

1 Thank you, Mr. Chairman. Your introduction was very  
2 kind and your comments were appreciated.

3 John Swiatek and I are pleased to have this  
4 opportunity to tell you about Ladbroke, to talk about  
5 horse racing and wagering business in Pennsylvania  
6 and to make some comments about the potential for  
7 the gaming industry in Pennsylvania. My comments  
8 reflect the opinions of Ladbroke Racing Corporation.

9 Ladbroke is a worldwide leader in hospitality,  
10 entertainment and gaming.

11 Our parent, Ladbroke Group PLC, is a London-based  
12 company with gaming interests throughout the world.  
13 We are listed as one of the top 100 companies on the  
14 London Stock Exchange.

15 We own and operate 3 casinos in London and 2,000  
16 betting shops in the United Kingdom.

17 We own the Hilton International Hotel chain. With  
18 163 properties worldwide, Hilton has been voted the  
19 best known name in hotels in the world for the third  
20 year running. In some of these hotels, we also  
21 operate casinos.

1           Ladbroke's operations in North America include some  
2           of the finest hotels, including the Drake in Chicago;  
3           the Caribe Hilton in San Juan, Puerto Rico; the  
4           Marquette in Minneapolis; the Vista in Washington,  
5           D.C.; and the six other Hilton International properties  
6           in Canada.

7           Headquartered in Pittsburgh, Ladbroke Racing  
8           Corporation oversees the racing and gaming operations  
9           in the United States. We own and operate a race  
10          track near Detroit, another near San Francisco and the  
11          largest card club casino in northern California.

12          But, we are most proud of our \$50 million investment  
13          here in Pennsylvania. We purchased The Meadows  
14          race track in Washington County in 1989, and thanks  
15          to the enlightened legislation that has been passed  
16          since then, we have opened 5 Off-Track Racing,  
17          Wagering and Dining facilities -- better known as  
18          OTBs. They are located in New Castle, Johnstown,  
19          Greensburg, and Harmar and Moon Townships in  
20          Allegheny County. Our sixth and last OTB will open in  
21          the Fall in West Mifflin, also in Allegheny County.

1 In all, more than 1 million people visit our facilities  
2 each year. And our live racing card is carried into 1.3  
3 million homes in the Tri-State region on cable  
4 television.

5 We directly employ almost 1,000 people and our  
6 Pennsylvania payroll currently amounts to about \$11  
7 million a year. Another 100 new employees will join  
8 Ladbroke when our new OTB opens in the Fall.

9 Ladbroke is also a major contributor to the host  
10 communities in the form of real estate, mercantile and  
11 other business privilege taxes and, of course, our  
12 employees pay earned income taxes.

13 I cite these figures to underscore this point -- Ladbroke  
14 is a strong, thriving business that plays a very  
15 important role in the economic base of the  
16 communities we operate in. Just as important, we are  
17 valued by the political and community leadership of  
18 every one of these cities and towns because our  
19 facilities have contributed to additional economic  
20 development.

1 For example, our Harmar Township OTB has become  
2 the center for entertainment facilities in that  
3 community. Not long after our OTB was completed a  
4 major family-oriented ice rink complex was opened  
5 adjacent to our facility.

6 In New Castle, the OTB has helped to spur commercial  
7 development in the same area including an 84 Lumber  
8 and a Walmart.

9 And, Ladbroke has earned the respect of the other  
10 businesses in these communities.

11 We have made a great investment in Western  
12 Pennsylvania and, in return, Ladbroke has benefitted  
13 from the good will and patronage of the people of the  
14 region.

15 We are an important Pennsylvania company and we  
16 are proud of the fact.

17 To understand what role expanded gaming might have  
18 in the Commonwealth, it's vital to understand the  
19 importance of the Pennsylvania horse racing industry.

1 As you may know, we have been directly involved in  
2 helping to design the programs that have catapulted  
3 horse racing in Pennsylvania to a premier position in all  
4 of the United States.

5 Our sport doesn't get the kind of media attention that  
6 is afforded the professional and college teams in the  
7 State, yet horse racing and the agriculture industry it  
8 represents have grown to be a very popular  
9 entertainment option for Pennsylvanians.

10 The combined attendance at the 4 race tracks coupled  
11 with the attendance at 13 off-track betting units in  
12 Pennsylvania amounts to millions of people a year.  
13 We draw more Pennsylvanians than most professional  
14 sports teams in our major cities.

15 Through the use of cable television, hundreds of  
16 thousands more people take part in our sport.

17 That's why we can say with great confidence that  
18 Pennsylvania's horse racing industry is among the  
19 most successful in the United States.

