



Standardbred Breeders of Ontario Association

Standardbred Breeders of Ontario Association
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June 6, 2012

Standing Committee on Finance & Economic Affairs

Committee's Branch

99 Wellesley St. W.

Room 1405, Whitney Block

Toronto, Ontario

M7A 1A2

Dear Sirs:

Re: Bill 55 Strong Action for Ontario Act (Budget Measures) 2012

Introduction

I am writing to your Committee in my capacity as President of the Standardbred Breeders of Ontario Association (SBOA) to urge you to recommend changes to Bill 55 to address the crisis the Government have created in the Ontario horse racing and breeding industry with its March announced termination of the Slots at Racetracks Program effective March 31, 2013.

I am shocked that the Government plans to proceed with the implementation of this termination in the next ten months resulting in an entire industry and tens of thousands of Ontario jobs being at risk. Yet Bill 55 the "Strong Action for Ontario Act" contains no proposed budget measures whatsoever to address this Government created crisis in the Ontario horse racing and breeding industry.

The SBOA speaks for some 2500 individuals involved in the breeding industry. We provide the product that's been central to a vibrant and self-sufficient Ontario racing industry envied by jurisdictions worldwide.

The horse breeding industry is second only to the beef cattle and dairy sector of the Ontario agricultural economy in terms of size and importance. There can be no doubt that breeders have already been severely damaged by the Governments "surprise" announcement in the midst of the 2012 breeding season. Breeders have experienced significant losses as participants have simply cancelled bookings or removed their horses from Ontario. The prospects for yearling horses scheduled to be sold this fall are bleak, and even more alarming weanling foals born this spring may well have little or no value next year as horse racing activities decline or cease.

The vast majority of breeders are not wealthy individuals. We own farms throughout Ontario; we work hard and are dedicated to improving our breeding stock and facilities. Breeders provide



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many hard to replace jobs in rural Ontario communities. Unless the Government either rescinds its decision to terminate the Slots program, or comes forward with a replacement program, the breeding industry will wither, and die over the next one to two years.

Background

In 1998, our industry entered into a partnership agreement with the Ontario Lottery and Gaming Corporation (OLG) to place slot machines at racetracks. OLG wanted to increase its revenues through expanded gaming, and racetracks with well-established gaming centres represented logical locations for these slot premises. While racing was fully aware that exposing its customer base to slot gaming could cannibalize pari-mutual betting (it has), nevertheless, the opportunity to expand overall revenues thru the negotiated revenue sharing agreement would be good for racing and lead to expanded investment in both racing and breeding.

The Program has been a complete success for the OLG in terms of its share of revenue. The OLG took in some \$1.1 Billion from slots at our racetracks in 2011. Recently, the Government has resorted to calling this Program a “subsidy” for horse racing. Frankly, it’s counterproductive to spend time outlining all the reasons this Program is unfairly characterized as a “subsidy”; however, the current financial rewards for both the racing and breeding, not to mention most importantly Government, are necessities for the sustainability of all parties.

Slots proceeds fuelled our breeding and racing industry and transformed the Ontario Sires Stakes (OSS--a program for young horses produced here) into a powerful incentive for anyone to purchase horses sired and raised in this Province. As breeders, we experienced growth thru expanded yearling sales, the migration of top quality stallions to Ontario, and through boarding out-of-Province horses.

Over the past several years, we have been able to develop a strong U.S. market for our product based on the appeal of the OSS program. This has resulted in a large net positive for the Ontario economy as we have profited from the sale of horses, the purchase of stallion services, boarding fees and training and racing revenues. In short, Ontario breeders and the agricultural economy have been major beneficiaries of investment from outside the Province resulting from the Industry’s use of its share of slot revenues.

The first inkling the Horse Industry had that this Program was not viewed as a complete success by Government, to be maintained and protected, occurred in 2010 when OLG started to renew site holder agreements with race tracks on an interim basis of three to six months while it undertook its strategic review.



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Throughout 2010, the Ontario Horse Racing Industry Association (OHRIA) met with Government members and officials, including Minister Duncan, to attempt to reinforce the benefits of the continuation of Slots at Racetracks for all parties including the Government. Everyone recognized that the horse industry, breeders, and government needed the assurance of multi-year contracts to continue making significant capital investments. This was particularly true for breeders where decisions and investments have multi-year ramifications.

It's somewhat ironic that Minister Duncan expressed complete understanding for the need to have long term commitments in 2010, oversaw the renewal of all site holder agreements for terms of at least five years, and then in March, announced the termination of all agreements on twelve months notice. Our Industry thought we had a long-term commitment (based on the 2010 site holder renewals) with a trusted partner, we reinvested in quality breeding stock, and made capital improvements with confidence.

BLACK MONDAY

Minister Duncan's announcement in early March that our Slots agreement would be terminated as of March 31, 2013, was to say the least a complete surprise. While Minister Duncan was giving the horsemen and tracks one year's notice, the Ontario breeding industry was decimated the minute the news hit the airwaves. The value of our assets immediately plummeted, creating a "Black Monday" effect. Eagerly awaited foals were now liabilities as they represented expensive contractually payable service fees for animals that would be virtually unmarketable.

Since March, stallion service bookings for 2012 have been cancelled with regularity. Overall business at breeding farms is down approximately 50 percent from 2011, and continues to decline with many mares being shipped out of the country. Prospects for our fall yearling sales, the major source of revenue for breeders, are now dismal at best. As things stand now, breeders no longer have any hope of even recouping costs on their Ontario-sired horses.

Indeed, the Ontario Racing Commission's long-term promotional mantra for the Ontario Sires Stakes - "Breed, Buy, Race Ontario" has now effectively been appended with a giant bold question. (Why invest to LOSE money?)

