FORTIETH ANNUAL
ROUND TABLE CONFERENCE

On Matters Pertaining to Racing

THE NATIONAL MUSEUM OF RACING
SARATOGA SPRINGS, NEW YORK

Sunday, August 16, 1992

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FORTIETH ANNUAL ROUND TABLE CONFERENCE ON MATTERS PERTAINING TO RACING

HOSTED BY

THE JOCKEY CLUB

The National Museum of Racing — 10:00 a.m.
Saratoga Springs, New York — August 16, 1992

Program Chairman, John Hettinger

IN ATTENDANCE:

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

John Ed Anthony
Owner/Breeder

Thomas Aronson
President, Racing Resources Group

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Member, The Jockey Club; Owner/Breeder

Norman Barron
Chairman, Ohio State Racing Commission

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Racing Secretary, Keeneland Association

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Publisher, The Blood-Horse

W. B. Rogers Beasley
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Owner/Breeder; Speaker

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Owner/Breeder

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National Director, Jockeys' Guild

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Member, The Jockey Club; Owner/Breeder

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Columnist, The Age and The Sydney Morning Herald; Guest Speaker

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Owner/Breeder

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Member, The Jockey Club; Owner/Breeder

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Publisher, Daily Racing Form

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Writer

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William H. Welch
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William T. Young
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Henry Zeitlin
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Welcome by Ogden Mills Phipps

Good morning ladies and gentlemen and welcome to our Fortieth Annual Round Table Conference.

The first Round Table discussion was held in 1953 at our offices in Manhattan.

Since then, we've moved to Saratoga. And there have been great changes in this museum. It's one of the finest facilities I've ever been in, and I think we all need to thank Whitney Tower, Johnnie von Stade and the Trustees, for allowing us to be here this morning. Someone else whose contribution and hard work I have to recognize each year is our program chairman, John Hettinger.

The Round Table sets out to address issues uppermost in the minds of all members of the Thoroughbred industry.

But in addressing specific issues we should never lose sight of the overall picture. And this year John has put together a program which I believe will provide an excellent overview of our entire industry from a variety of perspectives. We thank you John.

To get things underway, I now ask Will Farish to give his traditional annual report on the activities of The Jockey Club . . . Will.

Activities of The Jockey Club in 1992

William S. Farish: Thank you Dinny.

Last year we departed slightly from tradition by offering you a written annual report of the various activities of The Jockey Club. This was well received, so you'll find our 1992 version on your desk with the other Conference material *(see pages 43-46)*.

I would like to take just a moment to expand on the section dealing with our primary area of responsibility — Thoroughbred registration. In 1985, the breeding season which produced a record 51,293 registered foals, 92,000 mares were reported bred.

During the 1991 season, an estimated 69,500 mares were bred. This represented a decrease of more than 23,000 in the number of mares bred, against the 1985 statistics.

Now our latest information, from the Live Foal Reports we have so far received, puts this year's overall registered foal crop estimate near 38,500.

Our ability to make such a meaningful projection at this time of year is a tremendous improvement over past years, when we weren't able to tell the industry anything until after the fact — after the actual year of registration. That we are able do this is largely thanks to the support we continue to receive from stallion owners in meeting the August 1 deadline for filing Reports of Mares Bred. And also because of our own ability to process these reports quicker.

This is how I am able to report today that The Jockey Club Registry projects a registered foal crop for 1993 of 36,000 — the seventh consecutive year that the foal crop has decreased, and an overall decline of 30 percent since 1986.

Now there are two important points to realize about these figures. The first concerns the cost of Registration. That 30 percent decline means that Registry receipts have declined by 30 percent over a period when the general cost of living and just generally doing business has increased by more than 30 percent.

Many of our costs are fixed. They don't get lower just because there are fewer to register.

In other words, The Jockey Club has been going through the same sort of economic belt-tightening we have all had to experience in the past few years.

We're continuing to use every new technological development we can, to combat the situation. And I am pleased to say that, largely because of these efforts, next year, for the seventh consecutive year, the basic registration fee will stay the same.

The second point about this continuing decline in the foal crop is even more important to the future health and soundness of our industry. It is that in the future we are going to have a lot fewer horses running at our race tracks.

The foal crops of 1987, '88 and '89 have produced nearly 150,000 potential two-, three- and four-year-olds for racing. In 1995 that potential racehorse pool will have dropped to little more than 116,000. That means in three year's time there will be more than 32,000 fewer horses of these racing ages around than there were last year. There just won't be enough horses for us to be able to go on running the number of races we're running in this country.

This isn't something we can change. These foal crops are already set. The breeding season is over.

This trend can't be reversed overnight. Mares born when our foal crops were at their highest are beginning to reach the end of their most productive years. And now, as the potential racehorse pool drops, so does the potential broodmare pool.

We should be aware that the effects of this decline are likely to continue until the end of this century.

How we as an industry use this data is going to determine how our tracks and breeding industry are going to survive. It's a major challenge.

I would like to mention one other area of Jockey Club activities which has received a lot of our attention this year. And that concerns Equibase, the national race result database we have established in partnership with the TRA.

Let me briefly remind you of our role and obligations in this venture. Before Equibase was formed, Thoroughbred racing stood out alone as just about the only major professional sport which was not responsible for its own records.

These are the records on which so many of our decisions are based. They govern the eligibility of horses to run in our races. They are the basis for wagering decisions made by our fans; for buying and selling decisions made by our owners; and for mating decisions made by our breeders. The Thoroughbred industry has the responsibility and obligation to maintain control of those records, and make sure they are made widely available in whatever way suits the best interests of the industry. That was why the Thoroughbred Race Tracks of America and The Jockey Club joined hands to form Equibase.

By any standards, our progress has been outstanding. Thanks largely to the steadfast support and cooperation of most of our race track partners, in two short years Equibase is way ahead of schedule.

A national database of historical Thoroughbred racing records, owned by the Thoroughbred industry that creates them, is now established, and we are beginning to see the first tangible results of that ownership.

In the long run it may seem insignificant beside some of the other industry benefits to come but, as one of our first projects, we set out to offer the racing fans more information in their daily racing program. I don't think anyone here would disagree with the fact that everyone who buys a racing program at any track in North America today gets a lot more information and, therefore, understanding and enjoyment of it.

That is a measure of the success Equibase has already achieved. And a measure of its contribution to our racing fans and our racing industry as a whole.

The rest of the Report you have in front of you speaks for itself. If you have any questions about these activities, please contact us in the future. Thank you.

Ogden Mills Phipps: Thank you, Will.

As you know, we're living in one of the most tumultuous periods of change in history. Political thought, national boundaries, international finance and commerce . . . everywhere there is change.

The Thoroughbred industry is no exception.

And in such a climate, every once in a while, it behooves us to stand back and look at the overall perspective . . . take stock not only of how these changes affect us in our own spheres of activity, but how they affect our individual relationships with the rest of the industry. That is the purpose of our opening panel.

In introducing our moderator, Jimmy Brady, I'd like to take a moment to recognize publicly someone who, over the years, has given so much of his time and effort in support of the Thoroughbred industry as a whole, and of The Jockey Club in particular.

I can't imagine what my term of office as Chairman of The Jockey Club would be like without constantly being able to call on his advice and his wisdom.

Jim, would you introduce our panelists?

A Look Ahead at the Thoroughbred Industry

James C. Brady, Jr., Moderator: Thank you very much, Mr. Chairman.

Those kind words are appreciated greatly, but I can tell you this. Whatever efforts or help that we've given the industry in our family, is because we've grown up with it and loved it.

I've had the good fortune to be around horses all of my life. And I suppose when we were growing up we didn't look much beyond the fact that it was anything but a sport. It's still a sport to us but, of course, it's now changed. Thoroughbred breeding and racing have become something more. It's become an industry . . . an industry whose economic impact is felt at every level of society.

All of the components are so diverse that I'm sure that people think there's no rhyme or reason to the way they're put together. Diversity is one of our strengths. But, if we're not careful, it also brings with it the risk of self-interest getting in the way of our overall progress.

Today, we've brought together a group of key representatives from some of the diverse components in our industry. They represent our infrastructure . . . the cycle from farm to race track, and back. Each will have their own views on where their business is going, where it can go, and where it should go, if we're going to achieve the overall stability we need for a healthy future.

Our panelists include Jim Bell, president of Jonabell Farm, who will talk obviously from the farm point of view; Frederick Seitz, who will talk from the consignors' point of view; Watts Humphrey, a Member of The Jockey Club, will talk from the owners' point of view; Jerry Lawrence, who is executive vice president of the New York Racing Associations, obviously will talk from the race track's point of view.

Moderator: We start where the life of a Thoroughbred starts . . . on the farm. Jimmy Bell is president of Jonabell, which is in the heart of the Bluegrass country so rich in the heritage of the Thoroughbred.

Maybe you could tell us, Jimmy, what some of the pressures on the farm are and the steps we can take to make them better.

A Look Ahead: Farm Viewpoint

James G. Bell: Thank you, Jim.

First, let me thank The Jockey Club for allowing our panel the opportunity to express some of our thoughts, ideas and opinions about the future of our business.

Having said that, let me begin with an observation. Although I was asked to comment on the future of the farm, I cannot help but place this subject in the overall context of our industry.

Historically, each segment of the industry — breeding, racing and sales — has been interested primarily in its own piece of pie. I think it behooves us all to pay attention to the big picture and gear our efforts to taking a smaller piece of, hopefully, a larger pie. The only way for our pie to grow is to improve the quality, health and integrity of our product. Our product is racing, and the ultimate customer is the betting patron. It is this person who ultimately drives our industry.

Ideally, the role of the breeding industry is to respond to the demands of the racing segment, and produce the numbers and the quality of animal which the racing industry can best utilize. However, various factors involved in the specific business of breeding and raising horses sometimes work against the smooth flow from production to usage. Such is the case today.

It comes as no surprise that economics will be a dominant factor in determining which direction is taken. That direction will be heavily influenced by how effectively or ineffectively simulcasting is set up on a national and international basis.

Let us turn now to the specifics of the farm, in the present and in the future.

Whether a breeder owns his own farm or boards elsewhere; whether a farm stands stallions or only boards mares; whether it is a commercial or private operation — regardless of which approach is taken, the yearling auction market is a key indicator of the health of the business.

