

Moderator:

- and glad to see a number of you early risers. Day two is always a little harder than day one. People *[laughter]* slowly get here. The room will slowly fill up. We kinda know the routine by now. I dodged the bar last night. My wife was down there in my absence, but I'm glad to see so many here this morning. Before we start, let's certainly thank our sponsors again. We really do, and I mean that every time we get up here and say this. It's—this program, your registration, the sponsorship, the exhibitors really make our Race Track Industry Program go. I mean, we'd have to rethink our model if it wasn't for that. Our panel is sponsored by International Sound Corporation. The refreshment break following this is Prairie Meadows Racetrack and Casino. The breakfast you had this morning was sponsored by InCompass, and last night's reception was GROUPE CARRUS - The Parimutuel Company sponsored our reception last night, probably the reason a number of you others aren't in here.

I have a—I'd like to make a brief introduction to an important person at the university, just with a couple brief comments before we start our session. Dr. Charles Sterling, better known as Chuck, is a professor and department head of the veterinary science and microbiology, as well as head of the animal science department where we reside. In addition, he is a professor of College of Public Health in epidemiology and biostats department. He's quite a busy man on campus and I'll let him explain that to you. He is a graduate of Syracuse University. He received his PhD from Wayne State University. I'm gonna leave it up to Chuck to explain why he's now the head of two departments, so please welcome Chuck Sterling. *[Applause]*

Charles Sterling:

Thank you very much, Doug, for that introduction. Well, welcome. I was gonna say how many of you have just come to Tucson for the first time, but it's my understanding you've been meeting here at La Paloma for about the last seven or eight years. I've lived in Tucson, myself, 30 years after leaving Wayne State Medical School where I was a professor in a department of immunobiology for nine years. One thing I can say about Tucson is I never get tired of looking at those mountains right behind us. I am fortunate in that I live literally a stone throw from here, and I like to hike up in the Catalinas, so it's really a pleasure to be here with you all this morning.

The first thing I wanna do is acknowledge the Race Track Industry Program at the U of A under the stewardship of Doug Reed and also want to acknowledge Steve and Wendy and all the associates of that program. There's no question and no doubt that they have

one of the preeminent programs—well, the preeminent program in the Race Track Industry Program in the United States. Also I wanna thank all of you and I wanna thank the sponsors. As Doug has elaborated on, he'd have to be thinking a very different paradigm for that program were it not for the sponsors.

I also want to assure all of you, even though I know that our dean, Dean Burgess, came and talked to you yesterday and I know he talked about how this program is going to move into a whole new school, the school being the School of Animal and Comparative Biomedical Sciences. One of the things I want to assure all of you is that is not going to in any way, shape, or form diminish the importance of this program. If anything, this program is gonna become even more important. The reason for that is because the dean envisions and I envision, also, because he's asked me to sort of shepherd that program a little bit in the early phases of its development, his—we have this vision of, especially the business model of this program serving as a business model for exposure of our students in this new school to business oriented courses.

As Doug said, I'm right at the moment the interim head of animal science, but also I've been the permanent head and am the permanent head of veterinary science and microbiology on campus. These two departments have come together. We've unanimously agreed that it's in our best interest to form this school, and we're looking at ways to revise the curriculum that will meet the needs and serve the purposes of all the students and included in that is a notion that students need more of an exposure to business oriented courses. It's very obvious that everyone coming into our program is not gonna get into veterinary school, is not gonna get into medical school, and I say medical school because they come to our microbiology program as largely pre-med students.

We feel that, look you need this kind of exposure because, like myself, it was exposure to courses as an undergraduate student that really made a difference in what career path I chose. I'm very, very impressed. I have to admit, I'm a neophyte when it comes to understanding this program, but I'm a quick learner and so is our dean. We both acknowledge and realize the importance of this program and its continuance, and we're gonna do everything within our power to make sure that happens. With that, I'm gonna turn the program back over to Doug to introduce the speaker. I wish you all a very successful meeting and thank you. *[Applause]*

Moderator:

Thank you, Dr. Sterling, and I feel sometimes like the warm-up band. Ever been to a concert? That's my role. The main act is now coming and so we've gotta turn it over to the main act and the reason you're here. Redevelopment Strategies to Increase Business at North American Racetracks. It's a pleasure to have from across the pond Paul Roberts, the director of Turnberry Consulting. Paul is the director of Turnberry Consulting, a London and Washington DC based development strategy consultancy group that was created to assist land owners in real estate development, driven by quality and functionality. Paul currently serves on the strategic development and advisory board to the New York Racing Association which all of you know to help develop improvements for Aqueduct, Belmont, Saratoga.

