PLAN FOR THE FUTURE OF THE ONTARIO HORSE RACING AND BREEDING INDUSTRY

ONTARIO HORSE RACING INDUSTRY ASSOCIATION

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Guiding Principles for the Future of Ontario's Horse Racing and Breeding Industry

The purpose of this paper is to set out a Plan for government's consideration and to facilitate a dialogue with government so that its overall public policy objectives are met.

The following are the guiding principles within which the horse racing and breeding industry (hereinafter referred to as "the industry") will operate in the future:

a) **Horse racing and breeding will be market driven and customer focused;**
b) **Ontario bloodstock will continue to be world class;**
c) **The industry will operate within an environment of accountability, transparency, integrity, social responsibility and in the public interest;**
d) **The industry will work with government to modernize its regulatory and operating framework;**
e) **The industry will undertake to maximize its economic contribution to the province.**

Introduction

The government of Ontario is seeking to rationalize its gambling enterprise and to maximize its net revenue from gambling.

As part of its strategy, the government, through its agency the Ontario Lottery and Gaming Corporation (OLG)(and hereafter referred to collectively as "the government") has announced that it will end the existing Slots at Racetracks Program that has existed since 1998.

The government has already ceased to operate its slots operations at Fort Erie Racetrack, Hiawatha Horse Park and Windsor Raceway although it will continue to fund those tracks and their respective horsepeople for the balance of the racing year. As for the other 14 racetracks that have slots, the government has given notice that it will terminate their existing agreements as of March 31, 2013.

These changes will have a devastating impact on the industry of Ontario that has been supported by the Program. The ultimate extent of the impact is unknown as much will depend on the number of racetracks that will continue to have slots, albeit under different financial arrangements. It will also depend on the extent to which the government is prepared to support the horsepeople and breeders and the network of Ontarians who earn their livelihood directly or indirectly from the industry.

The government has divided the province into 29 zones and has indicated that there likely will be one gambling facility in each of these zones. Sixteen of Ontario's racetracks are within one of the zones and each will be entitled to respond to the government's Request for Information and its Request for Proposals offering to locate a gambling facility for its zone within the racetrack premises. It is anticipated that some of the racetracks will be selected but others will not.

Should the government select a racetrack to host its gambling facility within a zone, the government has indicated that it will enter into a commercial rental agreement with that racetrack.

Hopefully the terms of the agreement will be sufficient to allow that racetrack to continue to offer live racing.

In addition, the horsepeople at those racetracks will look to government to supplement the purse money that will be derived in part from pari-mutuel wagering so that purses will insure that quality racing will take place in Ontario and that the breeding and racing of Ontario bred horses will be encouraged.

The government has created a Horse Racing Industry Transition Panel to make recommendations to the Minister of Agriculture Food and Rural Affairs (OMAFRA) about how the government might help the Industry adjust to the termination of the Slots at Racetracks Program. The government has indicated that it will provided up to $50 million over a 3 year period to assist the Industry transition to self-sufficiency.

This paper will offer government a Plan that is designed to meet two public policy objectives: viz. increase government net revenue from gambling; and, maintain a viable and sustainable horse racing and breeding industry in Ontario of the highest quality.

The Impact on the Industry of the Current Government Transition Proposal

Should the government proceed as set out above, it would be disastrous for the industry. In 2013-14, no racetrack in Ontario, including Woodbine thoroughbred, would be able to offer live racing . Income from pari-mutuel wagering plus a commercial rent for the space within the track being occupied by the OLG would be insufficient to permit the racetrack to conduct even a marginal race meet.

And even if a racetrack did attempt to offer a few live racing days, without revenue from slot machines or some other financial support for horsepeople and breeders, the purse structure would be insufficient to attract entries from horsepeople. Those who wished to stay involved in the industry would likely be required to relocate to jurisdictions in the United States.

Whether one considers a model that reduces purses and/or race dates, the result is the same, viz. the end of live horse racing in Ontario and the destruction of an industry.

The transition funds of $50 million over a three year period, would certainly assist some of those currently employed within the industry to transition to unemployment and public assistance. Those resulting costs to government should be factored in when deciding to eliminate the horse racing and breeding industry of Ontario.

