

# Galloping towards an uncertain future

A sport in flux, racing is facing a tough battle to secure its long-term financial success, writes **Roger Blitz**

All eyes will be on Epsom on Saturday to see if the Queen's horse, the highly fancied Carlton House, can take victory in the Derby, the most prestigious event in British racing. Some dynamic performances this season, notably Frankel's storming win in the 2,000 Guineas at Newmarket, have provided plenty of excitement for the sport's followers. But matters off the track are giving race-goers much to worry about. This year alone, the UK industry has been engaged in a series of battles over the future of its funding relationship with betting operators, the sale of the state-run Tote, the reduction in the foal population and a major corruption inquiry. Around the world, the sport is in varying degrees of flux. In the US, an extensive review is under way into horseracing's future, while Ireland is suffering deep pain as a result of the country's wider economic problems. By contrast, racing in the Gulf has largely shrugged off the financial crisis, and the industry is faring well in France and Australia. But perhaps most disappointingly for those who are optimistic about its growth, the sport has failed to break into the mainstream in new markets that offer the most potential, particularly China and eastern Europe. The common ailments afflicting racing across the world are partly due to the effects of the recession and partly a result of the intense competition between sports for audiences. The UK, the sport's birthplace, has a strong claim to be racing's heartbeat. Interest in Carlton House has spread beyond racing, and it would be a major story if he could secure the Queen her first Derby win.

This is horseracing at its most pristine – fine horses, watched by wealthy owners and drawing a big audience. Beneath the surface, however, UK racing looks anything but polished. The sport's revenues are under intense strain. Although the industry has a statutory right to a share of the profits made by the betting operators, this amount has steadily eroded as bookmakers move offshore. The betting levy now makes up 51.4 per cent of total contributions to prize money. While the reasons for this have been bitterly contested between racing and betting, those who run the sport have gradually come to accept that its long-term future needs to be founded on a more business-like approach. The levy system, the UK government said earlier this year, is outdated. Contrast the UK, where the competitive and deregulated betting industry is to the detriment of racing, with France. There, racing receives 8 per cent of revenues – nearly €800m (\$1,150m) – from parimutuel betting, in which winning bets are paid at odds relating to the pool size, and restriction on betting competition protects the parimutuel monopoly. Indeed, racing tends to do better in countries with betting monopolies, such as France, Japan and Hong Kong. Even after France last year introduced laws regulating the gambling industry, racing's share of the betting market has more than held its own. The first quarter of the year has seen growth of more than 3 per cent in prize money. As prize takings reduce elsewhere in Europe, owners and trainers are increasingly bringing their horses to race in France. A horse owner competing in France is more than twice as likely to recover costs than one in the UK, which is not alone in seeing a fall in the number of owners with horses in training and the number of horses taking part in races. "We have a big challenge," says Louis Romanet, chairman



Crowning achievement: Carlton House, owned by Queen Elizabeth and today's Derby favourite, with rider John Nolan

## On Her Majesty's equestrian service

A first royal victory beckons at Epsom

In 1992, a year of royal marriage breakdowns capped by the Windsor Castle fire, Queen Elizabeth admitted to an "annus horribilis", writes Robin Oakley. But will the Derby help to make this year her "annus mirabilis"? The wedding of her grandson William and Katherine Middleton so caught the world's attention that even professional grouchers confessed to enjoying themselves. A fresh and modern wave of affection for the royal family was unleashed. Since then, the Queen's risky first visit to Ireland, during which her rapport with its racing community proved significant, has turned out to be a personal triumph. Now the industry is hoping that her horse, Carlton House, can bring off the first victory for a reigning British monarch in the premier Classic since Minoru won it for King Edward VII in 1909. Carlton House, trained at Newmarket by Sir Michael Stoute and to be ridden at

Getty

Epsom in the familiar silks of black tasselled cap, purple jacket and red sleeves by jockey Ryan Moore, showed real promise as a two-year-old. He was quickly installed as a short-priced favourite for the Derby after winning York's Dante Stakes last month, giving Saturday's race its highest profile for decades. The Queen has had Derby runners before. In the momentous week in 1953 when she was crowned and Everest was climbed by Edmund Hillary and Tenzing Norgay, her horse Aureole came second. Since then, the best result achieved by any of her eight runners was the fifth place recorded by the latest of them, Church Parade, ridden by jockey-turned-pundit Willie Carson in a race won by the legendary Shergar in 1981 (coincidentally the year of another much-watched royal wedding, that of Prince Charles to Diana Spencer). You do not have to spend long in the Queen's company on a racecourse to realise how much she cares and understands about horses. But that is not the only reason so many racing people are rooting for a royal victory. It goes deeper: they reckon that just for once in her life, a monarch so steeped in duty and public service deserves the unrestrained moment of air-punching personal pleasure (not that she would) that comes with leading in a Derby winner. John Warren, the Queen's racing manager, has already relayed to the world her excitement when the still-inexperienced Carlton House burst through a gap between horses in the Dante Stakes to assert himself and go on to win. "He's going through the gap," yelled Her Majesty down the telephone. If Carlton House can conquer the cambers and gradients of the undulating Surrey track and win the Derby on Saturday, it will be hats off with a vengeance.

of the International Federation of Horseracing Authorities. The sport's best hope is to lobby governments to increase betting's contribution to racing. The betting industry's response? Forget it. Racing, says Dirk Vennix, chief executive of the Association of British Bookmakers, has "an inflated view of its own worth in the market". A commercial agreement between betting and racing is the only way forward, he says.

"Bookmakers cannot simply be expected to prop up a product that is declining in popularity without racing being incentivised to provide what betting operators need to make the product commercially successful," he says. The popularity of racing as a betting product may indeed be under attack from other sports, notably football, but racing in the UK remains a popular attraction. Attendances at the

'Racing has an inflated view of its own worth in the market'

country's 60 racecourses have been rising since 2008 and grew a further 0.9 per cent last year. The Cheltenham Festival, jump racing's prestige four-day gathering, drew more than 220,000 spectators in March, while the Aintree Grand National attracted a TV audience of 8.8m, more than last year's FA Cup final. In response to its problems, UK racing is pushing to improve its image. The elite races in the flat season have for the first

time been brought together in a series to provide a narrative for the less initiated, while some fixtures have been shifted from midweek to Saturdays to increase their visibility. Racing has also sought to tackle the issue of corruption that has blighted the sport far more than others. While eradicating the problem is too much to expect, the industry invests

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# Horseracing

## The speed and spectacle – and the irresistible lure of a flutter

### Inside Track

ROBIN OAKLEY

Buying a boat has been likened to standing under a shower and shredding £10 notes. Pessimists would tell you that racehorse ownership is like standing in a heap of manure and burning twenties.

