



Remarks by Peter Carlino

Pennsylvania House Judiciary Committee

May 29, 1996

Good afternoon! I am Peter Carlino, Chairman and Chief Executive Officer of Penn National Race Course. I appreciate the opportunity to speak with you this afternoon about the possible affects of the expansion of casino style gambling upon the horse racing industry in Pennsylvania. My comments express my personal point of view and that of our company but should largely be an expression of feelings of the other track owners in the state. But I am not here this afternoon speaking for the other track owners, I am here to speak solely for Penn National. Let me open with a clear conclusion:

I think the panel members and the public can quickly appreciate that expanded gaming which does not in some way include Pennsylvania's pari-mutuel industry would have a devastating effect upon the four pari-mutuel facilities in the state.

But before talking about the negative side of this issue, let me first emphasize several positive points:

The Pennsylvania legislature has supported the pari-mutuel industry in Pennsylvania since its inception in the early 1960's. Through those many years, the legislature has worked with our industry to provide ever-changing opportunity as the competitive forces working against us have changed. This incremental improvement in pari-mutuel legislation culminated with the passage of off-track wagering in 1988 and full card simulcasting in 1993. Pennsylvania now enjoys what is probably the finest pari-mutuel legislation in the country. Innovations begun here

are being copied widely elsewhere, and the result of this improved climate for racing in Pennsylvania is that the industry which was in severe trouble by the late 1980's is now revived and growing at an unprecedented rate here in Pennsylvania. In the next few years, Pennsylvania racing should grow to a level that would place it near the pinnacle of racing in America. Our legislature has given us the opportunity to compete in the electronic age and Pennsylvania race tracks have done an outstanding job of developing the finest facilities and programs in the country.

Statistics are boring, but let me give you just a few taken from a study prepared by the horse racing industry in Pennsylvania to outline its positive contribution to the Pennsylvania economy. Through 1994 our industry is responsible for supporting more than 35,000 jobs in the state, generating \$576 million in personal income, and producing total economic output of \$752 million (including related commercial activities). The industry supports capital facilities worth an estimated \$1.2 billion, plus another \$1 billion in other equine-related commercial facilities. The industry further contributes to the preservation of open space and agricultural land state-wide, with 520,000 acres devoted to breeding, raising, and training horses...and in Pennsylvania the industry is growing rapidly.

In Louisiana on the other hand, since 1991 the expansion of casino gaming has contributed to a 40 percent decline in horse-race wagering. In New Jersey, competition from casino gaming has reduced horse-race wagering by 33 percent. In Illinois, real wagering on horses declined 5.8 percent in 1994, while real gross receipts from riverboat gaming increased 57.4 percent; one racetrack closed in 1994, and Arlington International Racecourse, one of the top tracks in North America, is threatened.

In 1995, Penn National and its employees alone directly contributed \$6.476 million in

taxes to the Commonwealth of Pennsylvania, and that number is expected to double by 1999. By every economic measure: gross revenue, net profits, growth in purses to our horsemen, total attendance at our facilities, and employment, by virtually any statistical measurement that you can find, the racing industry is booming.

I am pleased to tell this committee that the present condition of the Pennsylvania racing industry is very strong. But let's take a look at the possible effects of other forms of gaming upon our industry if casino gaming were permitted in Pennsylvania or if states adjoining Pennsylvania permit gaming in markets close to existing Pennsylvania facilities.

First, I think that you should recognize that the gambling dollar is limited. Gambling is just another form of entertainment for which most people have well-defined spending limits. Throughout the United States, casino gambling has been exacting a heavy toll on the horse racing industry. By 1989, the once dominant horse racing industry accounted for just 11.2% of total wagering the country; and by 1994, racing had further slipped to just 6.7% of total wagering nation-wide. It is worth noting that horse racing is at a distinct disadvantage when competing with casino gambling. The pace of casino gambling is much faster, and provides much faster "action" for the player. In addition, casino gambling is a great deal more profitable. This dramatically different level of profitability allows the casinos to market much more effectively for the limited gaming dollar.

In a separate report that our industry will shortly provide to this committee, we will outline state by state experiences where casino style gaming has had a direct negative impact upon horse or greyhound racing. Those states include Illinois, Michigan, Minnesota, Louisiana, Iowa, Wisconsin, New Mexico, South Dakota, and the state of Washington. In each of these states, the pari-mutuel industry has been devastated by the introduction of casino gaming. So

understandably, the Pennsylvania racing industry is quite concerned about the possible introduction of casino style gaming in Pennsylvania or in the states that surround us. It is just now, after many years of hard work, that we have managed to bring our industry to an acceptable level of profitability and growth. We cannot, therefore, support any expansion of gaming in Pennsylvania that does not adequately provide for the well-being of our existing Pennsylvania pari-mutuel industry.

I will see that this committee and other members of the legislature receive a copy of our industry's soon-to-be-released study which outlines the positive contribution of the Pennsylvania racing industry upon the Pennsylvania economy. This document will cover in a great deal more detail what I think even the most casual observer knows very well. Casino gambling is very damaging to the horse racing industry. That impact will affect our industry whether casino competition comes from in-state casinos or from out-of-state competition, where the out-of-state markets may be just minutes away from our domestic facilities.

As an illustration, consider that beautiful new Woodlands Thoroughbred Race Track and Dog Track facility in Kansas City, Kansas just filed Chapter 11 bankruptcy last week. The reason is simple. Just ten minutes away, three riverboats opened in Kansas City, Missouri - a different state, but the same market area. Hopefully, I have adequately summarized the obvious. Pari-mutuel racing facilities cannot compete against casino style gambling facilities unless given some of the same opportunities.

In conclusion, I want to emphasize that the Pennsylvania racing industry is very appreciative of the support we have received from the Pennsylvania legislature over the last 33 years. Your continued support has allowed us to remain a strong, economic part in the Pennsylvania economy. As an industry, we want to support what our legislature feels is good for

Pennsylvania; and we hope the Pennsylvania legislature will keep our industry in mind as it considers the introduction of casino gaming in Pennsylvania.

Statistical Source: The Horse Racing Industry-A Positive Contribution to Pennsylvania's Economy, November 1995