

February-25-2013

Update on 2013 Race Purses

To: Premier and Agriculture Minister Kathleen Wynne, Finance Minister Charles Souza and Rural Affairs Minister Jeff Leal.

As a introduction to this update I would like to advise and confirm that as a member of the Horse Improvement Committee I met on February 21st with the other members of this Committee, with Wendy Hoogeveen of the Ontario Racing Commission and with two of the three members of the OMAFRA Panel, John Snobelen and Elmer Buchanan. Copies of this update are also being emailed to each member of the OMAFRA Panel, Sue Leslie Dennis Mills, Rod Seiling, Bill O'Donnell, Brian Tropea, Jim Lawson, Nick Eves, Darryl Kaplan, Paul Godfrey, Steve Orsini, and Rod Phillips. Media members receiving emails include Dave Perkins, Thomas Walkom, Bob McCown, Steven Brunt, Elizabeth Church and Tara Perkins.

1. The meeting was cordial and pleasant. However, we were shocked and totally dumbfounded to receive an extremely insulting and totally unrealistic estimate for 2013 racing purses from Mr. Snobelen. Mr. Snobelen advised us that, at present, it is proposed by the Ontario Government that **ONLY TEN MILLION DOLLARS** will be made available in 2013 as an overnight purse contribution for all 15 Ontario racetracks, other than Woodbine and Mohawk.
2. Woodbine and Mohawk have already concluded their arrangements with Government on some unknown basis and will race in 2013. However, for the horsemen at all other tracks this is absolutely devastating news. As an example, Western Fair Raceway alone received more than 10 million dollars from the SARP for its purse account in 2012!
3. Until Mr. Duncan's completely unresearched and sudden announcement last spring it had always been an accepted fact that Ontario's horsemen could not remain in business without their contractual 10% share of slot revenues as originally negotiated with Government and the OLG over 12 years ago.

4. At that time, Ontario's horsemen agreed to permanently and in perpetuity suspend their monopoly rights as the only wagering game in town and agreed to partner with the OLG for the long term benefit of all parties: Horsemen, Government, and the OLG. This concession by Ontario's horsemen was requested by the Ontario Government at that time. The payment of this 10% share of slot revenues for purses has prevailed without question for the past 12 years under this model public-private partnership between horsemen and the Ontario Government, a partnership that may have been the most successful of its kind in any industry in North America.

5. The SARP program provided for 10% of slot revenues to be paid to racetracks and 10% of slot revenues to the horsemen for purses. This report deals only with the 10% to horsemen.

Every dollar distributed under SARP for purses has been paid directly to horsemen and then disbursed and distributed into the Ontario economy without slippage or deduction of any kind. All investment decisions and long term plans made by Ontario's world-renowned horse breeding farms to build barns, purchase properties and acquire stallions and breeding stock have been based upon the Ontario Government's unconditional long term agreement to continue SARP and to deliver the 10% share of slot revenues for purses at Ontario's racetracks.

6. Based on Mr. Snobelen's information on February 21st, one is now forced to conclude that the only racetracks able to provide racing opportunities in 2013 in Ontario will be Woodbine and Mohawk. The remaining tracks, if indeed they are permitted to apply for racing dates for 2013, will be offering purses insufficient to even cover the gas money spent transporting the horses to the racetrack.

7. Horseracing should never have surrendered its monopoly status and customer base to the Ontario Lottery Corporation many years ago. Sadly, we are now appear to be on the outside looking in entirely due to the unexplainable actions and totally inexplicable policies of the previous Liberal administration to favour casinos over horseracing and to favour urban residents over rural residents in 100% of its deliberations.

8. Since casinos generally fail and racinos are generally runaway successes this Duncan/OLG policy appears to have never made sense to impartial observers.

Please refer to articles by sportswriter Dave Perkins and renowned economist Thomas Walkom in the Toronto Star and to editorial comments made by Canada's leading TV sports and gambling authorities Bob McCown and Stephen Brunt on Sportsnet TV.