The trainer of a horse in which I had a share one day instructed our jockey in the parade ring to “let him find himself”.

“Oh please,” I implored. “Couldn’t he just for once find the other horses in the race?”

Yet win or lose, there is no sport with quite the same appeal. Mick Fitzgerald famously responded to interviewer Des Lynam’s “How did it feel?” inquiry after the jockey had won the Grand

National that it was “better than sex”. For those who love it, racing is about speed, spectacle and athleticism. It is about colour, courage and character, passion and the pursuit of perfection.

For spectators it is simple: who passes the post first wins. To enjoy it, you don’t have to master the intricacies of the offside trap or know when to take the new ball. It is also instantly sociable. Your companion does not have to sit quietly while the game is being played. Instead, it is: “How did yours do in the last? And who do you fancy for the next?”

The sheer beauty of the participants is enthralling, whether it is the early summer sun glinting off the flanks of a perfectly toned Sea the Stars or the grace and power of Kauto Star taking a Gold Cup fence in his prime.

Racing also appeals to that other basic instinct, the human love of a flutter. It carries a beguiling whiff of risk and uncertainty. Sometimes this changes people’s character: the tightest of bank managers splashes out on champagne after a win; the most decorous of ladies raises her hemline six inches or risks a crazy hat.

No sport’s appeal spans the classes better. Duchess and dustman unite in cheering home a winner. There was the famous story of the Dubliner who won enough on Ireland’s champion hurdler Istabraq to redeem his mortgage. He then lost the lot on his country’s failing hope for the Cheltenham Gold Cup, only to retort: “To be sure, it was only a small house anyway.”

Racing people are good to be with because they are optimists. Jim Ryan, the veteran

US trainer, once said no man ever committed suicide or thought of retiring while he had a good two-year-old in his barn for the season ahead. Former jockey Jack Leach, author of the marvellously titled autobiography *Sods I Have Cut on the Turf*, used to

### Duchess and dustman unite in cheering home a winner

spend his nights in the Turkish baths in London’s Jermyn Street to keep to his riding weight: “I used to take off three-quarters of a pound extra, so that at the racecourse I could have a small sandwich and a glass of champagne before racing started. It made me feel a new man. If I had a

few ounces to spare, the new man got a glass too!”

The sheer courage displayed by the jump riders who risk their lives daily for £145 (\$237) a ride – knowing that statistically they can expect a fall every 13 rides – is extraordinary. When he quit the saddle to become a trainer, Brendan Powell reflected that “over the years I’ve been pretty lucky with injury”. This was a man who had endured two broken legs and two broken wrists, shattered both collarbones and ruptured his stomach.

When a bad fall in the US ended Mouse Morris’s career in the saddle, he flew home to Ireland and resumed his hobby. Not fly-fishing or darts; he went hang-gliding – with his leg in plaster.

Racing’s appeal also has much to do with the bond

between the rider in the saddle and the animal beneath.

Jockeys need sensitive hands, physical strength and a clock in their heads. But horses are individuals. Some like to force the pace in front, while others are happier coming from behind. Some shrink from contact or stop the moment they have their head in front, yet jockeys must divine the animal’s character within minutes of meeting. Some have met on the gallop; often they have only the time from mounting in the parade ring to when the stalls open to get to know each other. The horse does not know how far away the winning post is, and in that time a bond of trust must be established.

Frankie Dettori once said you must become the horse’s friend: “You climb into the saddle and feel how it walks, how it places

its feet and how it looks at you, and you must understand. When I sit on a horse, I can tell its character within five seconds – its nature, its temperament and its best distance, even whether it has got a kick or is one-paced. It is down to me to make sure we become friends.”

For me, there is no place like the racecourse. I was once at a racing dinner in York where a distinguished clergyman was invited to say grace. “I won’t, if you don’t mind,” he replied. “I would rather not draw the Almighty’s attention to my presence here.”

He may have had his reservations, but I find the draw of racing irresistible. *The writer is a former political editor of the BBC and author of The Cheltenham Festival: A Centenary History*

# Lame industry limps on amid pain of a Tiger’s demise

### Ireland

Financial woes have hit the sport hard, writes **John Murray Brown**

It is a race day in May at the Curragh in county Kildare. The greats of Irish flat racing are in the parade ring, including Aidan O’Brien, the champion trainer, and John Magnier, owner and breeder. There is a respectable crowd, but the mood among punters is downbeat. This most popular of sports is feeling the effects of Ireland’s economic woes.

“When the economy suffers, so does racing. This is an entertainment industry, a luxury,” says Tracy Pig-

gott, daughter of the jockey Lester Piggott and a racing commentator for RTE, the Irish state broadcaster.

Horse Racing Ireland, the government body responsible for the overall administration, development and promotion of Irish horseracing, says attendance across Ireland’s 26 racetracks last year was 18 per cent lower than the peak levels in 2007 when 1.46m people passed through the turnstiles.

“There are certainly fewer helicopters landing,” jokes Denis Brosnan, chairman of HRI, recalling the Celtic Tiger years when that was the favourite form of transport for Ireland’s property developers, some of whom became racehorse owners before their businesses went bust.

HRI, which relies on money from the state, has

seen its budget fall 25 per cent in three years, resulting in little investment in new facilities. The Curragh is a case in point – its €100m (\$140m) grandstand development is on hold.

“That was designed for a different time,” says Paul Hensey, general manager at the Curragh. “We’re working very hard to get the punters in. No one likes an empty racecourse. Like a restaurant, no one wants to eat when there are no other tables taken.”

Racing is a large part of Ireland’s tourist offering, but the industry is also a big employer in rural parts, from stable lads, farriers and vets to feed and bedding suppliers. More critically, it provides a shop window for the country’s bloodstock industry, which in recent decades has estab-

lished itself as a world leader, but now faces challenges as the downturn in Irish racing hits owners and breeders alike.

Ireland is the main producer of thoroughbred colts in Europe, and the third-biggest exporter after the US and Australia. The world’s top three flat horses of 2009 were all bred in the country, and three of the top four were trained there. It accounts for about a 10th of world foal production.

Bloodstock earnings, rather than prize money on the track, have long been where the big fortunes were made in racing. The best stallions are able to command six-figure sums to cover a brood mare – the so-called nomination fees.

But until the mid-1970s Ireland’s breeding industry remained relatively under-

developed. In 1974, Mr Magnier, who came from a family of stallion masters, launched the Coolmore stud operation in county Tipperary in partnership with Robert Sangster, the English football pools millionaire, and Vincent O’Brien, the legendary Irish trainer.

Until that time, many of the most successful mounts trained in Ireland – such as Nijinsky and Sir Ivor – had gone to “stand” at studs in the US once their careers were over. Coolmore was created to end this export.

