



A RACING INDUSTRY COMPROMISE

Published: April 24, 2019

Dear Friends in Racing,

The sport which brings us together is at a turning point. We have been divided for far too long on a variety of issues that impact our business. Most notably, the "Lasix debate" has been a debilitating one, inhibiting our collective ability to move ahead. The time has come for the industry to compromise – working together with all major constituencies to establish a mutually-agreed, new way forward.

The recent announcement from a coalition of racetracks to introduce changes to their house Lasix policies was met with a series of statements from certain stakeholder groups restating their long-held positions. **Compromise is essential.** Absent a compromise, binding mediation should be considered.

"In my many years in this great sport, I have never seen racing more at risk than it is right now," says B. Wayne Hughes, owner of *Spendthrift Farm*. ***"We have far too much at stake to continue being tied down in separate bunkers and not finding a way forward. The time for a compromise is now."***

As major stakeholders, we believe the only way to grow revenue for the industry's obligations – among them, aftercare and backstretch programs, equine research, jockey insurance and prize money – is through the growth of the sport's overall "pie." **If our industry can collectively agree to compromise, we can finally move ahead together and address other meaningful issues that have inhibited growth in the sport for far too long.**

While racing has some long-standing traditions which have shaped our collective experience, nothing is set in stone. Let's embrace that freedom to redefine the future.

Our sport has recently been challenged in a manner that requires bold, serious and innovative action. But the longer-term reality should not be ignored, either. Foal crops are at 50-year lows. Handle is down close to 50%, adjusted for inflation, over just 15 years. Though tougher to measure, the social license racing enjoys is also questioned now more than at any point in recorded history. We must adapt to this, better exhibiting to the world – not just ourselves – the outstanding care our horses receive, and their majestic, innate desire to compete.

We must unite and emerge stronger – for the horses, for our passion, for the future.

Since our organization's launch last summer, we've presented four substantive white papers tackling topics related to improving our sport's approach to pricing, transparency, product development and access to information. Now is the time to present a fresh approach to racing. We have enlisted five industry leaders to present their take on improving different segments of racing through new approaches to long-stagnant "offices." Their letters appear below.

- **Wagering and Innovation: Marshall Gramm** (chair of Rhodes College economics department, co-founder of Ten Strike Racing). [Read Marshall's letter HERE.](#)
- **Racing Administration and Planning: Rick Hammerle** (long-time racing official, including 20 years at Santa Anita as racing secretary and vice president of racing). [Read Rick's letter HERE.](#)
- **Integrity and Welfare: Maggi Moss** (attorney, major horse owner, leading aftercare advocate). [Read Maggi's letter HERE.](#)
- **Communications and Marketing: John Sikura** (president of Hill 'n' Dale Farm). [Read John's letter HERE.](#)
- **Owners' Services and Recruitment: Brad Weisbord** (founder of BSW Bloodstock, ELITE Sales). [Read Brad's letter HERE.](#)

Presented with an opportunity to re-shape our industry and mindful of our precarious position, these suggestions should be met with open minds. Our interest in a healthy thoroughbred industry is shared. The process to achieve these much-needed improvements remains rooted in compromise, with all stakeholders understanding that once-entrenched opinions must be loosened in order to establish a modern sport.

In the recently-published words of billionaire investor and philanthropist Ray Dalio, "collective decision making works much better than

fragmented individual decision making so I urge you to understand it and employ it. If you don't, you will be left behind." Our future, as projected by five industry leaders, could be so much brighter than our past if we can collectively move beyond that which has divided us for so long and work together. Join us in this quest!

WAGERING AND INNOVATION BY: MARSHALL GRAMM

Marshall Gramm is chair of the Rhodes College economics department and co-founder of [Ten Strike Racing](#).

The gambling landscape dramatically changed with the Supreme Court decision in May 2018 that opened the door for states to legalize sports betting across the United States. This is the latest, and biggest, blow to the monopoly on gambling that racing enjoyed through its resurgence in the 1930s until the first competitor appeared with the introduction of the lottery in New Hampshire in 1964.