<u>The Public Interest Case for Supporting a Viable Horse Racing and Breeding Industry in Ontario</u>

The government has in hand 2 reports that provide a comprehensive review of the economic impact of the horse racing and breeding industry on the economy of Ontario; A Report to the Minister of Government and Consumer Services of June, 2008, <u>titled IT'S ALL ABOUT LEADERSHIP: Strategic Vision and Direction for the Ontario Horse Racing and Breeding Industry</u> (the "Sadinsky Report"] and A Report for Equine Canada: <u>The Economics of Horse Racing in 2010</u> (the "Evans Report") Some of the key findings of these reports are as follows:

1) **The industry is the second largest industry in the agricultural sector of the province, the largest being the dairy industry (Sadinsky Report p. 15);**

2) **The total number of horses foaled in all sectors in Ontario in 2010 was 10,528. Of those, 3,778 were foaled for the purposes of horse racing, i.e. 36%;**

3) **In 2006, approximately 48,750 individuals were employed in the horse racing and breeding industry on a full time or part time basis (Sadinsky Report, p. 16). In 2010, approximately 55,000 individuals were employed in the industry (Evans Report, p. 3). 42,696 individuals work in the agricultural sector and away from racetracks (breeders, farmers, etc.) Many jobs involve unskilled labour and would be difficult to replace. Unlike other forms of gambling, the industry is labour intensive;**

4) **In 2010, the industry generated approximately $2.1 billion in expenditures. The total economic contribution from the industry was approximately $4.5 billion. (Evans Report, p.3);**

5) **In 2011, foreign wagering on Ontario product was $541,830,004 (CPMA). U.S.A. purchasers paid $69,615,300**

for Ontario bred standardbreds and $6,680,500 for Ontario bred thoroughbred yearlings (SC, CTHS);

6) **Horse owners in the racing sector have an average of approximately $279,238 invested per owner in horses, tack, equipment and horse-related property improvements (Evans Report p. 29);**

7) **In 2010, wagering in Ontario on horse races generated approximately $5,210,000 in provincial taxes, $25,850,000 in provincial levies and $8,295,000 in federal levies (CPMA, Evans Report, Appendix 3-1);**

8) **Aside from economic considerations, the industry has become part of the social fabric of our province particularly in rural communities. Largely due to the Slots at Racetracks Program, both the thoroughbred and standard bred sectors have become world class and the envy of the international racing and breeding communities.**

OHRIA's Plan for the Future of a Viable and Sustainable Horse Racing and Breeding Industry

OHRIA proposes that the government provide sufficient financial support for a new model for the industry. The Plan has two components, viz. support for Ontario's racetracks and support for Ontario's horsepeople and breeders. The support will permit the industry, albeit contracted, to move forward and continue to provide a healthy horse racing and breeding sector within the agriculture portfolio and in the public interest.

As will be explained below, the ultimate objective is to assist the industry transition to a greater level of self-sufficiency. However, financial and other support from government is necessary to permit this to happen.

a) The Future for Ontario's Racetracks

Whether any given racetrack is willing and able to offer live racing in the future may largely depend on whether that racetrack is selected by the government as its gambling location within that racetrack's zone.

Racetracks are able to respond to OLG's Request for information and, if invited, Request for Proposals . It is not our place to suggest the criteria that government will apply in making its selections but in most cases it would be highly desirable and important to include a condition that if a racetrack is selected, it will conduct live racing at an acceptable level.

Of course, it is possible for a racetrack that is not selected to continue nonetheless to offer live racing and to rely on pari-mutuel wagering both on-track and off- track as revenue streams. It may also be possible to assist a racetrack in other ways. However, it is considered unlikely that a racetrack will survive by offering live racing without deriving revenue from slots and/or other forms of gambling.

If a racetrack is selected by government, then government has indicated that it will negotiate a commercial rent for the space within the racetrack that the government's gambling facility will occupy. While this may make sense to the OLG from a purely business perspective, it is highly unlikely that any racetrack can accept this formula given the nature of the capital investments that exist in its entire racing operation. In addition, this approach does not take into account that the government's gambling operation would directly compete with the racetrack's pari-mutuel offering.

