

Bob Green  
President and C.E.O.  
Philadelphia Park

Testimony to  
The House Judiciary Committee  
on House Bill 2308

July 1, 1996  
Ceremonial Court Room  
Federal Court Building  
Philadelphia

Mr. Chairman, members of the Judiciary Committee. Thank you for giving me the opportunity of testifying before you.

My name is Bob Green. I was born in London but I have been here on a permanent basis since 1989 and I have made Philadelphia my home in the United States. I own a house in South Philly on the corner of Front and Christian, which is where I currently live.

Apart from my corporate involvement which I will come on to, I am a Philadelphia resident - paying city property taxes, the city wage tax and (for me, probably a larger expense than it should be) the city liquor surtax charge!

At the end of 1990, my company (which is based in the United States and is called Greenwood Racing) purchased Philadelphia Park Racetrack. The Park is the major racetrack in the Commonwealth and sits on 420 acres, just over the north east city line in Bensalem, Bucks County. We also own three off track wagering and dining facilities (Turf Clubs, as we call them) in the Philadelphia area and operate the most extensive telephone wagering system in the country.

We are currently building our fourth Turf Club in the Valley Forge area and we hope to start work on our fifth site out on Baltimore Pike at Route 202 this summer. Our sixth site should be open some time next year. By that time, we would have invested approximately \$110 million of capital in Pennsylvania and we will have 1,800 employees, a thousand people more than we did in 1990. In addition, last year our Commission validated 3,500 people to work at our racetrack for owners and trainers with horses stabled at the grounds.

We consider ourselves very much part of the Philadelphia entertainment and recreation industry. This is a major element in the service industry, which is so vitally important for this area and the Commonwealth as a whole. Philadelphia used to be the manufacturing capital of America. Those days are long gone. As a result, there is a tremendous need to maintain this state's competitiveness in the service arena.

You are here to review the issue of gaming and its effect on tourism, hospitality and business within Pennsylvania. Our position on this matter is straightforward. We are not opposed in principle to the expansion of gaming in Pennsylvania. However, that expansion must be considered within the framework of the legalized gambling that already takes place within the state, namely the Pennsylvania Lottery and the business we are in, pari-mutuel wagering on horse racing.

At your March hearing, you heard from the Executive Director of the Lottery so I will not use up my time discussing the Lottery, except to say that it has been extremely successful and, despite competition and the expansion of lotteries in adjoining states, it is still in good shape.

As for horse racing, three principal factors have helped it to become one of the state's most important industries and one of the most progressive horse racing jurisdictions in the country.

First has been the support of the legislature who, recognizing the importance of racing and the preservation of open space, allowed the industry the opportunity to take its products to the people by permitting off track betting, telephone wagering and full card simulcasting. Second, has been the industry's willingness to invest in the future and its flexibility in adopting to changing economic conditions and consumer preference. Third has been the absence of direct immediate competition from casino gaming.

What this has meant, according to a recent independent study by the Economic Research Association, is that horse racing in Pennsylvania is responsible, on an annual basis, for supporting more than 40,000 jobs, generating \$576 million in personal income and producing a total economic impact of \$752 million. The industry supports capital facilities worth \$1.2 billion, plus another \$1.0 billion in equine related commercial activities. In an age of sprawling shopping malls and suburban housing development, it is particularly important to note that the industry is also a significant contributor to the maintenance of open space and agricultural land, with over 520,000 acres devoted to the breeding, raising and training of horses.

In my view, it would make absolutely no sense whatsoever to do anything that would impact in a negative way these two existing legalized gambling activities. They both operate under the strictest regulatory environment. They pose no enforcement or control issues, they do not cause the state a single problem and they produce significant tax revenues and jobs.

Indeed, the importance of the racing industry to the state has been recognized in the Kenney bill and there is provision for racetracks to obtain a Riverboat license within their primary market area. In our view, this makes sense because what we have seen in other states where an established horse racing industry has not been taken into account within an expanded gaming environment, has been the decimation of that industry.

However, we do recognize that the Kenney bill represents a major public policy issue for the Commonwealth and it is essential that it is approached with a clear understanding of what is being proposed and what, if it came into effect, would be the result. Your committee and other forums where this matter will be debated need as much relevant information as it is possible to obtain. With an issue of this magnitude, there should be no illusions. There should be no surprises.