Today, 62% of market yearlings sell for $10,000 or less, and economics of raising horses in the manner many breeders are used to does not make this feasible.

Stud fees are among the few remaining variables, since feed, workers' comp, etc., are expenses which horse farm owners cannot control.

But reduced stud fees mean that any farm owner dependent on stud fee income sees income reduced, while he still has all the ramifications of supporting the horse and all that this entails. What once was a major profit center for the farm becomes more and more a financial burden as stud fee income continuously drops.

To board a mare and expect quality care in a breeding center such as Kentucky, costs about $20 a day. To raise her foal and take it to the market will run between $8,000 - $9,000 of out-of-pocket expense. And this does not even include the cost of the stud fee, the cost of the mare, advertising, commissions to the consignor, commissions to the sales companies. Add these expenses, and the cost rises to $10,000 - $12,000.

In such a climate, a $10,000 yearling sale is hardly a target to aim for.

Like the American crop farmer, the Thoroughbred farmer often finds the cost of producing the product exceeding its market value. But in our field, there can be no direct government price-support programs for this crop. Few things stay the same. And the farmer's marketplace is no exception.

The racehorse buyer of today, and presumably tomorrow, seems short on patience and apparently short on disposable income. He is interested in instant action. He is not accustomed to buying a car and waiting a year and a half to drive it home.

The highest interest level among would-be buyers occurs at the races — somewhere between the saddling paddock and the starting gate. Responding to this will necessitate that the breeder/farm owner consider taking his product farther down the pipeline toward the races.

This might mean consigning to two-year-olds sales instead of yearling sales. It might mean forming racing partnerships. And it might even mean taking the horse as far as the race track, and marketing it as a ready-made horse.

Horses of lesser pedigree will be valued more and more by their ability to perform. Quality-bred and well-conformed horses will continue to hold their value. There has always been, and will continue to be, strong demand for good individuals in the conventional marketplace.

What then is the response of the future?

The geographic centers of quality in Thoroughbred breeding do not need to shift. The problem is that there are numerous breeders and farms trying to compete in a ring of quality which is rapidly shrinking. And they have found they no longer fit in that economic environment.

The explosion of the 1980's created enough demand for marginal animals that many breeders and farm owners could survive in that supposed ring of quality. But this is not the case today. Thus, 15-20 percent of the farms in the Bluegrass are for sale, according to an expert in real estate.

What then is the outlook for the future? The farm of the future I believe will have many of the following characteristics:

• Minimal debt load, certainly not

heavily leveraged in land or horses.

• An accounting system that fits the individual operation, and which includes a strict budgetary process, that will be reviewed at least monthly and must be sufficient enough to track every penny at all times.

• The farm of the future will depend less on raising horses in a labor-intensive environment, and lean towards the optimal utilization of sheds, thus creating savings in labor, bedding and maintenance.

• The cosmetics of more farms will change, with picture-perfect, manicured farms becoming more workmanlike in setting, as attention is focused on the fields and less on the perimeter.

• The farm of the future, even more than today, will likely have other cash-producing crops such as a small herd of cattle, and corn and perhaps tobacco, as well as horses.

• More farms will turn to baling their pastures to obtain bedding.

• In such cost-intense areas as Lexington, there will be fewer farms, and many farms will have a smaller number of mares and foals, as ways are sought to raise a horse for less expense.

• Stallion fees will continue to drop, a trend several years in the making and illustrated by the fact that the last two Horse of the Year champions stood their 1992 season for $15,000. There will be very few syndications in the immediate future, so the financial burden will be on the owner of the stud until he succeeds, instead of relying on an artificial anticipation that the old shareholders used to pay for up front.

• In the future, more and more people will breed to race and not to sell. Breeders used to take their most expensive mare and mate it with their most expensive stallion nomination available with more regard for market appeal than racing potential. This, too, is changing.

This is a national audience and The Jockey Club a national organization, and much of what I have to say applies to many regions of the country.

Turning to Kentucky, with which I am most familiar, I believe it will remain a primary breeding center. The concentration of top stallions in the state creates a concentration of mares, which in turn generates high-quality veterinary services and general expertise in animal husbandry. The land, of course, has long been proven as one of the excellent environments for horses.

As I stated above, however, there will probably be somewhat of a geographical shift in the foal crop, as the less costly animals are logically bred in parts of the country where less expensive range land is available.

That trend will be augmented by the proliferation of state-bred programs seeking to create demand for horses in certain areas. In conclusion, simulcasting should help ensure that purses for major racing centers remain high enough to support a number of high-class breeding operations.

Yearling prices are at their lowest in 20 years, while purses are at or near an all-time high. The climate is conducive to attracting the new owner, as well as established owners, to investment in race horses.

The challenge for the farm is to produce its product at a reasonable profit so as to meet the needs of the racing industry.

The characteristics I have reviewed for the farm of the future will not only be logical to pursue, in most cases they will be necessities.

Thank you.

Moderator: Thank you very much, Jimmy.

I think you can see why Jonabell is known as one of the sound institutions in our overall business.

In any business one of the most critical areas is the point of sale. In our Thoroughbred business, for many years, results from the public auction of Thoroughbreds have been seen as the bellwether of the industry's wealth and prosperity.

Fred Seitz has experience in this field from every aspect. He's been a member of the staff of the Fasig-Tipton Sales Company. He's made his mark as a consignor to public auctions, both as an agent and in his own right. Now he has his own farm, raising and preparing horses for the commercial market.

Like the foal crop, sales prices have been going down. Some call it a return to norm, Fred.

What would you say?

A Look Ahead: Consignor Viewpoint

Frederick J. Seitz: Thank you Mr. Brady. Good morning ladies and gentlemen.

In order to theorize where our sales may be going in the future, it might be helpful to examine parts of our tumultuous recent past. Some observations.

Our foal crop has declined from a high of 51,000 in 1986 to an estimated 36,000 now in utero. That's a 29 percent decrease over the last seven years.

The corresponding years' North American yearling average was $34,000 in 1986 and $26,000 last year — a drop of 24 percent for all yearlings sold.

It's obvious the reduction in supply has not been met by an increase or even a constancy in demand, as gross sales revenues continue to decline even in the face of fewer horses. The reduction in quantity also hasn't necessarily meant a higher percentage of quality, possibly explained by the fact that the top 15 percent of our stallions produce 85 percent of our commercial yearlings.

In the 1960's, when Bold Ruler was the dominant stallion, it was a rarity for one of his yearlings to appear at public auction. Now, it is simply assumed that the best stallions will have possibly as many as two dozen yearlings offered in a single select sale.

It is only within the last 15-20 years that it is common that a concentration of the best-bred horses in a foal crop are offered at public auction. Not many years ago it was unusual for horses of the top quality to be sold at all. Those horses tended to belong to breeders who raced their own stock and who sold mares only as a culling process.

The gross yearling sales of the market pinnacle of 1985 was $347 million. This was almost six times the gross of 10 years prior. We appear to be headed back to gross yearling sales figures approximating 1980 and before.

Supply and demand are both decreasing, with demand falling the most rapidly.

The "Age of Dispersals" in the first half of the 1980's changed the face of the commercial market inalterably as vast numbers of commercial broodmares were dispersed, 30 percent of these mares going to off-shore interests.

Speaking of off-shore interests, over the last decade more than a third of our selected summer yearlings have gone overseas.

Consequently, we find 30 percent of commercial broodmares offered at public auction exported, and our future broodmares and stallions (in the form of select yearlings) being depleted at a rate well over 33 percent.

As foreign demand waned for our better yearlings this year, so have gross revenues and yearling averages.

Private yearling transactions are estimated to remove 40 - 50 select yearlings from the market annually at a cost estimated at $20 million. A reliable source concludes that as many as 12 one-million-dollar yearlings were privately removed from this year's auction crop.

As an aside, perhaps a compilation of data on these private transactions, done to assist in evaluating our changing yearling market, would be possible through The Jockey Club's Ownership Registry or Equibase affiliation.

I don't suggest at all that the details of private transactions be made public, but only that the volume of such transactions be publicized in order to assist in evaluating our rapidly changing commercial market, ultimately to the benefit of the breeder. On stallions, our stud fees rose too rapidly in the early 1980's, leading to premature retirement of colts and a loss of enthusiasm for the game. Now, as our colts do thankfully race longer, some of our competitive edge is still lost to exportation of many stallions and stallion prospects.

Syndication is almost extinct as stud fees continue to decline and the better stallions breed more mares for lesser fees.

As summer yearling averages decline, a migration toward one-stop Fall marketing increases, and many regional markets also decrease.

So, we find ourselves with a distinctly decreased supply, which many of us expected to be met by a constant demand as if "all things remained equal."

Why haven't they remained equal? Or more importantly, why don't more people want to own racehorses?

First, international economic stagnation obviously limits the purchase of non-necessities.

Second, the tax law revisions of 1986 caused many defections.

Third, and perhaps most important, racing is under siege from other gambling opportunities.

In many instances, we've stolen the fun from going to the races and lost our competitive edge by over-charging and under-servicing our customer and by providing too much product. One needs simply to walk across the street to see how a quality product, well presented in correct supply equals good business.

In summary, our sales problem isn't an oversupply of horses. It's a shortage of owners.

Interestingly, our owners aren't the ultimate consumer of our product in the supply-demand chain. The race tracks, and ultimately its patrons, provide the basis of the demand for our yearlings.

Therefore, our owner can be viewed as merely an agent in the demand for our product, as neither the patron nor the track purchase the product directly from us, the supplier.

The consignor consequently does not dictate to this chain, but can only react to it. Therefore, the consignor or sales company can't singlehandedly solve the owner-shortage problem. It is an industry problem.

Together we all need to make a concerted effort to:

- Provide a unified marketing campaign with some national direction.
- Insure that simulcasting evolves to our mutual benefit, by not only increasing purses but continuing the demand for quality horses.
- Reinstitute some investment incentives.
- Lastly, and perhaps most importantly, by all making an effort to attract and treat the new owner as if he's the most important person in the industry. At this juncture, he probably is.

The sales future? The market for yearlings may be ready to turn. The current market makes good horses more affordable. The declining numbers are soon to have a severe effect on the size of fields — not just related to a shortage of owners as is now the case, but related to a coming actual shortage of horses.