Furthermore, he has extensive experience acting as a strategic consultant to several UK tracks, including Ascot, York, Leopardstown in Ireland, Flemington in Melbourne, Australia. Paul's experience in our industry is quite extensive and I think you'll see that by the great presentation he's prepared for us today. I think you'll enjoy it. It's something a little different, quite visual, so Paul, please come on up here and we'll get the main act on stage. Please welcome Paul Roberts. *[Applause]*

Paul Roberts:

I got my rules before I started. This is the second time I've spoken at this conference. The first time I spoke was in 2001 where I spoke about moveable turf cross into race tracks. Nine people came, I knew eight of them. *[Laughter]* I then concluded to the one person I didn't know, would have been cheaper to fly them to London and give them a whole day seminar. *[Laughter]* Hopefully I'll do better now. Sorry, I move around. As the Sundance Kid said to Butch Cassidy, I'm better when I move, which is probably the last simile between me and the Sundance Kid you're gonna get today.

I read the *Thoroughbred Daily News* overnight and heard some of the things that were talked about yesterday, and I don't know much about wagering. Somebody said yesterday, it's more about beautiful hedges and beautiful horses. I'm gonna talk today about beautiful hedges and beautiful horses, so you'll conclude whether that's relevant or not. It's quite a polemic point that I'm gonna make today and people either get it or they don't get it, and if you don't get it my advice is travel, and if you do get it, then probably you didn't need to come. I'm gonna talk about three things to start with: complexity, conservatism, and dynamism.

Those are three things we're gonna start talking about because race tracks are complex things. This is a race track. This is a big thing. This is gonna hold 120,000 people. You can access it by river, by rail, by road. It has onsite stable and it has medication issues. It has people who come over an extended period. Nearly everybody eats or drinks at that race track, and it operates 365 days a year. If you're on a sports franchise you don't have those problems. You know when people are gonna turn up: 1:00 p.m. on a Sunday or whatever. You know who it's gonna be before they come. There's a great difference there for how we deal with race tracks, and the industry in how you deal with other stadium what happens. That's the complexity.

The conservatism. Generally, racing organizations are very conservative. This is Ascot. This is a drawing to explain the movement of the straight mile. The redevelopment of Ascot was predicated on moving the straight mile 42 meters. The starting point was you can't move it. Why not? Because you can't, okay? Why can't you? No one will agree to it. The Jockey Club, then the regulation authority will say no. Why will they say no? They just will. Whenever someone says to me you can't do it, my natural reaction is to say why? And then ask that question between 500 and 1,000 times 'til someone says why they can't do it.
[Laughter]

When they rebuilt Chantilly the trainers at Chantilly liked to stable—saddle their horses in the stables. I said why? It's interesting to watch that. Why don't you just get them to van the horse at the start and we won't have to worry about saddling at all. They said good idea! Okay? *[Laughter]* I said why not run the race somewhere else? Then they would have to worry about the crowds. So the conservatism of this is very, very difficult. So the conservatism of this is very, very difficult. Ironically, some of the more conservative organizations, such as Ascot, Keeneland, tend to be the most innovative organization in what they do. Innovation and conservatism come separately.

And Dynamism. If we just look at Ascot, move from—I can't read that very well—1810, very small, to 1830, little bit bigger, a few more buildings, a few more buildings, a few more buildings. You're starting to see how this one place has developed significantly over a period of time. Still goin', still goin'. That's a consolidation, to get to where you are today. Ascot had its 300 year anniversary last year, it's tercentenary, and that is the dynamism of that one track based on that one site over that period

of time. That gets you to a situation today where a redevelopment is predicated on a single philosophy.

Ascot's redevelopment was based on one philosophy, and the philosophy was the horse. If you have the best facilities for the horses and the best track you will get the best horses, ultimately. The best horses move the best jockeys. That brings the best owners. That brings the most media. That brings the biggest crowd. That brings the biggest buzz. That brings the best horses. A virtuous circle of equine focus racing. But tracks suffer from a fundamental problem. You would not design this if you were starting from scratch, but probably with the All England Lawn Tennis Club at Wimbledon, Fenway Park is the most wonderfully branded, drip in organization that you can go to. It has an advantage over race tracks.

Other sports have a big advantage. It's called team loyalty. If you move that to an interstate in Massachusetts the people would still go because there's a loyalty to that team. Very difficult to say I only want to watch Rachel Alexandra and that is it. You can't do that in racing. You have to have a loyalty to the track and the place, cuz unless you have a loyalty to the place, then it doesn't work.

On the interactive point, don't worry, I'm not gonna do this again. Does anybody know where this is? Can anybody guess where this is? It's got a strip down the side. It's got a golf course and it's got a few houses. Any takers for that? There's no prize, no embarrassment. *[Laughter]* Okay? You can have another go. Have another go. I guessed the National Golf Club. Golf's a very emotionalized sport. It's played over 72 holes on four days, generally. The odd exception: the Ryder Cup. Now, you in America probably don't know about the Ryder Cup. It's a—*[laughter]*—it's a golf tournament that I went to this year and I sat on a hill with 3,000 very, very annoyed people from Chicago. It was an experience.

