



THE NATIONAL ECONOMIC BENEFITS OF THE CANADIAN GAMING INDUSTRY

KEY FINDINGS REPORT

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The Canadian Gaming Association

The Canadian Gaming Association (CGA) is a national trade association that works to advance the evolution of Canada's gaming industry. The association's mandate is to promote the economic value of gaming in Canada; using research, innovation, and best practices to help the industry advance; and creating productive dialogue among stakeholders.

The association is committed to helping stimulate innovation in the gaming industry by creating opportunities to showcase, promote and advance new products and ideas, both in Canada and worldwide.

The CGA represents an inclusive and diverse membership and our goal is to create alliances with operators, manufacturers, lottery corporations, regulators, and other industry associations to encourage joint participation to advance issues of common cause.

Foreword by the Canadian Gaming Association

The National Economic Benefits of the Canadian Gaming Industry (the "Study") was commissioned by the Canadian Gaming Association (CGA) to quantify the contributions that gaming makes in the Canadian economy.

The Study examines the size and growth of the industry, which is an indication of the advancement made by the Canadian gaming industry to deliver increased access to gaming options in response to market demands, consumer tastes, and societal and technological change.

The Study is a continuance of CGA's mandate to create a better understanding of the gaming industry by presenting facts related to the industry to the general public, elected officials, key decision makers and the media through education and advocacy.

A Large, Mature Industry and Major Contributor to the Canadian Economy

The Canadian gaming industry is a large, mature industry that is present in every region of the country and generates significant benefits and activities across the broader Canadian economy. In 2017, the industry produced \$16.1 billion in gaming win and an additional \$1.0 billion in non-gaming revenue (food and beverage, entertainment, accommodations, retail, etc.) for a total of 17.1 billion.

The Study shows that legalized gaming, at \$16.1-billion, continues to:

- Be a pillar of the broader hospitality industry; and
- Raise significant non-tax revenues to fund key government and charitable programs and initiatives.

Gaming in Canada directly supports more than 182,500 full-time jobs and generates \$9.2 billion annually to fund government and community programs and services.

The size and scope of the industry have created a positive economic environment wherein the majority of goods and services needed to sustain operations are now produced and/or offered in Canada, and a number of Canadian companies export gaming-related products and services internationally. In 2017, the Canadian gaming industry spent \$14.6 billion on goods and service to sustain gaming operations.

Meaningful Economic Returns Balanced with Responsible Measures

Gaming is an important employer and provider of meaningful economic returns to Canadians that are balanced with socially responsible measures. The industry invests approximately \$120-million annually on problem gaming treatment, research, awareness prevention initiatives and responsible gaming programs. Additionally, problem gambling rates have not risen since the mid-to-late 1990's and fall between 0.7 per cent and 1.4 per cent across the country, as more than 98 per cent of Canadians gamble for fun and entertainment.

The Canadian industry is at the forefront of responsible gaming programs, having adopted responsible gaming as a core operating philosophy, which includes education and awareness, prevention and treatment.

Paul Burns

President & CEO, Canadian Gaming Association

1. Introduction

HLT Advisory Inc. (“HLT”) has been retained by the Canadian Gaming Association (“CGA”) to identify and assess the economic contributions of the gaming industry to the Canadian economy based on 2017 industry data. The key findings report that follows represents an update of two previous reports that measured the economic impacts of the Canadian gaming industry in 2006 and 2010.

1.1. CGA Research Objectives

The CGA’s primary objective for commissioning this update research study is to determine in a recognized and established manner the contributions that gaming makes in the Canadian economy. The goals of the research exercise are to:

- Document in a reliable, factual and unbiased manner, the economic impacts of the Canadian gaming industry, with a focus on employment, revenues generated for governments/charities and total value added; and
- Provide more detailed analysis at the provincial level.

A fundamental goal of the CGA is to create balance in the public dialogue about gaming in Canada. To help achieve this, the association is attempting to create a better understanding of the gaming industry and this research study has been undertaken for this purpose.

1.2. Focus of National Economic Benefits Assessment

The benefits assessment contained in this report focuses on measuring the annual (2017) economic benefits generated by both:

- The operation of gaming activity (i.e. the purchase of goods and services, and labour needed to offer the gaming activity); and
- Government and charity spending of gaming profits (all levels of government including First Nations and charities are the main benefactors of gaming profits in Canada).

Other areas, such as capital expenditures on buildings and equipment, where the gaming industry generates economic benefits, are also identified. This assessment does not attempt to quantify social-related impacts.

1.3. Overview of Approach

To complete the assessment update, HLT undertook the following core work components:

- Reviewed the 2006 and 2010 Assessment.
- Assessed all gaming activity in Canada and identified changes since 2010.
- Collected and assembled all identified gaming activity revenue and expense data.
- Reviewed changes to Statistics Canada’s Input-Output Model (including base Input-Output tables).
- Used Statistics Canada’s Input-Output Model (closed version) to run assessment simulations.
- Analyzed the results of the various assessment simulations, made adjustments as required and completed the assessment.

The results of this update are summarized in the remainder of this report.

1.4. Organization of the Report

Following the **Introduction**, this key finding report is organized into two additional sections.

- **Section 2** summarizes the methodology used to estimate the economic impacts of the gaming industry.
- **Section 3** presents a summary of the economic impacts of the Canadian gaming industry by province.

