



**Arizona Department of Gaming**

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# Racing Industry Report

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Arizona Department of Gaming

Racing Division

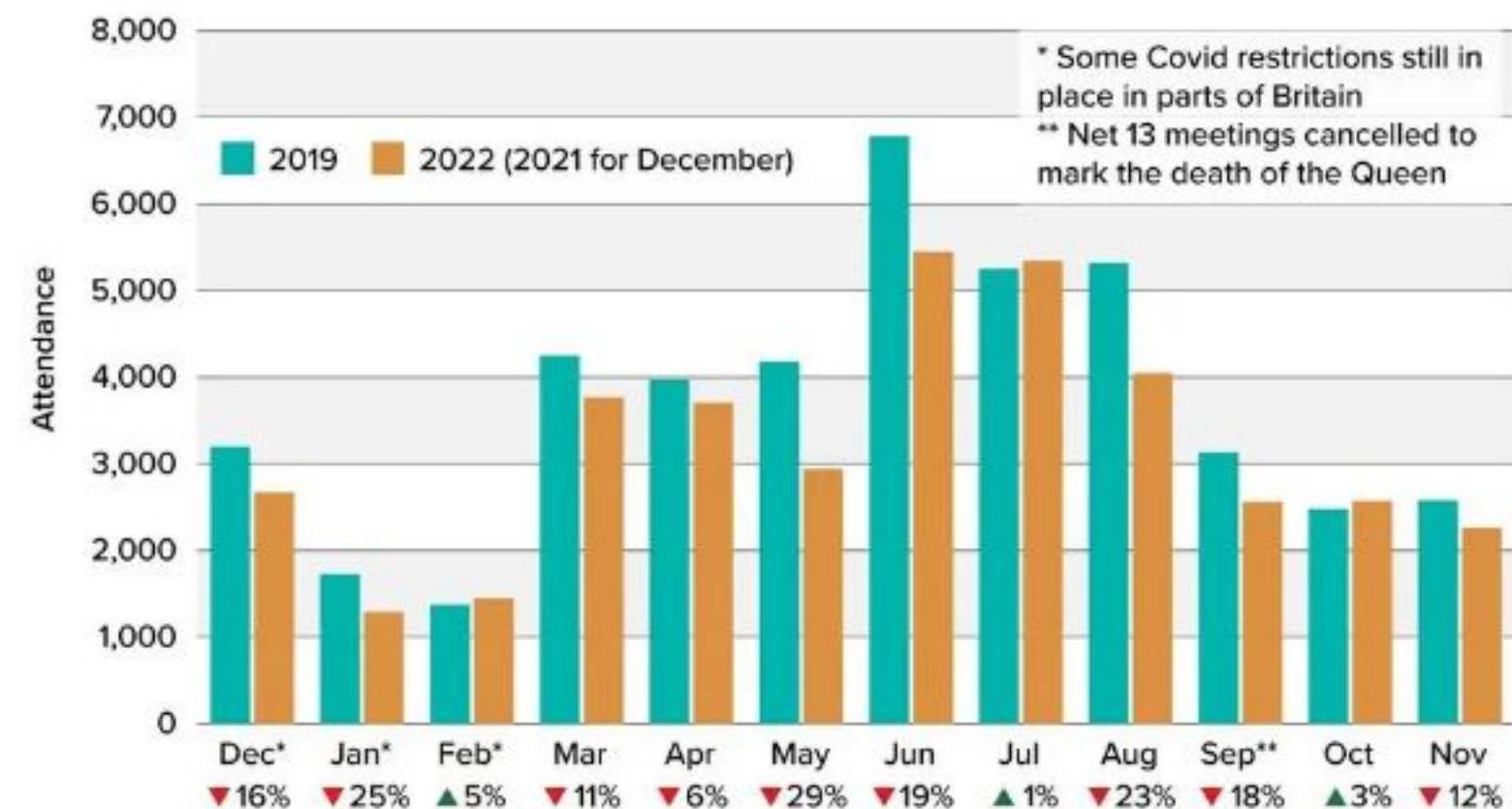
# Concerns Voiced Within the Racing Industry Pre-Pandemic

