



GEORGE MORRIS CENTRE

**Challenges of Agri-Food Policy Implementation:  
Horse Racing Industry Transition Panel Final Report**

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## **Introduction**

On October 30<sup>th</sup>, the Honourable Ted McMeekin, Ontario's Minister of Agriculture, Food and Rural Affairs released the final report of the Horse Racing Industry Transition Panel<sup>1</sup>. The Panel's report focused, as requested, on its recommendations for new directions for the Ontario horse racing industry within a new partnership with the Government of Ontario. As with its interim report, the Panel again consulted with industry and government representatives, and continuing with the same themes in its interim report, the Panel identified the key points for future negotiations between the horse racing industry and the Government of Ontario.

This report follows an earlier George Morris Centre commentary<sup>2</sup> on the Panel's interim report as an example of good policy development. The Centre again examines the policy development and analysis in the Panel's final report. However, the emphasis of this commentary is on the challenges of policy implementation and how the Panel's final report assists or limits the anticipated negotiations in finding a mutually satisfactory resolution to this continuing agri-food policy challenge in Ontario. The lessons from this exercise in policy analysis, development and on policy implementation challenges should be seen as lessons learned for other agri-food policy analyses on other agri-food sectoral issues.

## **The Policy Challenge- Recap**

As the Panel thoroughly discussed in its interim report<sup>3</sup>, the decision in early 2012 by the Government of Ontario to end the Slots at Racetracks Program (SARP), which had existed since late 1990's, created considerable clear disaffection with this policy direction within the Ontario horse racing industry. The Panel's interim report identified the scale and impacts of SARP on the Ontario horse racing industry, along with the most likely adjustment challenges from the Government's policy direction on this industry. The Panel then reported on its findings, the need for an improved transition program, and the key public-interest principles in developing a more effective, sustainable horse racing industry in Ontario, without dependence upon the SARP.

The Ontario Minister released the Panel's interim report which received considerable industry and stakeholder support for its findings and directions. The Minister then charged the Panel to consult further with industry stakeholders, finalize its work and report back to him by mid-October 2012<sup>4</sup>. The Panel's interim report did achieve a shift in the tone of the policy debate

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<sup>1</sup> "Horse Racing Industry Transition Panel Final Report-October 23, 2012", Ontario Ministry of Agriculture, Food and Rural Affairs, Guelph, Ontario.

<sup>2</sup> "Good .....", Bob Seguin, George Morris Centre, Guelph, Ontario. September....2012

<sup>3</sup> "Horse Racing Industry Transition Panel Interim Report-August 17, 2012", Ontario Ministry of Agriculture, Food and Rural Affairs, Guelph, Ontario.

<sup>4</sup> Statement by the Minister of Agriculture, Food and Rural Affairs on Horse Racing Industry Panel Interim Report", August 24, 2012. Guelph, Ontario

between the government and the horse racing industry, and argued for different transition programming while maintaining the need to eliminate the SARP.

### **Horse Racing Industry Transition Panel Final Report- Key Findings**

As with its interim report, the Panel 's Final Report (dated October 23, 2012) maintained its focus on the public-interest principles, the fiscal climate facing the government, and gained insights from another round of consultations/discussions with industry stakeholders<sup>5</sup>. The Panel reported on the industry willingness to build a new partnership with the government, and the Panel proposed a new vision for a sustainable horse racing industry in Ontario.

The Panel, after consultation with stakeholders, developed a new Sustainable Horse Racing Model for Ontario. The new Model as proposed by the Panel involves:

