



THIRTY-NINTH ANNUAL
ROUND TABLE CONFERENCE

On Matters Pertaining to Racing

THE NATIONAL MUSEUM OF RACING
SARATOGA SPRINGS, NEW YORK

Sunday, August 11, 1991

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THIRTY-NINTH ANNUAL ROUND TABLE CONFERENCE
ON MATTERS PERTAINING TO RACING

HOSTED BY

THE JOCKEY CLUB

The National Museum of Racing
Saratoga Springs, New York

10:00 a.m.
August 11, 1991

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Program Chairman, John Hettinger

IN ATTENDANCE:

Helen C. Alexander
Member, The Jockey Club; Owner/Breeder

John Ed Anthony
Owner/Breeder

Lt. Col. Charles Baker
*Member, The Jockey Club;
Chairman, Ontario Jockey Club*

Thomas M. Bancroft,
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James E. Bassett III
*Member, The Jockey Club; President, Keeneland
Association; President, Breeders' Cup Ltd.;
Chairman, Equibase*

Howard Battle
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W. B. Rogers Beasley
Director of Sales, Keeneland Association

John A. Bell III
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Mrs. John A. Bell III
Owner/Breeder

George Bernet
National Executive Editor, Daily Racing Form

Paul Berube
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James H. Binger
*Member, The Jockey Club;
Chairman, Calder Racecourse*

Edward A. Bishop
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William T. Bishop III
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Terrence Collier
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Owner/Breeder

Mrs. Brownell Combs II
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Executive Director, Thoroughbred Racing Communications

Harvey Miller
President and Chief Executive Officer, Daily Racing Form

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President, The Jockey Club Information Systems

Robert O'Connor
Vice President, Sports Marketing and Television International

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Writer, Newsday

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Former Executive Director, The Jockey Club

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Attorney, Rice & Justice

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R. Richards Rolapp
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Ohio State University College of Veterinary Medicine

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Director of Registration, The Jockey Club; Speaker

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Trainer

Michael Veitch
Writer, The Saratogian

Rick Violette
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Nigel Wallace
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Michael Watchmaker
Turf Writer

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President, Florida Thoroughbred Breeders' Association

Barry Weisbord
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William H. Welch
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Mrs. Wheelock Whitney
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Jacques D. Wimpfheimer
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Racing Secretary, Hollywood Park Race Track

William T. Young
Member, The Jockey Club; Owner/Breeder

David L. Yunich
Trustee, New York Racing Association

Mrs. David L. Yunich
Owner/Breeder

Henry Zeitlin
Vice President, The Jockey Club Information Systems

WELCOME BY OGDEN MILLS PHIPPS

Good morning ladies and gentlemen, welcome to the 39th Annual Round Table Conference.

Before we get into our program, once again I want to thank, as I do every year, the National Museum of Racing, Whitney Tower, Johnnie von Stade and all the Trustees for making this fine facility available to us this morning. This is always a particularly busy week for them and we appreciate their efforts in accommodating us.

The Museum gets better and more active every year, and I like to think that our Conference also gets better, more active and more productive every year.

Time and again, matters which are not much more than ideas when we have presented them or discussed them here, have reached a wider forum in later months, taken on substance and form and made a contribution to the industry we serve.

It doesn't happen by chance. It takes a lot of work. And for much of this, we have to thank our program chairman, John Hettinger.

I believe he's done it again this year and, in the next couple of hours, you will hear topics which will be stimulating and give cause for serious further thought in the days to come.

I will now ask Will Farish to get proceedings under way with his report on the activities of The Jockey Club in the last year. Will . . .

ACTIVITIES OF THE JOCKEY CLUB IN 1991

William S. Farish: For the past several years we have used this opportunity to provide an annual report of the various Jockey Club activities to you. As The Jockey Club has become more active, the reports were getting longer and more complex, so this year, you will be relieved to know, we are trying a different approach. We are presenting the annual report in written form, which you'll find on your desk amongst all the data that you have. (*See Appendix, pages 43-46*).

This has been a very busy year at The Jockey Club. In your written reports you will find updates on the Registry and seven other major endeavors which we are involved in.

In addition, two areas deserve some specific mention. One is Equibase. We are proud of the partnership, the quality

and the speed at which this important project has blossomed in just one year. We are convinced that the future growth of Thoroughbred racing will be enhanced because of the work of Equibase.

The other is the McKinsey project. The need for more competent drug testing was discussed at this meeting last year. It is gratifying that the industry can move quickly from discussion to completion of a study this massive in only 9 months. You will hear more about both of these vital projects later in the morning.

A topic that has been much discussed recently is the size and the makeup of the foal crop. The 12 month registration system, combined with improved use of technology, allows us to have much more current data as well

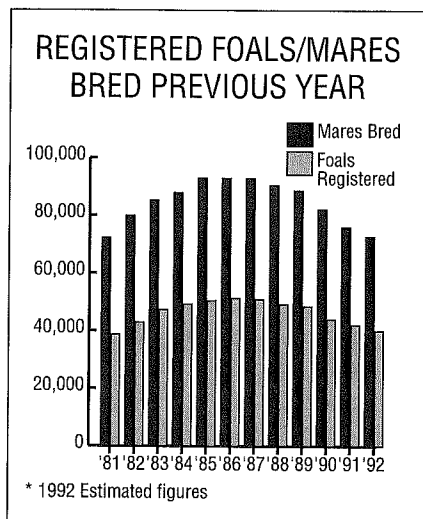
as more sophisticated analysis than ever before.

For example, the Report of Mares Bred for the 1991 breedings was due August 1st. Based on our initial analysis we are able to predict next year's foal crop much earlier than ever before. The 1992 registered foal crop will be approximately 40,000. This will be the lowest numbered foal crop in ten years, and down, as you may recall, from a high of 52,000.

FOAL CROP ANALYSIS; PRESENT & FUTURE

Roger Shook: Thank you, Mr. Farish. Good morning ladies and gentlemen. It is an honor to be here to present some additional details on the trends Mr. Farish just spoke of. I will be covering a lot of material this morning, so to make it easier to follow along, we have placed in front of you a copy of all of the slides that I am going to use.

The Thoroughbred foal crop in North America reached its highest level in 1986. That's when we registered 51,293 foals. Since that time, the number of foals has decreased each year, and, as Mr. Farish has just predicted, it will be 40,000 next year. This unprece-



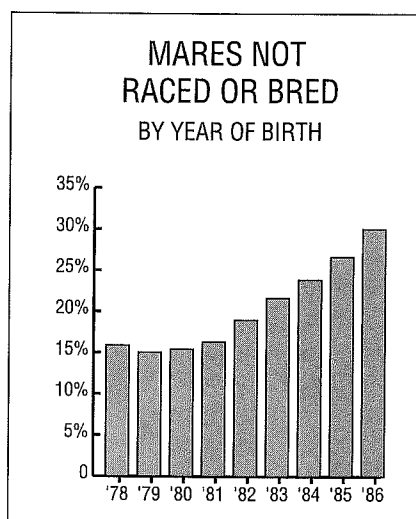
To illustrate what this means to the future . . . the produce of this year's breeding season will be the three-year-olds of 1995. So, we can now predict that there will be approximately 23% fewer three-year-olds racing in 1995 than there were last year.

We found these numbers to be timely and relevant, and I have asked Roger Shook, the Director of Registration, to brief you on the specifics on these interesting trends. Roger . . .

dedented six straight years of decline represents a 22% reduction in the foal crop over the period. In fact, as Mr. Farish mentioned, the foal crop next year will be lower than it was 10 years ago.

We are able to predict the size of next year's foal crop this early for two reasons. First, we've made a lot of technical advances in the Registry operation. And secondly, because the relationship between registered foals and mares bred remains so constant every year.

As a matter of fact, a recent Blood-Horse article points out that as far back



as 1936, the number of registered foals was 56% of the mares bred. And that percentage holds true today.

As most of you are aware, the deadline for stallion owners to submit their Report of Mares Bred was August 1st. Technology has allowed us to make a good estimate of the number of mares on those reports, and knowing that 56% of those mares will produce registered foals has allowed us to calculate next year's foal crop. You can see how constant the relationship between mares bred and registered foals is in this chart. There will be 23,000 fewer mares bred this year than there were in 1985 and 11,000 fewer foals registered next year than there were in 1986.

In analyzing the reduction in mares bred, we found some very interesting facts. There has been an increase in the number of mares that are not being used for racing or breeding. For the foal crops of the late 70's and 80's, about 15% of the mares were not used for either of these purposes. That percentage has risen to 30% for the 1986 crop. Said another way, roughly 1/3 of the fillies born in 1986 have yet to race or breed.

We also found some interesting trends from an analysis of stallion book size.

First . . . from all the reported stallions, more than half covered only 5 or fewer mares.

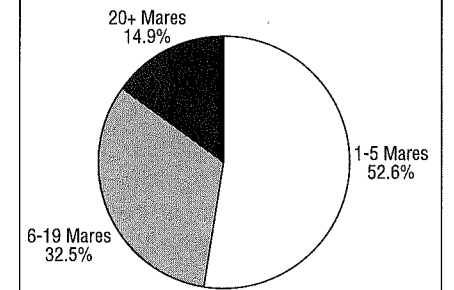
Second . . . only 15% of the stallions covered 20 or more mares.

But, examining each of those groups, we found that a majority of the registered foal crop came from that relatively small group of stallions that covered 20 or more mares. And that same group accounted for an astonishing 85.5% of the public auction sales yearlings.

Equally interesting . . . that large group of stallions which covered 5 or

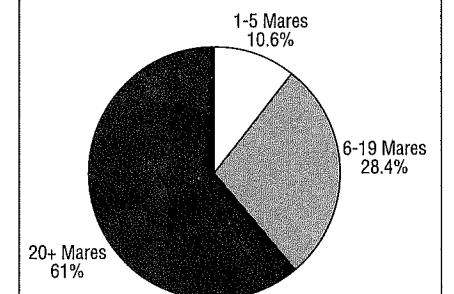
STALLIONS BREEDING BY BOOK SIZE

1988 BREEDINGS

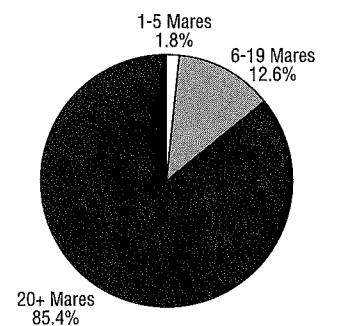


FOAL CROP ANALYSIS BY STALLION BOOK SIZE

REGISTERED FOALS



SALES YEARLINGS



fewer mares, accounted for less than 2% of the sales yearlings.

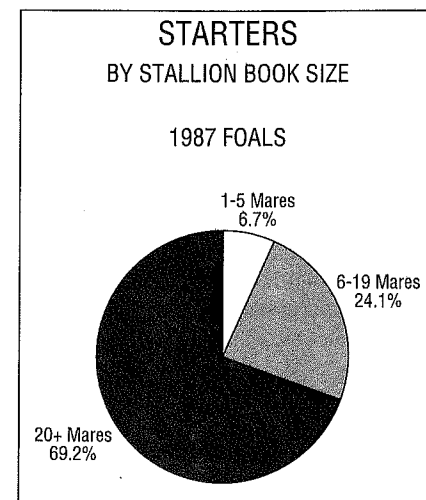
To understand the impact all of this has on racing, we can look at the 1987 foal crop, this year's four-year-olds.

Here again, we find that the large book stallions dominate the picture.