But golf is played over 72 holes over four days and the top 20 or so players play about 20, 30 times a year. It's like have a—it's like in the Kentucky Derby where they see the same field 30 times. It's very hard to innovate with golf cuz it's such a set system. But still, Augusta is able to develop a place and a brand which allows its financial impact of television rights, branding, patron attendance, to be way above any other golf course in the world. Because of the place, not because of the field. It pays the same prize money, has

the same players. The players change. It develops its structure cuz of the place.

When you come back to racing, racing is very, very similar and very, very different. When you go to a sale at racing that page, whether it's in the US or the UK or France, is almost identical. It's almost identical. The International Federation of Horse Racing Authority has run 332-ish grade one, group one races worldwide in the part one countries IFHA. So you have a harmonized, worldwide system and it's an international system. Moonlight Cloud owned by what you call Augustin Stable or George Strawbridge, he owns horses in France, he owns horses in the UK, he owns horses in the US. Black Caviar leaves Australia, winning 20 to 20, to travel to the UK to win her 21st race. Frankel, owned by Juddmonte, the organization that's had more entries to Breeder's Cup than any other racing organization in the world.

And Coolmore. Through Magnier and Vincent O'Brien's identification, Northern Dancer, the most far-reaching professional, profitable breeding operation in the world, based in Ireland, the US, and Australia, so a global industry with a sales profile and a racing profile which is very similar, but huge diversification. I was recently contacted by—this wasn't a long conversation—someone in the Ukraine who wanted to restart a Standard-bred business. Now, I don't know anything about the Ukraine and I don't know anything about Standard-bred, so that's why it wasn't necessarily a long conversation, but it lasted maybe an hour and a half. But you know, that's the start in the Ukraine. Racing has been in Russia. We'll come back to Russia.

Winkfield won your derby in 1901 and 1902, went to ride in Russia, then trained in France. There's all sorts of activities: Turkey, Macau, Singapore, South Africa. These are all activities, like Sheikh Mohammed watching Dubai [*inaudible 17:17*] his favorite horse, and what's happened in Dubai. So you have this constant globalization of racing. As sales go, the similarity of whether it's Tattersall's, or Island, or France, these are very—to Keeneland—very similar operations, but you see, as New Zealand, as Australia, they're very, very similar. Amongst all these similarities, when you deal with racing and race tracks you get into significant difference. For those people who want a little world tour for ten minutes, you'll find this enjoyable. Other people, be patient and I'll come back to the business issues in a moment.

Unless you understand the differential of how race tracks operate across the world, it's very hard to understand what you have a race

track. Because the best people of all were the Romans. They were 2,000 years ahead of their time if you understand that point. But they built race tracks for 150,000 people. These are massive stone structures. 2,000 years later in the UK we were running around with a little wooden trestle that people carried along. 2,000 years earlier they were building things that eventually became the Los Angeles Coliseum, if you think about the Los Angeles Coliseum and what that means. Incredible changes.

Racing started 17—sorry, 1539 at Chester, a little place called the Roodee, the little point in the corner that—and I'll point to that, but this little place here. Essentially, they developed the hunting lodge. This is about 1634. And we get to the most significant development of that time in racing called the John Carr Stand. 1753, John Carr Stand at York. Why did they build the John Carr Stand? Competitive advantage for profit. York was an important center. It wanted to build a building for subscription that people would go into and pay money to stop them going to Doncaster. It was very simple. Come to York, we will deliver you a superlative experience. Don't go to Doncaster. That's why you get to buildings that were very simple and very straightforward.

Then you got the railways and therefore you got a change to the Ascot Grandstand of 1839 and then the start of customer segmentation. This is Longchamp for 1857. I can see they're very privileged, the corporate sponsor of its day, the paying customer. A start of segmentation started in how racing was developed and how racing was done. It became an international power struggle even at that days, so a wonderful track. Freudenu in Vienna, built 1885 to 1887 by the Drexler brothers. This was a demonstration of the power of a city to attract people to racehorses. No more so than the US. Jerome Park built in 1866 and Morris Park. Morris Park, in today's money, cost \$37 million and was open for 14 years. Think about that as a return on capital. That was the transitory nature of how things worked.

More modestly, schemes like Saratoga arrived in the 1890s and Churchill arrived by builders 1895. They were of that time and they were of that place. They were a specific scheme. But already, things were starting to change in racing and what was gonna happen. The interesting antipodean solution, this is called the Riccarton Tea House. This is in Christchurch in New Zealand. This was to celebrate the 50th anniversary of the Canterbury Jockey Club. It was essentially a solution to try and get more people to come to the track to attract them to that environment.

New Zealand was also the creation of the single biggest change that you've seen in racing since racing was created. In 1913 in Auckland which was the introduction of what formerly was a totalisator or the pari-mutuel system. That got you all of a sudden to things like this. All of a sudden race tracks operated on the basis of social interaction and now they had to deal with this system, and how were they gonna deal with this system? So much so that when a track like Flemington was built they moved from an environment where the heart of the race track was in this area, but they couldn't cope with the totalisator so they had to build a whole new race track in this area which fundamentally undermined the structure of Flemington. Even today, Flemington struggles from that decision in 1928 when Victoria got the tote.