Accordingly, in addition to a commercial rent, the government must offer a premium if live racing continues to be offered. A premium would also be warranted should the government conclude that it is good public policy and in the public interest to see racetracks survive so that they can enable horsemen, breeders and all those within the agricultural sector to earn a living from horse racing.

A better model would provide that in addition to receiving commercial rent, the operator of a selected racetrack would also become partnered with the private party operator of the government's gambling facility on site. This would marry horse racing with the gambling enterprise. It would provide additional revenue for the racetrack operator that would better enable it to offer live racing. This concept would also support the principle that the industry has a legitimate place within the government's gambling strategy and that partnerships between it and other gambling operators can inure to the benefit of all parties, most significantly, the government.

Some racetrack operators already have the expertise to manage casino-type gambling. Others would be required to acquire this expertise assisted by the private party operator. The provincial regulator, in this case the Alcohol and Gaming Commission of Ontario (AGCO), would have to be satisfied that the racetrack operator in question satisfies all of its criteria for licensing.

Revenue flowing to racetracks from either a rent structure and/or from participating in the operation of the gambling site would be

designed to cover the racetracks fixed costs and overhead associated with non-racing days. Revenue for racetracks related to racing days will come from a Development Fund that will be discussed in the next section of this paper. Both revenue streams are required.

A model involving participation by the racetrack operator in the gambling site would benefit both the racing industry and the government. It would satisfy the political objective of employing Ontarians and other Canadians in our gambling enterprise rather than relying on foreign multi-nationals.

It is not our place to suggest which racetracks should be selected and which ones should not. Much will depend on the nature of the proposals that are submitted and other important factors such as the geographical location of a racetrack within a zone, the demographics of the zone, the investment that has already been made within a racetrack and the cost and timing considerations of establishing a different location. Having said that, it seems obvious that some racetracks will be selected and others will not.

Having regard to the above, it is reasonable to conclude that there will be fewer racetracks and therefore fewer live race dates in Ontario in the future. We have concluded that there likely will be 7 to 10 surviving racetracks in Ontario.

If a racetrack is not selected, there should be transition funding at the same level as existed in the previous year for both the track and horsepeople so that they can continue racing for at least one more year. This is warranted and fair given the nature of the investments that have been made by both racetracks and horsepeople who relied on the continuation of the Slots at Racetracks Program. It would also be consistent with how the government has treated Fort Erie Racetrack, Hiawatha Horse Park and Windsor Raceway when their slots were withdrawn.

b) <u>The Future for Ontario's Horsepeople and Breeders</u>

Should the government deal with the racetracks as outlined above to cover the cost associated with non-racing days, no moneys would necessarily flow to horsepeople for purses nor to breeders nor to racetracks to cover the costs related to racing days. Horsepeople enter into contracts with racetracks to share revenue from pari-mutuel wagering. These funds alone are not sufficient to sustain purses at even marginal levels. It is the horsepeople's share of slot revenue under the existing Slots at Racetracks Program, particularly on the standardbred side of the industry, that has gone to purses and has catapulted Ontario horse racing to its current excellent level.

Accordingly, government has a major public policy decision to make, viz. whether it is prepared to supplement purses and the costs to racetracks associated with offering live racing days in some new way in order to maintain a viable and successful horse racing and breeding industry and assist it in achieving the ultimate objective of acquiring a greater degree of self-sufficiency. Put another way DOES THE GOVERNMENT WANT THE HORSE RACING AND BREEDING INDUSTY OF ONTARIO TO SURVIVE IN THE PUBLIC INTEREST? If so, it is proposed that two separate funds be put in place.

Since this industry is primarily agriculture based, it is reasonable for government to create these funds within the agriculture portfolio (OMAFRA). First, it is proposed that a new fund, the Ontario Development Fund, should be created primarily to support overnight purses and live racing days. This fund would replace current slot revenue. The Fund would be administered by OHRIA that will determine how the funds should be allocated. (More will be said about governance and the composition of OHRIA later in this paper). The size of the fund will depend on the number and types of racetracks that survive and most importantly, the number of race dates that exist in the future.