Now remember, next year's foal crop is already set. And these foals will be our three-year-olds of 1995. So, as Mr. Farish stated, the number of three-year-olds available for racing in 1995 will be 23% lower than it was last year. That's 23% fewer three-year-olds racing in 1995 than in 1990.

I'm sure that prospect will be rather frightening to racing secretaries trying to fill races. On the other hand, this should be positively received by people selling yearlings and the owners of Thoroughbreds competing for purses.

I want to thank you for your attention. And I am very happy that I was



able to share our findings with you this morning. We will continue to analyze this and other data and make our findings available to you and others in the industry, so that the information can be used to the industry's benefit.

Thank you very much.

Ogden Mills Phipps: Thank you Will and Roger.

I don't think you can find a better example of how The Jockey Club is trying to serve our industry.

We're making modern technology work for you and getting the information out so that everybody can use it.

We really don't pretend to have all the answers. But we are trying to find them out. We're trying to help the industry find the answers.

Ogden Mills Phipps: Our next topic is what I believe to be one of the most exciting developments we've got going for us today. It is the partnership between The Jockey Club and the TRA called Equibase.

Dave Vance is vice president of racing for the DeBartolo organization. His responsibilities include Remington Park, Thistledown and Louisiana Downs. He is one of our brightest race track executives and is a member of the Equibase Management Committee.

He is going to give us an update on the project and share a glimpse into its future development and its great potential.

David . . .

WHAT IS EQUIBASE AND WHAT WILL IT DO FOR THE THOROUGHBRED INDUSTRY?

David M. Vance: Thank you very much, Dinny.

I am extremely grateful for the honor to address The Jockey Club Round Table this morning. And it's always a nice excuse to come back to Saratoga, especially now that I'm involved actively with the New York Racing Association. I say that, only because I feel compelled this morning to share with you a true story that concerns my very first meeting of the Board of Trustees.

It seems that I arrived in New York at 11:00 on the eve of that first board meeting, which started at 10:00 the next morning, only to discover that I had packed two right shoes. As luck would have it, there is a very exclusive men's store in the plaza where I was staying, and I explained my dilemma the next morning. They had a pair of size 12, black shoes for \$975 . . . very nice shoes, and after all it was my very first board meeting.

So let the record show that I strolled confidently into that board meeting on the 52nd floor of the Pan Am building, wearing the most beautiful pair of two right shoes. It wasn't so bad, except I veered to my left the rest of the day!

There is a moral to that story, or I

certainly would not have admitted it to you here this morning. That is, that man does what he must, in spite of personal consequences, in spite of obstacles and pressures and dangers. And that is the basis of all human morality. I first heard John F. Kennedy say that, and it made a lot of sense.

It also serves as the perfect "segue" into my presentation this morning, "Equibase the Racing Partnership," because this industry has done what it must. It has taken control of its own destiny. It now owns its own statistical data base, the historical record that will be so vital to this industry in the years ahead . . . to the breeder, to the owner, to the trainer, to the race tracks and to the racing fan.

We have been the only sport that has not controlled that information for decades. The NBA, the NFL, the NCAA, the NHL, Major League Baseball — all have had that statistical information available to them.

Spurred by the leadership of The Jockey Club and the TRA, we are now in a position to take that step to own that historical information, and to prepare ourselves for the future at a time when we are seeing new innovations, like the Breeders Cup, co-mingling of

pools, a National Pick Seven and the American Championship Racing Series.

This is, indeed, another exciting step for our industry. And it's an exciting step because it's a collective step... shoulder to shoulder... a partnership. That is exactly what has developed — a limited partnership with two thirds of the profit being distributed to the limited-partners race tracks.

It creates a pride of ownership, but it also is in no small way an investment by the individual race tracks. But the return on investment cannot be measured in dollars alone.

Hard work has brought us to this point.

First, the framers of the concept of Equibase had to put together a board of directors, or a management committee, with a very basic mandate: it must make a positive statement for the industry, with an eye on long term growth potential.

We then had to put together a staff. And I'm pleased to report to you today that we have a fine group of professionals, dedicated to the task, that have brought us really beyond where we thought we might be today.

That staff then launched an industry-wide search to create a national network, looking for individuals who could be trained. They have been trained, extensively, to become links in a giant chain providing the collection of data from virtually every aspect of every available race in North America; and feeding it back to the individual partners for distribution to the end user, the customer.

Each partner has its own computer base which feeds a mainframe — a powerful computer, located at The Jockey Club headquarters in Lexington — and, as of the close of business this past Friday, there have been 48,633 races collected by Equibase. To further

illustrate the magnitude of this undertaking, there will be 66 race tracks operating simultaneously during the month of September.

But there are tremendous spinoff benefits to all of this.

In this age of cable and fiber-optics and direct broadcast satellites and technology that seems to be changing daily, we must be prepared to play an active role to shed an unfair image of being passive against aggressive competition... to act, not react. The Equibase partnership can, and will, meet that challenge.

In a recent Sports Illustrated article I talked about something called McRacetrack, where you could drive up to a menu board and order whatever race you might want to wager on that day. Now, just a few short months later, I'm afraid that idea, itself, has become obsolete.

Times and technology are changing and we must be on the cutting edge. Because, like it or not, we are in the 90's and we are involved in Star Wars — and I will not resist the temptation to say: "May the Horse be with you." Because that is precisely what our charge is. That's what we're about, today.

Let me slide some exciting examples of this new technology on an international level, and the ramifications of Equibase as it relates to this country.

The Royal Hong Kong Jockey Club has something called Telebet. It is simply telephone wagering, but there are 470,000 accounts. It is capable of handling over 600 transactions per second. They have 1,700 operators in a large room under the infield at Sha Tin and Happy Valley.

But now they have taken in a new dimension. Now they have a hand-held terminal... a transistor-size hand-held terminal, that they can wager with

from in the comfort of their own homes. In Japan, you can even accomplish this with your own Nintendo set in your home. And with video telephones on the horizon — and they could be commonplace in the next decade — the opportunities become limitless.

As these concepts develop in this country — and they will — Equibase the Racing Partnership will be ready to provide the information needed to service this technology.

Along with this concept called Equibase came a bit of serendipity.

I feel very strongly that the focus of our efforts in marketing in the 90's must be customer service and fan education... it absolutely must be fan education. Equibase can do that.

We must overcome an intimidation factor in this game. Ours is a cerebral game, not a mindless numbers game that appeals to the fixed income and the get-rich-quick mentality, where your chances of winning the grand prize are 650 times greater than being struck by lightning, or being on the Johnny Carson show, or being named Miss America... and that's a fact.

Nor is this a knee-jerk reaction to the new technology, which I feel has been hurtful in many racing jurisdictions around the country.

Under the partnership arrangement, after the information is fed to Lexington and is disseminated to the partners, they then translate it back to our fans in the form of previous performances, let's say on the facing page of the program, next to the race that's

being run that day, or in whatever fashion the individual partners may deem appropriate.

Now, the newcomer can learn the fun and the profits which come with handicapping... the very basics... Handicapping 101. Equibase information will serve as a foundation for the learning curve that takes you to Handicapping 102, which is the information found in the Racing Times and The Daily Racing Form. The end result is a more knowledgeable fan base, able to win more money and meeting the need for growth in handle and attendance and purses, for the industry as a whole

It is indeed a time of change. But with change comes opportunity. We will find, as I said many times, that this industry will change more in the next decade than it has in the last century, which means, quite simply, that our opportunities will grow proportionately.

Our responsibility as an industry, then, is to respond to the consumer lifestyles of the 90's. In other words, we must be opportunists. We must be visionaries. Imagine what we could do if we could do all that we imagine. This industry really is only limited by its own imagination.

This is only the beginning, but I'm delighted to report to you today that Equibase the Racing Partnership stands poised and ready to carry that challenge into the 90's and beyond.

My sincere thanks to you for allowing me the opportunity to share this bold and exciting adventure with you. Thank you.

Ogden Mills Phipps: Our entire industry is built on one thing, and that is identification.

If we can't be sure, beyond all reasonable doubt, that the Thoroughbred we watch on the race track, or take to the breeding shed, or buy at the sales, is the one we think it is . . . our whole system collapses.

The integrity of our American Stud Book took a great leap in the last decade, with the introduction by Jimmy Moseley and Nick Brady of blood-testing techniques to help us confirm and identify the horses that were in our fields and on our race tracks.

But science is really always on the move. One of the most exciting discoveries of recent years is the development of DNA technology.

We are fortunate to have with us today a leading researcher and developer in the field. A graduate of Oxford, with a PhD at Cambridge, and the founder of Molecular Tool, I'd like to introduce you today, Dr. Philip Goelet.

Philip . . .

THE FUTURE USE OF DNA IN THE EQUINE ENVIRONMENT

Philip Goelet: Thank you, Mr. Phipps

You have no doubt heard in the last years, as Mr. Phipps said, of the many advances in the area of DNA technology. The range of the effects of this technological improvement are as extreme as, for example, the ability today of forensic laboratories identifying the individuality of the person or violent criminal from a minute sample of material taken from the scene of the crime.

At the other end of the spectrum, public health scientists have shown that an entire raccoon population can be immunized against rabies by the baiting of a small bit of meat eaten by one individual raccoon.

My job today is just to give you a sense — I'll try not to go too much into the details of any technology — of how specifically these advances can be brought to the Thoroughbred industry to improve some of its health and biological services, as well as reduce costs.

When it comes to genetics, living organisms are remarkably similar. In fact, we now know — science has

taught us — that DNA, the molecule of inheritance, can be thought of like a text . . . a program . . . a program that contains specific commands that direct what we ourselves are . . . or horses, dogs and plants.

These texts vary in length and also vary specifically in the commands that make us individuals in different species. They all, however, share a common universal language — the same alphabet and the same syntax.

We have been working for about two years on the specific texts of horses. And I'd like to spend a little time describing some of the things we know now about this, before getting into the specific details of how one can approach identification and parentage-typing in the Thoroughbred.

As to be expected, horses are not exceptions to these universal rules of genetics. The texts of Thoroughbreds and the average horse . . . all of them are approximately five billion units in length, five billion letters that make up these texts.

These particular texts contain

approximately 100,000 commands which are called genes. And these genes direct the synthesis of elements called proteins, that are responsible for what we do, what we look like, how we run, etcetera.

Let me give you a sense of what the technological things essentially have permitted us to do.

In reading these texts we now know that every individual horse is unique at a particular level. We know specifically that Thoroughbreds, on average, differ from each other by approximately point five percent — five out of a thousand of these five billion letters. In fact, due to the sizes of these texts, that amounts to several million differences in spelling.

Putting this into some context . . . researchers who have been studying Equine Herpes Viruses, for example, have texts which are about 150,000 in length — a lot smaller than five billion — and these code for approximately 100 genes.

Specific differences in these texts are responsible for the differences between strains that cause abortion, and strains that cause rhinopneumonitis.

Technologies have permitted us to read these texts and interpret them. And alongside these technologies have come technologies which permit us to write in these texts, to edit them, to program them. The result of this is an enormous plethora of products and services as described at the very beginning.

To be specific, I will give a couple of illustrations in the Thoroughbred industry and the horse industry where these may arise.

Techniques which permit us to search these texts — very much in the same way as software programs that permit us to search back copies of the New York Times for the word

"Thoroughbred" — can be used to search biological samples for the presence of, for example, material which is specific to an individual horse; or material which is specific to a particular infectious agent, such as Equine Anemia.