While Mr Magnier rarely gives interviews, his philosophy is summed up in one remark attributed to him: “If you don’t have the semen, you don’t have the industry.”

One of his early innovations was to target the key sales in the US, buying yearlings at Keeneland, an auction house in Kentucky where the fastest bloodlines were concentrated. He also changed the way the industry was organised by raising productivity, first by increasing the number of coverings and then by taking his stallions to the southern hemisphere during the winter where they performed all over again.

Today, Coolmore is home to more than 50 of the world’s most valuable stallions. It earns more than €100m a year from foreign owners who bring their mares to be covered.

In 2005, after a complaint to the European Commission by a French rival, Ireland was forced to withdraw the tax breaks given to stud farms, where nomination fees had been zero rated since 1970.

The main issue today is to get the betting industry to make a bigger contribution towards financing Irish racing. Coolmore and others commissioned Colm McCarthy, the economist, to consider reforms to the way racing is funded.

His report, published last October, recommended the off-course betting levy be raised to 2 per cent and all betting and gambling companies operating either by telephone or over the inter-



Form book: attendances at Irish racing, such as here at Punchestown near Dublin, have fallen by almost a fifth since the onset of the financial crisis

net be licensed in Ireland and subject to the same tax.

Betting duty in Ireland has fallen from 10 per cent in 1990 to 1 per cent tax for off-course betting, while trackside punters pay half that. Bets placed over the internet incur no tax.

The situation appears unsustainable. The report points out that in 2002, levies on betting produced €68m for the government – enough to cover the subvention to the racing industry. By 2009, this had more than halved despite a sharp increase in betting turnover as more transactions were conducted online or over the phone.

Without a more stable financing position, some in

the breeding industry are worried it could have knock-on effects on their activities. The number of mares at stud last year was 25 per cent lower than in 2007, and the foals born in Ireland fell to 7,500 last year compared with 12,600 four years ago, according to the HRI yearbook.

Joe Walsh, a former agriculture minister who championed the industry while in government, says: “Ireland has more Group 1 winners standing at stud than any other country.”

“The prefix ‘IRL’ is a market leader. But the fall in the number of foals born will obviously hit the industry. That’s just simple economics.”

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## Towards an uncertain future

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time and money pursuing cases of alleged misdemeanours.

“We are a world leader in regulation, particularly betting integrity,” says Chris Brand, acting chief executive of the British Horseracing Authority, the UK regulator.

The US is also in pursuit of a more modern approach, with McKinsey, the consultancy, compiling a report for the country’s Jockey Club on where the sport goes next. But whether in the US, the UK or Ireland, racing’s issues tend to gather around one central but particularly awkward question: is there too much of it? Would the sport benefit from a more streamlined output in pursuit of that time-honoured maxim that less is more?

“There probably is quite a lot of poor racing,” admits Charles Barnett, chief executive of Ascot Racecourse.

The problem is that lots of races keep several interest groups content – they give jobs to people whose skills are increasingly not wanted in agriculture, they keep jockeys in the saddle and they give courses content to sustain their media rights. And if races and fixtures were cut, the size of the betting levy would be reduced.

### ‘We are not afraid of our commercial future’

But the cost of all this makes for an increasingly inefficient market. “The commerce of the fixture list is what has caused us most difficulty,” says Mr Brand.

Racing is no different from other sports or businesses in appealing to different market audiences, says Simon Bazalgette, chief executive of the UK Jockey Club, whose 13 racecourses include Aintree,

Cheltenham and Epsom.

“It is about getting the differentiation right,” he says. “The small courses will have good racing and be more focused on local communities. The bigger courses will have a proportion of better racing. That is the nature of any business.”

Moreover, those betting monopolies that underpin racing in countries such as Japan will erode over time, Mr Bazalgette adds. Racing in the UK is forcing itself to become more attractive. “We are ahead of the curve,” he says.

Racing must now work from a position of relative weakness to attract new sponsors and broadcasters. Yet the new dawn of a commercially minded industry is one that does not frighten the administrators, even if finding ways of making money is a tough proposition.

“We want to be free,” says the BHA’s Mr Brand. “We are not afraid of our commercial future.”

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# It's about the pedigree

## Juddmonte

Saudi Prince Khalid's UK breeding operation is in fine fettle, writes David Owen

Even before it became clear that Queen Elizabeth had her best chance in decades of winning today's Derby at Epsom, 2011 was shaping up to be a landmark year for UK flat racing.

This was chiefly because of a breathtaking display by Frankel, a powerful bay colt with four white socks, in the first Classic of the season, the 2,000 Guineas, contested over Newmarket's Rowley Mile.

Running in the pink, white and green colours of Prince Khalid Abdullah of Saudi Arabia, who won the 2010 Derby with Workforce, Frankel led from start to finish to win imperiously by six lengths.

The prince, whose main non-racing company, Mawarid Holding, operates in fields such as financial services, media and distribution, describes the performance as "one of my most exhilarating moments in racing".

"Frankel is the best for many generations," says Lord Teddy Grimthorpe, Prince Khalid's racing manager, speaking from the UK base of Juddmonte Farms, the prince's breeding operation that is tucked away along leafy lanes outside Newmarket in Suffolk. "He still has more to prove ... but his performance in the 2,000 Guineas, however you look at it, was very, very rare."

Frankel, a son of 2001 Derby-winner Galileo whose next racecourse appearance is likely to be at Royal Ascot later this month, is typical of Juddmonte – like Workforce, the female side of his pedigree is dominated by the operation's own horses. In Frankel's case, his dam, grand-dam and great-grand-dam are all Juddmonte brood mares.

Prince Khalid began assembling this brood-mare collection in the early 1980s at about the time Juddmonte itself was established.

A quarter of a century later, and Lord Grimthorpe maintains the prince has built "one of the greatest brood-mare bands in the history of breeding".

"It's youth development," he says. "Now Prince Khalid is racing fourth- or fifth-generation Juddmonte-breds, sometimes on both sides of the pedigree ... The development of brood-mare families has been an absolute trademark of his."

A considerable spin-off benefit of this approach is that, these days, Juddmonte is able to sell substantially more bloodstock than it buys. According to Lord Grimthorpe, last year the operation – which now extends to 700-800 animals across 10 farms in the US, the UK and Ireland – bought just two yearlings while selling more than 100 horses.

Despite all this, Lord Grimthorpe says Juddmonte is "not run as a commercial operation".

While it could make a consistent profit "if you sold stock more aggressively, more quickly at various stages of its life", he acknowledges that, in most years, the prince ends up putting money into the business rather than taking it out. He describes the scale of the operation as "the equivalent of a medium-sized company", with about 250 employees worldwide.

