

Sustainability Assessment of Horse Racing in BC

Prepared for the BC Ministry of Public Safety and Solicitor General |
Gaming Policy & Enforcement Branch

Final Report

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Introduction

The BC Ministry of Public Safety and Solicitor General's (PSSG) Gaming Policy and Enforcement Branch (GPEB) regulates live horse racing in BC and has significant interest in understanding the economic and social impacts generated by the industry. As part of a review to broaden its understanding of the economic and social contributions of the industry GPEB engaged MNP LLP (MNP) to undertake an economic impact analysis as well as an evaluation of the sector's social impacts and the sustainability of live horse racing in BC.

This report outlines the findings of the evaluation of the sustainability of the horse racing industry. The scope of the evaluation was limited to developing an estimate of the current financial state of the industry and estimating the revenue required for the industry to be self-sustaining at its current level.

1.1 Approach

In conducting the sustainability review MNP carried out the following activities:

- Reviewed data on the costs and revenues associated with horse racing in BC gathered from industry participants as part of the economic impact study.
- Worked with GPEB to define the scenarios to model.
- Developed a financial model for horse racing covering each of the scenarios.

1.2 Structure of the Report

The remaining sections of this report are organized as follows:

- Section 2 provides the sustainability assessment.
- Section 3 provides the conclusion.
- The Appendix provides the financial model outputs.

1.3 Limitations

This report is not intended for general circulation, nor is it to be published in whole or in part without the prior written consent of MNP. The report is provided for information purposes and is intended for general guidance only. It should not be regarded as comprehensive or a substitute for personalized, investment or business advice.

We have relied upon the completeness, accuracy and fair presentation of all information and data obtained from GPEB, industry participants and public sources believed to be reliable. The accuracy and reliability of the findings and opinions expressed in the report are conditional upon the completeness, accuracy and fair presentation of the information underlying them. As a result, we caution readers not to rely upon any findings or opinions for business or investment purposes and disclaim any liability to any party who relies upon them as such.

The findings and opinions expressed in the report constitute judgments as of the date of the report and are subject to change without notice. MNP is under no obligation to advise of any change brought to its attention which would alter those findings or opinions.

The report contains projections, founded on past events giving an expectation of certain future events. Future events are not guaranteed to follow past patterns and results may vary, even significantly. Accordingly, we express no assurance that the projections underlying the economic and financial analysis in the future will be achieved.

Sustainability Assessment

The Horse Racing Industry Management Committee (HRIMC) was formed in 2009 to bring the industry together under a single team to work towards its revitalization and sustainability. HRIMC is comprised of one representative from the track operator (Great Canadian Entertainment), one from an industry association representing the Thoroughbred sector and one from an industry association representing the Standardbred sector. HRIMC approves and manages the administration of a revenue-sharing agreement between the three parties, which governs the distribution of horse racing industry income.

Horse racing industry income comes from a variety of sources, including:

- A share of wagering on horse racing both within BC and at tracks around the world through TBC Teletheatre BC and online through HPIbet,
- A share of net revenue from slot machines located at the casinos the tracks are part of, and
- A share of the provincial betting fees levied on horse racing wagers made in BC.

Under the current revenue-sharing agreement, after \$505.0 thousand is allocated to a marketing fund, Great Canadian Entertainment (GCE) receives 43.2 percent of remaining industry income, the Thoroughbred sector receives 33.635 percent and the Standardbred sector receives 23.165 percent. The two breed sectors use the income obtained through the revenue-sharing agreement to pay expenses and race purses and to incentivize growth in BC race horses populations. GCE uses its share of the industry income to operate and maintain the racetracks.

Horse racing industry income comes from a variety of sources including wagering on horse racing both within BC and at tracks around the world through:

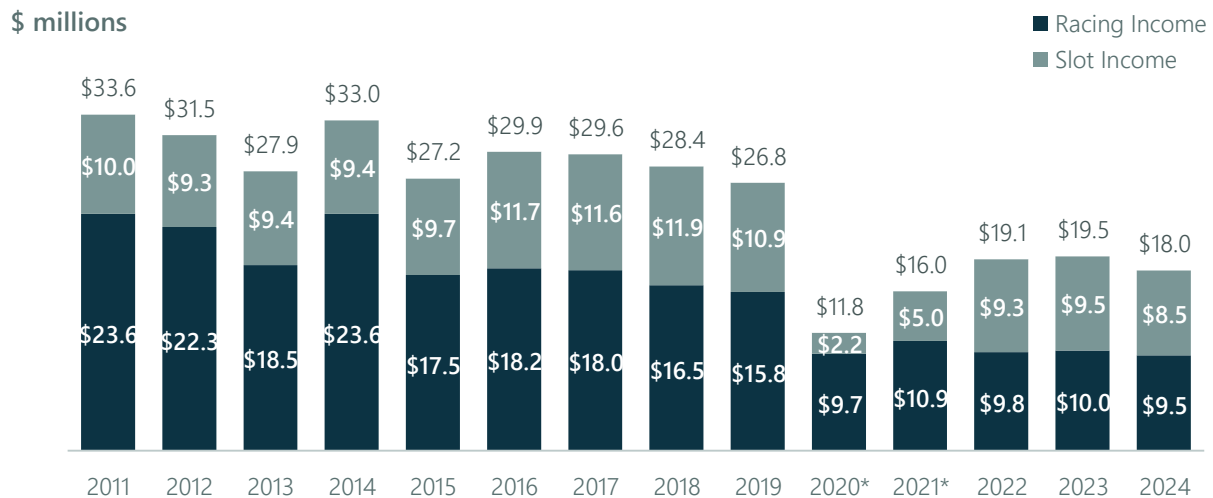
- Teletheatre BC (TBC),
- Online through HPIbet,
- A share of net revenue from slot machines located at the casinos the tracks are part of, and
- A share of the fees levied on bets placed at horse racing events.