These same searching tools can also be used to search the texts of the horse for genetic traits that predispose that horse to such complex things as, possibly, injury in training.

These are things which only now are becoming realizable through many, many advances that have happened in the medical field in the area of genetics.

The ability to write, to program, to synthesize genes has also permitted people in the biomedical field to make a range of therapeutic and preventative medicine products.

For example, programs that could be inserted into microbe organisms can be used to generate, in manufacturing scale, specific elements of infectious agents that can be used as, say, vaccines. Other elements can essentially be developed as therapeutics from these same procedures.

These advances are not going to have an immediate effect in the Thoroughbred and horse industry for a few years. I'd like to describe one today, though, that is very close to completion. That is the approach to identifying individuals and parentage that Dr. Knapp, and other members of our technical team at Molecular Tool, have been developing.

As you all know, the inheritance by a given foal of its particular traits comes from only two individuals — its mother and father. In the past, people stated that simple traits, such as color, followed from generation to generation, and were a way of verifying parentage.

Techniques in the 60's permitted us to look at more analyzable, and more

discreet traits, such as blood proteins. And this has led to your blood-typing tests.

Today we can go directly to this text that is responsible for individuality and differences between horses.

That advance is not just a theoretical benefit. There are some very practical benefits that come out of this ability . . . accuracy, for one.

There is no reason that one cannot be able to identify, without any doubt, any individual horse, since they all differ at this particular level. The accuracy level is easy to obtain, because techniques have been developed that can find these traits at the DNA level with great ease. Techniques for analysis are also coming along very fast.

Convenience is another major advantage that comes at this level.

Unlike blood proteins, which are specifically produced only in the blood, the genetic text of an individual is present in every cell of that individual. This means that samples as different as hair or blood can be obtained, and one can essentially decide and choose the samples which are the most easy and the cheapest to obtain.

In fact, we have been using a mascara brush to obtain samples from just the nostrils of a horse. Any one of you, if you're brave enough to get close to a horse, can do this with a great degree of reliability.

In addition to the simplicity of sampling, DNA is an extremely stable molecule. That is particularly useful if it is going to be used as the molecule of inheritance to store genetic information. In fact, as some of you may have read, people have been studying the DNA of mammoths and of Egyptian mummies, to interpret the past. In fact, these benefits could be used as part of the historical heritage of the Thoroughbred, too.

In addition to these conveniences, the particular convenience of stability would permit one to choose not only the tissue sampling system, for example, but also the transportation procedures and storage procedures. It is conceivable that, in the near future, there will be regulations that will tell people what ways biological samples can, or cannot, be transported in the mail. This flexibility will be essential.

In addition to these aspects of convenience, all these advantages can be brought without increases in cost. In fact, the technological revolutions that are happening at the moment are very likely, over time, to permit improvements constantly, without increasing the essential costs.

I would just like to show you a summary of some of the points that I brought up.

As you can see (Fig. 1) is an individual horse that we have actually been studying — John Henry.

We have a fair amount of information about his genetic text. It contains about 5 billion genetic units.

Here is really a representation of the chemical approach that one can now study in this text (Fig. 2). There are four letters that make up the texts of all living organisms, and they are described here on the left side.

These are just representations of chemical letters. They can be read from left to right, generating a specific text that can be interpreted.

As you can see in this stretch, these came from one horse (A), and this one comes from another horse (B). In a stretch of only a few units, one of these letters (G) actually has within it a few differences. It may be very difficult for you to see it, but at this particular point here (*) there is a difference between these horses. At this position here (**) there are some differences, too. These

can be interpreted and made use of to generate very simple diagnostic procedures.

Down below (Fig. 3) is an illustration of the approach we are currently using to analyze these.

As you can see, we've got a very simple chemistry procedure which interrogates a single position within 5 billion — asking the question: Which letter is there? A simple color assay that can be interpreted by the eye can distinguish one horse from another — one here (horse 1, letter C) . . . and another one here (horse 3, letter G).

All these traits — this is just one out of a few million that exist in a horse — can be analyzed with the same chemistry.

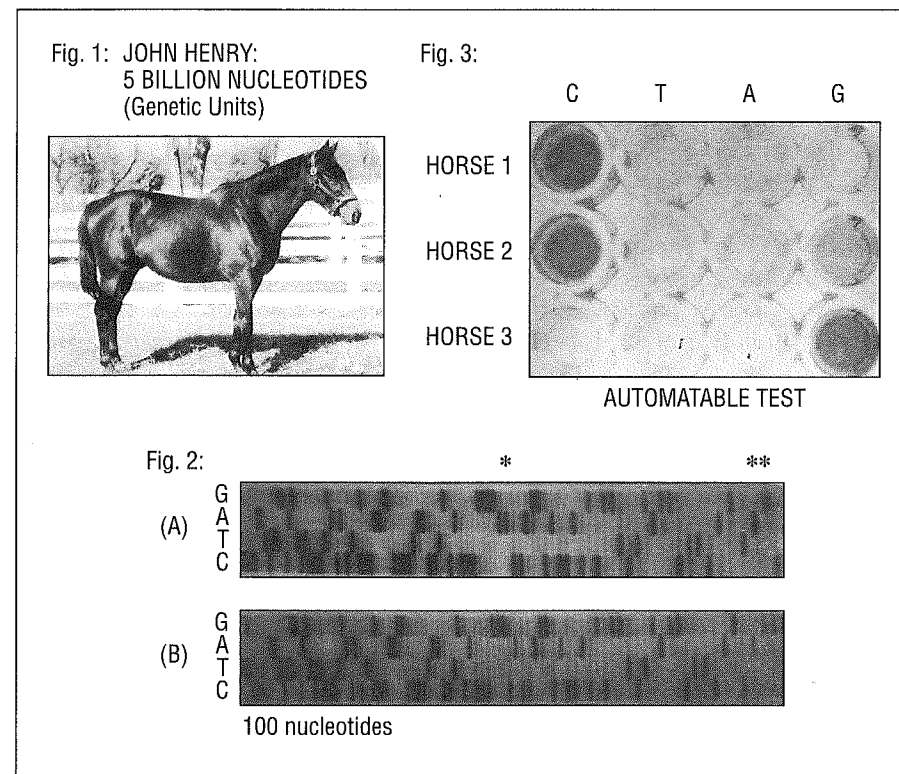
The economics of scale that can be brought to such testing procedures permit continuous increase in accuracy. If one so wished, one could, in principal, analyze a million of these differences.

One doesn't need to do so. One needs to analyze only a few tens of differences to be able to uniquely identify an individual horse and be certain of its parentage.

I hope that, in just this brief description of the scientific basis of genetic texts, their universality and the fact that techniques have permitted us to read and manipulate and even now direct particular techniques based on this information and bring to the horse industry the same range of products and services that have happened in the last years in the medical area.

These products and services, as I said before, will not only improve aspects of health maintenance and the management of sport, but also should permit these advances to take place with reductions in cost.

Thank you very much.



Ogden Mills Phipps: The media rarely seems to lose the opportunity of getting drugs into headlines these days, whether the stories refer to the entertainment industry, professional sports or any other aspect of modern society.

Racing is no exception. But the difference is this: every other sport has a national policy regarding drugs and medication. Racing has none.

To discuss the effects this has on the credibility of racing, Bill Williams, publisher of the Daily Racing Form; and Steve Crist, Editor-in-Chief of The Racing Times are here.

We appreciate your attendance gentlemen. Bill . . .

THE EFFECT OF THE PRESENT LACK OF A NATIONAL DRUG AND MEDICATION POLICY ON THE CREDIBILITY OF RACING

William H. Williams: Mr. Chairman, Distinguished Guests, Ladies and Gentlemen:

It seems to be widely assumed that the present lack of a national drug and medication policy has a negative effect on the credibility of racing. Let's examine for a few minutes whether that assumption is right or wrong, and with your indulgence, we will depart from the Lasix-Butazolidin debate, and focus our attention on another aspect of the medication issue. From the public's point of view, the presence of drugs in athletes would seem to generally be accepted.

Two years ago, for example, the Washington Redskins' defensive star, Dexter Manley, was barred for life by the NFL after a series of positives for cocaine. A year later, after the lifetime ban was intoned, Manley was playing for the Phoenix Cardinals. And the fans didn't seem to mind.

Brian Bosworth, the Oklahoma University star linebacker, was caught by a steroid test in 1986. This prevented his participation in the 1987 Orange Bowl. Bosworth, as you may recall, went on to be an NFL star, and now is seen on the silver screen. Fans now seem to be unconcerned.

Ben Johnson, the Canadian sprinter

seems to have recovered nicely from his steroid-induced Olympics humiliation. He's back running, accepted again.

Those examples might lead us to conclude that the racing industry is similarly immune to the public's wrath when it comes to the discriminate, or for that matter, the indiscriminate use of drugs. To a considerable extent, that conclusion would probably be justified, except for two factors.

First, the discriminate and indiscriminate use of drugs in racing animals is subject to Federal and State rules of law. Secondly, the public's tolerance of such use is subject to the varying whim of the public's opinion.

Thus, the most deleterious effect of the present lack of a national drug and medication policy on the credibility of racing is the potential of that deficiency to incite the public's wrath against racing.

We have lived a charmed life in that respect since 1980, the year legislation entitled "The Corrupt Horse Racing Practices Act" was introduced in Congress. That legislation, you recall, arose as a result of public wrath. Most everyone here recalls that in 1979, CBS-TV's "60 Minutes" ran a segment dealing "in vivid fashion with the drugging

of horses on the nation's race tracks."

A prime mover behind the 1980 legislative effort was Marc Paulhus, who was then a field investigator for the Humane Society. Whatever happened to Mr. Paulhus, you may have wondered? Well, he has not gone away like the legislation he championed. Mr. Paulhus is very much alive and active in the drugs-in-racing-animals debate which is currently raging in Florida. He might accurately be described, I believe, as the Ralph Nader of the racing industry.

The reasons we have lived a charmed life in this industry since the events of 1980, stem from two dissimilar, but related, phenomena. The first aided our cause. The second has the potential to do it great harm.

The first phenomenon has to do with the media coverage of horse racing. In a recent address to the American Horse Council's 1991 Annual Convention, Gene Christiansen, a frequent and vocal consultant to the racing industry, said, and I quote: "All the problems of this industry — declining attendance, eroding fan bases, shortages of capital for new tracks, tracks closing — are compounded by racing's overriding lack of presence in the home entertainment marketplace. Racing isn't on TV. Therefore, it is invisible." Unquote.

This invisibility of racing, although negative from many points of view, nonetheless has the positive effect of insulating racing's faults from the scrutiny of the public eye.

But Christiansen also noted that racing has recently become more visible — pointing to the new ACRS series on ABC-TV as a prime example; while also noting that this expanded coverage was made possible by a rapidly expanding television industry's hunger for sports programming.

So, to the delight of many, we're going to be on TV more. But as we celebrate, we should also note that we're losing our insulation — our cloak of invisibility.

Which leads to the second phenomenon. Twice in less than a year, this growing television audience — referenced in Christiansen's report — has been exposed to major disasters on our tracks. The first was the Go for Wand incident during the 1990 Breeders' Cup. The second occurred during the Frank DeFrancis Memorial Dash in July, when Bravely Bold emulated Go for Wand's tragic dive for death.

We have been able to dodge both of those bullets because at the same time, no concomitant, catalytic event occurred to inspire the public's wrath.