It's a hard, cold fact that, in 1995, there will be 23 percent less three-year-olds, which translates into two less horses per field on average everywhere. These are the foals of '92 and this fact can't be changed, unless the number of races written changes. Speculation on the crop of 1993's effect leads to potential shortages bordering crisis level.

Hopefully, that kind of supply shortage will meet with a demand from owners willing to participate in our game. The demand we've recently seen in our Fall yearling and two-year-old market would seem to indicate strength at these more affordable levels.

Recent innovations in the warranties of sales yearlings lend credibility to consignments and confidence to buyers.

Racing in Texas will inevitably have its effect on demand.

We have the potential for strength in the great breadth of our bloodlines and racing records with the strongest bloodlines available in the middle and lower ranges.

The stallions with their first crop of yearlings this year indicate increased potential for profitability.

For example, top price of the Freshman sires is champion miler, Zilzal, at $60,000. French Guineas winner and U.S. champion older male, Blushing John, stands for $35,000; three-million-dollar earner, Cryptoclearance, for $20,000. Champion Sunshine Forever's fee is $20,000. And so on.

No other sales period could match such value and diversity in first crop sires who, in turn, could provide such profitability to breeders and potential for racing owners.

The migration of horses between Summer and Fall, and between Kentucky and regional markets, will continue.

Percentages of weanlings offered at auction will continue to fluctuate.

The movement of two-year-old sales away from their traditional winter format will continue, as less two-year-old races are offered in the present time frame of these winter sales.

New marketing strategies will inevitably offer horses closer to starting. And innovative formats for private transactions will emerge.

If we continue to focus on solutions to our industry's shortcomings, and with the market forces and reactions already in place, I believe a market ready to turn is indicated, embracing some new formats and schedules and succeeding at a more predictable and affordable level.

Thank you very much.

Moderator: Thank you very much, Fred.

I think you can all see why Fred has the wonderful reputation that he has.

Somewhere along the line someone has got to pay the bills. And that's the owner.

Watts Humphrey is an owner and a breeder who's done a lot more for racing than just sign checks. As a trustee of the Thoroughbred Owners and Breeders Association, he can speak for one of the most important aspects industry.

What is the owner's perspective on the future of our industry, Watts?

A Look Ahead: Owner's Viewpoint

G. Watts Humphrey, Jr.: Thank you Jim. Good morning ladies and gentlemen.

When John Hettinger first asked me to discuss the owner's perspective on the future of the Thoroughbred industry in five to seven minutes, my immediate response was: "That's impossible."

Then he suggested that I focus on the potential impact of the reduction in both the quality and size of the breeding herd. My facetious response to this request was: "That's easy. Owners are disappearing far faster than either the size or quality of the foal crop is decreasing."

Actually, these are complicated and critical times for our industry, which will require careful analysis, new solutions and, most importantly, increased understanding and teamwork.

In my brief remarks this morning, I will attempt to touch on the direct impact of a smaller and perhaps weaker foal crop on the owner, and will conclude by offering some broad-brushed ideas on how to improve the industry outlook from the owner's perspective. Before discussing how these factors may effect the owner, please allow me to define three broad categories of owners for this discussion.

First, we have the breeders/owners who are the individuals or syndicates depending primarily on their own breeding to provide future racing stock.

A second group of owners would be what I would categorize as race track owners. These people depend primarily on purchasing privately, or claiming, racing stock with demonstrated form upon which they think they can improve.

Finally, we have the owner who goes to the public auction arena, who attempts to buy from the breeding industry future racehorses as either weanlings, yearlings or two-year-olds. All of these owners will be slightly differently impacted by the foal crop and its size and quality.

I would submit that the size and the quality of the foal crop are mutually exclusive. Breeding less mares does not mean producing lesser quality foals, my assumption being that, as the foal crop declines, it will be the lesser quality breeding stock that will be taken out of production.

The quality of the crop for use in American racing is going to depend more on international competition for our bloodstock; the breeding industry's ability to mate, foal and raise superior animals; and the horse training community's skills and acumen in developing superior performance, not the size of the foal crop.

Owners who are attempting to race the lesser quality individuals are going to be adversely effected by this trend. Owners focusing on the quality are still going to find an ample supply.

As we have already heard, in the short run the foal crop has not decreased dramatically.

The owner/breeder is benefiting from this, through the lower stud fees. Therefore, their animals are less expensive when they enter them in the racing stables.

The auction/owner is benefitting from lower racing stock prices because of the lower stud fees, fewer owners competing for the animals and a level, to subsiding, international involvement. All owners are also enjoying level, to rising, purses and smaller fields.

However, are we in a downward spiral?

My conclusion would be that the size and quality of the foal crop are symptoms, not the cause, of an apparent declining industry.

What, then, from the owner's perspective, needs to change in the next decade to reverse these trends and to create growth and opportunity for current owners and potential new owners?

First, those of us who garner all, some or any, of our income from the Thoroughbred industry must, in my opinion, realize that we have only two customers — the owner and the racing fan. If they are not fully satisfied with the product and service the industry provides, we are in the dreaded downward spiral.

In most instances the owner's perspective would be compatible with the racing fan's perspective. Customer satisfaction and customer service must be the prime objective.

Second, the industry must preserve and build on "the aura of the sport," and needs to create and develop an "atmosphere of excitement." These are what the owner is really buying, with the added opportunity for economic gain and potentially a grand slam.

Today, the owner participates in two basic arenas of our industry — the auction sales and the race track. All of us in the industry, and I mean all — breeders, sales companies, bloodstock agents, race track managers, trainers, jockeys — must become part of the process and solution.

This will obviously mean putting the good of the owner and racing fan ahead of any and all our self-interests.

In many areas, this is already happening. The Saratoga meet is a shining example. The base must be broadened and the pace accelerated.

We don't need more organizations. We already have a proliferation. Just to mention a few . . . TJC, AHC, TRA, HBPA, TOBA, RCI, AHRF, plus a multitude of state associations. We need to have our existing organizations share the same vision, communicate, and develop and implement programs.

Let's learn from each other, share experiences and develop mutually compatible solutions.

In conclusion, to me it's very simple from the owner's perspective. In the next decade the industry must provide an enhanced aura of the sport. It must create this atmosphere of excitement which we all long for. And it must increase the potential for economic return.

These are challenges that can be met, in my opinion, by innovation and cooperation.

Thank you very much.

Moderator: Thank you very much, Watts.

There's not much point in raising horses if they don't have race tracks to go to. That's where they're proven. That's partially their reason for existence.

Race tracks are also our contact with the general public and our lifeblood, the all important fan. As such, more than anyone else in the business, race track management is on the front line dealing with, and responding to, the technological and social changes of our day.

Jerry Lawrence has been in the race track business for most of his life. As Executive Vice President of the New York Racing Associations, he's in as good of a place as anyone to give us his views on where racing is going.

Jerry . . .

A Look Ahead: Racing Viewpoint

Gerald Lawrence: Thank you Jim and good morning.

The topic which John Hettinger has asked me to address this morning is the future of the Thoroughbred industry from a racing perspective. To begin with, it's no secret that all of us around the country are confronted with the problem of short fields.

On that note, we just completed a study here in New York, in which we looked at the betting handle for about 300 of our feature races in 1991, to see how it correlated with size of our fields.

What we found was that over the entire year, feature races with eleven or more horses generated 50% more betting handle than feature races with six or fewer horses. Feature races with 11 or more horses generated 20% more handle than feature races with 7 to 10 horses. If any of you would like to have a copy of the complete results of this study, please feel free to contact me.

A healthy and sizeable foal crop builds full fields. And full fields build betting handle, which is the financial bread and butter of this entire industry.

Now there is, of course, one way to assure full fields, even with a diminishing horse supply. With eight or ten "super tracks" running all of the live racing in this country, and all other markets taking simulcasts from these races, we would virtually be guaranteed full fields, even with a diminishing foal crop.

The question we have to ask ourselves, however, is whether or not that is the ideal scenario.

To answer that question, I think that we really have to take a look at some important distribution questions. Let me start by saying that, despite all of the tales of doom and gloom that seem to surround so many of our industry gatherings, we here today are part of a major growth industry — legalized gambling in America.

From 1982 to 1990, the U.S. legal wagering market grew an astounding 148 percent — an annual average rate of over 12 percent. Most of this was due to expanded distribution as a result of more lenient legislation.

Legalized pari-mutuel wagering on horse racing grew 28 percent over the same period. That's an annual 3 percent growth rate, almost all due to expanded off-track distribution.

Doom and gloom? Well, that only begins to manifest itself when we look at racing's changing market share position within the growth industry.

In 1982, pari-mutuel wagering on horse racing represented 22 percent of the overall U.S. legal wagering market. By 1990, racing's share of the market was down to 11 per cent.

What is remaining for us is an increasingly smaller piece of an expanding pie. I should also point out that over this time period casino market share position decreased slightly.

The real leader, from a market share growth perspective, has been the lotteries. Whereas racing's growth share of the legalized wagering market was cut in half in the 1980's, the lottery's share doubled over that time period. The key to this growth was distribution. More states legalized lotteries. And in states with legalized lotteries, the lottery is everywhere.

Now let's look at take-outs.

Average national take-out is almost 50 per cent — more in lotteries than it is in racing, and more than twelve times that of casinos. Yet the lottery is still winning the distribution battle and the market share battle.

This suggests to me that the key competitive advantage in this legalized wagering industry is distribution. On all fronts, the lotteries have the distribution edge over racing and casinos. With important legislative initiatives that are currently under consideration, as well as Indian gaming, expanded national distribution of casino wagering is on the horizon. Couple this with the fact that average take-out on casino wagers is one fifth of that on horse racing and one twelfth of that on lotteries, I'd project serious revenue growth for casinos in the coming decade.

Where does all of this leave racing? Well, some of this growth is going to come at our expense. The pie is only so big. And so we all better start focusing a lot more of our energies on the distribution of our game real quick.

In terms of expanding distribution, we have a number of possible vehicles — live racing, tele-theatre simulcasts, in-home simulcasts with telephone betting, intertrack simulcasts, and spartan OTB parlors.

Let me suggest that live racing, teletheatres, and in-home simulcasting are the key distribution factors in the future. The fact that we in New York still have "race-call only" OTB parlors as a distribution arm offers evidence of just how far behind we are in the distribution game.

Note, however, that I do mention live racing as a key distribution vehicle for the future. To put it bluntly, I do not believe that it is in racing's best interest to have only seven or eight supertracks. The live racing distribution arm is just too important to limit it to a few markets.

