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Dear Fellow Alberta HBPA Member;

That our Industry is in crisis is something that we are all aware of. In light of this I have spent the last six months studying the situation. Given that most of you have not had time to study the issues in such depth I will try to summarize some of my findings. I must admit that until I studied this issue in such detail I was only aware in a general way what has been happening in Alberta Horse Racing over the last decade in terms of Governance and how Industry money was being spent. However, as the old saying goes: "The devil is in the details." This correspondence will examine those details and issues facing Racing. Unavoidably, many of my own subjective opinions are included herein. The reader can feel free to ignore or disagree with these statements as they see fit. As well I want to say up front that, although I am writing this letter as a concerned Director of the HBPA, I am not writing it on behalf of the Alberta HBPA or any of my fellow Directors.

Getting on with the matter at hand this paper will examine the **HISTORY of ALBERTA HORSE RACING GOVERNANCE**, the **CURRENT CRISIS in HORSE RACING**, **CAUSES of the CRISIS**, the **UNITED HORSEMEN OF ALBERTA** and the **BALZAC RACETRACK, PROVINCIAL HANDLE and MARKETING CONSIDERATIONS**, the **ROLE of INDUSTRY STAKEHOLDERS in DECISION MAKING at HRA**, **LEADERSHIP of HRA**, and the **COST of GOVERNING HORSE RACING in ALBERTA**. These topics are all fundamental in any discussion about the future of Alberta Horse Racing. I will finish with some **CONCLUDING REMARKS**.

Wherever possible I will illustrate my points using direct quotes made by HRA in their Annual Reports and the Revised 2006-2008 Business plan as well as the 2001 Executive Summary by the Working Committee. Many of their statements are well thought out, profound, insightful, and indeed-prophetic. These quotes will be denoted by "***bold italicized***" print.

In order to put the rest of this correspondence in perspective I think it is necessary to review the evolution of the Governance of Alberta Horse Racing over the last 13 years- the first topic discussed.

HISTORY of ALBERTA HORSE RACING GOVERNANCE

Unquestionably the single most important measure undertaken, before or since, to assure that Horse Racing continued to play a vital role in Alberta's gaming, entertainment, and agricultural industries was the creation of the Alberta Racing Industry Renewal Initiative (RIRI) in 1996 and reformatted in 2001. It allowed the Racing Industry access to revenue from gaming through "slots" at Racing Entertainment Centers (REC's).

At the same time as the RIRI began, the Government took steps to empower the Horse Racing Industry to manage its own affairs. This was accomplished through the Alberta Government's proclamation of the Racing Corporation Act in 1996 which created the Alberta Racing Corporation (ARC) to replace the old Alberta Racing Commission. The act placed the responsibility for management and regulation of the Horse Racing Industry in Alberta on the ARC in partnership with Industry Stakeholders.

To the credit of the RIRI and the new ARC, by 2001 progress had been made in the Alberta racing scene. This was evidenced by the fact that the overall Provincial handle from 2000 to 2001 had increased by 8.8% - a yearly increase that has not been matched or exceeded since. Gross purses in the Industry had risen for the sixth straight year. Thoroughbred and Quarter Horse yearling Sales attained their highest levels in years. These successes by the ARC belie an HRA statement in 2006 that it had **"turned around a dying industry"**. The ARC did not transfer Governance of a dying industry to HRA in 2002. On the contrary, the wheels of renewal were already in motion by 2001.

Despite the successes of the ARC some in the Industry still felt that; **"... the Alberta Horse Racing Industry was fragmented, lacked direction, and was in crisis- both financially and from the perspective of a declining horse population."** These words; which, by the way, could well describe racing today; were spoken by a Working Committee struck in 2001 from major Stakeholders in the Industry to deal with the future of Alberta Horse Racing. From that Working Committee, Horse Racing Alberta (HRA) was created and replaced the ARC in mid 2002.

During the first years of HRA, growth in the Horse Racing Industry continued and at an accelerated rate. There were some notable early achievements by HRA. Their efforts saw an increase in the number of slots available to fund Horse Racing which led to a period of exponential growth in revenues available to the Industry. The long term agreement HRA negotiated with Government in 1996 was a major step in assuring the stability of those revenues.

The first few years of Governance by HRA also saw the embodiment of the Government's key concept that the Governing Body and Industry Stakeholders were to be partners. This was evidenced by HRA hosting Industry Stakeholders at an Industry Strategy Session in Kananaskis in late 2006. However, as later outlined in this paper, effective consultation with the Industry has deteriorated the last few years.

