



2016 STANDBRED RACING PROPOSAL

A proposal for consideration to improve the harness
racing industry in Ontario.

ABSTRACT

The following document outlines a number of proposed changes to the harness racing industry to be implemented in 2016. These changes primarily revolve around the race dates and purse levels, but also include recommendations for further work to be completed in the regulatory area as well.

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Current Situation

With the cancellation of the Slots at Racetrack Program, harness racing in Ontario literally transformed overnight. The industry transitioned from purse levels that some could argue allowed inefficiencies to occur, to purse levels that many can argue will cause the industry to suffer a slow and painful death.

The authors of this report were challenged to devise a plan that would see a viable horse racing industry and to make it happen with no new funding over and above what is currently offered. To understand the proposal, one has to look at the current structure of harness racing in Ontario.

Currently the Ontario Harness Racing industry is divided into 3 level of tracks.

1. Premier
2. Signature
3. Grassroots

The “per race card” purse levels at these tracks are:

1. Premier – 185,000
2. Signature – 65,000
3. Grassroots – 35,000

Speaking to industry participants, there is a belief that the Premier Level Purse levels are sufficient and are at correct level and frequency. Likewise, the racing situation at Rideau in the Ottawa region was not considered in the writing of this report and from the knowledge of the authors is operating sufficiently and efficiently. However, there is considerable concern with the purse levels and amount of racing opportunity at the Signature and Grassroots level.

The common theme of the concern expressed at these two levels can be summed up as:

1. Signature racing purse levels and racing opportunity are not sufficient to offer a sustainable business model for horse ownership to be successful.
2. Grassroots purse levels translate to actually operating at a loss, even for the small hobby horse owner.

Realizing that under the current funding model, increased funding would not be available to simply increase purse levels to a more appropriate level, therefore any increase in purse levels would have to be found through existing funding. In other words, racing dates and locations of racing opportunity would have to be redistributed.

At the beginning of this exercise, it was felt by the authors of this report that target purse levels for the Signature and Grassroots level of racing would be 85,000 and 45,000 respectively. While the resulting proposal described in this document falls somewhat short of that goal, it goes a long way to improving the levels to a more acceptable and sustainable level.

Grassroots Level Racing

Currently Grassroots Racing is held at the following tracks:

- Clinton
- Dresden
- Hanover
- Hiawatha
- Kawartha
- Leamington

The Grassroots level racing has an average purse level of 35,000 per card of racing. This number does not include any Sires Stakes moneys or Added money events. The 35,000 is received from the Purse Account.

To demonstrate that the 35,000 dollars forces a horse owner to operate at a loss, one just needs to look at the economics.

Cost of ownership of owning a racehorse

In speaking to horse owners and trainers, and from the authors' own experience, it is agreed that on average, the cost of owning a race horse averages at \$2,000 per month or \$24,000 per year. Some examples of how this cost is calculated include (but not limited to) the following:

- Training – \$900 to \$1500 per month
- Feed – \$ 150 to \$200 per month
- Supplements - \$100 to \$200 per month
- Board – \$120 to \$200 per month
- Bedding – \$100 to \$200 per month
- Vet and Medical - \$100 to \$500 per month
- Farrier - \$50 to \$100 per month
- Transportation - \$100 to \$1000 per month



Considering that on average there are 10 races per card at the Grassroots level, this would allow a per race purse of \$3,500. Assuming that the Grassroots level horse is healthy for the entire summer racing season, it could be assumed that they would race approximately 15 times. It also needs to be noted that horse owners receive 90% of purse earnings (90% - owners, 5% - trainer, 5% - driver). An examination of the economics considering this scenario is as follows:

15 races x \$3,500 purse per race x 90% of purse = \$47,250 total purse competing for.

Using the breakdown of purse distribution for each race, (50% for 1st, 25% for 2nd, 12% for 3rd, 8% for 4th, and 5% for 5th) one can clearly see why the current Grassroots level forces horse to operate a loss on the

year. Even if a Grassroots horse was to win every race it competes in, the owner would still operate at a loss on the year.

$\$47,250 \times 50\% = \$23,625$ total earnings for the year versus $\$24,000$ annual costs of ownership

Understanding these numbers, one can clearly see why the Grassroots Level of racing is not sustainable at the current levels.

Signature Racing



Currently Signature racing is held at London, Georgian, Grand River and Flamboro. Using the same calculations demonstrated at the Grassroots levels, it can clearly be demonstrated that the Purse Levels at the Signature Level do not offer an incentive for racehorse ownership.

