MR. PUTSAVAGE: Thank you. And that is exactly what we've tried to do here in the paper I've given you.
MR. PUTSAVAGE: I'm Telisport Putsavage.

I'm representing the American Horse Council, which is an umbrella trade organization representing all equine activities in the United States, certainly including racing and breeding.

COMMISSIONER McCARTHY: We're recording this, Mr. Putsavage. We want to make sure that mic picks up what you're saying.

MS. FLATT: Is it on?

MR. PUTSAVAGE: It's on.

COMMISSIONER McCARTHY: Thank you.

MR. PUTSAVAGE: Thank you. And I'll speak closer to it.

We're submitting this morning an attachment to this presentation, an outline of proposed research questions addressing the equine industry. And to the extent that the Commission examines the equine industry, we think these questions will offer a frame work for conducting that research and will help the commission gain an understanding of the sporting, agricultural and gaming aspects of our industry.

And in preparing this submission to you, we examined the duties that the Commission is charged
with and identified issues related to the equine
industry which we think are potentially within the
scope of the Commission's statutory charge.

I'll skip through this for the sake of
time, and you all have it to look at. There are
several points I would just like to stress for those
gathered here, as well.

One is to set the context of the
parimutuel wagering industry as it exists in this
country. In the '70s, when the prior Commission
examined gambling in this country, parimutuel wagering
constituted approximately 28 percent of the dollars
wagered in this country on legalized gambling.

For the most recent statistics for 1996,
that figure was down to under 7 percent. And while,
quantitatively it has grown, proportionally, it has
been largely overshadowed. And one of the aspects
that we hope the Commission will look at in its
research is the nature of parimutuel wagering, which
is fundamentally different than any other type of
gambling.

Not only is the wagering itself different,
but it is, I think, the only active type of gambling
that has a sport element to it. It is the only type
of direct, legalized gambling -- other than sports
books and is very much an agri-business. It is supporting agricultural economies of many states.

I have a few quick suggestions to make as to process, as well. This pertains to how the Commission has its research conducted and attempts to pull together the results of that research.

The previous Commission relied heavily on individual research papers and public testimony, and heard from, as we understand it, approximately 275 witnesses.

We recognize that the Commission has, so far, been very generous in taking public comment, but we urge you to broaden that approach and make sure, whether it's part of site visits or part of Commission meetings in Washington, that you fully utilize the public hearing process as a complement to your research activities. We think it will serve you well, as you begin to pull together your research data, to take public reaction to the soundness of the information that you've gathered.

I'll just skip through very quickly. You will see that, in the attached outline, we have identified five general areas which we think are pertinent to your concerns and would present a full understanding of our industry. The first is a picture
of the industry, what is the nature of racing and
breeding in this country and what is the nature of
other equine activity that that racing and breeding
helps provide the economic foundation for?

And, second: What is the economic impact
of this industry? Several major organizations funded
the foundation arm of the American Horse Council,
which in turn retained an outside economic consultant
to provide a profile of the industry that was
published in December of 1996. And that information,
the full study, will be provided to the Commission.
The study shows that economic activity from wagering
and racing is extensive, wide-spread, and deeply
rooted in the community.

Next, we think the Commission should gain
a good understanding and present, as part of its
research, an understanding of the parimutuel system
because it is somewhat complicated and it is different
in that you are competing with your fellow spectators,
as opposed to an organization where you are wagering.
Understanding that is part of understanding the role
of this industry.

We think the Commission should draw
together, both as part of your statutory survey and
your more qualitative research, the full picture of
how regulated this industry is and how well structured it is to protect both the integrity of the racing and the integrity of the wagering itself. And this includes both the care of the animal, the conduct of the event and the actual handling of the wager and the funds.

Lastly, we think the Commission should look carefully at problem gambling and under-age gambling. We think that, as part of that examination, you should be careful and do your best to discern what types of gambling lends itself to problem gambling. The racing industry is very aware of that and is undertaking their own work in that regard, and they're interested in working on that issue and working with the Commission's findings.

So I thank you, very much. The Horse Council stands ready. As I said, we will supply the full economic study to the Staff and the researchers as appropriate. Obviously, we're ready to help with any kind of other information we can.

COMMISSIONER McCARTHY: Thank you very much.

MR. PUTSavage: Thank you.

COMMISSIONER McCARTHY: Just a moment, please.
MR. PUTSAVAGE: Certainly.

COMMISSIONER McCARTHY: Are there any questions from Dr. Dobson or Mr. Wilhelm?

COMMISSIONER DOBSON: I don't think so.

Thank you.

COMMISSIONER McCARTHY: Well, let me ask you just one thing.

MR. PUTSAVAGE: Yes.

COMMISSIONER McCARTHY: I notice that there seems to be some extension of what was originally proposed. I've read that some state lotteries are beginning to use different kinds of machines to promote their product.

