CHAIRPERSON JAMES: Mr. Smith.

MR. SMITH: Thank you, Madam Chair and members of the Commission. Thanks for having this panel and including me and NTRA.

My name is Tim Smith. I'm the Commissioner of the National Thoroughbred Racing Association, which is a newly formed league office for the sport. In this abbreviated version of our testimony there are four brief points I'd like to emphasize: The specific economic impacts of horse racing and related wagering, our industry's history of successful state regulation, the role and objectives of the NTRA, and finally the industry's responsible wagering programs and initiatives.

Horse racing, including Thoroughbred racing, is the most visible part of a very significant American agri-business. If horse racing did not exist in this country or simply went away, it's reliably estimated that 473,000 full-time jobs would be lost along with the positive economic impact that Tony Chamblin mentioned of $34 billion, which, by the way, does not include amounts wagered. It wouldn't only be racetracks, OTB's, trainers, jockeys and the like who would be affected. Breeders, sales companies, equine veterinaries, van companies, and many, many other businesses would suffer. Our industry's labor intensive. Machines cannot train, breed, feed, exercise or care for horses. Our business requires land, and so we've preserved green space in many states, in many communities. And make no mistake, the Thoroughbred foal crop of 35,000 or so each year, and all of the associated businesses that try to help determine whether one of them will be the next Secretariat, they all rely
in one form or another on pari-mutuel wagering to be in business at all.

Pari-mutuel racing funds purses. Purses pay owners. Not enough to cover most owners operating expenses, but some significant cost recovery. Owners in turn pay for many others. Not only the high profile trainers and jockeys that you read about on the sports pages, but the grooms, hot-walkers, feed company, their vets, and many others. The other portion of pari-mutuel net retainage, the amount left over after 80 percent or so is returned to the participating betters and the state taxes are paid, goes to the racetracks to pay for everything else. All operating costs, including very expensive physical plants, considerable costs of maintaining their barns, employees, property taxes, insurance, and so forth.

In our written submission there's a section on the early history of horse racing in the United States. The point I'd like to emphasize here is the long record of being successfully regulated at the state level. Every state that has racing also has a governmental body that oversees it. Believe it or not, the early state racing commissions will soon be celebrating their 100 anniversaries. Very few regulatory bodies, I think you'd agree, at any level have this continuous experience and role. These same state governmental bodies have overseen racing's attempt to respond to the changing competitive realities. Simulcast, for example, has literally allowed the industry to survive. It's extremely important, and now represents over 65 percent of Thoroughbred handle with a balance being wagered live on track. The growth of simulcasting over the
last ten years, without any significant breeches in integrity or
security, is I think strong and clear evidence that racing can be
appropriately regulated at the state government level. We hope
that the Commission will recognize these decades of successful
oversight and conclude that the regulatory and policy decision
making, as it relates to horse racing, be continued at the state
level.

And I note that recently Senator Kyle and 89 of his
colleagues in the United States Senate have basically reached
that same conclusion regarding part of the Internet Bill. That
the state's primary role in controlling what happened in wagering
was within their borders.

The NTRA was formed after consumer research showed
that fans and TV sports viewers liked Thoroughbred racing quite a
bit when they see it, and indeed, are quite interested in
wagering on it, but find it difficult to follow actively when
compared to other centrally organized and marketed sports. In
fact, the casual fans and non-fans with potential interest that
we talked to asked us for some of the basics provided by
virtually all of our competition. A national brand or focal
point for the sport, more televised racing, more continuity on
television, special events, special racing series, ranking,
statistics, et cetera. They also want us to work on fan
education, customer service, and a number of related areas. In a
sense -- and this was validated by the research -- we are the
thinking man's wager.

Handicapping has been accurately compared to poring
over the Wall Street Journal to play the stock market. In my own
orientation tours of facilities around the country for my new job, I remember being startled seeing the popularity of the study corrals at many racetracks around the country where there were spaces leased, and particularly young people had laptops in addition to the daily racing form looking at past performance information. It's a fascinating, intellectual exercise for the initiated, but clearly somewhat intimidating to the newcomer, and that's part of our competitive challenge.

In addition to focusing on new fan creation over the same period of time, the last few years, the industry's also re-emphasized and strengthened its programs related to problem gaming. While the relatively slower pace of horse racing is less conducive -- arguably less conducive to compulsive gambling than some other games, the industry recognizes that there are racing patrons whose addictive wagering interferes with their lives, and it's a significant concern that we take seriously. At the national level the industry's prepared a responsible wagering guide for racing managers which has been broadly distributed to racetracks, racing commissions, and other racing organizations. Funded through the American Horse Council, the manual provides racing managers with working knowledge of compulsive gaming and a blueprint for establishing responsible wagering programs at their facilities.

At the local level tracks and OTB's have a wide variety of programs, including prevention and referral programs and support for organizations such as state councils on compulsive gambling. The NTRA includes responsible wagering messages and Gamblers Anonymous information in its new fan-
oriented wagering guides. It's clearly part of our mission, while we promote the unique entertainment value of a day at the races, to prevent compulsive or other misuse of our product.

In conclusion, on behalf of the NTRA I sincerely hope that the Commission will take into account the special nature of pari-mutuel wagering on horse racing, and will recognize that a very significant agri-business depends on its survival.

Thanks very much.

CHAIRPERSON JAMES: Thank you.