THIRTY-EIGHTH ANNUAL ROUND TABLE CONFERENCE
On Matters Pertaining to Racing
THE NATIONAL MUSEUM OF RACING
SARATOGA SPRINGS, NEW YORK
Sunday, August 12, 1990
THIRTY-EIGHTH ANNUAL ROUND TABLE CONFERENCE
ON MATTERS PERTAINING TO RACING
HOSTED BY
THE JOCKEY CLUB

The National Museum of Racing
Saratoga Springs, New York
August 12, 1990

WELCOME TO PARTICIPANTS AND GUESTS
Ogden Mills Phipps, Chairman, The Jockey Club

ACTIVITIES OF THE JOCKEY CLUB IN 1990
William S. Farish, Vice Chairman, The Jockey Club

HOW THE GRAYSON-JOCKEY CLUB RESEARCH FOUNDATION
SERVES THE THOROUGHBRED INDUSTRY
Nick Nicholson, Director, The Jockey Club

RACING’S RESPONSE TO THE POSSIBILITY OF SPORTS BETTING
Point: James P. Heffernan,
Executive Director, American Horse Racing Federation
Counterpoint: Edward L. Bower,
Editor-in-Chief, The Blood-Horse

OFF-TRACK BETTING IN AUSTRALIA
Kenneth Page,
Marketing Director, Totalizator Agency Board of New South Wales

INTERMISSION

PANEL DISCUSSION:
RACING SHOULD FACE THE ONGOING PROBLEMS OF IMPROVING DRUG TESTING,
STANDARDS OF RULES AND PENALTIES, AND INCREASING DRUG-RELATED RESEARCH
Ogden Mills Phipps, Chairman, The Jockey Club, Moderator

COMMISSION PERSPECTIVE
Wayne Shamale, President, Association of Racing Commissioners International

TRACK MANAGEMENT PERSPECTIVE
Kenneth Nye, Jr., President-General Manager, Calder Race Course, Inc.

INDUSTRY PERSPECTIVE
James E. Baucus III, Chairman, Keeneland Association

CLOSING ADDRESS
Ogden Mills Phipps, Chairman, The Jockey Club

Program Chairman, John Hettinger
IN ATTENDANCE:

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

Dr. Taylor Ashby
Owner/Breeder

Thomas M. Bancroft, Jr.
Member, The Jockey Club; Owner/Breeder

Norman Barney
Chairman, Ohio State Racing Commission

Jim Barren
First Vice President, American Quarter Horse Association

James E. Bessert III
Chairman, Swaledale Association, Member, The Jockey Club; Past President

Mrs. James E. Bessert III
Owner/Breeder

W.B. Rogers Bradley
Director of Sales, Swaledale Association

John A. Bell III
Member, The Jockey Club; Owner/Breeder

Mrs. John A. Bell III
Owner/Breeder

Ron Belloq
Junior Commissioner, University of Arizona Race Track Industry Program

George Benton
Daily Racing Form

James H. Binger
Member, The Jockey Club

Edward A. Bishop
Beggar, The Jockey Club

William T. Bishop III
Attorney, J. Dickerson and York

Ellen Bongers
Owner/Breeder

Edward S. Bouque
Attorney, Member, The Jockey Club

Peter Brownstein
National Director, Jockey Guild

Edward L. Brown
Assistant Chef, The Blood Horse; Speaker

Richard P. Brown
Vice President, New York Racing Association

Harry L. Buch
Attorney, Past President, Association of Racing Commissioners International

Alexander G. Campbell, Jr.
Member, The Jockey Club; Owner/Breeder

Norman Cassie
Chairman, Olds Breeders Sales Company

R. Anthony Chambless
Executive Vice President, Association of Racing Commissioners International

Mrs. Helen B. Chesney
Member, The Jockey Club; Owner/Breeder

George M. Chesney
Member, The Jockey Club; Owner/Breeder

Mrs. George M. Chesney
Owner/Breeder

Holy Church III
Owner/Breeder

Nick Ciri
The President Racing Operations, New York City Off-Track Betting

John Clark
Glenelg, New York State Racing and Wagering Board

Robert N. Clay
President, Thoroughbred Owners and Breeders Association; Owner/Breeder

Charles Colgan
Executive Vice President, National Steeplechase and Hunt Association

Terrence Collier
Executive Vice President, R.D. Simon Company

Broward County II
Owner/Breeder

Mrs. Broward County II
Owner/Breeder

C. Timothy Cune
President, R.D. Simon Company

James P. Corr
President, Jay Menchen Racing Association

W.K. Cuthbert
Executive Director, New York Thoroughbred Breeders Association

Richard Currier, Jr.
Chairman, New York State Racing and Wagering Board

Alex Curtis
Chairman, Arkansas Jockey Club

Steven Cottrell
Columnist, New York Times

Robert Curran
Director of Media Relations and Development, Thoroughbred Racing Communications

Allan B. Dragne
Chairman, New York Racing Association; Steward, The Jockey Club

Hazel Eden
President, New York City Off-Track Betting

Mrs. A. Laioli dePort
Member, The Jockey Club; Owner/Breeder

Lawrence E. Enos, Jr.
President, Empire Polo New York

Thomas McElroy, Jr.
Member, The Jockey Club; Owner/Breeder

Mrs. Thomas McElroy, Jr.
Stewards

William S. Parke
Vice Chairman, The Jockey Club; Owner/Breeder

Mrs. William S. Parke
Owner/Breeder

Bill Penney
Colonial, New York Daily News

John M.S. Pienney
Owner/Breeder

Bernard B. Firestone
Chairman, Cigar Buisnessmen, Owner/Breeder

Hugh Finck
Twin Racing Commission; Owner/Breeder

Mrs. Carol Frey Poland
Owner/Breeder

George Frentzel
Member, The Jockey Club; Owner/Breeder

Mr. John G. Franks
Owner/Breeder

John B. Gaitis
Owner/Breeder

David M. Gilmour
Member, The Jockey Club; Owner/Breeder

Murray Green
President, Thoroughbred Breeding and Research Association; New York Division

Edward H. Gerry
Member, The Jockey Club; Owner/Breeder

Martha F. Gerry
Member, The Jockey Club; Owner/Breeder

de. Michael A. Gilpin
Racing Chairman, The Jockey Club

M. Tyler Gilpin
Member, The Jockey Club; Owner/Breeder

John Giannandrea
National Managing Director, Jockey’s Guild

John K. Goodman
Member, The Jockey Club

Dr. Robert Grant
Director, Association of Racing Commissioners International Quality Assurance Program

Gordon Grayson
Member, The Jockey Club; Owner/Breeder

Mrs. Gordon Grayson
Owner/Breeder

William C. Greely
President, Equine Association

Fred Groenheim
Editor, Daily Racing Form

Leonard C. Hake
Senior Vice President, New York Racing Association

Richard Hamilton
Racing Chairman, New York Racing Association

Arthur B. Hancock III
Member, The Jockey Club; Owner/Breeder

Mr. D. H. Hancock
President, Greyson - Jockey Club Foundation; Owner/Breeder

Brundel Harris
Pleasure

David Hayven
President, The Jockey Club Racing Services

David Hecke
Senior Editor, Thoroughbred Times

James P. Heffernan
Association Director, American Horse Racing Pensions, Speaker

Bernard J. Hettel
Racing Chairman, Kentucky Racing Commission

John Hettiger
Director, The Jockey Club; Owner/Breeder

Dr. James Hill
Owner/Breeder

Mr. James Hill
Owner/Breeder

Joe Hirsch
Executive Commissioner, Daily Racing Form

Clyde Hirt
Columnist, Sports Eye

Dave Horsey
Associate Commissioner, University of Arizona

G. Watts Humphrey, Jr.
President, The Jockey Club; Owner/Breeder

Mrs. G. Watts Humphrey, Jr.
Owner/Breeder

Dr. Robert Jack
President-Secretary, American Association of Equine Practitioners

John W. Jacobs
Owner/Breeder

Russell B. Jones, Jr.
Member, The Jockey Club

John Joyce
Racing Chairman, New York State Racing and Wagering Board

Susan Kustris
Ward

John McKeel, Jr.
Attorney

Mrs. Peggy Vandeventer Kumble
Trustee, New York Racing Association

Hon. Lawrence J. Laffite
Judge, Simmons Group
John T. Landry  
Member, The Jockey Club, Owner/Breeder

Dr. A. G. Lewis  
American Associate of Equine Practitioners; Owner/Breeder

Dr. Leit  
Owner/Breeder

Michael A. Leit  
President, Sports Marketing  
and Television International

Martin L. Lieberman  
Senior Vice President,  
New York Racing Association

Benjamin Lieberman  
Board Member, New York State  
Racing and Wagering Board

Chris Lincoln  
Executive Vice President,  
Winer Communications

Mrs. Jane D. Paull Linger  
Owner/Breeder

Patrick Lynch  
Winer

Earle L. Mack  
Owner/Breeder

William C. MacMillan, Jr.  
Attorney, The Jockey Club, Owner/Breeder

Robert R. Mahaney  
Attorney

Robert Mantooth  
Owner/Breeder

John Mangano  
Senior Manager, New York Racing Association  
Alan Mazzez  
Chief Financial Officer, The Jockey Club