A considerable chunk of Juddmonte's income is derived from the efforts of the operation's 10 stallions, particularly Oasis Dream, whose nomination fee is £85,000 (\$140,000) per mare in foal, and Dansili (£65,000).

With these star performers capable of covering 120-130 mares a year, their annual earning potential runs into millions, although Lord Grimthorpe cautions that not many stallions can generate more than £5m a year.

He estimates the range of covering fees for "young, unproven stallions" at between £5,000 and £25,000, while acknowledging that "if you get it right at the top end, it is a good business".

The racing manager describes bloodstock as "the futures market of futures markets", on the basis that at least five years is needed before a stallion's first crop of three-year-olds has performed on the racecourse, enabling a judgment to be made on whether that stallion has the right stuff.

"You can look at statistics all you want, but only 3 per cent of stallions are absolutely top dollar," he says,



Top dollar: Prince Khalid Abdullah (left) with Lord Teddy Grimthorpe, the racing manager, after winning the 2010 Derby at Epsom Downs racecourse with their horse Workforce

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adding that the same rule of thumb applies to racehorses.

Just as Prince Khalid's horses are scattered around 10 separate farms, so his racing stock of about 250 is divided among 13 trainers.

"I think it gives tremendous diversification to the operation," Lord Grimthorpe says. "If you have all your eggs in one basket, then if one trainer is having a bad year, your whole operation has a bad year. That has huge implications for your breeding stock."

"Prince Khalid's whole operation lives or dies on how his racing stock does, because in most cases he will own the stallion and the mare."

This unbilical link between breeding and racing means that a big race win is likely to benefit an organisation as vertically integrated as Juddmonte at a number of different levels. Not only is there the prize money to take into account, but the quality of the performance should also quickly be reflected in the value of the racehorse itself, as well as the stallions and mares in its pedigree.

This may help explain why a horse such as Workforce, which last year became only the sixth in history to win both the Derby and the Prix de l'Arc de Triomphe, has been kept in training. "He has the pedigree to suggest he would be better as a four-year-old," Lord Grimthorpe says. If he is, European race-goers have further treats in store.

# Breeding the best is a high-stakes game

## Bloodstock industry

The real money in horses is made away from the racetrack, writes Elizabeth Robinson

It could be said that the biggest gamblers at a race track are not the punters but the people milling inside the owners' enclosure.

Annual bills for owning a racehorse – training, stabling, feed and vet care – can total £25,000 (\$40,000) in the UK, and few horses will attain anywhere near that level of prize money in a season.

But race meetings are the shop window for the bloodstock industry, which is where the real money can be made. The scramble to acquire a champion's progeny can start almost as soon as a horse enters the winner's enclosure. Within months of last year's 2,000 Guineas at Newmarket, Makfi, the winner, was snapped up by Sheikh Fahad bin Abdullah bin Khalifa al-Thani's Qatar-based Qipco operation for an undisclosed sum and assigned stud duties at £25,000 per stud.

Stallions such as Makfi can have a long and lucrative career off the turf. "The upside is enormous," says David Redvers, Sheikh Fahad's bloodstock adviser. "A horse like that can quadruple its service fees in four years."

By the time Coolmore-owned Sadler's Wells died this year at the age of 30, he had sired the winners of more than 100 top-level European races, including 23 Classics in the UK, Ireland and France.

The funds generated by his successful offspring – which includes Playful Act, sold for a world-record price of \$10.5m a few years ago – are estimated to run into hundreds of millions of dollars.

"If you're involved in the racing side, that has to be classified as a hobby," says John Maxse, an amateur jockey and a former spokesman for the Jockey Club in the UK. "You spend money and get pleasure from watching your horse run. You shouldn't expect a return on your investment. Bloodstock is a different matter. You can go into that as a proper business, provided you don't let your heart rule your head."

While sales of stallions tend to be negotiated privately, other bloodstock

– breeding mares, foals, yearlings and horses in training – is usually sold at auction. But the industry is still feeling the after-effects of the global financial crisis: bloodstock sales in the UK and Ireland totalled £266m last year, according to Weatherbys, the racing administrator, compared with £431m in 2007.

Prior to 2007, sales had been increasing, which led breeders to produce more and more stock.

However, the crisis shook a lot of spending out of the market, resulting in overproduction. And while this has been keenly felt, it is a long way off the "Bluegrass Bubble" experienced in the US in the mid-1980s, when attempts by Sheikh Mohammed bin Rashid al-Maktoum, the ruler of Dubai, Robert Sangster, the UK racing magnate, and some US buyers to out-bid each other at the Kentucky sales caused prices to inflate grossly and then collapse.

"The main problem was that the [latest] crash coincided with production being at its absolute peak," says Jason Singh, marketing manager at Tattersalls, the auction house.

'You can go into bloodstock as a proper business, as long as you don't let your heart rule your head'

"People are now breeding in the knowledge that times are tougher," he adds, pointing out that buyers, too, have become more selective.

Henry Beeby, chief executive of Goffs, the Irish auction house, says the halt in overproduction will be good for the industry in the long run. "The bloodstock market has bottomed out and things are now going in the right direction," he says. "For quality, there is still strong demand."

Even though breeders are always looking to improve bloodstock, the business remains an art rather than a science.

In fact, racehorses' speeds have barely increased over the years: the record for the fastest race at the Epsom Derby was held for 59 years by Mahmoud until Lammtarra broke it in 1995. It took another 15 years for Workforce to better that last year.

Yet with huge rewards on offer, bloodstock gamblers will always be willing to take a chance.

# Racing shifts emphasis from betting slips to champagne sips

## Sponsorship

The search is on for new funding, reports Roger Blitz

Sheikh Fahad bin Abdullah bin Khalifa al-Thani, nephew of the emir of Qatar, had never attended a flat race in the UK until he witnessed unfancied Makfi winning last year's 2,000 Guineas at Newmarket.

A year on, he finds



In the pink: the drinks industry is a potentially lucrative area of sponsorship Getty

himself not just the owner of 40 horses in training and a bloodstock operation, but also the driving force behind the sponsorship of the British Champions Series, which brings together the Classics of the flat-racing season and covers 35 races. The backer is Qatar Investment and Projects Development Holding Company (Qipco), which manages investments held by the Gulf state.

The series is UK racing's attempt to understand its brand value better, and part of a continuing effort to improve the narrative of the sport so that it reaches beyond its committed following.

"In terms of real branded sponsorship, Qipco is the first really big one," says Simon Bazalgette, chief

executive of the Jockey Club, whose courses include Epsom and Newmarket.

It is not, however, thought to be as big as the sponsorship of the weekend meeting at Longchamp for the running of the Prix de l'Arc de Triomphe, which is sponsored by the Qatar Racing & Equestrian Club.