Anyone who walks the grounds of Saratoga this time of year cannot help but see how effective a robust live racing product can be in attracting new and casual fans. The live racing product is vital from a gambling and handle perspective, because a good portion of our best players simply have to be at the track to see the horses to wager.

We recently did some consumer research at Belmont and asked our patrons why they attend live racing rather than OTB. The number one response wasn't lower takeouts or added comfort, although both of our downstate tracks offer both. The number one response was that our fans desired to see live horses race.

Now don't get me wrong. Major markets should have a live racing distribution, but they should not be overly saturated with live racing, as we are in downstate New York. This is where the importance of new distribution vehicles like in-home simulcasting and teletheatres come in. Product diversity is made possible without having to saturate any market with any one product.

More markets with live racing, but less live racing in each market. Again, that's more markets with live racing but less live racing in each market. That's the solution. An effective mix of live racing with tele-theatres and in-home simulcasting can assure a product which is fresh and healthy.

So what are we saying here? What we are saying here is that the key success factor for competing in this emerging growth industry of legalized wagering is distribution. Thus far, racing is losing market share by losing the distribution game.

What we need is a newer, more successful approach to distributing our products. The factionalism which has led us to less than optimal distribution must come to an end.

Three hundred days of live racing in one market is not the right approach. At the same time, a market which relies exclusively on simulcasting to the exclusion of live racing is not the right approach either. The ideal distribution involves an effective mix of the two, something which we must work together in achieving. The key point here is that a healthy live racing product is critical to, rather than exclusive of, successful distribution of our product in various markets.

Under the ideal scenario of shorter, high quality meets in more markets we're still going to need a robust supply of horses in order to ensure full, competitive fields, that will build both on- and off-track betting handle.

Thank you.

James C. Brady, Jr., Moderator: Thank you very much Jerry. That was a very provocative statement. I sure hope your phone isn't too busy this week.

We've heard different perspectives on the future. I am struck by the fact that there are certainly many facets to our business. And while the outlooks are diverse, the answers are not diverse at all. Every facet of the Horse Industry is going through a painful reappraisal of the way they do business.

Will Farish spoke about the varied and exciting activities in which The Jockey Club is involved, and I think it is easy to see how different that is from the hand-operated registry card file of just a dozen years ago.

My business experience is with Banking and Real Estate, as well as with horses. The similarities as the excesses that crept into all of these are striking.

There is no magic that makes the problems go away. We must examine all aspects of our business and be willing to implement decisions that are painful. Only by going through this process and taking these tough steps will we come out of these times positioned to take full advantage of the opportunities that await us.

Over hundreds and hundreds of years, this resilient sport has been successful in overcoming all sorts of challenges. And, as you will hear shortly, there are more to come.

These represent our opportunities and our challenges, and I am confident of our ability to address them and deal with them. I'd like to thank our four panelists for sharing their thoughts with us. It certainly was a very interesting morning.

INTERMISSION

Ogden Mills Phipps: Few world changes compare with the emergence of what has become known as the Pacific Rim as a major arena for international trade and commerce.

Last December, I had the pleasure of meeting our next speaker at last year's Asian Racing Conference, held in Hong Kong.

That Conference was an eye-opening experience, and brought home just what a force the Pacific Rim is becoming, not only in industrial trade and commerce, but also in the world of Thoroughbred racing.

Les Carlyon speaks to these developments with the objectiveness of a professional newsman, author, and racing and breeding commentator.

His syndicated column appears in Australia's two leading newspapers — *The Age*, in Melbourne; and Sydney's *Morning Herald*.

He also speaks as a practical horseman, who knows what it's like to breed a stakes winner and put a yearling through the sales ring.

Les we appreciate you and your wife coming this long way and we look forward to hearing from you.

Les Carlyon: First of all, Mr. Chairman, I thank you for the honor you show me in inviting me to speak here today.

I have to tell you it is slightly less daunting for me than on another occasion when I shared a platform with one of your prominent members.

That was a roisterous luncheon in Melbourne at Cup time two years ago and I was feeling a little apprehensive, as one normally does before these sorts of things. So you can imagine how I felt when my co-speaker, Arthur Hancock, turned up with a sparkling line of wit and a sheaf of notes thick enough to give a large horse colic . . . and a guitar!

All I could do was thank the Lord I was speaking first. Dinny assures me I am not required to sing the Sunday Silence song today.

Mr. Chairman, it is not only an honor to be here today, it is also for me a pilgrimage of sorts. One great thing America has given the world, I think, is the best sports writers in the world.

One thinks of Runyon, Liebling, Cannon, Estes, Lardner, Red Smith and, I believe, the greatest of them all — Joe Palmer.

These and others were so good they created a sub-branch of literature — rich, lively, idiomatic and, sometimes, a little cynical.

Yet none of them were ever anything but warm about Saratoga. Palmer was no respecter of sacred cows, yet Saratoga moved him to write of the "sunshine lying on elm trees like bright dust." Racing here in August, he wrote, was a "jewel" . . . and "a man who would want to change it would stir champagne."

I now know that, thanks to you, Mr. Chairman, to be true. But I confess to having a few problems with the perceptions Damon Runyon planted in my mind about this place.

There, for instance, turns out to be no Grand Union Hotel, not now anyway. And no bookies, least of all one who goes by the name of Willie the Worrier. Nor have I met any desperates.

That's the trouble with perceptions, they are hard things to shake. And, Mr. Chairman, I wonder if there is not a perception about racing in the part of the world from which I come, a perception which in some ways is no less dated than the Runyonesque portrait of Saratoga.

Among the great truths about racing are these: Racing's finest traditions spring from Britain and America; the hallowed races are run in these places. If you wish to come close to the heart and soul of the Thoroughbred, you stand in the graveyard at Claiborne Farm and commune with the ghosts; or you linger on Newmarket Heath on a misty morning and listen to the thud of hoofs.

But this, I tentatively suggest, should not blind us to what is happening in racing's third world, the countries of the Pacific and Asia that come together as the Asian Racing Conference.

I use that phrase "third world" purely in the numerical sense, not as a polite way of speaking about poverty. You can say what you like about racing in Australia, Japan and Hong Kong, the one thing it is not is impoverished. And neither, except in the case of Japan perhaps, can one say racing in my part of the world lacks a little history.

Now it's natural to associate racing with its undying moments, which means we quite properly think of fabled places on this side of the world, such as the track across the road here, which opened a month before Gettysburg and has been casting spells ever since.

We think of the Derby at Churchill Downs, dating from 1875. We think of the first classic at Epsom, England in 1779.

To keep things is some sort of perspective, however, I offer a few other dates.

The first formal race meeting in Australia took place in Sydney in 1810. The Melbourne Cup, which is Australia's foremost race and now carries a stake of $1.5 million (US), began in 1861. By 1880, that Melbourne Cup had dragged in its first 100,000 crowd. And it will attract the same number this year. It's endured.

They were racing in Singapore in 1842 and in Hong Kong in the mid-1840's.

The Melbourne Cup, as those of you who have been to it would know, is one of the great racing pageants of the world. But, apart from the Cup, it is probably true to say Asia and the Pacific, despite their early start of racing, failed to develop other great races.

Until now . . .

The Japan Cup, I think, is now becoming one of the great races of the world. And I suggest its star has only just begun to rise. I am old enough to remember when people told me cars with funny names like Toyota would never catch on.

The Invitation Cup in Hong Kong last year attracted horses from eight countries. Now it's only a Group 3 race but, in 1991, it may have been the most international race ever staged anywhere. It, too, is a comer.

In Melbourne, we have developed a high-class weight-for-age race of international quality called the Cox Plate. And in Sydney, they run the world's richest two-year-old race, the Golden Slipper, worth $1.5 million (US).

I am still not suggesting, Mr. Chairman, that the Pacific Rim — now or ever — offers a challenge to the heartlands of racing. There are some things money cannot buy, and tradition is one of them.

I think what I'm suggesting, though, is that in Asian and Australian racing there is a vibrancy that may not be fully appreciated. I am certainly suggesting that segments of Asian racing, even in these gloomy times, are experiencing extraordinary growth. And, further, I'm suggesting that innovations in the Pacific Rim countries — mostly to do with betting technology and race presentation — have so revolutionized the business side that, inevitably, they will be adapted in what we might call the old world.

I come to you today, I can assure you, as a messenger rather than a salesman. But let me offer a few facts to support what I have said. Before I do, let me apologize for having to resort, from now on, to so much statistical information.

The reason I love horse racing is because of the wondrous theatre it produces, part of which is the horse player's belief in the statistical certainty that two and two can be made to equal 306. But I'm afraid it's impossible to talk about such a large subject, without resorting to some statistics.

Now, a few of those random facts . . .

If we look at Japan for a moment, I'll offer you two remarkable numbers:

First, the annual betting handle, most of it from off-course betting . . . it comes out at $32 billion (US). That's one third of the estimated world-wide betting handle of $89 billion (US). One third of it from one country.

Second, the average prize money for a race in Japan last season came out at $224,000 (US). If you savor that figure a bit you begin to understand that the Japanese purchaser of a million-dollar yearling is perhaps not the cock-eyed optimist we might think him to be.

Take Hong Kong. There is no breeding industry there. All the horses are imported and there are just 1,000 of them in training. Yet the betting turnover in Hong Kong is close to $7 billion (US), which means that, on average, each horse stabled in Hong Kong creates a betting turnover close to $7 million (US).

One reason the handle is so high there is because of the standard of race presentation. They use a huge video matrix screen — much bigger than that one you may have seen used at the Barcelona Olympics. And it works very well at getting people in.

I've not been to Japan, but I have seen enough film from there to know that they present their races in the same way.

Now if we look at Australia for a moment . . .

We have a very substantial breeding industry in Australia, so substantial that only the United States has more mares. Perhaps that's really a thing one shouldn't boast about at the moment. But racing goes very much to the heart of Australian culture. I suggest to you, perhaps more so than it does in the United States. It's possibly because, in Australia, it would've been impossible to settle the country without horses. And just about everybody in Australia — certainly people of the second or third generation — has got some link to the horse, although it may not necessarily be a racehorse.

But so deep is this racing tradition that we have around 500 tracks. Now if you translate that on a population basis, that would convert to about 8,500 tracks in the U.S.