Around that time, tracks like Ascot were operating at about 150,000 capacity. Start to see the scale that was operating at these tracks at the time. But these were modest compared to the resurgence which arrived with the granddaddy of all scheme, really, the rebuilding of Longchamp in 1904 and what that set off. It set off a different system of the San Siro in Milan. When people talk about beautiful race tracks, if I showed you that I'd say what is that? You'd say I don't know. It might be a palace, but it's not; it's a race track. It's the San Siro and anybody who's been racing at San Siro is a fortunate person.

Around that time, there was a wave of activity across South America, because South America resulted in the **Palama 23:05** Jockey Club in Buenos Aires, a French influence scheme. These schemes are still there. You can still go and see them. You can go to **Givere 23:13** in Brazil and look down on Rio and look at the Jockey Club there. Probably arguably, the finest set piece scheme ever built on a race track anywhere in the world is in Santiago, built by an American Chilean called Smith who went to school in Philadelphia, sat in a office in Delaware, in Wilmington, and then decided to redesign Chili. These are all existent tracks. They're all in place. They're all impressive. That's Santiago today.

Epsom made the big break. When Epsom went to a clubhouse stand, the first luxury boxes—this is in 1927 on a field stand. That was built as a single set piece structure. Not three buildings, a single set piece structure. Around that time, he then got the fundamental change of the US, or, if you don't read your notes correctly, Madrid, which is in Spain. *[Laughter]* I really lost the train of that now, so Zarzuela which is in Madrid was a very important building, but much more important was Hialeah, so let's come back to that point.

All of a sudden, you got these fundamental changes of pari-mutuel betting come into the US which was a essentially economically-driven situation. The French influence of Hialeah, and then two remarkable schemes even stun me today. One was the original construction of Del Mar. If you think that anything is original, it was built on a Texas mission, so there's the building. There it is. There's the clock tower. There's the window, there's the door. There's Del Mar. There's the window, there's the door, there's the clock tower, there's the mission. Nothing new. In the same state, within three years, something like that was built and something like that was built. Hollywood Park, [inaudible 25:11], totally different scheme. That was the high point of different scheme.

Then we come back post war to a very low period of post war activity. Eventually the rebuilding of Sandown and a move off into bizarre race tracks. This is **Parrack 25:26**. The scheme was—this is the basic view in. Are there people from the media here today? Anybody? Yeah, there are people, okay. The idea was the media went up in this 180 foot high tower up here with an elevator that broke down. [Laughter] It was the new world is what was gonna happen, but these schemes looked at architecture of its day. This is Tokyo, the Fuji View Stand. If you wanna know what Tokyo's like, think about Belmont Park and double it, you know?

We got into these very, very brittle schemes and then the sensitivity of the Arlington Park or Campton Park or Meydan came around, and we get to the end of our little tour. You start to see how—this is the Queen's Stand at Epsom. This is not a big stand, but compared to the little stand, the Princess Stand, you see how over the journey that we've just taken, things have changed.

What that demonstrates with this process is many sports stadia, if you take NFL, other than, say, Soldier or Lambeau, they're very, very similar types of things. You know what they are. Tennis is a bit different, formula's a bit different, but racing, the diversity of race tracks is enormous across the world. Staggeringly different. If you go to a rugby stadium in Australia you will find it fundamentally similar to an NFL stadium in the US. There are not significant differences. You look at race tracks across the world, they're huge. I've then talked about the similarities of racing and we talked about how race tracks are different.

We go on to the next point which conditions are developed, which is the racing systems. Racing systems are very different. Racing systems base on two pole parts, pole here, pole there. Pole here is

an almost entirely free market system, the best example of which is the UK where a race track like York doesn't have to agree its dates with anybody. Nobody approves it. Nobody tells it when it can race. It gets some distributions to the levy, which are relatively modest and it gets on with life and it gets really no wagering activity at all going to the race track. It must survive as a lesser business of the UK.

The other polar extreme is the sealed system where an organization owns the race track, owns the PMU, sets the race days, controls the take out, sets the prize money, and decides when it can race. Those are the two polar systems. When you look at the two polar systems, let's look at the countries that are closest together, that operate the systems that are furthest apart: the UK and France, 22 miles apart, operating the two poles.

Go back to the redevelopment of Ascot. Redevelopment of Ascot occurred 2003, 2005 after its 300 years and you can see—this is the back of the grandstand. You see the approach that's being taken and what was done. It was coming off the back of a slightly disappointing 1959 to '60, relatively inexpensive, difficult redevelopment. Ascot rebuilds on their fee—so if you've ever wondered what the rebuild of a race track is like, muddy is the answer. Very, very muddy.