9. I have evaluated the comments and general talk and preparations by horsemen that I have heard from all parts of Ontario on this subject of the cancellation of SARP on March 31, 2013.

Accordingly, I am certain that Ontario's horse industry will not sit idly by and permit the OLG to continue to operate its slot machines in Ontario after March 31, 2013 unless horsemen, without interruption, continue to receive their regular 10% share of slot revenues for purses.

Like the school teachers in Ontario, the horse industry has waited patiently and with maturity until the previous Liberal administration was ousted. Now that it is gone, we have every reason to expect our new administration will order an immediate extension of the payment of 10% of slots revenues for purses pending completion of a **proper economic study**. This must be done now to save the horse industry from further destruction and in order that a traditional economic study of the situation involving all parties, including representatives of the horseracing industry can be undertaken to restore fairness and integrity.

10. After the meeting concluded, I was asked by Mr. Buchanan to provide details of my opinion regarding the negative impact on Government revenues resulting from the estimated 15% to 20% decrease in the DAILY BET PER OLG SLOT MACHINE when there is no racing. If this estimate is correct the proposed cancellation of horseracing in Ontario will therefore automatically lead to a permanent reduction in Government retention from its OLG slot machines now located at racetracks where racing will be discontinued. This impact is outlined in Paragraph 11 below.

11. In 2012 the **DAILY BET PER OLG SLOT MACHINE** from each slot machine installed at Ontario's racetracks under Ontario's extremely successful racino program was 10% to 20% higher on each day that live racing was being conducted than it was on the days when racing was not being conducted. It is clear to everybody that more people bet more money on slots during live racing than they do when racing is not available. On race days attendance at the slots is higher and in addition there is extensive cross-over betting. For many people in this Province there is no stigma attached to attending a sports event like horseracing like there is in going somewhere strictly to gamble!

Rideau Carleton Raceways' audited figures show an overall increase in slot machine betting of 15% while live racing is being conducted, increasing to 20% and more on Thursday nights. I also verified that substantial increases in slots betting are reported at Grand River Raceway on race days. I did not canvass other tracks in detail but assume the increase in betting while live racing takes place would show similar results because the same conditions are universal.

In addition, currently at many racetracks the OLG, with the cooperation of the track, has instituted a policy of providing free slot machine vouchers to groups and to dining room patrons at racetracks. In return the recipients of the free vouchers also sign into the OLG customers' tracking system, thus providing the OLG with easy access to many new customers. This type of cooperation will not continue with no horseracing.

12. This means, based on the foregoing explanation, that the Ontario Treasury will **lose an estimated 50 million dollars in 2013 and every year thereafter if the proposed cancellation of racing does in fact take place on March 31, 2013.**

Why? Because this incremental increase of up to 20% in the **DAILY BET PER OLG SLOT MACHINE** which arises only during live racing will obviously not be generated when there will be no live racing, except at Woodbine Entertainment Group. This is just another reason why the precipitate decision to cancel the SARP makes absolutely no economic sense in a Province now facing its current budgetary problems.

13. Furthermore, once horseracing stops permanently on March 31, 2013 there will be no sporting aspect or collegiality remaining at our Ontario racetracks. We will be left with the typical money grab atmosphere to be found at all casinos and slot parlours everywhere, except Las Vegas where they offer value to the customer in a holiday setting. The public will forget that prior to Mr. Duncan's announced destruction of Ontario horseracing Ontario was proud to be the number one horseracing jurisdiction, not only in North America, but in the World.

This week the OMAFRA panel trumpeted the prediction that Ontario racing after March 31st might rank fifth in North America!

14. More importantly, I also predict that there will be very dramatic reductions in daily slot machine handles all over Ontario once the racetracks without racing are perceived by the public to be what they really will become (i.e. just a callous money grab to be enjoyed by Government at the expense of vulnerable local residents). The parking lots will become half full and the racetracks will become forlorn reminders of horseracing's proud history.