Considering that there is more racing opportunity for Signature Level racing due to the racing opportunity being year round, one could assume that a Signature Level Racehorse could receive 30 starts per year. This would allow time off for rest (2 months per year) and averaging 3 starts per month for the months that the horse is racing.

With the purse levels per card of racing at $\$65,000$ and the signature tracks averaging 11 races per card, the average race horse would have access to the following purse amounts.

$30 \text{ races} \times \$5909 \text{ purse per race} \times 90\% \text{ of purse} = \$159,543$ total purse competing for.

Using the same purse distribution calculation and assuming that an above average horse would achieve a .333 winning average (finish 3rd in every race) the total income for that horse would be:

$\$159,543 \times 12\% = \$19,145$ earnings per year (loss of approximately $\$5000$ per year)

If the very lofty goal of averaging second in every race, a horse owner would receive:

$\$159,543 \times 25\% = \$39,885$ earnings per year (profit of approximately $\$15,000$ per year)

In plain language, we are asking owners to invest 10 to 20 thousand to purchase a racehorse, spend 24 thousand per year for maintaining the horse, and if the horse has a really phenomenal year of racing, they may receive a gross profit of only 15,000 per year. One can see why it is a struggle to find new race horse owners.

Proposal

Purse Redistribution

To move purse levels to a more appropriate level of economic viability, the authors agreed that goal for the Grassroots Level and Signature Level purses being \$45,000 and \$85,000 respectively. It was agreed that having purse levels at these levels would allow a greater ability to encourage race horse ownership. However, the challenge that presented itself was the realization that the only funds available were the current purse account and operating funds that the tracks receive to conduct their racing cards.

Using the current 2015 racing calendar, the total Purse Monies available for the Signature and Grassroots Level tracks is just over 25.7 million dollars. This number does not include the Purse funds for the Premier tracks or the purse funds for Rideau. As indicated the authors believed that the Premier Racing level and Rideau Tracks are operating effectively and efficiently.

With respect to operating funds, the authors were not privy to the specific operating funding agreements with the individual tracks that are in place. However, from conversations held with some of the key industry leaders, it is believed that the tracks receive approximately \$24,000 per race card to cover operating costs of hosting a card of racing.

Using the current 2015 racing calendar, the total Operating funds available are just over 10.6 million dollars. Like the purse dollars, this number does not include the operating funds used to cover the racing at the Premier Level tracks or the racing at Rideau for the same reason as list above.

Table 1. 2015 Racing Purse Levels

Track	# of Race Days	Purse/Card	Total Purse \$	Total Operating \$
Clinton	15	35000	525000	360000
Dresden	13	35000	455000	312000
Flamboro	132	65000	8580000	3168000
Georgian	39	65000	2535000	936000
Grand River	49	65000	3185000	1176000
Hanover	16	35000	560000	384000
Hiawatha	21	35000	735000	504000
Kawartha	21	35000	735000	504000
Leamington	14	35000	490000	336000
London	123	65000	7995000	2952000
Total	443		25795000	10632000
Total Funds (Purse + Operation) =		36,427,000		

With the challenge of solely redistributing the current funds to achieve the desired goal of increasing purse levels, the authors had some tough decisions to make. Reducing or eliminating racing opportunity at one track versus another is a very difficult decision, however given that status quo does not present a sustainable model, changes must be made to ensure a viable industry.

The changes that the authors are recommending fall into 3 main categories:

- Elimination of Grassroots Racing at Certain Tracks
- Reduction and/or increase of Racing at Certain Grassroots and Signature Tracks
- Transition of Racing from Signature to Grassroots at Georgian

Elimination of Grassroots Racing in Southwestern Ontario Tier

The authors looked at the current racing opportunity that is presently located the Southwestern Ontario Tier at Leamington, Hiawatha and Dresden tracks. It is the belief of the authors that some of the horses racing at these tracks do not present a quality product for our customer base. In addition, it is accepted that the majority of the competitive horses racing at these tracks are located closer to the London area.

Now it is recognized that the decision to eliminate the Grassroots racing opportunity may be a political challenge, but it is the authors' opinion that to continue offering Grassroots Level racing at these tracks is not in the best interest of the industry at large. The authors expect to hear objection from a small but vocal number of horsemen that are passionate about maintaining a local racing opportunity, but this proposal is looking at what is best for the entire provincial industry and not just one small segment. If one was to speak to all of the horse owners currently utilizing the tracks in the Southwestern Ontario Tier, the vast majority would agree that they would prefer to be racing for increased Signature Purse Levels at London versus racing for the current Grassroots purses that are insufficient to cover even the basic costs of owning a racehorse.

It should also be noted that this proposal also recommends further investigation into building a Fair Racing Circuit (page 11) that could somewhat replace the loss of Grassroots Racing in the Southwestern Ontario Tier.