In the past, in determining the number of race dates that should exist, the industry has been driven by a 'supply-side' mentality. This should change to a 'demand-side' mentality. A smaller

industry will likely comprise of one thoroughbred track, between five and eight standardbred tracks and one quarter horse track. (This is speculation on our part but a needed place to begin this discussion).

Based on a demand approach, a sensible number of race dates in the future for the new model would be 167 thoroughbred dates (down from 243 in 2012),600 standardbred dates (down from 1252 in 2012) and 30 quarter horse dates (down from 45 in 2012). Total race dates under the new model would be 797, down from 1,540 in 2012.

With the possible loss of the Fort Erie Racetrack, the thoroughbred dates would take place at Woodbine Racetrack. In the past, Woodbine was considered an "A" level track and Fort Erie a "B" level track. The B level is now likely lost and so races for B level horses would presumably take place at Woodbine. Having a B level of thoroughbred racing is important as it accommodates horses that are on their both up and down in performance or who simply are not competitive at the top level of racing.

As for standardbred race dates, we anticipate that there will be three levels of racing. viz. Premier, Signature and Grassroots. OHRIA should make the decision as to how the dates should be allocated to the standardbred tracks that survive. Depending on the number of and the specific racetracks, a possible allocation would be 200 Premier dates, 300 Signature dates and 100 Grassroots dates. Horse supply will also be an important consideration.

We note that if Ajax survives, it may be able to offer some standardbred racing in addition to quarter horse racing.

Under the existing Slots at Racetracks Program, the purse accounts at all racetracks received a total of approximately $165 million which, together with the horsepeople's share from pari-mutuel wagering provides the purses for a total of 1,540 race dates. As most of the purse money derived from this new Fund will be directed to overnight purses and the costs associated with

offering live racing days, the question remains as to the size of the fund that will be needed to fund some 797 live race dates under the new model.

Based on the above assumptions, it is anticipated that the Fund to support overnight purses and live racing days will require $165 million a year. Again, much will depend on the number of and specific racetracks that survive. These funds will be allocated by OHRIA to the remaining racetracks for purses and operating costs based on the number of live race dates and on the level of racing being offered.

In addition to the new Ontario Development Fund, a separate fund similar to the existing Horse Improvement Program (HIP) will be needed to support the breeding and racing of Ontario horses. This Program currently derives its revenue from a share of pari-mutuel wagering, slot revenue and sustaining payments. A separate but similar fund exists for the quarter horse sector.

In 2008, the Sadinsky Report recommended the continuation of HIP with its funding being provided entirely from slot revenue. It was recommended then that the fund should also support the same breeding programs then supported by the HIP funds with the addition of purse pooling, equine research, industry wide marketing, the development of innovative technology and new wagering products and the operations of OHRIA. It is now being recommended in a subsequent section of this paper that these initiatives will be funded separately ($15 million) leaving the HIP to fund purses and purse supplements for Ontario bred horses.

The current HIP funding in place is approximately $26 million for standardbreds and $19 million for thoroughbreds. The plan for quarter horses is approximately $8 million. As previously stated, without knowing which racetracks will survive and the number of race dates that will be put in place, it is difficult to estimate how large an overall fund will be necessary to maintain the very high caliber of racing that now exists for Ontario breds. However, based on the above model, it is anticipated that $30 million a year will be needed.

The reason that a very substantial Development Fund is needed in addition to HIP funding is that many Ontario horses that are bred to compete for HIP purse money and awards will turn out not to be competitive. These horses will need a place to race in order to give their owners a reasonable opportunity to recover at least part of their investments. This provides an additional incentive for owners to purchase Ontario bred horses and this, in turn, will stimulate the breeding side of the industry.

The total funding being sought to fund overnight purses and the costs associated with live racing days, the HIP and industry costs and initiatives is $210 million, made up of $165 million for overnight purses and operating costs, $30 million for the HIP and $15 million for industry administration, marketing, and program and product development.

