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Breaking With Tradition: The Economic Model

MODERATOR:
Jay Privman, National Correspondent, Daily Racing Form

SPEAKERS:
Dr. Jennifer Durenberger, Director of Racing, Massachusetts Gaming Commission
Joseph Morris, President, TOC
Martin Panza, Senior Vice President – Racing Relations, The New York Racing Association

Mr. Doug Reed: Okay, we've already introduced Mr. Privman, our multi-tasking moderator. I'll thank our sponsors again, the Elite Turf Club, for sponsoring this panel, and Equibase, for sponsoring the beverage break. We're gonna kick it right off and turn it back to Jay Privman, and continue the topic that we've been discussing already this morning, in a little different fashion now, with some stakeholders. Thank you, Jay.

Mr. Jay Privman: Thank you, Doug, very much. This panel, as you can see, is set up a little differently. We have some different people, and it's gonna be more of a round-robin, give-and-take type of situation. We've got people who have various stakes in the industry, various backgrounds in the industry, that I think will bring excellent overviews of their different aspects of the industry and how it affects this topic that we're talking about, which is the economic model of the sport.

To my immediate right is Dr. Jennifer Durenberger, who's been a regulatory veterinarian, who's worked in a number of major racing jurisdictions over the years. She'll bring things from a veterinarian standpoint.

Sitting next to her is Martin Panza, who is the Senior Vice President of Racing now for the New York Racing Association, before that, had high-level positions at Hollywood Park, and is the second biggest Kings fan sitting on this dais right now.

Finally, on the end, is Joe Morris, who's the President of the Thoroughbred Owners of California. As you know, prior to that, he had extensive race track industry management skills and positions, as well. I think everybody here brings a lot of well-rounded aspects to this topic.

I'll start with Joe. I wanted to start it on one of the things I know that Martin talked to me about, in my capacity at the *Racing Form*, over the years, when he was working at Hollywood Park, was trying to get horses to run more often, starts per stall maybe being a way of getting things up. What I was curious though, from your standpoint, as being the head of the Thoroughbred Owners of California, what pressure or incentivizing can you bring from that standpoint to get better participation and horses to race maybe more often, and maybe help field size on a day-to-day basis?

Mr. Joseph Morris: Well, it's a real challenge for us right now. Sometimes circumstances help push you in a direction.

Mr. Jay Privman: Is he on? Hold on.

Mr. Joseph Morris: Going back to the early days of Hollywood Park, we had a lot more stalls that we do today. As the stalls have decreased in the number that we have, we have to get more efficient with them. It's really inventory management is what it is. On any given day, in California, the owners have $150 million invested, probably 4,000 horses out there. You do the math out across, so if we're investing, as an owner's group, $150 million, what's our ROI? How do you get your investment money, and hopefully profit, back out of that?

You need to race your horses to do that. The first and primary way to do that is through purse money. When you have less stalls, the stalls become more valuable, so what you put in 'em, the value also goes up. We've been working, over the last year, with an education program, actually, for owners and trainers, to try to get more starts per stalls. We work a lot of horses out in California, and it seems like we could go with a few less works, and maybe a few more races. At the end of the day, it's the return on investment, and you have to race your horses to get that.

Mr. Jay Privman: Martin, how do you, in your position, get trainers to buy into that concept of maybe less time between races and more races?

Mr. Martin Panza: It's difficult, and I think a lot of it depends on the time of year. Certainly, in New York, a trainer might be more willing to run a horse more often at Saratoga than maybe he is, early in the year, at Belmont. I would say the same for California, where trainers will certainly maybe run more at Del Mar than, say, during Hollywood Park in May or June, or Santa Anita in May or June.

In listening to some of the speeches earlier this morning, in moving forward, racetracks have a racing department. You've got a racing secretary and an assistant racing secretary, and you've got your racing officials and entry clerks.

Most tracks will have a stall man and maybe an assistant stall man. Maybe there needs to be a few people that all they do is track trainers and the horses in their barns, and just constantly are walking around talking to 'em, saying, "Why aren't you running?"

When I say that, we in the crowd can say, "Well, isn't what the racing secretary's supposed to be doing?" Well, having been a racing secretary for many years, you're already swamped, just trying to get the card together for that day. Maybe there needs to be another person, or a couple of people that are just going barn to barn, trying to really stay on top of trainers. You'll be surprised how many times a trainer forgets to enter or didn't see the race in the book, and it's frustrating, because we need the starters in races. Certainly, we know that field size leads to more handle.

It's probably not a very efficient process that we're going through, trainers training their horses and looking at condition books, and trying to get entries done. A lot of times, the trainer is, "I didn't even know you took entries this morning." Very frustrating. Maybe there needs to be a little bit more effort from the racing departments, and, certainly, we're always looking at better ways to do that.

Mr. Jay Privman: While you two are trying to get more participation from your standpoint, you're sort of the policemen in the room, saying, "Wait a minute. We gotta make sure that the horse is fit and ready"? What are the things that you have to weigh when they're trying to get horses to run more often and increase participation, but they're saying, "Okay, but we also have to make sure that this animal is fit to run," some of the things that you struggle with or have to deal with from that standpoint?

Dr. Jennifer Durenberger: I liked your term "policemen." First, I'd like to say that regulatory veterinarians share something that we heard in the earlier panel, which is that we really come at this with the belief that what's good for the horse is good for the industry. We want as many horses as you can safely load in the gate to go around there because what's good for the industry is good for us because we're employed in it. We're not looking to take horses out. However, we do have a rule.

Having said that, we try to do it in a way that's the least detrimental to the operators and to the stakeholders. Things happen in jurisdictions. If you take a horse out in the morning, versus if you take it out behind the gate. We're very, very cognizant of field size, believe me, when we're looking at horses in the morning. Sometimes trainers now have started using the horse shortage supply in an argument to try get out of scratching. "Doc, we have a horse supply shortage, and there's not enough horses. It's gonna kill your field size, so you should let him go." We've got that going on.

We're cognizant of the fact that the different pools that are offered on the races are affected by field size. What happens in different jurisdictions, some leave it up to the operator to determine whether or not they can, in the statute or the regulations. Then the worse thing for us is taking a horse out at the gate. If we have time later, I'd be happy to share some anecdotes about what a disaster that is for everybody, so we really try to avoid that.

Mr. Jay Privman: Well, let's go on to that right now, I mean, when you have to do what you call a regulatory intervention.

Dr. Jennifer Durenberger: Intervention? Yeah.

[Laughter]

Mr. Jay Privman: Right. I know you've done some statistical workup on that. It's a percentage of starters and the attrition rates it involves. Let's go down that line now.

Dr. Jennifer Durenberger: Okay. One of the things that I think is interesting, where regulatory veterinarians and racing secretaries can start sharing some information is, in addition to keeping track of your trainers and how many starts per stall they have and how they're working with you in the program, I think we also need to start looking at the percentage of regulatory veterinary intervention that needs to be done — in other words, trainers that have horses that are in today, and they're gonna go, but for our intervention — because that doesn't do the racetrack any good at all.

We know that, just like any other population, there's a normal, what you would expect. Actually, the vast majority of horsemen never require the regulatory veterinarians to intervene. Then you get this nice little — for those of you who like statistics — this one-tailed distribution, where there's a little cluster that things happen sometimes. Then you get the few outliers that are out at the very end. We feel, with regulatory veterinarians, that we've got a cluster of folks that are responsible for a lot of the work we have to do. From the operator's perspective, that puts them at additional risk. They're losing horses before they get to the gate, and they're having horses picked up off the racetrack.