20 By any standard, Ladbroke has been recognized as an  
21 industry leader.

1 That achievement rests, in part, here in the Capitol.  
2 You have designed and approved rules and regulations  
3 covering horse racing that have achieved three  
4 important objectives that:

- 5 ● **Revitalized an important part of the**  
6 **Commonwealth's agriculture industry --**  
7 **namely the breeding of horses.**
  
- 8 ● **Allowed the industry to expand to meet the**  
9 **demands of the people of Pennsylvania for**  
10 **a gaming and an entertainment outlet.**
  
- 11 ● **Assured that the racing and gaming**  
12 **operations are conducted in the interest of**  
13 **all Pennsylvanians and with a high level of**  
14 **integrity.**

15 The last few years have been good to the commercial  
16 equine industry . . . and good for the economy of  
17 Pennsylvania.

18 The final 1995 audited numbers have not been issued  
19 by the Pennsylvania Racing Commissions. But, we  
20 estimate that total handle for horse racing in  
21 Pennsylvania amounted to \$1 billion last year. That's  
22 an impressive 13 percent increase from 1994 and

1 almost a 100 percent cumulative increase in just this  
2 decade.

3 And the purses paid out to the horse owners increased  
4 from \$41 million in 1994 to \$44 million last year. By  
5 continuing to grow our pursues, we continue to attract  
6 the best horses in the United States and present  
7 competitive and outstanding races.

8 Off-track betting facilities give the industry the chance  
9 to bring horse racing and unique entertainment to a  
10 much larger percentage of Pennsylvania's population  
11 and they are enormously popular.

12 The OTBs carry racing programs from Pennsylvania  
13 tracks and tracks from other states, all packaged in  
14 new facilities with excellent food and beverage  
15 options.

16 In 1993, you enacted full-card simulcasting legislation.  
17 This allowed us to televise racing from outside of the  
18 state so that our residents can wager at our facilities.  
19 And we now send racing from Pennsylvania's tracks  
20 to race tracks and OTB's throughout North America.

1 Telephone wagering has given more people the  
2 opportunity to participate. Tied to the tracks by cable  
3 television, they can enjoy racing from the comfort of  
4 their homes.

5 In all, we are now able to give our customers a  
6 complete package of entertainment, dining, racing and  
7 wagering options.

8 The numbers tell an impressive story.

9 Today, horse racing is making a strong and increasing  
10 contribution to the Pennsylvania economy on two  
11 levels -- first, through the capital investments, jobs and  
12 taxes generated directly by racing operations.

13 And second, through the investments, jobs and taxes  
14 generated by the commercial breeders and horse farms  
15 that prosper as a result of a healthy horse racing  
16 industry.

17 Horse racing operations require a substantial  
18 investment in capital assets, including land, structures,  
19 equipment, tracks and animals. The Pennsylvania  
20 Racing Association (PRA) estimates that horse racing-  
21 related capital holdings in 1994 had a market value of



1           nearly \$1.2 billion.

2           Currently, there are 2 harness and 2 thoroughbred  
3           tracks and 13 off-track wagering establishments in  
4           Pennsylvania.

5           In 1994, the combined assets of these facilities alone  
6           were \$145.1 million. And between 1990 and 1994,  
7           the 4 tracks invested \$179 million in new plant and  
8           equipment.

9           Horse racing and the commercial horse industries also  
10          produce a significant number of jobs throughout the  
11          Commonwealth.

12          In 1994, horse racing tracks directly employed almost  
13          4,000 people. These employees earned \$47.8 million  
14          in wages, salaries and benefits.

15          The effect of spending by the owners and racing  
16          stables ripples throughout the economy. More than  
17          2,600 jobs and payrolls amounting to \$46 million are  
18          associated with the direct care and training of the  
19          horses, such as grooms and other members of the  
20          team.

1 And another 3,200 or more jobs have been created by  
2 those companies that sell goods or services to the  
3 racing teams, from veterinarians to feed sales.

4 And, finally, another 8,000 individuals -- trainers,  
5 breeders, drivers and jockeys -- derived at least some  
6 of their livelihoods from Pennsylvania horse racing.

7 Similarly, the importance of assets and employment is  
8 obvious when we look at the segment of the  
9 commercial equine industry that is directly tied to  
10 horse racing.

11 Employment attributable to direct and indirect  
12 spending by race horse farms amounted to 9,400 jobs  
13 in 1994, not including employed farm family members.  
14 Direct and indirect spending totaled an estimated  
15 \$194.1 million.

