



March 20, 2020

**Manitoba's Horse  
Racing Modernization:  
2020 Report to Stakeholders**

# MANITOBA'S HORSE RACING MODERNIZATION: 2020 REPORT TO STAKEHOLDERS

On March 19, 2020, the Government of Manitoba introduced Bill 39, The Horse Racing Modernization Act. Bill 39 lays the groundwork for a modern, reframed approach to horse racing regulation by amending The Liquor, Gaming and Cannabis Control Act and The Pari-Mutuel Levy Act to authorize the Liquor, Gaming and Cannabis Authority of Manitoba (LGCA) to regulate horse racing and streamline the collection and distribution of the pari-mutuel levy. This proposed legislation will eliminate the current Manitoba Horse Racing Commission (MHRC) and integrate its role into the LGCA.

As the LGCA integrates this important regulatory role, key objectives for a modernized regulatory framework for horse racing are to:

- reduce red tape and regulatory burden on the industry;
- ensure ongoing fairness and transparency in horse racing; and
- ensure regulatory sustainability through decreased regulatory costs.

Collaboration and communication with industry stakeholders will be key to the successful introduction of this framework. The LGCA is pleased to provide this report on the progress of consultations and legislative development. The LGCA is grateful to the horse racing community and current MHRC board members and staff, who have been generous with information and context about this industry's history, current state and future goals.

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## 2019 STAKEHOLDER CONSULTATIONS

The government's intention to integrate horse racing regulation into the LGCA's regulatory mandate was announced in May 2019. This announcement recognized that the current regulatory functions of the MHRC are similar to those of the LGCA, and amalgamating the two agencies is consistent with many other jurisdictions where a single provincial agency regulates gaming and horse racing. Also, as a result of liquor and gaming regulatory integration in 2014, and more recently, the addition of cannabis to its mandate, the LGCA has become adept at modernizing and extending its regulatory responsibilities.

As part of its preparations for integration, government directed the LGCA to consult with industry stakeholders to understand their priorities and perspectives on regulation. In June 2019, LGCA board members conducted formal consultations with main stakeholder groups, including:

- Canadian Thoroughbred Horse Society (Manitoba chapter),

- Great Western Harness Racing Circuit,
- Manitoba Harness Horsemen,
- Manitoba Jockey Club, and
- Manitoba Standardbred Sires and Breeders Association.

LGCA staff conducted additional consultations with the Horsemen's Benevolent and Protective Association, Manitoba Agriculture and Manitoba Crown Services. The objective of all consultations was to determine which regulatory requirements are considered burdensome by the stakeholder groups, and where regulatory efforts should be focused going forward. The LGCA will continue to consult as needed to gain perspective from the experiences, advice and vision of the horse racing industry.

**CONSULTATION OBJECTIVE:**  
**To determine regulatory requirements that are burdensome for stakeholder groups, and where regulatory efforts should be focused.**

The LGCA acknowledges there are differences between the regulation of horse racing and the other consumer products it currently regulates. As such, the LGCA has been working closely with the MHRC board and staff, in an effort to use their experience and knowledge to determine effective improvements to the regulation of horse racing in Manitoba. Knowledge gleaned from working with the MHRC guided the development of questions for horse racing stakeholders.

The findings of these broad consultations are presented below. The LGCA is using these findings

as the lens through which it is examining all current regulatory processes and responsibilities of the MHRC. Ultimately, stakeholders' perspectives formed the basis for Bill 39's reframing and modernization of Manitoba's approach to horse racing regulation, and will continue to inform the development of regulation and rules as integration unfolds. Focusing on stakeholders' needs will guide the LGCA in ensuring that regulation only exists when there are real risks to the public, human participants, or horse safety that require mitigation.

## STAKEHOLDER CONSULTATION FINDINGS

Findings from stakeholder consultations to date have highlighted a need for regulatory changes in four key areas, specifically streamlining licensing, improving drug testing, increasing transparency in appeals, and updating mechanisms for distributing the pari-mutuel levy.