Mr. Jay Privman: Is there a way for you to work with someone who represents an owners group, or someone who's at a racetrack, together, to maybe, for lack of — this my words, not yours — but to identify some of these bad seeds, and say, "Hey, look, you're having more issues, and it's costing, in many different ways, field size, health of the horse, et cetera, et cetera," and try and work with those people?

Dr. Jennifer Durenberger: I think we're starting to see that. The Equine Injury Database, we're being able to get some statistics there, and then, I think, at the local level, you've got veterinarians that work very closely with the racing office to have that conversation.

Mr. Jay Privman: Martin, I wanted to talk to you about something that I know you like to do at NYRA, which is paying down to a participation bonus, or paying down to horses that finish further down than what's considered the norm of the top five. Tell me what you think are the benefits of incentivizing people to run from that standpoint?

Mr. Martin Panza: We looked, this year, my first year at NYRA, we took the Belmont Stakes Day, and we made it an $8 million day. We added a lot of money to our graded stakes on that day. We looked at, “Listen, let’s not pay to the first five finishers. Let’s pay down to eighth place,” especially in a graded stake.
I look at it like, look, these are your best horses in your country. Sometimes you’re asking — in the Derby, I think it’s $50,000.00, to run in the Kentucky Derby, and the pay to what? — fifth place?

Mr. Jay Privman: Right.

Mr. Martin Panza: You’ve got 15 horses in there that lost $50,000.00. I look at it and say, “Look, when you’re asking an owner to bring one of the best horses in the country to your track, we have tried to make it so that, if you run eighth in the race, you might end up making $5,000.00.” We know we’re gonna handle a lot of money on that race, and, to me, you wanna spread the wealth because, at most racetracks in the country — I know, California and New York — probably 15 percent of the trainers are making 85 percent of the money, and that’s a problem. It’s something that needs to be addressed.

This was a way that, in at least our graded stakes, that we could look and say, “On our high-level ones, let’s pay back to eighth, try and get field size. On our middle levels, let’s pay back to at least sixth place, where we get a superfecta and the trifecta,” and reward that guy for at least participating in a race because he is bringing a quality horse to run in our races.

Mr. Jay Privman: Some of the money that has to pay that has to come from the top finishers, right?

Mr. Martin Panza: Exactly. Instead of paying 60 percent to the winner, we might pay 52 percent.

Mr. Jay Privman: Right.

Mr. Martin Panza: You look a race like the Met Mile, which now has a purse of $1,250,000.00. You win the Met Mile, you’re probably gonna be a stallion, as well, or to Just a Game, for fillies and mares, which is a great one at 700,000. You win that race, where you hit the board on it, that mare’s obviously worth money as a brood mare prospect now, so we felt, “Hey, we don’t have to give 60 percent to that winner. They’re still getting an awful lot of money for winning that race. Let’s pay down to the horses that are running sixth, seventh, and eighth.” Good horses finish six, seventh, and eighth, too, sometimes.

Mr. Jay Privman: Would you consider doing that for lesser races, or do you like keeping it to the greater stakes?

Mr. Martin Panza: We're looking at something, maybe for Saratoga this year, in a simple — the maiden purse at Saratoga's $83,000.00, so we're looking and we're saying, "Listen, if it costs $48,000.00 a year, roughly, to keep a horse in training in New York, $4,000.00 a month, let's look at our allowance races in New York." This is purely on a discussional basis, at the moment, but, "Let's give the guy who finishes eighth $4,000.00, and the guy who finishes seventh $4,500.00, and the guy who finishes sixth, five [$5,000.00], and fifth gets $5,500.00. Let's take what's left, which might be about 63, $62,000.00; that's what one through four would run for." That's still a lot larger than most maiden purses in the country.

Mr. Jay Privman: Okay.

Mr. Martin Panza: This way, if you're participating, and you're running your horse on a high-level, on an allowance type of race, at least, if you run eighth or better, you're paying your training bills for the month. That owner doesn't have to cut a check. "Take it out of my horseman's account. We earned some money." It's something that we're looking at. Obviously, once again, you're taking money off of the top, but, as I stated earlier, most tracks, 15 percent of the guys are making 80 to 85 percent of the money, and that's probably not healthy for the game.

Mr. Jay Privman: Joe, what's your thoughts on this sort of remodeling of the way —

Mr. Joseph Morris: Yeah, well, it's easier to take money off the top when you have more money on the top. We're out there on an island in California, in the only major racing state that's organic. We have no other alternative gaming revenue sources, so we do it a little different. We have a participation fee that pays out after fifth, that at least covers race-day expenses, in the north and the south. We put money in, out of purses, in other areas. We have the stabling in our stable. Whoever's the host track, pays their own stabling, but we have auxiliary stabling sites, and the industry pays for that. Half of that comes out of purses, so we're offsetting some expense for owners there. We also pay for vanning for race day and back, so that offsets expenses. We also put a big chunk into worker's comp costs, since California's a mandatory worker's comp state. A chunk of that comes out of purses, also.

I think it's something that needs to be looked at. We've had a lot of debate at our board level on it. This last year, absorbing the Hollywood Park and the Del Mar Fall Meet and getting Las Al going, we didn't think we would do any experimentation in that, but as we come into next year, we'll be looking at it again to do it. I love the idea of, if you're in a stakes race, the first eight guys are able to pay a training bill off it. That really works. We also do a couple of recruitment programs, like a Ship and Win Program. Where you ship a horse in from out of state, you get $1,000.00 for shipping, and we increase the purse by 33 percent. That's an incentive to bring a horse in from another state.

Mr. Jay Privman: From your standpoint, Dr. Durenberger, when you see purses being paid down to this level, maybe incentivizing horses to run, is there any sort of

— from a veterinary standpoint, are there any things that people should be cautious about, in terms of horses running and being paid down to that level?

Dr. Jennifer Durenberger: Again, we're interested in having full competitive field, just because it's good for the industry. Horses get the same pre-race inspection, at tracks that I've worked at, whether they're in a Grade 1 race, or whether they're in the Wednesday afternoon claimer. My only thoughts on that, I do sometimes bring up, when operators ask me, is the difference between a true starter's bonus, and paying out to last.

The difference there is that the starter's bonus becomes — as soon as the gate's opened and the horse is declared a starter, they're eligible to earn that money. Paying out last requires them to be, depending on the jurisdiction, charted or actually having a finish position, and that actually changes from place to place. Just being the doom and gloom person on the panel,

[Laughter]

I have been in a situation, at a track that shall remain nameless, where a jock pulled a horse up at the sixteenth pole, and then tried to trot the horse across the wire, to get that payout for his owners. A starter's bonus is preferable from that perspective.

Mr. Jay Privman: Very well. All right, thank you. Then, Joe, you had mentioned the Ship and Win bonus. I wanted to just follow that up with you, as well. I mean, when you're dealing, as a veterinarian, with horses that are coming in from different jurisdictions, and maybe you don't have previous experience with that animal, how do you go about deciding if there's been a change, when you haven't seen the horse before?

Dr. Jennifer Durenberger: Well, we look at first-time starters, too, that come from that track.

Mr. Jay Privman: Yeah.