With casinos, card rooms and lotteries now pervasive, and with sports betting soon to be, racing should not continue pricing its product as if they are the only bet in town. Change is of paramount importance –both in the pricing of bets and in order to create a competitive environment that encourages innovation among bet providers, racetracks and tote companies.

Of primary concern is the pricing problem. For even the most heavily-rebated racing bettor, the cost of wagering remains significantly higher than a sports bet.

For reasons which defy long-term economic logic, bet-takers, racetracks and regulators continue to enable racing's decline. With more non-racing competition than ever and years of limited or negative handle growth, racing's reluctance to price bets to attract more participation is an irrational practice.

We hope that cooperation in the industry yields lower takeout and lower host fees but have legitimate concern the outcome may be exactly the opposite. As alternative sources of revenue fuel purses, the link between the horseplayer and the racing industry has become even more fractured. These alternative revenue sources historically have been short lived.

Ultimately, if racing does not expand its direct wagering handle it will experience an even more dramatic decline. Consolidation of racing signal distribution in recent years has increased host fees at the expense of the horseplayer, so it is right and natural that horseplayers should fear industry-wide

consolidation. A concerted, unified effort to reduce takeout and host fees will help ensure horse racing's survival.

Industry cooperation can also help secure needed changes for horseplayers in the following areas:

1. Cease anti-competitive tactics.

All tracks should sell their signal and provide access to betting pools to all licensed bet-takers. Denying signals to some participants is an anti-competitive action which limits the industry's growth at a time when we clearly need it. For those entities denied signals, a culture of fear pervades those bullied by those doing the withholding. Instead of a vibrant competitive market, ADWs have become relatively innovation-less, territorial fiefdoms, with little change to the betting experience over the last two decades.

Source market fees are also anti-competitive. Used to protect a monopoly for a single ADW or local racetrack, they increase the cost of wagering for players and assure the impracticality for other ADWs to enter certain states.

Overall, the quest to lower takeout is denied by a cavalcade of fees tacked onto bet processing. The market should be streamlined. For every bet, there should be a host fee (from the track that runs the races), and a tote fee (to the tote company for processing the bet). The remainder would stay with the entity that originated the wager and often comes back to the player in the form of rebate. Unfortunately, there are far more fees in the tote business at present.

2. Equalize access to batch wagering for all bettors while updating technology to process all bets at the time they are made.

Bets need to be processed into the tote system at the time they are made, regardless of where they originate. The industry's failure to modernize the tote, at their own expense, stifles growth.

Bet providers should reward their best betting customers with rebates, just as casinos reward their best customers with comps. However, the rules of the game should be the same for all horseplayers. Every player should have the same opportunity to make high speed batch wagers that high volume computer teams have. This is not only essential for fairness, but also critical in marketing opportunities to younger, more technologically savvy gamblers.

3. Introduce alternatives to pari-mutuel wagering.

Considered controversial by both existing bet-takers and horsemen, the industry should adopt alternatives to the current single market option available to customers – pari-mutuel bets. If for no other reason, the sport must be willing to experiment with these options.

Fixed-odds, exchange wagering, handicapping

tournaments and takeout-reduced parlays all offer alternatives to the traditional wagering experience. Customer churn is far greater through fixed-odds and exchange play. While revenue to those receiving pieces of takeout would be smaller on a per-bet basis, the frequency of play would increase while also being much more attractive to those engaged in fixed-odds betting on other sports.

4. Round tote dividends to the nearest penny, dramatically reducing breakage.

Bet-takers receive approximately \$50 million annually in breakage – the rounding down of tote dividends to the nearest 10 or 20 cents. The business logic is really quite simple – stop rounding down, return this money to all customers across all tracks and bet types, customers will have more money to bet in subsequent betting cycles, injecting more money to all stakeholders in the takeout cycle over and over. Remove \$50 million annually, once, or reinvest that over and over and over? Breakage is especially harmful when there are smaller payouts thus disproportionately affects favorites, small fields, and the place and show pools. The long-term math is far more favorable for all parties than the short-term retention of breakage.

