

Fifth Annual Joint Meeting of HTA and TRA

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General Session

8:00a.m. to 8:40a.m.

Internet and Disruptive Technology

- **Eugene Christiansen, Christiansen Capital Advisors**
- **Bill Shanklin, University of Akron**

Chris Scherf: Good morning everyone. First I want to thank the sponsors of this morning's breakfast, International Game Technology and WinTicket, we appreciate their support very much and I'm sure you do as well. Our first panel this morning deals with disruptive technology, which is one of the really, in-fashion, new business buzz-words. It's when a technology comes along and sort of blows your business model apart, and most commonly in these days it seems to be applied to the Internet. Certainly the horse racing industry is well-aware of the impact that the Internet has had on our wagering and how it's used by our customers and what affect it's had on their buying patterns. We're not alone in that, obviously, if it's a hot topic in business schools and business journals, there are a lot of other companies and industries that have been afflicted by this.

I can think of one industry leader who was talking about the impact that the Internet, and how it has destroyed much of what used to be their core business, or certainly had a huge negative impact, and how they are trying to adjust to it, and develop a new business model, one that takes advantage of the technology, which is always the challenge because once you're firmly ensconced in one business model, to quickly change gears is extremely difficult. But this leader was talking about the steps they were taking, his vision for the future, and also acknowledged that in five years their core business product would probably still continue, but he didn't say definitely, and it certainly got my attention because it used to be my business, it was the publisher of the New York Times, and he was saying that they have had in the newspaper industry such problems in dealing with the Internet that he wasn't even saying positively that they would have a print product in five years. That was astounding to me.

Today we're fortunate to have two speakers who have been regulars at these and other industry conferences, they've written frequently in our periodicals, Dr. Bill Shanklin from the University of Akron College of Business, he's written many articles about racing, for the Blood-Horse, Hoof Beats and Thoroughbred Times among others. He's going to start us off on the issues of Internet Disruptive Technology.

Bill Shanklin: Thank you, it's good to be back with you again. These are going to be the topics that Eugene and I talk about. Basically, the difference between a disruptive technology and a sustaining technology is that disruptive technology replaces your current business model and a sustaining technology makes it better. So therefore the Internet and telephone account wagering is both a disruptive technology and a sustaining technology in terms of racing. And we're going to look at a third point there: how companies typically react to disruptive technology. I want to talk about this term for a minute, when I was a very young person, many years ago, I went to college for about a year, year and a half, and majored in wine, women and song. There wasn't much song, so I decided after that that I needed a little maturing process.

I decided to join the army, which I did, and I was sent to Ft. Knox, Kentucky for basic training. We learned the things that you learn in basic training, how to clean a rifle, how to bayonet somebody, how to put a gas mask on and go through chemical warfare. We also talked about strategy, tactics, and most of our drill instructors had fought in the Korean War, and it soon became apparent to me at the young age of 21 that they were training us to fight the Korean War, in other words the last war. Later, I left the military went back to school, got my graduate degree, became a professor, and I had the opportunity to teach military officers at Ft. Knox, Kentucky, Ft. Campbell, Kentucky, proud home of the 101st airborne Screaming Eagles, and in Washington, D.C. I was a 20-something-year-old teaching bird-colonels, which is an intimidating situation, and that's why I've never had much stage-fright. We talked a lot about strategy and the military strategy that we talked about often times was how great military leaders can make blunders. And it's directly related to business.

If you look at some of the great blunders in history—the British fighting the American Revolution—what had worked in the past didn't work. They were fighting basically a guerrilla war and it didn't work. One of the greatest generals in history, in my opinion, Robert E. Lee, made a blunder at Gettysburg by sending 15,000 men over a mile of empty land in triple-

canister, in other words three times the regular load of a canon. It was Pickett's Charge, and they were destroyed. That became so famous that De Gaulle and Eisenhower, people like that, would go and study the battle of Gettysburg for strategy. And you come up into World War II and you talked about the Maginot Line, which is still cited as a great blunder and cited in business. The French built concrete fortifications all along the line of Germany, all along the line of Italy, they were fighting World War I, and the Germans simply went to the low-country, right into France and seized it.

