

Integrity Matters

Spring 2010



SEEKING A NEW MODEL FOR RACING: THE CONCEPTUAL FRAMEWORK TO A SOLUTION

// We must all think of the 'industry first' //

// We must consider the needs of the participant, and then link that to the needs and interest of the Customer //

// We need to throw out traditional thinking //

These are just some of the comments shared by members of the racing community, as the Ontario Racing Commission (ORC) launched its efforts to define a new model for racing in Ontario.

The task of developing such a model is well underway, and progress has been good.

As reported in the last issue of Integrity Matters, ORC Executive Director John L. Blakney has had ongoing dialogue with representatives of the various sectors of the racing community – horse people groups, racetracks, and breeders. The response has been encouraging.

// This is a significant moment for racing,” said Blakney. “Meeting with the Working Group representing the standardbred horse-people associations and the racetracks, was a first step. *//*

He believes it is vital to broaden this effort and seek input from a wider pool of experience and variety of perspectives.

“In order to have a clear definition and a framework to measure all new ideas and



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MESSAGE FROM CHAIR ROD SEILING

A Significant Moment for Racing - and the ORC

In this update to the industry on the development of a 'new model for racing', John Blakney speaks of this initiative as a significant moment for our industry.

Indeed it is, and for the ORC as well.

When the Board of the Ontario Racing Commission (ORC) set a moratorium on any race date reductions in 2010, it did so to provide the industry the best opportunity to work together in a cohesive and consultative fashion. At the outset of the process, I challenged the industry to avoid the “same old, same old” that has produced the current impasse and created distrust within many parts of the industry.

I am pleased to see this work is progressing, and I encourage all the participants to continue to work diligently to a solution, to find a way to do what is best for the thousands of people whose future they hold in the balance

Perhaps what will emerge in the recommendations will represent a change from the established, 'tried and true' ways of the past. Change is rarely 'easy' to embrace, and yet it can represent the 'best ways' for the future.

More inside...

MESSAGE
FROM
CHAIR

ROD
SEILING



THE PRINCIPLES AND A MODEL OF A COLLABORATIVE PROCESS

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concepts, we developed a statement of Founding Principles.”
(see opposite page)

“This first statement of principles – ratified by the ORC Board – have focused the deliberations on the key aspects of creating a successful racing model, including: that it is about jobs in rural and agriculture Ontario; that racing needs to provide a fair return on investment; that the racing product must be customer-focused; and that we need to recognize both supply and demand.”

He points out that to supplement the efforts of the Working Group, he has invited a variety of individuals to participate as contributors to an Advisory Pool. “While not limited to members of the racing community, these individuals will be asked to participate as independent, innovative thinkers and challenge us to rise to a higher level of thinking.”

As with other initiatives, the consultation will also draw on the skill sets and expertise of one or more Technical Groups to bring detail and pragmatism to concepts, and to challenge assumptions.

The Planned Approach

Now that the preliminary discussions and background for the Consultation Group is complete, the ORC is moving to the matter of getting underway with the task of developing the model.

In simple terms, the process will now move to the stage of identifying industry “realities”, and increasing an awareness of different perspectives. Of course the focus of the process will be that which will take the most effort and perhaps time: exploring opportunities for the improved structure/model, creating a prototype solution(s), and selecting an approach to implementation.

“ Change is rarely ‘easy’ to embrace, and yet it can represent the ‘best ways’ for the future. ”

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The ORC recognizes this. This Board has come to grips with the reality that much has changed since the Commission became self-regulating in 2000. It is prepared to embrace necessary change and take the steps required to continue to protect the public interest.

I assure you the ORC will also continue its efforts to serve the racing community in a manner that is not only fiscally responsible but also one that is perceived as an essential component of the business of racing.

We remain committed to working with the racing community to achieve our collective goal - that Ontario continues to be one of the most competitive and best places to race in North America.

Rod Seiling
Chair

THE INITIAL FOUNDING PRINCIPLES TO CREATE AN ACCEPTABLE MODEL FOR RACING IN ONTARIO:

1 *Enhance live racing and provide benefit to the agricultural sector in Ontario.*

- This language is repeated in the various slot-related documents and represents the return on investment (“ROI”) on the public funds that are being invested into this industry annually.
- Simply put, the slots-at-racetracks program is a “jobs program” focused on rural Ontario.

2 *Provide a fair return on investment over the short term while protecting value for owners and communities over the long term.*

- Jobs and economic stimulus provides “return” to government.
- Racetrack operators, property owners and horsepeople all invest time and money into this industry – and the owners of these investments must have the confidence that they will be reasonably rewarded.
- This principle therefore acknowledges that industry participants who make rational business decisions should expect a reasonable rate of return on that investment.

3 *Provide customer-focused, competitive racing by recognizing both supply and demand.*

- Racing needs to be customer-driven – and shape its product offering(s) in a way that addresses supply and demand.
- We can quantify optimal production by considering a cost-benefit analysis in the general context of its benefit to live racing and the agricultural sector.
- A well-designed model provides the flexibility to adapt with changes to supply or demand based on indicators such as pari-mutuel handle and horse supply.

4 *Take a self-sustaining approach, using funds raised through public policy to enhance this self-sustaining economic model for horse racing.*

- While initial reaction may be that a self-sustaining model may not be easily attainable, any solution that addresses long-term viability and investor confidence can not be dependent on public funds.
- Horse racing must design a path forward that includes a long-term self-sustainability – even if that model is different in size or format than what we look like today.
- Incrementally then, we can make assumptions regarding the quantity of public funds – and use these public funds in a manner that maximizes its net benefit or enhancement but never relied upon them for long-term sustainability.