5. Pursue legal pari-mutuel wagering and ADWs to residents of all 50 states.

There remain 12 states that do not allow online wagering on horse racing, with seven of those not even permitting any pari-mutuel wagering. Several states allow it, but impose significant restrictions on access. The proliferation of gambling – particularly sports betting – should improve overall customer access to the market, but efforts from the industry to target these states could expedite the process. Why would we not pursue increasing our customer base?

In addition to lower takeout and lower host fees, improvements in these five areas would be incredibly beneficial to the overall health of our industry as measured by interest in wagering.

Follow Marshall Gramm on Twitter [@truxtonstables](https://twitter.com/truxtonstables)

RACE PLANNING AND ADMINISTRATION BY: RICK HAMMERLE

Rick Hammerle is a long-time racing official, which included two decades as racing secretary and vice-president of racing at Santa Anita.

The winds of change start with a small breeze. The leaves of thoroughbred racing have been in

motion for decades, now the branches are starting to move.

Long before the crisis at Santa Anita came along there has been discussion about the need for a 'centralized commission' or 'office' to act for the betterment of the sport. The problem has been that most of these discussions never progress outside the boardroom or convention hall. The Thoroughbred Idea Foundation (TIF) was formed with a mission to move some of the ideas along.

As stated earlier in the TIF's letter, all major stakeholders of the game need to find common ground on a number of issues to be able to compete in today's marketplace. It is imperative we find new and progressive ways to both attract and sustain our owners, breeders, fans and horseplayers.

The time has come to add the racing product and its delivery to the list of subjects that needs to be simplified and streamlined on a regional and national basis.

What if the Triple Crown races were for four-year-olds?

Got your attention? It surely makes you think, doesn't it?

It's time to start asking ourselves some tough questions about the way our races are offered, contested and wagered-on. We can make things better.

If racing compromised, the opportunity exists to create a centralized office of Race Planning and Handicapping which could serve as part of a broader bank of commission-like offices, responsible for the following five elements:

1. Restructuring and simplifying the different types of races offered.

The European method of ranking all horses, whereby races are written according to how each horse has performed at a given level, is an attractive consideration. Weights would be assigned according to the level of the race and rankings, while owners can still offer horses for the claiming price of their choice. By design, the conditions-based system of races would be eliminated in favor of this much more straightforward approach which is far more friendly to fans, handicappers and horsemen.

2. Limiting field sizes in maiden races.

The opportunity to participate and win maiden races is much more important than the relative purse. The more opportunity horses have to win a maiden race, the more horses that will be available for open races. There is a way to adjust purses in order for more maiden races to be offered. Limiting field size in these races will create better chances to win and let the breeder/owner move on to the next race, whatever that may be.

3. Coordinating post times on a daily basis with particular attention paid to weekend cards.

Finally, right?

Racing has been promising this for a long time, but for a plethora of reasons, has not delivered. Tracks must work to adhere to listed post times for any coordination to work properly. Incentives to remain on schedule – or penalties for failing to adhere to it – should be on the table. Structured post-times, executed well, serves to create more opportunities for horseplayers and an increase in handle to benefit horsemen.

4. Forming pattern committees to bring order to the national stakes schedule.

Stakes races need to move forward in logical progressive patterns. On many occasions, graded stakes are scheduled for the good of the local track, but may not be in the interests of the flow of the category both regionally and nationally. This may cause situations where tracks could alternate running certain stakes races every other year in order for the races to maintain acceptable field size and proper grading.

One potential consideration is for tracks to submit their scheduling requests of "must have" stakes dates while allowing for greater flexibility of other races, a process somewhat similar to professional sports teams identifying dates where their home venues are not available for scheduled events.

5. Nationalizing stakes nominations and information.

National stakes nominations and Information should flow through a central office to make it easier for horsemen and fans to follow high-caliber horses and racing across the country. This could be a precursor to making data and racing information more easily accessible, and in developer-friendly formats, at little or no cost to all.