What I learned in teaching in the military and being in the military has direct applicability to business. If you look at the Fortune 500 companies, started in 1955; they're ranked from first to 500 based upon their revenue. If you go back to 1955, and you try to find those companies that were on that list in 1955, you won't find most of them. There's been a tremendous turnover, so it raises the question why is it that premiere companies that could go out and hire the best business people in the world, the best engineers in the world, the best R&D people in the world, couldn't sustain their prosperity. It almost always is that they were fighting the last war. The same people, the same managers that are hailed as geniuses, like at IBM in 1989, for example, are several years later hailed as dunces. IBM lost the most money in the history of mankind, three or four years after it made the most money in the history of mankind, because there was something that came along called the personal computer, and it was a very disruptive model.

I used to teach at Digital Equipment Company in the mid-1980s, they thought that the personal computer was basically for hobbyists. It was never going to be in business because business only had use for a mainframe computer or a mid-range computer. If you went to Kodak up in Rochester, they knew as long as 15 or 20 years ago, that the days of film were not long, they were not going to be around very long. But yet they weren't able to make the transition because it was the company that George Eastman built on the basis of film. They weren't able to make that transition, and hence today they're a very minor player in digital cameras because somebody came in from the outside and disrupted that industry that didn't have the investment that Kodak did in film.

So the sins of the generals simply means that we fight the last war. Companies do it, military people do it, and the racing industry has done it. There's no question that the racing industry has done it. In 1996, I had a call from a fellow, and he said that he was the president of a small NASDAQ company, and the NASDAQ Company was in dire straits and they would like

me to join the turnaround team, which I did. I taught part of the time and I joined this turnaround team part of the time and we worked for stock-options, and the company had \$90,000 in cash when we got there, it was our job to turn it around. So I called a turnaround manager that I knew down at Pittsburgh, who had worked for a lot of venture-capitalists out in California. In Massachusetts, he turned around three high-tech companies, and I asked him for advice, I said “what would you do?” He said, whenever I go in to a company, the first thing that I do is try to change the corporate culture. He said you go in and you fire the IT person, and you fire the HR person, and you fire the old president’s chief assistant no matter how competent they are because they know too much and you’ve got to get them out of the company in order to change the corporate culture because they’re always going to talk about the good old days and how they used to do things.

General Electric did a study very recently of fast-growing companies. What’s significant about this is that General Electric didn’t say we know it all and therefore we don’t have to consult anybody on how to cope with growth, or how to make growth rather, cope with change. Now all GE managers that are on the fast-track and run major operations are evaluated on these criteria, and if you notice that first one up there, external focus, that means looking outward, not just within the industry that they’re in, but what’s going on out there per se. They evaluate you at the end of the year on the extent which you have external focus.

I’m going to skip a minute, decisiveness and risk-taking, those are definitely two traits, if you went back into those Fortune 500 companies, those would be two traits that you wouldn’t see, the ones that got displaced, decisiveness and risk taking, because I asked the question how do companies typically react when they’re being disrupted? The answer is, and there’s a lot of empirical evidence on this, they try to save the old business model. The transistor people came along and they displaced the vacuum tube, but the vacuum tube engineers and companies poured more money into research and development on the vacuum tube and therefore perfected it to its highest extent after it was clear that it was going to be rendered obsolete by the transistor. You can site many examples of that happening.

If you look at some of these, inclusiveness, there’s another one, the companies that I’ve been studying, and the companies that I’ve been in, that’s where there’s been a weakness. Inclusiveness: That doesn’t mean it in an affirmative action sense; it means do you have a wide-degree of opinions? GE did a study, some years ago at their management institute, and they gave

the attendees, who were GE executives, a problem to solve. They had people classified as either left-brained, meaning highly-analytical, or right-brained, meaning very creative, and they took one group of all left-brained people, engineers, accountants, businesspeople, and they put them in one group and then in the other group they put creative people. Creative people drive analytical people crazy because they don't think in a linear fashion, so the analytical people think that the creative people are crazy. How do you get to that solution, how can you come to that conclusion? And so the other group was all creative, so they had one all-creative and one analytical and then they mixed the group. And the creative people and the analytical people, when they were separated, they came to a conclusion, made a recommendation on how to solve the case. The third group that was mixed, they argued like cats and dogs, it took them twice as long to solve the problem, but they had a far-superior solution. Oftentimes, in companies and industries, particularly ones that have been disrupted, you don't have inclusiveness, people coming up with different opinions and being tolerated. If you look at a lot of company boards for example, the typical company board has people on it that are over 50 years old, typically males. One has to ask themselves, how much do those people know about a generation that goes on MySpace or YouTube, do they know anything about viral marketing? Do they know anything about industry change? Do they know anything about getting young people to come to a racetrack?