But as a first stab, UK racing is pleased that its series, a project rather too long in its gestation, is under way, and with a backer in place.

Racing has for years depended on the betting world for sponsorship. It is a point the latter likes to raise in every row about the size of the contribution bookmakers should make to racing.

The competitive betting market at least ensures that bookmakers and other betting operators need the exposure of sponsorship to attract customers. In Australia, Betfair, the betting exchange, even bought the naming rights to Sandown racecourse in 2008.

Finding sponsors is tough in a market dominated by football and the Olympic Games. A survey on jump racing earlier this year found alcoholic drinks and the financial sector to be the next most likely sources of sponsorship.

The Grand National was for many years under the name of Seagram, the Canadian distillers, and then subsidiary Martell before John Smith's, the brewery, took over in 2005. The Derby moved from Evedready, the battery maker, to Vodafone before Investec, the financial services group, signed a deal in 2009.

"It's tough breaking out of our traditional sponsorship market," says Chris Brand, acting chief executive of the British Horseracing Authority, the UK regulator.

But Mr Bazalgette believes racing can exploit its various components to attract less obvious sponsors. Jaguar, the carmaker, for example, last month became the Jockey Club's first official partner.

"There is a large amount of value in kind, which includes sharing of data," he says. "Different brands will get different things out of sponsorship. It may involve giving customers opportunities to visit stables. Because of our connections, we can bring in lots of elements."

Sponsorship makes up just more than 14 per cent of total prize money in the UK, amounting to £14.1m (\$23.3m), with the flat season taking up £8.2m of that. These figures have fallen gradually in recent years.

The jump-racing survey suggested there was more work to be done by racing to improve the sponsorship deal, such as bundling rights packages.

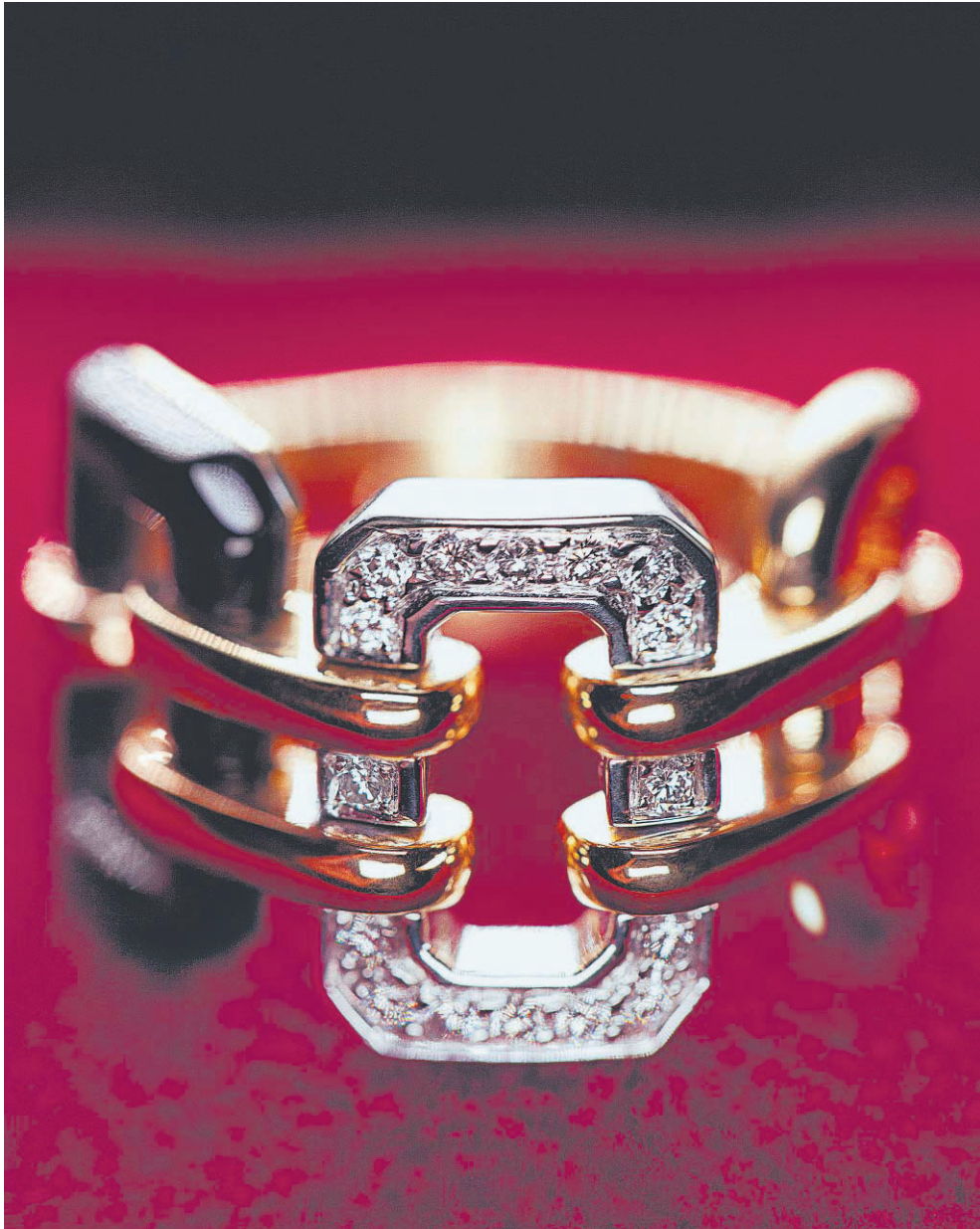
"We look at emerging markets," says Mr Brand. "There really could be other Qipcos out there." The key, however, is to drive up the value of the racing content.

"Qipco is not going to sponsor low-quality racing on a Tuesday afternoon," Mr Brand says.

"People want to be associated with British racing. It is the best in the world, and that is the brand they want."

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Horseracing

Public loses interest amid legacy of downturn

United States

The erosion of its fan base poses problems for the sport, writes David Gelles

Judging by a recent Saturday's spectacle at the Pimlico Race Course in Baltimore, it would be easy to declare that horseracing in the US is galloping apace. It is the 136th annual running of the Preakness – the second leg of the Triple Crown – and the eyes of the country are trained on the track. More than 100,000 fans have come out to take in 13 races on a sunny day. Bob Costas, the television anchor for NBC Sports, broadcasts from the winner's circle to an audience of 8.8m, an increase of 5 per cent from last year, according to Nielsen, the media tracker. Online, fans flock to social media websites such as Facebook and Twitter.