Dr. George Mefflin  
Director, Equine Drug Testing Cornell University

Terry McCann  
Attorney, The Jockey Club, Owner/Breeder

Mark McDermott  
Executive Director, Pennsylvania Horse Breeders Association

Edward J. McGrath  
Owner/Breeder

Donald M. McElligott  
Steward, The Jockey Club, Owner/Breeder

Gerard J. McKeon  
President, New York Racing Association

Gertrude Mearns  
Executive Vice President,  
Kentucky Thoroughbred Association

Thomas Morris  
Executive Director,  
Thoroughbred Racing Communications

MacKenzie T. Miller  
Trainer

Dr. Richard Mock  
University of Kentucky

Betty Moran  
Owner/Breeder

Paul Morey  
Columnist, Bloomberg

James B. Moody  
Member, The Jockey Club, Owner/Breeder

Dr. Edward S. Murray  
President, American Association of Equine Practitioners

Barney Nagler  
Columnist, Daily Racing Form

Joseph P. Nigra  
Board Member, New York State  
Racing and Wagering Board

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Owner/Breeder

Nick Nicholson  
Owner/Breeder

Kenneth Nisie, Jr.  
President and General Manager  
Golden Dawn Stables, Panama

Hugh O’Connor  
Direction, The Jockey Club  
Management Information Services

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

Dr. Joseph O’Dea  
Racing Advisor, New York State  
Racing and Wagering Board

J. Michael O’Rourke, Jr.  
Past President,  
Florida Thoroughbred Breeders Association

Dr. Dewitt Owens  
American Association of Equine Practitioners

Ken Page  
Marketing Director,  
Thoroughbred Industry Agency Board of New South Wales

Guide Steward

Mrs. Virginia Knab Pearson  
Owner/Breeder

James H. Pederson  
Director of Communications, The Jockey Club

Steuart D. Petter, Jr.  
Owner/Breeder

James W. Phillips  
Member, The Jockey Club, Owner/Breeder

Mrs. James W. Phillips  
Owner/Breeder

Clyde Phillips  
Member, The Jockey Club, Owner/Breeder

Clyde Mills Phillips  
Member, The Jockey Club, Owner/Breeder

Mrs. Clyde Mills Phillips  
Owner/Breeder

William A. Purdery  
Member, The Jockey Club, Owner/Breeder

Mrs. William A. Purdery  
Owner/Breeder

Robert J. Quigley  
President, Garden State Race Track

Calvin S. Rayburt  
Former Executive Director, The Jockey Club

Dr. William O. Reed  
Vice President, Owner/Breeder

David P. Reynolds  
Member, The Jockey Club, Owner/Breeder

Robert F. Richards  
Member, The Jockey Club, Owner/Breeder

Mrs. Rebecca F. Richards  
Owner/Breeder

Nelson Rimmier  
Owner/Breeder

Lytle G. Robin  
Chairman, Kentucky State Racing Commission

Richard R. Robb  
President, American Horse Council

Dr. Richard Sage  
Ohio State University

College of Veterinary Medicine

Timothy H. Sassa  
Owner/Breeder

E. Newton Satterfield  
Member, The Jockey Club, Owner/Breeder

Chris Scheff  
Executive Vice President,  
Thoroughbred Racing Associations

Paul Schoenberg  
President, New York Thoroughbred Breeders

Stevens Schwartz  
Executive Director, Media Relations, New York Racing Association

Edward Seigenthaler  
Executive Director, Triple Crown Productions

Benjamin Sharp  
Member, The Jockey Club, Owner/Breeder

Mrs. Beynon Sharp  
Owner/Breeder

Wayne Shurts  
President, Association of Racing Commissioners International, Owner/Breeder

Paul Silverfield  
Vice President, Development,  
LaRue Racing Corporation

Martin Stenger  
President, METIRHAIRA Publications

Dr. James Stalcup  
Chairman, Association of Racing Commissioners International  
Quality Assurance Program

Joe S. Stumpf  
President, Los Angeles Turf Club

Mrs. James Stumpf  
Member, The Jockey Club, Owner/Breeder

Hans J. Stahl  
Executive Director, The Jockey Club

George Stansbridge, Jr.  
President, National Thoroughbred Racehorse Association

Dr. Richard Taylor  
Chairman, The Jockey Club, Owner/Breeder

Mrs. Robert E. Taylor  
Member, The Jockey Club, Owner/Breeder

Robert P. Stuck  
Chairman, Los Angeles Turf Club  
Member, The Jockey Club

Mrs. Robert P. Stuck  
Owner/Breeder

Dennis Swanson  
President, ARB, Sport

Charles P.B. Taylor  
Chairman, The Jockey Club of Canada

Mrs. Sydney Taylor  
Member, The Jockey Club, Owner/Breeder

Charles H. Thieriot  
Member, The Jockey Club, Owner/Breeder

Mrs. Charles H. Thieriot  
Owner/Breeder

Whitney Tower  
Chairman, National Museum of Racing

Michael Traeger  
Chairman, Sports Marketing  
and Television International

Thomas E. Truax  
Director of Racing,  
Arabian International Horse Show

David W. Varno  
Vice President of Racing, Delaware Corporation/Thoroughbred, New York Racing Association

Mrs. D.G. Van Cleef  
Owner/Breeder

D.G. Van Cleef, Jr.  
Executive Director, Breeders’ Cup Ltd.

John Welch  
Steward

Michael Vetch  
Columnist, The Saratogian
Activities of the Jockey Club in 1990

William S. Farish: I can start out by assuring you that there will be no increase in the fees of registration!

The decade of the 1990's will be a special time for the Jockey Club. In 1994, we will celebrate the 100th Anniversary of the Club. The mission of the Jockey Club remains the same today as it was 96 years ago — an organization dedicated to the improvement of Thoroughbred breeding and racing. That dedication is the sole reason for our existence.

This morning, I would like to bring you up to date on several areas of our current involvement, and ask you to be patient with me because our current involvement has become much more extensive in recent years.

The registration department, now firmly established in Lexington, is performing smoother than ever. We are happy to report that applications are being processed into certificates with fewer requests for additional information.

In fact, the number of applications which we are able to immediately pro-
cess without any delays is at an all-time high. This is also a tribute to the breeders for doing a good job on their end of the process.

Some comments are in order concerning the overall size of the foal crop. Since the 1986 foal crop of 51,290, the annual crop has shown a steady decline. The 1990 crop will end up about the same size as the 1983 foal crop, which is 47,255.

In fact, we have analyzed the early stallion breeding reports of 1990 and we already know enough about the number of breedings for 1990 that we can predict, with reasonable confidence, that the size of the 1991 foal crop will be even smaller than this year's. This will be the first time since World War II that the foal crop size has gone down five consecutive years in a row.

From the perspective of the breed registry of The Jockey Club, this smaller foal crop means that we must register the breed with a smaller amount of receipts.

The Jockey Club is committed to continuing to take every step possible to increase our efficiency so that we can continue to register the breed competitively and keep registration fees stable, without any increase, even in the face of the dwindling size of the foal crop. We have had the same fee structure in place since we initiated parentage verification and bloodtyping, even in the face of almost 20% inflation since that time.

We take very seriously our service role to the industry. Our number one priority remains the goal of registering the breed as competently, and as cost efficiently, as possible to the breeders.

There have been some rule changes since last year's Round Table. The highlights of these are:

One, the date of receiving a free name has been extended from November 1 of the preceding year to February 1 of the two-year-old year. These 92 days will give owners more time to do the always difficult task of naming our Thoroughbreds.

Two, the deadline for completing paperwork on exportation of Thoroughbreds has been extended from 60 to 90 days after exporting. This will make exportation easier for owners and shippers alike.

The third rule improvement concerns the rare occasion when, for some unfortunate circumstance, the 12-month registration deadline is missed. This enhancement allows for registration in these special cases all the way to December 31 of the two-year-old year.

These rule changes share the common thread of benefiting the individual owners and breeders, and were made possible by the increasing efficiency of The Jockey Club operation.

The 12-month rule continues to be very successful and well received by the industry. This allows owners and breeders to buy, sell, lease, export or race any of these horses with a greater feeling of security concerning their pedigrees and identification. The one-year deadline also allows The Jockey Club to deal with any potential problems of pedigrees or identity while facts are still fresh in the minds of everyone involved.

Another benefit of the one-year registration was seen last October when, for the first time, The Jockey Club made available the breeding report of all North American stallions and the live foals resulting from these breedings. This report of live foals by stallions was very well received. It provided breeders with the sort of useful information that had not been available before.

We are now able to produce this information because, for the first time, we have timely reporting of births of foals. Our plan is to continue producing this report. To this end, it is extremely important that we receive live foal/no foal information as quickly as possible, so that we can continue to provide the industry with the information that it needs.

The Jockey Club Information Systems continues to provide new and innovative information products to the industry, under the name of Equine Line.

The company has formed a new software consulting division, which is designing affordable farm management programs for use by a much wider range of breeders, large and small, using the relatively inexpensive computer equipment now on the market. Importantly, all receipts from these activities are being plowed back into worthwhile industry projects.

Several industry projects in which The Jockey Club is cooperating with various segments of the industry have shown considerable progress this year.

We have seen several significant events take place in regards to the Thoroughbred Racing Ownership Registry.

In January, this project between the RCI and The Jockey Club gained endorsement of the National HBPA. That endorsement, along with the implementation of the program in California led to the adoption of the registry by two other western states, Arizona and New Mexico. In addition, Florida came into the program, Pennsylvania, Nebraska, Louisiana, Minnesota and several other key states are strongly considering adopting it in the near future.

The Ownership Registry is making the kind of progress needed to implement the important project on a national basis.