### 1. A STREAMLINED LICENSING FRAMEWORK

Changes to current licensing categories and processes will achieve meaningful red tape reduction. As the LGCA moves forward with the integration of horse racing into its regulatory purview, a key objective will be to streamline licensing processes and contain all licensing functions under The Liquor, Gaming and Cannabis Control Act. Beyond the regulatory framework, the LGCA intends eventually to improve licensing through accessible online services and the alignment of horse racing licensing processes with the standards of its other regulated industries.

Currently, the MHRC issues licences under two acts: The Pari-Mutuel Levy Act and The Horse Racing Commission Act. This has led to 26 current licence categories, under which 73 different types of licences were issued in the 2019 racing season. Stakeholders emphasized that the complexity and number of licence types creates unnecessary burden, and highlighted a desire from the community for a simplified licensing structure. In particular, stakeholders would like to see streamlined licence

types for those individuals in the industry who work in more than one licensed category and consequently hold several current licences. For example, under the current structure, a race horse owner may hold an owner/trainer licence, groom licence, and exercise rider licence if they conduct general stable duties and exercise their horse.

A risk-based perspective was applied to develop the licensing structure introduced in Bill 39, which includes only three licence categories and would allow a licensee to perform numerous functions under a single category if they meet the required conditions. This means that, under this new approach, regulatory relationships will only be applied to those individuals who have impact on the integrity of a horse race or the safety of race horses. This approach is a shift from the historical approach of licensing all people in the backstretch area of a racetrack. This will eliminate the practice of using licences as a security pass to enter the backstretch, and better concentrate regulatory efforts on risks to the integrity of the sport.

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Stakeholder feedback suggests that administrative streamlining and improvements will be received well by industry; however, the LGCA expects that new

## A NOTE ON FUNDING

In 2018, the government commissioned an external review of the horse racing industry, focusing on identifying new opportunities for growth and long-term sustainability. Findings of the 2018 Sustainability Review for the Manitoba Horse Racing Industry, conducted by BluSlate Inc., were released by Manitoba Agriculture in November 2018. While this review recommended regulatory modernization, it also included numerous recommendations that are unrelated to regulation and independent from the LGCA's regulatory integration initiative.

The LGCA's stakeholder consultations revealed that sustainability and the long-term viability of horse racing in Manitoba continues to be the predominant concern for all stakeholders. Funding for the industry was a recurrent issue, and consultations highlighted the industry's desire for increased funding support. Stakeholders were reminded throughout consultations that this integration is focused on the modernization of regulatory framework, as questions of funding are beyond the scope and role of a regulator.

The LGCA projects that this initiative's integration and red tape reduction will reduce regulatory costs substantially. While this is consistent with ensuring the sustainability of horse racing in Manitoba, the industry's viability will ultimately be determined by industry's own ability to increase horse racing participants and increase wagering. As with the MHRC, the LGCA will not provide funding, nor have an advocacy role to sustain horse racing in Manitoba.

processes will require adjustment by stakeholders, as current processes are long-established. The LGCA recognizes that targeted and thorough communication efforts will be an important component of successful implementation of a new licensing framework. In particular, horse racing participants will need to be informed about the new types of horse racing licences, with the aim of minimizing any confusion and disruption to the racing season. Once horse racing regulatory functions are integrated, the LGCA will continue to offer on-track licensing support as the

industry adjusts to the new regulatory regime and as full-service online licensing is phased in.

## 2. DRUG TESTING FOR EQUINE AND HUMAN PARTICIPANTS

Drug testing is an established mechanism used in horse racing to ensure fairness and integrity in the sport, as well as the health and safety of the participants and those around them. Historically, both human and equine participants are screened for banned substances, through various screening methods, by the provincial regulator. Due to the seasonal and transient nature of horse racing, many jurisdictions attempt to administer uniform drug testing requirements and methodology; however, each provincial regulator has discretion on their drug testing policies and procedures. The Canadian Pari-Mutuel Agency (CPMA) is the federal regulator for equine drug testing, and jointly administers the equine drug control program in conjunction with the provincial regulatory agencies.