I know that in California where I live, one race track in southern California was thinking of proposing an initiative to put on the state-wide ballot to authorize the use of certain kinds of gambling machines on their property. Do you see, in your industry around the country, that this an area we should be looking at in our research? Some kind of variation that gets away from traditional horse racing into other forms of gambling under one roof?

MR. PUTSAVAGE: I certainly think the Commission should and will be looking at the extent to which that is an evolving trend. In the more detailed
question outline we gave you, we suggest that you look
at the trends generally and where things are going in
that regard.

Now, that has been a decision. As, I
think, would be the case in any industry, there's a
wide divergence of views as to what is the soundest
path toward continued economic health of racing and
wagering. And, in some regards, a number of industry
interests have felt --

COMMISSIONER McCARTHY: Is that working?

Excuse me. Is that working, or did you turn it off,

Dr. Kelly?

DR. KELLY: Yes. It's back on.

COMMISSIONER WILHELM: This one's working
here. If you want to have him speak into it.

COMMISSIONER McCARTHY: Yes.

If that's not working, you can just pick
up one of these. Why don't you just turn that off?

Thanks.

MR. PUTSAVAGE: Some industry interests
have felt, as a defensive move in many regards, that
they need to introduce alternative forms of wagering
at the race track, where they have been confronted in
close geographic proximity with those interests
springing up elsewhere. Other interests in the
industry feel strongly that racing should stay only racing. And so far, those interests have agreed to disagree. And I think the overall posture of the industry is that choice should remain a choice at the state and local levels.

COMMISSIONER McCARTHY: Mr. Dobson?

COMMISSIONER DOBSON: I do have a question.

COMMISSIONER McCARTHY: Excuse me. Is that still on? It sounds like it went off.

MR. PUTSAVAGE: Yes, it is.

COMMISSIONER WILHELM: I just turned it down a little so it wouldn't feed back.

COMMISSIONER McCARTHY: Okay. Thank you.

COMMISSIONER DOBSON: I do have a question. There are those in the horse racing industry who are anxious to make a distinction between the social impact of parimutuel betting as opposed to casino gambling: That they have a different impact on the gambler and on society at large.

Do you take that position and, if so, why?

MR. PUTSAVAGE: Well, I think there are some distinctions to be drawn. Certainly, in a number
of locales, racing and wagering on racing has a much longer tradition and is much more integrated into the structure of the community than, I think, in many regards, the other forms of wagering we are seeing.

I heard someone speak recently at a symposium in the state of Kentucky on whether tracks should explore introducing other forms of wagering. I will add as background, two of the main tracks in Kentucky are now operating with river boats within 15 minutes of them, and more are opening, so they are facing economic competition very intensely.

Someone made the comment at this symposium that he feels very much at home with the combination of his activities in the horse business and wagering on it and his strong religious upbringing. And Kentucky is a state with a very strong religious streak and, yet, you know, has a very strong culture of racing and wagering.

And so I think that is one possible distinction that can be drawn. I'm not here, really, this morning to give you a detailed answer to that. I think there are other characteristics that might come into play that actually focus on the nature of the wager and the timing of the wagering process; I know that one of the concerns in confronting problem
gambling is the rapidity with which a wager can be placed.

COMMISSIONER DOBSON: I've been receiving letters from people in the horse racing industry who have made the case very passionately that horse racing is involved in the science of breeding and the assessment of the animal's ability and so on, as opposed to dropping coins in a slot machine. They are very anxious to make this distinction. Is that something that's important to you?

MR. PUTSAVAGE: Yes, it is. And while there are certainly some other forms of gaming that involve skill and decisions, parimutuel wagering can, on one hand, be a totally non-fact-based activity.

COMMISSIONER DOBSON: Yes, right.

MR. PUTSAVAGE: By color or name or so forth.

COMMISSIONER DOBSON: It's what you make out of it? 

MR. PUTSAVAGE: It's what you make out of it. On the other hand, it is an opportunity, if you care to apply skill, to judge both the caliber of the animals and the conditions of the races and your sense of what's happening.

COMMISSIONER DOBSON: Thank you.
COMMISSIONER McCARTHY: Thank you, very much.

MR. PUTSAVAGE: You're quite welcome.

Thank you.

DR. KELLY: Mr. Chairman, could we just pause a moment? Someone's here to look at the microphone and see if we can get that set.

COMMISSIONER McCARTHY: How about another room?

MS. FLATT: Yes.

DR. KELLY: Yes. This is quite distracting. We could ask. Do you want us to check and see if another room is available?

COMMISSIONER McCARTHY: No. I'll tell you what. When we finish the public testimony, I want to see if we can move the mics back into the room from which we just came.

DR. KELLY: That's a good idea. Okay.

COMMISSIONER McCARTHY: Because this is not going to work unless that ends in 15 minutes.

(Pause.)