Even if you don't have a corporate board like Magna does or Churchill Downs does, where you can bring people in with different perspectives, if you're a private organization, you can still form an advisory board, I serve on several advisory boards and I recommend it. And when you get that advisory board, don't populate it with everybody from your industry, get an outside perspective because they'll tell you the truth. And get them of all age-ranges, and get them from different backgrounds because if two of them have the same background, one of them is redundant. I always tell people that when they want to start a business, I said if you have a capability in sales, don't get another salesperson, you'd better get an accountant or an engineer.

Domain experience, that's a tricky one, domain experience means how much do you know about the business. The reason that it's tricky is because, if everything's going along well, it's alright that you know that domain, but if there's a disruption, then what you know no longer applies, and that gets you in trouble. So when you talk about domain expertise, you have to be very careful about what that means, what do you mean domain expertise, do you want somebody

that knows how to run a racetrack? Do you want somebody that knows how to do a viral marketing campaign over the Internet? We ask this question: how would we defend ourselves if we were an incumbent under attack from disruptive technology?

This is my opinion, I haven't asked Eugene about this, but it appears to me, and I've been around racing a long time, that basically what you've got is a two business model approach, on the one hand you have a group of folks that are figuring out how to get people to come on-track and I call this the slots, on-track model. So if you go to a convention like this, they'll have speakers on how to do customer service, how to serve good food, how to handle parking, that's very important for an on-track model. But the other model is, that's the Internet model, and the Internet model isn't like the on-track model. The Internet model, the account wagering model, has won because 75 or 80% of your revenues are coming from that model. And so if you come to an industry convention it almost sounds like you're in two worlds. Somebody gets up here and they'll talk about how you improve the food-quality, how you measure customer service, and then some other guy like Shanklin's going to come up here telling you about the Internet and you'd better compete on the Internet, and you'd better do viral marketing, and you'd better get young people on there and that's a different world. And so you've got a two-business model approach, just like at Kodak. On the one hand, you've got a bunch of people that were in film; on the other hand you've got a bunch of people that were in digital. And those people see the world from a much different perspective. It's just like the drill inspectors that were showing you how to fight the Korean War when there's a jungle-war brewing called Vietnam. It's exactly the same, the analogy's perfect, in my opinion.

So the question I think every racetrack has to decide is can you accommodate the two business model approach in the same company, and I wouldn't make a recommendation because I'd have to know about your specific situation, so I couldn't possibly make that recommendation. I will say this, I think it's very hard to accommodate it in the same business model, and you might want to consider splitting it. You might want to consider splitting it and telling the two components to kill each other off. And you say well, you can't do that, you can't kill off our bricks and mortar, or you can't kill off our simulcasting, well yes you can because that's what your competition's going to do. If you don't do it, they're going to do it, and that's going to make both of your business models better because the on-track people are going to have to be very proficient at what they do. Simulcasting is one thing and then on-track they're going to

have to be very good at what they do, and those are different skills. I know they're different skills. Somebody that's very good at running a racetrack may know nothing about how to create a viral marketing campaign like the Blair Witch Project, which they did and made a hit out of that, or a number of other, of songs for example. So if I ask this question, how would we defend ourselves? One of the first things that I would consider is how to build a firewall between those two business models, and then I would hire the best people that I could on each side of those, and I would tell them to go after each other.

I would try to turn the Internet side of it into an iPod, which Gene is going to talk about in a minute. He's going to mention that I'm trying to turn that into kind of an iPod, because a racetrack is nothing more, if you look at it from the simulcasting side, than an iPod, because the inventory is digital. There's very little storage cost when you're talking about digital so it doesn't cost you any more to take a bet on some proposition bet or a peer-to-peer wager than it does on an Exacta where you're getting a lot of your money. I'd recommend that you read the book The Long Tail because that's what I'm talking about here. If you look at that, if you take Barnes & Noble, Borders for example, they've probably got 3,000 books, Amazon.com ranks over a million books and they make 25% of their money on books that are not even sold in a bricks and mortar facility. So there's no reason why you can't take a bet that doesn't have a lot of action. How would we attack incumbents with a disruptive technology if we were a start-up? Well one thing we would do is we would find a stodgy industry, and we would find one where the sins of the generals prevails, and we would do all of those things that I just said that a racetrack might want to do, and we would make sure that people have ready access to betting, through communications hardware, and we would make sure that they had a lot to bet on by extending the Long Tail they talk about that in that book, we would get into proposition bets, we might get into peer-to-peer wagering if we could, if the legalities would work out, we would hire a potpourri of people from various backgrounds, various skills outside the racing industry. If it was a private company I'd form an advisory board and figure out how to attack the incumbent because the incumbent is going to be bureaucratic and it's going to try to save its old business model and we would go in there and we would flank it and try to knock it out. Now I'm going to turn it over to my esteemed colleague Eugene Christiansen and he's going to follow up on what I just said, Gene.

