

November 16, 2011

Presentation to:

**BC HORSE
RACING INDUSTRY
MANAGEMENT
COMMITTEE**

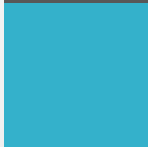


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INTRODUCTION

- Thank you to the BC Horse Racing Industry Management Committee Meeting which has brought the Industry together.
- This is a combined presentation of the HBPA, CTHS, and BC TOBA.
- This presentation will focus on the current method of allocation, and propose a new method of allocation:
 - A. The present formula of 50% - 30% - 20% is not equitable and will not sustain the Industry;
 - B. A conceptual error occurred in the initial allocation when all sources of racing revenue and grants were combined into one total;
 - C. This resulted in GCGC receiving over 50% of the government slot grant (at that time the grant was approximately \$6.5 M);

INTRODUCTION CONT'D

- D. The government then increased the slot grant by approximately \$3.5M to a total of \$10M annually;
- E. We believe it was never the intention of the government, or the Minister at the time, to give any of the slot grant to GCGC. It was intended to enhance the Thoroughbred and Standardbred purse accounts and Breeder Awards and to further employment in British Columbia;
- F. Under the present formula in 2012 GCGC would again receive one half (\$5M) of the slot grant (\$10M);
- G. The new formula we are proposing is simple, equitable and recognizes the contribution that each sector makes to the Industry.

2011 COSTS TO OWNERS

	Starts	Earnings	Annual Upkeep	Trainer	Jockey	Excess of Costs Over Racing Earnings
				10% of winnings	10% of winnings	
Totals	3,973	\$8,996,479	\$22,535,000	\$899,648	\$899,648	(\$15,337,817)

Costs do not include acquisition or depreciation of horses.

A 26 page full accounting of these numbers will be handed out as part of this presentation.

2011 COSTS TO BREEDERS

Number	Horse	Stud Fees	Boarding	Vet	Misc.	Total
		\$0	\$8,000	\$1,500	\$1,200	
509	Broodmare		\$ 4,072,000	\$763,500	\$610,800	\$ 5,446,300
		\$2,000	\$3,000	\$250	\$350	
215	Weanlings	\$ 430,000	\$ 645,000	\$53,750	\$75,250	\$ 1,204,000
		\$0	\$8,000	\$1,500	\$1,200	
254	Yearlings		\$ 2,032,000	\$381,000	\$304,800	\$ 2,717,800
Total Costs						\$ 9,368,100
Less allocated Breeder Awards						(\$ 1,000,000)
• Costs to Breeders for one year do not include any investment in livestock, land, buildings, etc.						\$ 8,368,100

- Miscellaneous costs include farrier, shipping, nominations, registrations , etc.

TOTAL 2011 COSTS TO OWNERS AND BREEDERS

- Total costs to the Thoroughbred Owners and Breeders for 2011, less allocations, are \$23,705,917.

Owners Excess Costs Over Racing Earnings	\$15,337,817
Breeders Costs Less Breeder Awards	<u>\$8,368,100</u>
Total Costs and Expenses Less Racing Purses and Breeder Awards	<u><u>\$23,705,917</u></u>

- Costs to Owners and Breeders do not include any investment in or disposition of livestock, land, buildings, etc.
- With numbers like these, it is no wonder we are losing Owners and Breeders and not replacing them. Owners and Breeders need to be given a better chance to recover their costs or our number one problem (a shortage of horses) will continue to worsen.

TABLE OF THOROUGHBRED RACING PURSES

Year	Amount
2008	\$11,974,593
2009	\$11,001,927
2010	\$8,507,461
2011	\$9,397,986

- Source: 2011 BC Fact Book, A statistical guide to the Thoroughbred Industry in BC prepared by The Jockey Club.
- Purses represent all money paid out including sponsorships and Owners' nomination fees (approximately \$1M). Not included are Breeder Awards (approximately \$1M).
- When the slot grant was increased to \$10M for 2011, the Thoroughbreds received an additional allocation and the advertising fund was introduced. After reductions during the year the Thoroughbred purse account increased by only \$890,000.

ALLOCATIONS

2009, 2010, 2011

Year	GCGC	Thoroughbred	Standardbred
2009	42%	35%	23%
2010	53.85%	26.60%	19.55%
2011	50.11%	29.95%	19.94%

- Figures for 2009 were provided by GPEB.
- In 2009, the Thoroughbred Owners received \$11.001M; in 2010 the allocation was \$8.380M, a decrease of \$2.621M.
- In the first allocation by the Management Committee in 2010, the amount to GCGC increased by approximately \$4M. By combining all sources of revenues, including the government slot grant , into one pot the Management Committee effectively gave one half of the grant (then \$6.5M) being \$3.25M to GCGC.
- At the very least GCGC recovered all of the \$2.73M previously overpaid in purses in 2008 and 2009.

GOVERNMENT SLOT GRANT

- The slots were originally awarded as a result of the joint efforts of the horsemen and GCGC, the intent being that horsemen would receive slot money to enhance purses and sustain employment. GCGC would receive separately their share from the operation of the Racinos.
- GCGC is now receiving its share from the operation of the Racinos and getting one half of the horsemen's grant as well, i.e., double dipping.
- As previously stated, it was never the intention of the government, or the Minister at the time, to give any of the slot grant to GCGC.
- The slot grant should be treated separately from the other sources of income.
- The other sources of income should be treated exactly the same as they are in every other racing jurisdiction in North America.

PROPOSED NEW FORMULA FOR 2012 & FUTURE ALLOCATIONS

Source	GCGC	Thoroughbred	Standardbred
Hastings Racecourse	50%	50%	0
Fraser Downs	50%	0	50%
TBC	50%	25%	25%
Slot Grant	0	50%	50%

- This formula recognizes the effort put in by each breed to enhance the product.
- Hastings and Fraser Downs should be a true partnership of the Track Operator and the respective breeds.
- TBC revenues are distributed in accordance with the ownership percentages of TBC.

BENEFITS OF NEW FORMULA

- To save and protect existing JOBS and to hopefully create new ones.
- The fair and equitable distribution of racing revenue and grant money necessary to sustain the Industry.
- As the horsemen are in partnership with the Track Operator, this allocation formula will provide an incentive for the partners to work together to enhance revenues and grow the business.
- It will absolutely clarify the revenue streams and eliminate the discussion as to who gets what. This formula will take away any dissention over other sources of revenue, i.e., food and beverage, box seat sales, programs, etc.
- Relieves GCGC of the responsibility to account for and justify their allocation.
- The Management Committee no longer has to deal with allocations as they are fixed and everyone knows their revenue stream. The Committee can focus on its original mandate to save, sustain and move the racing Industry forward.
- The new formula is totally transparent and simple.

QUESTIONS

THANK YOU