- Elimination of the SARP funding for purses to be replaced by the industry's share of pari-mutuel wagering;
- A reduced horse racing schedule for Ontario totalling 800 days among the participating race tracks, or about 50% of current race days;
- A government investment to the participating race tracks to support their investments, subject to the racetrack agreement to improve pari-mutuel handle, reinvest earnings back into the industry, and independent verification of costs to ensure accountability and transparency;
- To continue the Horse Improvement Program, funded by the pari-mutuel handle;
- A new governance model to be developed with two different roles for the Ontario Racing Commission operations-regulatory and administrative-with the latter industry-led;
- The Panel identified recommended the government to enter into an agreement with an industry proposal to undertake some of these administrative elements within a new Secretariat, acknowledging the continued role of the ORC until this was completed;
- The Panel recommended OMAFRA continue its oversight role through the ORC and of the new proposed Horse Racing Model;
- The Panel recommended that new gaming products to permitted and offered through the horse racing industry, with the new revenues generated as a possible offset for direct public funding; and,
- The Panel recommended new public funding for developmental work to assist lifecycle planning for racehorses, and their care after their racing careers, through horse breeders and owners.

It is the Panel's view that the horse racing industry is at a crossroads. Past dependence on the SARP created an unsustainable, less consumer friendly and unsound public policy for this

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<sup>5</sup> Final Report, op cit

industry. The Panel recommended three years of new public funds, guided by the previously identified public-interest principles, to produce a sustainable industry with a positive return on the taxpayers' investments. The Panel's conclusion in its final report is that "the Ontario horse racing industry is worth saving".<sup>6</sup>

The Panel's report concludes with a list of the industry stakeholders, government officials, and others it consulted, the possible programs available for those individuals or farm/rural businesses which may be displaced in the anticipated transition. The Panel's recommended Sustainable Horse Racing Model is one which it "believes that this plan, if implemented, will provide a workable blueprint for a new partnership between the horse racing industry and the government". In its letter of transmittal of the report to the Ontario Minister, the Panel declined to reveal the estimated public investment which would be required for the transition so as to allow the government and industry to conclude their negotiations over the transition and next steps.

## **Second Round of Good Policy Development and Analysis**

The Ontario Horse Racing Industry Panel's final report maintains the same analytical strengths and public policy analysis as were clearly evident in its interim report. The analysis and commentary in the Panel's final report continually emphasizes the public-interest principles of: accountability, transparency, renewed focus on the consumer; and, the return of each public dollar invested back to the government (the taxpayers) through tax revenues. This emphasis is clearly seen in the Panel's analysis, comments on its preferred directions, and in its recommendations to the government.

In its interim report, the Panel noted that the SARP was not accountable or transparent to government or to the many stakeholders of the horse racing industry. The Panel noted that many racetracks, horsemen, and other stakeholders were led by newly available SARP revenues to shift from the historic consumer (horseplayer) focus for this gaming opportunity. In the view of the Panel, these racetracks and horsemen became increasingly over dependent on SARP funds for purses, increased race days, and less than full fields for racing. The Panel viewed this situation as unsustainable. The Panel clearly identified in both reports that maintaining the existing SARP program was not a desirable public policy. This reinforced the government's original direction. But, the Panel's subsequent comments and analysis, along with its final recommendations, indicate that the Panel's approach to be much different than the original government views or the government's original transition proposal.

Throughout the final report, the Panel identified the wider public policy goals of sustaining some level of horse racing industry in Ontario- for a number of reasons, including its role in the menu

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<sup>6</sup> Final Report, P.23.

of gaming activities in Ontario, as well as its cultural, social and economic reasons. The Panel noted in the final report and its conclusion, that the government (and OLG) and the industry needed to negotiate a “new partnership”, one which was more accountable and transparent than existed under the SARP initiative. This new partnership also underlined the Panel’s view that this industry-rural, and farm based primarily-was an appropriate role for government, even in challenging fiscal times, as well as critical to long term sustainability of the horse racing industry itself.

The decision not to release its estimates of the public Investments needed for this industry does weaken the full impact of the final report-and a noticeable lapse in the Panel’s overall transparency emphasis. However, it is the Panel’s call to successfully aid anticipated negotiations between this industry and government over the next months. It was also a call reinforced by Minister McMeekin who also did not release the estimate. The Panel did note that one of its 2 key objectives for its Sustainable Horse Racing Model was to create maximum economic returns for minimal public investments.

