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October 26, 2013

Notice to the Industry Ontario Racing Program – Schedule of Race Dates

ORC releases revisions to race date schedule under the Ontario Racing Program Notice of Director's decision regarding 2013 Race Date variance requests

The Director of the Ontario Racing Commission (ORC) gives notice of the decision relating to applications received seeking variances to the assigned dates for November and December 2013.

Applications were received from Western Fair Association (WFA) for The Raceway at Western Fair (Western Fair) and Great Canadian Gaming Corporation (GCGC) with respect to Flamboro Downs (Flamboro).

On August 30, 2013, WFA submitted an application to vary their approved race date schedule during the months of September and December 2013. At that time, the variance for the September dates was approved; however, no decision was made regarding the December request. This decision addresses the three additional Saturday dates (December 7, 14 and 21) applied for by WFA.

In September, GCGC applied for a variance to the approved 2013 Flamboro race date schedule for the months of November and December. Specifically, GCGC applied for the addition of eight Friday race cards (November 8, 15, 22, 29 and December 6, 13, 20, 27) with a post time of 6:00 p.m..

In October of 2013 both GCGC and WFA submitted their intentions with respect to racing in the 1st Quarter of the year, specifically January through March 2014. The application for Flamboro was to remain a 4 day a week schedule, but to shift from Fridays to Thursdays. WFA submitted that it was their intention and application to race the same schedule as 2013, at 4 days a week, Mondays, Tuesdays, Wednesdays and Fridays.

After having reviewed the submissions received, having reviewed the position of the horsepeople who race at Western Fair and Flamboro as represented by the Ontario Harness Horse Association, having received the recommendation from the Implementation and Monitoring Group, and having determined that the application is consistent with the principles of the Ontario Racing Program, the Director's decisions on the applications are as follows:


- 1) The application for 8 additional race dates in November and December is varied. The Director approves Flamboro Downs for 6 additional Thursdays, starting November 14 through December 19, 2013 with a post time of 6:00 p.m.. This change to the approved 2013 race date schedule for Flamboro Downs will be reflected in GCGC's 2013 licence.
- 2) GCGC's application to vary its 2014 calendar for January through March is conditionally approved. The Director conditionally approves Flamboro Downs for a schedule of 4 days a week on Wednesdays, Thursdays, Saturdays and Sundays, subject to GCGC applying for and receiving a licence to operate a racetrack for Flamboro Downs for 2014. The Director provides notice that he reserves the right to vary or reconsider the cancellation of the said 2014 race dates, if future application of the ORP or other changing circumstances warrant.
- 3) WFA's application for 3 Saturdays in December is denied.
- 4) WFA's application to continue the same schedule of 4 days a week from January through March 2014 is varied. The schedule of Mondays (4:05), Tuesdays (4:05) and Fridays (7:05) are conditionally approved, subject to WFA applying for and receiving a licence to operate a racetrack for Western Fair for 2014. The Director does not approve Wednesdays at this time. The Director provides notice that he reserves the right to vary or reconsider the cancellation of the said 2014 race dates, if future application of the ORP or other changing circumstances warrant.

The reasons for these decisions are attached.

Approval of 2014 race date schedules for all racetracks remains subject to the issuance of a racetrack licence including all terms and conditions of licensing. However, the Director accepts the stated intentions of both racetrack operators for the period January through March 2014 and acknowledges the variance to the 2014 race date schedule for each track to reflect the stated intentions for purposes of Policy Directive 3 - 2007.

It should also be noted that despite government's announcement on October 11, 2013 of "Ontario's Five-Year Horse Racing Partnership", the new responsibilities related to the determination of race dates will be implemented by April 1, 2014 and therefore is not applicable to this decision regarding these requests for variance of race date schedules.

Please be advised that any aggrieved party has the right to appeal the Director's decision to the Commission.



Steve Lehman
Executive Director

c: Implementation and Monitoring Group
Steve Suttie, CPMA

REASONS FOR DECISION

Under the Ontario Racing Program, the following criteria were considered:

Customer Demand

Flamboro's request for added 2013 dates will take place during the holiday season, which could result in higher "on track" attendance (holiday parties, etc.), encouraging increased on-track wager and possibly introducing new fans to the track. From a simulcast perspective, the move of these dates from Fridays to Thursdays creates a more synchronized betting product, with Flamboro joining Rideau and WEG on Thursday nights and leaving Western Fair and Woodbine Standardbred on Friday nights, when there is a larger amount of US product to compete against. This move also provides a consistent schedule for the entire Flamboro meet.