Dr. Jennifer Durenberger: We're used to looking at horses for the first time. Probably what's new in the industry is the Equine Injury Database now includes a Pre-Race Inspection Module, so the veterinarians that are out inspecting horses in the morning are putting their findings in. Those are accessible to veterinarians in other jurisdictions. If you have a circuit that's running, the veterinarians all know each other, and so, if there's any question about something that a veterinarian, say, from Kentucky wrote, when the horse shows up in New York, they can call and have a discussion. The veterinarians all know each other. We try to keep our bar as consistent as possible, so we do have information, for the most part, coming from other jurisdictions.

Mr. Jay Privman: How has the movement towards uniform medication affected that process?

Dr. Jennifer Durenberger: It hasn't affected the pre-race inspection process, I don't believe, other than bringing — the regulated level of non-steroidals has come down in some jurisdictions, as a result, which we hope has the ability to allow us to see the horse in it's true state in the morning, instead of an overmedicated state. I would say that there were concerns for those states that joined this. We call it the National Uniform Medication Program. The states that were joining and going through the rule-making process, the feedback we were getting: concerns that it would destroy field size or that horses wouldn't be able to run as frequently.

I can tell you that, in Massachusetts, 2013 was pre-National Uniform Medication Rules. The average field size at Suffolk Downs was 7.24. 2014, we did adopt those. Average field size was 7.17, and that was true for Harkness, as well. Harkness, in 2013, was 7.07, and in 2014, was 6.92, so no change in field size, before and after, just one jurisdiction. The reason we went to that as an industry is to prevent a jurisdiction from becoming an island, from having more restrictive administration times than its neighbors. I know it's been an issue for Mr. Panza in his program.

Mr. Jay Privman: Right. When you've seen — I mean, we saw the first panel, with all the statistics regarding field size and foal crops and all that. What are some of the things that can be done? I mean, you've worked with, for instance, the California-Bred Program, when you were at Hollywood Park. Now you're dealing with the New York state-bred program, being at NYRA. Are there some things that maybe can be done on a regional basis to help build up field size from that standpoint?

Mr. Martin Panza: I think so. NYRA's probably a different beast than a lot of places in the country. It's easy to sit here and say, "We need to get rid of races. We need to get rid of racing days," but as you do that, you get rid of revenue. A lot of tracks can't afford to give up the revenue. How do we work ourselves out of this? I think things that tracks can control, to some extent, are their state-bred programs. Can you put incentives in there for people to breed more horses in your state?

In California, probably about four years ago, we really saw this coming. We could understand. In 2008, we lost a lot of mares. We stepped in, and we put about $4 million into the Cal-Bred stakes program, and tried to really get our owners to feel like — or our breeders in the state to feel like, "Look, the sky is not falling. You can keep breeding horses. You can bring stallions to California and more mares." I think we helped stabilize it.

When you look at your individual states, when you've got a state-bred horse, chances are he's gonna stay and run with you. In New York, I've been there one year, but we sort of took the same approach. We went into our state's program for New York and really tried to start to build that up. Fortunately, because of slot machines, New York is one of the few states where the state-breds are actually on the rise. Not as much as we would like, but at least it's in a positive fashion.

If you look at American racing, we've got racing in all these states, and each state has an individual state-bred program. Do we have to do that? Is there way that Minnesota and Iowa and Oklahoma could get together and have one program for those three states? Maryland and Pennsylvania, can you get together and create one program and share the horses?

At the same time, to me, we've gotta create circuits amongst these tracks because there's just too many tracks trying to run all year long. Horsemen want that. I get it. Look, they don't wanna move. They wanna keep their kids in school in one spot. They wanna own homes. I fully understand that, but the way the industry is going, we're gonna have to run less days at tracks. It would be better if smaller tracks could work together to form circuits, share the same office crews, share the same workforces, reduce costs. Hopefully, be able to maybe combine your state-bred programs, where you can share the same horses and keep 'em within a region.

I've always wondered, could you start a track, and just say, "You know what? All I'm gonna run is state-breds, and that's it"? Theoretically, would people come and breed horses in that state, knowing that the only horses that can run there would be state-breds? That's really off-the-wall. How would you get it started? You need the horses before you can run.

Mr. Jay Privman: If you wanna start that in Hawaii, I'll buy a track there.

Mr. Martin Panza:

[Laughter]

Yeah, me, too. It's time to just start thinking out of the box, a little bit, especially on the East Coast. There's so many tracks next to each other. There's gotta be ways to shorten race meets, create mini-circuits, and share horses, share the state-breds. We've got, I think, 1,500 foals in New York, and during Aqueduct, 53 percent of our starters are New York-breds. Simple mathematics, if I can get that foal crop from 1,500 to 2,000, means more starters on the racetrack.

That's something that New York can semi-control. NYRA can put resources towards helping get more horses bred in the state. I think any track operator has to look at those programs. A lot of times, they're looked at it in a negative way, but it's the one thing you can control. I can't control what happens in Kentucky, but I can control what happens in New York, to some extent.

Mr. Jay Privman: You've seen the results of what's going on with the California program now, over the last year and a half. Could you just speak to that?

Mr. Joseph Morris: Yeah, it's a good program, and we would not be able to conduct the schedule we have right now without the Cal-Breds. Probably, I think it's 52 percent of our races are filled with Cal-Breds. We do a Cal-State series.

Some of that money comes out of the California Marketing Committee. Our foal crop, also, has gone up this last year. I think, this next year, California's gonna become the number two foal drop state, so we've picked up a little bit more on that important part of our mix, and we're getting some new stallions out there. We had the great marketing plan this year of California Chrome that really worked out well for us.

Mr. Jay Privman:

[Laughter]

Mr. Joseph Morris: It's gonna help our whole program, as a part of that.

Mr. Jay Privman: Just following-up on something that Martin said about maybe trying to regionalize things. Has there been any discussion in California about — cuz it's always been considered an island out there —

Mr. Joseph Morris: Right.

Mr. Jay Privman: — of trying to work with some of the neighboring states?

Mr. Joseph Morris: The challenge with the neighboring states are, I mean, our horses go that way, but they go from our Southern Circuit, the major league, so to speak. Then they work their way up to Golden Gate. Then, from Golden Gate, they work their way to Phoenix or further north, so the caliber of horse — I mean, we need to be looking to do something with New York or Florida or Kentucky, at the caliber of horse that races in our Southern Circuit.

Mr. Jay Privman: Okay. Very well. Just going back to the big overview that we had, what are some of the other things that you think can be done to just bring field sizes up? I wanna ask this to all three of you, individually. We'll start with you, Dr. Durenberger. Would you like to see maybe fewer racing days? Do you think that that would be beneficial to the animals, as well as the health of the circuit at which a veterinarian would be assigned to?

Dr. Jennifer Durenberger: If I had the answer to increasing field size, I would have a different position, and I would be very wealthy,

[Laughter]

because, as we've heard, all morning, and as we're gonna continue to hear, that's a huge, huge problem right now. I don't know that I have any practical solutions for ya. I apologize for not being able to answer your question.

Mr. Jay Privman: Let me ask it a different way then. Do you think it would helpful to the animals that you're looking at on a day-to-day basis, if maybe there was prescribed time where they had to have a break, and not racing 52 weeks a year in some places?

Dr. Jennifer Durenberger: I don't think so.

Mr. Jay Privman: Okay.