16 Clearly, horse racing is an important factor in the  
17 Pennsylvania economy. In total, the horse racing  
18 industry and related commercial equine activities are  
19 responsible for 35,000 jobs . . . \$576 million in  
20 personal income . . . and \$752 million in total  
21 economic output. Even excluding corporate and  
22 business taxes, the industry generated \$62.2 million in

1 tax revenues for the Commonwealth in 1994.

2 Our achievements have attracted the interest of  
3 legislators and race track operators from other states  
4 and countries. For example, at Ladbroke, we've been  
5 visited by legislators and track operators from 16  
6 states and 3 foreign countries to see how we do  
7 business.

8 Invariably, the first thing they want to learn about is  
9 the Pennsylvania legislation that regulates us. Without  
10 exception, they recognize our legislation as a model  
11 which sets the stage for a well-run industry.

12 The Legislature has understood and supported the  
13 initiatives that have enabled the industry to offer  
14 Pennsylvanians who enjoy the sport more and more  
15 opportunities to watch and wager.

16 Over the past few years, we have been asked for our  
17 opinion on proposals to legalize more types of gaming  
18 in Pennsylvania.

19 Our position is this:

1 Pennsylvania has nurtured two very successful gaming  
2 institutions -- horse racing and the State lottery. Both  
3 are popular with the public and both contribute tax  
4 revenue to the State.

5 These institutions exist because the Legislature  
6 determined that it was good public policy to create  
7 them.

8 If that public policy is to expand gaming in the  
9 Commonwealth, we respectfully recommend that you  
10 consider these points:

- 11 ● **Having not rushed into the expansion of**  
12 **gaming that swept the country in the past 3**  
13 **to 4 years, we have the opportunity to**  
14 **learn from other states. We can take the**  
15 **best practices and reject the errors that**  
16 **have been made.**
  
- 17 ● **Many communities in Pennsylvania need**  
18 **help in the form of economic development.**  
19 **And, our two major urban centers have**  
20 **extensive riverfronts that could be the**  
21 **foundation of this development.**

- 1                   ●    **Many states see the expansion of gaming**  
2                            **as a form of "soft taxation" and earmark**  
3                            **the revenue for specific purposes. It is**  
4                            **important to specify where income from**  
5                            **gaming will go when fashioning a bill.**
  
- 6                   ●    **The Commonwealth already sanctions**  
7                            **gaming in the form of the lottery and horse**  
8                            **racing and charitable small games of**  
9                            **chance. The continued viability of each**  
10                           **must be given consideration.**
  
- 11                   ●   **Both horse racing commissions provide a**  
12                           **framework for preserving the integrity of**  
13                           **horse racing via rigid enforcement**  
14                           **procedures and should be used as a**  
15                           **blueprint for other gaming commissions.**

16                   In conclusion, we recognize that you, the Legislature,  
17                            and the Governor must determine whether or not  
18                            expanding gaming options is in the best interest of the  
19                            people of Pennsylvania.

20                   Should expansion be the chosen course, we at  
21                            Ladbroke would welcome the opportunity to be part of  
22                            any plan to expand gaming.

1 We have the willingness, the resolve and the financial  
2 resources to invest capital in such a venture to ensure  
3 its success in and for the Commonwealth of  
4 Pennsylvania.

5 Finally, I want to thank you for giving me an  
6 opportunity to share information about the horse  
7 racing industry in Pennsylvania and our opinions on the  
8 broader issue of expanded gaming.

9 I commend you for undertaking a comprehensive and  
10 thoughtful process of hearings to better understand  
11 the varied issues involved.

12 We at Ladbroke would welcome the opportunity to  
13 participate as a resource to the Legislature in regards  
14 to its consideration of expanded gaming as we are  
15 uniquely qualified.

16 We are uniquely qualified by our successful record  
17 here in Pennsylvania, our worldwide experiences in  
18 casino and hotel management.

19 We are happy to answer your questions.

# Ladbroke



*Racing*

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# *Ladbroke Racing Corporation*

## *Fact Sheet*

- ◆ Ladbroke Racing owns and operates three racetracks in the United States. They are Ladbroke at The Meadows near Pittsburgh, Pennsylvania; Golden Gate Fields near San Francisco, California; and Detroit Race Course in Livonia, Michigan. With harness and thoroughbred racing, Ladbroke is a U.S. leader in pari-mutuel wagering.
  
- ◆ Ladbroke Racing also owns Ladbroke's Casino San Pablo, Northern California's newest card casino.
  
- ◆ The racing division is one of the core businesses of Ladbroke Group PLC, headquartered in London. Ladbroke Group PLC owns the Hilton International Hotel chain... "Hilton" is the most widely recognized hotel name in the world.
  
- ◆ The Ladbroke Racing (U.S.) Corporate offices are located in Greentree, Pennsylvania, just outside of Pittsburgh.
  