It gets to the stage where the fundamental scheme of Ascot is for the horses to arrive here, to come through here, enter a pre-pre-parade area, to the saddling area. They walk through under a tunnel to the track. The parade ring is 9,000 people. They walk out to the parade ring, through a tunnel, onto the track. They race, they come back, they go back into the parade ring. The winner's, the rest unsaddle, they all come back in this route. It is a magisterial equine-based theatrical show. That's what Ascot is. That's how it works. That, if you're wondering what's happening, is a two mile race at Ascot which is why they're still going past the finishing post on a two mile track.

Ascot races 25 days a year on turf, 25 days a year. About half a million people go and those are the turnover figures. 42 million—44—2 million pounds, about \$70 million, and it makes about \$20 million [*inaudible 29:51*] profit racing 22, 25 days a year on track. Its contribution from wagering is less than ten percent. Its contribution on wagering is less than ten percent and it's making a 30 percent profit on turnover racing 25 days a year. That's not a panacea; that's how the UK system works.

If you move across the channel, this is Danedream. Filly went in the Arc last year, for the curious. France runs a different system. France runs more or less in Paris all year at Chantilly, Auteuil, Longchamp, Maisons-Laffitte, Saint-Cloud, and there's some at Deauville. The French system's different. France could own the French Jockey Club, own the race track, control the PMU, plan the races, operate the race track, market the race track, control the complete system. As you might have heard yesterday, the French PMU system and the growth and handle of French PMU system is only something that you can marvel at and wonder how they get through that process and get that way.

However, four years ago, I went to Longchamp on a Thursday. Two grade three races and listed race. Going back to the empirical analysis that I talked about, about a moveable turf crossing, there were about 248 people there. I know. I counted them. It was wet. It was a Thursday in Paris. Other than the Arc Day when they might get 50,000, which 25,000 are British, how do you rebuild Longchamp? How do you rebuild Longchamp to cope with very, very, very modest crowds specific times of the year? The consequence of that is that this is a brochure. This is Longchamp. This is Auteuil. There are people in the room that have got off at the wrong subway station. Trust me, it's a long walk.

The rebuilding of Longchamp is a fundamental problem, but French racing has a grip in the PMU system. Last year a Maltese company challenged the European Commission in the courts. The competitive nature of the PMU system and the French won. But who's got the most sustainable system? A system where you absolutely control the PMU and the PMU is everything, and that drives your race in, or a system where the PMU is not relevant then things are driven by market conditions and racing sport. Which is the way to go?

If you want to know an answer, let's look at the next one. That's the 1960 grandstands they're struggling to rebuild. Let's look at this one. People know there's a race track there. There's a race track here. There's a race track here. Gravesend, Brighton Beach, Sheepshead Bay. In 1900 the center of the racing world was in Brooklyn. Race tracks were the largest employers in Brooklyn. This was as close to world domination as you'll get in a long time in any particular location. Racing more or less seven days a week where the odd sojourned into Saratoga and various other places. A dominant situation.

But by 1911 there was no racing in New York, so all those investment decisions made by people to invest in Sheepshead or Gravesend or Brooklyn have got into a situation where Brighton Beach is gone, Sheepshead is gone, Gravesend is gone. The Union Course of Queens is now a Long Island railroad marshaling yard for trucks. You start to see how things change. Why did they stop racing? Because the state of New York decided not allow gambling in New York. They didn't decide to do it. It wasn't a market condition. There wasn't a lack of horses. It was a government imposed decision to stop racing.

New York was the first into racing in a major way. In 1665 they started there. Whilst you go to Maryland dropped little bit in 1743. You got to the Union Course which is the first skinned track in North America. It was about five seconds faster over a mile. It was the first real course. New York was the first in. By the time you got to Native Dancer, Jamaica was 60 years old, Saratoga was nearly 70 years old, was rebuilt, Belmont was 50 years old, Aqueduct was 60 years old. In 1953 Native Dancer won the Travers in front 18,000 people for a prize fund of \$27,000.00. The same year, he ran in the American Derby at Washington Park— Washington Park in Chicago and the Arlington Classic for \$112 and \$154,000.00.

So New York racing now was in a difficult situation. It was in a position where it couldn't develop prize money that was 20 percent of the American standard with a set of race tracks that were 60 years old. So it conceived of the Jockey Club plan as it was known. The deal was very simple. A group of people will borrow some money in the markets. They will buy Jamaica, Aqueduct, Belmont Park, and Saratoga, and they did a one-time simple, one pitch deal. We will take one percent of the pari-mutuel handle and you will give us a franchise of 25 years. That business model was predicated on a single thing: we will take one percent of the pari-mutuel handle. But what is the pari-mutuel handle?

As a result of that, Saratoga was slightly rebuilt. My theory on that is if Saratoga had a 20,000 people a day in 1959 they would have knocked it down and built a Belmont Park. It didn't have that crowd and as a result there was no Northway which is stand survived. But this was in these times. Look at that picture. Opening Saturday, Aqueduct, 1959. Remarkable, remarkable times. It resulted in the rebuilding of Belmont Park. Aqueduct cost \$39 million, 1959 money. \$39 million in 1959. What that is today, it's a lot. Belmont was rebuilt for \$33 million and Belmont

was finished in 1968. They had one percent of pari-mutuel handle. You could only bet on track in New York.