1.4 Trends in Industry Income

Figure 1 shows industry income by source between 2011 and 2024. Between 2011 and 2019, industry

income declined from \$33.6 million to \$26.8 million. This decrease was attributable to a decline in racing income of approximately one-third. In 2020 and 2021 facilities were temporarily closed due the COVID-19 pandemic, which reduced income significantly. Racing income includes both the industry’s share of wagering income and betting fees. Following the pandemic, income has not recovered to pre-pandemic levels. Racing income is approximately 60 percent of pre-pandemic levels and slot machine income is approximately 80 percent of pre-pandemic levels. In 2021, single action betting was legalized. The increased competition contributed to further declines in industry income.

Figure 1: Industry Income by Income Stream, 2011-2024



Source: GPEB

According to industry participants interviewed, the decline in racing income is the result of multiple inter-related factors:

- Expansion of regulated gambling activities, including sports betting, has increased competition for entertainment dollars and led to less income generated from wagering.
- Declining income has reduced the funds available for purses which has led to fewer race days.
- Fewer race days have made Hastings Racecourse and Fraser Downs less attractive as places to race horses, which has led to fewer horses and smaller field sizes.
- Fewer horses racing in BC has meant lower demand for BC bred horses, affecting breeding operations.
- Deterioration in the condition of facilities at both tracks, reducing amenities and making them less appealing for race audiences.

1.5 Sustainability Assessment

The sustainability assessment assumes that, in order for the industry to be sustainable:

- GCE needs to be able to fully recoup its costs associated with the operation of the tracks from its share of industry revenue, and
- Owners need to be able to fully recoup their costs associated with caring for, training and racing horses through race purses or other financial incentives that are provided by their respective breed associations from their shares of industry revenue.

Table 1 summarizes the current financial state of the industry based on 2024 estimates of costs and revenues. Those estimates are based on information provided by GCE on the costs associated with operating each of the track facilities and information on the costs associated with caring for, training and racing horses at each of the tracks gathered through an online survey of owners, trainers and breeders conducted between February 3 and February 19, 2025. Detailed breakdowns of the estimates are provided in the Appendix.

Based on the current financial state, the industry is not sustainable at current industry income levels. The estimated total current state deficit is between \$8 and \$10 million annually, with GCE facing a deficit of \$1.4 million and the thoroughbred sector and standardbred sectors facing deficits in range of \$3.8 million to \$5.2 million and \$2.9 million to \$3.5 million, respectively. These estimates do not include capital investment to upgrade existing facilities.

Table 1: Current State Analysis

	Thoroughbred	Standardbred	Track Operations	Total
Races	288	498	786	786
Revenue* (\$ millions)	\$5.858	\$4.034	\$9.032	\$18.924
Costs (\$ millions)	\$9.653 - \$11.032**	\$6.961 - \$7.541***	\$10.453	\$27.067-\$29.026
Surplus/(Deficit)	(\$3.795 - \$5.174)	(\$2.927 -\$3.507)	(\$1.421)	(\$8.143 - \$10.102)

*Revenue includes racing income, food and beverage revenue and slot machine net revenue only.

**Cost ranges are based on between 750 and 915 horses, including 350 to 400 of which are racing or in training to race at Hastings Racecourse.

***Cost ranges are based on between 525 and 650 horses, including 300 to 325 of which are racing or in training to race at Fraser Downs.

Conclusion

The sustainability assessment of the horse racing industry in BC shows that there are significant challenges that need to be addressed to ensure the industry's long-term viability. At present the industry is facing an operating deficit of between \$8 million and \$10 million annually. This deficit is due to various factors, including declining racing income, increased competition from other gambling activities, and rising costs associated with maintaining facilities.

To achieve sustainability, the industry must find ways to increase revenue and grow the audience for horse racing. This may involve exploring new revenue streams, improving the attractiveness of racecourses, and investing in facilities to enhance the overall experience for race audiences.

Appendix: Financial Model Output

Gaming Policy and Enforcement Branch (GPEB)
 Sustainability Assessment Model - Horseracing in BC
 Model Assumptions

Cost assumptions:

	Thoroughbreds		Standardbreds	
	LOW	HIGH	LOW	HIGH
Veterinary Care and Medical Costs	518,000	592,000	444,000	481,000
Farrier	87,500	100,000	75,000	81,250
Tack and equipment	87,500	100,000	75,000	81,250
Feed	910,000	1,040,000	780,000	845,000
Boarding (includes bedding, manure disposal, etc.)	1,232,000	1,408,000	1,056,000	1,144,000
Other	206,500	236,000	177,000	191,750
Salaries and wages for care	2,012,063	2,299,500	1,724,625	1,868,344
Training costs	3,675,000	4,200,000	1,890,000	2,047,500
Jockey/driver fees	315,000	360,000	217,500	235,625
Race day caretaking	98,000	112,000	84,000	91,000
Transportation	164,500	188,000	141,000	152,750
Farrier (additional)	185,500	212,000	159,000	172,250
Insurance	161,000	184,000	138,000	149,500

Notes:

1. These financial statements may include forward-looking statements based on current expectations and projections about future events, and actual results may differ materially from those forecasted.



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