The Panel’s final report touched on the key issues it identified in the interim report: the strengthening of the traditional main revenue source for this industry, pari-mutuel wagering; refocus on the purses needed to strengthen the proposed new (and reduced) race days; the tracks and their accountability; and on the horses themselves with a focus on modest public investments to aid in improved life cycle planning for the breeders of race horses in Ontario. It should be noted that the Panel highlighted new gaming opportunities which should be explored in the horse racing industry, with continual emphasis on the benefits to the consumers, not just to track revenues.

A small weakness in the Panel’s analysis appears in the comments on the handling of the anticipated displaced workers and related businesses with the transition of the horse racing industry to a new, and smaller, economic model. The Panel’s comments are not inaccurate, but do not seem to fully recognize the unique challenges faced by displaced employees, some with minimal skills, within many rural communities with limited economic opportunities or alternatives. These same challenges face those displaced rural businesses seeking new alternatives within constrained economic environments. This does not mean that the programs identified are not useful, but flexibility in approach/program design may be required to best meet the unique needs of these individual citizens or businesses.

Overall, the Panel’s final report continues the solid public policy analysis, and public policy development established in the interim report. The challenge is now for government and the horse racing industry to move towards proper negotiations, and if successful, to implementation of the Panel’s approach, or the negotiated settlement between the parties.

## **Good Public Policy-Challenges of Implementation**

The Panel's final report sets out a plausible model for sustained horse racing in Ontario, with a number of major changes from the past framework. The Panel's proposal maintains the public interest focus on transparency, accountability, emphasis on the consumer, and value for money (return to the taxpayer). The Panel did not agree with the industry (and associated stakeholder) requests to maintain the SARP. The Panel did not cast aside the importance, scale, and diversity of the horse racing industry in Ontario, and its economic/social impacts across wide regions of rural and urban Ontario. The Panel acknowledged the need for some additional government investment, with appropriate accountability, and transparency. The Panel decided not to specify a dollar amount publicly, allowing this to be part of the anticipated negotiations.

It would seem that the announcement of the Panel, the release of the interim and final reports with the associated public policy analyses, and the consultations with various industry stakeholders, all played critical parts in moving the government-industry discussions forward. The Ontario Horse Racing Industry Association July 2012 report, "Plan for the Future of the Ontario Horse Racing and Breeding Industry"<sup>7</sup> indicates that the industry is prepared to discuss options, albeit one favourable involving some retention of access to the SARP is among them. The Plan does provide a wider discussion on a series of activities to better sustain the horse racing industry, and provides for the necessary transition for several tracks. It would seem that room for negotiation does exist.

The challenge then facing the two groups is to move forward on negotiations and implementation. Allowing the government and industry to pursue negotiations in their own way is appropriate. But the success of good public policy development and analysis is linked to effective implementation. This is critical for all groups-government, industry, customers, and related stakeholders.

It is in this area, where the Panel's final report highlighted a number of challenges which have yet to be addressed in the public debate. The earlier announcement by the OLG established the March 31, 2013 deadline for the SARP and its application to the remaining tracks. The need to identify the 2013 race dates is also one which needs to be addressed, along with any changes to the role of the Ontario Racing Commission, Ontario Ministry of Agriculture, Food and Rural Affairs, and the decision on the new horse racing industry model-if one is agreed upon.

The first three months of 2013 will be a challenge for all the necessary pieces to come together in satisfactory time for the anticipated 2013 racing year for those racetracks in operation. This also applies as well as for the effective operations of the OLG and its slot operations, and for those

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<sup>7</sup>"Plan for the Future of the Ontario Horse Racing and Breeding Industry", Ontario Horse Racing Industry Association, July 2012. Mississauga, Ontario.

gaming customers (horse racing and slots) across Ontario. The anticipated (if not already started) negotiations do not yet allow for insights into the discussions or steps toward implementation. But, to be an effective implementation of the resulting negotiations (if successful), a number of public announcements will have to be made to ensure that horse racing continues in 2013. These decisions and announcements are not constrained by the prorogation of the Ontario Legislature earlier this fall-but do require decisions by the current or new Cabinet under the new Premier- if only to extend the time for decisions.