In 1970, 1971, Rockefeller authorized off-track betting. Their business model is history. They've borrowed all that money, they built those tracks based on a one percent pari-mutuel handle, and that's now gone. The implication of that is they then are in a slow business of declining marshal returns and you end up getting in a situation where you do this. The reason you do this is you have a fixed asset. You're a regulated business and you have to get as much out of that business as possible, and New York goes to year-round racing which means that in 2011 you run a race like that. Then this happens. New York racing is the only post OTB environment. There's a difference in New York. Garden State Park, operated in the 1930s, burnt down 1977, rebuilt '85, closed 2001. 1956, Garden State Park held a fortuity, \$390,000.00 prize money. Garden State Park.

If you think about the Coaching Club Oaks or the Jim Dandy or the Whitney or the Alabama or the Sword Dancer or the Travers or the King's Bishop or the Forego or the Personal Ensign, Hopeful, the Spinaway, you go on. Go down with anticipation, Lake George, Bellbrook, you just go down. If they'd been run at Garden State Park would it have closed? If Saratoga's races were at Garden State Park would it have closed? You get cultural races. You look historically, the MassCap at Suffolk and the implications of that and how that has wavered over time. But we go back to Chester from 1539, three races, big races: the Ormonde, the Dee, the Chester Vase, they grade three races. They're not significant races. They aren't in the English routing program, but they're significant at Chester and what happens.

Ontario. Slots are appellative. That's all they are. Anybody who runs a business based on slots runs the business the way that New York ran it with one percent of handle in their off drop betting. I don't pretend I know separate slots or not at all. Take the money, invest it. But if you rely on the basis of a business model to operate a place like Woodbine based on a slots program, you end up like Wellington. Wellington was rebuilt from '48 to '55, same Belgium, Waterloo. Corporate bookmaking arrived in Belgium. There is now no racing in Belgium as a nation. Italy had a strike this year. They had a 50 percent cut in prize money as a result of pari-mutuel betting. Germany's in difficult times. All these organizations have fundamentally based themselves on pari-mutuel betting.

Even seal systems like Hong Kong go through a situation of big tracks, big seal systems, but ultimately they don't have a comprehensive industry as you have in the US. You breed to race, you race to breed. They have geldings, they have a system what we're trying to do over time, how stable is Hong Kong? The one other system that we haven't looked at which you can't grapple with cuz you can't design it is cultural. One of the most amazing pictures I ever come across in racing is that picture. That's the Melbourne Cup at Flemington. All ticket. No. Oh, I think you just arrived. They have a cultural dimension which causes them their difficulties. The lines for the pari-mutuel system is remarkable. They invested hugely. The Melbourne Cup Carnival is unbelievable.

Whilst they've been going through all this process and all this investment running the carnival, there's a government forced merger in Sydney of the turf clubs which is gonna result in the rebuilding of Randwick in Sydney, a major competitor of Flemington. How is Flemington now gonna respond to this competition? What we've discovered through that is whilst racing is global and harmonized, race tracks are not and racing systems are certainly not. As you understand the nature of race tracks and racing systems, how are you gonna deal with that issue? Racing, itself, is also a complex area. This is 1973, the highest single day network television prize money day in the history of racing.

1973, Marlboro Cup, Belmont Park. I don't know who I was doing this presentation to it was, but it wasn't somebody who had heard of Secretariat. It wasn't that great success, the presentation. It was hard work getting the points across. I mean forget Riva Ridge. We were just on Mars when you talk about that. The US historically were great race innovators. If you think about the War Admiral, Seabiscuit match race; Zev against Papyrus at Belmont Park in the 1920s; the Belmont Specials, number one, two, and three and Epinard. But since the Marlboro Cup you have the Dubai World Cup, Arlington Million, Champions Day at Ascot, Breeder's Cup, Japan Cup, Hong Kong International Races, they're all new. I've not put on Turkey and Istanbul and I've not put on Singapore who are running \$4 million races.

Ultimately, we need a limited field to make a race. This is this year's Irish Champion Stakes. That's Snow Fairy against Nathaniel running in that race. Whether it's a two horse race or the Arc where last year there were 19 grade one winners in the race, but basically the race is fundamental to what happens. There's Mr. Frankel walking around. Not the real Mr. Frankel, obviously, the

horse. Why have all these people come to see this horse who is walking very slowly around that track? And why is this system developed to allow that horse to be viewed for probably around 25 to 30 minutes? And why are there 9,000 watching that horse 25 to 30 minutes?

Now, that's an exceptional case. That's one particular situation, but that experience, that live experience is what brings those people to there and brings those small boys into a situation where they want to do that to that horse. I took someone this year to the York International to watch Frankel race, never been to a race track before in her life, and she was mesmerized by the whole thing. That live experience, she saw it. It wasn't the French solution of vanning the horse to the start and watching instant racing, different solution. When you think about that, you get to the situation where one Black Caviar was gonna run a 21st race, why did she go to Ascot? She could have gone to Dubai to the Golden Shimmer, a lot more money. Why did she come to Ascot? Further away, more difficult to race.