Suppose, for instance — and I don't wish to suggest that this supposition has the faintest basis in fact — but suppose for just a minute that tissue samples taken from either of the horses just mentioned had shown the presence of some proscribed drug. Suppose further that the drug found was a corticosteroid.

Corticosteroids are legal in some states, and Kentucky is one that allows them, even on race day. But, suppose that one of the ill-fated horses was found to be running on corticosteroids. And also suppose that the public, through either print or broadcast coverage, was reminded of this passage in Dr. Thomas Tobin's book entitled "Drugs and the Performance Horse," and I quote:

"This aspect of the action of corticosteroids has given rise to the grim comment that 'a patient on corticosteroids can walk all the way to the autopsy room.' Similarly, a horse can wear a joint surface right down to the bone running on a (corticosteroid) injected joint."

Again, these suppositions are made using the incidents cited only for the purposes of illustration, not to hint that there is any suspicion that those animals ran on a drug. These high-profile disasters, however, are exactly the type that need only a concomitant, catalytic event, such as the wide release of Dr. Tobin's comments. I suggest this coupling would become the basis for a renewed call for federal legislation to clean up racing.

If some states allow corticosteroids and some do not and a steroid-related public relations disaster befalls the racing industry, the industry can only look all the worse in what will become the public's furious eyes. We cannot assume that we'll dodge these bullets forever, especially if our profile continues to rise on television. If we want more fans, then we'd better prepare a suitable environment for them.

The present lack of a national drug and medication policy has the potential to give the new fans we've waited so long for a most unpleasant initiation, if they arrive at our tracks with a different consciousness than they now seem to have.

And what do we know of their present consciousness?

A recent media panel convened at the ARCI convention in Cincinnati, examined the public's perception of drugs in racing. The panel's moderator, the respected editor-in-chief of the Blood-Horse, Ed Bowen, posed this question to the panelists, and I quote: "Everyone has opinions on this, but what do you base them on? Have there been enough studies? Or do you have to develop your own perception of the public's perception of drugs in racing based on talking to guys you know? What do you base these opinions on?"

Stan Bergstein of Harness Tracks International, addressed Bowen's ques-

tion well, basing his remarks on an article by Canadian veterinarian Dr. John Hays who said, and I quote: "An evolving social conscience has created a new customer. The profile of this potential racing fan to whom we need to appeal includes: (1) a keen comprehension of ecological matters; (2) an aversion to substance-enhanced athletic performance; (3) a concern for animal rights; (4) an awareness of the choices available for their entertainment dollar; and (5) a heightened sensitivity to violence.

"In my travels around the racing world," Bergstein continued, "I have found an increasing number of people, young and old, who share those five points Dr. Hays made."

It would seem then, that both Bergstein and Dr. Hays see before us a potential racing fan primed for that concomitant, catalytic event that we have so far been fortunate enough to avoid.

On the other hand, the Bruskin Report, entitled "A Study of Attitudes Toward Thoroughbred Racing in America," seemed to indicate that we have less to fear than Bergstein and Hays suggest. This report, commissioned by The Jockey Club, was delivered at these proceedings in 1986.

Those respondents to the report that said they went to the track less often than they did five years before the survey, ranked (1) cleanliness of the facility, (2) comfortable seating, and (3) adequate parking facilities, in that order, above a feeling that the races were legitimate, as traits they would most like to see improved at their local tracks. On the other hand, the respondents, who said they went to the track more often than they did five years before the survey, ranked legitimacy of the races as the matter they would most like to see improved.

It can be assumed then, that honesty — and the drugging of horses most assuredly falls into this category — is less important to the new fan than it is to the regular. But, once the new fan becomes a regular, the presentation of honest racing at all times in all places becomes of paramount importance.

It would seem then that the public has been most forgiving of racing's follies since it saw that "60 Minutes" episode 12 years ago; and since its representatives debated "The Corrupt Horse Racing Practices Act" of 1980; and even since the recent Go for Wand and Bravely Bold incidents.

But it would be foolish to assume that the public will continue to remain benign, especially since Mr. Paulhus has joined the battle once again.

The Florida troubles center on corticosteroids, and steroids are a high-profile subject right now. Since Ben Johnson in the last Olympics, there is now the World Wrestling Federation Hulk Hogan issue before the public; and there is that disquieting talk about the NFL and steroids; notably the sobering allegations coming from former NFL star Lyle Alzado, and most recently those concerning Pittsburgh Steelers player Terry Long. George Vecsey drove home the point in his recent column in the New York Times when he said, and I quote: "The league has recently gotten around to testing for steroids a decade after the evidence started to mount that football was leaving a human Chernobyl ticking away in players' bodies." And is it possible that we have the same Chernobyl ticking away in our own Racing and Breeding Industries?

Couple those incidents with Dr. Hays' potential fan profile, which includes an aversion to substance-enhanced athletic performance, and

we could have that concomitant, catalytic event just waiting for the next high-profile breakdown during a stirring stretch drive between two beautiful horses.

Johnson, Hogan, Alzado, Scott and others had the choice of whether or not to take steroids. A horse does not have a choice. That distinction should be the basis of our cause for concern within the racing industry. The public, once aroused, will be very quick to make that distinction, and the present lack of a national drug and medication policy has only to be brought vividly to the public's view, and the charmed life we have enjoyed for the past decade will change dramatically.

The McKinsey Report recommendations, which will be discussed in detail later this morning, have not yet been adopted. If and when they are, they may alleviate some of the problems that confront us as an industry, if human nature is somehow swept aside. But the net effect of the past decade is meanwhile there, I suggest, waiting for that concomitant, catalytic event.

A national drug and medication policy, especially one that addresses the time bomb of corticosteroids, in addition to other frequently used medications, will do much to restore the esprit de corps we need to effectively address such an event.

American racing may be a cranky old machine, but it is a machine that has survived nonetheless for many years.

There is an old colloquialism from the Southwestern United States, where I come from, that says "if it ain't broke, don't fix it." Certainly, our industry is not broken, but I suggest to you today, ladies and gentlemen, that a large measure of preventative maintenance is in order.

One closing note. Recently, in a rac-

ing publication — not the Daily Racing Form which has continuously served this industry with distinction for 97 years — I read the following capsule summary of today's activities, and I quote: "Aug. 11 — The assembled elite of American racing are told at the annual Jockey Club Round Table Conference that the sport faces severe trouble unless dramatic changes are made. Refreshments are served immediately afterward, spirits brighten, and the entire unpleasantness is forgotten by lunchtime".

I sincerely hope that will not be the case as we confront the need for a National Uniform Drug and Medication Policy.

Thank you for your kind attention.

Steven Crist: Thank you Dinny, and thank you Bill for that quotation.

First I would like to thank The Jockey Club for the opportunity to address you this morning. And I would also like to compliment the organizers of this program on their choice of this topic. We have certainly discussed medication most of the years I've been here, but never with today's slant. Because I think the key word this morning is not medication but credibility, what effect the medication rules in our sport have on the perceptions of our customers and our potential customers.

I feel especially able to address this because of the experiences I've had the last two weeks here. Every morning at Saratoga this year, The Racing Times has been offering free racing seminars after breakfast. We have been attracting more than 250 people each morning. Two or three of our staff will preview the day's races, and we'll throw it open for any questions about racing, handicapping or the issues in this sport.

Our audience includes both lifelong

horseplayers and first-time starters. Hearing their questions and their concerns has been eye-opening for me and, on the whole, very heartening. I am happy to report that their fascination with and enthusiasm for horse racing has never run higher.

Most of the questions we get are a pleasure to answer and fairly easy, "Who do you like in the Travers? What's the best way to play an exacta? How important is blinkers on?"

But almost every morning there is one question for which I have no answer, "What about drugs?"

"What should I do when a horse who's been running on Lasix comes to New York and runs without it? How come so many horses seem to run just as well? Why are they using it in the first place? Were they using it to cover something else up? Should we bet on the horse or on the drugs he's getting? How come Ben Johnson gets disqualified for using steroids in the Olympics, but it's okay for horses?"

The only good news about this line of questioning is it's the sole challenge that I hear nowadays to racing's integrity — medication, the last frontier in racing's long battle for respectability. But I think the bad news is that this one challenge is a very serious one, and I'm afraid it's going to get worse before it gets better.

I say that for three reasons.

First, it is my belief that our so-called controlled medication programs are in fact completely out of control and getting worse every single year. The certification on a racehorse as a legitimate bleeder, and thus his eligibility to race with Lasix, has become a complete and utter joke in many racing jurisdictions in this country. Anyone who wants to run a horse on Lasix need do little more than put up his hand. The inconsistency and illogic of

these controlled medication programs are growing more baffling to our customers all the time. I can't explain it to the newcomers who turn out, and I don't think anyone can put his hand over his heart and justify it.

Second, I think this issue is going to receive more rather than less attention in the future — not from the racing press, which is as tired of this debate as you probably are, but from a new source. To date racing has gotten off very lightly from the burgeoning animal rights movement, but I think it is only a matter of time before activists begin focusing on and attacking this sport. How in the world are we going to justify our current policies and lack of policies to hostile outsiders when we can not even justify them to our own customers or agree upon them among ourselves?

Third, I am convinced that widespread legalized sports betting is a certainty in the very near future. To survive, racing is going to have to convince the public that our game is the best game, which I firmly believe, and that it is being played on a level field, which I can not say with the same certainty. We are going to come under increasing scrutiny from an increasingly sophisticated base of customers, and right now we are in no position to make a strong case. This problem is not going to go away if we just ignore it or surrender, we've already tried that year after year. Nor can we blame the messengers.

A little more than a year ago, The Jockey Club released the results of a well-intentioned study on Lasix. It raised provocative questions, and it demanded thoughtful response. But the reaction from this industry, including the trade press, was that the issue should not have been raised and that the results of the study had to be

flawed or biased or dishonest. This shameful campaign to discredit the work of distinguished researchers sent a loud and distasteful message to the public, racing has something to hide, racing has something it doesn't want you to know about.

We all know the unforgiving mathematics of our pari-mutuel system in racing. The vast majority of our customers are going to lose money. They will continue to play, if this game brings them enough enjoyment and if they believe they are getting a fair shake.

Now in most areas, I see our sport giving them a fairer shake than in the past. Marketing and customer service are improving, and there seems to be a genuine change in the attitude sweeping the industry to put the customer first. Betting opportunities are being broadened and expanded, and the game is being taken out to the people, instead of merely opening up the gates and expecting them to show up. New track programs and newspapers are bringing more complete and honest information to patrons.

Yet on this one issue of medication, we seem to have forgotten the public entirely. We cannot look ourselves or our customers in the eye and say that we are doing the right thing. I think we know in our hearts that this entire medication situation in American racing should have never ever gotten to this state.

I implore those of you with the energy and influence to lead this sport to fight the good fight and be vigilant. Let's be proud of racing and proud of how we conduct it.

Do not deny your sound gut feeling that something is very wrong when every single horse in yesterday's Pacific Classic had an L at the end of his name, when we all know that they have run, and could have run, without it.

Do not forget that racing survived for centuries without these medication programs and without steroids and that an increased number of racing dates has absolutely nothing to do with it. Horses are making fewer starts per year now than they did before the era of permissive medication.

Do not ignore that this is the only country in the entire world where this sham is allowed to go on. We are sanctioning badly abused programs while racing proceeds without these medications in Britain, on the European continent, in South America, Australia and the Far East.

Most of all, please do not forget that whatever philosophical differences we

may have among ourselves are really not the issue.

