TDN Q&A

...With Bill Nader

The Hong Kong Jockey Club recently concluded one of its most successful seasons ever, reaching a record betting turnover of HK$93.94 billion (about US$12 billion) and experiencing increased attendance of two million spectators over 83 race meetings. With more exciting developments on the way for the nation, including increased prize money and commingled betting pools for next season, *the TDN* spoke with the Hong Kong Jockey Club's Executive Director of Racing--and former NYRA Chief Operating Officer--Bill Nader to garner some insight into one of the most successful racing programs in the world.

Bill Nader
Michele MacDonald

TDN: Hong Kong just concluded a very successful racing season, which saw a record betting turnover that surpassed the previous high from 1996/97, and increased attendance. To what do you attribute these gains?

BN: Horse racing in Hong Kong is the clear leader as the number one spectator sport. It is also the world's gold standard for horse racing and betting entertainment based on five key components--quality of racing, uncompromising integrity, attractive field sizes, the world's biggest wagering pools and outstanding customer experience. There was a steady decline here in turnover, which had previously peaked at HK$92.3 billion in season 1996/97 and the low in season 2005/06 at HK$60.05 billion. We have since experienced sustained growth and achieved a new high this season of HK$93.94 billion over 83 race days. The dramatic increase over the past several years is a result of perfecting the key components and providing customers with an experience that covers all the bases.

This includes food and beverage offerings that are of the highest standard and also great value for money, much-improved on-course facilities that are tailored to meet the needs of all customer segments and a greater understanding of what each customer segment needs to deliver a favorable experience. The emphasis is on quality every step of the way, from the standard of racing all the way down to the smallest detail.

TDN: Can you describe for our readers Hong Kong's Racecourse Master Plan? How has that contributed to recent success, and what does the plan entail going forward?

BN: The Racecourse Master Plan is an ongoing multi-billion dollar investment in Hong Kong dollars to make capital improvements at both Sha Tin and Happy Valley racecourses. We have a Members' area and a Public area at both racecourses and we have invested in both. To own a horse in Hong Kong, you must first be a member of the Jockey Club. We have invested heavily in the owners' and members' segments by providing a variety of options that are best described as tasteful to luxurious and provide the right balance of comfort and space to go along with a dining experience that rivals many of the best restaurants in Hong Kong.

This includes better sight lines and balconies to step outside to watch the races, but the main focus has been on renovations of existing venues and creating new venues to match up with the needs of the appropriate customer segment. On the Public side, we have created areas that cater primarily to the demands of a younger segment and have leveraged heavily on the unique strength of Happy Valley as a terrific weeknight destination for locals and tourists. We are also delivering information in a customer-friendly format that gives new customers a chance to learn at their own pace and in a style that is less intimidating. We are determined to continue with this investment, as it is providing a return that has met or exceeded expectations.

TDN: Hong Kong also experienced a successful season with its local runners, who represented the nation strongly both domestically and internationally. Can you explain how the local runners are sourced, and what restrictions are placed on importation?
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BN: An owner must be a Club member. He or she is limited to a maximum of four horses as either a sole owner or in a partnership, as demand far exceeds supply. A ballot is conducted once a year in June to determine which members will be awarded a permit to import a horse. There are about 1,100 applications chasing 330 permits. To be a horse owner in Hong Kong carries a recognition of prestige and status that is very healthy to our business. There is no breeding in Hong Kong, so all horses are sourced and imported, about 70 percent from the southern hemisphere and the rest from the north. Most horses are Australian and New Zealand breds, but we also have a fair amount from Europe and America.

Good Ba Ba is the Hong Kong poster boy from America, a Keeneland Sales graduate, and we have had a number of top runners from Europe. Most of our best sprinters, and we have had many, are from Australia. Horses can come in unraced and are classified as PPGs and horses that have raced can come in as PPs provided that meet our import criteria. The HK$16 million Hong Kong Derby is for 4-year-olds and, generally, the winner has competed in a Derby as a 3-year-old, such as Akeed Mofeed, winner of this year's Derby. He was imported at a reported price of over US$2 million. We also have our flagship day on the second Sunday in December, the Longines Hong Kong International Races, and all four of the Group 1 races are on turf and featured on the IFHA list of the World's Top 50 races. They are run at 6, 8, 10 and 12 furlongs and they offer big money. Nominations are free and the Club pays all travel-related expenses for horse, owner, trainer, jockey and groom for horses that are invited. It is one of the world's premier racing events.

TDN: The HKJC recently announced that it will be able to offer commingled pools going forward. How will this affect business and turnover going forward?

BN: Earlier this month, the Hong Kong legislature approved two-way commingling. We currently do about HK3.5 billion in overseas wagering in the form of separate pools. It will take a bit of time to establish tote interfaces, particularly as some of our high jackpot bet types are not common in the tote architecture, but we will get there as quickly as possible. I am convinced that the product combination of Hong Kong racing and betting is about as good as it gets, and I am confident others will quickly recognize this once they have the chance to fully experience it. The incredible size of Hong Kong racing, in terms of wagering pools, quality and depth, with field sizes averages 12.6, it is an impressive presentation to customers who like to play. About 85% of the wagering is on Win and Place, Quinella and Quinella Place, but the jackpots in bet types like the Triple Trio and Six-Up will also be of great interest.

TDN: Mr. Engelbrecht-Bresges noted the Club still faces challenges going forward in terms of increasing competition and higher operating costs. Could you elaborate on this?

BN: The challenges we face in increasing competition come from Macau, which is only one hour away, and is, by far, the biggest casino destination in the world. Our wagering experience is much different than casinos in that we are skill-based and we give our customers a wealth of information to exploit this advantage. But Macau is an imposing presence. Controlling costs is also important, primarily because the Government betting duty on horse racing ranges from 72.5 to 75% of the gross margin, leaving us with about 4.4% of the dollars wagered to pay prize money and operating costs.

To put that in real dollar terms, our horse racing tax this season was over HK$11 billion to the Government and this is before our contribution to Hong Kong charities. We have to be smart about how we use our share of the margin.