In 2008 when I was doing an original New York study I spoke to Juddmonte and they brought up a horse called First Defense. I said what's the target of First Defense this year? They said the Forego at Saratoga. I said okay, the Forego at Saratoga, \$250,000.00 race. They said yes, but we think he's got stallion prospects and there will always be a Forego at Saratoga. There will always be a Forego at Saratoga. So you might have the race. If you talk about the race and the place which is the fundamental debate about today, you might have the place, but have you got the race? Cuz without the two they don't connect.

Then the most opulent racecourse built in recent times was this one, Agua Caliente. When you look inside, there's more gold leaf than you could possibly imagine. Ultimately, it was a flawed system. It was only operating because well, like a pari-mutuel betting in California, and most pari-mutuel betting can be in California, it was gone. Doesn't matter what it was. It could've been the Taj Mahal. It didn't have a race that justified operating and therefore, it went.

In terms of the physical experience of why you do things, come back to the beautiful horses and hedges, this is Sandown Park built in 1973, a beautiful scheme, that does this. All it is, is a veil. It's a thin veil to cover up the fact that behind it is a truly unpleasant building. Why would you do that? What's the return? Why does it work? Why would you want to go there? When you think about

Mukmekan's 45:15 original scheme for Keeneland and how Mukmekan developed that, Jack Keene's bizarre farm trying to rebuild it into a race track.

And why do you have beautiful hedges? Keeneland could save on the budget. It takes a while to cut that. I cut hedges at home. It takes a long time. Nor am I any good at it, which I'd been working on the basis that my inability to cut the hedge ultimately would relieve me from that responsibility. That cause and effect has yet occurred. What happens at Keeneland is that they have a brand and they have a structure which allows them to operate at a level and a place very different from another way. It's very easy to say oh yes, they got the sales. It's easy to do that, blah, blah. What they do, that hedge is not expensive in what they do.

There are other curiosities of how places develop different ways. This is Aintree where they hold the Grand National, four and a half mile steeple chase. 125,000 people go. This is the finishing post here, but they've built two new grandstands over here. How's that work? That's the start, not the finish. But the start of the Grand National is the race. That's why they operate in that way. As you get towards the final bit of it, this is Goodwood. For those people who haven't been to Goodwood, this is the race track, starts over here. A two mile race starts here, goes up there, around there, around there, around there, back and down there. The six-furlongs dash start here and the mile race starts there. This is the track.

Races five days, race about 50 days a year. Five days in July sold out every year, Glorious Goodwood sold out. That's the view from the start. This is further—those people who watch the one mile race at Belmont, do you think that's a long way away? You go here. This is further. I won't get into Belmont Park, but there we are. But when you go there and you look at Goodwood and you look at what happens and you look at that, you say this is a scheme that is built as a festival, as a place, as an experience.

The US has the most homogenized racing facilities in the world. You have the smallest variation of track, mainly one mile, mile and an eighth at Belmont Park and a little bit at Santa Anita. You have the narrowest range of racing distances. I wonder when it's gonna move from six furlongs to nine furlongs and get to seven furlongs, you just have the one race over seven furlongs and everybody knows the form. Very you know jockey to a gold cup, two mile race. No longer a two mile race. You have the smallest show because you're running long race days, long meets, 11 races, 140 day meets. For the connections to do what I show, the Frankel of a

half an hour preamble before every race, Ascot races six races, only ever six races. You have a very, very tight arrangement because of the balance and the issue of balance.

That is the point that I'm trying to make today, the issue of balance. I'm not here saying today that pari-mutuel wagering isn't important. Of course it's important. It's the lifeblood of American racing. Should you have the best website? Yes. Should you try and innovate with wagering? Yes. Should you try and get the most money? Yes. Should you pursue social media? Yes. You should do all those things. The polarized debate means that this a guy who talked about the hedges, said we should do hedges.

What I'm saying is there's an element of racing across the world which allows you to get more money from people to do a particular thing, but the US doesn't really do that thing in that way. It so happens that the best centennial race tracks, Del Mar, Saratoga, Keeneland, tend to be the most attractive race tracks, Del Mar, Saratoga, Keeneland. Why is that? Why do people go to those race tracks? I could name a whole series of race tracks across the US that you wouldn't want to go to a second time unless you wanted to wager. But having been to the track, wager online. The live track experience.

We go back around the thing. Last two slides. If you're getting' bored it's okay. Two to go. If you're not bored, only two to go. York about spent 10 million pounds, \$15 million, to build—these are their main grandstands here: Ebor, Knavesmire. They're gonna build all of this. This is the pre-parade ring. This is the parade ring. So they're building all the facilities in the equine areas cuz to them that's the highest value. What can I deliver at a race track? A view of the track and a view of the action in the parade ring. If I can give people a view of those things, then I can get more money out of them to do that. If I just give them a black box, it's a black box. The bizarre thing about York is it's the best segmentation racecourse you can ever find in the world.