There is a rare democracy about Australian racing. A sheep shearer can not only own racehorses, he can — and does — watch his $5,000 horse beat a million-dollar yearling owned by an Arab potentate. The John Henry syndrome lives in Australia.

We are a peculiar blend of the old and the new. Our style of racing is very much a throwback to the British tradition. But our off-course betting system is straight from the age of the microchip.

In passing, Mr. Chairman, I might mention that one reason Australian racing has developed so strongly is that, on administrative matters, the sport is not fragmented.

A drug, for instance, that's outlawed in Melbourne is outlawed several thousand miles away, and several states away, in Perth.

Now, New Zealand also has a lot to offer.

I'll be accused of treason for saying this, but New Zealand is the great breeding nursery of the Pacific. It breeds fewer horses than Australia but, horse-for-horse, I guess one would have to say, they are probably the best horses bred in the area.

Now, if I could test your patience just a little further, I'm just going to show you a few slides.

The first slide I would like to show you is a comparison of the three major racing regions of the world *(fig.i)*.

A few points: First, the Asian Racing Conference countries stage fewer races than you do here, but three times as many as Europe. And perhaps the other interesting part about that is that, if you look down at the bottom, in terms of prize money and betting handle the Asian Racing Conference countries, in fact, lead the world.

Let's now look at a second slide showing the prize money in a little more detail *(fig.ii)*. Prize money alone doesn't make an event great, but it is interesting that Japan and Australia both offer more in purses than such celebrated racing nations as France, Great Britain and Ireland.

Now, on to the third slide, which is a break up of betting *(fig.iii)*. I find it interesting here that, while the United States offers as much prize money as Japan, it can only attract half as much back in revenue from racing — $14 billion (US) against $31 billion (US). The British figure may look impressive, yet — for various reasons — as we all know, not that much of it seems to find its way into the betterment of racing.

Australia, you will notice, is right up there with France. Incidentally, the Australian handle on just one race — the Melbourne Cup — is well over $100 million (US), which compares pretty well with your Breeders' Cup day handle.

And look at Hong Kong — all that money from just 1,000 horses.

The fourth slide looks at Japan and Hong Kong a little more closely *(fig.iv)*. You'll see here the huge volume of Japanese betting that comes from off-course betting. And look at the attendance figures for Hong Kong.

The fifth slide is simply to give an outline of the dimensions of the breeding industry around the Pacific *(fig.v)*.

Australia dominates the numbers, but numbers don't necessarily reflect quality. New Zealand, as I said, breeds some great horses. South Africa will benefit from being able to deal with

INTERNATIONAL COMPARISONS
SEASON 1990 AND 1990–91

	Europe	Pan America	Asian Racing Conference Countries
Races	21,660	99,144	61,625
Horses in training	38,710	123,651	92,662
Runners	206,511	876,174	578,392
Prize money (in Millions)	$268.2 M	$746.6 M	$877.3 M
Betting turnover (in Millions)	$19,578 M	$14,728 M	$42,870 M

Figures for flat racing only

Source: Paper presented to 1992 Asian Racing Conference by Major-General Guy Watkins, Chief Executive, Royal Hong Kong Jockey Club.

FIG. i

PRIZE MONEY:
INTERNATIONAL COMPARISONS FOR 1990 IN U.S. DOLLARS

Selected Asian Racing Conference Countries		Selected Other Countries	
Japan	$764.4 M	United States	$710.4 M
Australia	$159.7 M	France	$144.3 M
South Africa	$ 41.6 M	Great Britain	$ 92.3 M
Hong Kong	$ 20.0 M	Italy	$ 69.3 M
New Zealand	$ 18.8 M	Canada	$ 59.2 M
Malaysia/Singapore	$ 10.3 M	Ireland	$ 23.2 M
India	$ 5.6 M	Venezuela	$ 14.9 M
Macao	$ 5.5 M	Argentina	$ 13.7 M
Pakistan	$ 3.3 M	Mexico	$ 5.9 M

Total prize money world-wide: $2.36 Billion

Source: International Racing Conference, Paris.

FIG. ii

BETTING:
INTERNATIONAL COMPARISONS FOR 1990 IN U.S. DOLLARS

Selected Asian Racing Conference Countries		Selected Other Countries	
Japan	$ 31.8 B	United States	$ 14.1 B
Australia	$ 7.3 B	Great Britain	$ 9.0 B
Hong Kong	$ 6.1 B	France	$ 7.4 B
Korea	$840.4 M	Italy	$ 2.4 B
Malaysia/Singapore	$471.5 M	Argentina	$280.7 M
New Zealand	$377.8 M	Ireland	$219.6 M

World-wide total: $89.1 Billion
World-wide, excluding bookmakers $75.7 Billion

Source: International Racing Conference, Paris.

Includes harness racing

FIG. iii

BIG BETTING IN THE PACIFIC RIM
TWO EXAMPLES

JAPAN 1991 (U.S. DOLLARS)		
Average daily turnover (in Millions)		$93.3 M
How it was bet:		
Off-course venues	74.7%	
On-course	17.0%	
Telephone	8.3%	
Average prize money per race		$224,321

Note: Japan's average daily turnover compares with the North American handle on the Breeders' Cup at Churchill Downs of $67.6 million.

Sources: JRA, The Blood-Horse, Lexington.

HONG KONG: 1987-88 THROUGH 1991-92	87-88	91-92
Horse population	843	1,014
Number of races	457	498
Prize money (in Millions)	$ 12	$23.7 M
Average attendance (includes cross-betting)	42,900	48,200
Betting turnover (in Billions)	$1.18 B	$6.93 B

Note: The Hong Kong betting turnover of $6.9 billion is earned from the exertions of only 1,014 horses.

Source: Royal Hong Kong Jockey Club.

FIG. iv

SELECTED BREEDING STATISTICS
PACIFIC RIM COUNTRIES

FOALS PRODUCED	1980	1990
Australia	17,500	23,500*
India	535	1,157
Japan	7,557	9,319
New Zealand	5,450	5,762
South Africa	3,413	4,144
Total	34,455	43,882

Source: International Racing Conference Report, 1990.
Current Australian foal crop estimated at around 19,000

MARES AT STUD – 1990	
Australia	40,300
India	2,538
Japan	14,630
New Zealand	12,417
South Africa	7,214
Total	77,109

Source: International Racing Conference Report, 1990.

FIG. v

GROWTH IN AUSTRALIAN RACING
(U.S. DOLLARS)

	1977–78	1990–91
Number of tracks	534	492
Number of days raced	3,480	3,785
Number of races	21,208	25,614
Number of starters	190,472	247,895
Horses in training	26,867	38,243
Prize money (in Millions)	$28.2 M	$155.3 M
Betting turnover (in Billions)		$ 7.34 B

Source: Australian Thoroughbred Statistical Record; International Racing Conference, Paris.

FIG. vi

the rest of the world now. And a little point that won't surprise you . . . later figures will show very heavy falls in the Australian foal crop. In other words, what's happening here is happening exactly the same in Australia.

Finally, the last slide, a quick look at the latest Australian figures *(fig.vi)*.

You'll see that huge number of tracks there. We need all those. I live in Victoria, which is the smallest mainland State. On an average Saturday, there is one city meeting and 10 lesser meetings around the provincial towns, just within that one state.

Finally, Mr. Chairman, everyone here knows better than I do that for racing to succeed and flourish anywhere, certain ingredients must be present.

We need good horses and we need an affection for the horse as an animal. And I think it would be tragedy if this sport, as I prefer to call it, ever loses that.

We need to create great sporting theatre so as to compete against other sports.

We need to be on mainstream TV because, like it or not, that is where the next generation seems to get its values and role models. We need big race crowds. And that means the way we present races will become more and more important.

And we need big betting turnovers because these, in the end, underwrite everything.

If one accepts these general propositions, I think Asia and Australia perhaps have a little more to offer the world than might generally be thought.

There is, too, as we all know, a trend to make racing more international. And this can only be good, as it has been for other sports. The Breeders' Cup seems to become more successful each year. So does the Japan Cup. Hong Kong's international race is going to be a great success. It's spreading right throughout the Pacific Rim.

The Melbourne Cup a few years back was won by a horse called Kingston Rule. He was a son of Secretariat, and looks like him. He was bred in Kentucky on a farm within walking distance of the Keeneland barns. The farm is owned by an Australian businessman. Kingston Rule first raced in France, couldn't handle that soft ground, and came to Australia and in a way made racing in our area a lot more international. We're going to see a lot more of that. And the more that happens the better it'll be.

And I think the more we get international racing, the greater its appeal to the public and, one would hope, to the major TV networks. Who knows, one day we Australians may be able to bet on the Breeders' Cup using a personal computer. As it is, Hong Kong will this year be betting on the Melbourne Cup.

One day, maybe, there will be an international circuit of racing that attracts global betting and TV coverage.

Who knows, there could even be a Thoroughbred equivalent of the Olympic Games every four years. This

would be good, because we Australians belted away with the two gold medals for the three-day event at Barcelona.

At this point, Mr. Chairman, I have become a salesman rather than a messenger, so it is time to stop.

I thank you again for the honor. I wish you all well. And I have to tell you that Joe Palmer was right . . . this place does cast most wonderful spells.

Thank you.

Ogden Mills Phipps: Les, thank you.

I thought everybody in this room would be amazed at the numbers that were going on in the Pacific Rim. I certainly was when I went over there last year. Les, we appreciate you coming all this way to tell us about it.

Ogden Mills Phipps: The last panel is going to discuss casino gambling.

In recent years we have seen a gradual but significant change in society's perception of gambling.

First, there was acceptance of the lottery, a concept which rapidly spread from state to state. Now it's casinos that are beginning to be seen widely as a way for states to raise revenue for their hard-pressed treasuries.

Let me now turn it over to Dick Duchossois and his panel, to examine this development, and discuss its impact on racing.

Dick . . .

Richard L. Duchossois: Thank you, Dinny.

After this wonderful time down here in Saratoga, some of us are going to be returning back home to reality.

The reality in Chicago, and other major metropolitan cities around the country, is that we are going to be facing casino gambling, which in turn is going to pose a very grave threat to our entire industry.

Without exaggeration, the expansion of casino gambling is going to mean that, within the next four to five years, some of us won't be here.