We are all on the same side in this room, the side of racing, and the current situation is dishonest and unacceptable to the people whose opinion counts the most, the people who are right now beginning to pass through the gates across the street, and their counterparts at every other race track in America. If we can not convince them that we are doing our best to help and inform and protect them, they are not going to be our customers for very long.

Thank you for your time and consideration.

INTERMISSION

THE MCKINSEY REPORT: BUILDING A WORLD-CLASS DRUG DETECTION SYSTEM FOR THE RACING INDUSTRY

Ogden Mills Phipps: I said at the beginning that this annual event was getting better and more productive each year.

The presentation we are about to hear is a great example of what I was talking about.

Just one year ago today, following presentations by three leaders of our industry on the topic of drugs and drug-testing in racing, the idea was conceived of commissioning a professional study of our whole approach to the drug problem. We wanted a national plan we could work with to put the whole problem behind us once and for all.

No more than nine months later, the McKinsey Company turned in the first professional study of the problem on a national scale we have ever had. In May, they presented their Report to the annual conference of Racing Commissioners International, where the RCI board of directors wholeheartedly supported it.

Here to share the findings and recommendations of that Report, and to suggest ways in which it can be best implemented, are Doug Nelson and John Stewart of McKinsey and Company.

John M. Stewart: Thanks, Dinny.

Good Morning. We would like to spend a few minutes revealing the work that has been going on about drug testing over the last several months, including the Report.

This work builds on the efforts of the QAP and the RCI over the last several years. They have both been very active in this work, along with The Jockey Club and ourselves. We also owe a lot to the contributions of lab chemists, pharmacologists, veterinarians and track operators who have given time and information and also commissioners from a number of the states.

What we have been trying to do is define what a first-class drug testing system ought to be. As you leave today, I would like for you to take away four thoughts about that.

The first is that drug testing is really

a national system, not necessarily centralized, but it is a national system. And it's a system made up of a lot of parts that have to work together if the whole system works well. Simple things like rules and penalties have to be consistent. What chemists can do has to be reflected in the rules, and funding has to be appropriate as technology advances.

So the first point is that we're really dealing here with a very complex system with a lot of parts, some of which are fairly simple. But they do have to work together and fit together well.

The second point that I hope you remember is that the racing chemists alone, no matter how competent, cannot create a first-class system. Just as in human health, the technical people, no matter how hard they work, can't do it by themselves. They need to be supported by policies, laws, support and

funding if they are to do it.

The third point I would like for you to take away is that these recommendations really are a starting point for the major amount of work that has to be done over the next year or two.

While many of the recommendations are supported and have even been implemented, there will be, and is, some real controversy about some of them. We are impressed, however, by the overwhelming sense that even those who disagree strongly are working for the common good of racing, and we're impressed that many people, with quite divergent points of view, have been able to resolve differences in some of the committees that have met today.

And the fourth point I would like you to take away is that a lot of work is already underway. We'll talk more about that later.

Now let's start. We've tried to provide some perspective on the recommendations themselves. There are eight which we've tried to describe here.

First, there is a need to have a consistent drug classification system across states. Louisiana and Texas, for example, share the same drug classification system, and other states are working along that model.

Second, a consistent penalty system beyond the trainer is desirable, to include the veterinarian and to include the owner.

Third, there is an opportunity to reduce the cost of selection of animals to be tested. Now there's some controversy about reducing the number of tests, because the racing public may not believe that a reduced number of tests are valid. Statisticians, we're reasonably sure, would believe that — but we can't figure a way to get enough statisticians to the track to bet to make

up for the people we might lose otherwise!

Fourth, there is a need to insure that custody of samples and documentation are thorough and consistent state to state.

Fifth, there is an opportunity to improve the economics of individual laboratories, and we'll make some suggestions about that.

Sixth, as new drugs come to racing from human health, there will be a need for research to develop testing. That means working with equipment suppliers to insure that equipment is available and managing new technology as a system.

Seventh, we recommend that quality assurance in the QAP effort be expanded.

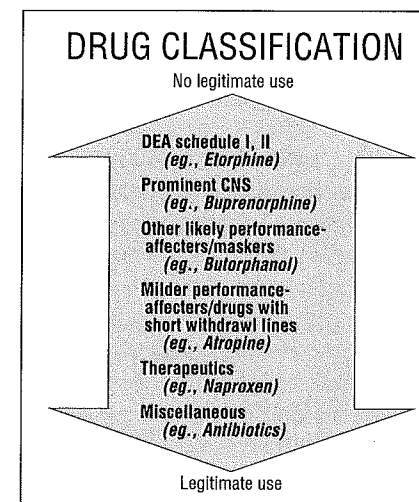
And, finally, there are several supporting efforts such as a Model Rule book which is underway; R and D; a National Center of Excellence, maybe two, to provide a reference laboratory; better communication to owners, from lab to lab, from state to state about what is happening; and, finally, some suggestions that commissioners can make in individual states.

Now to go through these eight, Doug Nelson is going to take us through a number of slides that, we hope, provide some perspective and information that you do not have.

Douglas K. Nelson: Well, I'm just going to go quickly through each of these eight to give you a little bit of background. We obviously don't have the time to elaborate on all the work that was done to not only identify that there was a problem in this certain area but then exactly all the details of the recommendation. But we'll try to highlight each of them in turn.

The first need, as John indicated, is that of a consistent, across-the-country

Drug Classification system. And that system should recognize the realities that the drugs exist in a range. There are those drugs which have some legitimate use primarily in therapeutic categories, particularly in training. They range all the way to those drugs that have no legitimate use in the animal like an Etorphine.



The reality is that there is that gradation. And, therefore, we have recommended — along the lines of the Texas Drug Classification system — that the industry adopt a six-drug classification system that works toward the fitting in of individual drugs within those classifications. As John will describe later, a lot of work is already underway in that area, and we've been very impressed with what's going on so far. But the first thing that the industry needs is a consistent Drug Classification system.

Concomitant with that is the need for a consistent Penalty System geared to the Drug Classification system. This would show the Drug Classification categories in reverse order — the Etorphines, for example, at the end — and a Penalty System be set up, as it is in some states, to go from the less severe drugs and, in the case of an indi-

vidual offense, a less severe penalty, all the way down to a very severe penalty for those instances where there are quite clearly a multiplicity of offenses and a pattern of activity.

Anyway, the point is that there should be a consistency across the country in the different states as to how the different penalty systems are geared to the Drug Classification system.

Now, there's another part of the Penalty System that we've recommended which is a controversial one and that is extending the penalties beyond that of the trainer.

As you know, the industry has a rather unique rule called the absolute insurer rule, or responsibility rule, in which the trainer is absolutely responsible for any drug infractions in his stable. Our view is that if you're going to have a truly first-class drug detection system, you've got to bring everybody together to be made more accountable for their actions and to be actively moving forward to work on the drug problem.

We are recommending that, in conjunction with the drug classifications, not only the trainer — based on the number of offenses — but also the practicing vet, in terms of both the classification and numbers of offenses, and the owners, be given some degree of accountability for actions that exist in regard to drug detection and drug problems. Conceivably, even the horses would be an element, one by which the owner would be penalized as well.

Again, our point is that if you're going to have a truly first-class system, you're going to have to move to have everyone — particularly the vets and the owners, as well as the trainers — be both involved in, and accountable for, actions that are happening in their stables.

So we've talked about two basic needs: the need for a consistent Drug Classification system; and the need for a consistent Penalty System.

We have three what we call operational kinds of recommendations. And they relate both to improving drug detection capability and working to either fund things on a more equitable basis to generate a better mix, or do a better job of allocating the funds that exist within the operation.

The first one I'll talk about is Animal Selection Guidelines, in which we have made some recommendations, which are primarily cost-cutting kinds of recommendations that will allow money to be saved through testing fewer samples; testing them to a greater extent; and allocating the money to doing that more extensive testing.

What we recommend is fairly straightforward, based on a fair amount of statistical analysis: on a given racing day, assuming a ten-card race day, there be five of ten winners tested; three of ten second place finishers; and two of ten third place finishers. Those would account for approximately ten tested animals on any given day.

In addition, we would test beaten favorites and long-shots based on post time odds. If an animal was projected to finish in one of the last three positions, but in fact finished first, then that animal should be tested in the same way that those animals who were projected to finish well but finished badly should be tested.

The total result of this — and again, we're not going through a lot of the details of the statistical analysis here — is that, on average, we would recommend approximately fifteen animals be tested in any given day. The key thing here is that there are a lot of judgments that the stewards still have to apply. But, divided by ten, that is about

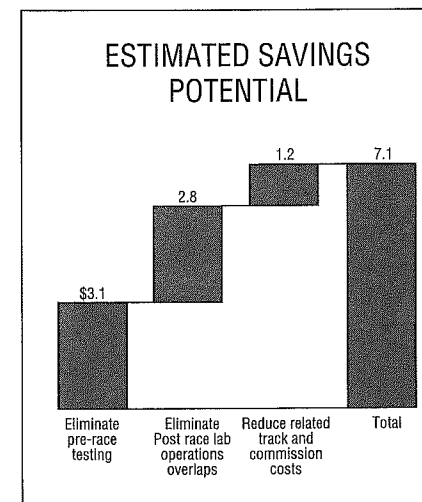
one and a half animals per race — lower than the current average of about two per race.

Though the reduction from two animals tested per race down to one and a half will not, from our statistical analysis, reduce the drug testing effectiveness at all, it will allow you to save some money which can be allocated to better testing of those samples. So, our animal selection recommendations talks about primarily a cost-saving activity without reducing drug testing effectiveness.

We also, with regard to animal selection, are recommending pre-race testing be eliminated, because it is simply not cost-effective. Blood is a much less effective vehicle for testing than urine. And blood is what is used in pre-race testing. Time constraints are obviously significant, security is difficult, and the satellite lab equipment is extremely expensive.

All of that money is being spent for very limited results. You're just simply not getting the kind of scratches or impact for the expenditure that's allocated, and, in our view, it is not a cost-effective approach.

So again, money can be saved if you add elimination of pre-race testing — a



minimum of \$3,000,000 per year for the industry, which doesn't even count the elimination of the buildings and overhead and so forth. Reducing the post-race testing from two down to one and a half will save another \$4,000,000. So, at a minimum, approximately \$7,000,000 per year could be saved with these animal selection guidelines that could be allocated to a better testing of the samples that are tested.

The next area of operations is a very straightforward one. It's Sample Collection and Documentation. It's something that every state has to do, and it's something that most states are doing.

But, we've got some other things. None of these are dramatic, but they have to be done. They range from a test barn employee escorting the animal to the test barn and maintaining visual contact, to disposable containers and gloves, to the animal staying in the barn and, only under very extreme circumstances, being allowed to go back to his own barn to generate a urine sample.

There are more details that were in the Report, but there are a very basic set of sample collection and documentation processes that have to be done. Most states are doing most of these things. But all states have to do all of these things to have a truly effective drug testing and drug detection system.

We're also suggesting, in the context of sample collection, that each state adopt a Split Sample process. Samples would be divided in the test barn not in the lab. There would be a judgement by a national referee lab, which we will elaborate on just a little bit later. The so-called Pennsylvania Rule, by which there is no publicity unless there is, in fact, a confirmation from the second sample, should be adopted by each state, and lab results should be commu-

nicated to the QAP as a repository for information so that everyone can be well in touch with what is actually going on.

So here is a series of some very, very basic kinds of things that are again part of a total system. They all have to be implemented properly to have an effective system.

The third operational kind of recommendation we've made relates to the cost-effectiveness of laboratories. And here again, we've made a number of recommendations and done a fair amount of detailed analysis which I'll only highlight for you.