York has a really interesting system, which is provide multiple price points, differentiate the offer, and get people to pay more as they go through the offers. So if you're a \$40.00 person and you're a \$100.00 person you get more for the \$100.00. You might get somebody in here for \$100.00. You might get somebody in here for \$40.00. This might only work to Britain. No one wants to be known as the person who could only afford the cheapest ticket. It's not great, you know? I was with my mates, where do you see Paul Roberts? He just about borrowed some money outside from

someone and got into the cheapest enclosure. Right, he's obviously doing well. He's fantastic, yeah? But I'm here in the \$500.00 enclosure with my fine clothes. I'm really wealthy, I'm doing really well. It's human nature. If you only have a \$3.00 and \$5.00 entry and you can't really distinguish between the two, why would you do more?

The bizarre thing about that, bizarre thing, is when I started on the world tour I showed you the John Carr Stand. Designed in 1753, opened in 1756 as York's big governmental splash. It will be the same as trying to get the new stadium built in Seattle, you know? Same sort of thing. What are York doing in 2013? They are rebuilding the John Carr Stand *[laughter]* which is here, and building this canopy cuz this is like a honey pot to people who go to York. They will pay more to stand in there, to stand in a bit of grass outside cuz that is its DNA. That is its brand. That is what the people support. That is their Red Sox. That is what they do.

To finish off this little thing, understand the different nature of race tracks. Understand what could be done elsewhere. There is a great opportunity in American racing to look at racing as a sport, as an experience, and lever that for the sake of more money. Don't forget all the other parts of your business. Keep doing those as well, but there is an opportunity. But do it in a way that if you don't understand the system you're in—if the people in New York had really known there was gonna be off-track betting in 1970 would they have built Belmont Park if they had known that? And be very wary of governmental interference. If you have like Saratoga a sport that is fundamentally enshrined in racing, you will always survive. You will always keep going because you have the DNA that allows you to keep going. Otherwise, you're waving in something that's like a wind in that sort of very difficult government experience.

That was the basic message I wanted to get across today, but there's an additional issue, and it's an additional issue that's being pursued across the world. It came back to me when I was looking at a quotation from the 1950s, that as ever with someone who's not necessarily well organized, I can never find, I can't find—there we are. This was a book written in 1953 by a guy called Palmer, and trust me, the light up here is pretty poor and my eyes aren't that great. It's not really got this sort of Sundance Kid snappiness to it, but I'll keep trying.

It says, anytime you want to know whether racing in New York can still consider itself a sport or whether it's a highly elaborate

pinball machine, just look to see when the Saratoga dates are. After five months of concrete and asphalt and gravel, Saratoga applies an anesthetic of tranquil lawns, white houses, a leafy and mellowed antiquity, and morning after morning of golden serenity. For the casual race-goer, Saratoga's the only place in the east where you can still see racing. Everywhere else he just sees racing—just sees races, and that isn't the same thing at all. Thank you very much. *[Applause]* I don't wanna leave now. Do I get out while I'm ahead or? *[Laughter]* Or do I have to answer questions? What happens now? Does anybody know?

Audience Member: I think I have a question.

Audience Member: Go ahead.

Audience Member: My question is only a question because I didn't hear the—later on in the presentation you mentioned a place that had so much gold and it was the Taj Mahal, and I didn't—

Paul Roberts: Agua Caliente.

Audience Member: Oh, okay, thank you.

Paul Roberts: Sorry. It's the accent. My Mexican, it's like my Hungarian. Outstanding.

Audience Member: Are there any other questions?

Audience Member: Thank you. You had pointed out that race tracks needed a signature race for its existence and for its longevity. The Breeder's Cup in the US does not have a signature race track, but it is a traveling event, and it's our biggest event. What would you recommend the Breeder's Cup do in light of your opinion that a track needs a signature event? Do you agree with that process or disagree?

Paul Roberts: That's a tricky question, isn't it? You could look at it two ways. We go back to right to the start of what I said, talking about—go back to golf. Look at the US Open versus Augusta. Which is better? Both are—both are great. Is there a place for a moving system? Of course there is. It brings—for someone who's worked for five year for New York Racing, Breeder's Cup, New York Racing, it's an interesting subject as to what happened, and does it need to come back east and what should happen? My own view is that given the way it was developed, I think it is—it works well

when it moves around and it gives a flavor to that and allows things to work in a very good way.

So when I talk about racing needing a signature race track— signature race, a signature race doesn't need to be a big race. It needs to be a big race for that track, and that allows that track to gather and the local community and the local sponsors to gather around that. But you need focal points in what you do. That's what's significant about how things work and what things do. I'd let it move, but I'm not in charge. Great. Okay, thank you very much indeed. Glad you enjoy this. *[Applause]*

[End of Audio]