Eugene Christiansen: Dr. Shanklin and I have been collaborating on articles and speeches quite a bit over the last two or three years. It's really a pleasure to work with him, partly because he thinks for himself and partly because he knows how to write, so it makes the collaboration much easier. This question of business models, old ones and new ones, and changing technology, I think it's extremely important for this industry. Dr. Shanklin has been talking about industries other than racing and I'd like to call your attention to this headline from the Wall Street Journal last week. What it's talking about is that the music industry, recorded music, has a new gatekeeper, the gatekeeper is Apple Computer, I'm sure there is no one in this room who doesn't know what an iPod is or what iTunes is, I think it's a perfect example of what happens when you persist with an old business model when the technology, the technological environment around you is changing. Recorded music labels could have done exactly what Apple Computer has done with the iPod and iTunes. They did not. When the Internet came along and file-sharing first appeared, the labels, which really had a perfect business model in a perfect world, a business model that had worked for 75 years and had gross operating margins of something like 90%, it really wasn't hard to make money if you were selling first LPs and then CDs. They took one look at file-sharing and the first thing they said was well, it's illegal. The next thing they said was well, we'll go into court and enforce the law and we'll put the file-sharing people out of business.

Here we are today, in 2007, and the result of that attempt to preserve or enforce a business model through the courts has produced a situation where recorded music sales are in their seventh year of declines, the seventh straight year. On the other hand, Apple Computer, with its new business model for recorded music is, as I think you all know, a tremendous growth story. Online music sales is the only sector of the recorded music sector that is in a growth posture today, and Apple and its principle shareholder could not be happier. They're doing quite well in this environment. I think that's a metaphor that says really all I have to say and I'll make a few more remarks and then I'll shut up because I'd like some questions and answers here.

To bring it back to racing, I think the problem with racing is that it is married to this old business model, most of the effort in racing is still being devoted to preserving the model, trying to make the pari-mutuel machines work, trying to make new fans with pari-mutuel machines, and at the end of the day what this means is that racing is product-centered, not consumer-centered. This industry is fixated on horses and horse races; its attitude towards the future really is that if

the track surface is good and the racing is high-quality, God's in his heaven and all's right with the world. If consumers don't come to the track and bet sufficient amounts, there's something wrong with them, not with racing, not with racing companies. The racing industry is managed like an arts institution, the management mindset is that I like racing, and if the public doesn't, the hell with them. And let's get slot machines so purses can keep rising. These attitudes have created a demand-problem that will, in the long run prove fatal if it is not addressed.

Racing's problems stem from a lack of demand, not with the product. The product is good, the track surface is good and the races are better than ever. The management of this industry knows how to put on quality horse racing; it doesn't have to devote research and development to solving that problem. The problem is the business model, and the problem is demand. Not enough people care about high-quality racing, and if that isn't addressed and if we do not as an industry find what this computer company found in the recorded music situation, if we do not find a new business model, a business model that can create fans, new fans, create new interest in racing and stimulate consumer spending on racing, nothing else is going to save this industry. I do not think that slot machines can do this because that is a different product.

There are two approaches to machine gaming for racing, one is what I call the Peter Carlino approach, which is to take your racing company and turn it into a casino company where you own the casinos and now your future is married to the consumers who will spend money on that product. It's worked for Peter Carlino, I think it would work for any racing company, what it doesn't do is address this demand problem for horse racing that Dr. Shanklin and I are talking about. The other approach to machine gaming is to persuade a legislature to have machines at a racetrack under lottery law, where the machines actually are lottery machines and the first claim on this revenue is the state lottery. That has worked pretty well up till now, but in the past year at least in our consulting practice we've noticed in at least three states, serious questions being raised about well, hey is it really such a good public policy to subsidize racing with video lottery terminal revenue? Those questions have been turned back so far but they will reappear and I think the basic premise that you can bet this industry's future on subsidies from machines that are lottery machines, not your machines, might be a high-risk approach to the problem. I'd like to leave some time for questions.