Reduction and/or Increase of Racing at Grassroots and Signature Tracks

Western Fair Raceway at London

The authors looked at the recent success of racing operations at the London track and all agreed that the industry needs to capitalize on this success. For example, London has increased handle considerably (both per race and per race card) over the last number of years. Considering that there should be a greater focus on supplying our customer, the betting public, the authors believe London has demonstrated a willingness to improve. In talking to officials at Western Fair Raceway in London, the authors found a willingness to expand from the current 8 months of racing opportunity to an 11 month racing calendar.

Adding dates to the already successful racing program and the substantial handle that Western Fair Raceway has demonstrated would considerably increase the total handle generated. Some estimates of this increase are in the 6 million dollar range.

This combined with the fact that the majority of competitive horses that were racing at the Leamington, Hiawatha and Dresden tracks being located near London, it is recommended that Signature racing be offered in London during the summer months. This would also allow the competitive horses that were racing at Leamington, Hiawatha and Dresden to race at a Signature track during the summer months without having to travel to Flamboro or Grand River.

Clinton and Hanover Raceways

While there exists a number of local horsemen that are located in the Clinton and Hanover areas the authors are recommending a reduction of Grassroots Racing at these two tracks. With increased Signature racing being offered at London during the summer months, it is believed that Grassroots Racing could be reduced at Clinton and Hanover Raceways without reducing the total racing opportunity. Transitioning from 15 days to 8 days at each track would still allow the tracks to maintain their position of being an integral part of the local community as well as providing a racing opportunity for the local horsemen with horses that are better defined as Grassroots horses. The local geographical area that these tracks pull from are at a minimum of 1.5 hours away from any Signature racing at London, Flamboro and Grand River.



Grand River, Kawartha and Flamboro Raceways

While the recommendation is for a small reduction of race dates at Flamboro and a small increase at Grand River, and Kawartha to remain the same, it is the authors' belief that the racing opportunity at these three tracks is relatively close to where it should remain.

Transitioning Georgian from Signature to Grassroots

In speaking to industry leaders, the authors accepted the fact that there was a willingness to change the racing opportunity at the Barrie track. Horse supply has been a problem with attracting a sufficient supply of quality horses at Georgian. It is felt that by reducing the dates and transitioning to a Grassroots level track, thereby allowing the purse and operation dollars to be used elsewhere, would be a better use of Georgian's facility. It also should be noted, that while Sires Stakes and Added money events are not considered in the calculations used in this report, it is anticipated that Georgian would still play a significant role in offering these money events.

Operation Funding

As indicated, the authors were not privy to the specific funding amounts offered to each individual track. However, from speaking to key personnel, it is believed that the average funding level is approximately \$24,000 per race card.

In the proposal that the authors are recommending, it is accepted that there needs to be some changes to the operation funding model. For example, the fact that Western Fair Raceway is receiving a significant increase to the total number of



race dates, it is the belief of the authors that their “per race card” operations fee could be reduced. An argument can be made that a portion of the current “per race card” operation fee goes towards the annual overhead of operating the track, especially to those tracks that do not operate as training centers on non-racing dates. Therefore, if a track was to receive a significant increase to the number of race dates, the “per race card” operations fee should be reduced to account for this overhead amount. This proposal recommends a 10% reduction in the operations fee.

Likewise, the racetracks that see a significant reduction in racing dates, those tracks don’t have other specific income related to the track (such as training acting as a training centre), the overhead portion would be covered by less “per race card” operations fee. Therefore the authors have allotted a 15% increase in the operations funding for these tracks.

It is believed that the tracks that remain near their current number of race dates, and or tracks that have other revenue sources specifically related to the track, the operations funding should remain at the current levels.

Result

So with the changes outlined above, the authors have devised a plan which would see the purses and operation funding be distributed as outlined in Table 2.

Table 2. Proposed 2016 Purse Levels

Track	# of Race Days	Purse/Card	Total Purse \$	Operating \$ per Card	Total Operating \$
Clinton	8	40000	320000	24000	192000
Dresden					
Flamboro	116	82000	9512000	27600	3201600
Georgian	13	40000	520000	27600	358800
Grand River	52	82000	4264000	24000	1248000
Hanover	8	40000	320000	24000	192000
Hiawatha					
Kawartha	21	40000	840000	24000	504000
Leamington					
London	143	82000	11726000	22600	3231800
Total	361		27502000		8928200
Total Funds (Purse + Operation) =			36,430,200		

In addition to the improved racing opportunity, it is anticipated that the improvements made would result in a significantly increased handle and thereby takeout for funding the racing operations. A simple increase of racing at Western Fair of 20 days at 300,000 dollars per race day would result in 6 million dollars in handle. Estimating a 5% average takeout, this would result in 300,000 dollars more in funds that could be used in purse and operations funding.