Several stakeholder groups raised concerns about transparency of drug testing by the MHRC for both human and equine participants. While consultations revealed that the industry supports screening licensees to ensure safety for all those involved in horse racing, requests were brought forward to reconsider the drug and alcohol screening rules. Specifically, stakeholders would like to see increased transparency around which licensees require testing and why, and around the current rules restricting the use of recreational cannabis.

Going forward, drug and alcohol screening for licensees will continue to be administered by the LGCA, with an increased focus on risk, transparency and personal privacy. Bill 39 creates the authority for the LGCA to continue to screen for banned substances, but within clearer parameters than the current legislation. Further, the rules of racing that pertain to drug testing will be updated to clarify the drug screening processes. The LGCA recognizes the risk to safety and integrity of racing as a result of the use of prohibited substances, but will develop

transparent and risk-based procedures to balance licensees' privacy rights and need for clarity.

Screening for performance-enhancing drugs in race horses will continue to be a core focus of Manitoba's regulatory regime. The LGCA will work with the CPMA to ensure compliance of Manitoba's equine participants, and create transparent testing guidelines and a penalty schedule for instances in which prohibited substances are detected.

### 3. APPEALS

Horse racing is a competitive, fast-paced and passionate sport, and the LGCA recognizes there is immediacy to some aspects of sport regulation that is unlike the regulation of liquor, gaming or cannabis. Horse racing regulators must ensure that the races themselves are conducted with integrity and in a fair and transparent manner, which involves regulators making decisions about the happenings of races to ensure compliance with the rules of racing. As such, appeals of these race decisions are a critical element of regulation, and were a much-discussed issue throughout consultations.

The MHRC's current rules of racing establish an appeal process, which includes a \$1,000 appeal fee. This fee is a considerable concern for stakeholders, many of whom argued that the fee deters competitors from appealing decisions and creates a barrier to access the appeal process. Stakeholders from both the standardbred and thoroughbred industries requested the fee be reduced or eliminated. The consultations also revealed that stakeholders would like to see more transparency related to the processes of how appeals are conducted. Currently, not all appeals provide for a hearing, which creates frustration for appellants who want to provide testimony or evidence to support their appeal.

The LGCA recognizes the clear need to formalize a review framework that is transparent and accessible. The LGCA is aware that prompt and clear decisions on contentious issues must be made, and that these decisions have a high impact on stakeholders and the industry. Bill 39 creates the base for an expeditious

review process that is flexible to the need for experts to hear appeals of race decisions. This process will aim to ensure that participants have access to a rapid, transparent and fair review assessment. However, the LGCA is conscious of participants attempting to leverage competitive advantage through reviews of race decisions, and will institute safeguards in effort to deter frivolous reviews.

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### 4. PARI-MUTUEL LEVY

The Pari-Mutuel Levy Act establishes the pari-mutuel levy as a funding mechanism for the horse racing industry. The pari-mutuel levy fund is established by retaining a percentage of pari-mutuel wagering on live racing and simulcast at Assiniboia Downs; these percentages are set in the Pari-Mutuel Levy Regulation for different types of wagering. Currently, legislation requires the MHRC to manage the pari-mutuel levy fund, including the collection and distribution of the levy. A portion of the levy is allocated to the MHRC for regulatory funding, and the remainder is allocated at varying percentages to the Canadian Thoroughbred Horse Society (CTHS), Horsemen's Benevolent and Protective Association, and the standardbred industry. The pari-mutuel levy is the primary funding source for these stakeholders.

The management and distribution of the pari-mutuel levy fund was a prominent topic in consultations, and stakeholders feel they would benefit from improvements to its administration. Currently, there are no consistent payment mechanisms to the stakeholders, and the LGCA will create administrative efficiencies for the collection and transfer of funds. For example, the LGCA will move to regularly-scheduled distributions through electronic fund transfers, rather than distributions by cheque on an as requested basis.