To some, these discussion points and possible changes may seem radical in their raw form. Maybe they are. We can no longer close our eyes and hope the game rights itself. We need to provoke thought and discussion as to how our racing product is presented to the public in its current form and decide if there is a better approach.

During my more than 30 years in the game, I have worked and witnessed racing on both coasts and Florida. I have worked on and with many different racing committees over the years including the Graded Stakes Committee and the Breeders' Cup Selection Committee. We have talked many times about the need to change and move forward with new ideas, and while some progress has been made, we almost always end up going our separate ways without affecting any real advancement.

We can no longer afford to kick the can down the road. Discussion, compromise and action must begin now.

Follow Rick Hammerle on Twitter @AwayTheyGo

INTEGRITY AND WELFARE BY: MAGGI MOSS

Maggi Moss is an attorney and prominent horse owner, having led all American owners in wins in 2006. She is also a tireless advocate for improving aftercare initiatives in the sport.

The disconnect between racing's stakeholders has, unfortunately, never been clearer.

The perceived lack of integrity in racing and worse, the welfare of our equine athletes, certainly feels to be at an all-time low. Read public comments about racing and it is easy to find a rising sentiment that the sport is cruel and lacks protection for its most necessary participants – the horses.

All of this occurs in an industry that, frustratingly, lacks uniformity.

Despite a "happy face" worn by many, racing in America suffers from a widespread number of jurisdictions which seemingly do little to protect the integrity of racing, and sadly, the horses themselves. A "win at all cost" climate, studded with rampant rumors of cheating, creates an uneven playing field which undermines customer confidence. With the decades-long growth in the casino business, and now legalized sports betting, it is easier than ever to pass over the challenge of betting on racing.

These threats to our business, many of which have grown over the years without much response from those identified as racing's leaders, cannot be allowed to persist. Now is a perfect time to come together and blaze a new path forward.

Make no mistake, there can be no "us v. them" when it comes to integrity in racing. We all must be on the side of improving the integrity functions of our sport – from the breeding shed to the auction house and from the track to post-race rehoming. The ideas suggested below to improve integrity and welfare are not complex, but will require a unified effort from industry stakeholders. Here are six solutions:

1. Veterinary records, transparent to all, should follow each horse from their first start.

Vet records should be publicly transparent. Horse racing operates under direct license from the states. Without that license, the sport would be a

shell of itself. States have the power to mandate this transparency, which would serve as a massive advance to counter perceptions and realities around cheating. Let racing's customers – owners and horseplayers – interpret what they will from public veterinary records.

2. Pre-race veterinary exams should be mandated for all starters.

All racetracks must employ veterinarians to perform soundness checks, beyond a normal "jog-up," for every horse entered to run. These official vets would also have access to the veterinary records of each horse and would be empowered to diagnose unsoundness without fear of reprisal. With the future of the sport at stake, failing to ensure the sound health of our sport's foundation is beyond comprehension. This most basic necessity should be the norm.

3. Launch a network of welfare officers.

A continent-wide network of welfare officers, with one stationed at every active racetrack, would serve in several capacities. First, welfare officers would serve the racing office as a check on the bona fides of every entry. Long-time racing followers know of the many examples seen over the years – a horse returning from a three-year layoff with a limited worktab; a horse that has been repeatedly trounced now inexplicably stepping up in condition. Welfare officers would also be a track's official point of contact for aftercare programs and regularly survey the local horse population for possible or pending retirements, tracking such horses off the track via a continental database to follow all horses in their off-track careers.

4. Equine Injury Database participation should be mandatory across North America.

A major step towards improving the long-term health of the horse, and therefore our sport, is to have complete transparency on the type and frequency of injuries, particularly catastrophic ones, which occur during a race or training. No racetrack should be able to escape public scrutiny – sunshine is the best disinfectant.

5. Breeders, auction purchasers and tracks (via purse accounts) should be responsible to withhold amounts to supplement aftercare initiatives.