- Industry-wide struggle to connect with new fans and increased indirect competition<sup>1</sup>
  - Customers over age 56 make up 45% of the demographic market<sup>2</sup>
  - Younger consumers are less drawn to the sport
    - There are concerns relating to environmental impact, animal treatment, and other social issues
      - Negative industry publicity also has drawn them away from the sport, regardless of whether these concerns are accurate<sup>3</sup>
  - Greater indirect competition with other leisure activities such as football, basketball, baseball, hockey, etc.<sup>4</sup>
  - In 1985 horseracing was the 8th most popular sport and 4% of Americans listed it as their favorite sport, compared to 2016 where horseracing was the 13th most popular sport and 1% of Americans listed it as their favorite sport<sup>5</sup>
- Members of the racing community called for industry-wide change to “reconnect with old fans, cultivate interest with millennials and resurrect the game.”<sup>6</sup>
  - The marketing efforts of various tracks support this<sup>7</sup>
    - Promotional T-shirts, caps, and drinks targeting a younger demographic<sup>8</sup>
    - Pony rides for children<sup>9</sup>
    - Social Media promotion<sup>10</sup>
    - Date Nights, drink specials, celebrity appearances, and concerts<sup>11</sup>

# The Racing Industry Internationally: The United Kingdom

- In the UK horseracing is the 2nd largest sport, yet it faces similar struggles as the U.S. with regard to attendance, popularity, and the need to attract a younger demographic:<sup>12</sup>
  - UK attendance dipped below 5 million for the first time in 25 years<sup>13</sup>
  - Tracks engaged in new marketing strategies such as free admission to patrons who publicly shared their passions for racing and hosted events for children to teach them about the racing industry<sup>14</sup>
  - The British Horseracing Authority faces similar challenges and protests from animal rights groups as well as the public perceptions of racing<sup>15</sup>
  - Tracks are also struggling with lower prize money, which impacts the industry's ability to compete with international markets<sup>16</sup>

## Average attendance per fixture



Graph Comparing UK Racing Attendance in 2019 to 2022

# The Racing Industry Internationally: Australia

- Racing is an important contributor to the Australian economy, and per capita “Australia has arguably the strongest racing industry in the world.”<sup>17</sup>
- Australia faces struggles, among which animal welfare and money laundering are currently the most pressing<sup>18</sup>
  - Starting in 2019, there was a large public outcry calling for better protections for racehorses, particularly those that are injured, retired, or unsuccessful<sup>19</sup>
  - Current legislation in Australia is insufficient to protect against money laundering, notably transactions for shares of horses do not have to follow ‘know your customer’ requirements or report transactions over \$10,000<sup>20</sup>

