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Changed Model

by James Platz

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The announcement Dec. 13 by Churchill Downs Inc. that it would sell its 62% interest in Hoosier Park to Indianapolis-based Centaur should come as no surprise. Since 2005, Hoosier Park is the third property trimmed from CDI's portfolio, joining both Ellis Park and Hollywood Park. Centaur, which already owns the remaining 38% stake in the track, will become the sole owner.

While I have the utmost confidence in Centaur to take the reins and move Hoosier Park forward, I am troubled by the story this sale indirectly tells regarding the health of Indiana's racing industry. Churchill Downs spent a great deal of time and tens of millions of dollars in development to open Hoosier Park in September 1994, five years after the state's general assembly approved pari-mutuel wagering. Now, for a minuscule \$8.2 million, CDI is willing to sever ties with the track that served as its first acquisition in the 1990s, as well as from a market it helped cultivate and grow. If Hoosier horsemen aren't already concerned, they should be.

The Indiana racing industry was once widely heralded, thanks to the general assembly earmarking revenue from a riverboat admission tax to supplement racing and breed development. Soon horsemen from other jurisdictions were anxious to invest in the Indiana program. Times were good, and several publications, *The Blood-Horse* among them, trumpeted the success in Indiana.

The landscape is now quite different. Hoosier Park is no longer the sole operator in Indiana, as Indiana Downs became the state's second pari-mutuel track in December 2002. The riverboat subsidy, a \$27-million annual investment split between both tracks and breed development groups, now pales in comparison to the revenue racinos in other states generate and can offer in the way of purses. The incentive is nowhere near as great for breeders to invest in Indiana stock. In fact, some of the top operations Indiana boasted have scaled back considerably or have made an exodus in recent years.

In November, Penn National Gaming announced an agreement to purchase Zia Park for \$200 million. The track is located in the remote town of Hobbs, N.M., while Hoosier Park is a 45-minute drive northeast of Indianapolis in the heart of the Midwest. It is situated within a few hours' ship of myriad tracks and training facilities. Why the \$192-million discrepancy? Consider the Black Gold Casino for one. Without gaming in New Mexico, Zia Park might not have been built.

Survival may be what is at stake in Indiana within the coming years. Indiana Downs has yet to post a profit since opening, and Hoosier Park has operated in the red the last four years. Hoosier Park's 2005 financial statements show a net loss of nearly \$2.9 million, a far cry from the \$4.7-million surplus registered in 2002. The once-lucrative riverboat subsidy intended to help stabilize Indiana's racing industry is woefully inadequate. The model so envied by others no longer works.

Jeff Smith agrees, and he should know better than most. Before taking the helm at Centaur, Smith served as a CDI officer and oversaw the construction and opening of Hoosier Park. Days after the purchase agreement was announced, he acknowledged that Indiana's racing industry is struggling, while other jurisdictions flourish.

"Ultimately, the economic model for horse racing needs to change, and we're hopeful it will change," Smith said. "I think this (sale agreement) is yet another indicator; it is substantiated by this transaction."

Shortly, the Indiana General Assembly will again convene, and stakeholders in the industry will make yet another push for alternative gaming in the state. More than a decade ago, legislators made Indiana the talk of the racing world when they approved the riverboat subsidy. Since then, the divide between tracks

with slots and those without continues to widen. At one time, the horse industry produced a \$2.6-billion economic impact in the Hoosier State. In 2003, the figure was cut in half.

Indiana's racing industry has lost ground, and continues to lose ground, to other states. Hoosier Park was purchased by Centaur for a fraction of CDI's total investment, while the sale of tracks in slots-rich states are setting records. Indiana's racing industry cannot afford to be left behind.

James Platz, a correspondent for The Blood-Horse, is a former Hoosier Park employee.

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