The cost of caring for racehorses when their racing career comes to an end must be shared across the industry. At each point of a horse's career – from foaling (breeders) to auctions (buyers/pinhookers) and owners throughout their on-track years, contributions should be made to help defray the costs of retirement for thoroughbreds. All racetracks should withhold a small portion of purses to be contributed towards an account to fund each horse's post-racing careers. Auction houses would

handle the transactions through their sales while The Jockey Club would oversee the collection of funds from breeders of newly-registered foals.

6. The use of joint injections and electric shock wave therapies should be far more controlled than at current levels.

Policies which concentrate merely on regulating or eliminating Lasix are woefully inadequate to deal with the status-quo, where less-regulated treatments could potentially cause much more harm. Nationwide limits should be adopted to limit joint injections to no closer than 60 days from a race and 90 days for shock wave therapy.

These six suggestions represent a significant, unified improvement over the current rules and integrity situation in our sport. We must leave racing better off than when we found it.

Follow Maggi Moss on Twitter @MaggiMoss

COMMUNICATIONS AND MARKETING

BY: JOHN SIKURA

John Sikura is the president of Hill 'n' Dale Farm.

There is no argument that our business is under threat and rapidly losing its place vying for entertainment dollars, new investors, on-track fans and most importantly, fighting negative imagery. We must undertake comprehensive reform on issues of medication, safety, support of retired thoroughbreds and uniformity of rules. No amount of marketing dollars can turn our ship without these subjects being addressed and compromises reached so that we can project a new image based upon action not rhetoric or blame of the other side.

Once achieved, it is imperative that a well-funded campaign commences to address these negative stereotypes of our business and reinvent ourselves to new and existing customers. This campaign cannot represent the point of view of one group or be seen within our industry as propaganda for a specific agenda. Rather, it must represent the best of what we are.

In order to be large in footprint, we would need annual funding from constituent groups that receive industry support each year. To start, both the Jockey Club and Breeders' Cup have millions of dollars on hand derived from owners and breeders that should be put to work. Additional funding should come from the breeders, sales companies and veterinarians that make a living from our great sport.

Our fragmented approach on all things, including the promotion of our business, has been in the hands of organizations that protect their domain and present board-adopted positions and continuity, rather than change. We must have an 'outside' critique in order to better promote and market our sport. This mandate must be fully funded and not only deal with crisis management, but incubate positive reaction to thoroughbred racing and breeding through uplifting stories, mass coverage and prominence on all forms of media. This crucial mission must be led by a new vision in conjunction with industry-mandated changes that arm this new office with positive ammunition needed for this new message to resonate.

A centralized office must be created to advocate for and defend the daily interests of thoroughbred racing and breeding across all major platforms. Marketing, public affairs, press relationships, crisis management and official spokesperson duties would all funnel through this office giving us a singular and consistent message.

I hope we can all agree that an office specifically tasked to do the above, with adequate funding and impartiality, will go a long way to presenting our business in the best light. Knee jerk reactions to crises, with industry participants being the most vocal critics of our practices, is not the way forward. Neither is a win-at-all-cost attitude when concessions can bring real change. Orthodoxy to a rigid point of view has brought us to a point of irrelevance.

Follow Hill 'n' Dale Farm on Twitter @HillnDaleFarm

OWNERS' SERVICES AND RECRUITMENT

BY: BRAD WEISBORD

Brad Weisbord is the founder of BSW Bloodstock and ELiTE Sales.

The prospects of racing are simple – we need owners and horseplayers. Without a healthy supply of both, our sport suffers.

Managing a substantial set of partnerships, sourcing interests in hundreds of horses, I am incredibly fortunate to participate and assist owners in racing's most prestigious events. It is clear that we must adapt to ever-changing market conditions. Efforts to make racing as transparent as possible to owners should be applauded. Below are five ideas that could take us to the next level.

1. Develop a single, nationwide banking relationship to clear all racing-related transactions.

Want to claim a horse at Belmont? You need money in an account at NYRA. Want to nominate for a stakes race, enter a race and win a race at Gulfstream? You need money in an account at Gulfstream. From state to state, it's pretty much all the same. If a horse has multiple owners, the requirements for those owners vary even more so.