## KEY ECONOMIC IMPACTS

**\$9,153.2 million Total Economic Contribution**

**DIRECT \$3,203.5 MILLION**

**INDIRECT \$5,949.7 MILLION**

**71,937 Total FTE Job Creation**

**DIRECT 32,801 FTE**

**INDIRECT 39,136 FTE**

**\$4,893.8 million Total Household Income Generated**

**Generated**

**DIRECT \$2,088.1 MILLION**

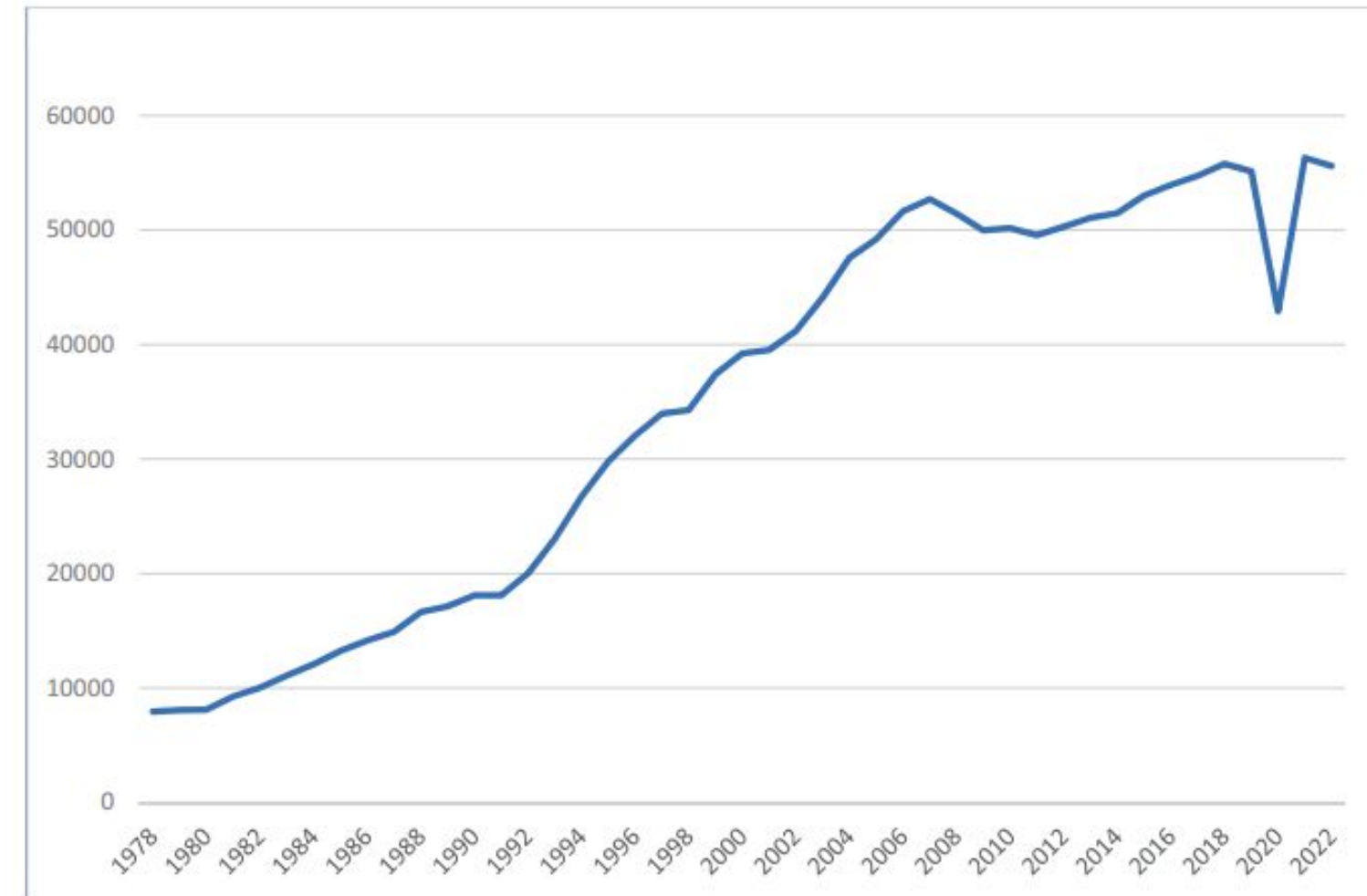
**INDIRECT \$2,805.7 MILLION**

Chart Describing the Economic Impacts of Racing in Australia



# The Racing Industry Nationally

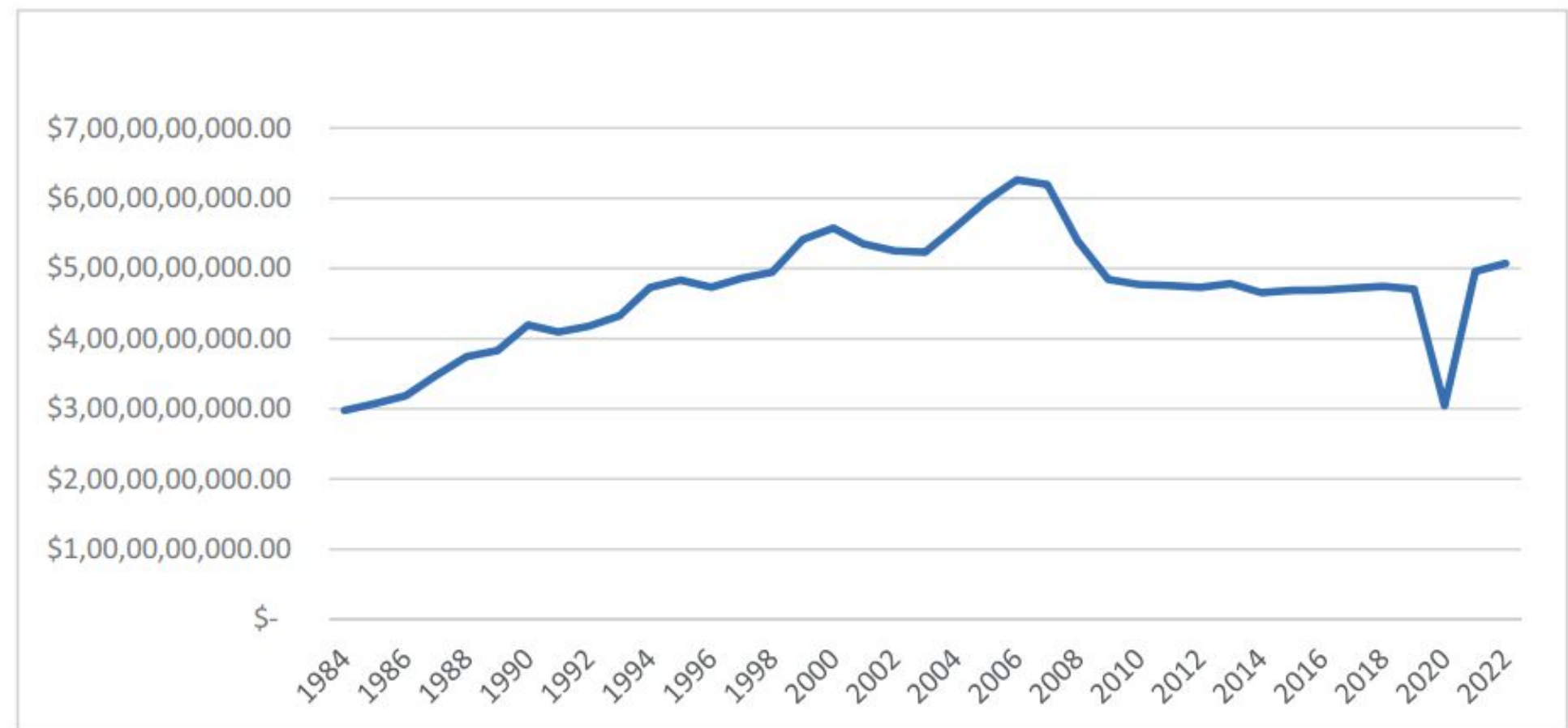
- 2023 Horse Racing Tracks Industry Statistics<sup>21</sup>:
  - Market size by revenue: \$4.9bn<sup>22</sup>
  - Growth rate 2023: -1.9%<sup>23</sup>
  - Growth rate 2018-2023: -5.2%<sup>24</sup>
- US gambling and Horse Racing industries have faced stagnation and decline in recent years due to consumers' low disposable income, changing consumer preferences, and competition from other forms of entertainment<sup>25</sup>
  - As a result, many tracks and gambling facilities have merged with other entities leading to industry concentration and fewer choices for consumers and workers<sup>26</sup>