As an owner of a race track, a breeding farm and a racing stable, it's become very clear to me that casino gambling can destroy, and probably will destroy, every segment of our industry as we know it today.

It's imperative that we develop a strategy to develop a program that can be implemented to slow down or stop the proliferation of casino gambling throughout the United States. This action must be taken now. Time is very short.

It's a very complicated and very complex problem. It's certain that we don't have time today to discuss the entire operation. But, before we really dive into the program, it's necessary for us to understand what some of the problems are. In Illinois, we have pretty well brought the industry together over the past two years.

In Illinois, we've gotten a lot of things done because we speak as one person.

Ed Duffy here is a spokesman for Illinois Thoroughbred racing. That includes the breeders, the owners, the race tracks and so forth. Ed is not only President of Arlington International Racecourse, he was the man that Governor Thompson had, to put together the racing and breeding legislation in the state of Illinois. And then, later, he became the Governor's top cabinet member.

So Ed is well versed in not only the operation of a race track, but in how a race track inter-relates with the politics of racing, and what you have to do at the statehouse as well as in Washington. To speak to the problem from the breeders' side of our operation, we have a man who needs no introduction.

Robert Clay is the owner of Three Chimneys Farm. He's president of TOBA. He's a member of The Jockey Club.

Robert knows and understands racing and breeding very well. But he also understands the tremendous economic impact the casinos would have on the multi-billion dollar agri-business here in the states.

After we've heard from both Ed and Robert, I would like to take a few moments to suggest a way that we may combat this very dangerous force, that is starting to take over our industry and the market share that we enjoy, even though it is now dwindling.

Ed . . .

Edward T. Duffy: Thank you Dick.

Mr. Chairman, before I begin, I would submit to you that there are now two people that one wishes not to follow — the man with the guitar from Kentucky, and the man with the wonderful stories from Down Under! Had I known that you were going to do that, I would have tried to get us scheduled differently this morning.

Mr. Chairman, again, thank you for the opportunity of coming before your group this morning to discuss a problem that I believe, we believe, has great impact on our industry over the next several years.

It occurred to me as we were listening to the various speakers this morning that the one central theme that was driven through all their presentations was the issue of the future.

I, like my predecessors, would like to discuss with you what we see as a problem in the future, and perhaps what we might do to resolve it.

My message today is very straightforward: If casino gambling continues to expand in this country, the racing industry as we know it will not survive. By the end of the 20th century, for all practical purposes, there could be no horse racing industry at all. There is no place in the world where casino gambling and pari-mutuel wagering have co-existed without artificial subsidies to the horse racing industry.

We need to understand that this is not an issue of the casinos against the race tracks. The issue is the casinos against an agri-business that is spread throughout most of our country's states, whether or not they have pari-mutuel wagering offered.

Race tracks are only the showcases for breeders, owners, and their related support industries to show their products. If race tracks cannot provide this service without making a profit, then a major segment of agri-business will collapse. The race tracks, breeders, owners and support industries are entirely dependent upon one another. If one fails, we all fail.

But the casinos are already starting to issue death notices for racing.

They did so in a statement recently released in Chicago by a consortium of Caesars World, Circus Circus and Hilton. They are now asking the people of Illinois to allow them to replace the racing industry. If this happens in Illinois, what will happen to the rest of our industry throughout the country?

The casinos, and their army of lobbyists and public relations firms, are telling uninformed legislators and an unsuspecting public that our industry is made up of, "complacent, non-competitive dinosaurs." The casinos have said that we have allowed our market share to erode to the point that we cannot survive the remainder of this century, which is only seven years away.

The casinos are playing on legislators' and the public's recession-driven desires for the creation of new government revenues without raising taxes and, of course, new jobs. The issue we face is, therefore, not a business matter but a political matter and, as we all know, business and government often times have different goals.

The casinos are telling anyone who

will listen that racing is highly fragmented industry, riddled with internal conflicts and dissension, and plagued by the absence of a national strategy. The casinos say that, with isolated exceptions, we have failed to market and promote horse racing to appeal to contemporary consumer tastes and lifestyles.

As a result, the casinos say, racing has increasingly lost popularity and market share, which the casinos are eager to claim for their own. The casinos say that our industry is showing all the signs of a mature business that lacks vision and direction.

It is important to observe that the casino industry is very well organized and financed, when it comes to promoting the welfare of itself, while racing sometimes appears to be looked at as a loose federation of many different associations, each only concerned for its own welfare.

The reality we are now confronting is that if the tracks, the breeders, the trainers, the owners are all to survive, we must change. We must unite. We must develop a battleplan to counter the casinos. And we must do it within the next several weeks, because casinos are moving against us even as we speak.

I use Illinois as an example, but only as an example because, as we speak, it will occur in the rest of our country. As we speak, right now in Illinois, there is public debate going on over whether casinos will be allowed to expand within that state. In November that vote will be taken.

Unfortunately, there are those in our industry who have been seduced into believing that casinos may offer new opportunities for racing. They advocate striking deals with the casinos in hopes of living together happily ever after. I believe they are indulging in dangerous fantasies.

Many insiders in our industry have even gone so far as to suggest we should put slot machines in our tracks and share these machine's income with the horsemen. The simple truth is that placing slot machines inside of race tracks is actually helping to bring about our own demise. It is like economic suicide, economic suicide for the owners and the breeders.

Let me give you an example of what we're suggesting when we take the position opposing putting slot machines inside of a race track.

Any normal business that offers two products, one product is profitable, the other item is a loss item that requires subsidies from the first product.

That's why they're offering to share the income from slot machines with the horsemen . . . because they realize that, once the slot machines are offered into this market, it will take away the horsemen's share and the race track's share of the income. It doesn't take a business owner long to realize that if his first product is subsidizing a second, if the second is taken away, the first product becomes more profitable yet to the bottom line.

Unlike any previous challenge this industry has ever had to confront, the expansion of casino gambling to Chicago and other major metropolitan markets across the nation carries a death threat.

Make no mistake. Casinos are predators.

Empirical evidence has clearly shown that casinos and pari-mutuel wagering cannot co-exist in the same marketplace. In every case thus far, racing revenue has declined by as much as 35 to 40 percent annually. No industry can absorb such severe financial impact and continue to survive.

The casinos tell us that if we "play ball" they will provide us with new profit centers and that we will adjust quickly to a new wagering-product mix. The casinos suggest that blending pari-mutuel wagering with other forms of gambling would effectively subsidize racing. In this case, the casinos are doing what they do best, trying to sell a dream.

In real-world business, however, one maximizes those things that create profits; and minimizes those activities that lose money.

Therefore, if racing's survival becomes dependent on slot machines or video poker revenues, the industry faces a shift of priorities which will inevitably hurt its less profitable racing operations.

Years ago, racing enjoyed a wagering monopoly. Because of this, we were required to pay a privilege tax on our gross sales — on our handle, if you will. We are still paying a tax for the so-called "privilege" of pari-mutuel wagering.

The casinos, on the other hand, only pay taxes on the profits they make. And that's a big difference in terms of taxation and of economic viability.

This is an uneven playing field, with the advantage going to the casinos.

While taxes are a major factor in business, they can only be dealt with through politics.

As you well know, this industry's historical power in the political arena has flowed directly from the industry's importance as a source of jobs and tax revenue to local and state governments. But that power has eroded over the years with the proliferation of other forms of wagering.

Right now, it is estimated that there are well over a million people that work in our industry across the country. With numbers like these we can, if you choose, focus significant public and political attention on one thing and one thing only — our common survival.

Owners must understand and accept their responsibility to help lead this fight. After all, owners are the people who finance this industry. And they are an extraordinarily prestigious group of Americans. If they would speak up loudly and with one voice, I believe they would be listened to.

Ladies and gentlemen, if the legislators in Illinois bow to the casinos in November, it is more than likely that other jurisdictions will soon follow. And to the extent that Illinois Thoroughbred tracks are hurt or put out of business, to the same extent will our breeders and owners be hurt or put out of business as well.

If racing does not resist the casinos, the casinos could put us all out of business. The fight is real. The issue is survival. I believe the time is now, and truly it is up to you.

I thank you for the time that you have granted us this morning.

Thank you very much.

Now it is my pleasure to introduce someone who is much more familiar to this group than I am. He is the President of TOBA and a very famous breeder in our country . . . Mr. Robert Clay.

Robert N. Clay: Thank you, Ed.

When Dick approached me at the Keeneland Summer sales and asked me to sit on this panel to discuss casino gambling, my obvious reaction was that I am in no way qualified to address this subject.

Dick, in his persistent urging, asked me to give some thought to the owners' and breeders' perspective on how they may be effected if casinos were allowed in the Chicago area.

Since there are probably as many

owners' and breeders' perspectives as there are owners and breeders, I am reluctant to represent their perspective, but I'll try to generalize it as I see it.

Let me start by expanding on one of Jerry's statistics. It summarizes the serious concerns that owners and breeders around this country share for our existence.

In 1974, racing enjoyed 35 percent of the legalized gambling market in North America. According to Jerry, in 1982 it had dropped to 22 percent; in 1990 to 11 percent; and today nine percent.

If racing had held its 35 percent of the gambling market that it had in 1974, the average earnings of a racehorse today would be $31,000 per year, instead of $8,000 per year. And as we've been told by Les, the average earnings in Japan are $224,000 a year. The advent of casino gambling threatens to lessen even the $8,000.

Racing no longer enjoys its status as a monopoly. Riverboats, Indian gaming, casinos and the lotteries have entered the arena as competitors for the gaming dollar against the traditional players, horses, jai alai, and dogs.

Consumer-friendly competitors, such as video poker games, are lurking on the horizon. Sports gambling, thanks to the political clout of the major sports leagues, has been put on hold for the time being. But there's is a second reason for the market share decline — racing's lack of attention to any strategy.

There is no unified, resolute, goal-oriented strategy within our industry to protect our market share. We've have not defined our marketing strategy, or our legislative agenda. We are "ripe for the picking" for our competition.

Now, before all the race track executives in the audience start objecting to this statement, let me clarify. I am talking national strategy.

I am sure that each track's own management, and especially their own marketing departments, have defined their local markets, products, niches and legislative agendas. But we are not taking advantage of a national strategy.

There is no economy of scale on ideas, strength in numbers, political leverage, commercial sponsorship, television contracts, national fan base, etc. As long as each race track, and each owners and breeders association, subscribes to the theory that they have a better way, we remain an industry with fragmented strategies.