Western Fair's application for added Saturdays is similarly focused on attendance at the track (holiday parties bringing new fans to the track).

Purse Level

Consideration was given to the amount of the pari-mutuel commissions generated by these added cards of live racing, as well as the availability of existing purse.

The Flamboro application acknowledged the need for purse monies and proposed redirection of funds from the Georgian Downs purse account. The Director notes that there is sufficient purse underpayment at Georgian to support the additional Flamboro 2013 dates. Further, it was determined that a transfer of this nature is consistent with the purse pooling principles that were outlined in previous decisions (see the May 7, 2013 Notice to Industry).

Western Fair's purse account similarly requires redistribution from other available purse funds to support any additional race dates. A source of these purse funds must therefore be identified.

In general, the accumulated purse underpayment (at Standardbred tracks racing Signature and Grassroots cards) is projected to decline approximately \$15M from March 31, 2013 to March 31, 2014 (from \$22M to around \$7M, respectively). This decline is a result of purses paid exceeding the pari-mutuel commissions being earned during that time period. The decline heightens the need for cash flow management and a sustainable approach to purse levels going forward.

Purse funds held in trust by the ORC, which were sourced from Standardbred racetracks that ceased operation, have been exhausted by the previous redirections to purse accounts at Grand River, Leamington and Western Fair.

A further redirection of purse monies would, by necessity, have to come from a currently licensed track holding a purse underpayment balance in its purse account. The Director is

not prepared to take such action in this case. This was a significant factor in the Director's decision to deny Western Fair's application for the added December 2013 dates.

With respect to 2014, Western Fair had been projected to race 100 days during the fiscal period ending March 31, 2014, which required only 3 days a week during winter 2014. With approved and conditional changes to date, Western Fair will be racing a total of 119 race dates and the purses for these dates have been re-directed. Racing 4 days a week in January through March would add a further 13 race dates. The Director is prepared to consider a future variance to increase to the 4 day a week schedule if purse funds can be identified for use.

Racing Opportunity and Horse Supply

Through September and October, many seasonal tracks began closing. There has been sufficient horse supply to support up to 7 days a week of Signature racing in these regions with no evidence to suggest anything other than sufficient horse supply to support these added dates.

Also, with Woodbine Standardbred racing moving to three days a week during late 2013, the added Signature dates are not expected to have an effect on the Premier Standardbred racing product.

Thursday night racing at Flamboro creates added Signature racing opportunities in the region by avoiding conflicting with Western Fair on Friday evening.

Financial Condition

Through a transfer payment agreement with Government, Flamboro has racetrack operational funds for 100 dates. The proposed schedule is for exactly 100 dates.

In its application, Western Fair discloses that its transfer payment agreement has mechanisms that would fund up to 150 dates. The basic agreement considers 100 live race dates, with a stated daily amount for any additional days (to a maximum of 50 additional days) subject to government approval. At the time of this decision, Western Fair had not provided evidence of government's explicit approval for those requested additional dates in December.

Harmonized Schedule

Flamboro's requested dates on Friday would add to the existing product coming from Western Fair and WEG, which would create an oversupply product on Friday night. Thursday nights were considered (although WEG and Rideau are already simulcasting on Thursday nights as well) since this maintains Flamboro's proposed schedule moving into the first quarter of 2014. In the first quarter of 2014, WEG drops Thursdays in favour of Mondays.

Western Fair's requested Saturdays do not conflict with Flamboro since the post times are "offset" (7:05 p.m. and 1:00 p.m., respectively). Western Fair's post time does significantly overlap WEG's evening card, however Western Fair's commission from live (on-track) handle may not be materially less than their commission on the sale of their simulcast signal on those dates.

Motivation to Conduct Live Racing

Both Western Fair and Flamboro have applied to either add days or maintain the dates for various reasons (compliance with transfer payments agreements with Government, holiday season crowds, etc.).

In both cases, the ORC received support from the respective horsepeople's group for the added dates and all public input submitted was in favour of the days.

Conclusion

There were valid reasons to approve the applications for variance. In considering the criteria under the Ontario Racing Program however, the availability of purse funds has increasingly become a constraint in supporting additional live race dates. The impact of that heightened constraint – and the resulting focus on purse account cash flow and sustainability - has directly factored into the decisions communicated in this Notice.