Graph Depicts Inflation Adjusted Personal Consumption Expenditures on Gambling from 1978-2022

# The Impact of Electronic Wagering

- Traditional betting methods have shifted to digital platforms resulting in changes in revenue streams, market dynamics, and changes in consumer behavior<sup>27</sup>
- Since the legalization of electronic wagering consumers can now place bets on sports like football and basketball, both sports are indirect competitors of racing and share a similar fan base of older men with greater disposable income and leisure time<sup>28</sup>
  - New wagering opportunities in these sports have increased competition
- While electronic wagering on sports like football and basketball expands, some predict that rather than attracting new players it will cannibalize existing markets including racing<sup>29</sup>



Graph depicts severe dip in Nevada's sports gambling revenues starting in 2018 when sports betting became possible in other jurisdictions



# The Horseracing Integrity and Safety Act

- HISA was created in response to the 2019 racing season, in which 441 thoroughbred racehorses suffered fatal injuries—the U.S. fatality rate being 2.5 to 5 times greater per race start than Europe and Asia—and concern over jockey deaths and injuries<sup>30</sup>
  - HISA's authors sought to address issues related to track surface, training, drug use, and drug testing, and to create uniform rules throughout the country rather than the previous patchwork of regulation<sup>31</sup>
  - The House Committee Report highlighted major differences in drug testing compared to other nations and the struggle to unify testing procedures among various states<sup>32</sup>



# The Racing Industry in Arizona

- Racing in Arizona has historically had an impact that extends beyond the tax-revenues of pari mutuel racing and revenues generated directly by the tracks<sup>33</sup>
  - There are economic spillover effects into other adjacent equine industries like breeding, grooming, veterinary care, alfalfa farming, etc, that have some dependence on racing in Arizona<sup>34</sup>
- For example, a 2016 economic study found that Turf Paradise contributed an annual economic impact of \$91mil to the state of Arizona and that every \$1 injected into the racing industry had an economic impact of \$2 on the Arizona economy<sup>35</sup>
  - However, it is unclear how/if that has changed today with numerous articles questioning the economic viability of Arizona's tracks<sup>36</sup>
  - Regardless, it is important to note the historical and financial significance of racing to develop novel solutions to solve the industry's challenges.<sup>37</sup>





# Sources

<sup>1</sup> Hoffman, *et al.*, *An Industry in Decline: Can U.S. Horse Racing Turn the Corner?*, 14 J. MARKETING DEVELOPMENT & COMPETITIVENESS 23 (2020).

<sup>2</sup> *Id.*

<sup>3</sup> *Id.*

<sup>4</sup> *Id.*

<sup>5</sup> *Id.*

<sup>6</sup> *Time for a Revolution in Horse Racing*, Past the Wire, <https://pastthewire.com/time-for-a-revolution-in-horse-racing/> (Jan. 27, 2020).