The authors of this report recommend that future increases in handle and the resulting increased takeout funds be wholly or partially used to fund further increases to the Purse levels. The industry should continually work at improving and benefit from these improvements.

Specific Race Day Calendar

Realizing that the numbers being recommended in this report would mean a total revamp of the annual race calendar, the authors have further devised a plan for the allotment of the race days. The recommendation looks at a number of issues, including:

- Having access to 6 days per week of Signature Racing for the entire year
- Offering Grassroots racing from late spring to early fall period of the year
- Capitalizing on current successes in handle generation.
- Recognizing the tracks current schedule and their weekly programming.



For example, Grand River Raceway currently operates a very successful Friday Night Program, and the recommended race calendar takes this into consideration. Likewise Western Fair Raceway in London has significantly grown their handle with the days of the week that they operate on.

The resulting calendar also provides for some consistency and gives the tracks and the industry the ability to plan effectively. The allotment of the different Conditions of Races can be managed more effectively having a well thought out racing calendar.



Table 3. 2016 Racing Calendar

Week	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
December-27-15						Lon	Flam
January-03-16	Flam	Lon	Lon		Flam	Lon	Flam
January-10-16	Flam	Lon	Lon		Flam	Lon	Flam
January-17-16	Flam	Lon	Lon		Flam	Lon	Flam
January-24-16	Flam	Lon	Lon		Flam	Lon	Flam
January-31-16	Flam	Lon	Lon		Flam	Lon	Flam
February-07-16	Flam	Lon	Lon		Flam	Lon	Flam
February-14-16	Flam	Lon	Lon		Flam	Lon	Flam
February-21-16	Flam	Lon	Lon		Flam	Lon	Flam
February-28-16	Flam	Lon	Lon		Flam	Lon	Flam
March-06-16	Flam	Lon	Lon		Flam	Lon	Flam
March-13-16	Flam	Lon	Lon		Flam	Lon	Flam
March-20-16	Flam	Lon	Lon		Flam	Lon	Flam
March-27-16	Flam	Lon	Lon		Flam	Lon	Flam
April-03-16	Flam	Lon	Lon		Flam	Lon	Flam
April-10-16	Flam	Lon	Lon		Flam	Lon	Flam
April-17-16	Flam	Lon	Lon		Flam	Lon	Flam
April-24-16	Flam	Lon	Lon		Flam	Lon	Flam
May-01-16	Flam	Lon	Lon		Flam	Lon	Flam
May-08-16	Flam	Lon	Lon		Flam	Lon	Flam
May-15-16	Flam	Lon	Lon		Flam	Lon	Flam
May-22-16	Flam	Lon	Lon		Flam	Lon	Flam
May-29-16	Flam	Lon	Lon	GR	Lon, Geo	GR	
June-05-16	Lon	GR	Lon	GR	Lon, Geo	GR	Kaw
June-12-16	Lon	GR	Lon	GR	Lon, Geo	GR	Kaw
June-19-16	Lon	GR	Lon	GR	Lon, Geo	GR	Kaw
June-26-16	Lon	GR	Lon	GR	Lon, Geo	GR	Kaw, Han
July-03-16	Lon, Clin	GR	Lon	GR	Lon, Geo	GR	Kaw, Han
July-10-16	Lon, Clin	GR	Lon	GR	Lon, Geo	GR	Kaw, Han
July-17-16	Lon, Clin	GR	Lon	GR	Lon, Geo	GR	Kaw, Han
July-24-16	Lon, Clin	GR	Lon	GR	Lon, Geo	GR	Kaw, Han
July-31-16	Lon, Clin	GR	Lon	GR	Lon, Geo	GR	Kaw, Han
August-07-16	Lon, Clin	GR	Lon	GR	Lon, Geo	GR	Kaw, Han
August-14-16	Lon, Clin	GR	Lon	GR	Lon, Geo		Kaw
August-21-16	Lon, Clin	GR	Lon	GR	Lon, Geo	GR	Kaw, Han
August-28-16	Lon	GR	Lon	GR	Lon	GR	Flam, Kaw
September-04-16	Flam	GR		GR	Flam	GR	Flam Kaw
September-11-16	Flam	GR		GR	Flam	GR	Flam, Kaw
September-18-16	Flam	GR		GR	Flam	GR	Flam, Kaw
September-25-16	Flam	GR		GR	Flam	GR	Flam, Kaw
October-02-16	Flam	Lon	Lon		Flam	Lon	Flam, Kaw
October-09-16	Flam	Lon	Lon		Flam	Lon	Flam, Kaw
October-16-16	Flam	Lon	Lon		Flam	Lon	Flam, Kaw
October-23-16	Flam	Lon	Lon		Flam	Lon	Flam, Kaw
October-30-16	Flam	Lon	Lon		Flam	Lon	Flam
November-06-16	Flam	Lon	Lon		Flam	Lon	Flam
November-13-16	Flam	Lon	Lon		Flam	Lon	Flam
November-20-16	Flam	Lon	Lon		Flam	Lon	Flam
November-27-16	Flam	Lon	Lon		Flam	Lon	Flam
December-04-16	Flam	Lon	Lon		Flam	Lon	Flam
December-11-16	Flam	Lon	Lon		Flam	Lon	Flam
December-18-16	Flam	Lon	Lon		Flam	Lon	
December-25-16		Lon	Lon		Flam	Lon	Flam