Last year, I reported that the school of Stewards was close to its first class. I am now happy to report that we have completed two full classes. This cooperative effort of the TRA, the RCI, University of Louisville and The Jockey Club insures the Stewards have every opportunity to participate in a program providing the highest level possible of continuing education.

The Thoroughbred Racing Communications continues to improve with experience. This cooperative effort between the TRA, HBPA, Breeders' Cup and The Jockey Club works behind the scenes to increase the attention racing receives in all facets of the media and, I might add, is working extremely well.

There is a growing amount of discussion within the industry on the need of a move towards uniform rules of racing.

For more than a year now, The Jockey Club has been working with Racing Commissioners International towards the goal of more standardization of the rules of racing. This is a splendid example of the cooperation among different segments of the industry. A uniform index has been suggested; a committee of key commissioners and executives has been appointed; and a census of all current rules has virtually been completed.

Yet another project we are very optimistic about is the joint effort between the TRA and The Jockey Club called Equibase.

One of the challenges we all have to face is how to enhance the level of the average fan education so as to
make the experience of attending live Thoroughbred racing exciting and less intimidating. The Equibase cooperation will concentrate on this. One of our first products is going to be the use of a race results data base to produce a greatly enhanced track program, which will entertain as well as educate the fans.

This effort will have a major positive effect on the entire future of Thoroughbred racing.

As with some of the other projects I have discussed, Equibase is a major example of what can be done when different sectors of the industry get together and pool expertise and knowledge for the benefit of all.

In closing, I would like to restate The Jockey Club’s goal.

It is to combine a modern, cost-effective breed registry with a level of cooperative service to all aspects of the Thoroughbred industry.

I sincerely believe we are moving positively towards achieving this goal.

Ogden Mills Phipps: One of the ways in which The Jockey Club supports the industry is fund raising for equine veterinary research.

I’m sure I don’t have to say how important this is to all of us.

Nick Nicholson is going to give us an update on the work of The Grayson-Jockey Club Research Foundation and tell you what it’s doing today.

Nick...

The Grayson-Jockey Club Research Foundation

Nick Nicholson: Thank you, Mr. Chairman.

Last year, it was reported at The Round Table that we hoped to conclude a merger between the Grayson Foundation and The Jockey Club Research Foundation.

So you’ve heard this morning that a merger has indeed been accomplished, thus giving the industry, for the first time, a single, unified vehicle for all of our equine research needs.

The new foundation is called The Grayson-Jockey Club Research Foundation.

This year, over $400,000 of direct research programs are being distributed. The Foundation Board of Directors met this Tuesday and approved $425,000 worth of projects for next year.

But just saying $425,000 does not really tell the story. The story is about people . . . trying to find answers.

People such as:

Dr. Karen McDowell, at the University of Kentucky, trying to find out why up to 20% of all mares lose their embryos within 14 days after conception, or:

Dr. Larry Beaulage, at Ohio State, evaluating tendon splitting as a treatment for tendinitis, the condition which causes one-third, or up to one-third, of all racing injuries.

It’s Dr. James Jones, at the University of California at Davis, trying to find out whether the blood that is found in the airways of "bleeders," or EIPH positive horses, originates in the pulmonary or the bronchial circulatory systems.

It’s Dr. Doug Allen, at the University of Georgia, investigating the early stages of laminitis, so that hopefully diagnosis can be made earlier, thus dramatically increasing the efficiency of treatment. All of these projects are not only good science, but they’re also very high on the industry’s priority list.

Barren mares; bowed tendons; bleeders; laminitis . . . . It’s a litany of challenges that we must meet. Our love for horses demands that we find the answers to these riddles.

These are all certainly good causes. But good causes alone are not enough.

A successful research foundation must also have a process in place that assures that it's scientific research is good science – that the protocol and procedures are scientifically correct so that no money will be wasted. The research must also deal with priorities of the industry so that dollars will be used efficiently.

Grayson has such a process:

Step one is our scientific advisory
committee.
This committee receives all grant applications and evaluates their scientific merit.
This committee is made up of good scientists who recognize good science. Most of these highly qualified people are not in the horse industry, thus assuring that we receive not only competent, but also objective advice.
Step two is our veterinarian advisory committee. They receive only those projects which have passed the scientific scrutiny test, then they evaluate the proposals for practical application.
This committee is made up of men who work with horses day in and day out. They know the industry’s priorities and they recognize our greatest needs.
Step three in the process is the board of directors, who have the benefit of receiving project applications after they have been scrutinized for the quality of science and relevancy to the industry. The board then makes the final decision on funding.
It’s a good system of checks and balances that has served the industry well.
So, here we are. We have good causes that cry out for research. We have a process in place to assure quality work and relevant work. There’s only one thing missing—we don’t have enough money.
Only one half of the projects that have been given a high priority by this process will receive funding this year, only one half.
The sad reality is that there are excellent research projects that will not be undertaken only because there are not enough funds. We must do better.
The Foundation needs to increase its endowment so that all of the necessary and qualified research projects are funded. The Foundation needs your support.
John Hettinger and Gordon Grayson have generously volunteered to head an effort to raise the six and one-half million dollars necessary to do this job. There are brochures on your tables, in front of you today for your consideration.
And I point out too, on my left, one of our first projects. We will be selling scarfs late this fall, based on this design, celebrating the 50th Anniversary of Grayson Foundation. These will be available in November.
So please talk with John or Gordon Grayson, if you have any ideas or if you’d like to assist us in this very worthwhile project.
I’ll leave you by reminding you that there is virtually no government funding of Equine research. If we are to have Equine health research, we must fund it ourselves.
Please get involved. Please contribute.
Thank you very much.

Ogden Mills Phipps: Perhaps the biggest single change that has happened in our Thoroughbred industry in recent years is that, today, we’re not the only game in town.
Part-mutual wagering on Thoroughbred racing may be legal in 43 states of the union. But state-sponsored lotteries are in operation in 32 states.
And now, state legislators are considering, and in some cases adopting, sports betting, in the hopes of increasing their revenues.
Just what sort of stand should racing take, we have got to decide.
We have two speakers today with us who see it in different manners.
Jim Heffernan has held executive positions in our industry for many years. He is the Executive Director of the American Horse Federation. Jim will be our first speaker.

RACING’S RESPONSE TO SPORTS BETTING: POINT
James P. Heffernan: Good morning, ladies and gentlemen. I’m very pleased to be here and appreciate the invitation from The Jockey Club to speak this morning.
In talking about sports betting, I want to make it clear that I am talking about sports team wagering. In other words, betting on professional team sports and amateur team sports: football, basketball, baseball and hockey.
And what I’d like to do this morning is look generally at where this is now going in the U.S.; at what business is being done on it; take a look, too, at the illegal wagering market; take a look, then, at the efforts in the various states to expand it, move into it; take a look at what Congress may be doing; and then give you what I feel racing’s response should be.
Sports team betting in the U.S. today can be broken into really two types.
Pool card betting, which is what you have in Oregon, where you pick a minimum of three and a maximum of fourteen of your favorite teams, on a full Sunday afternoon, to win or lose, based on a point spread. This is run by the Oregon Lottery and the takeout is about 50 percent. Lottery-run sports pool card betting is the most prevalent type that is under consideration today by the various state legislatures.
The second type is head-to-head wagering, which is the form that’s used in Nevada and by your local bookies...or so I’m informed! Head to head you are betting against the house, or the bookie, based on a point spread. The odds are fixed at 11–10. So, if you want to win $100, you have to bet $110.
An ideal situation for the sports book is finding a bettor to take the other side of the bet at the same spread.
So, the book now is holding $220. If there is only one winner, the winner gets his $100 plus the $110, and the book is left with $10.
Now, on $210 that’s a 4 1/2 percent margin.
This is an oversimplification of how a sports book operates, but it does illustrate how small a margin, before expenses, is involved.
It also involves a good deal of risk for the book if the book cannot bal-
ance its bets or lay off the action. In fact, one expert estimates that players regularly beat Nevada sports books two or three months out of every twelve. Nevada-style head-to-head wagering is under consideration in New Jersey and California.

How prevalent is legal sports team betting today?

There are three other states, besides Oregon and Nevada, that have a limited form of sports team betting.

In Arizona, you have social gambling which is permitted; in Montana, there's a $5 limit per wager and total payoffs are limited to $500; and in Wyoming, they permit Calcula wagering on the outcome of amateur contests - cutting horse racing, professional rodeo events, pro golf tournaments - provided the events are carried out in the state and wagering is operated by a nonprofit organization.

In Nevada, sports team wagering is very big business. It amounted to $1.4 million in 1989. That's 10 percent of the total amount that is bet on horses in the United States.

This amount should also be compared with what is bet on horses in Nevada, which was about $403 million in 1989. So, in a state where horse racing and team sports betting compete for the wagering dollar, three and a half times more is bet on team sports than on racing.

Sports team betting using pool cards - the Oregon system - was first tried in Delaware in 1977. It was discontinued after a very short run, for financial and other considerations.

Oregon started last fall and did about 15 percent of its monthly handle on football pool cards, but less than two percent on basketball.

The average monthly handle for the Oregon Lottery, before sports pool wagering began in 1988, was $1.3 million. For the last four months in 1989, while sports betting was going on, the average was $1.7 million.

You can easily conclude that sports betting showed no incremental increase in business, although the people in Oregon will argue that they would have been even lower if they didn't have the sports games.

Illegal betting on sports, of course, is another story in this country.

Nobody knows the exact amount that is bet, but various experts estimated anywhere from $40-$50 billion. This is more than the current legal wagering in the U.S. on lotteries and horse racing combined.

