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## Slots at tracks a mixed blessing

Purses, quality rise, but betting may not



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TUCSON, Ariz. — Slot machines at racetracks have boosted purses paid to horsemen and enhanced breeding programs. But the appetite for slots has outpaced demand for live racing at some tracks, where the emphasis has shifted to casino-style gamblers instead of traditional race fans.

Those were among the viewpoints from a panel discussion on the effect of so-called "racinos" — the marriage of casino gambling and horse tracks — during this week's second annual Racing & Gaming Summit.

Many in the racing industry view racinos as a way for the trouble-plagued sport to compete with other forms of gambling. The push is on for slot machines in Maryland and Pennsylvania, while supporters in Ohio narrowly failed to get enough votes for a slots resolution this month.

Kentucky's racetracks are expected to urge the General Assembly to put the acrimonious issue of expanded gambling on the November 2004 ballot as a constitutional amendment.

So the panel tried to answer a question bound to be on the mind of Kentuckians still making up their minds over slots: What has really happened to the racing industry in the decade since slot machines began appearing at racetracks?

A study by the University of Arizona's Race Track Industry Program found that states with racinos saw breeding and racing improve dramatically once the machines were added. In general, the report shows those states had more significant increases in the quality and number of races, purse levels and the number of foals, mares and stallions than in neighboring states without expanded gambling at tracks.

The study looked at racino gambling in Delaware, Iowa, Louisiana, New Mexico and West Virginia. But those states had relatively minor racing industries before the introduction of slots.

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"What I believe this presentation has shown is that there is hope for the markets that are on the lower plane — that because of racinos, they have a chance to compete with the big boys," said Brody Johnson, a study researcher.

Doug Reed, director of the Race Track Industry Program, said the university will continue to evaluate the effect of slots on racing. "It will be interesting to see what effect a racino would have on a state's racing quality that begins at a higher level," he said.

For some tracks in states with lower-quality racing, however, the emergence of slots has been credited with keeping business alive.

In Vinton, La., Delta Downs might have closed without the introduction of slot machines in February 2002, said Chris Warren, director of racing at the track now known as Delta Downs Racetrack & Casino.

Revenue from gaming machines has been added to purses to entice owners of Louisiana-bred horses to run their horses at Delta Downs. "We have so many Louisiana-breds it's just unbelievable," Warren said.

Horsemen entering their horses at Delta Downs are competing for daily purses about five times richer than before owner Boyd Gaming began operating the slots parlor. The track's average daily purses were \$35,000 to \$40,000 in 2001. Today they are worth \$200,000.

"They had a vision," Warren said of Boyd Gaming, which bought the track in southwest Louisiana in 2001. "The vision is to take the track, take the revenue they're going to make from slot machines and to pick up the purses, promote it and make it a success."

Jean Major, executive director of the Ontario Racing Commission, said racinos have been a success for Ontario's racing industry since the Canadian province's first slots parlor opened in December 1998. But he cautioned that the arrival of slots has not appeared to generate significant growth for the racing product itself.

Ontario is clearly the hub of Canada's racing business. Major said \$1.2 billion, or two-thirds, of the nation's wagering last year occurred in Ontario, where the horse industry is the province's third-largest agricultural sector, employing 38,000 people full time.

Slots have fueled double- and triple-digit percent increases in the number of horsemen licensed to race, the number of race days and the number of horses claimed. Purses at Ontario's racetracks rose 156 percent from 1997 to 2002, Major said.

"The high purses have driven higher investments and more jobs, and all the economic spinoffs that come with it in terms of taxes and other benefits to government," he said.

"But where I make a distinction is between the internal industry growth versus the product growth."

Before the arrival of slots in Ontario, the conventional wisdom was that purses and wagering levels worked in tandem, Major said. But that hasn't been the case.

"Wagering has historically been the gauge of the industry's success," he said. "And wagering for this year — 2003 — is currently in decline."

Meanwhile, he said, more than 50 percent of tracks rely on slots revenue to make up most of their purse money, with one Ontario race course dependent on slots for 87 percent of its purses.

With the makeup of purses coming from the slots player rather than the pari-mutuel customer, Major claimed some smaller tracks in Ontario are placing little importance on live racing.

At several tracks, "the betting customer is being ignored a little bit more and more," he said.

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