A Personal View

Peter Savill is a former chairman of the British Horseracing Board, the owner of Plumpton racecourse, and a longstanding owner with Johnston Racing, his best horse with the yard having been dual Gold Cup winner Royal Rebel. Here he argues that racecourses must change the way they do business with horsemen.

RACECOURSES ARE venue businesses, just like the O2, Madison Square Gardens and the Royal Shakespeare Theatre. They all need performers or they have no business. Other venue businesses (but not racecourses), in seeking to attract performers, have to pay the price the performer demands in order for him/her to turn up. If they do not agree to pay the price demanded, the performer does not turn up and the venue faces the risk of having no business.

British racecourses, however, have been allowed to operate their venue businesses in a totally different way. They, not the performers, are the ones who set the price through a prize-money offer, and the performers have no say in what that price is. The price offered does not come close to covering the performers' costs. In fact, each performer (horse) has to run around six times a year in order for those six runs on average to cover just 20% of the annual cost of keeping that horse in training. And when the horsemen ask the racecourses how much money their horses' performances have generated in revenue terms, they are usually told it is none of their business.

In the meantime, the racecourses claim they have guaranteed fixtures, which it says cannot be taken away from them no matter how badly they run their business or how little prize-money they pay. With those guaranteed fixtures comes guaranteed revenue which flows directly into racecourse coffers for them to spend how they like. So a racecourse can not only calculate how much revenue it will generate this year, but also next year, the year after that and the year after that. It does not even have to sign up any performers or pay them what they are worth because the horses are going to have to turn up anyway if owners want to try and cover just 20% of the annual cost of keeping them.

Plumpton racecourse, the track owned by Peter Savill

THIS is not France, nor Ireland, nor Australia, nor Hong Kong nor Japan where the Governing Body makes sure that there is a fair distribution of racing revenue between the performers and the venues. This is Great Britain, where the governing body, the BHA, operates a totally inadequate system called Minimum Values to try to regulate the 'fair' distribution of racing revenue between the protagonists; a system in which values went unchanged for five years and where any increase is fought vigorously within the BHA by the Racecourse Association. The prize-money contribution required by the Minimum Values system is so low that racecourses have enormous flexibility and freedom as to how to spend their money or what profit to make from the performances that take place at their venues. And no one is any the wiser as to how they spend it.

Worse still, a racecourse, with its guaranteed revenue, does not have to pay much attention to how much it spends on its direct costs or its overheads. Because it can decide the profit it wants – and what is left over can go into prize-money.

The ability to structure a racecourse business in this way has a number of negative impacts on British Racing. Racecourses decide the price the performers get paid to the detriment of horsemen; horsemen have no say in the price the performers get paid and no power to increase the price; and racecourses and horsemen are constantly at loggerheads with each other.

But perhaps the worst problem is that a racecourse has no imperative to run a tight ship and no need to worry about what direct costs or overheads it is racking up, because, at the end of the day, it can always take its profit and lower its prize-money contribution. The effect of not running a tight ship, and I have no doubt that description fits more than a few racecourses, is that money is being wasted on inflated salaries and unnecessary costs that should be going into prize-money.

When you have guaranteed fixtures, guaranteed revenue, and an ability to decide your direct costs, overheads and profit before you have to decide what prize-money to offer, there is a huge buffer between you and bankruptcy. It is simply not possible in my view to go bankrupt running a racecourse, which in itself is a condemnation of the structure in place.

As a result of these failings in the way British Racing is structured, the balance of power between venues and performers is tilted massively and unfairly towards the venues. And prize-money is much lower than it should be, reducing the number of horses in training, the quality of the product and field sizes, and increasing the equine horse drain to other countries.

So much for the problem. What about the solution?

WELL, the solution is very simple. Racecourses must change the way they do business with horsemen and the way that should be done is for racecourses to agree that they will each pay a minimum of a fair and uniform percentage of their total racing revenue into prize-

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money before they work out their direct costs and overheads. By effectively top-slicing a portion of their revenue to go into prize-money, they will be acknowledging that horsemen should have a say in the price they get for performance; they will be forced to run a tight ship, because then they will have to control their direct costs and overheads or they will not make a profit; and horsemen and racecourses will finally be able to work together in harmony because they will both be focussed only on increasing revenue.

What should that percentage of total racing revenue be? I own a small jumps course called Plumpton. We run a tight ship, but we do not cut corners. We make a decent profit and pay a fair dividend to shareholders. We have a very good image as a small independent racecourse. We put 35% of our total racing revenue into prize-money even though the Minimum Values scale dictates that we need to put in only 23.9%.

I believe the fair, minimum figure should be set at one-third of total racing revenue. Incentives could be offered for contributing more. Currently the average contributed to prize-money by racecourses, according to the RCA, is 29%. An additional 5% would mean in excess of £30 million added to the prize-money pool.

How can this be achieved?

THE BHA, British Racing's governing body, must insist that a group of horsemen sit down with each and every racecourse to come up with an agreed and uniform percentage of total racing revenue to be committed to prize-money. Racecourses will try to argue that they have different business models to each other, but this is surely an excuse without validity. I know of both large and small racecourses that put in more than one-third of their total racing revenue into prize-money, so if any racecourse its looking to be treated differently, it will have to open up its books to prove its point. Each racecourse should then have to publish each year its total racing revenue certified by an accountant and verified by the BHA, using the same formula for each racecourse.

If horsemen and racecourses cannot agree, then each side should present its case to an independent BHA committee which would decide what that percentage should be. And the BHA should then take action against those that do not comply by withdrawing access to BHA fixtures and by the imposition of heavy fines.

If the BHA does not show the leadership necessary to manage this process, and I sincerely hope that it will, it runs the risk that horsemen will themselves have to take action to ensure that a fairer division of the money generated by the performers is allocated to the performers, just as it is in other racing jurisdictions and all other venue businesses.

The risk of inaction by the BHA is considerable.

Johnston Racing does not necessarily endorse the sentiments expressed in any Personal View