Let's take a look at what's happening in the various states that don't have sports team betting at the moment.

Budget deficits in a number of states have caused legislators to look on the illegal sports wagering market and think that it will solve, or help solve, their budget problem or part of their budget problem. It is looked on as an easy solution, since it won't involve income tax or sales tax increases.

Despite this, sports pool card betting conducted by state lotteries has been vetoed down in Kentucky, New Hampshire, the District of Columbia, Illinois, Rhode Island.

And I would be remiss here if I didn't point out the very strong efforts, and valiant efforts, of the Kentucky horse owners that prevented the Kentucky Lottery operation from going forward with their game. Not only that, they also were effective in passing legislation which prevents the lottery from handling sports team wagering, except for horse racing.

Now, this does not mean that the issue cannot be reconsidered in these states, but it does mean that in those states, at least for now, it has been put to rest.

The issue was looked at, but deferred with no formal vote, in the following states: Colorado, Maryland, Massachusetts, Wyoming, Minnesota, New York, Florida, New Jersey.

In California, there are plans for an initiative and a statewide referendum on head-to-toe sports wagering, scheduled for June 1992. This initiative would permit wagering on professional and college sports at race tracks and other licensed facilities. To obtain a license, you would need to pay a $100,000 license fee and be approved by the California Gaming Commission, which is also created under this new initiative.

It is no secret that this bill is designed to permit sports wagering at over four-hundred betting card parlors that are presently in business in the state of California. If the required signatures are obtained and a vote is scheduled, California will be a major battleground on this issue.

The professional sports leagues are very active in their efforts to defeat sports betting. I feel fairly sure that they took a look at what happened in Kentucky and became convinced that they, too, could be successful in these other states.

Both the NBA and the NFL hired individual lobbyists. The campaign in Rhode Island involved not only testimony at public hearings, but at least three letters to each member of the House, several one-on-one conferences with the leadership, and full-page ads in the Rhode Island newspaper. The campaign was also helped by the Lottery overplaying its hand by estimating that this type of wagering would generate about five times more than it actually would generate.

Another example of the pro sports effort to defeat sports betting is in Oregon, where the NBA has sued the state and GTech, its vendor, for unlawfully using its product. And the Court recently threw out a motion to dismiss this suit and ordered a trial for this fall.

The NFL has also gone on record that they may well file suits in Illinois and in Massachusetts if sports lottery is approved in either of those states.

On the Federal level we have several bills in Congress.

The DeConcini-Hatch Bill would amend the Lanham Trademark Act to prohibit states or their agencies from operating any gaming operation, including a lottery, based on professional sports games. Hearings have already been held on this bill, and Jim McKay testified on behalf of racing very effectively. Those hearings were held the end of June. There is a companion bill to this bill in the House.

There are also two other bills, introduced in the House by Congressman Bryant of Texas.

The one with the best chance of success would apply the criminal provisions of Title 18 of the Code to state lotteries that had a game based on point spreads or other schemes involving professional or amateur sporting events. Under this bill, the sports lotteries would be prevented from advertising on radio or television, from using the mails, and from transporting materials across state lines.

These provisions have been added to the House Omnibus Crime Bill by the Judiciary Committee last month and, if it passes the House, it will go to a Joint House-Senate Conference, where it must be recon-
cluded with a Senate bill that does not have this provision.

In my view, it is in racing’s best interest to support a Federal ban on sports betting.

Sports betting, lottery style, will have a negative impact on existing pari-mutuel wagering. According to a national study, existing pari-mutuel wagering is off 11 percent on average because of lottery competition. Why give them another game which is bound to hurt pari-mutuels even more?

The lotteries in 11 of the 14 jurisdictions have claimed sports team wagering as their own, by pushing for legislation.

The big advantage that the lotteries have is their vast distribution system. In New York, there are over 10,000 retail outlets where you can play a lottery game. In Illinois, there’s 9,500, in Florida, 18,000. Even if sports wagering was permitted at the race track in these states, along with the lottery, there is no way a race track can effectively compete with that type of distribution system.

In those states such as California and New York, where there is talk of permitting race tracks to carry out sports betting without lottery competition, there would be extensive competition from the four hundred-plus card parlors in California, plus any additional retail locations that are licensed.

In New York the present bill would permit sports wagering at OTB outlets as well as race tracks.

Here again, you are talking about a distribution network of approximately 300 OTB parlors versus 11 race tracks. And who is to say that the lotteries in New York and California won’t themselves argue and get the opportunity to carry on sports wagering?

You do hear people say that sports wagering, if legalized, would generate a great deal of revenue for government and revenue, and would make sense to utilize statewide distribution systems such as the lottery.

A race track monopoly on sports betting is nice to think about but not, in my view, practical, for two reasons:

Under the Federal Indian Gaming Regulatory Act, Indians can carry on wagering games permitted under state law. So sports wagering would also be permitted on Indian reservations, or lands the Indians purchase, once sports betting is authorized.

To set up a sports book you basically need a roof over your head and a telephone. No capital expenditure of any great amount is required. If race tracks were lucky enough to start off with a monopoly, it would not last, in my opinion. You would have pressure from casinos, lotteries, card parlors, and bingo halls to open it up. And once opened up, the race track would be at a disadvantage.

Racing’s partners are the track operators, the fans, the horsemen, the breeders, the employees and the state. Racing’s family is too large, in comparison to the partners that must be satisfied in a state-run lottery or casino-run sports book.

It should also be understood that the illegal sports wagering market extends credit to its customers. It permits bets by phone without minimum deposit. The bookie does not withhold Federal or state income tax — or at least he didn’t the last time I looked — nor does he file any information returns with the IRS.

These competitive factors should not be overlooked in any analysis of this market and its potential. To say that a $50 billion market, if indeed that is the number, is there for the taking once sports betting is legalized is, in my view, pie in the sky.

Most of your race tracks in this country are already operating in highly competitive markets. The proliferation of gambling opportunities in just the past ten years is truly remarkable. Racing long ago lost its monopoly position, even though it is still regulated as if it was a monopoly, which is quite unfair in my view, particularly since the state runs the lotteries and competes against the race tracks and yet regulates the race tracks. We now see lotteries, dog tracks, jai-alai frontons, casinos, bingo halls, charitable Las Vegas nights, slot machines and, into this mix, we are going to have riverboat casinos and expanded Indian gambling in the very near future.

Into this already saturated and highly competitive market, do we really want to permit legalized sports wagering? Do we want sports books on every other corner in our cities? If such a scenario came to pass, racing would lose greatly. It would lose fans and revenue, and would be seriously impacted economically.

In my view, it is in racing’s best interest to support Federal legislation to prevent the further expansion of sports wagering and to keep working in states to prohibit it. The more states that vote it down, the easier it is for the Federal bill to pass.

The legalization of sports team betting is not inevitable. The experience this year in the various states shows that there is strong support for curtailing its expansion. The action in Congress shows growing support for a policy of containment.

If racing is going to be successful in this effort, it will take the active support of all of you in this room. We need your persuasive voices with your Congressmen and Senators, your state legislators, to get meaningful action. I hope, when the time comes, you will be willing to participate and support this position.

Thank you for your attention.

Ogden Mills Phipps: Taking an opposing view, or another thought, is Ed Bowen, the renowned Editor-in-Chief of The Blood-Horse.

RACING’S RESPONSE TO SPORTS BETTING: COUNTERPOINT

Edward L. Bowen: Thank you very much. It’s a pleasure to be here . . . I think! I’d like to invite you to join me in a brief mental game.

Let’s think that you’re not sitting in this room, but in some of the board rooms of firms and organizations that you’re a part of. And you have a man-
declared illegal?

Now, if you have that attitude com-
ing to you from a manager of one of your companies, I suspect you would think, "Well, we need another manag-
er, or a different product, or a different approach!"

But that seems to be the "knee-
jerky" reaction that racing has when sports betting is proposed or is dis-
cussed. The thought seems to be that: "We can't compete; we'll go down the drain; so let's disallow it."

In all honesty, if I agreed that, long-
term, sports betting could be stopped, then I would probably go for that least troublesome approach too.

However, given an economic cli-
mate whereby virtually all states are struggling for revenue, and with a fed-
eral government that needs to cut back rather than increase services; and given the public's vast interest in sports and its apparent appetite for betting on them, given all these fac-
tors, I think it's very risky to presume that additional avenues of sports bet-
ting will not eventually become legal.

To those who are lobbying against sports betting, I must say I do compli-
ment your ardent output and appar-
ent effectiveness to this time. Nevertheless, I must say that, in the long run, I think sports betting will proliferate. And I'm not so sure that even those segments of sports who are vocal against it now are truly upset about the presence of gambling.

After all, the National Football League is paid $900 million a year by television networks for the privilege of televising their games. The networks need to sell millions of dollars of advertising for this equation to work for them. And the advertisers need assurance that millions of viewers are sticking by their television sets.

Thus, the NFL truly benefits from the fact that there's gambling being done on their games. One of the rea-
sons for patching a game that's loss-
ied is to see how the point spread turns out. So be very careful, before you accept at face value that the NFL truly is indifferent to the fact that there's money bet on their games.

I recognize that the favorable stance on sports betting, that I've attempted to articulate in the Blood-
Horse, is at odds with the mainstream of thought in our industry.

I also recognize that gambling is not the part of the racing world that most attracts those of you in this room. Even if racing were to decline to a sport of blue ribbons and plates, and all you're running for is pictures in the winners circle, many of you in this room would continue your involvement.

In other words, Thoroughbred rac-
ing as a sport could exist with minimal prizes to be won.