Before I go on, I would like to state that any criticisms made herein are not intended to denigrate the substantial early achievements of the ARC, the Working Committee, and HRA. The principals of those bodies deserve accolades from all in the Industry for their efforts and successes. However, in the words of HRA spoken in the context of past successes; **"... initial success is often a barrier to long term prosperity unless the continued evolution of change is addressed."** That Alberta Horse Racing is facing such a **"barrier to long term prosperity"** is evidenced by the current crisis. Granted this, a critical look at how HRA and the Industry have addressed this **"evolution of change"** and other issues facing Alberta Horse Racing is called for. Ergo, the reason for my writing this paper.

THE CURRENT CRISIS in HORSE RACING

One of the purposes given by HRA for holding the 2006 Industry Strategy Session was: ***“The industry is at a critical juncture in its history; there is a need for future direction and concrete strategies relative to the growth of the industry.”*** How prophetic. But little did HRA imagine that the direction Alberta Horse Racing was taking from that critical juncture headed downhill. Growth in the Alberta Horse Racing Industry stalled in 2007. The year 2008 saw turbulence and decline. With reduced racing days, falling purses and breed support, 2009 portends a worsening scenario. 2010 could see further deterioration in the situation what with money available to the Industry likely even less than what is being distributed this year.

Ironically, words spoken by the Working Committee in their 2001 Executive Summary apply to the situation in Alberta Horse Racing today. I quote from that summary: ***“Financial pressures have made it difficult for owners, breeders and race track operators, to plan on a long term basis creating uncertainty and confusion. Many breeders and owners are leaving the province for other jurisdictions since it is now no longer viable to breed, own and race horses in Alberta.*** We seem to be back at “square one”- or worse.

CAUSES of the CURRENT CRISIS

To be sure, some of the causes of the current crisis are of external origin and, as such, neither HRA nor Industry Stakeholders can do much about them. Others are endemic to the whole Horse Racing Industry and defy solution. On the other hand, a number of the problems facing Alberta Horse Racing are of internal origin and as such can be dealt with.

Some of the causes of the current crisis can best be understood by studying statements HRA made in the Revised 2006-2008 Business Plan under the heading RISK FACTORS. Therein HRA identified RISK FACTORS that could jeopardize the attainment of the then current Business Plan. At that time the HRA Board was of the opinion that; ***“...these factors should not ‘come into play’ in any significant manner...”*** They have been proven wrong. Most of the risks they identified have not only come into play, they have done so in an ominous, “perfect storm” fashion. I will outline and elaborate upon the RISK FACTORS that have come into fruition:

1. ***“Failure to meet or exceed annual breeding and purse strategy minimum targets could call into question the ability of HRA to provide a stable fiscal environment for the industry.”***

The grant from HRA for the Thoroughbred Breed Improvement Program has fallen from around \$3.7 million in 2007, to about \$2.8 million in 2009- a decline of 25%. The HRA purse support grant for the Thoroughbreds declined from just over \$9 million in 2006, to somewhere around \$5.4 million in 2009- a drop of nearly 40%. I do not have the exact figures for the Standardbreds but I would imagine they have seen similar reductions. All in all, these large drops ***“call into question the ability of HRA to provide a stable fiscal environment for the industry.”*** The precipitous cut in overall purses that these declines have necessitated has led to some of our leading trainers from both the Thoroughbreds and Standardbreds taking their better horses elsewhere to perform. This seriously threatens the quality of “A” Racing that will be offered in Alberta this year.

2. **“Competitive practices of other racing jurisdictions. Particularly considering the effect of the introduction of electronic gaming devices at British Columbia Racetracks. This could have a significant effect on Alberta’s horse supply as well as the industry’s ability to attract new owners and participants to the province if Alberta cannot remain competitive.”**

The Thoroughbreds at Vancouver now have electronic gaming and the above fear of HRA that Alberta Racing “cannot remain competitive” is being realized. B.C. Thoroughbred Racing at Hastings Park already offered larger purses last year than we did in Alberta. The advent of slots at Hastings has the potential of creating an even bigger spread in the purses being offered. Coupled with the above reduction in overall purse money available in Alberta, this “double whammy” is causing some trainers and horses to leave for B.C. To make matters worse, a competitive advantage that Alberta does have over B.C.- the number of days of racing- has been mitigated by “A” level Alberta Thoroughbred Racing losing 14 days over last year while racing at Hastings has picked up 5 days.