It should be noted that while the number of race dates is declining by approximately 45%, the funding being sought is declining by approximately 30% from current levels. This imbalance is due to the fact that half of the remaining race dates are concentrated at Woodbine Racetrack (167 thoroughbred and approximately 130 standardbred and approximately 100 standardbred dates at Mohawk Racetrack, if it survives) . The costs associated with most of these live race dates being in the 'Toronto market' are disproportionately higher than elsewhere in the province.

It should also be noted that there is a symbiotic relationship between the funds that will be negotiated with the racetracks for "commercial" space and/or participation in the operation of the gambling facility on the one hand, and the size of the Ontario Development Fund and the HIP on the other. If sufficient funds are provided to the racetracks directly, then some reduction from the Development Fund may be possible.

Alternatively, if insufficient funds are provided to racetracks under the first category so that they are unable to provide live racing, the Development Fund may have to include more compensation for racetracks based on the number of live race dates offered.

As noted earlier in this paper, it is possible that a racetrack that is not selected by the OLG as a gambling site within a zone may wish nonetheless to continue to offer live racing. That track could apply to OHRIA for support from the Development Fund and from the HIP. OHRIA would be required to make a decision based on a number of factors that related to how the industry was structured and funded at that time.

In addition, some small tracks that are not selected by the OLG but wish to continue to offer some live racing on a 'fair ground' basis, could also apply to OHRIA for some support from the available funding.

AT LEAST AT THE OUTSET, ALL OF THE AFORESAID FUNDING MUST BE SUSTAINABLE AND NOT TRANSITIONAL IN NATURE. In the short term, the industry simply cannot survive at any acceptable level unless participants in the industry can rely on a longer-term flow of funds. There are two principal reasons why this is necessary. First, the government has created for its own account a plethora of gambling opportunities that compete with pari-mutuel wagering, viz. commercial casinos, charity casinos, lotteries and electronic bingo. In addition, the government will soon launch internet gambling and single sports wagering. The government will also open facilities that will replace some of the slots at racetracks. An unsupported racing industry cannot compete with the government's virtual monopoly.

Secondly, decisions to invest in racehorses are based on the stability of the purse structure. The sale price of a race horse that a breeder realizes depends, in part, on the purchaser's ability to recover the cost within a reasonable time. The time frame between the breeding of a race horse and the first time that horse can race is a minimum of three years and more likely four or five years. Stability and predictability of purse structure is vital.

As set out above, the total funding that is required to support overnight purses and live racing days, the HIP and industry administration and program development is approximately $210 Million and these funds would likely come from OMAFRA.

However, there is a potential source of ‘new money’ that could contribute significantly to the funding.

As previously noted, the government will soon launch a sports betting initiative. Racetracks and teletheatres are ideal locations to host ‘Sports Books”. In addition, the Ontario racing industry has a sophisticated telephone and internet account wagering network in place that could be enlarged to include sports wagering. This affords an excellent example of the potential partnerships that could exist between the industry and the other forms of gambling in Ontario that would create a direct benefit for all concerned. An influx of revenue from this source to the industry would reduce the size of other forms of support and move the industry closer to self-sufficiency. Relationships of this kind make sense in an overall provincial gambling strategy and would help preserve the industry and its related jobs in the agricultural sector thereby avoiding the industry’s extinction .

Both the Ontario Development Fund and the HIP funding would be reviewed after five years. During these five years, incremental increases to racetrack and horsepeople’s revenue would be generated only by increased wagering.

Self-sufficiency for the horse racing and breeding industry takes on a different meaning when it is thought of as a combination of revenue from pari-mutuel wagering, revenue from new products, revenue from partnered activities and some government support.

Benchmarking and Accountability

Should government accept this Plan, it is absolutely essential that benchmarking is put in place so that the success of the Plan can be monitored. As noted in the Sadinsky Report, the failure of both the government and the industry to establish benchmarks when the Slots at Racetracks Program was established was a fatal error. We refer you to the sections of the Sadinsky Report that deal with benchmarking and the manner in which we suggest it should be implemented. (see Sadinsky Report pp. 40-41)

Continued government support for the industry should be dependent and conditional on <u>performance</u> that benchmarking will monitor. In addition and very importantly, there must be <u>full transparency and accountability</u> with respect to the use of the Ontario Development and HIP funds.