But what is the perspective of the owner and breeder to the alarming market share numbers? Or to the gaming competition, such as casinos?

Let me start with the owner. The average owner is complacent to the problems facing racing. Most owners are in racing for fun and maybe for a chance for their fun to pay for itself. They really do not have the time, or the inclination, to be burdened with the industry problems. They want to play golf, not sit on the board of directors of the country club.

They have, historically, deferred the so-called "problems of racing" to others — the trainers, the race tracks, the Registry. Owners, for the most part, are much more concerned with the convenience of owning horses, trainer communication, size of purses, seating, licensing, etc., than they are with casinos, or riverboats, or video poker, or market share, or strategy. They assume that someone else will represent them in those areas. Owners do watch the developments in the industry, and those developments may effect their investment. But, for the most part, owners are not inclined to get involved.

The breeder, and especially the commercial breeder, on the other hand, takes a much different attitude.

The health of racing is critical to the commercial breeder's livelihood, as we've already heard here today. He or she is concerned that racing is losing its foothold and that there may not be enough demand for his or her product.

With the demise of Longacres, the Washington State breeder is desperately effected. If casinos impact Arlington Park, the 40,000-job breeding industry in Illinois will definitely suffer. There are plenty of other examples. The breeder perceives a crisis and is looking for answers.

But the race track executives in this country may be looking at this crisis differently than the owner and breeder. In the short term, race tracks need the owners and breeders for product.

The continued decline in the foal crop is a reflection of how owners and breeders are voting. They're voting with their pocket books, and choosing to breed fewer horses, primarily because the economics don't work.

Many race tracks have recently recognized the need for this product, with more attention to the owner — both their financial needs, through improved purses, and their non-financial needs, through better services. The investment in product by the owner and breeder is critical to the race track in the short run . . . it's a business partnership.

But, in the long run, race tracks may not need our product. It may be too expensive to maintain the backstretches if there are more profitable alternatives. Some tracks are located on prime property and may sell out entirely. Longacres is a good example. And others will choose to add non-horse gambling products at their race tracks. Louisiana has installed a form of slot machines at their race tracks, and other track owners have expressed interest in combing horse and non-horse gambling. These are executives responsible for earnings and, in some cases, survival. So one cannot necessarily blame them for looking at all alternatives for enhancing the bottom line.

And so what are we going to do?

Do we let our market share continue to drop to nothing? Do we sit by idly as race tracks decide to offer different, more profitable products? After all, race tracks are essentially the arenas — convention halls, if you will — where we show off our product. Their loyalties are not to the horsemen but, understandably, to their stockholders, and their bottom lines.

We need to be concerned that the slot-machines that may supplement purses today don't replace live racing tomorrow.

Traditionally, horsemen have taken the adversarial position with race tracks, demanding their fair share. But fair share of less is less.

I think as owners and breeders we must change our attitude. We must join the race tracks as partners. In good partnerships, both parties bring something to the table. In this case, the owner brings the actors and the track provides the theatre.

We are the producers, the production company. We need to make sure the theatres use our actors. We create the stars. We need to make sure that the stars have a place to perform.

With all the talk of crisis and survival, we can take comfort that our star is the horse. And the role of the horse is paramount. The horse makes us a sport. The horse gives us our hero. The horse is what the public follows. The horse is our niche in the gaming arena. And the horse provides our tradition. Handicapping a horse race is a cerebral exercise, as opposed to pulling a lever or scratching a lottery ticket.

But owners and breeders bring more to the partnership than just the actors. We can bring tremendous political clout.

In Texas, Florida, and California; and in New York and in Illinois, we should be joining forces in the political battles as allies of the race tracks, not adversaries. We must organize, as employers of hundreds of thousands of people, to strengthen our political muscle in state houses across the country, and at the federal level if necessary, to lobby our cause, horse racing.

We can do all this, while we continue to ask for our fair share from the race tracks.

We need to use our strength in numbers. TOBA has 32 state association members, which represent nearly 25,000 members. If each of those members employed or contracted 10 people, we are talking nearly 250,000 jobs — Ed has used the number of one million jobs as being the number of jobs effected by our breeding and racing industries. That is powerful stuff if organized and mobilized effectively.

But how can we use this powerful stuff? We must develop a strategy; a strategy that includes a legislative agenda; a strategy that includes a marketing agenda. We won't win every legislative battle, so it's imperative that we promote our product better than the next guy. Remember our market share is already down to nine percent.

So, what good does a strategy do us?

It gives us a direction and a resolve. It unifies our purpose. it defines where we want to be and how we are going to get there. Do we want casinos, card games, slot machines? Do we want fewer racing days? We need to make some strategic decisions.

And while we're at it, do we want fewer racing days? Do we want to plan our distribution mix? Do we want uniform medication rules? Are we willing to pay for the promotion of our product?

Most everyone in this room has a strategy for his or her business or organization. We need a strategy for horse racing. Owners and breeders are waiting for the leadership to set those goals.

The threat of casinos in Chicago offers us a great opportunity. It is a catalyst, a great example of race track executives, owners breeders and trainers working together in the political arena to fight for horse racing.

You can bet Dick Duchossois has a strategy to beat casinos in Chicago. But the problem is bigger than Chicago.

Let's not only rally to Dick's call for political support in Illinois, let's take our cue from Illinois.

Let's develop our national strategy. And let's organize our effort to make it work. I realize this is not an easy task in the very complicated structure of our industry, but maybe the Illinois initiative can evolve into something bigger.

Meanwhile, Dick Duchossois, I pledge to you the support of the Thoroughbred Owners and Breeders Association in your endeavor to stop casino gambling in Chicago. We will ask our members to apply whatever political support they can give as you fight your battle. Arlington Park is a great place for the national partnership to begin.

Thank you.

R. L. Duchossois: Thank you, Bob and Ed.

Bob and Ed have tried to cover a very complex and complicated program in a very short period of time. But time is running short. We would like to make a suggestion that we believe will

have a great impact on our industry.

I'm talking about the whole industry. I'm talking a composite of everyone that has to do with racing and breeding. That goes down to the man that raises the hay, the oats, the wheat, the veterinarian, the blacksmith and so forth.

We feel that if an executive committee is put together consisting of either the president or the next highest officer of the following organizations: The Jockey Club, the Thoroughbred Owners and Breeders Association, the American Horse Council, the TRA, and the HBPA; if these five men would form an executive committee, with the responsibility of electing one of themselves as the Chairman — or finding a professional qualified to do the job, that can represent our industry — this executive committee would develop the strategy to implement a program where we could control what is happening throughout our entire industry.

They would speak as one voice for the industry. And only as we speak as one voice for the industry will we be able to accomplish the things that the casinos are doing.

Because believe me, from what we have seen, the casinos and their action, their activity, and their strategy in Chicago and Louisiana, we have a much larger fight on our hands than we have ever dreamt.

This executive committee, if it's approved, would be ready to put together its agenda this coming week and have its first formal meeting the following week, and that each of its members would report back to their own organization.

It would be hoped that each member, the president or the highest ranking officer of the five organizations, would have the authority to speak for their organization. Because, if we get too large a committee, we're going to accomplish nothing except spending a lot of time and a lot of money.

It will be up to the individual organizations to help finance this tremendous fight that we have on our hands.

Reading my history book, I keep going back to the time when there was a certain meeting in Munich. The Prime Minister of England came back, and all over the world we heard, "Peace in our time."

Immediately after that, we had World War II.

There are too many of us within our industry endeavoring to create a peace instead of facing the facts of life — that we're fighting really for our basic existence as we know it today.

We thank you very much for your time and for listening to us on what we consider a very major problem.

Ogden Mills Phipps: Dick, thank you.

The Jockey Club will be happy to be there at the table, and will be happy to provide the back office support that's necessary for your committee.

Ogden Mills Phipps: Ladies and gentlemen, before we close, I'd like to say a few words about two special things.

Every fall we give, at our annual dinner, an award called The Jockey Club Medal.

This is a special award and an important one. Because, each year, it recognizes the effort, dedication and contribution to Thoroughbred racing and breeding of one outstanding individual.

Our first honoree, in 1984, was D.G Van Clief, whose tireless efforts have helped make the Breeders' Cup what it is today. In 1985 we honored France's senior racing administrator, Jean Romanet. Then there was Dick Duchossois, who built Arlington International Racecourse from the ashes of old Arlington Park; trainer Jack Van Berg; *ABC Sports* president, Dennis Swanson; *Daily Racing Form* executive columnist, Joe Hirsch; Dr. Charles Randall, who for years has done so much for the scientific community and the Grayson Foundation; and, last year, the legendary Dr. Manny Gilman.

This is a distinguished list of individuals, each of whom, in a variety of ways, has displayed an outstanding personal dedication to the betterment of Thoroughbred racing and breeding.

Now let me tell you about a special organization.

It's one that is underfunded and understaffed. Yet every day it's fighting for our interests, in a highly competitive political arena. It's called the American Horse Council. And its list of accomplishments on our behalf is a long one.

They include the Interstate Horseracing Act of 1978, without which we wouldn't have any interstate off-track or inter-track wagering today; repeal of the Import Tariff on horses brought into the United States; the Pari-Mutuel Simplification Act of 1988, which eliminated the federal block to a uniform licensing system; and many other things, which don't make the headlines, but which are just as important for us in the Thoroughbred industry.

Things like depreciation, withholding taxes and mobilizing federal involvement to stop the spread of equine diseases — most recently the outbreak of equine disease in New Hampshire and Massachusetts; and their continuing work for federal legislation to ban states from authorizing professional sports betting.

The American Horse Council is effective. It's headed up by a largely unsung hero . . . one of those people who works tirelessly and effectively on our behalf, and who rarely gets much credit for his efforts . . . Rich Rolapp.

Rich has been with the Council for 20 years. He's been its president since 1979.

His performance has been quite outstanding. He's totally dedicated and totally committed. He's tenacious, but he's also unassuming and endlessly patient. In other words, he's ideal for Washington. I can't think of anyone who could do it better. And I can't think of anyone more worthy to receive The Jockey Club Medal in recognition of his hard work.

It is my pleasure, then, to ask Richards Rolapp, president of the American Horse Council, to step up here and receive the 1992 Jockey Club Medal.