One of our findings, that came out of a lot of work with several of the industry chemists — particularly Rick Sams — concerned immunoassay testing which, as you well know, is the principle vehicle for doing post-race urine testing and is a very effective one for very specific drugs. It is the vehicle by which you detect Etorphine, Hydromorphones and other very significant and detrimental drugs that are being used in some of the animals.

Immunoassay testing is a very significant vehicle for testing. Historically, however, in the last few years, what's been used by the labs for testing as a kind of a catch-all vehicle has been Thin Layer Chromatography (TLC). And there are different TLC extracts — enzyme hydrolysis, base urine and so forth. These to date, with Thin Layer Chromatography, have been used as a sort of a catch-all vehicle for trying all other kinds of drugs that immunoassay testing may not be finding.

In our view, TLC extracts are, in fact, drugs specific just like immunoassay.

This starts to suggest that you can use some of the TLC for some specific drugs. But you're better off if you can do more of the immunoassay testing

currently being done. The problem is that, at least historically, people have viewed immunoassay testing as being more expensive than TLC.

We've done some analysis along those lines to suggest that that's not the case. And again, without getting into a huge amount of detail, this analysis suggests that, when you factor in the full cost of Thin Layer Chromatography testing — including the manpower associated with that activity — the total cost of Thin Layer Chromatography at different volume levels of sampling is about the same as about 12 assays per specimen of immunoassay testing. The rule of thumb in the industry today would suggest that the Thin Layer Chromatography was much less expensive than any numbers of assays per specimen.

This analysis suggests that, in fact, there is a lot of opportunity for substituting more immunoassay testing — which is much better testing — for TLC testing, at no extra cost. That recommendation is being looked at and implemented by a number of different labs and is again a significant finding as far as the industry is concerned.

Another area that we've looked at with regard to lab operations is the question of whether the industry should adopt a few large labs. And our answer is that the industry should not do so.

There are a couple of reasons for that. When you go from 5,000 to 10,000 animals tested, the cost per animal tested drops significantly, because you're amortizing the very expensive testing equipment over more animals as you move quickly. But it also quickly levels off and, as you go on into higher and higher volumes, you simply don't have the kind of continuing reduction in cost per animal testing.

This says that there are no

economies of scale in this industry as far as testing is concerned and that, in fact, you don't get additional benefits from a cost point of view by going to larger and larger volumes. That's one strike against the idea of a regional lab.

The other strike is that there is no performance indication in the labs today that suggests that the larger labs are better. Again we analyzed, over different volume levels, the performance of the different labs. You would expect that, if the regional labs concept was good, you would have better and better performance as you get to larger and larger volumes.

The actual performance is all over the lot suggesting there are a lot of other things at work and that smaller labs are, in fact, in many cases doing better jobs than the larger labs.

So, for both of these reasons, we have recommended that the industry not adopt a larger regional lab system, particularly at this time.

So we've covered the two basic needs. And we've covered some of the operational recommendations.

There are two what we call centralized activities that need to be dramatically increased and upgraded:

First is with regard to Technology Management, which covers both research and the adaptation of new types of equipment that are coming on stream. You can look at the whole technology management as a sort of a puzzle. You've got to have a clear diagnostic research program coordinated internationally. Drugs are happening internationally, and you have got to be prepared to deal with things on an international basis.

You have to start to do things that are going to get more information into the industry . . . generate incentives for U.S. research through grants, patents and publications . . . start building ties

to diagnostic lab and instrument suppliers, to those companies that are working for the human side which you can start to bring in to adapt to the horse racing side. You have to start working with them so that they can be thinking about your needs early on rather than later on.

You have to build specifications from a research point of view as far as technology is concerned — what forms of equipment might the industry benefit from as new types of equipment are being generated? You have to start generating specific sensitivity levels for some of the tests that are already in place or are coming on stream in immunoassay testing.

One of the problems that exists today is that a lot of the immunoassay tests create a lot of noise . . . they are able to detect too well, in effect. Some sensitivity levels can be generated to make it more effective:

International gatekeeping function — as John indicated earlier. We've got several pages of analysis behind drugs which are being developed internationally. Through about an eight or ten year period, we know which drugs are coming on stream over the next ten years. We've already talked to many of the researchers who are very excited about this information and are starting to work with that in terms of the kinds of tests that can be expected to be needed over the next several years. So, there is a need for an entire research effort.

The industry is spending very little of the money that it is spending on drugs on research and technology. And that needs to be dramatically increased. In the same manner, we have laid out a hierarchy, so to speak, of drugs and how the industry should prioritize its research effort along the lines of which drugs to attack first.

There are several race-day drugs permitted in some states which ought to be reviewed quickly and gotten into place as to how you're going to deal with them. Obviously, these are the controversial ones that are going to need a consistent judgement as to where you're going to place these drugs and how you're going to apply them. That has to be dealt with very quickly.

There have to be improved methods for certain kinds of drugs that are out there for which there aren't very good tests right now, and a whole series of other research priorities which we have laid out and discussed with chemists and researchers.

The other kind of centralized activity is that the quality assurance activity and programs should be expanded significantly.

As you know, a Quality Assurance Program exists, and our view is that the scope of activities of that program should be significantly expanded to include review of the Animal Selection Guidelines that we just alluded to earlier.

If there's going to be effective sample collection and documentation, there's got to be somebody monitoring those activities. The Quality Assurance Program is certainly the vehicle for doing that.

Test method validations and supplier qualification — those kinds of things are causing some problems with the industry, and somebody's got to be in charge of following along and making sure that these tests that are being developed are, in fact, valid. The Quality Assurance Program, again, is the kind of repository for that kind of activity. And there are a number of activities that, in our view, require the Quality Assurance Program to be upgraded and expanded in its

approach.

As John indicated earlier, for each category of our recommendations, there are a whole series of support mechanisms. I'll just briefly highlight those. Again we've provided much more detail in the Report.

First is a Model Rule book, which we've laid out and is being worked on now, covering not only the different categories but also highlighting, for example, the definition of banned substances . . . how the Split Sample process should be carried out . . . different kinds of activities that each of the commissions and tracks should be following very closely as they attempt to do a better job of drug detection. We've laid out a sample rule that, in our view, each state should try to adopt.

We've talked about expanding the research and the quality assurance activity, including nationally and internationally coordinated research, by the setting up of some specific committees for each of those activities.

The QAP mandate should be expanded beyond what it is right now. It should hire a full-time leader. Right now, Jim Smith is doing a terrific job, but he's a volunteer person. That's the cost-effective way to do things, but you've got to have somebody full-time doing quality assurance and research. Additional manpower will be needed for the Quality Assurance Program beyond what it is right now.

With regard to National Centers of Excellence, we've recommended that one or possibly two labs be identified as those which are called the National Centers of Excellence. They would be the ones that would test, monitor and upgrade lab procedures. They would test new equipment, and new methods and tests. They would act as national referees in the Split Sample process.

They would organize ongoing key

research activities and conduct what we would call periodic national race-day surveys. Right now, the industry does not know the magnitude of the problem. The National Center of Excellence would be one vehicle to which, on any one or two given days during a year, however many tracks are running on those particular days would send in samples on a random basis from around the entire country.

The National Center of Excellence would spend a lot of time analyzing those samples. There wouldn't be penalties involved, they wouldn't have to get into that. But you would know pretty clearly what's being used, because you would have thoroughly analyzed those samples. That would start to set a significant basis for the kinds of research — new test development, things to watch out for — that you don't really know right now. So, there are a number of things that a National Center of Excellence could provide the industry.

Another centralized activity is Communications.

There are new tests and methodologies in labs right now, but there is a lot of reluctance among some labs to share information. That has to stop.

Positive calls to owners — often times the owners are not made aware of the fact that their stable has run into a problem. In our view, as we said earlier, getting owners more involved is a vehicle for doing a better job. Because we feel that the owners will, in fact, act positively if they know there are some problems.

Interstate exchange of disqualification information — again, this is the kind of thing that is going on now, but it has to be upgraded and expanded. There needs to be a whole series of educational programs for new commissioners. Obviously, that's a problem

when people are constantly being changed in their positions because of the political process.

Track personnel and horsemen should be told as new drug information comes on stream.

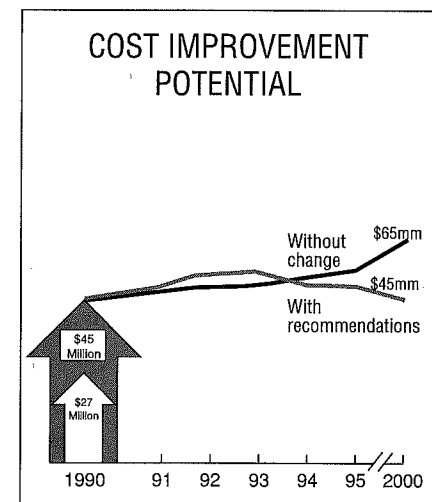
A whole series of communication activities is fundamental to all the kinds of things that you want to produce as part of a drug-testing system.

Then there are specific actions that the tracks and commissioners may need to follow up more closely:

Maintenance of medication records — again, this concerns all the basics that are going on right now but which everybody has to do more effectively.

Limiting availability of drug paraphernalia — again, an obvious statement, but this has to happen more effectively than it is now . . . possibly prohibiting wagering by horsemen on any horse other than their own. It's something else that's going to be controversial, but we would recommend that that should be examined closely. Licensing requirements have to be upgraded and made more stringent.

Track security obviously has to be upgraded. We would recommend it, and we've included in our total expenditure allocation another \$2,000,000



per year that the tracks allocate to security. That's still a drop in the bucket compared to what's really needed, but track security has got to be increased.

Promoting ethical practices — again, this is something which is obvious, but again, it fits with the idea of an entire system.

So, with all those kinds of things we've talked about — two basic needs; a Drug Classification system and a consistent Penalty System along those lines; three basic operational activities geared primarily to either cost reduction or improved detection capability; two centralized activities which are the ways you really get a handle on the drug system, particularly in terms of research; and the basic support mechanisms that go together to make all this fit and make all this work together — those are the eight points.

Those are our recommendations. And they are the system by which we suggest that the industry can improve itself. If you have a system in place, then you can start to work on both the occasional and willful cheater.

What's going to be the pay-off?

The industry has made estimates suggesting that its spending around \$27,000,000 per year on drug-testing. We've done a fair amount of analysis, and our estimate is that, in fact, the industry is spending more like \$45,000,000 or \$50,000,000 a year on drug testing . . . \$65,000,000, uninflated, by the year 2000, if things go on as they are. And I think that we could say that the results have not been particularly good so far.

If you adopt the recommendations that we are talking about, there may be some small increases in expenditures — particularly for research over the next couple of years — but, overall, adopting all of these recommendations would result in approximately the same

level of expenditure that exists today. Our view is that you're spending a lot more than you think you are. And you're going to be spending even more than that over the next several years. If you adopt these recommendations, you're going to have a much more effective system at approximately the same cost, or, possibly lower costs.

Now we've got a series of things related to implementation which John will take you through.

John Stewart: Let me apologize for throwing the information at you so rapidly. Usually, we take two or three hours to go through this and answer questions, but that's not possible this morning. We would be happy to answer questions afterwards, should any of you have them.

When the Report was first made at the RCI convention, it included two major points:

First, the need for each state commission to review in detail the recommendations and determine which applied to their state.

And secondly, we suggested that some nominating committees be set up to form task forces and groups on specific subjects.