The attached **Appendix** provides supporting documentation for the methodology used to complete the assessment.

2. Methodology and Approach

This section of the report summarizes the methodology adopted to complete the economic benefits assessment. The remainder of this section lays out the scope of the assessment, discusses measurements used and HLT's approach to complete the assessment.

2.1. Scope of Assessment

As with any economic benefits assessment, it is key for readers of the report to fully understand what is being measured. As stated earlier, this report focuses only on measuring the annual (2017) economic benefits generated by both:

- The operation of gaming activity (i.e. the purchase of goods and services, and labour needed to offer the gaming activity); and
- Government and charity spending of gaming profits (all levels of government including First Nations and charities are the main benefactors of gaming profits in Canada).

Benefits related to capital construction and capital maintenance projects (above and beyond typical repairs and maintenance) have not been measured. While benefits associated with these expenditures are real and significant, and do occur on a regular basis, the magnitude varies annually. The focus of the assessment is on annual impacts. The likely magnitude of capital expenditures is however discussed in the report.

As was the case in previous assessments, this updated assessment does not attempt to deal with social-related impacts.

2.2. Economic Measurements Used and Types of Benefits Measured

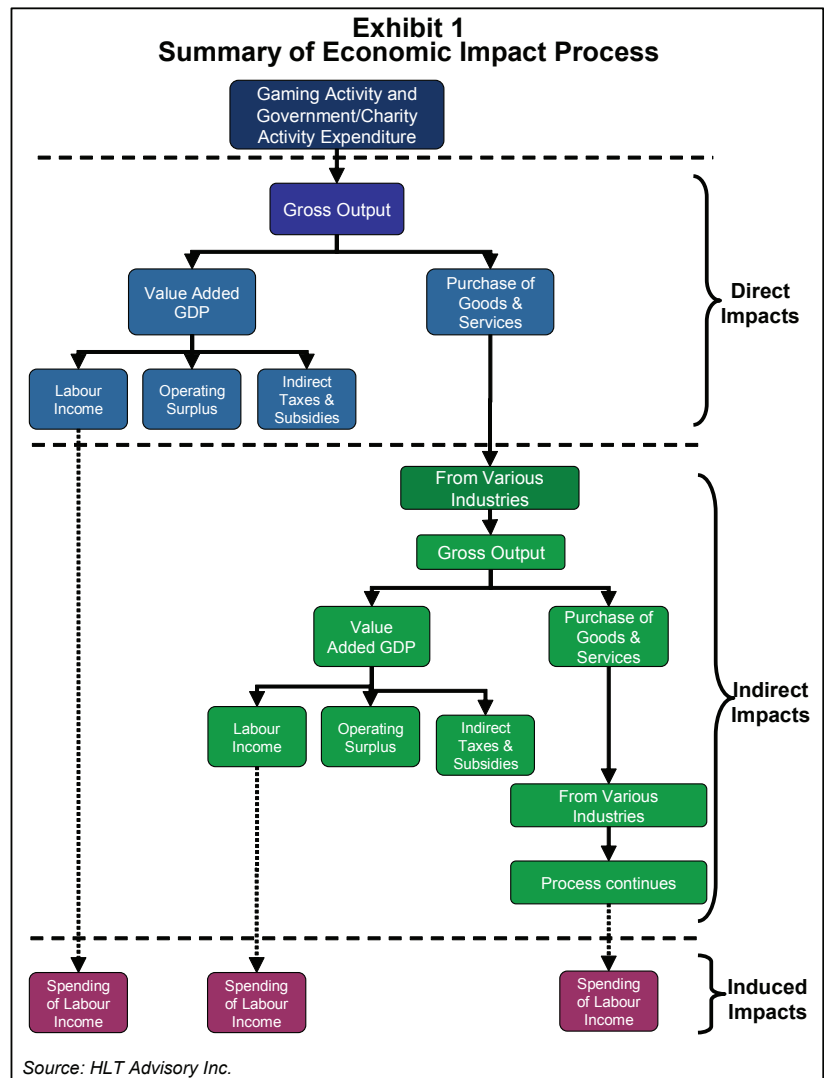
All economic benefits assessments employ the use of common economic measures and classifications of different impact types. For the purposes of this report, the following economic measures were used to summarize the economic benefits of the Canadian gaming industry:

- **Gross Output** - The sum of sales generated in the economy, including the value of "purchases of goods and services" needed to sustain gaming activity and government/charity projects/programs, and "Value Added GDP".
- **Purchases of Goods and Services** – The cost of the various goods and services needed to sustain the operation of gaming activity and government/charity project/programs. In economic modeling terms, these purchases can be referred to as "intermediate inputs".

- **Value Added GDP** – Refers to the contribution of primary factors of production. Primary factors of production include labour income, indirect taxes and subsidies, and operating surplus (or profit). Under this report’s methodology, operating surplus (or profit) only refers to private sector profit as government/charity profit is removed and the spending of this profit is measured separately.
- **Labour Income** – The sum of money paid to employees (wages and salaries plus supplementary income and mixed income).
- **Employment** - The number equivalent to “full-time” jobs (can also be expressed in terms of person years of employment) that are supported by the amount of labour income paid.