R. Richards Rolapp: Thank you very much, Mr. Chairman.

I am deeply honored and very grateful.

I want to thank The Jockey Club, its Chairman, the Stewards and Officers and the members and staff, who have always given me personally, and the American Horse Council, so much encouragement and support.

Also, I want to thank all of the members of our staff at AHC, who have worked for us over the years.

They will be the first to tell you that they spent most of that time making me look good. And they deserve most of the credit.

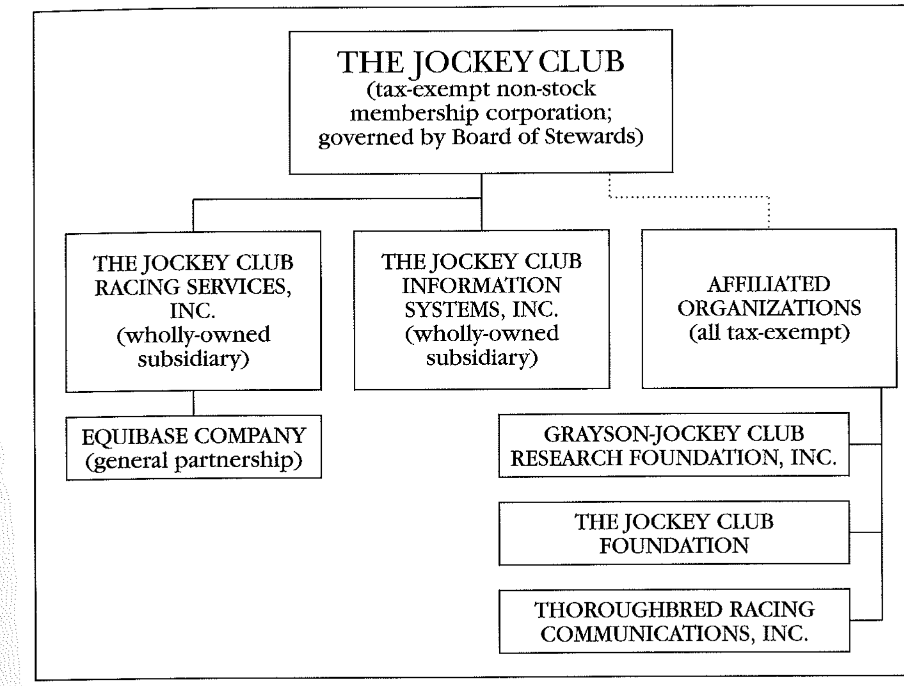
I also want to say that I don't for a minute think that I deserve this award. This is an award for a recognition that is deserved by thousands of individuals and hundreds of organizations, who have come together through the American Horse Council to work for their common good.

Any accomplishments or achievements that we have had over the years are the responsibility of those who have made the Horse Council what it is. Many of your are in this room. And I thank you all for what you have done for me and what you have done for our organizations.

This award provides me with the inspiration to do my very best in the future to help us all meet the challenges that face us.

Thank you very much.

Ogden Mills Phipps: We thank you all for coming and look forward to seeing you at the races this afternoon and at the Conference next year.



"Few realize the scope of The Jockey Club's activities in fulfilling its commitment to serve all sectorsof the industry for the betterment of Thoroughbred breeding and racing."

William S. Farish
Vice Chairman, The Jockey Club

REGISTRY:

The primary responsibility of The Jockey Club is to maintain and publish The American Stud Book in a manner which insures the integrity of the breed in the United States of America, Canada and Puerto Rico.

COMBATS RISING COSTS IN FACE OF FOAL CROP DECLINE

The projected 1992 registered foal crop of 38,500 represents the sixth 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 1991 season, an estimated 69,500 mares were bred. This represented a decrease of more than 23,000 in the number of mares bred, against 1985 statistics.

In the face of the continuing decline in revenues resulting from this decrease, the Registry continues to pursue all-round improvements in cost-effectiveness, while maintaining its service to breeders.

In this respect, a pilot program to group blood-test kit mailings to major farms has been well received and is already producing cost-savings and improvement of service, both at the farm and in the Registry.

Notwithstanding this and other streamlining techniques which continue to improve productivity in the processing of Registration applications, if the foal crop continues to decline at the present rate, additional fees in certain areas may be necessary so that the basic Registration cost to breeders may continue to be stabilized.

TJCIS:

The Jockey Club Information Systems was incorporated in 1989 as a wholly-owned for-profit subsidiary of The Jockey Club. All profits are reinvested in the Thoroughbred industry, which helps to stabilize Registration fees and fund industry projects.

SERVICES EXTENDED TO HBPA MEMBERS ACROSS THE COUNTRY

The Jockey Club Information Systems is aggressively pursuing expansion of its services, in spite of a national market for on-line information services which has been restricted by current economic pressures.

The company continues to prepare camera-ready catalogue pages for the majority of Thoroughbreds sold at auction in North America each year and prepare regional sire books for most areas.

In order to assist members of the Horsemen's Benevolent and Protective Association (HBPA) who do not normally have access to computer equipment, a far-reaching agreement now provides national access to the company's on-line Thoroughbred racing, breeding and sales information services marketed under the trade name of Equine Line. These services are now being provided to all regional HBPA offices.

EQUIBASE:

Equibase is a partnership between The Jockey Club and TRA to establish a single industry-owned database of racing and pedigree information.

NATIONWIDE REVOLUTION IN DAILY RACING PROGRAMS

Since Jan. 1, 1991, Equibase has been collecting, and continues to collect, the records of every pari-mutuel Thoroughbred race in North America, for entry into the industry-owned national database. For the first time, the Thoroughbred industry equals other professional sports by having control over its records.

In 1992, Equibase began dis-semination of data to individual race tracks. By year's end, the Equibase system will have been in operation at some 28 Thoroughbred race tracks, representing more than 3,500 days of racing. Patrons, and the race tracks who serve them, will have directly benefitted from the availability of industry-owned racing data, presented in a format tailored to meet individual markets.

By virtue of its existence, Equibase has already had a profound effect —both directly and indirectly—on daily racing programs produced throughout North America, which now offer racing fans more information than ever before.

TRC:

Thoroughbred Racing Communications is funded by The Jockey Club, Breeders' Cup Ltd. and the TRA. It was

founded in 1986 to meet the need for distribution of Thoroughbred news and information to the media.

NEWSFEEDS REACH MORE THAN 200 TV STATIONS

Thoroughbred Racing Communications (TRC) continues to expand their services to the media through their weekly bulletin, newsfeeds and the syndicated radio program "The Thoroughbred Connection."

The program is now spon-sored by Delta Airlines and being aired on 53 radio stations throughout the country.

The organization has been particularly active in the generation of television newsfeeds on a number of Thoroughbred-related subjects and events, which have been picked up by network news divisions.

Daily newsfeed video packages emanating from network news divisions are available to 200-220 television stations in various networks throughout the United States.

GRAYSON:

The Grayson Foundation was established in 1940 to raise funding for equine veterinary research, and it was combined with the similarly-chartered Jockey Club Research Foundation in 1989.

14 RESEARCH PROJECTS RECEIVE ALMOST $450,000

Last year the Grayson-Jockey Club Research Foundation allocated nearly $450,000 in support of 14 equine veterinary research projects.

The wide range of research projects included the relationship between racing injuries and track surfaces and tendon splitting as a treatment for tendonitis. This condition alone may be responsible for up to 35% of all racing injuries.

Other research included the development of a new surgical procedure to correct "roaring."

The Foundation received 87 grant requests, totalling $3.2 million, for research this year.

A majority of these requests are for quality equine medical research and are deserving of funding consideration. Although unable to fund all of the projects, nearly $500,000 is available for distribution by the Foundation this year.

Higher education nationwide is suffering from severe budget cuts as a result of the overall depressed economy. Colleges and universities are the "front line" of equine research.

The Foundation's role in supporting such research is, therefore, more important than ever.

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

TJC FOUNDATION:

The Jockey Club Foundations was established in 1943 to provide relief of poverty and distress among indigent members of the Thoroughbred industry and their families.

CHARITABLE GRANTS EXCEED $450,000

Grants from The Jockey Club Foundation and Cavanagh Trust exceeded $450,000 last year.

In addition to the 44 recipients on the monthly Foundation grant list, organizations benefitting from support included Maryland Horsemen's Assistance Fund, Inc.; The Eighth Pole, a New England substance abuse recovery and rehabilitation program; the Race Track Chaplaincy Program in New York, for the welfare of stable area personnel at Aqueduct, Belmont and Saratoga race tracks.

Support was also extended to the Race Track Chaplaincy Program of America, to assist their program of help to stable personnel across America.

Distributions from the Cavanagh Trust included grants to the University of Arizona Race Track Industry Program and Windrush Farm Therapeutic Equitation, Inc.

Windrush Farm operates a rehabilitation center for the handicapped.

SPECIAL PROJECTS:

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

STEWARD ACCREDITATION COMPULSORY TEST PROGRAM ESTABLISHED

Great strides have been made toward national accreditation of Stewards.

The program sponsored by The Jockey Club, the Association of Racing Commissioners International (RCI) and the Thoroughbred Racing Associations of North America (TRA) at the University of Louisville is to join hands with the University of Arizona Race Track Industry Program (RTIP) to establish national accreditation standards.

The Jockey Club lead in this field has been taken up by RCI with the unanimous adoption of a national program to be phased in over four years, which calls for the formal accreditation of all Stewards officiating at pari-mutuel tracks against a uniform curriculum and standardized examination.

By the end of next year, for the first time, at least one Steward at every pari-mutuel race meeting in the country will be required to have passed the official written and oral tests necessary for accreditation.

In a move to expand the program into all regions, the University of Louisville is to conduct classes in Baltimore, Maryland, this October. The school will benefit from local sponsorship by Pimlico Race Course and the Maryland Racing Commission.

DNA MAY PROVIDE SIMPLER, MORE ACCURATE PARENTAGE VERIFICATION

In continuing pursuit of a policy aimed at keeping The Jockey Club, and the industry it serves, on the cutting edge of scientific and technological developments, The Jockey Club is allocating funds to the support of equine DNA research.

The initial goal of this research is to establish the feasibility of a commercially viable DNA test for horse identification and parentage verification.

The future use of DNA in an equine environment was the subject of a presentation at the 1991 Round Table Conference.

Members of The Jockey Club