

Summary: Non-Regulatory Feedback Moving Ahead: Horse Racing Regulation In Ontario

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On February 16, 2017, the Alcohol and Gaming Commission of Ontario (AGCO) released the *Findings Report* for the 'Moving Ahead: Horse Racing Regulation in Ontario' project, which reflects the feedback that the industry brought forward over the last eight months, either through formal proposals in response to the consultation paper, verbal conversations, or during Roundtable discussions.

As part of the AGCO's engagement process, some recommendations were received from industry that fall outside of the regulatory mandate of the AGCO. In addition, there were proposals suggesting the AGCO partner with government, other government agencies or industry to address opportunities outside of the agency's current regulatory mandate.

This paper summarizes non-regulatory feedback received from industry participants as part of the 'Moving Ahead: Horse Racing Regulation in Ontario' engagement process.

Feedback is largely relevant to the two organizations listed below, as well as ministries in the Ontario Government which have oversight of these agencies. However, this summary also mentions other industry organizations and government bodies.

- The Ontario Lottery and Gaming Corporation (OLG)

The OLG Horse Racing Division supports racetracks by administering government funding for purses and operational costs as part of the Horse Racing Partnership Plan (HRPP). OLG has a single shareholder, the Government of Ontario, and reports through its Board of Directors to the Minister of Finance.

- Ontario Racing (OR)

OR is responsible for directing breed improvement programs, setting an annual program of races and purses, attracting new horse owners, building a fan base and connecting the industry with government and the general public.

A key function of OR is to serve as the Program Administrator for the Standardbred (SIP) and Thoroughbred (TIP) Horse Improvement Programs components of Ontario's Horse Improvement Program (HIP) as well as the Quarter Horse Racing Industry Development Program (QHRIDP).

OR works with the Ministry of Agriculture, Food and Rural Affairs (OMAFRA) which is responsible for both the Enhanced Horse Improvement Program (supporting the breeding of high quality Ontario racehorses) and non-regulatory racehorse welfare.

A key mandate of OR is to serve as the voice of the horse racing industry and to work closely with the OLG towards the integration of horse racing into OLG's gaming strategy.

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Integrity, Safety, and the Public Interest in Ontario Horse Racing

Increased Equine Research

Several industry participants raised concern with the lack of equine health research in Ontario. Respondents noted a desire to better develop evidence-based knowledge on current and emerging issues, both at the discovery and practical applied level, creating more robust support for equine research. Support might include the publication of an annual “Emerging Issues” research and education report.

Stakeholders made calls for more predictable annual research funding as a critical component to promote overall sustainability, safety, and competitiveness in Ontario’s racing sector. It was mentioned that allocating specific annual funding for equine racing research, as recommended in the *Sadinsky Report*, could further promote equine health in the province. The administration of industry research funding for the Equine Guelph Research Committee could be revamped.

Racehorse Welfare and Post-Racing Careers

The industry shared concerns about the aftercare and welfare of retired racehorses. Stakeholders were supportive of the AGCO exercising any available regulatory authority to support this cause and indicated that industry as a whole should take action. Ideas included:

- Instituting an incentive program where active horses who are in competition are eligible for year-end point awards counting towards retirement rewards and incentives;
- Mandating purses include a 1.5% welfare initiative deduction to create a “pension fund” for horses matched equally by racetracks;
- Instituting an ownership transfer levy upon sale of a horse to put into a horse retirement fund;
- Creating specific penalties for animal cruelty or welfare violations, which could be paid directly into a racehorse welfare fund to bolster after-race programming; and,
- Providing information at the racetracks on adoption agency purse allocations.

Industry Associations

Several industry participants raised concerns that a power imbalance exists in Ontario’s horse racing industry and the current culture excludes horsepersons’ input, meaningful consultation, and cooperative decision-making. It was proposed that an officially-recognized horsepersons’ group be formed to represent and advocate on behalf of all participants and all breeds. One stakeholder suggested that the “voice of horsepeople” could be clearly and transparently recognized by holding a democratic vote to elect the Board of Directors of Ontario Racing. There were also calls for auditing and observing voting procedures for industry associations, which are seen as prejudiced and unfair. It was recommended that industry associations be provided funding to create an even playing field for representative groups.

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Participant Training and Advancement Opportunities

It was recommended that training and education opportunities for industry participants be expanded. Opportunities could focus on fundamental horse knowledge, such as providing educational programs to trainers and grooms regarding normal and abnormal horse behaviour during all stages of race preparation (e.g. body temperature ranges before exercise and after warming up, normal expected heart rate for horses after moderate exercises, etc.).