3. **“The success of breeding programs is in part predicated on the desire of owners to race in Alberta.”**

The exodus of some of our major players in Alberta Horse Racing eliminates the impetus for them to breed or purchase Alberta-breds thereby threatening the success of Alberta breeding programs. The success of these breeding programs was already in question; at least from the Thoroughbred perspective. Over the course of HRAs’ first six years the percentage of Alberta purses won by Alberta-breds has fallen steadily from 65% in 2003 to 44% in 2008.

4. **“Failure of the Alberta horse racing industry to work together, for the benefit of the industry as a whole.”**

The HBPA and Northlands agreement struck last summer coupled with the lobbying of MLA’s by ASHA members is ample evidence that this RISK FACTOR has come into play. The emergence of a group such as the Association of the United Horse Workers and Breeders of Alberta and their written appeals to Government is a further example of the “fragmentation” of the Industry. HRA was created to prevent such “fragmentation” and its re-emergence as a problem in Alberta Horse Racing is troublesome. HRA has stated that: **“Unity among stakeholders is the foundation of HRA’s efforts.”** That foundation is crumbling.

5. **“Failure of HRA to be recognized as the single voice for the racing industry.”**

The above examples of people in the Industry directly contacting Government to voice their concerns about Alberta Horse Racing underscores the **“failure of HRA to be recognized as the single voice for the racing industry.”** HRA does nothing to help foster this guiding principle when one of its leaders, in reference to the thoroughbred industry’s reaction to reduced race days in 2009, is quoted on HRA’s website saying: **“The horsemen don’t realize there is a real world out there.”** Horsemen know only too well that **“there is a real world out there”** since they have to deal daily with the realities that exist in Alberta Racing today. Many have quit the business, others have moved elsewhere, the majority are just adapting to the hard times. The statement is particularly galling coming from someone who is financially insulated from the downturn in Racing’s fortunes by a secure Industry funded job. Thoroughbred Horsemen are owed a sincere apology for this remark if HRA wishes to regain any credibility in respect to being the single voice for the Racing Industry.

6. **“Downturn in the Provincial economy...”**

This is one of those “external factors” that HRA and the Industry cannot do much about. Nevertheless, this is going to have a significant negative effect on revenues from handle and gaming available to the Industry for 2009 and 2010.

7. "Changes to government's current gaming policy that impact racing."

It is not so much any change in governments gaming policy, but the past implementation of that policy, that has impacted Racing. The large number of gaming venues licensed by the Government over the last few years has had the effect of diluting revenues to Racing from its Racing Entertainment Centers (RECs). Particularly damaging was the opening of a casino on the Fort Road in Edmonton in close proximity to Northlands. Fortunately, there is currently a moratorium on further expansion of gaming sites. Unfortunately, the "genie" is already "out of the bottle" and there is little HRA or the Industry can do about it.

8. "Competitive practises of other gaming and entertainment industries in Alberta."

Many other gaming venues in Alberta are true casinos and as such have table games. This gives them a competitive edge over RECs in attracting customers. HRA and the Industry should be lobbying to be put on an even footing with these other gaming sites.

9. "Underperformance of slot machines ..."

This is a fact of life at the present time- a fact hat is unlikely to turn around in the near future. The causes of this underperformance and its effect on Racing have been addressed under the previous three RISK FACTORS headings. This problem is of no small consequence since the largest part of Racing's revenue comes from gaming. Of particular consequence is that as of March 31, 2009 the slot revenue from Stampede Park is terminated.

10. "The 2008 projections assume a new facility in Calgary in 2008 with it opening in April 2008...."

It is obvious that having both Thoroughbred and Standardbred survive at the "A" level requires two "A" tracks in the Province. Racing in the Calgary area must be resumed- and soon. One need look no further than what happened to Thoroughbred Racing in Washington to see the urgency of this. When Longacres at Seattle closed down it took a few years before the new facility at Emerald Downs was finished. Thoroughbred Racing in Washington has yet to recover from this interruption. With these thoughts in mind, the delays in building the new track at Balzac, and the uncertainty of whether it ever will be finished, constitutes the "thousand pound gorilla in the room" in respect to causes of the current crisis in Alberta Horse Racing. Many of the other problems emanate directly from this cause. Given this, the subject of UHA and the Balzac track is worthy of the detailed examination that follows.