Now where do things stand now?

We've been surprised at the speed with which things have happened over the past twelve weeks. Joe Smreker, in his new position as chairman of the RCI, and supported by Jim Smith as chairman of the QAP, and Bob Gowen, the QAP's one man band, have pulled together a first rate group of people to work on some of these subjects. Also, several state racing commission chairmen have publicly stated their support for a number of these recommendations.

As we mentioned before, some people have publicly stated their disagree-

ments with the recommendations. And it's those problems, those disagreements, that these committees and working groups will be trying to resolve.

Two key task forces are being established. One is Technology Management, which Nick Nicholson of The Jockey Club is chairing. This group will build a task force that includes a chemist, a pharmacologist, one or two commissioners, a veterinarian and two QAP representatives to work on the problems of implementing the research program — the National Centers of Excellence that Doug talked about — and the economics of laboratories.

The operation's implementation nominating committee has set up five sub-committees: Drug Classification; Penalties; Animal Selection; Documentation; and Split Samples. We'll talk about that in a minute.

Implementation of many of the recommendations is going to require a lot of discussion. It's the job of the task forces to devise a way in which the industry can come to some consensus.

For example, in the drug classification and penalty areas, there's a ques-

AN 8-POINT PROGRAM

- 1. Consistent drug classification**
- 2. Consistent penalty system beyond the trainer**
- 3. Animal selection guidelines**
- 4. Documentation/sample collection**
- 5. Cost-effective laboratories**
- 6. Technology management**
- 7. Expand quality assurance**
- 8. Support**
 - Model Rule book
 - R&D/QAP
 - National Centers of Excellence
 - Communications
 - Track/commissioner oversight

tion about who makes the final assignment of a drug to a class.

With respect to penalties, the question is: Can the absolute insurer rule be changed, or modified, to include others?

With respect to the operation's groups on animal selection, even if, statistically speaking, a change in testing procedures does not reduce the likelihood of catching someone who is cheating, will that be believable?

And then, how can a number of states, each with their own rules, practices, procedures and history, come to some common agreement on documentation and sample collection procedures?

Finally, lab operation for pre-race testing is an issue that will have to be addressed. It's a political hot-potato in some states, and yet in others there seems to be quite a willingness to move fairly quickly — mostly because state budgets are being squeezed.

With respect to technology management, probably the key issues are funding and industry acceptance of some kind of centralized effort . . . not necessarily a single central organization, but a very high degree of cooperation and coordination among the states.

However, even though there are a lot of questions to be resolved in each of these areas, there is a fair amount of work underway.

Let me give you an example of a sub-committee set up under Bob Gowen's QAP direction and coordination. Some of you, I'm sure, know all of these people: Dave Vance, from Remington Park, represents track management; Russell Jones, past president of the Owners and Breeders Association and Pennsylvania State Racing Commission; Dr. Charles Short, with an international reputation as a

veterinarian and pharmacologist; Sue Baittie, regulatory veterinarian from Texas, who has worked on several QAP committees prior to this; and Norm Barron, chairman of the Ohio Racing Commission, lawyer, commissioner and also an RCI officer.

The subcommittee has met several times by phone. They are very close to recommending a new Drug Classification system — different, I think, than the one that you saw here that we originally recommended, but a very satisfactory one, a sound one. They are close to providing a written Model Rule book and showing how a drug classification system should match with the penalties.

They have a three-pronged effort underway: formal, via the QAP; then to the commissioners, via the RCI chairman; informal, by just bringing in people from different states to work on some of these problems. They're also placing articles in industry and state government publications to explain and gain support and awareness of how complex this system is.

This subcommittee, we think, could be a pretty good model for a number of the other committees that need to be established. They're off. They're running. They're working at a distance from each other and from around the country. And they're making progress.

Finally, to sum up, these are the recommendations. We've touched on each of them very quickly. We hope that we've given you some sense of the extent to which this is a system and the way in which it might bring about change to develop a first class system.

And now, Dinny, I think you would like to open the floor for some questions.

Ogden Mills Phipps: If there are any questions, if you would like to rise and say who you are and address your question to John, or however you would like it. Are there any questions on the McKinsey Study?

G. Watts Humphrey, Jr.: Both of you this morning have indicated that this effort has to be encompassed in a national system. Could you tell us at this point in time, how many of the states have subscribed, or are members of this? And how many are not? And if not, why?

John Stewart: Probably the best person, Watts, to describe that is Bob Gowen. I think he's here. Bob, are you somewhere about? Here he is, in the back.

Dr. Robert R. Gowen: Thank you. At this time there are approximately 16 racing states that are in the Quality Assurance Program. The major racing states that are currently not in the program would include Illinois, Maryland and New York.

Both Maryland and New York had been in the program but, because of budgetary constraints, are not in it at this time. Illinois has never been in the program, but I believe they are strongly considering it right now.

Ogden Mills Phipps: How much, Bob, does it cost these states to be in the program? What would it cost Maryland or New York or somewhere like that?

R. Gowen: Right now we are in a transition period with a new funding form. But right now, if we got everybody together and aboard in New York, they would be assessed a fee equal to their RCI dues, which I believe is \$20,500 at this time.

J. Stewart: One of the things that struck us is that there clearly is quite a variety of support around the states for the QAP program. One of the things, as

we said, is that chemists and scientists can't make this system work.

One of the things that each one of you can do over the next several weeks is to find out what is happening in your state.

First of all, are they informed about the QAP effort as well as they need to be?

Second, for what reason are they supporting it or not supporting it?

Third, how strongly would you like them to support the QAP effort?

So, as we suggested, the people outside the direct technical system can be very, very helpful in building that system over the next several weeks. And that really means all of you.

O. M. Phipps: Any questions? *Wheelock Whitney:* I noticed one of your recommendations is to increase licensing requirements — which are already a pain. Would you mind expanding on that?

Doug Nelson: You're right, it is a pain. And we're suggesting it become more of a pain, because one of the problems, as you know, is the interstate racing activity, and the fact that one person could be licensed in one state and yet racing in another.

Those kinds of things have to be systemized and made more consistent in the sense that, if you're going to be able to detect a horse that has a drug infraction, you have to be able to match up the practicing vet with that horse. When you've got a horse in another state and a practicing vet is in his home state, that is very difficult.

Things have to be tightened in order to allow a direct connection between

the practicing vet and the horse, so that if there is an infraction, that vet will in fact have some responsibility as well.

O. M. Phipps: Rueben, I saw your hand up.

Rueben Richards: We've touched around this subject, but there's not a specific answer to just how key the successful development of a drug testing policy is to the similar existing national research.

O. M. Phipps: The question is — How important is a national research effort to the drug testing program?

John Stewart: We've looked at lots of industries in lots of countries with respect to technology, and perhaps the best known common system is the research that goes on by the USDA.

Over time, the Department of Agriculture has put together, piece by piece, a lot of research and then given it to farmers and manufacturers of equipment and to chemical manufacturers. That doesn't mean they run the system, but it does mean they provide a consistent pattern of technology that's widely available and, in most cases, adopted.

So, there's a great deal of strength in having a consistent research program — which individual states are unlikely to do — that provides to individual states the latest technology and knowledge about drugs coming down the line, equipment and protocols.

We think it is a significant aid to a high quality drug testing system.

D. Nelson: To elaborate on that a little bit . . . in our analysis of how much the industry is actually spending on drug-testing, as we've said, it is about \$45,000,000 to \$50,000,000.

If you're very positive about the amounts being spent on research, you might be able to come up with about \$1,000,000 to \$2,000,000. That's not

nearly as much as it should be. And obviously, it's a very small percentage of the actual budget.

If you're going to have the kinds of tests available for the kinds of drugs that are being used — and in the degree in which they're being used — you need more research. In our view, the research effort should be accelerated over the next couple of years to kind of catch up against what has been done over the last few years. Then it can level off to a reasonable amount.

But you're going to need to spend more money.

J. Stewart: We worked with pharmaceutical companies and food companies quite a bit. And the ability of the equipment makers to detect lower and lower volumes — also trace levels — permits someone who wants to abuse the use of a drug to go to lower and lower levels and work toward higher efficacy.

So in self-defense, there's going to be some need for some research program, because the equipment makers and those people who formulate chemicals will outrun the industry unless you do.

O. M. Phipps: Any other questions?

Daniel M. Galbreath: You're recommending that maybe the pre-race tests are not needed because of costs and, maybe, that they're ineffective. But I can argue the fact that your results are not effective. Pre-race tests are effective because they're a deterrent. I always thought it was more of a deterrent than anything. Could you comment on why it's not needed?

D. Nelson: The deterrent factor is the best argument for the pre-race. And the .07 percent of scratches would be the positive view on that being effective.

Our view is that, primarily, if you look at the kind of testing that you can

necessarily only do — which is blood-testing as opposed to urine testing — in our view, you can't get the kind of drugs that are being used by some of the willful violators. Therefore, the fact that you're getting the .07 percent is probably a relatively meaningless number. We can't prove that, but that would be our view.

O. M. Phipps: Any other questions?

Joseph P. Pons, Sr.: *Developing \$50 million in today's society for all the great research, the human element becomes involved.*

In Maryland, for instance, there have been incidences where the grooms have been the bearer of the cocaine — on a tongue-tie.

Would there be a universal way of having something dispersed in the paddock like band-aids, which would be sanitary and all that? And perhaps

Ogden Mills Phipps: I want to thank all of our speakers. You can see the time and effort they put into their preparation, and the quality of their presentations.

more education to the owners and trainers and grooms about the drugs that can be transported accidentally or whatever? These things could be done.

D. Nelson: I think this is a good suggestion. In fact, that is the kind of thing we talked about under the broad category of disposable containers and disposable gloves and so forth.

I think that the only way you can do that is — because you have to have state-by-state adoption of these different things — there's got to be a best practices kind of activity, which is what these National Centers of Excellence and other communications capabilities can develop in the industry. They can communicate to the states and say: "This is a new and better way to do things." Ultimately, the states have to adopt it, however.

CLOSING ADDRESS

BY OGDEN MILLS PHIPPS

Before we close, I want to make a few observations on behalf of The Jockey Club.

We hear a lot today about how racing is in trouble. And our detractors keep saying that we're not doing anything about it.

Some of the presentations you have heard today say quite the opposite.

No other industry of the size and complexity of racing could, I suggest, have taken the McKinsey Report from conception to presentation and endorsement at a national level well inside a year.

That is an achievement we can be proud of. Now you must make sure you protect your industry's future by implementing the drug-testing program state-by-state nationally.

And you've heard about another one today. Two years ago, the concept of Equibase was little more than a gleam in a few people's eyes. Even a year ago, it was still no more than an idea looking for organization to make it work.

This morning you have heard a report which shows that Equibase is now fact and operating on schedule. For the first time, racing has in its hands a way of using its own information to meet the challenges of changing times and ever-developing technology.

Equibase is a marketing tool. And marketing is something we hear a lot about these days. We hear how racing needs to do something about falling attendances. About how we need to promote our product and market it to both established and potential racing fans.

But I must remind you that the single most important factor of successful marketing is the quality of the product. And before we get carried away by all

the cries for effective marketing, we have to attend first to the quality of our product.

The McKinsey Report shows us the way towards achieving credibility. That is why the actions which stem from the Report are so all-important. For those actions can insure that our product stands up to the test of public scrutiny and is a fitting subject for promotion and marketing.

That also is what our drive for national uniformity in the Rules of Racing is all about.