5 *Encourage and provide incentives for live racing.*

- The solution must replace or compensate for the existing competing business models.
- For private property and resources generated from private enterprise, the owners of those assets (racetrack, race horse, breeding farm, etc.) must have an incentive to increase its value.
- For public funds, the incentive to improve the outcome may come through regulation - with motivation built into a “broader purpose” model.

6 *Be simple and objective*

- Despite the complexity of industry economics, the solution must be actionable, manageable and objective to reduce regulatory complexity (imposition) while maintaining the integrity of the racing system.



UPDATE TO THE DIALOGUE PRINCIPLE #4

Take a self-sustaining approach, using funds raised through public policy to enhance this self-sustaining economic model for horse racing

- Fully self-sustaining may not be attainable
- Planned approach is to:
 - Build a “base model” that achieves or approaches self-sustainability
 - Public funds (through slots and tax reduction) as a means to enhance the base model
- Public funds should be used in a way that maximizes its net benefit to the industry
- Transparent, accountable use of public funds

CRIME STOPPERS

WHAT YOU SHOULD KNOW ABOUT CRIME STOPPERS

Do you know of any illegal activity related to horse racing? Speak up for your community!

Call Crime Stoppers 1-800-222-TIPS to anonymously report information on any crime.

Callers are never asked to identify themselves. The call is not traced or recorded. Crime Stoppers does not use Call Display

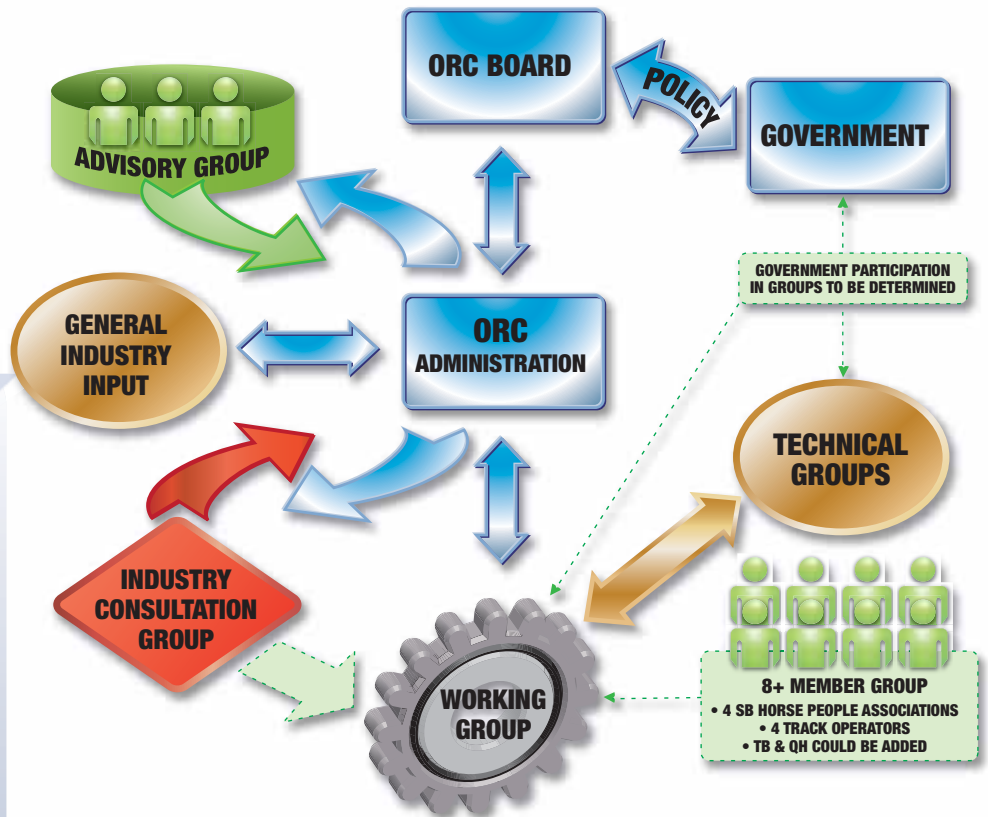
Callers are never asked to testify or provide their names.

Cash rewards are offered to people who call the program and their information assists in an investigation.

DISCOVERIES THROUGH EXPLORATION IDENTIFIED COMPONENTS OF A SOLUTION:

1. The Sport of Horse racing a "legitimate business" in the Entertainment and Gaming Industry
2. Purse distribution aligned with competitive pari-mutuel markets
3. Optimal quantity of racing to maximize profit on pari-mutuel wager
4. Racetrack Classification/Categorization
5. Rewards for behaviours that support live racing
6. Competitive betting opportunities
7. Live racing and simulcasting management system

COLLABORATIVE PROCESS



Integrity Matters

A publication of the Ontario Racing Commission, the provincial agency which governs, directs and controls horse racing in any or all its forms in the Province of Ontario.

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LET US COMMUNICATE MORE!

ARE YOU UP TO DATE ON THE LATEST ORC INFORMATION?

The ORC is continuing its commitment to a program of communication that is clear, concise and of interest to the Ontario horse racing community.

Check out the "What's New Archives" at www.ontarioracingcommission.ca for more information.

www.ontarioracingcommission.ca