Governance

The new industry must take the responsibility ultimately for determining its own economic destiny. OHRIA, as now constituted, is able to make decisions on a majority basis and is well suited to play this role.

However, given the significant contribution that government will make to the Development Fund and the HIP, it should have representation on the Board of OHRIA. With up to three government appointed Board members, government will have a direct voice in the decisions of OHRIA and will be in a position to assist the industry in dealing with broad policy issues, objectives and public interest considerations.

The Board will be in a position to decide on all economic industry issues and disputes among its stakeholders including the fixing of race dates and starting times, the allocation, structure and administration of the Development Fund and HIP, the oversight of the expenditure of funds generated by the reduction of the tax on pari-mutuel wagering instituted in 1996, the branding of horse racing and the development of a comprehensive industry marketing strategy.

In addition, OHRIA would be responsible for developing industry-wide benefit plans for individuals and education, training, research, accreditation and horse-ownership programs.

The hallmark of OHRIA's future activities will be transparency and accountability. And we reiterate that both racetracks and horsemen must disclose how and to what extent they are utilizing government funding.

The New Racing Environment and the Market Place

As noted above, under this proposal the industry will look very different in the future than it does today. There will be fewer racetracks and fewer race dates. While this result will create a severe hardship on many of today's participants, it also provides new opportunities and challenges.

The principle challenge will be to grow pari-mutuel wagering so that more industry revenue is derived from this source rather than from government programs. Growing the wager will in turn, enhance live racing and provide benefits to Ontario's agricultural sector. This will stimulate the breeding side of the industry and attract more revenue from the sale of Ontario bred horses.

To attract more pari-mutuel wagering on Ontario product, the industry must become customer focused and market driven. It must provide competitive racing with full fields of horses. Accordingly, incentives to enhance live racing and streamline operations are in order.

With fewer standardbred tracks, it will be possible for those tracks to form an Alliance for the purposes of driving efficiencies that will lead to a better distribution format for live racing. While racetracks will maintain their independence, a new model of cooperation and some degree of interdependence will better promote the well being of all and result in a more rationally distributed product for the customer.

As noted above, we anticipate that there will be three tiers of standardbred racing. Woodbine and perhaps Mohawk will comprise tier one (Premium). These tracks will have the highest purse structure and maintain their first rate international standing. It is very important to maintain a premium level of racing as every owner who purchases a racehorse contemplates competing at the highest level. This is a goal that must be maintained.

The second tier of standardbred racing would offer racing at a lower level commensurate with the quality and caliber of the

competing horses (Signature). Purse pooling would insure the most effective and efficient use of purse money that will lead to full and competitive fields that, in turn, will maximize wagering. Purses would be lower than at the Premier level but consistency would be maintained.

A third tier of standardbred racing would offer racing at an even lower level that is more commensurate with fairground racing (Grassroots). Some racing at this level could occur at the small not-for-profit or agriculture society tracks. As noted above, it may be possible to provide these operations with some level of financial support from the Development Fund and HIP.

This model affords all of the racetracks the opportunity to co-ordinate their race dates, post times and simulcast schedules These would be scheduled to complement each of the tracks rather than conflict.

The racetracks could create a central race secretariat that would write the condition sheets, accept entries and position horses in their proper class. This would result in a sensible distribution of the available horse population. Such a secretariat could utilize an 800 telephone number and the internet to accept entries. The Alliance could also negotiate single service contracts such as tote, video patrol, satellite fees, race program production, etc. Costs would be shared by Alliance members.

Each racetrack would continue to contract with their respective horsepeople regarding the distribution of pari-mutuel net receipts.

OHRIA could play a key role in the co-ordination of the above activities.

Racetracks should also continue to seek to offer other forms of entertainment at their sites so as to attract a new audience for horse racing. Concerts, trade shows, etc. are some of the possibilities.

