Mark Johnston's Straight Talking

The unkindest cut of all

RACECOURSES fear a reduction in income from media rights if the reduction in the maximum FOBT stake to £2 results in closure of betting shops. Some – principally ARC - have already decided to cut their expenditure in anticipation of that drop in income. That is, arguably, good business sense. If your income drops and you want to maintain profits at the same level, you have to cut costs. The problem, however, arose when they decided that the simplest thing for them to do was to cut the price, prize-money, that they pay for their core product, runners. And, to cut it before any drop in income has occurred.

The suppliers of that core product are already losing 72% of their own production costs, and there must surely come a time when the suppliers of that product decide that enough is enough and they are no longer willing to sustain even greater losses so that racecourses can maintain their profit margin. If that time comes, what will racecourses have to sell?

The Racing Post and others in the media have attempted to explain this predicament since owners and trainers failed to turn out for a couple of poorly funded races at Lingfield's Winter Derby meeting and, to my mind, they have been overly sympathetic to the courses. There has been much talk of racecourses having increased their 'executive contribution' to prize-money massively during the last decade, but few have bothered to explain where that executive contribution comes from.

What we really need to know is how much money is coming into racing, where it is coming from, and where it is going. The racecourses are as cagey as the bookmakers about disclosing their income and that itself tells us something. Before the racecourses won the battle with Peter Savill's BHB for control of media rights, bookmakers principally paid for racing through the Levy and Levy funds were routed through racecourses to prize-money.

The Levy has declined considerably but it has more than been replaced by media rights, although the fixture list has been dramatically increased to maximise the draw-down of media money which is paid on a per-race basis. This new, bigger, income stream should surely have led to greatly increased prize-money, especially when we were told of the riches that could be unleashed from selling British racing abroad if only we would agree to declaring our horses 48 hours in advance.

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The total prize-money pot did increase but so, of course, did owners' costs to service the vastly increased fixture list. A recent figure in the Racing Post suggested that owners' losses, excluding capital depreciation, reduced from 77% to 72% in the last decade. Throughout the same period the racecourses have been enjoying this new income stream, media rights, and we, the horsemen, have been giving them a gold star for effort if they put 50% of it into prize-money.

Now, in anticipation that this income stream might be reduced, some racecourses are saying that, rather than accept a reduction in profit or look for cuts elsewhere, they are going to cut payments to the owners and increase their losses again. And they are surprised that this upsets us? They have clearly been having it too easy.

Cesarewitch: Righting the wrongs

THERE is nothing wrong with changing your mind. Sometimes circumstances change or new information comes to light and it would be foolish to continue with a flawed plan or to try to maintain a position, or to continue to express an opinion, which is at odds with the facts. And sometimes we can all just get it wrong and when you are wrong the right and proper thing to do is to admit it.

Jockey Club Racecourses got it wrong in a big way with their ludicrous plans for a £1million Cesarewitch and, dare I say, I said it was wrong as soon as they revealed their scheme (or should I say scam). It was wrong on many fronts.

It was wrong to put so much money into a race which was consistently filling with high-class performers every year at the existing prize fund. It was wrong to cap the race at a rating of 110, effectively saying that some horses were too good to run in a £1million race, and ensuring that the quality of the participants could hardly be improved (the lowest top rating in the last five runnings had been 103). It was very wrong to increase entry fees from 0.5% of the total value to 1.25% and downright disgraceful to build this into an early-closing system which saw them extract £324,750 of the total £500,000 prize-fund last year in entry fees, even after they had had to return £81,250 to the owners of eliminated horses. It was wrong to dress all this up as a move to promote the staying horse and, some time after the launch, we discovered that it was wrong to introduce a silly rule which said that participants had to have run twice on the flat since April over 12 furlongs or more. This added 'initiative' resulted in the 2017 winner being ineligible in 2018. The catalogue of errors went on and on.

So now that they are scrapping most of their plan, dropping the value to £350,000 (£250,000 in 2017; £500,000 in 2018; originally proposed £750,000 in 2019 and £1,000,000 in 2020), removing the upper 110 rating limit and reverting to the old rules on eligibility, I should be applauding them as I did Ascot when they announced that they would revert to a six-day entry for the Queen's Vase. But, unlike Ascot, and true to Jockey Club form, they aren't admitting that they got anything wrong and they have had the temerity to blame this u-turn on changing circumstances, 'the short and longer-term outlook' being uncertain, and, would you believe it, the decrease in the maximum FOBT stake to £2. They are no better than ARC.

Interestingly, there was no mention of entry fees or how they will be structured for this £350,000 Cesarewitch. Would they dare to keep them at 1.25%? I think they just might but surely, in the current climate, with owners and trainers already seething over racecourses' greed, they can't repeat their scam and seek to extract the vast majority of the funding from the participants. I, for one, will be keeping a close eye on it. I think, as has been the case with some of ARC's races recently, owners and trainers should be taking a very careful look at what they are being asked to contribute so that racecourses can sell races, whether they be £4,500 novice races or £350,000 handicaps, to spectators and the betting industry.

STAGGERING!

FORMER Racing Post editor Bruce Millington, now a columnist there, is one of those who seems to believe that the reduction in the maximum stake on FOBTs must inevitably mean a drop in prize-money. His views were predictable and I have come to expect derisory comment about owners and trainers from him, but I was nonetheless surprised to read his suggestion that, "one line that will hopefully not be trotted out too often as the reality of post-FOBTs life becomes clear is that owners should get a certain level of prize-money because they spend so much on horses. The simple answer to that is to spend less".

I have rarely, if ever, heard the capital value of horses or the fact that they are generally a massively depreciating asset, mentioned when returns to owners from prize-money are discussed.

The figure that I have most often heard quoted was a loss of 78% of running costs and I updated that figure in my item above to 72% having read it in the Racing Post. Most of those running costs go to, or through, the trainers.

So what does Mr Millington think the owners should spend less on? My business's biggest single expenditure, at an average of around 48% of turnover, is wages. Does Mr. Millington think we should spend less on wages? I didn't think that was historically the view of his paper but maybe it is his personal view.

Contribution

Other significant costs are feed and forage; transport; farriers and farriery materials; gallop maintenance; veterinary care; Weatherbys and BHA fees; and, of course, rates and insurance. Which of these should I, and in turn my owners, be spending less on?

As for those costs of running racehorses that don't go through the trainers, there are the entry fees which used to be largely returned in prize-money but are now used to reduce racecourse executive contribution, and jockeys. Does Mr Millington think the owners should spend less on jockeys?

It staggers me that someone with these views could ever be editor of a newspaper which depends almost entirely for its content on owners, trainers and jockeys: the people that he constantly decries.