But it's essential that everyone respond to the fact that the wagered dollar is the lifeblood of Thoroughbred racing as an industry. It's a flourishing industry that generates tax. It gener-
ates jobs. And it generates the oppor-
tunity to preserve farmland. You per-
sonally might not feel a great rapport with either the two-dollar bettor or the high roller, but they are the providers to the vast majority of purses for which your horses run.

In New York last year, there was $98.5 million in purses for Thorough-
bred racing. Total wagering needed to generate this amount was two billion, of which probably about half was not even bet at the race track, but at the New York City off-track betting.

So, now we're discussing sports wagering.

What we have here is a sport on which wagering is legal; it's widespread; and from it the public generates and derives much of its pleasure because of its ability to wager. Racing, then, is a sports betting enterprise, and so everyone in this room, long ago, stipulated that they are in favor of sports betting. The question, of course, is: how much and in what form and on what sports?

I would imagine that many people here felt uneasy the first time they heard of such ideas as off-track bet-
ting, the exacta, the pick-six, the superfecta, the trifecta and the state lottery. Yet those have become staples in daily life. This isn't to say that in every case they are friends of Thoroughbred racing, but they are entrenched already in the public's behavior relative to gambling. And these are all phenomena of about the last twenty or twenty-five years.

Not all change is good change, but neither is change to be resisted auto-
matically. I think sports betting needs to be looked at from various sides. The fear of it, of course, is that if sports betting is allowed, some of the money that's bet on Thoroughbred racing will be diverted to other sports. That is, in a nutshell, the reason to be frightened of sports betting.

And I agree that it is the key con-
cern. But if we believe sports betting is a potential danger, it makes sense to come up with a counterattack. Since I don't believe that it will indubitably be stopped, it seems to me imperative that racing be part of shaping it.

Already, in New York and California, state legislators have extended the opportunity for race tracks to be a part of proposed sports betting but, as far as I can see, that invitation has been rebuffed. So I fear that racing is falling into a posture which will leave it on the outside looking in, while politicians shape sports betting to their own aims.

And what's that remind you of? Reminds me of the early 1970's in the institution of off-track betting. It was a long and difficult battle for OTB to be heshaped in a manner that was com-
patible with racing's interest. Because racing, so long, had attempted to resist what turned out, in that case, to be inevitable.

I might add here that, when I speak of the future of sports betting, I'm looking far beyond the lottery games and looking at the time when sports betting on some basis similar to Las Vegas becomes legal in many loca-
tions.

So, just as sports betting represents a potential threat, I believe it also rep-
resents an opportunity. If you think back to my earlier remarks, I person-
ally have confidence that Thoroughbred racing can compete. I don't believe that we have an inferior product to betting on ball games. In fact, we have a vastly superior product.

Granted, football, baseball, and basketball have a built-in edge, in that they are widely televised and the pub-
lic grows up knowledgeable about them. However, they have inherent and major drawbacks as vehicles of betting.

They take two to three hours to play. There are only two teams. So there are only two possible winners. And thus, in order to create reason-
ably attractive betting propositions, the tortuous and artificial concept of a point spread has to be employed. Nevertheless, even as artificial as it may be, that has become a very popu-
lar concept. And I would be sorely disillusioned if Thoroughbred racing
could not compete with that.

Racing offers many advantages. We have large fields... sometimes! Therefore, a larger number of potential winners. Because there are more than two competitors, it does make a difference who finishes second and third. You have nine or ten races a day and so you have frequent action. In the time it takes to play one football game, there would be seven horse races run. Put in the potential to develop staggered simulcasts, as they have in Australia, and a person at the race track is truly presented with a splendid afternoon of challenge and opportunity, whether he be a recreational bettor or a high roller. And this is patently superior to the wagering products offered by ball games.

Well, you say, if this is true, why doesn't everyone come to the race track, or the OTB parlors or the simulcast sites? The answer is that the public isn't as acquainted with horse racing as it is with the games played since childhood. So wouldn't it be great if we could get more football fans to the race track? How do you do this?

Well, Laurel built them a sports palace several years ago, where they could follow their other sports on television; sit in comfort, eat, socialize and also bet on the races.

Given the legal restraints in place, this was masterful. But what a better proposition it could be if they could be betting on those games that interest them. I presume that, down the road, Frank DeFrancis had this in mind when he built the sports palace—legalized wagering on a variety of sports and racing getting at least its share.

What better way to teach a football fan to become a racing fan than to let him come to the race track to do his sports betting and, thereby, be introduced to the far superior betting product that racing is.

So, if you fear sports betting, you must counterattack it. If you agree that sports betting creates opportunity, then you must develop a way to utilize it. In either case, the logical answers are: one, make sure racing has a voice in its shaping; and two, promote it as an adjunct of our existing product. What protects racing in this case, can also be used to further it.

Now, I agree that the political realities are such that race tracks are not likely to have a monopoly as sports betting sites. Down the road, I would foresee more telephone betting from the home, where there's sports betting. I think the telephone betting will be on sports betting, as well as Thoroughbred racing. And I would see a conversion, gradually, of OTB parlors into all-purpose betting facilities.

The tote companies are developing the technology for pari-mutuel forms of betting on various games. And that's a big distinction from the head-to-head betting described earlier.

State governments are consistently instituting additional forms of gambling, whether it be lotteries, card rooms, riverboats, or casinos. The press for tax revenue — augmented quite properly by the public's interest in wagering — is certain to bring continued change to the face of America's gambling habits. Whether you face the future with an attitude of going on the offense or defense, I think it's imperative that our industry jump in as a participant, rather than pretend it can be either a long-term deterrent, or a loner.

Now, I recognize that much of this is not what you want to hear. And I suspect that many are more comfortable with the thought of "Let's fight it and it will go away." And I respect the fact that the proponents and speakers of viewpoints other than mine are merely trying to protect our sport, which is what I'm trying to do. And I know Jim Heffernan is very knowledgeable and articulate... and he used to be President of the race track, so you know he's courageous, too. And I hope none of my remarks will be interpreted as failing to recognize the sincerity of the Federation and its beliefs.

But, I must say, it really gets my blood boiling when I see those that oppose more sports betting finding themselves having to appear side by side with the arrogance and self-righteousness of these major sports leagues.

This slogan that sports leagues seem to favor is a slap in the face to everyone in this room. In case you haven't heard it, it's a quote from Sports Illustrated and it goes like this: "Nothing has done more to despoil the games Americans play and watch than widespread gambling on them."... "Nothing has done more to despoil the games Americans play and watch than widespread gambling on them."

This seems to suggest that the games played by such paragons of virtue as Joe Garasco, Dexter Manley and Wade Boggs are sacrosanct and would be spoiled by gambling. While the game played by those notable desperadoes Paul Mellon, Nick Brady and Penny Chenery is already despoiled by the nature of it because there is gambling — the free access to gambling despoils this game.

I suggest that this attitude is not only an affront to the people in this room, but it flies in the face of experience.

This room is filled with leaders in an industry which has proven that regulated wagering and sport can go hand in hand.

That strict rules and improved regulations are necessary is no more true of our sport, with legal wagering, than with other sports who are only the subject of illegal wagering. To pretend that the sport being a vehicle of vast illegal wagering is preferable to a sport being a vehicle of legal wagering, regulated by state commissions and concerned professionals, is a suggestion whose logic escapes me.

Please be wary of the potential hypocrisy you suggest in our position if you march side-by-side with those who chose to combat sports betting on the basis that it demeans the nature of the game.

Racing is a sport, and betting is the lifeblood of its economic structure. So those of you who are involved in our game must not be the tool of those who denounce the principle of wagering on sports.

So, in summary, let me urge you to do two things: Be open minded about the economics of it... and be very careful when choosing your allies.

Thank you.
Osgood Mills Philipps: Looking back again at the first Round Table Conference, if there's really a major difference, it's the scope of today's Thoroughbred industry.

In 1953, I believe we were pretty parochial. Today, our problems are national and international. We are in an age of worldwide technological and social change which effects racing everywhere.

We can all learn from each other. And it is far more than just a gesture of international goodwill to ask Mr. Ken Page here from New South Wales.

Ken is the Marketing Director of the TAB in New South Wales. He comes here on a four-day trip, and I think his stomach feels it's time to go to bed. But we can learn a great deal from his activities in Australia. They've been tremendously successful.

Ken, we appreciate you coming here.

Off-Track Betting in Australia

Kenneth Page: Mr. Chairman, ladies and gentlemen.

Thank you for the distinction you have granted me in allowing this presentation to be made to such an august gathering.

I have travelled some 12,000 miles from Sydney, Australia and will place before this Conference some statistics and comments which I hope will indicate the successful marriage of the off-track betting process with the racing industry in Australia.

My credentials for presenting this address evolve from more than 25 years experience in the introduction and expansion of off-track betting in Australia, particularly in New South Wales, the largest state, which now lays claim to having the largest solely off-track betting organization in the world.

I should like to present to you a series of topics which, together, will support my claim that the Australian concept of linking off-track interest and on-track betting has produced outstandingly successful results.

The topics I will address are five in total: a brief history of off-track betting – and we call that TAB in Australia; some relevant statistics; impact of off-track betting on race tracks; simulcasting on-track and off-track; and, finally, off-track operations.

My first point, a brief history of off-track betting, the TAB in Australia.

Historically in Australia, bookmakers, both legal and illegal, attracted the great bulk of money bet on racing. Whilst the on-track totalizator existed, its market potential was constrained by high taxation and a relatively slow processing system. A lower rate of income from bookmakers did not particularly concern the tracks, who enjoyed enormous revenue from huge attendances.