Dr. Jennifer Durenberger: I think you have to — they're individual athletes, and I think you have to let them tell you.

Mr. Jay Privman: Right. Okay, fair enough. Martin, what about you? How do you feel about the weighting of race dates over the course of the year, and number of races, as well?

Mr. Martin Panza: It's tough because, like I said earlier, it's easy to cut race days and to cut races, but we need to start to look at the problem. How did we get to this point? I mean, I think the Jockey Club did some research in 1990, the Derby finishers. The first three Derby finishers, 25.3 starts per career; 2000, 11.7; 2008, 8. We know that horses are about six times a year now. They used to start ten times a year.

How did we get to that point? Was it the use of medication? Has that made our breed weaker? Did we sell most of our blood stock to foreign countries? Are we breeding an equine athlete that just can't handle all these starts? At the same time, we probably have horses now that are running six times a year, but working 42. When you look back, 30 years ago, they were running times a year and working 20 times.

If training methods have changed, maybe we need to try to better educate the horsemen a little bit, that simple economics, "If your horse is only running six times a year, very difficult for your owner to make this work."

Mr. Jay Privman: I'm wondering, have you found yourself, in writing races, having less permutations of race conditions, so that you make people have to funnel into the same race, as opposed to giving them so many different options?

Mr. Martin Panza: If you're running four days a week in less races, then you can certainly start to offer less categories. In doing so, in theory, you drive up field size. When we get to Saratoga, and we're running six days a week, and we're running 9.4 races a day, you need a whole bunch of categories.

Mr. Jay Privman:

[Laughter]

Mr. Martin Panza: You'll get complaints from trainers, "Why did you write that other-than back in eight days?" Well, because we need to run 60 races a week. Certainly, I've probably — in the 20 years I've been doing this, there's more spacing between races now, maybe, and other than 20 years ago, you gave it 17 days, and maybe now, you're giving it 24.

Mr. Jay Privman: When writing a race condition?

Mr. Martin Panza: Exactly.

Mr. Jay Privman: Okay.

Mr. Martin Panza: You're spacing your races differently. A lot has to do with the time of year. I mean, certainly, in the wintertime, you've got maybe Oaklawn, Santa Anita, Gulfstream, the Fair Grounds running, Aqueduct running; less tracks. Theoretically, in the winter places that have good weather, field size is gonna be large. You get to the summertime, we've got a whole bunch of tracks running, and the horses disperse, and everyone's fighting for the same horses.

Mr. Jay Privman: Right.

Mr. Martin Panza: Purse money does not mean that you're gonna get larger fields. I can tell you that, just because New York has slot machines, and purses have gone way up. Field size hasn't gone up correspondingly with that, so it's not just about money. Time of year when you're running, how much competition is out there for the horses that you're trying to run at your track. There's no easy answer, but we have to look at this.

One of the problems with racing has always been, we look at a meet coming up, and we plan for that meet. We do not look at a three-year plan or a five-year plan. We really need to start looking at, long-term, how are we gonna survive? To me, it's reducing race meets, working with our neighboring states to create circuits that the horsemen can travel to, and working on your state-bred programs, to try and get those state-breds, more of them on the ground. Otherwise, if we're gonna work individually and compete against each other, I think a lot of places are gonna go out of business.

Mr. Jay Privman: When you say "reducing race meets," do you mean number of days at a certain meet, like a Belmont Park meet, or what did you mean by that?

Mr. Martin Panza: Yeah, I mean, New York, I think, is a bad example, because (A) we've got slot machines, and our purses are very large. We will reduce days and number of races, until, hopefully, we can get the foal crops to start to come up. I think more, you look at a place like Maryland and Pennsylvania and maybe Delaware. If those places could work together to create one circuit where they're sharing the horses, and the horses are just moving within 120 miles, at certain times of the year, and sharing their breed programs, that's probably the right way to go.

Now, you take a state like Florida that has a lot of foals and a lot of horses down there, that's probably a different equation for them. Even on the West Coast, maybe Arizona, New Mexico, Oregon, Washington, I mean, there's some common states that maybe it's time to start looking together, and, "Hey, how can we work together to share the horses?" The days of running 120-day meets and just trying to grind it out — I mean, I think there's a stat from the Jockey Club, where 49 percent of our race days in this country don't pay for themselves.

Mr. Jay Privman: Wow.

[Laughter]

Mr. Martin Panza: I mean, if you were an outside industry, an outside business, if you owned a restaurant, and you lost money half of the time, wouldn't you say, "Gee, I shouldn't be open those days," or "How do I trim that a little bit?"

Mr. Jay Privman:

[Laughter]

Mr. Martin Panza: We just keep plodding along, running all these days and losing money on certain days, when, to me, less is probably better. Certainly, in New York, we've decided, "Hey, we're gonna create these four or five big race days," the earlier panel and the gentleman who likes to wager. You create large days. You get people to the racetrack. They bet money that maybe they don't know what they're doing. It helps your gamblers cuz the pools are bigger. I think that's probably the way to go.

The tracks that make money today, without slot machine revenues, Del Mar, Keeneland, Oaklawn, a lot of small meets. They have crowds — Saratoga. They have crowds because, at the end of the day, you can't survive just off of handle. There's too many cuts. You're paying the ADWs. You're paying the breed programs. For a racetrack operator, you need people to come to your racetrack. You need to be able to charge admissions, parking. You need to be able to sell them beer. The tracks that are successful at that are the ones that make a lot of money. It's hard to do on a 120-day meet.

Mr. Jay Privman: Right.

Mr. Martin Panza: We need to be smart and start to say, "Look, if I shrink my meet down, so it now becomes an event, and then the neighboring state has a meet that follows it, where my horsemen can go to, and it's an event there," that might be the way to move forward.

Mr. Jay Privman: Joe, there's two things that he mentioned, I just want you to follow-up on. I'll ask them, one at a time. First off, I asked Martin about trying to reduce the number of permutations of race conditions. From an owner, though, maybe the more conditions there are, the better chance you have to win purse money cuz maybe there's a smaller field, but does that help the health of the overall program? Where does the TOC come down on something that that?

Mr. Joseph Morris: Well, I mean, obviously, we want opportunities to race our horses in, but the short fields don't help anybody. We need to be in full fields. The other thing I would add onto what Martin was saying, the other piece we need to be working on, at the same time, is reenergizing current owners and getting new programs to bring in new owners. I would say, in California — I mean, the foal crop has gone down across the country. We don't so much have a shortage of horses, as we have a shortage of people to own those horses. If we had more owners, we could find the horses and bring 'em out. That program needs to go along at the same time as other programs, to go with this.

Mr. Jay Privman: The other thing that Martin mentioned that I wanted you to speak to, he was talking about trying to get either regions to cooperate together or reduction of racing dates. Well, let's be soberly realistic about maybe what the long-term future of California has been. There's been a lot of talk, over the years, about trying to have one year-round circuit, and not having year-round racing in Northern California.

Mr. Joseph Morris: Right.

Mr. Jay Privman: Not having year-round racing in Southern California. You bring experience, having worked in both jurisdictions.

Mr. Joseph Morris: Both sides, yeah.

Mr. Jay Privman: What is the best solution?