Other Recommendations

Fair Racing Circuit

It is the recommendation of this report that the industry along with its provincial government partner investigate the concept of a Fair Racing Circuit. It is the belief of the authors that having a mobile racing unit that could partner with 10 to 15 local agricultural societies throughout the province to provide a day of Fair Races would be an excellent addition to the industry. The authors envision a Fair Race Card of 10 races with a small purse (500 to 1000 per race) being held at 10 to 15 locations across the province. These locations would be small existing race tracks such as Forest, Leamington, Tara, etc. Further investigation to cover the cost of the initiative needs to take place to see if there are existing government programs or grants that could assist in funding this initiative. Examples of these funding programs include Growing Forward 2, or the existing Agricultural Society Fair Awards Grant Program.



The mobile unit would consist of the necessary equipment and personnel needed to host a basic day of harness racing such as a starter car, portable paddocks, etc. The decision on whether or not Pari-mutual betting could be offered at these Fair Races should also be investigated and discussed further.

Regulatory Initiatives

It is the recommendation of this report that the transitioning of the Regulatory Authority of Harness Racing from the Ontario Racing Commission to the Alcohol and Gaming Commission of Ontario provides an excellent opportunity to look at the current regime of regulations and the processes associated with these regulations.



It is the authors' opinion that several improvements can be made to the regulatory environment. The authors firmly believe it is in the best interest of the industry to produce a product that is fair and legitimate. Living in air of suspicion of performance enhancing drugs, to race fixing is not conducive to growing the industry. The participants need to severely clamp down on those in the industry that circumvent the rules as they pose a serious risk to the entire horse racing industry.

Therefore this report recommends further discussion with representatives of the industry to strengthen the regulatory regime to ensure that integrity and honesty is paramount among ALL participants in the industry.

Summary

This report has outlined a number of specific recommendations which are summarized as the following.

- 1. That Grassroots Racing opportunity be offered at Hanover, Clinton, Georgian and Kawartha Raceways during from May to October.***
- 2. The "Per Race Card" Grassroots Purse be increased to 40,000 dollars.***
- 3. That there be Signature Racing opportunity 6 days a week throughout the entire calendar year and be hosted at Western Fair Raceway, Grand River and Flamboro.***
- 4. The "Per Race Card" Signature Purse be increased to 82,000 dollars.***
- 5. The Operations Fees awarded to the individual tracks be modified similar to the fees listed in this proposal.***
- 6. That the Race Calendar outlined in this report be implemented for 2016.***
- 7. That more work be completed to investigate the possibility of implementing a Fair Racing Circuit.***
- 8. That a working group of industry and government representatives be formed to discuss improvements to the regulatory regime of harness racing in Ontario.***
- 9. Future increases to the purse account could be considered from the anticipated increased handle takeout that would be generated by the changes that the recommendations in this report would achieve.***

When the authors took this challenge on, it was with the goal of devising a plan that will improve the business viability of harness racing given the current funding reality. While this was not an easy task in the least, it is believed that the proposal outlined in this document achieves just that. The authors are confident that once the document is distributed to the various stakeholders in the industry, support will quickly be obtained for moving in the direction that this proposal works towards.

Furthermore, it is recognized that timing is tight for the implementation of the recommendations in this proposal. While it is understood that there are some very significant changes being recommended to our industry, it is the authors' opinion that these changes must be made quickly and decisively. To draw the transition out is simply risking the future of the entire industry.

And lastly, it is the authors' hope that this proposal generates positive discussion and allows for the industry to greater define its own destiny and future. The common goal of every individual involved in harness racing should be to improve the viability of the industry as a whole.