However, after the Second World War, attendances commenced to decline as alternative entertainments arose and the average person gained access to a motor car. The interest in racing remained, and illegal bookmakers enjoyed a great following. Racing had the worst of it – low income from on-track bookmakers, zero income from illegal bookmakers, and nil
capacity for expansion in the on-track totalizator. Racing and governments were forced to consider the future.

The introduction of off-track, TAB, betting systems from the early 1960s began to successfully compete with illegal gambling. With innovations of computerized betting and a preference by the population for legality, the handle increased quite markedly. Today, there is a TAB in all Australian states and territories, each of which is a separate entity. Off-track betting, as established in Australia and New Zealand, has since spread to other countries, including South Africa, Hong Kong, Japan and, of course, here in the United States.

Each TAB is an independent statutory authority, constituted under an Act of Parliament and controlled by a Board. The composition of the Boards vary from state to state, but in the largest state, New South Wales, it consists of 11 part-time members. And 1 mention this with some specificity.

Nine of these are appointed from nominees of the racing industry, and two from government. One of the government appointees is the Chairman. There are no political appointments at all on these Boards. The Board sets policy for management implementation and apportions the annual surplus between the eligible tracks.

The TAB objective to harness public betting interest off-track for the financial benefit of the tracks has been greatly facilitated by the presence of the racing industry nominees on the TAB Boards to inject practical experience and knowledge. Because of this representation, the TAB has become an integral part of the racing industry, rather than a competitor.

Some relevant statistics: Australia is an island continent 'down under' in the Southern Hemisphere, of about 3 million square miles and a population of 17 million people. Most of the population is scattered around the coastal fringes; and the per capita gross domestic product is just over $15,600 per annum.

The total racing handle for the completed year 1989/90 was $US 8.12 billion, and that was made up of:

- Off-track totalizators, at $5.6 billion,
- on-track totalizators, $880 million, and
- on-track bookmakers, $2.64 billion. A grand total of $8 billion 120 million.

The racing industry paid prize money of $US 204 million and received off-track profit allocations from the TABs, amounting to $221 million. In effect, all stake money – all prize money, as we call it – was financed from the TAB profits.

There were a total of ten races conducted with prize money over $1 million, with two major races offering $1.6 million.

The Thoroughbred industry has also lowered the escalation in prize money, and last year 21,000 foals were produced by sires whose countries of origin ranged from Ireland, Great Britain, France, Canada, USA, plus locally bred in Australia and New Zealand.

Thirdly, the impact of off-track betting on race tracks: TABs in Australia were established to provide legalized off-track betting, subject to government control. After paying government taxes on handle and operating expenses, profits remaining are distributed to the various racing organizations in the state or territory concerned.

The increased gathering of the off-track handle is by law added to the on-track totalizator pool, provides great opportunities for punters to place larger bets without seriously reducing the odds. Accordingly, on-track totalizator handle has increased substantially.

Revenue from increased on-track totalizator betting, plus dividends from the off-track operations, has allowed a major and continuing increase in prize money and allocations for capital works on tracks, such as new grandstands, totalizators, bars, drainage systems, running rails, etc. General improvements for on-track patrons have greatly improved the attractiveness of the racetrace itself.

Increasing competition for the leisure dollar in an affluent society has seen an extension of the downward trend in attendances for average meetings, with only the feature days attracting the larger crowds of yesteryear.

In Australia, where racing is a year-round activity, the attractions of participating sports, such as bowls and golf, plus the spectator sports of cricket and football, are proving worthy competitors for the race track. Both the latter have great exposure to the public on free-to-air television.

Racing dates have been increased, but average attendances have remained static. To improve attendances, track administrators have recognized the need to promote and market the entertainment value of the sport and the available facilities. The extensive exposure of racing in the media has also allowed the packaging of very beneficial corporate sponsorships from leading companies. In fact, it is rare to see an unsponsored race on a metropolitan track.

Point four, simulcasting on-track and off-track: first, the on-track: the free exchange of simulcasts between the race tracks and the off-track operators to extend the service to all-cash betting parlors around Australia. The total number of receiving dishes today...
exceeds 6,000, with a weekly viewing audience of more than 800,000. This makes the service the largest closed circuit teledrome in the world.

The provision of "live" racing on four-day and four-night meetings in off-track betting parlors, six days a week, has provided a boost to the TAB handle. This handle is added to the home state on-track totalizator pools in each case.

Fears of falling attendances were expressed initially by some tracks. However, some 2 1/2 years after the introduction of Sky Channel, attendance levels have begun to rise, as the TV exposure of the race track excitement, glamour horses and superior facilities broadens the appeal of racing to the general public for entertainment purposes.

My fifth point, off-track operations: I should like to make reference to my organization, the Totalizator Agency Board of New South Wales, the New South Wales TAB, with which I am most familiar.

With 1,258 individual selling outlets for a population of 5.9 million, it is the largest solely off-track betting organization in the world. Last year a handle of $US 2.41 billion challenged the total handle of all OTBs in the US combined.

The New South Wales TAB is self-financing. It makes no call on government or tracks for capital or operating expenses. A fixed percentage tax is deducted from the handle and paid to State Government revenue.

Importantly, while the overall handle has an impact on government funds, the eventual "bottom line" is of concern only to the racing industry. Last year, the New South Wales TAB paid the state $US 200 million and distributed $US 80 million to the state racing clubs and the racing industry.

The TAB pays all taxes and duties except corporate income tax. However, the fixed percentage takeout for government resulted in a corporate tax rate equivalent to 70 percent.

While it is called a government authority, the New South Wales TAB is considered to function like a public company. It has a Board which represents the shareholders, the racing clubs. The shareholders receive the profits generated by the TAB from its competition for the leisure dollar. Government revenue is enhanced by sales growth alone. The racing industry must also look to economical and efficient administration by the TAB. This situation makes the TAB unique in the government arena.

As a part of the entertainment industry, the TAB competes again for the leisure dollar. Aside from the obvious adversaries in the gambling segment like lotto, lottery, slot machines and, soon, keno, each leisure is also a rival.

Wherever major events such as the Olympic Games occur, the interest of the public is distracted and TAB handle falls below forecast. The most recent illustration of this was the Commonwealth Games held in New Zealand in January, 1990. While the public cheered for the Australian athletes winning medals on the television set, the TAB handle languished.

In terms of size, the New South Wales TAB is ranked in the top 40 corporations in Australia and, in the 25 years of its operation, has achieved a total handle of $US 20 billion. From that amount, over $17 billion was returned to customers by way of winning bets. The other winners were the state government at $1.4 billion, and the tracks, $600 million.

In summary, in the presentation I have just concluded, these are the points which I believe underpin the success achieved in Australia by harnessing of off-track interest in racing for the benefit of the industry:

Point one, there is a free exchange between tracks of simulcasts and betting information.

Point two, the relay of the off-track handle on all meetings to the on-track totalizator.

Three, maintenance of totalizator deductions at competitive levels, in order to encourage reinvestment.

Four, distribution of all profits from off-track operations, for the benefit of the tracks.

FIVE, the inclusion of nonincomes of the racing industry on the Boards of the OTBs or the TABs.

Six, the exposure of racing to the general public via the daily and specialist press, simulcasting via satellite to TAB parlors, bars, hotels and clubs, and radio broadcasts.

I have provided, separately as attachments to this text, a series of appendices which give support to the opinions I have expressed here today.

There are three and they mention: the percentage deductions from totalizator pools in Australia which, I might add, are a little below those applying here in the U.S.; pitie money paid by tracks in Australia compared to off-track profits paid, and there is a marked correlation; and the off-track handle growth in Australia. (See below.)

Thank you Mr. Chairman, ladies and gentlemen for your attention.
**Prizemoney Paid by Tracks in Australia Compared to Off-Track Profits Paid to Racing Industry**

10 Years – 1980/81 to 1989/90

**Percentage Deductions from Totalizator Pools in Australia**

**ON-TRACK**

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NB: For country tracks 3% is added from Government share.

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NB: 1. Deductions vary slightly between States.

2. There are no State or Federal taxes on winning bets.

3. All winnings are free from income tax.
Racing Should Face the Ongoing Problems
OF IMPROVING DRUG TESTING, STANDARDIZING RULES AND PENALTIES,
AND INCREASING DRUG RELATED RESEARCH

Opener Mills Phelps: The topic for this year's panel discussion enjoys - or
should I say carries the burden of - a rather lengthy title: "Racing Should
Face the Ongoing Problems of Improving Drug Testing, Standardizing Rules
and Penalties, and Increasing Drug-Related Research."

And when we're talking about medication, we're not talking about any
specific drug. We're not just talking about Lasix or Bute. We're talking about
our knowledge of drugs, how we detect them, and how we punish violators
who abuse them.

Our future depends on facing these problems. And our panelists today,
representing three areas of racing, are asked to speak on the ways in which
the Thoroughbred industry, both individually and as a whole, should go
about addressing these questions. Our first speaker represents our Racing
Commissioners.

Wayne Shumate is a shining example of what leadership in one sector of
our industry can do to foster useful cooperation with another sector.
President Wayne Shumate, we welcome you here today.

RACING COMMISSION PERSPECTIVE

Wayne Shumate: Mr. Chairman, members of The Jockey Club, and
friends of racing, may we take this
opportunity to thank The Jockey Club
for inviting the Racing Commissioners
International to participate in this
Round Table, and we hope that we
can add something concrete to the dis-
cussion.