Mr. Joseph Morris: Well, and with the circuit then, I ran Golden Gate for a couple of years, and actually helped turn that track around to where it makes a little money. That is the circuit in California, and a circuit is very important. We all buy or breed these horses, and we all hope and dream they're gonna be champions, but they're not. I own a few, also. I retired a horse last year. It was the slowest thoroughbred in America.

Mr. Jay Privman:

[Laughter]

Mr. Joseph Morris: I'm still paying for him. He's on a farm in Kentucky learning how to jump. He can't even jump over high fences, but there's gotta be a place for him. He has to be taken care of. I kinda look at it like a baseball scenario. You have the Major Leagues, you have the Minor Leagues, and they have to each feed each other. If you took away Golden Gate and the Fair Circuit, the Southern Circuit in California would not be as strong as it is today.

Mr. Jay Privman: Right.

Mr. Joseph Morris: If you took away the Emerald and Portland and some of the Hastings on the north of Golden Gate, Golden Gate wouldn't be as strong as it is.

You need a circuit to be able to race. I mean, we all have intentions of having the fastest horses there are, but the fact is, they fit in wherever they belong, and you need those races.

Mr. Jay Privman: There's still room for both.

Mr. Joseph Morris: Yeah, you have to have both.

Mr. Jay Privman: Okay.

Mr. Jay Privman: I wanted to get back to you, Dr. Durenberger, about something that you had talked to me before this panel, which was some statistics that you'd worked up on attrition rates and horses coming back or not coming back after a veterinary intervention. If you could just speak to that and how it impacts the economics of the sport because these horses are not competing. I wanted to just give you that opportunity, please.

Dr. Jennifer Durenberger: Well, it's expensive to keep a horse in training. It's expensive to keep a horse racing. Nationally, I think the average attrition rate, if you look at horses racing and then not racing back within, I think 90 days was the number, it's about ten percent. Some of those horses continue to breeze. Some of them leave the horse track.

We looked at — to your point about veterinarian intervention. One jurisdiction I was in, I kept a scratch log for the first half of the year. I kept track of the horses that I took out. In other words, but for me, those horses were gonna go to the racetrack in the afternoon. They could've been gate scratches, I suppose, but, at any rate, at some point, we had to take them out.

In the first half of that year that I was keeping track, I took out 57 horses in the morning. At the end of that year, I went back and looked to see what they'd done in the six month since I'd scratched them. Eighty-four percent of them did not have a published breeze, so that tells me —

Mr. Jay Privman: These were horses that were gonna race.

Dr. Jennifer Durenberger: But for the intervention.

Mr. Jay Privman: Within six months, 84 percent of 'em hadn't even had a workout?

Dr. Jennifer Durenberger: Had not published breeze.

Mr. Jay Privman: That's kind of scary.

Dr. Jennifer Durenberger: Would they have all broken down? No, but would they have gone there, and the jock might've just made sure that the horse got around there, in one piece, safely? Probably, a good chunk of those. I have a famous story — actually, I have two famous stories that I tell.

One of them of was a famous

[Laughter]

disaster, as I like to call it. I was heading to the gate at a prominent racetrack. It was the first race of the day. It was one of the big race days. The first thing that you notice when you're a vet, is you know the body language of your riders. I'm in the car, and on the other half of the track, the first thing is see is, "Uh-oh, a jock don't like his horse." As the car's coming around, now I can see the horse. The horse is kind of shuffling along, and you know where it's going, before you get out of the car.

I get out the car. The jock and I have an exchange. I watch the horse go. The horse comes out. That was one horse, in one race, first race of the day. It resulted in an all-sources refund of $997,000.00. That's a disaster for my operator, and then, of course, there were some wagers that were switched to post-time favorite and all of that. Nobody had a chance. We took, I think, two extra minutes. That's a million dollars I didn't get back through the window, probably. That's a disaster.

There's another horse I took out. It was a breeder's cup race, we took out in the morning. That horse was a three-to-one second favorite. That horse — there's no doubt in my mind that horse would've taken a bucket of money. It was a breeder's cup race. It was a second morning line favorite. That horse tried to work off the vet's list, I think, two or three times, in succession, and did not race back again until nine months later, so like September of the next year or August of the next year.

There's no doubt in my mind that there would've been millions of dollars wagered on that horse, and he perhaps would've been a gate scratch, perhaps would've gone out there and been cheap speed, and then faltered at the end, or worse. I don't know, but we know that we do a good job out there. To me, when I saw that 84 percent number, I thought, "Well, I don't scratch enough horses," cuz you wonder about how many, when you err on the side of caution, and how many you let go, right?

The other thing that was notable about that is, of the 57, 3 of them broke down in the subsequent breeze. Those are horses we know would've broke down on the track that afternoon.

Mr. Jay Privman: Regarding what you just mentioned about that specific scratch that resulted in refunds of nearly a million dollars —

Dr. Jennifer Durenberger: Yeah.

Mr. Jay Privman: Have you ever felt any sort of pressure from the other side, the people who were trying to put the game on, about, "Hey, wait a minute. Why are you scratching these horses?" Does that ever enter? I mean, obviously, your first responsibility is to the animal and the health and safety of that horse, but have you ever felt any pressure in your job from other stakeholders on that front?

Dr. Jennifer Durenberger: In terms of job security, not at all, but you're cognizant of that, right? We're all out there. This is a high-profile game, and so it's — like I said, it's a disaster for my operator. You're cognizant of it. It doesn't change your decision-making, but you sure feel bad.

Mr. Jay Privman: Right.

Dr. Jennifer Durenberger: You feel bad for the owners, too.

Mr. Joseph Morris: I'll tell ya, as an owner, and as a racetrack operator, you'd rather have the horse scratched than something bad happen to 'em —

Mr. Jay Privman: Sure.

Mr. Joseph Morris: — a breakdown or an injury or anything like that. I think there's a complete agreement across tracks and owners groups with that.

Mr. Jay Privman: That's all that I know I wanted to ask, but is there anything else, any other — Joe, I'll start with you. Are there any closing remarks you wanted to make on this? Then we're gonna open it up to the audience for their questions.

Mr. Joseph Morris: Yeah.

[Laughter]

We get, today, after many years of being in this industry, every industry has to change with the times to stay vibrant and to continue to grow. We need to continue to work together to come up with ways to grow our sport. It needs to be a balance between the owners group, the racetrack, and the gamblers. That's the three-legged stool that makes everything work. We need to continue to work together, talk together, and work on new ways, out of the box, to come up with ways to keep growing.

Mr. Jay Privman: Martin?

Mr. Martin Panza: Yeah. I think Joe hit the nail on the head. I mean, we need to work together. Obviously, the environment we're in today is a lot different than any we've faced before, in the foal crop at about 21, 22,000 a horse. We were at, say, 35, in 2008. It is certainly now, I think, hitting the racetracks, and we're certainly starting to feel it. As I said earlier, it's not just about purse money because New York has a lot of purse money, and we're feeling it.

It's gonna be working together to try to reduce days, and, at the same time, you reduce days, but we need to find incentives to get people to get into the game. You've gotta reduce days in an intelligent way, but not to the detriment of people saying, "You know what? There's not enough opportunity. I'm gonna get out of the game." We look, at NYRA, and we say, "Okay, what are the worst days of the year for us? Those are days that we should probably trim."

Mr. Jay Privman: What would those be, just to follow-up?

Mr. Martin Panza: For Wednesday in February or somewhere.

Mr. Jay Privman: Right.