In other words, barriers to a smooth experience exist in so many ways. The comforts of online banking we experience away from the racetrack should be replicated by our business, within it. Tracks should work together to create as seamless an infrastructure as possible. For our owners, the experience should be as hassle-free as could be imagined. Unfortunately, the opposite is often reality.

2. Recognize placed horses in major races.

Owners lose far more than they win – the same can be said for almost every stakeholder in racing. In our biggest races – graded stakes in particular – it is an accomplishment to finish second or third. Racetracks should develop a way to celebrate placed horses in major races in a fashion similar to that exhibited overseas. A placed horse at Royal Ascot or Meydan? The horses and connections of the second and third-placed finishers are welcomed back to the parade ring. It's racing's equivalent of an Olympics medal ceremony.

Graded stakes represent less than 2% of our races, they are racing's peak. There is no shame in running a very good second or third. Prize money is good. The impact to a filly or mare's future value could be substantial. North American racing should find a way to better celebrate our version of the "silver" or "bronze medal" placings, beginning at least with the Triple Crown and Breeders' Cup races.

3. Tracks must find ways to better facilitate the celebration of winners – at all levels.

Win a \$90,000 allowance race at Saratoga – take a picture. Win a \$300,000 Grade 2 at the same track and you get a picture, a trophy, and maybe 20 minutes in a room to have a champagne toast. Win the Travers and you get, relatively speaking, the same experience as a Grade 2 or Grade 3 win.

Our team was fortunate enough to celebrate a Travers win last year. Already a marathon race day, and with a large group of owners each with a set of original plans made for after racing (assuming we weren't going to win), the mood changes entirely when landing a massive score. Outside of the Kentucky Derby, with a formal celebration in the Derby Museum, it would be a huge boost if tracks partnered with prime local restaurants to offer a formal celebration for winning owners of their biggest races.

Further, tracks have an opportunity to offer an added touch following every win. It could be a \$10,000 claimer or a \$50,000 allowance. Maybe it's a bottle of wine, or a premium spirit – something which Del Mar has done, admirably, over the years via a sponsored deal. Winning a race is special, and it goes just beyond the prize money. We must make our owners feel as respected and looked-after as possible.

4. Embrace transparency in the adjudication of racing.

People want racing to be fair. Unquestionably, I support measures to eliminate race-day medication and ensure our testing standards are as good as they could be. But on a much more basic level, racing in America lacks what is seemingly the simplest form of transparency.

Stewards make decisions that can shift hundreds of thousands of dollars between owners and bettors. Let's put cameras and microphones in the stewards' room and understand the adjudication process. Let's hear the dialogue between jockeys and stewards. Other professional, modern sports are far more transparent today than at any point in the past – the public is legally betting on those more than ever and have come to expect it.

NBA referees now walk over to the broadcasters to explain decisions. Replay centers are used. Other sports use Hawkeye or "video-assisted referees" to help officials. These are all transparent measures to help boost viewer (and bettor) confidence. Racing should be no different in embracing this modernized approach. A more confident owner or bettor is more likely to remain engaged in the sport, others wouldn't consider participating without it.

5. Bring the magical experience of a morning on the backside to mainstream America.

Whenever working with a long-time owner or a new one, a morning on the backside is always magical. When owners bring friends or family to experience it, the experience is always enjoyed. It is easy to fall in love with the horses and "the feel" of being engaged in their morning routine. While I don't have an exact plan for this idea, I believe it is important if we brainstorm ways to share and engage as many people as possible in experiencing that same feeling we get on a beautiful morning at Saratoga, Del Mar, Keeneland, Churchill, etc. While there are some efforts in place already to accomplish this, we can surely do more.

Our sport inspires the senses. We need to share that as far and wide as possible – we will generate more owners and interest in thoroughbreds if we do.

Follow Brad Weisbord on Twitter @BradWeisbord