In the grandstand, horse players clutch their tickets in one hand while sip-



ping the race's signature drink, a potent mix of vodka, whiskey and fruit juice known as the "Black-Eyed Susan", with the other. Cigar smoke hangs in the air. Beneath the grandstand, gamblers have wagered \$73m, among the largest "handles" in history.

But the festival atmosphere around the track is not an accurate reflection of the North American racing industry's mood. With the exception of the three Triple Crown races – the Kentucky Derby, the Preakness and the Belmont Stakes – it is a sport in decline.

Since 1989, the number of races in the US has fallen by 37 per cent. Total purses have slumped from a high of \$1.2bn in 2007 to \$1bn last year. And critically, the amount being bet has plummeted 60 per cent over the past 15 years, from \$2.94bn in 1996 to just \$1.2bn last year.

When the latest figures showed the continued decline in betting, Alex Waldrop, president of the National Thoroughbred Racing Association, blamed the dip on other equally troubling figures. "While these numbers are no cause for celebration, it seems this year's wagering drop was much more a function of the decline in racing days," he said.

These figures, all from the Jockey Club, illustrate the steady erosion in public interest in what was once among the most popular sports in the US. Instead, racing has become a novelty to most, even as it remains a way of life for a passionate few.

"You have 100,000 people here and most of them have a good time," says Ronald Finglass, a former financial analyst who has come to Preakness wearing a yellow Ronaldo jersey and binoculars around his neck. "But they never come back for the rest of the year."

Mr Finglass himself embodies this trend. Holding a rumpled sheaf of papers with data about all the horses and jockeys in each race, he is every bit the player. "Every one of these numbers is important," he says, flipping through the pages. "I don't understand them all."

Yet, this will be his only visit to the track this year.

And his befuddlement with the intricacies



Photo finish: Jesus Castanon on Shackleford holds off a challenge from Animal Kingdom to win the 136th running of the Preakness

Getty

of wagering is perhaps one reason the sport is suffering. While thoroughbred racing is a beautifully simple sport – horse, rider and a sprint to the finish – it takes time and dedication to become a competent gambler. Relevant statistics include how fast the horse breaks out the gate, its split times and the jockey's history on the track.

Even die-hard fanatics acknowledge the sport can be difficult for the casual fan to appreciate. "It's a challenge to have people follow the sport," says Brandi Goode, who, like many women at the race, is dressed to the nines. Wearing a wide-brimmed yellow hat, a patterned dress and high heels, she bounces and cheers as the steeds fly by.

"In horseracing, the focus is on the horse, not the jockeys or trainers," she says. "Because a horse runs for a year or two at most, it is difficult for the public to form lasting allegiances."

An employee at FarmVet, an equine pharmaceuticals firm, Ms Goode comes from a family of horsemen. Her boyfriend is a jockey, as was her father and her grandfather. Alongside the track, she admires the horses as they walk to the gate. "Big chest, long neck, carries weight," she says of Animal Kingdom, the race favourite – a

three-year-old that two weeks earlier had won the Kentucky Derby as a 20-1 underdog.

If the horse repeats at Preakness, he will have a chance of winning the Triple Crown at the Belmont Stakes, a feat only five horses have accomplished since the second world war. "It's great for racing if he wins," Ms Goode says. "We need people to watch the sport."

There are those with a less illustrious pedigree than Ms Goode who are also attuned to the sport's nuances. Stewart Winograd, an analyst from Nebraska, is attending Preak-

'You have 100,000 people here and most of them have a good time. But they never come back for the rest of the year'

ness with Mr Finglass and also considers himself a casual fan, albeit one who knows the lingo.

"It's an old horse player's axiom that speed on the rail is always dangerous," he says, explaining his pick for the 10th race of the day. He, too, is betting on the favourite. "If Animal Kingdom does win, I'd like to say I saw him run and I bet on him," he says.

These passionate fans, however, represent the minority. Enthusiasm for racing is wan-

ing as the public focuses on football, baseball, basketball and Facebook. "It has agrarian roots," says one racing executive who asks not to be named, to avoid being seen disparaging the sport that is still his livelihood. "It's based on animal husbandry and agriculture."

As if modern distractions were not enough, the economic downturn has sapped the cash from the gamblers who are the lifeblood of the sport. "The decline, which has been slow and steady, was exacerbated by the economic recession," says the executive. "Disposable income for those who gamble began to decline. Once you had fewer attendees, purse sizes began to decline. Some tracks are losing business and they will go out of business."

Little of that seems to matter at Pimlico, however. For the 12th race of the day, the Preakness itself, all 14 horses in the field fly out the gate late in the afternoon. Shackleford, a 12-1 longshot, breaks early and keeps the lead, holding off a late charge by Animal Kingdom.

Following the race, the pageantry is all in place. Jockey, trainer and owner hoist a silver trophy in the winner's circle and field questions from reporters eager to know the horse's brief life history. The winnings amount to just more than \$1m, a handsome purse but not enough to cover the high costs of buying, raising and training a winning horse. Indeed, many

stables are money-losing operations, the passion projects of wealthy owners.

And while goodwill pours out for the victors, the day marks a loss for the racing business. Shackleford's upset means there will be no Triple Crown winner for a 33rd consecutive year, and public enthusiasm will keep waning. Yet perhaps expecting popular appeal is unrealistic today. Horseracing has become a specialists' sport. And at a Baltimore restaurant after the race, with most of the diners in Preakness finery, one true player counts his winnings.

Tom Robertson, who works at a printing company in nearby Washington, DC, wagered several thousand dollars throughout the day. He was up before dawn to study the fields, and had a complex betting strategy. "I've got an eye for horses. I take into account how they look," he says, adding that he netted \$540 on one race. "You have to make split-second decisions on what you see. That's why you have to come to the tracks."

His zeal represents a level of dedication few can match. And this is the problem for US racing. Just as it takes a competitive spark and intense training for horses to compete, so too does it take real effort to become a horse player such as Mr Robertson, himself a dying breed.

Betting shake-up may boost US racing

Betting

New systems could revive interest in a waning industry, writes Chris Nuttall

The crowd of more than 100,000 that saw Shackleford win the 136th running of the Preakness Stakes was in many ways an isolated affirmation of the strengths of racing in the US.

Betting turnover in Maryland has fallen by a third in the past five years, part of a national decline in interest in a sport where wagering is tightly regulated and the parimutuel system, where winning bets are paid at odds relating to the pool size, dominates betting.

"Parimutuel betting on horseracing is heading towards the cellar. That's a disturbing trend," says Eugene Christiansen, an independent consultant to the US horseracing industry.

Courses have long depended on the parimutuel's cut from betting turnover to stay afloat, while owners and breeders have relied on it for purse money. Yet times are changing.

Racetracks – in those states that allow it – have responded to the decline by introducing on-course slot machines, lottery terminals and casino games.