Mr. Martin Panza: It's interesting, a lot of tracks—I don't even know if a lot of tracks even know what they make each day and what their cost is each day. You should, as an operator, know that, "When I open the gates today, it's costing me $22,000.00, and I brought in X amount of dollars." To tell you the truth — and I've worked at a lot of tracks where we didn't know that number. We just knew that, on Saturday and Sunday, we handled a lot of money, and the operational drop was good.

I think we really need to start looking at our businesses. What are days that we can trim? How do you help the horsemen by maybe giving a break of nine or ten days, where horses can rest for a little bit, but still stay in training, to be able to run at a later date? Working with the breed programs to try and see if you can grow things.

I mean, I'm probably beating the drum here on this a little bit, but I think, in California, to become a registered Cal-Bred, it was like $75.00. Here's a program where we were giving away like 30 million, or $43 million. That's $75.00. I mean, change that to $1,000.00 at 2,000 foals, you've raised some money that you can now go and create some more benefits for Cal-Breds. It's the same in New York. You look at, to become a New York-Bred, it's like $100.00, and so, look at your state programs. There's ways to raise money, and I think that's a starting point for long-term on how we can grow our way out of this.

Mr. Jay Privman: Dr. Durenberger?

Dr. Jennifer Durenberger: I think that the comments that preceded mine were pretty articulate and comprehensive, so I'm gonna just sum it by saying, hey, we're all in the same airplane. We're all in this together. The tenor of this panel was very sobering, and for a good reason, but to the students in the room, I say this every year. You are about to embark on a career in an industry that is incredible, so don't let this kind of talk discourage you. Look at it as presenting a challenge to you because this is an industry where, the longer you stay in it, the more you're rewarded. There's not a lot of industries, I don't think, that you can say that anymore.

Mr. Jay Privman: I think, also, from what we've heard, there's obviously room for creative thought to come up with different solutions to what's facing us, right?

Dr. Jennifer Durenberger: Mm-hmm.

Mr. Jay Privman: I wanted purposely to end by about 10:30 with what we were doing to allow the last few minutes for audience participation because we've obviously got three excellent people up here. We've covered a lot of different topics. I think there's plenty of potential follow-up, so please come up to the microphone, identify yourself, and ask specifically who you'd like to answer your question. I know we were a little bashful before, before people came up there, but it got rolling, so, hopefully, we'll have a few. Yes, please.

Mr. Darrell Hare: with American Quarter Horse Association, and my question is directed to Dr. Durenberger. On the examples that you used on the two horses that were vet scratched in high-profile races, the question has two or three parts to it. (A) What kind of follow-up is there available on those particular horses, as far as, is there more examination to find out why they were off that morning or the day of race, or why you felt like they weren't scratched?

Then, to your lesser races, the claiming races and so forth, when a horse is vet scratched, is there any uniformity in that horse being shipped to other lesser race tracks to get him to cheaper races, where maybe the scrutiny isn't quite as high, to maybe get by a vet examination? I mean, I know that that doesn't sound nice, but that sometimes happens. Is my question clear?

[Laughter]

Dr. Jennifer Durenberger: Yeah, both, and I took notes so that I wouldn't forget. First, let's just talk about when we have one of these interventions, and a horse winds up on the veterinarian's list. Most jurisdictions will honor reciprocity, just like, if a licensee was suspended, essentially, the horse becomes suspended. That information, if the racetrack is using the Encompass system, has information on that animal. It's listed. It shows up. It's flagged.

If a horse is scratched in California and shows up in Arizona, for example, if someone tries to make an entry on that horse, it gets flagged. What happens next depends on the jurisdiction, but, as I said, most of them do offer reciprocity. Typically, the veterinarian who puts the horse on the list will make some conditions. It may just be a time, a stand-down period, or they may have to work in front of a regulatory veterinarian. Then the requirements there will differ by jurisdiction, too. We're not great on uniformity there. We're moving along.

Sometimes it's just a published work in a certain amount of time. Sometimes we do post-work drug testing, and the horse has to be in compliance with the race day medications. There's a few states, actually, now that will fine the trainer, if there's a post-work finding of a medication violation. There's not a lot of uniformity there, but the answer to your overarching question is: The horse does become ineligible. It’s flagged in a system, and so, if that horse pops up somewhere else, and someone tries to make an entry, it is flagged. What happens does change, jurisdiction to jurisdiction.

Audience Member: What percentage of the jurisdictions do you think follow that fairly closely? Do you think it weakens, or is it fairly strict?

Dr. Jennifer Durenberger: It’s fairly strict. I’m looking to see if there’s anyone in the audience that can talk about the percentage of —

Audience Member: Well, it doesn’t have to be exact. I’m just —

Dr. Jennifer Durenberger: It’s like 90-something percent. I’m thinking there may be one or two jurisdictions that don’t participate.

Mr. Jay Privman: Yeah. Well, thank you.

Dr. Jennifer Durenberger: That’s for thoroughbred. It’s a little different on the standard bred and quarter horse side.

Mr. Jay Privman: Next question, please.

Ms. Margo Flynn: I’m from Tampa Bay Downs. Mr. Panza, this is for you. You were talking about the state-bred programs. Isn’t it always a dangerous factor to have a lot of state-bred restricted races, where you’re encouraging breeders to breed mediocre horses because they can run for more money, and not just enhance your racing product with bonuses?

Similar to the Pennsylvania model, where you’re encouraging the breeders of the state to increase their stock, to increase the productivity of those horses and not become a state that runs $50,000.00 one-other-than state-bred races? Once they win those conditions, they come into 5,000 wide-open races. It doesn’t really make a great betting product. It also encourages breeders to be breeding horses, that probably shouldn’t be bred, because they can run for these enhanced state-bred purses.

Mr. Martin Panza: There’s a fine line between creating a proper program and then letting those horses feed into open company. I think, to have a state-bred maiden race and a state-bred one-other-than, and then have them go into open company, and reward them with some purse enhancement for winning an open company is probably the right way to go. You’re correct in that, if all these horses are ever doing is staying in state-bred restricted races, that’s probably not the best thing.

You look at a lot of horses, and I’m not gonna knock California Chrome, cuz he’s a hell of a horse, but if you had tried to sell him to me as a yearling, I probably would’ve said, “No, thank you.” He didn’t have the greatest —

Ms. Margo Flynn: Well, obviously, California Chrome and Funny Side are the exceptions to those, but —

Mr. Martin Panza: Sure, but that's what keeps our business what it is, the hope that, one day, you can breed that horse to that horse and get a runner. Runners come from all types of stallions and mares, and so that's why people do breed horses because they're hoping that they get lucky. To me, you need runners on the ground. No matter what state it is, whether it's Kansas or Iowa or Oregon or wherever, if you've got runners on the ground that were bred in your state, they're probably gonna race with you, and you have to have that.

I mean, at Aqueduct, like I said earlier, about 53 percent of our starters are New York-breds. At Saratoga, the number drops down to around 32 percent, but without the New York-breds, we wouldn't have racing in New York. In California, there wouldn't be racing in California. I'm sure the same is true for Florida, because you are one of the strongest breeding states in the country. I'm sure, without those horses, Tampa Bay and Gulfstream would struggle or fail. There is a fine line —

Ms. Margo Flynn: Absolutely, and I'm not guessing. That's not my point. I certainly want to enhance and bonus them for participating in the state that they're bred in, but I don't want to encourage them to be running in lesser quality fields. You do so, I feel, personally, by having restricted races, which also carry on to stakes programs. I'm all for having state-bred stakes days and things like that, but those races are restricted. They don't carry the black type that goes on and is important to the breeders, so it's sort of counterproductive, in my opinion.

