work out?”
- We actually need a true industry, where each of us recognize the importance and necessity of the other, and we find ways to work toward mutual survival
- Where do we go? How do we get there?

Your Thoughts?

- **It is time that we talk, seriously, about the future and how we get there.**

In Closing...

**“You better start swimmin’ or you’ll
sink like a stone,**

For the times, they are a-changin’ ”

- Bob Dylan