<sup>7</sup> Hoffman *supra* note 1.

<sup>8</sup> *Id.*

<sup>9</sup> *Id.*

<sup>10</sup> *Id.*

<sup>11</sup> *Id.*

<sup>12</sup> Scott Burton, *Racecourse Attendances Set to Dip Below Five Million for the First Time in Decades*, RACING POST, <https://www.racingpost.com/news/racecourse-attendances-set-to-dip-below-five-million-for-first-time-in-decades-abgTR6v2DcPz/> (Jan. 5, 2023); James Goddard, *Horseracing Industry: Government Support and Recent Developments*, HOUSE OF LORDS LIBRARY, <https://lordslibrary.parliament.uk/horseracing-industry-government-support-and-recent-developments/> (Sept. 6, 2023).

<sup>13</sup> Burton *supra* note 12.

<sup>14</sup> Hoffman *supra* note 1.

<sup>15</sup> Goddard *supra* note 12.

<sup>16</sup> *Id.*

<sup>17</sup> *Racing Australia: Size & Scope Study*, IER, <https://ier-study.racingaustralia.horse/about-ier/> (last visited Feb. 21, 2024).

<sup>18</sup> Phil McManus, *Horse Racing Must Change, or the Court of Public Opinion Will Bury It*, THE CONVERSATION, <https://theconversation.com/horse-racing-must-change-or-the-court-of-public-opinion-will-bury-it-125637> (Oct. 22, 2019); Anne Davies, *Horse Racing Industry Not Equipped to Tackle Money Laundering, Organised Crime Expert Says*, THE GUARDIAN, <https://www.theguardian.com/australia-news/2023/oct/19/horse-racing-money-laundering-claims-australia> (Oct. 14, 2023).

<sup>19</sup> McManus *supra* note 18.

# Sources Continued

<sup>20</sup> Davies *supra* note 18.

<sup>21</sup> IBIS World Industry Report, *Horse Racing Tracks in the US - Market Size (2005–2029)*, IBIS World (Sept. 2023).

<sup>22</sup> *Id.*

<sup>23</sup> *Id.*

<sup>24</sup> *Id.*

<sup>25</sup> Thomas E. Lambert, *Mergers and Consolidation in the U.S. Gambling and Horse Racing Industries: What it Means for Local Economic Development and Taxation*, 16 J. GAMBLING BUS. & ECONOMICS 25 (2023).

<sup>26</sup> *Id.*

<sup>27</sup> See George Diemer & Ryan M. Rodenberg, *The Economics of Online Sports Betting*, in THE OXFORD HANDBOOK OF THE ECONOMICS OF GAMBLING 130 (2013).

<sup>28</sup> Lambert *supra* note 25.

<sup>29</sup> *Id.*

<sup>30</sup> H.R. Rep No. 116-554, at 17 (2020).

<sup>31</sup> *Id.*

<sup>32</sup> *Id.*

<sup>33</sup> William J. Hanekamp, *Economics of the Thoroughbred Racehorse Industry in Arizona*, (1974) (Masters of Science Thesis, University of Arizona); *Open Letter to Arizona Horsemen: “Horseracing in Our State is Not Dead”*, THOROUGHBRED DAILY NEWS, <https://www.thoroughbreddailynews.com/open-letter-to-arizona-horsemen-horse-racing-in-our-state-is-not-dead/> (Aug. 7, 2023).

<sup>34</sup> *id.*

<sup>35</sup> Margaret Ray, *Turf Paradise has \$91 Million Impact on AZ*, BLOODHORSE, <https://www.bloodhorse.com/horse-racing/articles/215759/turf-paradise-has-91-million-impact-on-az> (Oct. 2016)

<sup>36</sup> E.g., Austin Hepola, *Horse Racing's Future in Arizona Remains Uncertain*, KJZZ <https://kjzz.org/content/1863870/horse-racings-future-arizona-remains-uncertain> (Nov. 28, 2023); Thoroughbred Daily News *supra* note 30; Morgan Loew & Cody Lillich, *Increasing racehorse deaths put Arizona’s racing industry under the microscope*, ARIZONA’S FAMILY <https://www.azfamily.com/2022/06/23/increasing-racehorse-deaths-put-arizonas-racing-industry-under-microscope/> (June 23, 2022).

<sup>37</sup> See generally Thoroughbred Daily News *supra* note 30; Lambert *supra* note 25; Past the Wire *supra* note 6; Hoffman *supra* note 1.