Voice: I've heard viral marketing mentioned a couple times yesterday and certainly today. From your experience in racing, not necessarily involved in management but more on the consulting side, what part of the sport do you think most lends itself to that type of marketing? Is it the races itself? The personalities on the backstretch? The bettors in the grandstand? Are there any elements that strike you as ripe for the type of viral marketing we've heard discussed this weekend?

Bill Shanklin: Well, I have a couple thoughts on that. First of all, I would tie racing's big days in with viral marketing like the Hambletonian and the Kentucky Derby, and make it interactive where you have to do something as somebody at home. That's one way I would do it. And then Gene and I had an article together and we feel that, and I know I can speak for him in this because we wrote the article together, that the people that you ought to try to turn into celebrities, so to speak, are the players, like they do in the World Series of Poker, so the horses haven't worked and the trainers haven't worked and the drivers haven't worked, the horses have worked some but they get retired early, so maybe you'd try to create a Chris Moneymaker, for example, World Series of Poker. That's my view.

Eugene Christiansen: I think that's a very good question. I'll add something to Dr. Shanklin's remarks. Big events and the Breeders' Cup is probably the best example, or the Kentucky Derby, these are old business model products. They're like high negative cost movies or best-selling books. The premise of this kind of business is that you invent a product that everybody wants to buy and it's a nice trick if you can do it. The problem with it as a business model is that it is extremely difficult to do. So the ratio of products that you bring to the market to hits very, very high. The failure rate is high. When Dr. Shanklin alluded to the Long Tail of the demand curve, that's the part of the demand curve that BetFair are exploiting, where your shelf space is infinite, the number of products you can carry is not limited, it doesn't matter if only one other person in the world wants to buy the product, you can still do that business; and the aggregate demand, it turns out in that Long Tail of the demand curve, may be greater than the demand on the part of the demand curve for these hit products: the Breeders' Cup or 300, which is a movie that opened over the weekend at \$70 million at the domestic box office. I think in thinking about new business models for racing, it's important to think about the Long Tail of the demand curve.

We've written a couple of articles about that which I can make available online so if anyone would like to file through those, get in touch with me or ask Stan, who knows where I am, I'll be happy to e-mail these discussions to you. Any other questions?

Voice: I'd just like to say that there's a Blood Horse article coming out on that too, on the Long Tail, I don't know when, sometime this spring.

Tom Aronson: The question that I have involves relatively intricate interplay in this business of the law and its ability to do business. And the music business was not quite as encumbered, it certainly had the rights issue that was the overarching question, and what seems to have happened, and correct me if I'm wrong and I may very well be wrong about this, but Apple managed to circumvent that whole issue by getting a licensing deal that allows it to sell music to people for 99 cents or whatever and that was the moment that it really barged into that whole area. My confusion, my question involves, I guess you might call it chicken and egg right, what do we have to do first as a business? Do we have to change the law or, because without getting too far into the BetFair conversation again, obviously it runs afoul of an awful lot of regulatory and legal issues in this country, not the least of them having to do with purses, for example, purse allocations and all those kinds of things. So how do you make whole the partners that are currently legislated and regulated into racing? I think you guys get my general question; is there an avenue that, in a self-interested way, a Churchill Downs or somebody like that can pursue, as an industry leader, to pave the path, or does it need to?

Bill Shanklin: You go offshore and you set up a completely different corporation if you want to maximize shareholder wealth, and you give them a share of stock in that company. You go to where it is legal. I asked a casino guy last year in Lake Tahoe and he said that they would take their license away in Nevada if they did that. But I don't think that racing would run afoul of that because under current interpretation of law it's legal, we don't know how long that's going to be but I don't see that that would be really illegal, do you?

Eugene Christiansen: I don't practice law, but that's exactly what I would do. I think that Dr. Shanklin and I are of one mind about that. Tom Aronson's absolutely right. The legal

environment of online gambling in this country creates problems for you, for the casino people, that recorded music didn't have. I don't think that problem is going to go away; I think that the legal environment of gambling and betting on horse racing, anything else is always going to be problematic and difficult in this country and it will be threading the needle to find any solutions, but what Dr. Shanklin is saying is what I would do. To address Tom's last point, how do you make the stakeholders whole, I don't think you can. The existing stakeholders are going to get hurt no matter what happens, because the pari-mutuel model is broken. That's what happens during a period of change being forced by disruptive technology. The labels, the recorded music labels, have been horribly, horribly hurt financially by this process of technological change, but they really have no choice. They're just going to have to work their way through it and that is true for racing as well. There is no magic way to replace the pari-mutuel revenues that are leaking out of this industry. Forty years ago this industry bet the farm on the pari-mutuel machine, I'm not sure that was the right thing to do.