One stakeholder further added that education initiatives could be developed into modular or apprenticeship programs and could be expanded to include disease prevention, Canadian horse welfare standards, training and conditioning approaches, welfare management, and safety and risk reduction topics. It was proposed that the AGCO and industry partners assess enhanced opportunities for racing participant professional development, working collaboratively with colleges and universities to offer industry courses that teach rules and regulations and horse racing safety with hands on and in-classroom training.

Several stakeholders focused on the need for better social programs and employment conditions for horse people. Introducing programs to meet these goals could include initiatives for reading, writing, and computer skills while also increasing access to General Education Development (GED) or high school courses and daycare services for young children. Additionally, it was recommended that the AGCO or its partners could advocate for worker access to affordable health and dental programs along with greater horse person employment rights which include provisions for days off, eating periods, daily/weekly working limits, and increased wages.

Finally, a dwindling labour supply due to the cancellation of the federal temporary foreign workers program was highlighted as a concern. It was recommended that ongoing training and advancement initiatives might help spur increased labour opportunities and alleviate current worker shortages in the industry.

Supporting Economic Development and Industry

Racing Promotion

A large number of industry participants focused on the OLG as a primary driver for expanding horse racing economic opportunities. Through the continued integration of racing into OLG's gaming strategy and given the OLG's marketing expertise, OLG could continue to promote horse themed products, including:

- Horse racing lottery products;
- Racing themed scratch tickets; and,
- Expansion of horse racing betting options into traditional lottery outlets.

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Race Purses, Dates, and Industry Revenue Sources

With OLG's oversight and administration of the HRPP, stakeholders focused on race purses, dates, revenue streams, and enhanced industry financial oversight. These recommendations included establishing stable and consistent purse levels as one of the most important factors for ensuring long-term industry sustainability. Stabilized purse funding would provide the industry with a solid outlook from which to plan business decisions several years into the future. It was also suggested that the Slots at Racetracks Program be re-introduced or that racetracks be mandated to spend at least 10 percent of their revenues on local promotions and advertising.

It was proposed that a comprehensive review be undertaken to identify all sources of horse racing revenue for audit purposes. This would include wagering commissions, pari-mutuel tax reduction funds, uncashed tickets, OLG support, and Ontario Government support. A similar review of all industry expenditures could ensure that the available funds are generating the greatest benefit for the entire provincial racing industry.

In general, stakeholders indicated an interest in having greater financial transparency at racetracks and for industry program funding at large, including a more inclusive HRPP funding allocation process with increased industry input. Racetracks should consider redistributing funds in the event of cancellations prior to returning money to the purse pool.

Some industry participants advocated for increasing race days for smaller racetracks, promoting more "local racing", and a general sentiment that racetracks should work in closer collaboration. Other stakeholders encouraged amalgamating smaller tracks to consolidate race days at larger venues thereby pooling purses to incentivize better fields and racing. Similarly, there were suggestions to assess available purse money each year to determine what purse levels would be needed per race card to foster a competitive industry. Generally, there were calls for more transparent race day allocations, specific recommendations include:

- Requiring that at least 30 percent of all races and 45 percent of all purses be directed toward Ontario Bred horses;
- Participants noted that Ontario Bred horses should receive an increased proportion of total handles in "local races" to incentivize provincial breeding;
- Introducing "hitching fees" for local venues;
- Instituting better revenue sharing amongst active racetracks so smaller sites are not left in financially difficult situations;
- Increasing purses for overnight and general races at smaller B (Signature) racetracks; and,
- Georgian Downs's season could be expanded from three months to five, to spread out the racing, thereby improving the on-racetrack product and equine welfare in tandem.

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Racetracks

Stakeholders indicated that enhanced racetrack experiences and service updates might help boost economic activity in the horse racing industry. A focus on more reasonably-priced food, moving back post-times for earlier races, attracting families with children-friendly options, and introducing more fan-based events with participants and jockeys. Racetracks should work directly with consumers to understand what they want to see in racing, venues, and betting choices. Another avenue for catering to customers involves developing ways to overcome language barriers so that horse racing reflects Ontario's cultural diversity.

From an experience perspective, some industry participants voiced that wagering information is difficult to understand and is not presented in a coherent, simple fashion for customers to make informed decisions. To alleviate complexities, two types of programs— one for serious horseplayers and one for the casual bettor— could be developed.