This Spring, when I became
President of RCI, we made it our goal
to focus the commissioners work on
making on-going programs strong-en,
rather than adding new projects.

There are two of these programs
that are the key to the future growth
and success of the racing industry:
Standardization of Rules; and the
Quality Assurance Program.

Over the past two years, RCI and
The Jockey Club have worked togeth-
er to lay the groundwork for standard-
izing the Rules of Racing. A census has
been completed, and The Jockey Club
has done a comparison of all 43 states' rules, and each commission has
received a copy of this report.

As the next step, a "blue-ribbon"
committee has been appointed by RCI
to study this census, and to recom-
mand a uniform set of rules. Today,
with inter-track wagering, simulcast-
ing, common pools and so forth, we
can no longer have a "County Fair mentality" about Racing Rules.

This year's goal is a simple one: to write a uniform rule book index, and
have it implemented in all 57 commis-
sions. When this first step is done -
and with the work a lot of people are
putting into this project I am confident
that, over the next two or three years,
North America will have a uniform set of rules, section by section - our goal will not only be in controversial areas such as medication, but for all Rules of Racing.

This brings us to a discussion of RCI’s other top priority project, the Blind Sampling Program. RCI, along with the industry, has set up a Quality Assurance Program which oversees drug testing programs in every state. The QA Committee has had a productive year. The laboratory proficiency program is underway, and a number of on-site visits have taken place.

The Blind Sampling Program has begun, where totally blind samples are sent through the states’ testing systems, with the results being given to the State Commission. We have already seen and received the results on 124 Blind Tests. Through this checkpoint, we are learning much about the quality and proficiency of the testing. While some of the results show us that in certain areas we can feel good about quality of testing, at the same time honesty demands that we also identify areas where improvements need to be made.

I feel very strongly that the Quality Assurance Program will be the vehicle which we can use to identify drug problems, if and when they should occur, and help the Commissions solve these problems. The Quality Assurance Committee is the answer to an efficient, competent testing system.

As with all things in life, we must have the money - approximately $151/2 to $2 million annually, to set up a competent research and testing program.

I would like to propose to the group, that we make a binding commitment to permanently fund the QA Program by earmarking a small portion of the handle of all tracks to assure racing the protection of a sound Quality Assurance system.

Just as we will share the benefits of a competent testing system, we shall all bear the costs. It is my firm belief that the state, the track, and the owners should face this critical issue and, in the year of 1991, see that the Quality Assurance is properly funded.

If we remember that the pari-mutuel system is built on public confidence, which transends state lines and geographic locations. Ladies and gentlemen, without that confidence the public will not wager; and, without wagering, the pari-mutuel system will not survive.

Before I close, I want to briefly address the question of medication. Racing, like many other segments of our society, has a drug usage problem. And as the public’s awareness of drug abuse is increasing, whether it be related to athletic competition, or everyday use in other facets of our society, it is clear that racing is not exempt, and we must be prepared for the change and today’s reality.

We have two directions, as I see it, to go with medication.

The first is, ‘That all rules and regulations regarding medication are waived, and every owner or trainer can race his horse on whatever they want to. If this was done, the state governments could increase their state treasury by over $25 million annually, as this is now what is being spent directly and indirectly on drug testing.

I think all of you know exactly what would happen if we had no drug rules. It would be chaos, and there would be no industry.

Number two: Do you want your horses running on no medication, or on limited medication?

Now we’re back to the real world of medication rules, and they are all linked together. What medications to allow? When to allow them? How to give it? Who to give it? How to test for compliance? Who should test the testers? What should the penalties be for the offenders?

Let’s not kid ourselves and think that we can separate these issues and deal with just one medication, or one aspect of drug use, and pat ourselves on the back, and say we have solved our drug medication problem.

Should we improve drug testing? Absolutely! Yes!

Should we increase the drug related research? We must!

Should we standardize our rules and our penalties for those who violate the rules? Yes, once again. And I’m going to predict that we are going to make great strides toward that this coming year.

Standardization of rules and Quality Assurance is the one-two punch for the Racing Commissioners International.

As President, I recognize that these issues rest squarely on the racing commissions. RCI’s Quality Assurance Program is the key to accomplishing these goals. We must support it, and we must reach in our pockets and fund it.

The Racing Commissioners have the responsibility and the authority to solve these problems, and I am confident that they will have the vision to rise to this occasion and meet the challenge.

Thank you.

Ogden Mills Phillips: Our next speaker is Kenny Noe, who is going to talk from the perspective of a track management. I can think of no one more qualified to do so. He’s been in all the stages and positions at the race track and held those positions with distinction.

He has a reputation for not mincing his words... as I’m sure he will not do this morning. Kenny...

**Track Management Perspective**

*Kenneth Noe, Jr.* Thank you, Mr. Chairman, members of the panel, ladies and gentlemen.

When the Chairman asked me to come before you and speak to you as to my experience as Manager at Calder Race Track, I did not tell him that I was invited here some 20 years ago. And that’s the last time I’ve been invited... so you know where I stand!

And, of course, I’m glad to be invited to speak on a non-controversial subject - medication!

My expressions today are strictly from my experience, although I will express some of my convictions as we go along.

I think, to set the scene for the comments I am going to make - some of the background when I arrived at Calder - I think it’s necessary for you all to know the reason I became involved in controlled permissive medication.

When I arrived at Calder Race Track, there were about 200 to 400 horses that couldn’t walk on the race track. Organized crime had taken over...
The patrons, that was the first thing that we thought about... our patrons. How are they going to take it?

We try. We have the highest regard and respect for them. We’re a smaller race track than most, so we’re a little more intimate with our patrons, I think—from the first floor to the top of the Turf Club.

We wondered how they were going to feel, reading about Sublimaze all over the newspapers. I’m sure everybody read about it. There was a stigma there and it wasn’t healthy for our industry.

So, as we evaluated our medication rules, we tried our best to furnish all our public with as much information as we possibly could in regards to Lasix, Butazolidin, whatever it might be. We felt, by doing so, that we could continue to keep their confidence.

I do not believe that we’ve lost the confidence of our patrons because of controlled medication. We’ve had any patron, in the 10 or 11 years I’ve been here, come to me as I walk the floors and say: “Kenney, why do you permit Lasix?” or “Why do you permit Butazolidin?”

I think that we have very sophisticated patrons, not only there, but at the other race tracks I’ve worked... and I’ve worked a few of them. And I think, as long as you give them the information, they’re going to sift it out and figure what they want, and still bet.

The state: Let’s face it, they’re looking at the revenue. We’ve got a $200,000,000 budget. We’re not big. We’re a billion-dollar industry in the state of Florida. We only contribute a very small percentage in regards to that budget. But they do look at it when you look at our breeding area and the race tracks.

Lab testing: It costs about $2 million in the state of Florida for the testing of samples and for personnel. Sometimes we get our samples back. Sometimes we don’t get anything back. We wait sometimes as long as six to eight months... and then they’ll report a positive back to the stewards.

They promised us some years ago that we’d get them back in three days, as we used to years ago when we wouldn’t release the money from the Horsemen’s Bookkeeper for 72 hours. That doesn’t exist.

I don’t know about the other states. I do know one thing... we’ve had samples, split samples, sent away to private laboratories, and they’ve come back 50% less than what the state lab reports. I do believe that the Florida state lab, with controlled medication, is doing a better job than they were, some four or five months ago.

Now we look at the horsemen: For some unknown reason, it always seems that there are a few people in this industry who want to make owners and trainers the culprits for medication.

They never say anything about: “Well, gee, we used to run eight races a day. We used to run very short meetings throughout the state.” They say: “They’re the people that treat their horses. They’re inhumane and abuse them.”

Well I don’t appreciate that. I’ve been in this game a long time, and I’ll put our owners and trainers—not because you all are here—I’ll put the owners and trainers in this industry up against what little I’ve seen in other businesses... and I won’t mention some of those.

I firmly believe that our horsemen comply with the rules and the Florida statutes. And I think they do so for one reason... because they know they can use Lasix; and they can use Butazolidin.

And we talk about people... we want to get new owners in this game. We do sure. We need ‘em... every day. But yet we don’t want to give them an opportunity, sometimes, to get back something on their investment.

But, back to the horsemen... I’m quite sure that every owner out here, and every owner in the United States, would love to have all sound horses. We wouldn’t have to have Doc Beer, and some of the veterinarians. But that’s not being realistic, in my opinion. That’s not practical.

I do believe, under the controlled medication policy, or the Rules we have, that our people don’t abuse it. They’re not going out and looking for Sublimaze. We know, over the years, they did. But they always got caught. So I don’t apologize for our controlled medication in Florida. I think it works.

The owners of race tracks: You know, I was probably the most fortunate guy in the world to have two owners like we’ve got. Jim Binger... he understood the game. He owned horses. And now Bert Firestone... I think that has helped us. And I again want to reiterate that we, in my opinion, at Calder Race Track, along with the patrons and horsemen, have never abused this (controlled medication). We give them the information. But the one thing we’ve got is confidence. I believe I heard Wayne speak and address that confidence. We need it. And we can’t keep our head in the sand in this game; believe me.
aly a subject we still finalize in some respect.

According to documentation of Wayne’s Commission, in 1987, over 65,000 samples were tested in the state of Florida. Probably a third of those were Thoroughbreds. We had 22 positives. Some of those were overages in Butazolidin.

I’ve heard some comments, and it’s very disturbing, from some people that have never been to the state of Florida, saying that drugs are running rampant.