- ◆ Ladbroke is a leading hospitality and leisure company and the foremost authority on off-track pari-mutuel wagering.
  
- ◆ In the United Kingdom and several countries in Europe, Ladbroke OTB "shops" have been fixtures since the 1960s. In the U.K., for example, the OTB "shops" can be found on the main street of almost every town with a sizeable population.
  
- ◆ In the United States, Ladbroke off-track facilities in Pennsylvania offer full service restaurants, casual dining food areas, comfortable lounges, large screen auditoriums and hundreds of television sets showing live racing programs from racetracks across the U.S. simultaneously.



# ***Ladbroke Racing Corporation***

## ***U.S. Racing Interests***

### **Ladbrokes (Pennsylvania off-track)**

- ◆ The original "off-track" state legislation passed into law late 1988.
- ◆ In 1990, the first "Ladbrokes" off-track racing, wagering and dining facility opened in New Castle, Pennsylvania. It was the first OTB of any kind in Pennsylvania.
- ◆ Since the initial opening of Ladbrokes-New Castle, four additional sites have opened in Greensburg, Harmar Township, Johnstown and Moon Township. By legislation, Ladbroke has one off-track site remaining.
- ◆ The Ladbrokes off-track facilities each cost in the \$3-to-\$5 million range.
- ◆ Each facility is conveniently located near population centers and far enough away from the on-track operation (Ladbroke at The Meadows) to insure against significant on-track erosion.
- ◆ Each facility is divided into two major sections...a clubhouse/dining room and a large grandstand.
- ◆ Each facility features simulcast racing from across the U.S. (for example: Hollywood Park, Philadelphia Park, Meadowlands, Pompano Harness, Rosecroft, etc.).
- ◆ Featured amenities at each Ladbroke off-track racing, wagering and dining facility are teletheatres with 12 foot screens, grandstand general seating areas with hundreds of television monitors visible from all angles, large comfortable bars/lounges, full-service (100 plus seats) restaurants and casual cafe dining areas.

# ***Ladbroke Racing Corporation*** ***U.S. Racing Interests***

## **Ladbroke DRC** **Detroit, Michigan**

- ◆ DRC represents Ladbroke's first entry into the U.S. market which was purchased in 1985. During the first six months of ownership, more than \$6 million in physical improvements were made to the 50 year old DRC facility.
- ◆ DRC is the only Thoroughbred racetrack in Michigan.
- ◆ DRC's race meet begins in the spring and continues through early fall.
- ◆ By virtue of recent state legislation, DRC also offers simulcast (live via satellite) racing from some of America's finest racetracks.

## **Ladbroke at Golden Gate Fields** **San Francisco, California**

- ◆ Acquired by Ladbroke in 1989, the track originally opened in 1941.
- ◆ The track which overlooks the San Francisco Bay and Golden Gate Bridge is considered one of California's leading Thoroughbred tracks. Its grounds cover over 225 acres.
- ◆ Golden Gate Fields simulcasts via satellite to a dozen intertrack wagering sites at fairgrounds around the state of California.
- ◆ Racing from January to August, Golden Gate Fields houses over 1,500 race horses.

# ***Ladbroke Racing Corporation*** ***U.S. Racing Interests***

## **Ladbroke at The Meadows Meadow Lands, Pennsylvania**

- ◆ The track opened in the summer of 1963.
- ◆ Ladbroke purchased the track in 1989 for \$17 million.
- ◆ Ladbroke has invested over \$7 million in capital improvements since 1989.
- ◆ Offers live year-round harness racing four to five evenings a week.
- ◆ Offers simulcast wagering on thoroughbred/harness races from across the U.S. (afternoons and evenings) throughout the year.
- ◆ The tracks "live" race card is distributed to more than 1,000,000 homes in Western Pennsylvania and the tri-state area. Patrons are able to wager on Ladbroke at The Meadows and simulcast races through the Call-A-Bet phone system.
- ◆ Pennsylvania remains the only state in the nation to have such a successful telephone wagering system.

# ***Ladbroke Racing Corporation*** ***U.S. Racing Interests***

## **Ladbrokes Casino San Pablo** **San Pablo, California**

- ◆ The casino card club built by Ladbroke Racing Corporation opened December 15, 1995.
- ◆ The casino offers a 60 table card room where patrons play against each other at a range of games from the familiar seven (7) card stud to the more exotic Pai Gow poker.
- ◆ Casino San Pablo looks like a Moroccan palace and features a restaurant, banquet rooms, pool tables, dart rooms, as well as a high-tech arcade.
- ◆ Ladbrokes Casino San Pablo employs 750 persons.