This has helped maintain courses as going concerns, but Mr Christiansen says the system does not encourage new audiences to appreciate racing itself.

He has written a report on another innovation that could help revive interest in racing – exchange betting.

Commissioned by Betfair, the UK-based gaming group, the report compares horseracing in the UK and Australia, where Betfair has enjoyed success with its own exchange, to the US, where it plans to open betting



Exchange betting has the potential to attract a different set of punters to racing events

exchanges in two states over the next year.

Betfair took a stake in US racing in 2009 with the purchase of TVG, which offers televised horseracing and online parimutuel betting under an off-track betting system known as advance deposit wagering.

Stephen Burn, chief executive of Betfair and TVG in the US, says betting exchanges, where punters can take and make bets, will attract a different crowd, similar to the day traders and other financial types that adopted it in the UK.

"The average age of a TVG customer is 55. At Betfair it is 35, and even younger for other sports [other than racing]. That is a marked difference," he says. While Betfair plans to start by offering simple bets, its in-running betting, where bets can be placed during a race, would shake up the market.

"Our system is so archaic," says Ray Paulick, an industry commentator. "The technology that Betfair has developed is so far beyond where we are that this can only improve things."

A bigger gripe of gamblers is the takeout – the amount the authorities take from the pool before winnings are calculated. It amounts to a relatively high 21 per cent, where fixed-odds bookmakers would take only about 5 per cent. Betfair, which charges 2-5 per cent commission in the UK, is treading carefully in the US in wanting to offer a better deal for punters while satisfying racing's concerns that it could affect its current revenues.

But Mr Burn is relishing the opportunity to tackle US racing's problems. "We have a tool here that the sport can use to get a headstart against the rest of the gambling industry," he says.

An age-old problem that is proving hard to fix

Corruption

Racing's authorities are working hard to maintain the integrity of the sport, writes Sean Smith

The allegation that five UK-based jockeys and two racehorse owners were part of a corruption scandal that involved betting on horses to lose was not unexpected in an industry that has talked of little else this year.

And while shocking, the claims will come as little surprise to those involved in a sport that has been plagued by scandal throughout its history. Wagering and seeking to beat the bookies by any means have always been an integral part of the horseracing experience.

Most cases of race fixing involve seeking to influence the price of a horse unfairly. One of the most audacious scandals took place in Australia in 1984 when Bold Personality – a

talented horse – raced under the name of a much inferior horse. The ruse was discovered, and trainer Hayden Haitana was jailed.

But perhaps the most high-profile accusation of corruption came when a UK newspaper accused Kieren Fallon, the champion jockey, of race fixing after he appeared to pull up before the finish of a race in 2006. Despite a prolonged investigation, Mr Fallon was cleared of corruption.

Since Mr Fallon's trial, the sport has been half expecting another race-fixing scandal. His case centred on the use of betting exchanges, which allow account holders not only to bet on a winner, but also to back any horse in the race to lose.

It is clear from the British Horseracing Association's own figures that such exchanges make up a high proportion of the investigations into corrupt practices. Since 2003, the integrity department at the BHA has investigated 628 cases involving corrupt betting activity. Of these, 131 – just more than 20 per cent – have related to betting exchanges.

About 10 per cent of those cases have resulted in serious disciplinary action being taken against the jockey, trainer or owner.

None of these would have been successfully prosecuted without the help of the exchanges themselves. In 2003, Betfair, the largest betting exchange, signed an agreement with the UK

'Most of the cheats who used to cause problems we now know about, and they know that we know'

Jockey Club, racing's previous regulatory authority, in which it promised to monitor betting activity and report anything suspicious.

For example, 10 minutes before the start of Mr Fallon's ride on Ballinger Ridge, Betfair contacted the Jockey Club with evidence of suspicious activity on two of its accounts. It handed over details of the account, which

became a focus of the trial at the Old Bailey.

While it would be simplistic to suggest that without exchange betting there would be fewer instances of race fixing, the numbers in California – where exchanges are currently illegal – are telling. In the past three decades, the US state has seen just one case of race fixing in more than 100,000 races with upwards of 1m runners and riders.

Mike Martin, spokesman for the California Horse Racing Board, believes this level of success is down to scrutiny, tough legislation and effective self-regulation.

"People are kept honest by strong deterrents. We have got a lot of scrutiny and regulations here," he says.

He adds: "One of our biggest assets is racing fans. These people are amazing in how they scrutinise races. They tell us when they see something suspicious, and we follow up every one [of their claims]."

In the past 10 years, there has been a sea-change in the way UK authorities tackle corruption. The difference has

been significant enough for the US racing authorities to seek advice from their British counterparts, and France to declare that the BHA offers best practice to other authorities.

Despite the BHA's success in finding suspicious betting activity and sanctioning those whom it deems perpetrators under its own rules, there has been no success in prosecuting the cheats in the sport under law in the UK. The Gambling Act of 2005 – which allows for the fact that gambling is no longer something that just happens in heavily licensed premises, but also online in people's living rooms – has seen no prosecutions.

Paul Scotney, director of integrity services and licensing at the BHA, says: "The set-up we have here is as good as any police set-up."

"Most of the cheats who used to cause problems we now know about, and they know that we know. Many of them have drifted away to other sports."

He adds: "But no police force can stamp out burglary. And it's the same with [corruption in] racing."



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# A race for punters' support at Happy Valley

## Hong Kong

Amid flagging interest and competition from Macao's casinos, the city has a plan to attract new fans, writes Ben McLannahan

Few of the problems facing Hong Kong horseracing are in evidence on a cool early-summer night at Happy Valley Racecourse, developed by the British in 1845 on the only flattish tract of land on an otherwise hilly island. Crowds spill out of the main stand – a spectacularly lit facility fringed by towering skyscrapers. As the evening is French-themed, part of a citywide arts festival, punters swap hot dogs for coq au vin and escargots de Bourgogne, and are welcomed by greeters dressed as pre-revolution aristocrats. “It’s a great night’s fun,” says Ronald Arculli, chairman of Hong Kong’s stock exchange and a former chairman of the Hong Kong Jockey Club. “People keep coming for the atmosphere and the racing, not just for a flutter.” Fittingly, the evening’s marquee race, sponsored by France Galop, the French horseracing association, is won by a horse called Euro Power. Yet beneath the surface, tensions exist. Horseracing in the Chinese territory is facing sustained pressures from the lure of competing attractions, the rise of illegal gambling syndicates, and an ageing clientele. “For many of the younger generation, racing is just not fashionable,” says Gabriel Chan, gaming analyst at Credit Suisse, the investment bank, in Hong Kong. The peculiar way horseracing is run in Hong Kong adds to its constraints. The HKJC is a protected monopoly, granted licences by the government to



Grand night out: race-goers at the Cathay Pacific International Jockeys' Championship at Happy Valley Racecourse

Rex Features

operate the city’s racing, football and lottery concessions. For more than 50 years, any post-tax surplus from these activities has been given over to charity and community projects. However much Winfried Engelbrecht-Bresges, chief executive of the 127-year-old HKJC, would like to develop new income streams – such as additional race meetings or betting on other sports – he cannot do so without the consent of the Home Affairs Bureau, which says it has “no plan to change the scope of authorised gambling activities”.

