CHAIRPERSON JAMES: Mr. Meeker.

MR. MEEKER: Thank you, Madam Chair and members of the Commission.

My name's Tom Meeker. I'm President and the CEO of Churchill Downs. And today what I'd like to do is just go through and give you a little flavor of what Churchill Downs is all about. Also give you a sense of where we've been and where we're going to go, and then address some of the critical public policy issues that you are going to have to deal with; namely the question of alternative gaming forms on racetracks, as well as the issue of account wagering, in-home wagering. And I guess I'm supposed to answer a lot of other questions. The first panel kept deferring to me. But whatever that might be, we'll see.

But first of all, let me just echo what everyone else has said about the presentation from your staff concerning our industry. I disagree on one point, and one point only, and that is I don't view it as a gloom and doom. I didn't know I was in a business that's really dying. We at Churchill Downs are doing exceptionally well. We run four racetracks in Indiana and Kentucky. We have over ten off-track or satellite wagering facilities. We have a number of other businesses associated with our company, and we are doing exceptionally well. We are pleased to be part of those communities which we serve, and we serve both large and small communities.

In the community of Louisville, Kentucky we represent the signature for that community. The Churchill Downs and its primary asset, namely the Kentucky Derby is the signature logo for Kentucky and in many respects it is the signature for
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Kentucky. And in that respect we hold a unique position in our community, and one that tests our corporate responsibilities on a day-to-day basis, and those tests that we have undertaken or have been given over the course of several years guide our business not only there in Louisville but in the other parts of the states where we do business.

The history where racing has come from provides not only as assessment of its current competitive dilemma that it faces, but I also think internally, and all too often those of us who are in racing fail to pick up the mirror and look at ourselves, and we have done some things that are bad. And largely it's because of the environment that we've been in over the last number of decades. Clearly, up until the early '70's we held a monopolistic position in our communities with respect to gaming. Marketing was simply giving the keys to the front gate to the usher, opening the gates, and the people came. Pretty soon the states determined, because of budgetary pressures, that they needed to find other sources of revenues and they instituted lotteries. So now you had this unique paradigm where you have the regulator being your competitor, and that alone caused problems but that day was the first instance where racing had to start competing. And we took several years, and this was through the '70's and again through the '80's where we were ill equipped to figure out how to effectively market our sport.

And then as we moved into the '80's with the Native American gaming and also other casino-type gaming proliferating through the country, we felt the second wave of competitive pressure that put us in a position where we had to start learning
how to market and market effectively our products. And with that
you saw the rapid increase in our distribution system through the
mechanism of simulcasting, primarily interstate simulcasting, and
its adjunct, namely the commingling of pools. And that has been
the maintain of our success over these last several years, and
has been the primary growth component of our business over
several years. Not only at Churchill Downs, but throughout the
industry.

And then as we moved into the 1990's, the late
1990's, because of this simulcasting and the growing
interdependence of the industry, it became apparent that the
industry for the first time had to think about the concept of
working together, and over the last five years we have been able
to do that. And it manifests itself fairly clearly here recently
about a year ago when we formed the NTRA, which is primarily an
organization today vented towards learning and teaching all of us
in the industry how to more effectively market our products, and
to provide a mechanism for many things; group purchasing,
marketing, et cetera. And it will be something significant as we
move down the road, and be very helpful to the industry.

Now, let's talk in the remaining portion about the
two, what I think are the public policy issues that really you
are going to be grappling with as you proceed down the road of
addressing the issues in the pari-mutuel industry, and the first
is account wagering.

Now, account wagering is a manifestation of an
opportunity provided by technology, and technology is not static,
as we all know. It's been the catalyst for change in virtually
every aspect of American business, and it has not left racing untouched. We need to embrace technology and the opportunities available to that to not only increase the distribution system, but more important, as described by one of the panelists previously, those three decades where we failed to touch the younger people and create new fans in our sport. We need to figure out a way to use technology to reach a much younger demographic, the demographic that we're going to be calling our guests or customers of the future. In doing so, it brings up a myriad of issues, and in our business at Churchill Downs we view virtually all of decisions in three rounds. First in the moral round which is an issue we really don't spend much time with. The Legislature and the public have made that decision when they approve various forms of gaming. But there are the issue of the social realm and the business realm. We can answer all of the business questions through the myriad of different people who push the numbers, et cetera, but I think the issue that you're most concerned about are the social issues.

And in the area of account wagering, there are a number of social issues. In the presentation that I've presented to you, you can see some of the things that we have done in conjunction with ODS, which is our partner in a project which will ultimately use cable and DBS technology to get into the home, and you will see how we're going to approach some of the social issues with respect to the issue of problem gaming, minor gaming -- not minor gaming -- underage gaming, as we move into the home.
Finally, in the remaining moments -- I'm going to try to catch my breath. In the final moments I want to talk about alternative gaming. You've heard from the panelists. I hope this is not a democratic process where you just count up those yeas and nays on the panel to determine the public policy issue. But let me discuss this: There is much discussion in our industry about the introduction of alternative gaming forms, namely the VLT's, slot machines, on the racetracks. Our company has taken a position, we took it five years ago, that we support the introduction of alternative gaming forms at locations where it is appropriate. And I questioned, and our Board of Directors has questioned, whether or not at Churchill Downs, a historic landmark on the national registry, we should introduce alternative gaming forms. But at a place like Prairie Meadows, at a place like in Delaware where racing was in distress, and where racing was about to die, it made sense. And why does it make sense? It makes sense from the standpoint of the state and the local jurisdiction to preserve the culture that is embraced in racing. The fact that it's a sport, it's a critical component in the agri-business, and it's involved in the gaming operation, and it provides money for the state. It's critical to keep that business going. But it's just as important for those of us who are outside of that particular state where alternative gaming forms are introduced to have that racetrack continue to exist in the long-term because that racetrack provides the gateway into that state for the distribution of our products in the simulcast market.
And when I talked about the interdependence which
provided the bedrock for the introduction of our new
organization, the NTRA, that interdependence that's brought about
through simulcast, and the fact that we need the track in Iowa to
remain in place, the fact that we need the track in Delaware to
remain in place so that we can provide a component in our
distribution system, is very, very, very important. So to the
extent that that track in Iowa needs alternative gaming, we would
support it. Whether or not we would put it in Churchill Downs
tomorrow, I can't say for sure, but I certainly wouldn't want to
foreclose that.

I'll be delighted to answer any questions and enter
any colloquy that we want to as time goes on. Thank you.

CHAIRPERSON JAMES: Thank you,

Mr. Meeker.