UNITED HORSEMEN of ALBERTA (UHA) and the BALZAC RACE TRACK

The United Horsemen of Alberta (UHA) was granted a ten year licence for "A" racing in Southern Alberta in October of 2004. Stampede Park agreed to hold racing in 2005 and 2006 while the new facility was being constructed. When it became evident that UHA would not be ready for 2007 Stampede Park agreed to help out again in that year. Ditto for 2008. The same situation exists in 2009 except that Stampede Park was understandably not willingly to support yet another "transition" year. This has led to the fragmentation of the Industry in that both the Thoroughbreds and Standardbreds had to scramble for race dates at Northlands. The "Solomon" like approach that HRA took in dealing with the allocation of these dates has left both breeds struggling to maintain quality "A" Racing.

Clearly, to save "A" Racing in Alberta UHA must either complete their project immediately or abandon it to allow other options to be explored. The question is- do they have the money to finish the project?

It is no secret that UHA was having trouble financing their project even before the current worldwide credit crunch and downturn in the Provincial economy. The business community was well aware that the economics of building and operating races tracks is questionable at the best of times. Magna Entertainment owns many of the top racetracks in North America including Santa Anita, Gulfstream, Pimlico and Golden Gate. It has seen its stock drop from a high of \$57.00 to less than \$1.00 and as I write this paper they may be trying to go into Chapter 11 (bankruptcy protection). Other racetrack gaming stocks such as Penn National, Churchill Downs and Mountaineer Gaming were also well off their highs last summer even before the latest plunge in the stock market. As well, Bay Meadows has recently gone out of business and you can add Fort Erie, one of the oldest racetracks in North America, to the list of race tracks in danger of going under. Stand alone racetracks are an ideal situation for Horse Racing, but the day has come and gone of their making economic sense.

The lack of money had caused UHA to alter their original plans that won them the licence to conduct Racing in Southern Alberta. It now “appears” that they are trying to finish the project in a scaled down, “jerry built” fashion which conjures up images of racing at a “work in progress” with all the shortcomings commensurate with doing so. I say “appears” because UHA is not doing a good job of keeping the Industry current on what they are doing. They have not had a posting on their website since mid 2007- hardly a confidence building message to the Industry.

UHA’s financial problems also causes one to be concerned that they will not have sufficient funds to be viable in the long run even if they do manage to produce a working track. Stampede Park and Northlands both have racing plants that are already built and largely paid for, their cost of maintenance is shared with other venues, and yet, they have had difficulty making Horse Racing a profitable venture. Believing that UHA can pay for an even scaled down facility, maintain it and offer competitive purses all at the same time, is a real stretch.

Straying from the UHA topic for a moment, at one time I was a most outspoken critic of racing at Exhibitions but now, ironically, I think they may be the key to the survival of Horse Racing in Alberta for the above noted reasons and the fact that, unlike a private enterprise, they are unlikely to go broke. Indeed we have a unique situation in Alberta that most other racing jurisdictions do not have. Given the troubles facing Horse Racing in general it may be a uniqueness that allows us to survive.

Back to the matter at hand, hindsight being 20/20, mistakes have been made in granting UHA the license for Southern Alberta Racing. Not the least of these was failing to undertake due diligence and guarantee that they had the money to complete the project in place from the start. Of equal importance has been HRA’s allowing UHA to keep the license despite not fulfilling the promises, both in respect to the timeliness and substance of the completion, they made in obtaining the licence. This continued support for UHA and the Balzac project is necessitated by HRA’s “no plan B” policy (read- no return to Stampede Park) for Racing in Southern Alberta.

Most successful ventures have a “plan B” to allow for the evolution of change. Custer had “no plan B” at the Little Big Horn and it cost him and his followers their scalps. With “no plan B” HRA is gambling the “scalps” of Alberta Horse Racing’s Stakeholders on UHA and the Balzac track. Given UHA’s track record to date, this gamble appears to be a long shot. However, it is a long shot that we all may have no choice but to hope comes in since the gate has already opened and it is too late to change horses- at least for this race. Hopefully, should UHA fail, there will be enough of us still around to make a new race go.

