

September 23, 2013

Presentation to:

BC HORSE RACING INDUSTRY MANAGEMENT COMMITTEE



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Introduction

- Thank you to the BC Horse Racing Industry Management Committee for providing the opportunity to make this presentation to the committee on an appropriate funding model for the industry going forward.
- This is a presentation of the HBPA, CTHS, and BCTOBA.
- We're here in the best interest of the industry and to ensure its survival.

Overview from 2010 to the Present

	2010	2011	2012	2013 (projected)	2014 (projected)
Gross Revenue	45.21m	46.65m	43.03m	40.00m	39.00m
(Less) TBC Costs	-13.06m	-12.20m	-12.11m	-11.90m	-11.50m
(Less) Slots \$ & Loans	-6.69m	-10.0m	-9.25m	-9.5m	-9.5m
(Less) Ads/Marketing		-0.8m	-0.8m	-0.8m	-0.8m
Total	25.46m	23.65m	20.87m	17.80m	17.20m

- Total decrease in net revenue from wagering from 2010 to projected 2014 is \$8.26 million.
- This is a 32.4% decrease.
- Alberta declined only 4.7% over the same period.

Track Management

- The horseracing business is something inherited by the current GCGC executive management, and not the result of any conscious decision on their part to enter the industry. They are not invested personally and they are not investing corporately.
- Horseracing is not Great Canadian's core business or expertise. It views racing as a "sunsetting industry." This may be correct in a narrow technical sense, but it does not reflect the mind-set necessary to lead the industry into the future.
- As indicated in our November 2011 presentation to the HRIMC, owners and breeders in the province are paying over \$32.5 million annually in expenses.

Track Management (cont'd)

- The HRIMC report dated April 2013 quite correctly observes that the “savings through cost-cutting benefit only the Track Operator. As a result the operator is motivated to cut costs.”
- This cost cutting, management’s continuous push towards less, has resulted in a reduction of service and hospitality that is apparent to all who attend at Hastings.
- This approach has caused us to lose hundreds of our customers one at a time.

Track Management (cont'd)

- This has resulted in a major loss of wagering at both tracks.
- Despite the total misconception that this lost wagering has been recovered by the TBC, in fact, TBC has remained relatively constant.
- Prominent among the many elements required for racing to have a future is a change in the culture at Hastings, regardless of how it is brought about.

Decoupling the Breeds

- The HRIMC report of April 2013 states, “the two breeds active in B.C. (Thoroughbreds and Standardbreds) are significantly different. Combining the two through a forced marriage hinders the ability of each to pursue the unique and bold strategies necessary for their individual success.”
- The thoroughbred associations concur unreservedly.

Eat What You Harvest

- Funding should be tied to success.
- All wagering proceeds should be split based on the percentage of wagers placed on the specific breed regardless of what that percentage might be.
- The benefits of initiative and innovation should accrue to the breed that instigates same.

Appropriate Funding 2014

(net revenue)

	GCGC	T-Bred
Wagering	50%	50%
TBC	50%	40%
Casino Profits	100%	0%
Slot Revenue	0%	60%*

* Increasing in 2015 to 70% and in 2016 and thereafter to 80%.

- The wagering percentages are consistent with practices all across North America (*see Appendix 1*).

Appropriate Funding 2014 (cont'd)

- The concept of slots at racetracks in BC evolved as a way to level a long established playing field that had been severely tilted by government's entrance into gaming. The idea was that the proceeds from slot machines at tracks would be used to off-set the reduction in racing revenue, making it palatable to operators to continue in the business while maintaining the jobs and economic benefits it had long generated.
- The original purpose of the net revenue derived by the track operator from the slot machines got lost. Instead of it being a mechanism to assist in advancing racing, the track operator took the funds into its general revenue.

Appropriate Funding 2014 (cont'd)

- It is of utmost importance that these funds be used for the purpose that was originally intended by the then Minister Rich Coleman.
- It should also be noted that racing industry participants attended many meetings at City Hall and were **instrumental** in the final decision to allow slot machines at Hastings Racecourse.
- It is fair to state the BCHRIMC accidentally misallocated several million dollars of slot revenue to the track operator that was intended for the breeds to stabilize their industries.
- Due to this misallocation the industry has lost hundreds of horses, breeders and owners.

Wrap Up

- On November 17, 2009 Minister Rich Coleman announced that the “new B.C. Horse Racing Industry Management Committee will help to revitalize and restore financial strength to the province’s horse racing industry.” Rationalizing the industry’s finances was to be job one for the HRIMC.
- Four years later the industry has lost a third of its revenue and the HRIMC has yet to settle upon a financial model for the future. It has, however, in its draft revitalization report, and subsequently, advanced options that involve Great Canadian running its racing operations on a cost recovery basis; in essence being “made whole” to the disbenefit of the rest of the industry.

Wrap Up (cont'd)

- Such an arrangement is totally and unequivocally unacceptable to any of the thoroughbred industry stakeholders. It would in effect relieve Great Canadian of the obligations and responsibilities inherent in our free-enterprise system.

Thank you

Questions



Appendix 1

(attached to hard copy)