All economic benefits assessments also incorporate the concept of different types of impacts. In simple terms, any type of consumer spending or industry production creates economic impacts within an economy. For example, the purchase of a commodity generates an impact in the industry that produces that commodity. In turn, the industry that produced that commodity had to purchase other commodities that were in turn produced by yet other industries. This process creates a chain reaction in the economy. From a measurement perspective, this chain reaction creates a total “impact” that is greater than the initial spending on (purchase of) the commodity. Throughout this chain reaction, labour income is generated. The spending of labour income generates additional impacts. Within this economic process (as summarized in Exhibit 1 following), it is common to distinguish or isolate three types of impacts.

- **Direct Impacts** – Impacts related to the initial change in the economy. In terms of the operation of gaming activities, direct impacts are produced by the purchase of/spending on goods and services, and labour needed to offer gaming activity to customers.
- **Indirect Impacts** – These impacts represent the “backwards linkages in the economy” – i.e., the production of a particular commodity or the offering of a particular service requires the purchase of other commodities or services produced by other industries



(or second, third and so on rounds of impacts). For example, the purchase of playing cards by casino operators represents a direct impact. The production of those playing cards as well as the production of the paper, ink and plastic needed to make the playing cards represent indirect impacts.

- **Induced Impacts** – These impacts are the result of spending of labour income that is generated from both direct and indirect impacts.

The operation of gaming activity and the spending of government/charity gaming related revenues generate direct, indirect and induced impacts in terms of Gross Output, Purchase of Goods and Services, Value Added GDP, Labour Income and Employment.

2.3. HLT Approach

To complete the assessment, HLT undertook the following work steps:

- Identified, assembled and analyzed revenue and operating expense data for all Canadian gaming activity (2017). Gaming activity includes all forms of legal gaming regardless of who operates the activity or who is the main financial beneficiary of the activity – government, private sector, charity. The main sources of revenue and expense data included published annual reports of various government gaming entities and private sector operators.

Note: Gaming revenue or win that is generated by gaming activity that is conducted and managed by a province is reported on a March 31st fiscal year end and represents over 90 percent of the total gaming win in Canada. All other revenue is generally reported on a calendar basis. For presentation purposes, fiscal and calendar year end data have been combined. For instance, March 2017 data has been combined with December 2016 data and labelled “2017”.

Where either revenue or expense data was not readily available, HLT estimated these numbers based on past work experience in the Canadian gaming industry. Industry contacts were utilized to verify certain assumptions and estimates. HLT maintains a large database of gaming activity (revenue) data in Canada. This database is updated annually based on published annual reports and periodically based on new information; the latter component is related to work assignments (HLT’s principals have continuously provided advisory services to the Canadian gaming industry since the early 1990s).

- HLT estimated the direct impacts of gaming operations (i.e., Gross Output, Purchase of Goods and Services, Value Added GDP, Labour Income and Employment). HLT also estimated expenditure areas of government profit (i.e., education, health, etc.). These estimates represent the model inputs or “shock values” use to run the various simulations of Statistics Canada’s Input-Output Model.
- Inquired if changes were made to Statistics Canada’s Input-Output Model since it was used to complete the 2010 Assessment. Besides the base Input-Output tables which were updated (2014 is the current base year Input-Output tables that Statistics Canada uses) and the fact that HLT used the “closed model” (estimated both indirect and induced impacts in one model run), the major change in the 2014 model is that the model conversion into Full-Time Equivalent (“FTE”) jobs is based on employee jobs only; self-employed jobs are not converted into FTE jobs. This produces lower indirect and induced jobs as compared to the model used to estimate the 2010 impacts.

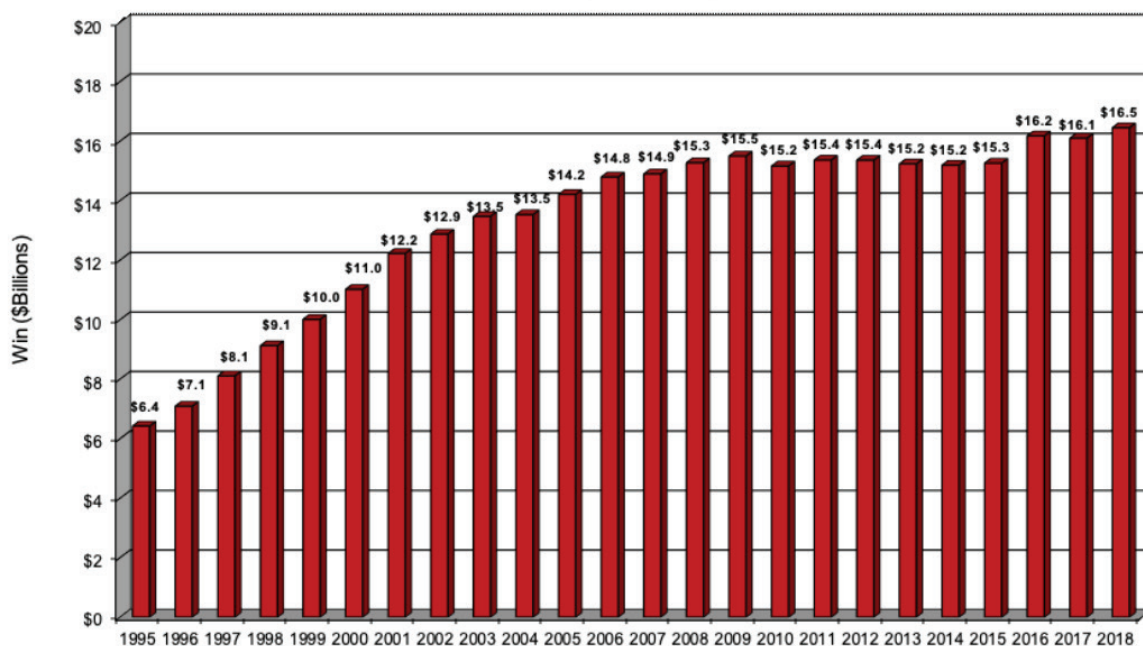
- Used Statistics Canada’s 2014 Input-Output (Closed) Model to run model simulations. Reviewed the results and adjusted (final impact numbers) where necessary. The main adjustment was that HLT estimated the direct employment associated with gaming operations as opposed to using the model output (see Appendix A for a more detailed discussion of Statistic Canada’s Input-Output Model and HLT adjustments).
- The economic benefits estimates contained in this report are presented in terms of the benefits generated from the operation of gaming activity and government/charity spending of gaming profits of each provincial gaming industry, regardless of which province receives the benefits. For example, the total economic benefits generated by the British Columbian gaming industry are not confined to British Columbia; other provinces also receive benefits. While Statistics Canada’s Input-Output Model did provide an estimate of impacts that were generated by one province on all others, these results (i.e. where the impacts were generated) are less reliable, especially for smaller provinces. For this reason, HLT decided to present the benefits on the basis of benefits generated by each provincial industry as opposed to benefits generated for each province. With this said, HLT believes that the majority of direct benefits are generated in the province where the expenditures were made.