Do those figures tell you that these horsemen, owners and trainers – our owners and trainers – are abusing the privilege, or not complying with the Florida statutes and the Florida Rules?

Come on!

I’ll tell you what… Some of these people that make all these comments, that sit in the ivory towers and in some of those air-conditioned facilities that the race track has built for them to observe the races – and I say some, I don’t say all – some of them ought to come out of those towers, and ought to come out of that air-conditioned area, and go back and see what some of these horsemen have to endure, to get the millions of fans we have going to our race tracks.

I believe, if every racing commission and every organization and every race track would direct their energies more and more – and I think Wayne addressed this – to the research for bleeding, or any other ailment we have, then I think we’d be much better off than to continue with the efforts by some interests to influence us.

We feel at Calder – we’re not exactly perfect…we’re a long way from being perfect. But, at least, we’re not having live- and sin-horse fields every day. I feel the public will accept a few of them. But I don’t think they’ll take a steady diet of it.

So, we feel that the controlled medication has been very beneficial, and it’s not being abused.

You know, this is a great industry, when we can come together and agree to disagree.

Thank you.

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Ogden Mills Phipps: Ted Bassett is our next speaker.

Few can speak from the overall industry point of view better than Ted. What he’s done with Keeneland is truly wonderful.

As President of Breeders’ Cup, he leads an organization that’s growing in power and stature worldwide. We are particularly pleased that he’s taken over at the helm of Equibase also.

Ted today is going to speak on the overview. Ted.

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INDUSTRY PERSPECTIVE

James E. Bassett: Thank you, Mr. Chairman.

Distinguished leaders of the racing industry, ladies and gentlemen, with your blessing we would like to bring you a troubled but urgent message, a call for unity and a call for uniformity.

But before we do, we would like to commend our colleagues on the panel for outlining their detailed explanation in the enormities of the problems that confront us in racing. But let us be realistic, problems confronting racing are not unique.

Many of us that are present here today, with decades of involvement behind us, have become seasoned to the seemingly endless array of problems which seem to annually confront our racing industry.

Yet sometime, somewhere, some way, someone seems to lead us out of the dilemma, and somehow racing recovers, stumbles on and survives.

The seemingly insurmountable problems facing us today will hopefully pass, provided that we move forward in unison and with a single-mindedness which, regrettably, only occurs when our industry is threatened by a major crisis, tending either to undermine the public confidence or to savage our own economic well-being.

All of us present here are aware of the contentious differences which are racing today, whether it is medication or whether it is taxation, whether it is on-track, off-track, inter-track, whether it is overlap, over-raced, over-production or over-taxed.

The solutions will not be found in finger pointing, factionalism, or fragmented organizations pursuing their own narrow self-interest.

This is not the forum, nor the purpose of this Round Table Conference, to perpetuate the diverse controversies and differences of opinion, which have been discussed here today.

There is really nothing new about the problems confronting racing. They have been with us ad infinitum. They have been growing, and their growth has been feeding on what has been perceived as our reluctance and inability to face them head on, grapple with them, and find realistic and acceptable solutions, such as, quite simply: What are the rights and wrongs of specific medications? Where is the national focus to define more productive standards of drug testing, and what are the priorities for quality assurance and equine research? Who should follow who in the critical matter of standardizing our rules of racing?

Permit me to digress for a brief moment, to illustrate the complexity and confusion surrounding one microphone in our rules of racing.

Quoting from last month’s Racing Commissioners International Bulletin, covering the period a first-time bleeder is restricted from racing while on the veterinarian’s list:

One state restricts the horse for three days; one for sixteen.

One for four; one for eighteen.

One state for five days; four for twenty-one.

Two states for seven days; one for twenty-five.

Nine states for ten days; one indefinite.

One state restricts the horse for eleven; two variable.

Six for fourteen; four, no time interval at all.

Such an example of the diversity of regulatory authority can only convey one simple message to the distinguished group which is represented here today, and that is an urgent plea for unity in our ranks, unity of purpose and uniformity of action – not diversity, not dissension, nor deflection.

There is a malaise and mixed mind, within our industry, that all we do is talk about the problem, appoint committees, after committee, study to follow study, new organization to follow new organization, and nothing really ever is accomplished. Racing goes on, just as it always has done; everyone pursu-
President Shumate has given us an encouraging report, and has issued an urgent challenge for responsible action to his organization, the Racing Commissioners International, and is planning to call an International Summit Conference on the question and issue of medication and drug testing.

And we now call upon this distinguished group of industry leaders to solidly pledge their cooperation and active support to this long awaited dialogue, and long awaited overdue action.

Let this 1990 Round Table Conference serve as a benchmark, where talking begets action, and we look back on it as the beginning of a rational uniform effort to move racing forward in the 1990s.

This, ladies and gentlemen, will only be achieved if self interest and individual differences are put aside, and we go forward, shoulder to shoulder, strengthened by the firm belief that the common interests which bind us together are stronger than the differences which tend to divide us.

Thank you for the opportunity of being able to address this issue and thank you even more for your courtesy of listening.

Closing Address by Ogden Mills Phipps

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

First, on the question of rule standardization, I commend the tremendous leadership and example being set by Wayne Shumate and his organization, the Racing Commissioners International.

We are making substantial headway in the standardization of rules, and we appreciate that virtually every racing commission in the country is joining in this effort.

Turning to the ever present problem of medication in racing, let me say a few words about the Pennsylvania Lasix study, and refresh everyone’s memory on one or two points.

Number one, it was commissioned by a committee of representatives from every segment of our industry: owners, breeders, trainers, jockeys, veterinarians, chemists and regulators.

The Jockey Club paid for it.

It was commissioned by reputable people. It was conducted by an outstanding institution. And, finally, it was examined and upheld by highly qualified people who are objective leaders in their fields of expertise.

Of course it left some questions, but it did answer a lot.

It showed that non-bleeders in the study run faster on Lasix than they do without it. That fact won’t go away, and it must be addressed.

While we’re talking about Lasix, let me mention something else.

Each year, there are hundreds of reported cases of Hutzauzidil given in doses exceeding the rules. But how many times have you heard about someone getting caught giving more than the permitted dose of Lasix, or giving it closer to race time than the rule permits?

I’ll tell you . . . it has only happened in one state. And the reason it’s only been heard of in one state is this: the experts we have talked to say that, in the entire United States, there are only two laboratories which are even attempting tests to determine if the rules restricting the time, amount and route of administration of Lasix have been violated . . . Oklahoma and Kentucky Harness.

Many states have rules so badly drawn that they are rules which are unenforceable, even if the proper tests were run.

Now, the reason for the Lasix rule is this: It is known that Lasix administered closer to race time can interfere with testing for other drugs. By other drugs I’m talking about stimulants, like morphine. That is why the rule is there.

But a rule which is unenforceable, or unenforceable, does not protect the integrity of racing.

Ladies and gentlemen, this state of affairs makes absolutely no sense.

Whether you’re for medication or against medication, there is no way you can accept our present standards of drug testing.

It is way past time for us to address seriously and urgently the whole question of drug testing and the way in which funds are being directed to it.

The RCI Quality Assurance Program is a good start and is a good example of what happens when we all pull together. In this case, commissioners, technical experts and industry leaders have gotten together and, in just a couple of years, made strides towards getting standards for the improvement
of our testing procedures.

But, just this week, RGI told us all that, out of 124 blind samples which contained prohibited drugs, laboratories participating in the program detected the presence of these drugs in only 68 cases. That is not much more than half of them. We can’t accept a 46% failure rate and be satisfied.

In spite of this appalling record, the Quality Assurance Program isn’t getting enough support from some racing commissions.

In April 1989, The American Association of Equine Practitioners, American Horse Shows Association, American Quarter Horse Association, National Council of Horsemen’s Benevolent and Protective Association, the Thoroughbred Owners and Breeders Association, the United States Trotting Association and The Jockey Club put up one-time bridge financing to get this important research project off the ground.

At the same time, all the state racing commissions committed to put up the funding needed to finance the program permanently. They have not lived up to their commitment. At present, only 50% of these promised funds have been put up. And unless the balance of $400,000 is funded, the Quality Assurance Program will be out of business by November 1990.

This is yet another example of how things happen . . . or, rather, don’t happen.

It just isn’t good enough to reach a consensus when we meet together on a national basis, and then return home, and go on our merry way, doing things the way we’ve always done them.

I’m not trying to simplify things.

Drug testing is a complicated issue. Nor am I trying to throw another problem on the table without, hopefully, offering a possible solution.

We need a strategic plan, written by highly competent people, to analyze what we’re doing in our drug testing procedures; what we should be doing; and how we can do it, on a national scale, in an affordable and workable manner.

The Jockey Club is presently in discussion with the McKinsey Company, which is a world-renowned firm whose track record in the field of management consulting is second to none. We intend asking them to come in, working hand in hand with the Quality Assurance Committee, to set about identifying a world-class management program for drug testing in the United States.

The Jockey Club is not going to be McKinsey’s client. The Thoroughbred industry of North America is going to be the client.

But, in fulfilling our role of industry support, The Jockey Club is prepared to lead the fund raising . . . as long as we have the will and commitment of all the major industry organizations, and the total support of the representatives of RGI and its Quality Assurance Committee.

Ladies and gentlemen, I leave you with this one thought . . . dedication to solving the problems which face the Thoroughbred industry is a classic case of “if you are not part of the solution, you are part of the problem.”

We are asking all of you to help in this gargantuan effort.

Thank you for being here today. We look forward to seeing you next year.