In the meantime, our business and investment here in the Philadelphia region is under serious threat. Last year, the state of Delaware, faced with the potential closure of its racing industry, approved the installation of up to 1,000 slot machines at each of its three racetracks.

On the 28th December, 1995, slot machines made their first appearance at Delaware Park racetrack. Delaware Park is a 25 minute drive south down 1-95, just 30 minutes away from this building. These slots have been phenomenally successful. They have not only dramatically changed the shape of racing in Delaware, but they have also created over a thousand new jobs and added millions in tax revenues to the state's coffers.

Because of the bad weather we endured in January and February of this year when our track was only open for a total of 19 days of live racing, it was difficult to measure, on a like for like basis, what effect this added attraction at Delaware Park was having on our business. Since March, however, what we have seen is a steady and continuing negative impact on both our racetrack and our Turf Clubs. We estimate that we are currently losing 10% of our business down to Delaware and, in my view, that number will continue to grow.

The other damaging aspect from Pennsylvania's perspective is that slots have enabled Delaware to revive their purse structure (the prize money they pay to horsemen). This has meant that last year they were paying \$70,000 per day in purses against approximately \$100,000 a day that we were paying in Philadelphia. This year, their purses have already increased to over \$150,000 a day which gives them a distinct competitive advantage. As a result, owners and trainers are now moving their horses out of Pennsylvania and into Delaware. Just last month, for example, we lost two of our major outfits to Delaware Park. This is not just ominous for the racing industry, it is also bad news for the state's agricultural business.

Not that I am critical of Delaware's slot machine business. It is a good operation, well regulated and properly conducted. Nor am I critical of horsemen that move there. In their position, I would do exactly the same. What I am doing is to simply draw attention to the current degree of competition that our business faces here in Philadelphia.

And, within the Pennsylvania context, this competition is not just confined to Delaware. At the western end of the state, West Virginia has slots at their racetracks and this undoubtedly attracts wagering dollars from Pittsburgh and the surrounding region. Nearer home, in addition to the planned, massive expansion of facilities in Atlantic City, New Jersey has just introduced enabling legislation for slots at racetracks and similar measures are currently under active consideration in Maryland and New York.

This propensity for states to put slots at their racetracks is understandable. In the first instance, it is a limited and restrained response to the clamor for expanded gaming and wherever they have been introduced, they have been an unqualified success. And this has been a success without causing any problems to the community or the state concerned.

In our view, this would be the case in Pennsylvania. The racing industry is already highly regulated with every employee licensed and every contract subject to State Commission approval. The control functions are already in place, without having to set up a new and expensive bureaucracy.

Each racetrack is already zoned for racing and for wagering. Each one has at its disposal hundreds of acres of available land. Each racetrack has many thousands of available parking spaces and there are no problems with access and traffic flow. They present no difficulties to the communities in which they are located and are all highly regarded within their own neighborhoods. The primary purpose of the racetrack is a place where people go to wager.

I am not here to whine about our industry, nor to ask for special protection for it. We are businessmen and risk is one of the functions of business. What I do think needs serious consideration is for Pennsylvania to measure what is going on around it and then to determine its response.

From a simple economic standpoint, it would be totally unrealistic to expect this Commonwealth to sit idly by and continue to allow more and more of its money to be drained away across state lines. We know that people in this state play slot machines. It's just that they play them, not in Philadelphia nor in Pittsburgh, but in Atlantic City, Delaware Park and at racetracks in West Virginia. It won't be long before New York and Maryland are added to that list.

As I have said, the racing industry does not need special protection, it just needs the tools to compete and, as a highly regulated industry, it is only the legislature that can give us those tools. By way of an example, between 1992 and 1993, Philadelphia Park lost 25% of its trade to the New Jersey racetracks and was facing the elimination of its business. It was a simple matter, New Jersey tracks could bring in full card simulcasting, Pennsylvania tracks could not. In the summer of 93, the legislature recognized the problem and allowed us to do the same thing - no better, no worse. Within 6 months, we had not only recaptured the business we had lost, but we had significantly increased our market share at New Jersey's