PROVINCIAL HANDLE and MARKETING CONSIDERATIONS

At first glance the overall Provincial handle seems to be one of the bright spots in Alberta Horse Racing since it has been steadily increasing over the years. Sure, this increase may be due in large part to the fact that Alberta has had one of the “hottest” economies in Canada, if not the world, but it also illustrates that Alberta has a core of bettors who support Horse Racing. That’s the good news, now for the bad news. When one breaks down the overall Provincial handle into its Live Alberta versus its Foreign Simulcast components an insidious, hidden crisis in Alberta Racing is exposed.

In 1997 this breakdown showed that nearly \$90 million was bet on the Live Alberta product against about \$60 million on Foreign Simulcasts. By last year those figures were approximately \$30 million of Live compared to \$150 million of Foreign. This is an astonishing reversal in the preferences of Alberta Horse Racing bettors. If continued, this trend threatens the very existence of Live Racing in the Province.

It also causes one to question the effectiveness of HRA’s Marketing and Promotion strategies that they have spent over \$18 million on in the last six years. By their own words: ***“HRA’s marketing efforts focus on drawing patrons to Alberta racetracks to experience live horse racing.”*** Given HRA’s marketing focuses on the live product, if marketing efforts were truly successful and more people were being attracted to Live Racing it only makes sense that the betting on Live Racing would be going up. Instead it is steadily going down. This refutes HRA claims that its marketing and promotion programs are successful. They may have been of high quality, as is evidenced by awards they have won, but it is wagering that is the ultimate criteria for success.

The first step in reversing the slide in betting on Live Racing is for HRA to admit that their past marketing initiatives have not succeeded in having racing fans support the live product. Only then will they explore new ways to deal with this problem. Even at that it will not be easy to turn things around for two reasons. First, the foreign product showcases better quality racing. Second, they usually offer larger pools to bet into; something that attracts the more serious punter. As more money is bet on Foreign Simulcasts and less on our Live Racing it makes our pools even smaller, thereby exacerbating the situation, and creating a downward spiral that is difficult to pull out of.

From a Stakeholder perspective, input into dealing with aforementioned problems that Racing is facing depends on having an effective role in decision making at HRA- the subject of the next section.

ROLE of INDUSTRY STAKEHOLDERS in DECISION MAKING by HRA

On the topic of Stakeholder input into decision making by HRA it is worthwhile quoting another of HRA’s stated purposes of holding the Industry Strategy Session in 2006. It reads: ***“An assessment of potential future directions and potential actions is required for successful decision making and these directions should be developed through a stakeholder process.”***

As this statement alludes to, it is imperative that ***“a stakeholder process”*** be followed on a go forward basis. At the inception of HRA, Horsemen believed that the new body was going to take direction from the Stakeholders. Think tanks such as the Industry Strategy Session in 2006 were examples of how things were supposed to be. However, over the last few years HRA has become isolated and more of an entity unto itself with the result that the Stakeholders have been progressively marginalized.

Case in point- under EMERGING PRIORITIES AND ACTIONS from the Revised 2006-2008 Business Plan, HRA stated: ***“HRA will be conducting a series of industry wide consultations on the future directions for the industry. The result of these consultations will update the Working Committee Report and form the blue print for the strategic direction of the Horse Racing Industry for the next 5-10 years.”*** This is a laudable missive but it is high on rhetoric and low on implementation. To the best of my knowledge, at least from an HBPA perspective, these ***“industry wide consultations”*** have not taken place in any meaningful way since the fall of 2006. For sure the former Chair, Dr. David Reid came to many Industry meetings but it was, for the most part, to tell us what HRA is doing and not to ask what HRA should be doing.

HRA will argue that its Committee structure allows for Stakeholders to have substantive input into decisions made by HRA. In theory this makes some sense. However, in practice this is not working as it should. In large part this is due to two reasons. First is that decisions have often been made before Committees meet. Example, the Breed Improvement Committee, which oversees a huge budget, had a recent meeting where most of the decisions for the Thoroughbred budget had already been made by a few individuals without consulting either of the Boards of HBPA or CTHS beforehand. Second is a failure to hold timely meetings. Witness that the Marketing Committee, also overseeing a huge budget, just had its first meeting in well over a year. At that short meeting once again the Committee members had little input into how the Marketing budget was going to be spent. Those decisions had already been made before the meeting without Committee input.

To summarize these two points: to be an effective way of the Industry Stakeholders participating in decision making, Committees need to meet on a regular basis and make decisions at those meetings rather than just being told what is being done. Failure to do so makes the Committee structure at HRA merely a tool to portray that the Stakeholders are having meaningful input into HRA decision making when, in fact, they are not.