We should never be lulled into believing, as some would have us believe, that we can ignore racing's problems while concentrating on flashy marketing.

Our fans are smart. Our potential fans are smart. They can see the failings of a sport which has no uniform policies or controls.

I've heard it said that there's nothing new in the McKinsey Report. That it's just an expensive way of saying what everyone has known for a long time. If that is true, all the more reason for adopting its principles quickly, and today.

What we have heard today is proof that racing can face and surmount the nagging problems which have been looked at and analyzed long enough.

The first message is that racing's regulators — and, indeed, the entire Thoroughbred community — should put their every effort behind implementation of a national policy on drugs and drug-testing.

But there is another message. Let no member of the fourth estate have reason to say that racing is not doing anything to improve its lot.

Racing needs better marketing. It

needs more inter-state cooperation in promoting its product and expanding its frontiers.

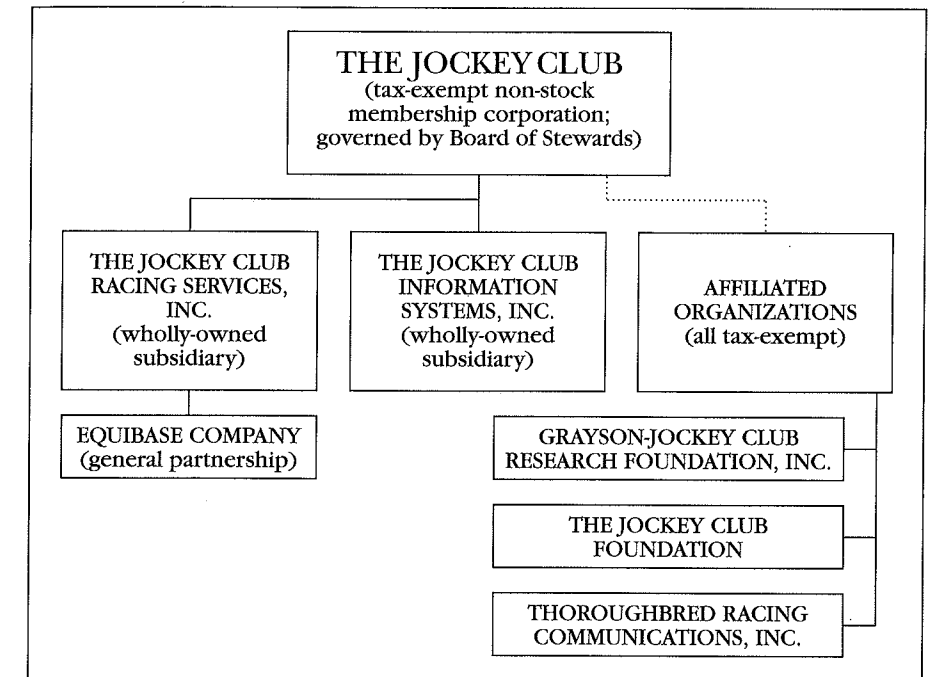
But more fundamental to its future success is the need to improve its quality as a product.

The way has been paved for that improvement. I call on each and every-

one of you — and the organizations you represent — to give this plan your maximum support, and make sure that the opportunity to improve our sport is not wasted.

Thank you very much. I look forward to seeing you here next year.

ANNUAL REPORT OF THE JOCKEY CLUB AND RELATED ORGANIZATIONS



THE JOCKEY CLUB AND RELATED ORGANIZATIONS

THE JOCKEY CLUB

Responsibilities of The Jockey Club consist primarily of maintenance and publication of The American Stud Book in a manner which insures integrity of the breed in the United States of America, Canada and Puerto Rico. As an organization dedicated to the improvement of Thoroughbred breeding and racing, The Jockey Club also pledges its support and assistance in all matters concerning the Thoroughbred industry.

THE JOCKEY CLUB INFORMATION SYSTEMS, INC. (TJCIS)

TJCIS, incorporated in 1989, is a wholly-owned for-profit subsidiary of The Jockey Club. All profits from TJCIS

activities are reinvested in the Thoroughbred industry. They contribute to the overhead of the Registry, thereby helping to stabilize Registration fees, and they go towards funding industry projects, such as the McKinsey Report. TJCIS activities presently comprise six product lines:

- Equine Line, the trade name under which the company has become the premier provider of on-line and hard-copy pedigree and statistical Thoroughbred information
- Catalogue Pages (camera-ready catalogue pages for the majority of Thoroughbreds sold at public auction in North America each year)
- Customized Reports
- Software Packages (including the TJCIS Horse Farm Management and Syndicate/Share Management Systems, and the "Stakes Aware" program)

- Specialty Products (including Private Pedigrees and Pocket Pedigrees)
- Software Consulting

EQUIBASE - THE JOCKEY CLUB RACING SERVICES, INC.

The Equibase Company is a General Partnership with the Thoroughbred Racing Associations of North America (TRA). Equibase was formed in 1990, to establish a single Thoroughbred industry-owned data base of racing and pedigree information, to be used for the promotion and betterment of Thoroughbred racing.

Day-to-day operations of Equibase are managed by The Jockey Club Racing Services.

GRAYSON-JOCKEY CLUB RESEARCH FOUNDATION, INC.

The Grayson Foundation was established in 1940, to raise support for the promotion and funding of equine veterinary research. In 1989, resources were combined with those of The Jockey Club Research Foundation.

THE JOCKEY CLUB FOUNDATION

The Jockey Club Foundation provides relief of poverty and distress among indigent members of the Thoroughbred industry and their families. Administered by a board of Trustees who are Members of The Jockey Club, the Foundation distributes more than \$400,000 each year and has provided on-going financial assistance to hundreds of needy individuals since it was established in 1943.

THOROUGHBRED RACING COMMUNICATIONS, INC. (TRC)

TRC was founded in 1986, in response to the highly-competitive need for distribution of Thoroughbred news and information to sports and other media.

Funded by The Jockey Club, Breeders' Cup Ltd., the Thoroughbred Racing Associations of North America, and the New York Division of the Horsemen's Benevolent and Protective Association, TRC provides a conduit between Thoroughbred breeding and racing activities and representatives of the newspaper, magazine, radio and television industries.

1991 REPORT

THE REGISTRY

The projected 1991 registered foal crop of 42,000 represents the fifth consecutive year that the foal crop has decreased.

In 1985, the breeding season which produced a record 51,293 registered foals, 92,921 mares were reported bred. During the 1990 season, an estimated 76,700 mares were bred, representing a decrease of 17.5% on 1985 statistics.

In the face of the continuing decline in revenues resulting from this decrease, the Registry is successfully pursuing all-around improvements in its cost-effectiveness, while maintaining its service to breeders.

The application of bar-coding technology has reduced data-entry time and significantly improved productivity. In other developments, the need for repeat blood-sample mailings has been almost eradicated. More than 91% of all blood kits were processed correctly from the initial mailing. A further 7.5% were processed at the second attempt.

This fact, coupled with other streamlining techniques, has extensively reduced mailing costs. In spite of the projected continuation in decline of the annual foal crop, these improvements are assisting efforts to maintain registration fees at the current level through 1992.

THE JOCKEY CLUB INFORMATION SYSTEMS, INC.

The Jockey Club Information Systems continues to expand services. Several additional sales companies are now using the company's research and production facilities for camera-ready catalogue pages. The list of regional sire books prepared by the organization also continues to grow.

The company's Specialty Products line has been further expanded. The range now includes Postcard Pedigrees, which compress sire book or catalogue-page information into an easy-to-read format and reproduce it on U.S. Postal Services-approved postcard stock, suitable for mailing or personal distribution.

A further addition to Specialty Products is the Parchment Pedigree, incorporating 4-cross pedigrees with catalogue-style footnotes, printed on high-quality parchment paper which are ideal for framing.

EQUIBASE

Development operations of the Equibase Company continue on schedule. So far, 42 race tracks have joined the venture. The recent addition of Hollywood Park to this number means that virtually all the major race tracks in the nation are now partners in the project.

Equibase is the subject of a presentation at the 1991 Round Table Conference.

GRAYSON-JOCKEY CLUB RESEARCH FOUNDATION, INC.

Last year the Grayson-Jockey Club Research Foundation distributed nearly \$500,000 in support of equine veterinary research.

The Foundation's Scientific Advisory Committee has this year received a

record number of equine medical research funding requests for review. The requests came from universities throughout the United States and Canada.

Contributions are needed in support of this important cause. They may be addressed to the Grayson-Jockey Club Research Foundation, Inc., 821 Corporate Drive, Lexington, Kentucky 40503.

THOROUGHBRED RACING COMMUNICATIONS, INC.

The Thoroughbred Racing Communications weekly bulletin, news-feeds and other services are being used increasingly by all sectors of the media.

The syndicated radio program, "The Thoroughbred Connection," hosted by sports commentator Jim McKay and launched last year by TRC, continues to expand its market. The program now airs on 39 radio stations nationwide.

SPECIAL PROJECTS

The Jockey Club continues its support of special projects in many areas. These include:

MCKINSEY REPORT

The McKinsey Report, a national strategic plan for drug-testing funded by The Jockey Club, was formally unveiled at the 57th annual convention of Racing Commissioners International (RCI) in Cincinnati, Ohio.

The McKinsey Report is one of the featured presentations at the 1991 Round Table Conference.

RACING OWNERSHIP REGISTRY

Pennsylvania and Oregon are the latest states or provinces to adopt the Thoroughbred Racing Ownership Registry (ROR). The program, a coop-

erative venture between The Jockey Club and Racing Commissioners International to maintain accurate ownership records, is scheduled for implementation in both states in October.

The Idaho Racing Commission will consider the program for adoption later this month. Adoption by these states brings ROR coverage to nearly 50% of all North American races.

Efforts continue towards complete nationwide adoption of the program.

UNIFORM RULES

The goal for national uniformity in the Rules of Racing, being sought by RCI with technical assistance from The Jockey Club, has taken a major stride with national agreement on a new Rule to govern Pari-Mutuel Wagering.

The new Rule received unanimous approval from delegates at RCI's convention. It is presently being implemented, or is in various stages of submission for legislative approval, by individual state authorities throughout the country.

The Jockey Club continues to offer technical assistance to the project, which has also been fully endorsed by a TRA board of directors resolution reaffirming that body's commitment to the adoption of uniform rules in all racing jurisdictions.

STEWARDS ACCREDITATION PROGRAM

There were 12 graduates from the latest course of the Stewards Accreditation Program, sponsored by The Jockey Club, TRA and RCI, in asso-

ciation with the University of Louisville. The course comprises an intensive ten-day school to educate and update Thoroughbred racing Stewards on their duties and responsibilities.

Letters inviting nominations for the next school, scheduled for November 11-22, will be mailed later this month. All nominations will be scrutinized by the Selection Committee before final acceptance to the program.

The Steward Accreditation Program is currently exploring the possibility of a series of short courses aimed at continuing education for graduates.

PAN AMERICAN STUD BOOK CONFERENCE

Representatives from 15 countries met recently in Lexington, Kentucky, under the chairmanship of The Jockey Club chairman.

The conference addressed ratification of a Pan American charter which would unify all recognized Stud Book Authorities in North, South and Central America and the Caribbean in their representation on the International Stud Book Committee.

There was unanimous approval for the charter, which is subject to final ratification in mid-September, when delegates from certain countries have had the opportunity to confer with their respective executive councils.

Also at the meeting, the members granted conditional recognition to the Stud Book Authorities of Barbados, Costa Rica and the Dominican Republic.

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