Pari-mutuel wagering has seen a steady decline over the past several years. Due to this, the LGCA is aware that relying on the pari-mutuel levy as a source of funding for fixed regulatory costs is not sustainable. Bill 39 removes the levy as a mechanism to fund regulatory costs, and a revised regulatory funding model is in development. This approach will seek to ensure regulatory funding is generated through the industry and not supplemented from other LGCA regulated industries. Further, Bill 39 introduces flexibility for the minister responsible for The Pari-Mutuel Levy Act to allocate funds from the pari-mutuel levy in the manner determined to best support the industry. Ultimately, this will ensure the LGCA is not

subject to competing interests and demands from industry with regard funding decisions, thus ensuring its neutrality as a regulator.

Agricultural societies, which operate standardbred races in Manitoba, are currently exempt under The Agricultural Societies Act from the requirement to pay the pari-mutuel levy. While Bill 39 repeals this section of The Agricultural Societies Act, it establishes the same authority to exempt agricultural societies, but under The Pari-Mutuel Levy Act. Practically, this change will not be noticeable to agricultural societies holding standardbred racing.

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## NEXT STEPS

Bill 39 lays out the foundation for the future of horse racing regulation in Manitoba, and requires revised regulations to support the modern framework established in legislation. The LGCA anticipates that regulatory development will commence almost immediately, as the regulations will undergo significant changes. Currently, the LGCA has administrative oversight of the MHRC through dual appointment of the LGCA's executive director to both organizations; this structure will remain in place until full integration is achieved. The LGCA's presence at the MHRC office will contribute to informed regulatory development, in addition to assisting the transition between agencies.

An additional governance instrument called the rules of racing establishes the sporting framework for how horse racing is conducted, and is the primary resource for industry participants. While these rules are similar amongst most jurisdictions, provincial regulatory agencies oversee the rules and the executive director will be authorized to develop and amend rules based on the needs of the industry. As such, the current rules for thoroughbred and

standardbred racing will be reviewed through a risk-based lens as part of this regulatory modernization initiative.

Moving forward, the LGCA is committed to working with industry partners and stakeholders, and plans to create a horse racing industry advisory panel to maintain clear lines of communication with the industry. Accountability from both the industry and regulator is necessary to identify areas of strengths and opportunity within the new regulatory approach. The LGCA will rely on feedback from the industry advisory panel throughout the integration and implementation of revised legislation, regulation and rules of racing. Ultimately, as this initiative continues, the LGCA is committed to remaining mindful of which responsibilities are inherently regulatory, and which fall outside modern regulatory practices. Efforts will continue to be directed at reducing burdensome requirements that can reasonably be removed or reduced based on risk, therefore allowing the horse racing industry added control over their own operations.

## ACKNOWLEDGEMENTS

The LGCA is grateful to the stakeholders who participated in these stakeholder consultations and to the board and staff of the MHRC for their guidance and expertise throughout this transition.

### STAKEHOLDER CONSULTATION PARTICIPANTS

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| <b>Canadian Thoroughbred Horse Society (CTHS)</b>                   | <ul style="list-style-type: none"> <li>• Pat Wallace, President</li> <li>• Darin Bouchard, Vice-President</li> <li>• Cam Ziprick, Member</li> </ul>  |
| <b>Horsemen’s Benevolent and Protective Association (HBPA)</b>      | <ul style="list-style-type: none"> <li>• Gerry Gourneau, Vice-President</li> <li>• John Field, Director</li> <li>• Connie Clauson, Director</li> <li>• Steven Gaskin, Director</li> <li>• Penny Hulme, Director</li> <li>• Shannon Dawley, Office Manager</li> </ul> |
| <b>Manitoba Jockey Club (MJC)</b>                                   | <ul style="list-style-type: none"> <li>• Harvey Warner, President</li> <li>• Darrin Dunn, CEO, Assiniboia Downs</li> </ul>   |
| <b>Manitoba Great Western Harness Racing Circuit (MGWHRC)</b>       | <ul style="list-style-type: none"> <li>• Trevor Williams, President (<i>written submission</i>)</li> </ul>   |
| <b>Manitoba Harness Horsemen</b>                                    | <ul style="list-style-type: none"> <li>• Mike Williams, President</li> </ul>   |
| <b>Manitoba Standardbred Sires and Breeders Association (MSSBA)</b> | <ul style="list-style-type: none"> <li>• Roland Rey, President</li> </ul>  |
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