HRA will further make the point that Industry groups have ample input in decision making at HRA in that each segment of the industry is allowed to nominate a person of their choice to sit as a Director on the Board. However, there are major flaws in this observation.

The representatives of “A” Racing’s players are in a minority position on the Board of HRA despite their contributing the bulk of revenues available to the industry. The consequence of this is that they have effectively lost control over their own businesses and as such cannot make decisions based on market conditions. HRA is able to make decisions for them with social considerations often taking precedent over free market principles. HRA may feel that this is their mandate but they should not be surprised that the “socialization” of racing in Alberta has the effect of threatening to degrade “A” level racing and therefore portends to make a sad joke of HRA’s Vision that: ***“Alberta will be recognized internationally for premier horse racing, breeding and quality entertainment.”***

Another reason why Directors may not be able to adequately represent the people who nominated them stems from the fact that, by their own words, HRA expects : ***“Directors first and foremost duty is to the Corporation. HRA Directors must act honestly and in good faith with a view to the best interests of the Corporation.”*** Given that the best interests of the Corporation are not always in the best interests of individual Stakeholder groups it puts in question whether chosen representatives can adequately represent the groups that chose them. There is a definite conflict of interests here. This is another reason why HRA should be consulting with Stakeholder groups on a regular basis.

This all being said the reality of the situation is that major decision making for Alberta Horse Racing is being done by a small “inner circle” of people in a dictatorial style without much direct consultation with Stakeholder groups. This dictatorial approach to doing business may have worked well in creating change and progress in the early years of HRA but as with all dictatorships their “benevolent” stage is soon outlived and that method of operating becomes an impediment to progress.

In closing this section, the progressive deterioration in the role of Stakeholders in decision making at HRA should be of great concern to all Industry Stakeholders, but particularly to the Government since it created both the ARC and HRA with the intent that the Governing Body and Industry Stakeholders would manage Horse Racing as partners. Changes to the way HRA governs should be given serious consideration to assure that this principle is being followed. The ARC improved on its predecessor the Alberta Racing Commission. In turn the ARC was improved upon by HRA. In other words Governance of Alberta Horse Racing is continually evolving and it should be admitted that HRA is not perfect and it can itself be improved upon.

Any such review of Governance by HRA would naturally deal with the question of leadership at HRA- our next topic.

LEADERSHIP at HRA

The Government of Alberta through the HORSE RACING ALBERTA ACT gave to Horse Racing Alberta the power to regulate, control and manage Horse Racing in Alberta. Those powers were to be exercised through a Chair and Board of Directors. However, it appears that much of the power of these legislated positions especially that of the Chair, may now be vested in the unlegislated position of Chief Executive Officer (CEO) at HRA. I will elaborate on how this real possibility exists and its negative implications.

When HRA took over from the ARC in mid 2002 the position of Chair was just that- a Chair. There was no change to this in 2003. However, the year 2004 saw the Chair also take on the title of CEO of HRA with a substantial increase in compensation over the previous year. In 2008, after the then current Chair had served his legislated term limit of 6 years the position of Chair/CEO was split into the separate entities of Chair and CEO. The former Chair retained the position of CEO with the position now garnering as much, if not more, than the Premier of Alberta. This begs the question as to who is the “de facto” leader of HRA. Is it the new Chair or the former Chair who is now the CEO? The large amount of money allocated to the position of CEO versus the honorarium set out for the Chair lends credence to the later being the case.

There is no disputing that a large organization like HRA needs a person to supervise the day to day operations of the Corporation. However, I do not think that the Government intended that such a position should marginalize the position of Chair as the case may be at HRA. It is important that a clear line be drawn between Management and Governance with major decisions and policy making being undertaken by the Chair and Board of Directors. Therefore, realistically, HRA does not need a CEO, with all its connotations of power, as much as it does a Chief Operating Officer (COO). Accordingly, consideration should be given to HRA retaining the position of COO while eliminating the position of CEO. This would go a long way towards eliminating the possibility, perceived or otherwise, of the Chair being marginalized.