Mr. Martin Panza: I guess, depending on which track you're at, and what state you're in, you have to look at it from an individual standpoint. In New York, we probably need to provide some restricted races because the quality of the open horses—it's very tough to win an open race.

Ms. Margo Flynn: Right, but, I guess, that's my point.

Mr. Martin Panza: California, I think it's the same thing. I'm not gonna knock a smaller track, but sometimes a state-bred could be much more competitive in a smaller track. I fully agree with you that, if you have a program that is made up solely of state-bred races, that's probably not the right way to go. I mean, sometimes I look down at some of the tracks in Louisiana, and six or seven or eight of the races that day are for state-breds. That's probably going a little bit overboard. Why would you take an open horse down there? There's a fine line.

Ms. Margo Flynn: No, but, I guess you're speaking to my point, I think, but what I'm getting at is, by not encouraging these horses to participate wide open, that you are not bringing the good stallions to your state. You're bringing lesser quality. Bonus the state-breds, obviously, for participating wide openly. That's what you want. You want the best possible product you can put forward, and that helps your field size. It's helps the gamblers. It helps everyone.

I realize this is probably a breeder's discussion, more so than this forum, but it just seems to me that, by restricting races and giving more restrictions to those participants, it lessens the quality of the overall program.

Mr. Martin Panza: I think, if you're in the State of Kentucky, you don't have to run state-bred races, but the rest of us probably need to run them to get people to breed in your state. Like I said, I agree with you, to some extent. There's a fine line on what your program should look like because you always want, eventually, for your state-breds to venture out into open company. You need that to happen, but you also need to create incentive. A lot of times, it's hard to create incentive for someone to breed a horse in New Mexico or in Florida — well, not Florida, but Iowa or smaller states. Whereas, in Kentucky, that's the business they're in.

Ms. Margo Flynn: Thank you.

Mr. Stephen Kennelly: I'm from TVG. First question: It was pointed out, in the last session, there's no jockeys here, so why on earth is this microphone so small or so low?

Multiple Voices:

[Laughter]

Mr. Stephen Kennelly: I have a question. I thought the last presentation today was excellent. One thing that came out was increasing field size is obviously very important, but the quality of the field. I was thinking — and as you can tell from my accent, I am not from around these parts — why is the condition book and entries and the race conditions over here so weighted towards the trainer and the owner? Why isn't there more of a focus on the better itself?

If we look in the jurisdictions that are performing extremely well, such as France and Australia, and, in particular, Hong Kong, where 95 percent of their races are handicaps. How come handicaps haven't been more common over here, outside of the graded races? I suppose this question is slightly towards Martin, but, also, perhaps Joe could add some, as well.

Mr. Martin Panza: I've been fortunate to travel around the world, but I'm not an expert on all these locations. I think Hong Kong, basically, they've got a defined season. They run on weekends or twice a week. They're importing the horses. The trainers are brought in by the Hong Kong Jockey Club. There's a little bit of leverage. If you're not running your horses, I wanna think your contract probably isn't renewed, and they've got a lot less categories. I think they're running like A, B, C, D groups.

American racing is based on your maidens, your maiden claimers, your claiming races, allowance races. We've got a lot more categories. When we talk about running less races and trying to get field size up, people need to understand that we always need to run certain categories of races because those horses exist in that category. Sometimes those categories only have five or six horses. I think, California and New York, if we try to run a filly or a mare twice, rather than long on the dirt, if you get six in there or eight in there, it's like all the planets have aligned, and it's like, you better run it because that race may not go again for four more months.

There's still owners that own those horses, and they're just sitting in the barn for four months waiting for somewhere to run. They end up running in a stake race above their heads, and they run sixth or seventh. We run a lot of races in this country, and because of that, we need a lot more categories. When you compare us to, say, Great Britain or to Hong Kong, or even Japan, to that extent, they run a lot fewer races. Our business model has always been: Run a lot of races. Run long race meets. Grind it out. We're gonna make money.

That business model probably doesn't work anymore, and we probably need to start looking at other ways. I think, the big meets in Japan, they're running on Saturdays and Sundays, and they're running 13 races. Maybe some of the smaller tracks are running on a weekday, but the big meets are running on the weekends. Even if you look at Great Britain, small meets, Royal Ascot. Here's our five days we're gonna run. We're running on the weekends. Smaller tracks might make up the Monday, Tuesday, Wednesday, Thursday, Friday cards.

In the States, we've basically said, "I'm running for 16 weeks, 5 days a week, and that's my meet." Maybe that needs to change. If you run less races, you can certainly start to change the way you write the races. However, that being said, whatever your horse population is in your barn area, that's the races you have to write. You have to analyze: Do I have a lot of maiden claimers? Do I have a lot of main allowances races?

Mr. Stephen Kennelly: I just think it's an opportunity over here, obviously, with the horse population, that focusing more towards essentially what the shortest-priced horse is going to be by handicapping them. Even if you have a six or seven runner race and the shortest price is two-to-one or five-to-two, that provides the better at home a much greater interest, and ultimately can help us address the longer-term problems.

Mr. Martin Panza: Sure.

Mr. Stephen Kennelly: Thanks for answering, Martin.

Mr. Martin Panza: Through the rest of the world, especially in Europe, every horse has a handicap number, and, a lot of times, like in Dubai, for instance, every horse has got a number. If your horse is a 95, the races will be written for horses from 91 to 96, and you can enter in that race. In England — n most countries — in

England there's a whole group of handicappers that that's all they do, that when a race is run, they put a number on that race and a number on each horse in that race.

The United States, we do not operate that way. We basically let the free market decide, "Do you wanna run your horse for $40,000.00? Go ahead. You wanna run it for 25? Go ahead." We do have a committee here, the North American Ratings Committee, that gives a number to every horse that runs in a stake race. We use those numbers for our graded stakes, to try to determine how good of a race it was, but we don't use them from a racing standpoint to determine, "Okay, your horse has been raked as a 101. Therefore, we're writing for races between 100 and 105."

It would be a complete, basically, transition from how we write races today. My gut is that most trainers would be like, "You're trying to screw me somehow, so I'm not entering."

Multiple Voices:

[Laughter]

Mr. Martin Panza: Anytime you write a race that's a little bit different, "Who'd you write that for?" and, "I'm not entering." "Yeah, but it's got a huge purse, and no one's in it." I mean, I always laugh. Sometimes we'll have a filly and mare maiden allowance race, and the pot will be $70,000.00 in it, and there's no horse in there. You've got an extra that's like a $40,000.00 or a $20,000.00 maiden claimer, and you're like, "You know what? Let's see if we can get those six guys to run in the maiden allowance race." "No, we don't wanna do that." "Look, it's the same six horses that are in the maiden 40, and just get to run for $30,000.00 more in purse money." "No, I don't trust you guys. You're doing something here."

Multiple Voices:

[Laughter]

Mr. Martin Panza: All we're trying to do — because perception is reality, what you're trying to do, anytime you're writing races, there's one winner. There's a whole bunch of losers. The perception or the reality of the situation is most people wanna drop because, "I lost, so I probably need to find an easier place to run," so you wanna drop. You're always trying to elevate horses or keep horses worth more money.

