

1 CHAIRPERSON JAMES: Mr. Smith.

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

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

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

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1 in one form or another on pari-mutuel wagering to be in business
2 at all.

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

15 In our written submission there's a section on the
16 early history of horse racing in the United States. The point
17 I'd like to emphasize here is the long record of being
18 successfully regulated at the state level. Every state that has
19 racing also has a governmental body that oversees it. Believe it
20 or not, the early state racing commissions will soon be
21 celebrating their 100 anniversaries. Very few regulatory bodies,
22 I think you'd agree, at any level have this continuous experience
23 and role. These same state governmental bodies have overseen
24 racing's attempt to respond to the changing competitive
25 realities. Simulcast, for example, has literally allowed the
26 industry to survive. It's extremely important, and now
27 represents over 65 percent of Thoroughbred handle with a balance
28 being wagered live on track. The growth of simulcasting over the

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1 last ten years, without any significant breeches in integrity or
2 security, is I think strong and clear evidence that racing can be
3 appropriately regulated at the state government level. We hope
4 that the Commission will recognize these decades of successful
5 oversight and conclude that the regulatory and policy decision
6 making, as it relates to horse racing, be continued at the state
7 level.

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

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

27 Handicapping has been accurately compared to poring
28 over the Wall Street Journal to play the stock market. In my own

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1 orientation tours of facilities around the country for my new
2 job, I remember being startled seeing the popularity of the study
3 corrals at many racetracks around the country where there were
4 spaces leased, and particularly young people had laptops in
5 addition to the daily racing form looking at past performance
6 information. It's a fascinating, intellectual exercise for the
7 initiated, but clearly somewhat intimidating to the newcomer, and
8 that's part of our competitive challenge.

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

24 At the local level tracks and OTB's have a wide
25 variety of programs, including prevention and referral programs
26 and support for organizations such as state councils on
27 compulsive gambling. The NTRA includes responsible wagering
28 messages and Gamblers Anonymous information in its new fan-

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1 oriented wagering guides. It's clearly part of our mission,
2 while we promote the unique entertainment value of a day at the
3 races, to prevent compulsive or other misuse of our product.

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

8 Thanks very much.

9 CHAIRPERSON JAMES: Thank you.

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