It is also important that Government Agencies such as HRA respect the Government's policy of term limits for its Agencies' Chair and Boards. I think most will agree with the need for term limits to, in the Government's words; "promote balance between renewal and experience." Without "renewal", and the critical evaluation of past decisions and initiatives that comes with it, changes needed to deal with evolving events, such as the current crisis, are less likely to be made. With these thoughts in mind one must question if the above evolution of leadership at HRA has circumvented the intent of the term limits set by Government; at least in the spirit, if not the letter, of the law; with the consequence that "renewal" has not taken place at HRA.

The topic of the next section is of consequence in the context of the current crisis in Racing since it should not be lost on the reader that every dollar of Racing Industry money spent on the Governing Body's operating costs is a dollar not spent on the life blood of the Industry - purse and breed support.

COST of GOVERNING HORSE RACING IN ALBERTA

In this regard it is worth comparing the same line items of operating expenses from the last year of the ARC in 2002 to the same line items for HRA six years later in 2007. During that time span those expenses more than doubled. The bulk of the increase comes from Compensation (pay and benefits to the Chairman, Directors, Officers, Managers and Non-Management staff). It increased by \$1 million or 215% in those five years. In respect to overall spending, since HRA's inception spending on Marketing/Promotion and Regulatory/Administration has almost tripled from just over \$2.5 million in 2002 to just over \$7.4 million in 2007. This \$7.4 million does not include the \$480 thousand in the 2007 budget for the laudable endeavours of Human Resource Development and Animal Welfare.

Given the state of affairs in racing today- less racing days, smaller purses and breed support- makes one question whether all the additional spending has been a worthwhile use of Industry money. It also causes one to question whether one of HRA's guiding principles; to operate with fiscal responsibility; was being adhered to in the last six years.

Fiscal responsibility is important at all times but never more so as in the present circumstances when there are substantial decreases in money going to purses and breed support. There is nothing more demoralizing to Industry Stakeholders than to see more money being spent on Administration, especially raises to Administrators, when they have to make do with less. The Alberta Government understands this concept as witnessed by the recent rollback in raises to MLAs and the Premier. Horse Racing would be well served by HRA doing likewise

CONCLUDING REMARKS

Although some may disagree with subjective statements I have made in this paper, I don't think anyone can disagree with most of the objective data presented and therein agree that Alberta Horse Racing is in great peril. Identifying problems is one thing. Finding and implementing solutions is another, more difficult matter.

Ideally, HRA should be leading the Stakeholders out of this perilous situation. The Government created HRA with the intention of empowering the Horse Racing Industry to manage its own affairs with the Governing Body and Stakeholders acting as partners. It was a sound move. There is nothing wrong with the concept of HRA. It is the implementation of that concept that is being questioned. This being said; failing "renewal" at HRA and it being reformed to become the democratic, inclusive and fiscally responsible body that Government intended it to be; HRA cannot be counted on to solve Alberta Horse Racing's problems.

Unfortunately the ability of the HBPA to deal with the current crisis is limited given that we have effectively lost much control of our own affairs. For this we are partially to blame. We willingly ceded many of our powers to HRA in the belief that they had a better chance of using those powers to improve Racing. In all fairness, in ceding those powers to HRA we were led to believe that we would retain effective input into decision making. As I have outlined, this has not proven to be the case.

Regardless of the difficulties facing the HBPA it must take whatever steps it can to assure that its voice is heard and that the welfare of its members is addressed. In other words, we as members of the HBPA must assure that the Horseman's Benevolent and Protective Association becomes more proactive to fulfill our mandate to protect Thoroughbred racing.

To end on a positive note I am buoyed by the fact that there is a large core of enthusiastic owners and breeders of both Thoroughbreds and Standardbreds in Alberta. We have a supportive Government and a solid group of loyal race fans. Despite the current down turn in our economy, we still live in one of the most prosperous places in the world. These things give hope that we can overcome the current crisis and look forward to an albeit, not grandiose, but realistic and sustainable future for Alberta Horse Racing- not just for Thoroughbreds but for Standardbreds and Quarter horses as well.

R. B. Cundy, D.V.M.
Director, Alberta HBPA

Cc: HBPA of Alberta Directors
Shirley Mclellan, Chair Horse Racing Alberta
Industry Stakeholders

NOTE: Being intimately involved in Thoroughbred racing for 48 years this letter was understandably written from that perspective but I think that much of what I said is relevant to all Racing Industry Stakeholders. As well, we are all in the same leaky ship that is Alberta Horse Racing and it will take some cooperative bailing in order to prevent the ship from sinking. It is for those reasons that I am copying them.