This research project was undertaken between July and November 2018.

3. The Results

This section of the report presents the results of the National Economic Benefits assessment. First a brief overview of the Canadian gaming industry is provided.

**Exhibit 2
Canadian Gaming Industry Win Trends**



Source: HLT Advisory Inc. based on most recent data available from various provincial government agency/corporation annual reports and HLT estimates, subject to update as further information becomes available.

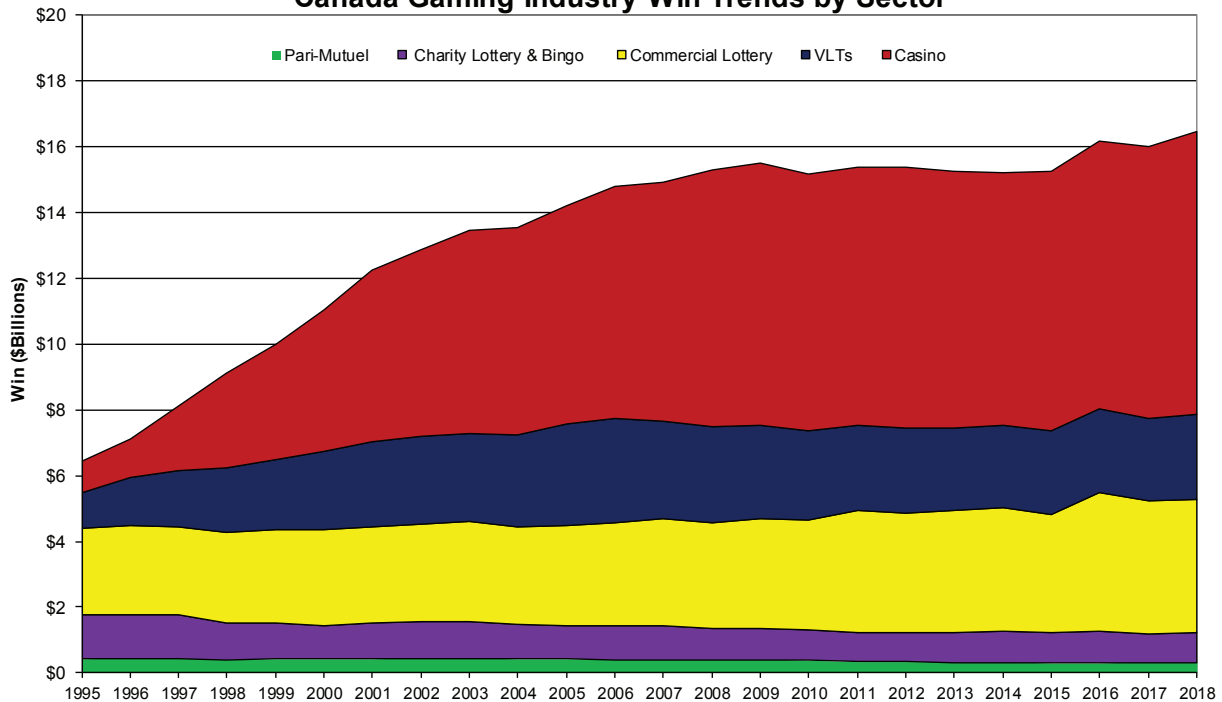
3.1. The Canadian Gaming Industry

The Canadian gaming industry is a large mature industry that is present in every region of the country. As shown in Exhibit 2 following, the industry generated \$16.1 billion of gaming win in 2017. An additional \$1.0 billion of non-gaming revenue (i.e., food and beverage, entertainment, accommodations, retail, etc.) was also generated for a total industry revenue base of \$17.1 billion.