Despite the benefits the HKJC brings – it is the territory’s single biggest taxpayer and its largest charitable donor – the government’s starting point is that unrestricted gambling has dangerous social consequences. Any expansion, therefore, comes with conditions. Since 2008, for example, when the HKJC won the right to offer rebates on big losing bets, the club has had to pay HK\$15m (\$1.9m) a year into a special fund to spread the message “Say no to gambling”. According to Mr Engelbrecht-Bresges, who ran the German govern-

'Hong Kong has the best racing, the best facilities, the best stewards, the best information provided to the punter'

ing body before joining the HKJC as director of racing in 1998, it is his constant challenge to “find a balance”. He adds: “We need to channel people’s gaming propensity, but in a socially responsible way.” The problem is that for much of the past decade and a half, people have been coming less and less. The HKJC’s racing turnover peaked in 1997 at HK\$92bn. Since then, a big squeeze has come from Macao, the fast-growing pleasure dome just across the Pearl river delta. By the HKJC’s own estimates, Hong

Kong residents lost almost 50 per cent more money in Macanese casinos last year than they did at home in the club’s regulated activities. Then there is the influence of underground betting syndicates, often run by triad gangs with links to mainland China. “Spotters” lurk outside meetings at Happy Valley, offering high-rolling punters access to credit – the HKJC is strictly cash only – and much lower commissions. The jockey club, however, is fighting back. One initiative to diversify revenues and attract more enthusiasts under the age of 30 has been a new “Racing Club” that gives members access to trendy spots around town in addition to club premises and stables. To encourage owners to keep buying top horses, meanwhile, the total prize money on offer has been increased by a fifth over four years. Hong Kong now boasts the richest turf mile race in the world and 19 of the top 100 horses, up from one a decade ago. All these efforts have paid dividends. While attendance at Sha Tin, the larger of the club’s two racecourses, has dipped since 2007, Happy Valley’s average attendance has slightly increased. More importantly, aggregate racing turnover has risen by a fifth over that period, to HK\$75bn in the year ending June 2010. Despite its legislative restraints, Hong Kong remains “the jewel in the crown” of regional racing, according to Andrew Harding, secretary-general of the Asian Racing Federation and chief executive of the Australian Racing Board. “It has the best racing, the best facilities, the best stewards, the best information provided to the punter,” he enthuses. That is some satisfaction to the HKJC’s Mr Engelbrecht-Bresges. “People won’t just gamble on anything that moves,” he says. “They want real sporting quality.”

# It takes more than a financial crisis to unseat Dubai

## Middle East

The emirate continues to set the pace in the region, writes Robin Oakley

Passion allied with pragmatism has made Dubai one of the centres of the international horseracing world. Sheikh Mohammed bin Rashid al-Maktoum, the emirate’s ruler, adores his horses and shuttles more than 100 animals between Dubai and his base at Newmarket each spring for the start of the British season. But Sheikh Mohammed does not keep his horses in Dubai for the winter simply because he likes to be near them and because the climate aids their race preparation. Along with golf and tennis – and in part because the thoroughbred originated in his part of the world – horseracing was from a very early stage put at the centre of Dubai’s development and its efforts to become a new sporting capital for the Middle East. Fifteen years ago, the Dubai World Cup was inaugurated with a victory for Cigar, the outstanding US thoroughbred. Not long after, the first chairman of

the race committee was told: “You are here to market Dubai as a tourist destination. We’ve got to fill all these five-star hotels.” Fast forward to 2011, and Dubai’s place at horseracing’s top table is firmly set. Roughly 50,000 international spectators attended this year’s World Cup extravaganza, witnessing a race that is now the richest night’s racing in the world. When Japan’s Victoire Pisa took victory in this year’s big race, his prize exceeded \$10m. With the eight races also including the two richest prizes in the world for racing on turf (the Cup is run on an artificial surface), total prize money for the night topped \$26m.

Horseracing was from a very early stage put at the centre of Dubai’s development

When the financial crisis struck and the cranes and jackhammers on many of Dubai’s building sites fell silent, there were real fears that the emirate’s goose would soon stop laying golden eggs. Racing folk stroked their chins and reckoned that what some used to call “Sheikh Mo’s desert party” was over. Yet Dubai’s response was typical. The moment the 2009 race concluded, the wrecking balls went in and the perfectly serviceable Nad Al Sheba racecourse was torn down. In its place was built the extraordinary Meydan track, with its five-star

hotels and 0.6-mile-long “landscaper” from where spectators can view the action. At the same time as Dubai was looking to its neighbour Abu Dhabi for financial help, investment in racing remained a priority. With Sheikh Mohammed’s commitment to racing underscored, the question now is not whether the sport will falter in Dubai, but whether a Middle East rival can steal its place in the limelight – the super-rich emirate of Qatar. Last year, Sheikh Fahad – one of six brothers who are nephews of Sheikh Hamad bin Khalifa al-Thani, emir of Qatar – attended his first race, the 2,000 Guineas at Newmarket, won by the French horse Makfi. He was bitten by the racing bug. Since then, Sheikh Fahad has become a notable owner in the UK, with about 40 horses handled by leading trainers in the UK, Ireland and France. This has proved to be a welcome injection of capital into the British breeding scene at a difficult time. At the same time, Qipco, the company owned by the six Qatari brothers, has become a significant sponsor of British racing, backing the inaugural Champions Series through the season. This will culminate in the new Champions’ Day at Ascot, where a British record £3m (\$4.9m) in prize money is on offer. Last year, the richest race in Europe, the Prix de l’Arc de Triomphe, was also sponsored by Qatar, with a reproduction of the Doha souk outside the gates at Longchamp underlining its commitment to promoting Arab racing.

The Qatari involvement in racing is quieter in style, and less brash than Dubai’s “biggest and best” approach. It reflects the Qataris’ manner of being a little more realistically commercial – already one of their horses has been sold on to Hong Kong at a profit. Early indications are that all this represents a serious long-term commitment to horseracing by a country that hopes to put itself on the wider sporting map by hosting the football World Cup in 2022. Certainly UK race-goers are hoping that in the emergence of the enthusiastic Sheikh Fahad they are seeing the next Sheikh Mohammed in the making.



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