It is likely that the current government would prefer not to return to the Legislature without any decisions on the Panel's proposal, or on the industry's July 2012 plan. Indeed, it is likely that if a provincial election is held in 2013, the lack of action could be a significant issue for debate within a number of communities across Ontario. Effective and sustained Implementation of a plan for action, involving the industry, government and stakeholders are now the priorities-and the keys to the effective good public policy analysis and development over the past months.

### **Conclusion-Lessons Learned**

The two George Morris Centre reports on the Ontario Horse Racing Industry and the Panel of three former Ontario Cabinet ministers to examine the industry transition focused on the policy analysis and development by the Panel and its support team. There are lessons to be learned here on the importance of these efforts for any agri-food public policy issue across any government or industry in Canada. This conclusion focuses on three key lessons learned.

The original decision by the Government of Ontario, which focused on its fiscal needs (although it did not follow the explicit recommendation of the 2012 Drummond report<sup>8</sup> which identified the need to review the SARP initiative-not end it), implied a willingness to simply allow the entire industry to adjust and work through its own transition. The responsibility of the government seem to focus solely on the higher priority of uses for the slot revenues rather than allot any portion to the newly established contexts for Ontario horse racing as a result of decisions by an earlier Ontario government. The livelihoods of individuals, farmers, racetrack employees, firms, affected communities and the horse racing customers did not seem to be of any significant priority. Effective and sustainable changes in public policy, particularly those involving quite transparent partnerships and well established funding program, require a far greater degree of consultation, discussion, and analysis than existed at the time of announcement. The establishment of the Panel, its interim and final reports go a considerable distance in improving the tone and quality of the necessary discussion on a change in public policy and programming within a mature industry and electorate.

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<sup>8</sup> Drummond Report, p. 316, Ontario Ministry of Finance, February 2012, Toronto, Ontario.

The Panel's two reports do provide improved, and clear, analysis of the financial, market and economic issues facing the government and the wider industry. This includes the recognition of the scale of the impact of the SARP on racetrack revenues, purses, horsemen decisions and the scale of horse racing in Ontario-and the need for some transition to a more sustainable model. The Panel's analysis also indicates that there are alternatives-not easy-to simply continuing the status quo, which the government in its decision determined was not possible. The Panel's analyses and reports brought greater clarity to the state of the industry, its market challenges, its impact on horseracing consumers, the impact on other parts of the horse industry. The Panel also commented on future competition from North American horse racing jurisdictions/tracks as well as from the wider gaming industry. Improved public policy analysis, clearly delivered, can provide the necessary opportunity to shift public policy discussions from polarized options (as in this situation in early 2012) to a wider set of real policy options for all parties to discuss and negotiate.

Finally, as noted in the earlier Centre report, this policy debate in Ontario, has lessons for any industry or sub industry group within the Canadian agri-food sector which may face changes in the perceived "permanent" policy context for its operations, markets, pricing or overall legal context. First, policies and legislation/regulation can change-public attitudes, technology, competition from other firms/jurisdictions or other products/services, and finally shifts within the industry itself may require policy shifts. Improved public policy analysis on the benefits, costs, alternatives and rationales of the impacts of the existing policy context need to be continually and critically examined-and transparently discussed.

The eventual public debates will always have elements of rhetoric and emotion, but for a public discussion-possibly with the electorate and the customers of that industry's/region's products and services-clear, critical, transparent policy analysis focused on key public interest issues can help move the necessary government/industry discussions forward to a more sustainable result. This can apply to regulatory actions, funding programs, or legislative changes which may alter the entire market framework for an industry, commodity or group of food firms. This lesson is one which can be learned and relearned by governments and industry and its stakeholders-but it is a critical one to develop, build needed public acceptance, and eventually reasonable implementation of a more sustainable policy result.

For the Ontario horse racing industry, 2013 offers this challenge to find that reasonable and effective implementation based upon the Panel's efforts at improved policy analysis and development.