When that happens and it will happen quickly, Ontario's Treasury will take a really big hit. Much of the one billion plus dollars returned to the Treasury by our 15 racetracks in 2012 will start to look more like the 100 million dollar loss suffered by the Treasury from the misadventures of of the 4 OLG operated casinos in 2012! Not one of these 4 OLG casinos ever featured a racetrack or ever succeeded in doing anything other than entice the weakest members of our society to part with their money quickly.

15. How can Ontario's Finance Ministry promote more casinos when its current 4 OLG operated casinos fail so miserably, losing \$100 Million dollars annually---- while at the same time its despised Ontario racinos, like the racinos in New York State, each return over One Billion Dollars annually to General Revenues to support health care and education both in New York State and in the Province of Ontario.

16. Why do the OLG and Ontario's Finance Ministry both preach Casino Gaming Modernization while at the same time both promote the downsizing of the horseracing industry? How can our industry grow with a reduced number of racetracks, racing dates cut in half and a cancellation of its contractual slots revenue entitlement? All successful industries try to expand. Frequently, I am asked about the strange and untenable positions taken by the management of the OLG and by senior officials in the Finance Department. Why are they so motivated to kill horseracing in Ontario? Ultimately the truth will come out.

17. We already realize the tragic social and economic costs to horsemen and breeders, and to the families and trades people dependant upon them. The impact, prior to the cancellation date, has been felt at Woodbine, Mohawk, Georgian and Kawartha Downs. Many thousands of horsemen and farm employees are already unemployed and when there are no races this situation will explode and become a priority for Government at all levels.

18. No race dates and no racing except in Toronto after March 31, 2013 will have been achieved by the casino lobbyists and their massive OLG-financed advertising budgets, without even the benefit of or reliance upon a traditional economic study or review by Government to justify its actions.

The general lack of proper economic studies and reviews by the previous Liberal Government led to its ignominious departure. In the past, despite all of the logic and efforts of rural Ontario to have a voice in its own future in this Province, the previous Liberal administration was guided exclusively by the actions and unrealistic visions of Paul Godfrey. Rural Ontario did not matter to that administration! Large American Casino investors with their lobbyists and promoters were able and are still trying to sell their self-serving concept of "casino modernization" to a very gullible Liberal Party. It may be too late but severe restraints and controls should be placed upon Messrs. Godfrey and Phillips and upon an out of control Finance Department hegemony that seems to have forgotten that they are still public servants. **We must have and fully expect a proper economic study to be completed before these draconian decisions affecting people and horses actually take place.**

19. On a brighter note both Mrs. Wynne and Mr. Leal have received widespread support from the horse industry for their brave positions requiring a municipal vote or referendum before any new casino or slot facility is approved.

If that requirement becomes law history tells us that there will be no new casinos in Ontario and that the “gaming modernization strategy” will wither and die. That is, if it has not already done so with its current embarrassing failures and rejections on all municipal fronts.

20. Mrs. Wynne should also be commended for her appointment of Peterborough M.P. P. Jeff Leal to the new portfolio as Minister of Rural Affairs. Mr. Leal has received widespread praise from the Ontario horse racing industry as an outspoken supporter of standardbred racing in Ontario and has stressed the vital importance of the horse industry to the economy of this Province and its rural roots.

Mrs. Wynne has also confirmed that horseracing will remain an integral part of Ontario’s gaming strategy.

21. Failing casinos are in the news this week, the Trump Casino in New Jersey being sold for 20 million and the almost new Revel Casino with 47 floors and costing 2.4 billion dollars being driven into receivership. On the other hand the 9 racinos in New York continue to be extremely successful providing almost 100 million dollars to the State of New York for education and health care each and every month. Meanwhile the 12 casinos in New Jersey, provide less than 20 million dollars monthly, to the State of New Jersey. Clearly, any fiscally prudent State or Province would choose the racino model and not the casino model. Obviously, this finding in favour of racinos would have been confirmed to the Government of Ontario by any proper economic study, had one been commissioned. U.S. casinos are under serious pressure everywhere and have a major policy commitment to destroy horseracing, its major competitor by any means available to it.

Please consider our request for an extension of the purse portion of SARP.

Thank you.

Robert B. Burgess Q.C