Gaming activity or sectors available in virtually all regions of the country include:

- Casinos and casino “style” facilities – 114 facilities containing over 65,000 electronic gaming machines and 2,000 tables (all provinces except Newfoundland and Labrador).
- VLTs (Video Lottery Terminals) – 4,680 sites containing over 34,000 VLTs (all provinces except British Columbia and Ontario).
- Commercial lotteries – over 30,000 lottery ticket terminals (all provinces)
- Charity lotteries and bingo – over 52,000 charity gaming licenses issued (across all provinces) and almost 200 permanent bingo halls and numerous facilities where bingo events are regularly held. British Columbia, Manitoba and Ontario also contain over 12,000 electronic gaming machines for bingo games and break-open tickets in designated bingo halls/casinos.
- Pari-Mutuel or horse racing – 227 racetracks and tele-theatres locations (all provinces except Newfoundland and Labrador).
- Internet gaming, while not considered a gaming sector, is currently available in all provinces except Saskatchewan and Alberta.

**Exhibit 3
Canada Gaming Industry Win Trends by Sector**



Source: HLT Advisory Inc. based on most recent data available from various government agency/corporation annual reports and HLT estimates, subject to update as further information becomes available.

As shown in Exhibit 3 following, casinos accounted for approximately 51 percent of total industry win in 2017. In addition, casinos also accounted for approximately 91 percent of the \$1.0 billion of non-gaming revenues that the industry generated. Commercial lotteries accounted for approximately 25 percent of total win followed by VLTs at approximately 16 percent and charity lotteries and bingo at approximately 6 percent.

3.2. Economic Benefits from Gaming Operation Expenditures

Exhibit 4 following summarize the economic benefits generated by operating gaming activity in Canada. As stated in Section 2.3, the economic impact estimates by province are presented in terms of the impacts generated from the operation of gaming activity in each province, regardless of which province receives the benefits.

| Exhibit 4 | | | | | | | | | | | |
|---|--------------------|--------------------|------------------|------------------|--------------------|--------------------|------------------|-----------------|------------------|------------------|---------------------|
| Economic Impact of the Canadian Gaming Industry from Gaming Operations by Province | | | | | | | | | | | |
| | BC | AB | SK | MB | ON | QC | NB | PE | NS | NL | CND |
| Investment Base (\$000) | | | | | | | | | | | |
| Total | \$2,725,244 | \$1,343,403 | \$562,466 | \$875,333 | \$5,176,514 | \$1,870,518 | \$126,568 | \$34,558 | \$204,042 | \$54,146 | \$12,972,792 |
| Revenue | | | | | | | | | | | |
| Gaming Win | \$2,519,030 | \$2,564,982 | \$732,976 | \$767,947 | \$5,836,996 | \$2,629,196 | \$317,956 | \$52,548 | \$402,511 | \$277,894 | \$16,102,036 |
| Non-Gaming | \$168,602 | \$197,665 | \$40,258 | \$46,643 | \$425,366 | \$102,193 | \$21,496 | \$2,914 | \$13,907 | \$1,212 | \$1,020,255 |
| Total | \$2,687,632 | \$2,762,647 | \$773,234 | \$814,589 | \$6,262,362 | \$2,731,389 | \$339,451 | \$55,462 | \$416,418 | \$279,106 | \$17,122,291 |
| Gross Output (\$000) | | | | | | | | | | | |
| Direct | \$1,314,831 | \$1,005,158 | \$373,590 | \$387,872 | \$3,394,593 | \$1,400,703 | \$157,707 | \$36,848 | \$189,385 | \$123,919 | \$8,384,606 |
| Indirect | \$529,487 | \$484,919 | \$166,598 | \$150,715 | \$2,048,442 | \$894,964 | \$91,964 | \$25,456 | \$98,698 | \$94,076 | \$4,585,318 |
| Induced | \$542,089 | \$358,303 | \$145,095 | \$145,463 | \$1,509,064 | \$569,566 | \$55,641 | \$15,620 | \$70,894 | \$33,256 | \$3,444,991 |
| Total | \$2,386,407 | \$1,848,380 | \$685,283 | \$684,050 | \$6,952,100 | \$2,865,233 | \$305,311 | \$77,924 | \$358,978 | \$251,251 | \$16,414,916 |
| Purchase of Goods & Services (\$000) | | | | | | | | | | | |
| Direct | \$514,827 | \$495,669 | \$190,434 | \$194,865 | \$1,723,737 | \$776,752 | \$79,535 | \$23,046 | \$99,153 | \$84,525 | \$4,182,540 |
| Indirect | \$238,757 | \$237,702 | \$81,050 | \$70,544 | \$930,072 | \$408,087 | \$39,897 | \$12,247 | \$43,493 | \$46,398 | \$2,108,249 |
| Induced | \$215,572 | \$148,416 | \$59,724 | \$58,757 | \$642,120 | \$244,648 | \$23,989 | \$6,757 | \$30,542 | \$14,202 | \$1,444,726 |
| Total | \$969,155 | \$881,787 | \$331,208 | \$324,165 | \$3,295,930 | \$1,429,486 | \$143,421 | \$42,051 | \$173,187 | \$145,125 | \$7,735,516 |
| Value Added GDP (\$000) | | | | | | | | | | | |
| Direct | \$800,004 | \$509,489 | \$183,156 | \$193,007 | \$1,670,856 | \$623,951 | \$78,171 | \$13,803 | \$90,233 | \$39,395 | \$4,202,066 |
| Indirect | \$290,730 | \$247,217 | \$85,548 | \$80,171 | \$1,118,370 | \$486,877 | \$52,067 | \$13,208 | \$55,205 | \$47,678 | \$2,477,070 |
| Induced | \$326,517 | \$209,887 | \$85,371 | \$86,706 | \$866,944 | \$324,919 | \$31,652 | \$8,862 | \$40,353 | \$19,054 | \$2,000,265 |
| Total | \$1,417,251 | \$966,593 | \$354,075 | \$359,885 | \$3,656,170 | \$1,435,746 | \$161,890 | \$35,873 | \$185,790 | \$106,127 | \$8,679,400 |
| Labour Income (\$000) | | | | | | | | | | | |
| Direct | \$428,707 | \$302,293 | \$135,536 | \$132,712 | \$1,097,543 | \$438,727 | \$33,413 | \$8,882 | \$43,284 | \$14,845 | \$2,635,941 |
| Indirect | \$178,205 | \$156,693 | \$52,116 | \$49,554 | \$738,441 | \$314,054 | \$35,074 | \$8,505 | \$39,227 | \$31,075 | \$1,602,944 |
| Induced | \$141,719 | \$95,410 | \$37,741 | \$38,066 | \$408,145 | \$157,775 | \$14,428 | \$3,994 | \$18,625 | \$8,994 | \$924,895 |
| Total | \$748,631 | \$554,396 | \$225,393 | \$220,332 | \$2,244,129 | \$910,556 | \$82,915 | \$21,382 | \$101,135 | \$54,914 | \$5,163,781 |
| Employment (FTE) | | | | | | | | | | | |
| Direct | 8,868 | 6,599 | 2,996 | 2,793 | 21,446 | 7,435 | 790 | 215 | 913 | 289 | 52,345 |
| Indirect | 2,603 | 1,995 | 725 | 730 | 11,029 | 4,894 | 728 | 171 | 830 | 479 | 24,183 |
| Induced | 2,297 | 1,386 | 596 | 624 | 6,546 | 2,742 | 262 | 75 | 341 | 150 | 15,019 |
| Total | 13,768 | 9,980 | 4,316 | 4,147 | 39,021 | 15,071 | 1,780 | 461 | 2,084 | 917 | 91,547 |
| Average Salaries | | | | | | | | | | | |
| Direct | \$48,342 | \$45,807 | \$45,242 | \$47,509 | \$51,177 | \$59,010 | \$42,310 | \$41,319 | \$47,387 | \$51,380 | \$50,357 |
| Indirect | \$68,461 | \$78,527 | \$71,911 | \$67,920 | \$66,955 | \$64,172 | \$48,173 | \$49,697 | \$47,276 | \$64,922 | \$66,283 |
| Induced | \$61,693 | \$68,852 | \$63,371 | \$61,005 | \$62,349 | \$57,534 | \$54,974 | \$53,413 | \$54,587 | \$60,107 | \$61,582 |
| Total | \$54,373 | \$55,548 | \$52,222 | \$53,131 | \$57,511 | \$60,417 | \$46,575 | \$46,392 | \$48,521 | \$59,871 | \$56,406 |

