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Notice to the Industry

A new model for Racing: A Collaborative Approach

In October 2009, the Board of the Ontario Racing Commission (ORC) set a moratorium on any race date reductions in 2010. This decision provides the industry the best opportunity it may ever have to work together in a cohesive and consultative fashion to lay the ground work for the future prosperity of the industry – tracks, horse people and breeders.

The Board directed ORC Executive Director John Blakney to lead an industry-based consultative process with the objective of providing the Commission a new model to assist in the allocation of race dates in the Province of Ontario. To assist the process and help keep it focused, the Board has approved 6 guiding principles. These are attached to this document.

From a policy perspective, the Board operates on the basis that the “Slots at Racetrack Program” exists as per the original signed agreement when this program launched – that is, “to benefit live racing”. Just to be clear, the Board recognizes that phrase can be interpreted a number of ways. What the agreement has done is infuse millions of public dollars into the industry and with that, comes expectations and the need for transparency.

The deep concern I have, as Board Chair: is the industry up to the challenge? Will we see more of the “same old, same old” that has produced the current impasse and created distrust within many parts of the industry? Or will we see a productive, rewarding partnership for all the stakeholders?

I choose to believe that the industry can come together. With so much riding on the outcome, the Consultation and Working Groups must find a way to do what is best for the thousands of people whose future they hold in the balance.

Either way, the Commission will make a decision. It has that responsibility, a responsibility it takes very seriously, but its preference is for the industry to come forward with new ideas and concepts for the Board to consider.

Rod Seiling
Chair

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The 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.