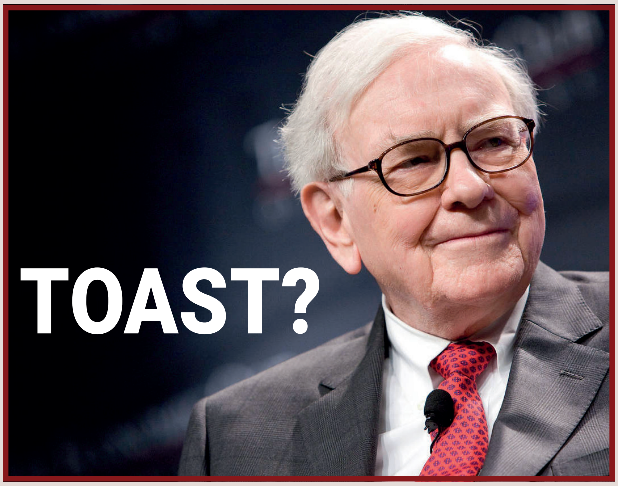
ALAN F. BALCH



LEFT: "The Oracle of Omaha" – Warren Buffett.

Those of us of a certain age vividly remember Walter Annenberg, friend of presidents, Ambassador to the Court of St. James, master of Sunnylands in Rancho Mirage, and publisher of *Daily Racing Form*.

We tend not to remember his criminal father Moses (Moe) or the Chicago and Capone connections integral to the success of the racing wires and Form, leading to his imprisonment for evading over $20-million in US taxes (in today's currency). For those interested in the birth and ongoing life-cycle of American racing, further research would be enlightening.

Suffice it to say that our sport was once highly lucrative. An oligopoly, and even monopolistic in some respects.

Tycoon Warren Buffett, now styled "The Oracle of Omaha," long ago teased his audiences by asking them to name the nation's most profitable newspaper, having little advertising, costing the buyer a dollar when other papers cost a dime? He started out as a teen-aged publisher of his own tip sheet, was ruled off for not sharing his proceeds with the track operator, a student of "speed" vs. "class" handicapping. Most of those at his feet had no idea that he was talking about *The Morning Telegraph*, which was succeeded by the Form, of course.

In the many decades since, Buffett's investing led him far, far away from speed and concentrated on staying. He took a cue from the Annenberg son, whose Triangle Publications was founded on what Walter termed "essentiality." Anyone seriously interested in business had to have *The Wall Street Journal*; in horse racing, the *Daily Racing Form*; in television, *TV Guide*. For the nation at large, two of the three were essential. Even the Form was essential, in the sense that no other sport, early on, permitted legal betting on its contests; any bet on a race, without critical information, was literally uninformed to a significant extent. In the early days, racing was undoubtedly America's leading professional sport.

Until recently, Buffett was a major investor in newspapers, and one of his first jobs, along with that track publishing stint, was as a paperboy. Over a decade ago, he bought 28 local papers for $344-million. In 1977, he had gotten *The Buffalo News* for $36-million. Lately, he sold all those at a loss, although financing terms of the transactions may make him better than whole in the long run.

In a 2019 interview with Yahoo Finance, he described the evolution of newspaper publishing, along with the essential nature of local news and advertising, and how the business had changed. "It went from monopoly to franchise to competitive to ... toast." Gulp.

That racing and its place in the gaming universe also have been dramatically changing isn't exactly a secret, right? Or unforeseen, long before now? New York OTB was authorized in 1970. The New York Lottery had begun in 1967. Out on the island of California, its State Lottery was authorized by a vote of the people in late 1984. Despite its 50% takeout, giant payoffs to the brain-dead and a very few with real luck began luring our clientele away the next year.

While we in racing haven't exactly been asleep, maybe we've been dreaming ... that somehow this reality would never actually bite. And chew. That simulcasting, satellites, ADW, and sports betting would see us through? And just exactly how would that work? Decades, literally, largely have been wasted. Racing's leaders could have invested wisely in research, development, and acquisition, dedicated to competing successfully in the evolving world of gaming. There was a time when we should and could have better marshaled our financial resources for critical future orientation. Not to mention keen, deep appreciation for our unique selling proposition in the gaming world: the horse.

The last time the North American foal crop was under 20,000, as it is now, was 1965, but then it was on an upward trend. That year, the average field size was stable at just under 9 horses per race. In 2019, it was 7.5, or a decline of 17%. Average annual starts per runner has declined from 11 in 1965, to barely over 6 in 2019, or about 45%. In California alone, 3,365 races were run in 1965; in 2018, 3,874. Make sense?

Most industries use similar objective data to guide decision-making and policies. We do not. Despite our fans' mania over the most minute data to drive betting! Is it any wonder we face the most uncertain of futures?

To make matters still worse, greater and greater numbers of the declining stock of horses are increasingly concentrated in fewer and fewer hands, leading to far less attractive betting contests for the public. Racing associations, governing bodies, and horsemen's organizations seem reluctant even to discuss, let alone act on, what the data present. For racing to have a serious chance to flourish again, stall limits on trainers must be gradually but increasingly implemented. A far broader distribution of horses among trainers is essential to growing field size and enhancing our fundamental game. The business reasons are starkly clear.

But that's only one essential tactic in what should be a strategy based on all the intellectual capital the entire industry can assemble.

So, do I believe we're toast? No, not necessarily ... racing will continue, survive, and possibly thrive.

However, true prosperity is only ours if we remember, no matter the obstacles, the fundamental reasons for our sport's adaption to change through the centuries. Its foundation is the majesty and attraction of horses to the vast public, and the socialization our shared affection inspires. In turn, that requires vigorous commitment to equine welfare, allegiance to the principle of breeding a better, sounder horse, and genuine, loving, sincere observance of good horsemanship. T