Voice: Gene, I had a question for you, right here. We talk a lot about the model being broken, the business model, and that leads to the idea that it needs to be fixed and in the context of what you and Bill have talked about today I'm not sure if the issue is, is it broken or is it the wrong model now?

Eugene Christiansen: I think it has become the wrong model. I think it has become an obsolete business model, I think you need new business models and not to beat a dead horse. I like things that work, and the betting exchange works.

Bill Shanklin: I don't think the on-track model should be abandoned, that's not what I'm saying because you can get people there for a big event, the Battle of Lake Erie for example, in the Cleveland area where I live. But you're not going to have them obviously like were in the 50s, that's the other model, that's always going to be the dominant model. So I don't think you abandon the on-track model, all I'm saying is that you have to have different people running it because it requires different skills. Technology people don't know anything about running a dining room.

Voice: Dr. Shanklin, you mentioned in your discussion about disruptive technology that the separation, or the bifurcation of different business tactics or models, would you address technology convergence or consolidation in that context?

Bill Shanklin: Are you talking about everything's going towards the television?

Voice: Well you talked about separating things, and I'm just asking your opinions or thoughts in that context on the convergence of technology as a tactic or strategy, or the consolidation of companies as a strategy?

Bill Shanklin: Do you understand that question?

Eugene Christiansen: I'm not sure that I do. Which specific technologies do you have in mind? It's a big world.

Voice: Well if you were to combine, for instance, all the methods of wagering into a single platform and made them available to your customers, is that convergence in your view, is that a tactic to overcome our problem?

Eugene Christiansen: Oh yes, absolutely. And I think that what Churchill Downs and Magna are trying to do now in terms of rebating is an example of that, if I understand your question correctly. Didn't they announce something last week on that?

Bill Shanklin: Yeah. Going back to this two business model, you've probably heard of the University of Phoenix, let me tell you the University of Phoenix would never have happened in a bricks and mortar university. Because I've been in that environment and people talk about, well, you have to have eyeball contact with the student and you've got to give them attention, and it took somebody from outside to really start that up. Universities do distance learning, I've done that. Several years ago I taught at four campuses at one time, but that's not the business model that universities like, they like 18-22-year-olds to come and live in the dormitories, which I think is the on-track model. And so it took an iconoclast to go out and start the University of Phoenix

and they've got over 100,000 students and people say, oh, the degree is not as good. Well, it may not be as good now but wait 25 years and see how it's viewed; it might be viewed as good.

Eugene Christiansen: I'll have one point about convergence. I think it's a very good point. Pari-mutuel betting on horse racing is only a very small subset of the global betting economy, which is absolutely enormous. The other kinds of bets are betting, of course with fixed odds, and now we have the online betting exchange. If you look at that globally as we do in our consulting practice, it is enormous, it is robust, it is vibrant, it is attracting a lot of young people. It's just a terrific business, but that little part of it that is pari-mutuel betting through existing platforms in the United States is not. It could be, it would be much easier for the industry to react to this if it did not labor under these legal restraints that Tom has alluded to, and unfortunately I think those are permanent conditions, permanent part of the environment, but you can go abroad and you can do things. I will point out, I don't know how many of you have noticed but in the past year, Scientific Games, which is a vendor of betting systems to this industry, purchased the bookkeeping unit of Mandalay Bay, the people who run the sports book at Mandalay Bay, and apparently means to enter the fixed-odds betting business outside the United States, certainly using the Internet. Scientific Games is not exactly part of the racing industry, but it does supply your totalisator system. So if you think from a new point, not from the context of your old experience in racing, and certainly not in terms of putting on a horse race, but if you look at it de novo, if you look at it new, as Apple computer looked at the recorded music industry, there's an awful lot that could be done here.

Chris Scherf: I have the final word then, and I obviously think this is an important issue and I think it is a debate that our industry needs to get engaged. This is the third conference in a row in which I've brought either Bill or Gene to discuss this issue, and as I look out and think of all the business leaders I'd like to see involved in this debate, I don't see them here, I go back to wondering about how we change the corporate culture, but we'll continue to have this debate. I appreciate Bill and Gene, I think their comments are very important and I hope we all give them a lot of thought.