Distribution of Racing Product, Industry Administration and Development

Each racetrack that operates in the future would maintain its current Home Market Area (HMA) which generates commissions for the racetrack and, through agreement, its horsepeople from all types of pari-mutuel wagers made by customers located within the area.

The HMAs of those racetracks that cease to offer live racing would be merged into a single Open Market Area (OMA) with commissions generated by customers within the OMA being distributed to the remaining racetracks according to a formula that incorporates HMA wagering, purse structure and race dates. This approach will provide an inducement for each racetrack to grow its own HMA wagering total.

In addition, new wagering products and delivery models should be developed. Innovative bets such as the Swedish V75 lottery bet, the Flexibet, fixed odds wagering and the Super High Five Bet. It may be necessary to secure amendments to the Criminal Code of Canada in order to accommodate some new initiatives and if so, the cooperation of the provincial government will be necessary.

Innovative delivery models could include wagering on a horse race at a lottery terminal and slot terminal, self-serve betting machines in convenience stores and coffee shops, attractive teletheatres with enforced standards, and wagering from hand-held devices such as cell phones and I-Pads. Innovative horse races could be offered such as varying the distances of standardbred races, driver challenges programs, events similar to "Extreme Horse Power" and mixed race cards of thoroughbred and standardbred races.

Aside from having oversight of the Ontario Development Fund and the HIP, OHRIA will be responsible for developing new

wagering products and delivery models, overseeing equine research, developing the branding and marketing of the industry and general administration. Based on the recommendations made in the Sadinsky Report (pp.48-49), OHRIA will require funding for these purposes of approximately $15 million a year as noted earlier in this paper.

Regulation

With fewer racetracks and fewer race dates, the opportunity arises to streamline the overall regulation of horse racing. The number of racing officials can be reduced and centralized judging of races can take place in some instances off site using video technology. The drug testing program in place that is operated by the Canadian Pari-Mutuel Agency should be reexamined and possibly transferred to the province.

The industry must cooperate with its regulator to insure that horses are better protected prior to racing with increased presence of horses that are stabled on back stretches, retention barns and regulation of training centres.

Some thought should be given to merging the operations of the Ontario Racing Commission with the Alcohol and Gaming Commission. If racetrack operators also manage gambling facilities, single regulatory over-site makes sense. It also may be possible for the industry to take on more of its own regulation under the oversight of the provincial regulator.

Timelines and Transition

With the recent announcements by government, considerable damage has already been caused to the breeding side of the industry. As explained earlier, breeders and the purchasers of their horses can only contemplate that purses will be reduced in Ontario and therefore it is not worth breeding a mare or purchasing an Ontario bred.

In order to restore confidence in the breeding sector, it is essential that the government moves immediately to commit to a funding model that will reestablish confidence and stability and minimize the harm. At minimum, there should be an announcement prior to this September's yearling sales, that the government is prepared to commit to the HIP, the Development Fund and, hopefully, to this entire Plan.

As for the racetracks that will close and the many individuals who rely of those tracks directly and indirectly for their living, transition funding should be put in place. The existing funding should continue for at least one more racing year while the government replaces existing slot locations with its new facilities.

As for those racetracks that survive, an early decision is required with respect to the nature and extent of the Development Fund. Until that decision is made and a new financial arrangement has been put in place with each racetrack, the current level of funding should continue.

The implementation of the above proposals will be complicated and will require a phasing-in process. OHRIA will be required to work with government to secure a process that will begin to generate more net revenue for government from gambling while at the same time allow the industry to adjust to a new model.

A sensible phasing-in process should also accommodate the horses that will no longer be needed as race horses. Both some

reduction in breeding numbers and the retirement of horses that are now racing will eventually lead to a stable horse population in the longer term. This should eliminate the threat or the need to cull the horse population.

Conclusion

The government has dealt a severe blow to the horse racing and breeding industry in Ontario and to all those who rely on it for their livelihood. If the government wishes to see the industry survive in the public interest, it must take immediate steps to remedy the harm that has been done. The Ontario industry has become a leader in North America and potentially it stands to disappear. This would result in an economic and social tragedy.