We're sitting there saying, "Look, we'd like to make the maiden allowance race," even though we all know it was a very cheap-run race, the guy who wins the main allowance race, and suddenly, the owner's like, "I won the maiden allowance. I should to go the one-other-than next," which is what we want to have happen, but you can't talk those guys out of the maiden 40 into the allowance race.

Anytime you're dealing with horsemen, they're always — some of them are good about it, but a lot of times, you sit back and you look, and you just sorta, "Look, we've got three horses in here that couldn't beat Joe's horse, so you do wanna be in this race." They're still like, "Nah, I think you're trying to trick me."

Mr. Dan Kelliher: I'm a small owner and breeder and consultant. We talk a lot — I mean, we're talking about the economic model, and Joe was talking earlier about, "It's easier to have that money flow down, if there's more money on the topline." We talked about: How do you make the quality of the racing better?

We haven't talked at all about distribution of the product, and how do we use technology? How do we use new innovations to get our product out in front of more people? It seems like, more and more, as new technology comes out, all that's happening is our technology vendors are using those new innovations to then contract and restrict the number of outlets who are getting our product, rather than using it to make it easier for more and more people to be exposed to the product.

You can have these different conglomerates that represent racetracks and stuff around the country. They'll come in and they'll promise horsemen, "Hey, we can change your average rate from a four percent to a six percent, or a five to a seven." That impacts the purses, in the short-term, but if the handle goes down as a result because they've contracted the number of points of distribution that are getting the signal, your handle goes down, and, a lot of times, your breed funds — I mean, not every state has slots. Not every state gets the supplement to the breeder's awards from those other sources. Now your handle goes down. Your breeders' awards go down as a result of that.

I guess my question to everybody, but to the panel is: When you're talking to people, talking to different vendors, you're looking at different relationships that you're engaged with, how much are you asking that question of: What does this do to help make it easier for me to get my product out in front of more and more people, and how flexible am I in doing that? Or, am I using my contract with you to restrict and contract for some other corporate purpose, and it doesn't really do anything to further the long-term interests of horseracing?

Mr. Joseph Morris: That's a good question.

Dr. Jennifer Durenberger: Yeah.

[Laughter]

Mr. Joseph Morris: We're working in that area, in a couple of — never mind not using the new cutting-edge technology or future technology yet. We're not using that. We're not even using what we have set up the way we meant to use it. A couple of things on that. We have the television distribution. We have a couple of television companies. A year ago, we had one television company would take one track. Another one would take another. If you get your tracks out on both of them, it is better for the handle, and we were able to do that.

Another phenomenon that's happened, on the ADW side, is we went down the ADW road to increase handle, which was a great idea. You fast forward to what's happened today, and you've got people sitting in chairs in the racetracks betting on their ADW accounts. Well, we make less purse money. The tracks make less commissions when that happens. It wasn't the intent. The intent was to catch people at work

[Laughter]

or at home, to be able to be on the races.

I think we're in the process of going back and revisiting some of the original deals and what the intent was, and what has actually happened. The person, who gets in their car, goes to the racetrack, no matter how they're betting, the track ought to be getting their commission, and the purses certainly ought to be getting their commissions.

As we go into the future, another phenomenon that's happened in our industry is we're quite incestual. The racetracks own the tow companies, own the ADWs, tied to the OTBs, so we get similar ownerships. When we started, it was different owners in the different areas, and now the conglomerates have taken them all under one house, and we've got to look at that different, also.

Mr. Jay Privman: I think we have time for one more. Then we're gonna have to wrap it up.

Mr. Clovis Crane: — of Pennsylvania Horsemen's Group. I guess this question is geared more towards Jay, but, earlier, Martin had spoke about public perception being reality. I think part of the problem with encouraging participation, currently, in the game, as a trainer, is that you emphasis is so much on win percentage. The *Daily Racing Form* and all these other publications print your win percentage.

No one wants to train with a trainer that's less than ten percent, but, hopefully, 15 percent. Most people, it's kind of the standard right now that they want a trainer that's above 15 percent. Is there a way, do you guys think — I mean, this, I guess, could be geared toward everyone — that we could change public perception? There's a lot of really, really good trainers out there that are 10, 12 percent trainers, but they're running their horses more frequently. Their owners are benefitting more, but yet it's hard for them to gather more owners because their percentage is lower.

I think that that's a problem, as well, right now with all these sources that can find out a trainer's percentage, immediately. I mean, maybe we need to figure out a way to percentage earn per starter. That is available on Equibase, but maybe it needs to be more publicized. I don't know if that's the best way, but I'm just thinking out-loud, trying to think through it. I think that that's a better way to go about it, to try to not villainize trainers for participating more. Right now, you get villainized because, if you don't win, you're no good, which that's not always true.

Mr. Jay Privman: Yeah, I don't know. I mean, I can't speak for the decision-making process at the paper. I do think that there is a place for win percentage and statistics. I think, as a handicapper, to not express that in our publication would be detrimental to people who handicap, which is what our core audience is, and who we're serving, first and foremost. I think your point is extremely valid. I think there are a lot of trainers who run more often, and because they have seconds and thirds, as opposed to wins, it looks as though their win percentage — or their win percentage is, in fact, less than others who look for that perfect spot.

Maybe there's a way of expressing earnings per start or some other way of expressing it, in addition to the win percentage, to help reflect. I think your point's very valid. I'm just trying to think, what's the best way of expressing that, so that all sides are accurately represented?

Mr. Clovis Crane: Lastly, maybe printing the owners' percentages might be interesting, too, or maybe their earnings per start, the owners' earnings per start, or something like that, because some owners will want you to start more or less. That's something that's never printed in a program is owner statistics. That could be interesting, as well.

Mr. Jay Privman: Just one thing that you might not know, a lot of the statistical things that we use are done through the Jockey Club's statistical database. We share that database — or with Equibase. It would have to be a partnership of everybody agreeing that, "Hey, we need to do this together." It's not as though one stakeholder could arbitrarily say, "We're doing it this way." There is, I think, hopefully, a mechanism to come up with some of these things, but it's not as though there's just one entity that can say, "This is how it will be, from this point forward." Thank you.

Mr. Clovis Crane: Thank you.

Mr. Jay Privman: I hope that helped, a little bit.

Mr. Clovis Crane: Yeah, thanks. It was just a thought on maybe not villainizing a trainer for being under the 10 or 12 percent.

Mr. Jay Privman: I don't know that they're villainizing. I don't know that that's quite the right adjective.

Mr. Clovis Crane: It partially is, because it's hard to gather an owner when you're a 10 or a 12 percent trainer, when you're sitting and you're running your horses more frequently than the guys that sits around for a month and doesn't run his horse until he finds a perfect spot.

Mr. Jay Privman: Right. Okay. Thank you. That's about all the time we're gonna have for this. This was the first part of a two-part thing on breaking with tradition. Tomorrow, it'll be the supply model. There will be a lot of similarities, but I think there will be some other perspectives that are brought from the four panelists tomorrow. For now, I wanna thank Dr. Jennifer Durenberger, Martin Panza, and Joe Morris, and pardon me for being tongue-tied at the end of the last two and a half hours. Thank you, everybody. I'm sorry, I apologize.

Dr. Jennifer Durenberger:

[Laughter]

No, it's all right.