Industry participants suggested having Ontario racing products broadcast locally and internationally to increase the wagering handle and promote an influx of money into the industry. To facilitate this, it was proposed that a portable live-streaming simulcast system for all racetracks (including Grassroots and Signature racetracks) be established to increase handle and allow exposure of Ontario racing to all jurisdictions. This streaming system could target racing fans unable to attend individual races at racetracks or those interested in increased betting opportunities. Finally, it was raised that off-track betting and tele-theatre locations could receive enhancements to make them more desirable venues.

It was recommended that racetracks take an active role in managing stall allocations to horse people, noting that large trainers, often from the U.S., are given disproportionate space for horses. One suggestion focused on having racetracks implement a specific Ontario stall allocation to promote the local industry.

Industry Decision-making, Transparency, and Accountability

One participant shared the idea of having the government facilitate the creation of a governance structure that places Woodbine Entertainment Group (WEG) as the major decision maker of the commercial operation of racing and wagering in Ontario, but with the constraints of making decisions that consider the best interests of the industry as a whole following consultation. It was proposed that this would ensure WEG, and in turn all racetracks, would be more financially transparent about accounting, revenue, and general decision-making. Overall stakeholders were concerned with a perceived power imbalance in Ontario's horse racing industry, a culture which excludes horse persons' input, meaningful consultation, or cooperative decision-making.

Additionally, there was concern that decisions are made without any customer perspective and adding further emphasis on bettors (i.e., customers) would be helpful for the industry. A general interest in having greater horseplayer representation at the industry governance level for added customer perspective was expressed.

Wagering Proposals— Offshore Regulation, Expanded Betting Options, and Posted Takeout Rates

Stakeholders recommended that the AGCO be directed to proactively focus on regulatory efforts to curb offshore and unregulated gambling. By working to curb unregulated horse betting from offshore sites, the AGCO

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could potentially help increase the provincial betting handle and produce a positive economic effect for Ontario's horse racing industry.

Industry participants focused on expanding betting options for horseplayers and inconsistencies in posted takeout rates for U.S. simulcast races. Proposed betting options included introducing fixed-odds wagering and a pricing system that accounts for the takeout rate as a non-fixed variable, permitting superfecta wagering with fewer than 7 starting horses, and switching to a gain-type takeout over a gross pool takeout.

It was raised that there should be added oversight on posting takeout rates by racetracks. Provided rates can be misleading, wrong, or out of date, especially for U.S. feeds. It was noted that HPIBet often posts Ontario's rate but, does not include the added takeout for U.S. racetracks thereby misrepresenting the overall total. As such, pools are being reported incorrectly and payout vouchers are less than expected.

Horse Supply Program

There were calls for an enhanced mare improvement program to encourage industry to purchase and keep quality Ontario mares in the province. It was recommended that Standardbred Canada could monitor and manage the Ontario Resident Mare Program and that the Ontario Sires Stakes Program had failed to date and therefore should be run by a committee of breeders and horsepersons. Horse supply data could be more rigorously aggregated so accurate reflections of Ontario's horse population could be built into economic decision making. This was echoed for general economic planning using data driven insights as well.

General Economic Considerations

It was proposed that the racing community could be granted better access to its potential public market, based on a planned and regulated competitive business strategy. Through cooperative planning and some liberalization, there is potential for a stronger, self-sustaining racing industry in Ontario, which could help free government funding obligations as the industry may move towards greater self-sufficiency. Additionally, it was suggested that re-establishing "home market access areas" for racetracks to build on their current race distribution could be beneficial.

One stakeholder indicated the Ministry of Tourism, Culture and Sport should develop a plan for maximizing the sport and tourism benefits of all horse-related facilities and assets in Ontario, using the State of Kentucky as a model. It was recommended that the Ministry of Health and Long-Term Care explore ways to maximize health, social and economic benefits that can be derived from therapeutic human interaction with horses.

Multiple industry participants proposed changes to the federal tax code, allowing significant tax write-offs for horse ownership expenses, depreciation and purchases, which could help boost economic activity in the sector and promote competition with U.S. jurisdictions.

Finally, one stakeholder encouraged the introduction of race offerings for youth, suggesting that the AGCO and partners could initiate amateur licensing (driving/riding) for non-betting youth race cards. While this would primarily be an industry initiative, the AGCO and partners could play a supporting role.