The OSS has long been the cornerstone of the Ontario harness racing business and it simply cannot be sustained without proper funding. Approximately 40-50 percent of the funds required to



maintain the OSS program come from Slots at Racetracks. Simply put, no OSS, no reason to own an Ontario bred horse.

The Drummond Report called for a “review of slots at racetracks program” to assure value and that it continue to be the most profitable model in the OLG portfolio. It did NOT recommend scrapping the program and jeopardizing the economic viability of an industry responsible for some 60,000 jobs, and the engine for \$2 Billion in economic stimulus annually.

Minister Duncan has publicly scoffed at the idea of 60,000 jobs being reliant on the horse racing industry, despite his own ministry’s use of that figure in earlier reports, and a confirmation by a number of independent studies. We would ask Minister Duncan what level of job loss in the agricultural economy of Ontario, he finds acceptable. It’s an absolute certainty there will be major displacement and job loss resulting from this decision. In fact, does the Government fully understand the actual impact of a quick end to the Slot Program?

The business of raising horses is an agricultural pursuit and has tremendous spinoff effect on many other sectors of the rural economy. We provide employment and stimulate business in areas where jobs are hard to come by. Is it appropriate for the Government to turn its back on rural Ontario?

While mention has been made of some “transitional aid” to horse racing, many of our breeders are self-employed and don’t have the generous severance packages or EI benefits available to, say, an autoworker.

And as uncomfortable a topic as it is for all of us, the fate of the horses involved in this debacle must be addressed. When the Quebec government effectively shut its few remaining racetracks, economic necessity resulted in mass slaughter, and euthanasia. Ontario is a much larger horse producer.

Regarding OLG’s Assumptions

We are seriously concerned about the basis of OLG’s plan to scuttle the Slots at Racetracks program, and question why they would jeopardize a current and proven revenue stream in favour of “chasing rainbows”.

The expanded gaming program presupposes that there is an unsatisfied demand for an additional \$1 Billion in net revenue for OLG. What evidence is there that a fifty percent gain in OLG revenues can be achieved largely extracted from Ontario residents? Can anyone suggest where the huge increase in Ontarians’ discretionary income is currently being spent that can be diverted to



make these gains probable, or even possible? Can OLG demonstrate or define the unmet need for gambling in this province that will generate this kind of revenue increase?

We submit that increased accessibility to gaming will not result in attaining the revenues OLG forecasts, but will in fact, largely amount to a transfer of revenues from existing locations. A new Toronto casino will surely cannibalize revenues from other gaming sites.

When OLG negotiates privatization with gaming operators, will the government's share of revenues exceed the current 75 percent? Will local communities continue to receive 5% of revenues? Will the Government call the operator's share a "subsidy" or revenue sharing? Currently, no one at OLG is providing any answers to these important issues.

As well, there has been no evidence that the recent closure of Windsor Raceway and Fort Erie has had a net positive effect on the surrounding casinos, as OLG had predicted. In fact, Windsor Casino announced layoffs two weeks later and gamers were being encouraged to visit the new Ohio casino.

We are dismayed that there has been no real dialogue, or consultation with the horse racing industry about the execution of the OLG's gaming modernization plans. While some horse industry organizations, including racetracks, were consulted for the OLG land-based gaming review, and all agreed that existing locations were the ideal sites for any expanded gaming, the abandonment of racetrack locations in a twelve-month timeframe and the dramatic impact that complete severance of all current revenue sharing was never discussed.

Lately a number of mayors of municipalities have voiced concerns over OLG expanding gaming in their communities. Referendums need to be held so that individual citizens can control whether they want casino gaming in their backyards.

And finally, we take issue with OLG and finance ministry public comments that there was a horse racing industry before the slots agreement, and there will be horse racing after. We provided our customers and our facilities for the OLG to introduce slots within the Province in a logical and controlled environment conducive to gaming. The Program has been one of the most profitable endeavours ever undertaken by Government. Going forward, without slot revenue sharing, we are assured by Government the horse racing industry, horse people, and horse breeders will be just "fine". Unfortunately, the Government has no reasonable basis to offer in support of this position.

The number of racetracks, we're told, will be reduced. But please show us how ANY of our racetracks can remain open under the one-sided landlord/ tenant agreements being proffered by the OLG.



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SBOA Recommendations

Either thru expansion of the provisions of Bill 55 currently before you, or other immediate legislative initiatives, we urge you to take steps to sustain and preserve Ontario horse racing, and save Ontario breeders by:

- 1) The Government undertaking a proper impact study of the OLG's expanded gaming plans. This Study should address the sustainability of horse racing, and breeding without revenue sharing from slots at race tracks.
- 2) The Study referenced in item 1 above, should be completed before any further change to the current slot program at race tracks is implemented. A more realistic timeframe (not March 31, 2012) for any changes is required.
- 3) A reasonable assessment of the OLG's revenue forecasts for its proposed proliferation of gaming should be completed together with an examination of social and community concerns. This should be completed and tabled before any RFP's are issued in September and contracts awarded by the OLG.
- 4) The Government put forward its plans to protect and save the breeding industry. If the Government has no plan, then it should acknowledge both the negative consequences for breeders and the overall agricultural economy of Ontario in its financial forecasts. In this regard, hopefully an early affirmation of Government financial support for the OSS program to preserve current funding without slots can be made. We are less than three months from the start of 2012 yearling sales.

The horse racing and breeding industry make significant financial contributions to the agricultural and overall provincial economy. The Government needs to take "Strong Action" to preserve, sustain, and grow this sector. It can't simply pull the rug out from under the Industry, turn its back, and expect there will not be major displacement and job loss.

I appreciate your Committee taking the time to review of this submission and would be pleased to meet and discuss it with you, or your staff.

Yours truly,

Anna Meyers
President, SBOA



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