Source: HLT Advisory Inc. based on Statistics Canada Input-Output Model and HLT estimates.

The operation of all gaming activity in Canada generated:

- \$16.4 billion of total Gross Output
- \$7.7 billion of total Purchases of Goods and Services
- \$8.7 billion of total Value Added GDP (gross domestic product)
- \$5.2 billion of total Labour Income which supported over 91,500 total jobs (full-time equivalent).

In addition to the economic benefits generated from the operation of gaming activity, the industry also has generated substantial benefits from the construction of facilities and the purchase of capital equipment. Based on the initial cost of capitalized assets the industry had invested almost \$13.0 billion in capital assets by the end of 2017.

This total amount of capital investment continues to increase as new facilities are constructed and existing facilities are expanded and/or “refreshed”. Also, gaming and non-gaming equipment and furniture and fixtures are continually being replaced. While these capital expenditures have not been included in the operational expenditure numbers used to calculate the 2017 benefits, they are real and positively impact the construction industry and manufacturers of both gaming and non-gaming equipment such as table games, playing cards, electronic gaming machines, and furniture and fixtures.

3.3. Economic Benefits from Government/Charity Spending of Gaming Profits

Exhibit 5 following summarize the economic impacts generated by the spending of gaming profits by governments and charities in Canada. As stated in Section 2.3, the economic benefits estimates by province are presented in terms of the benefits generated from the spending of gaming profit by governments (all levels and including First Nations) and charities in each province, regardless of which province receives the benefits.

The spending of gaming profits by governments and charities in Canada generated:

- \$17.1 billion of total Gross Output
- \$6.9 billion of total Purchases of Goods and Services
- \$10.2 billion of total Value Added GDP (gross domestic product)
- \$6.7 billion of total Labour Income which supported almost 91,000 total jobs (full-time equivalent).

| Exhibit 5 | | | | | | | | | | | |
|--|--------------------|--------------------|------------------|------------------|--------------------|--------------------|------------------|-----------------|------------------|------------------|---------------------|
| Economic Impact of the Canadian Gaming Industry from Government/Charity Spending of Gaming Profit by Province | | | | | | | | | | | |
| | BC | AB | SK | MB | ON | QC | NB | PE | NS | NL | CND |
| Revenue | | | | | | | | | | | |
| Gaming Win | \$2,519,030 | \$2,564,982 | \$732,976 | \$767,947 | \$5,836,996 | \$2,629,196 | \$317,956 | \$52,548 | \$402,511 | \$277,894 | \$16,102,036 |
| Non-Gaming | \$168,602 | \$197,665 | \$40,258 | \$46,643 | \$425,366 | \$102,193 | \$21,496 | \$2,914 | \$13,907 | \$1,212 | \$1,020,255 |
| Total | \$2,687,632 | \$2,762,647 | \$773,234 | \$814,589 | \$6,262,362 | \$2,731,389 | \$339,451 | \$55,462 | \$416,418 | \$279,106 | \$17,122,291 |
| Gross Output (\$000) | | | | | | | | | | | |
| Direct | \$1,372,801 | \$1,757,489 | \$399,644 | \$426,718 | \$2,867,769 | \$1,330,686 | \$181,745 | \$18,614 | \$227,033 | \$155,187 | \$8,737,685 |
| Indirect | \$701,058 | \$819,323 | \$177,552 | \$198,179 | \$1,409,263 | \$575,518 | \$69,714 | \$8,472 | \$104,800 | \$65,269 | \$4,129,147 |
| Induced | \$735,811 | \$852,775 | \$211,198 | \$201,632 | \$1,364,854 | \$573,615 | \$92,739 | \$10,331 | \$125,692 | \$72,056 | \$4,240,703 |
| Total | \$2,809,670 | \$3,429,587 | \$788,394 | \$826,529 | \$5,641,885 | \$2,479,819 | \$344,197 | \$37,416 | \$457,525 | \$292,512 | \$17,107,534 |
| Purchase of Goods & Services (\$000) | | | | | | | | | | | |
| Direct | \$577,734 | \$663,623 | \$143,086 | \$168,110 | \$1,202,898 | \$514,200 | \$59,647 | \$6,705 | \$86,484 | \$57,483 | \$3,479,971 |
| Indirect | \$284,687 | \$320,568 | \$74,779 | \$82,451 | \$565,687 | \$217,598 | \$29,721 | \$3,620 | \$44,871 | \$27,652 | \$1,651,633 |
| Induced | \$291,307 | \$352,825 | \$86,812 | \$81,433 | \$581,042 | \$246,801 | \$40,075 | \$4,486 | \$54,189 | \$30,821 | \$1,769,789 |
| Total | \$1,153,728 | \$1,337,016 | \$304,678 | \$331,994 | \$2,349,628 | \$978,598 | \$129,442 | \$14,810 | \$185,544 | \$115,956 | \$6,901,394 |
| Value Added GDP (\$000) | | | | | | | | | | | |
| Direct | \$795,067 | \$1,093,866 | \$256,557 | \$258,608 | \$1,664,870 | \$816,486 | \$122,098 | \$11,909 | \$140,548 | \$97,704 | \$5,257,714 |
| Indirect | \$416,370 | \$498,755 | \$102,773 | \$115,729 | \$843,576 | \$357,920 | \$39,993 | \$4,852 | \$59,929 | \$37,617 | \$2,477,513 |
| Induced | \$444,504 | \$499,950 | \$124,386 | \$120,199 | \$783,812 | \$326,814 | \$52,664 | \$5,845 | \$71,503 | \$41,236 | \$2,470,913 |
| Total | \$1,655,942 | \$2,092,571 | \$483,717 | \$494,536 | \$3,292,258 | \$1,501,220 | \$214,755 | \$22,606 | \$271,980 | \$176,556 | \$10,206,140 |
| Labour Income (\$000) | | | | | | | | | | | |
| Direct | \$623,588 | \$869,850 | \$217,045 | \$190,077 | \$1,264,771 | \$585,610 | \$99,046 | \$9,346 | \$114,640 | \$78,430 | \$4,052,402 |
| Indirect | \$254,851 | \$308,928 | \$57,824 | \$67,922 | \$526,503 | \$205,092 | \$23,912 | \$2,926 | \$37,042 | \$24,132 | \$1,509,132 |
| Induced | \$192,049 | \$226,683 | \$54,519 | \$52,522 | \$368,730 | \$159,262 | \$23,925 | \$2,617 | \$32,932 | \$19,521 | \$1,132,760 |
| Total | \$1,070,488 | \$1,405,461 | \$329,387 | \$310,521 | \$2,160,004 | \$949,964 | \$146,883 | \$14,888 | \$184,613 | \$122,083 | \$6,694,294 |
| Employment (FTE) | | | | | | | | | | | |
| Direct | 8,763 | 10,636 | 3,263 | 2,827 | 14,830 | 8,289 | 1,524 | 128 | 1,816 | 1,184 | 53,260 |
| Indirect | 3,399 | 3,614 | 745 | 940 | 6,714 | 2,767 | 376 | 52 | 594 | 330 | 19,531 |
| Induced | 3,110 | 3,244 | 858 | 860 | 5,891 | 2,781 | 440 | 50 | 603 | 323 | 18,160 |
| Total | 15,272 | 17,494 | 4,865 | 4,628 | 27,435 | 13,837 | 2,340 | 230 | 3,014 | 1,836 | 90,952 |
| Average Salaries | | | | | | | | | | | |
| Direct | \$71,164 | \$81,780 | \$66,519 | \$67,236 | \$85,286 | \$70,652 | \$64,978 | \$72,827 | \$63,115 | \$66,266 | \$76,087 |
| Indirect | \$74,975 | \$85,483 | \$77,632 | \$72,253 | \$78,414 | \$74,110 | \$63,655 | \$56,146 | \$62,361 | \$73,211 | \$77,268 |
| Induced | \$61,746 | \$69,885 | \$63,578 | \$61,038 | \$62,589 | \$57,274 | \$54,359 | \$52,481 | \$54,576 | \$60,408 | \$62,375 |
| Total | \$70,094 | \$80,339 | \$67,702 | \$67,103 | \$78,730 | \$68,655 | \$62,768 | \$64,648 | \$61,257 | \$66,482 | \$73,603 |

Source: HLT Advisory Inc. based on Statistics Canada Input-Output Model and HLT estimates.

3.4. Total Economic Benefits of the Canadian Gaming Industry

Exhibit 6 following summarize the total economic benefits generated by both the operating of gaming activity and the spending of gaming profits by governments and charities in Canada. As stated in Section 2.3, the economic benefits estimates by province are presented in terms of the benefits generated from the operation of gaming activity and spending of gaming profit by governments and charities in each province, regardless of which province receives the benefits.

The operation of all gaming activity and spending of gaming profits by governments and charities in Canada generated:

- \$33.5 billion of total Gross Output
- \$14.6 billion of total Purchases of Goods and Services
- \$18.9 billion of total Value Added GDP (gross domestic product)
- \$11.9 billion of total Labour Income which supported almost 182,500 total jobs (full-time equivalent).

**Exhibit 6
Total Economic Impact of the Canadian Gaming Industry by Province**

| | BC | AB | SK | MB | ON | QC | NB | PE | NS | NL | CND |
|---|--------------------|--------------------|--------------------|--------------------|---------------------|--------------------|------------------|------------------|------------------|------------------|---------------------|
| Revenue | | | | | | | | | | | |
| Gaming Win | \$2,519,030 | \$2,564,982 | \$732,976 | \$767,947 | \$5,836,996 | \$2,629,196 | \$317,956 | \$52,548 | \$402,511 | \$277,894 | \$16,102,036 |
| Non-Gaming | \$168,602 | \$197,665 | \$40,258 | \$46,643 | \$425,366 | \$102,193 | \$21,496 | \$2,914 | \$13,907 | \$1,212 | \$1,020,255 |
| Total | \$2,687,632 | \$2,762,647 | \$773,234 | \$814,589 | \$6,262,362 | \$2,731,389 | \$339,451 | \$55,462 | \$416,418 | \$279,106 | \$17,122,291 |
| Gross Output (\$000) | | | | | | | | | | | |
| Direct | \$2,687,632 | \$2,762,647 | \$773,234 | \$814,589 | \$6,262,362 | \$2,731,389 | \$339,451 | \$55,462 | \$416,418 | \$279,106 | \$17,122,291 |
| Indirect | \$1,230,545 | \$1,304,242 | \$344,151 | \$348,894 | \$3,457,705 | \$1,470,481 | \$161,677 | \$33,928 | \$203,498 | \$159,345 | \$8,714,465 |
| Induced | \$1,277,900 | \$1,211,078 | \$356,293 | \$347,096 | \$2,873,918 | \$1,143,181 | \$148,380 | \$25,950 | \$196,587 | \$105,312 | \$7,685,694 |
| Total | \$5,196,076 | \$5,277,967 | \$1,473,677 | \$1,510,579 | \$12,593,985 | \$5,345,051 | \$649,509 | \$115,340 | \$816,502 | \$543,763 | \$33,522,450 |
| Purchase of Goods & Services (\$000) | | | | | | | | | | | |
| Direct | \$1,092,561 | \$1,159,292 | \$333,520 | \$362,974 | \$2,926,635 | \$1,290,952 | \$139,182 | \$29,751 | \$185,637 | \$142,008 | \$7,662,512 |
| Indirect | \$523,444 | \$558,270 | \$155,830 | \$152,995 | \$1,495,760 | \$625,685 | \$69,618 | \$15,867 | \$88,364 | \$74,050 | \$3,759,882 |
| Induced | \$506,878 | \$501,241 | \$146,536 | \$140,190 | \$1,223,163 | \$491,448 | \$64,064 | \$11,243 | \$84,731 | \$45,022 | \$3,214,516 |
| Total | \$2,122,883 | \$2,218,803 | \$635,886 | \$656,159 | \$5,645,557 | \$2,408,084 | \$272,864 | \$56,861 | \$358,732 | \$261,080 | \$14,636,909 |
| Value Added GDP (\$000) | | | | | | | | | | | |
| Direct | \$1,595,071 | \$1,603,355 | \$439,714 | \$451,615 | \$3,335,727 | \$1,440,437 | \$200,269 | \$25,711 | \$230,781 | \$137,098 | \$9,459,779 |
| Indirect | \$707,100 | \$745,972 | \$188,321 | \$195,900 | \$1,961,946 | \$844,797 | \$92,059 | \$18,060 | \$115,134 | \$85,295 | \$4,954,583 |
| Induced | \$771,021 | \$709,837 | \$209,757 | \$206,906 | \$1,650,755 | \$651,733 | \$84,316 | \$14,707 | \$111,856 | \$60,290 | \$4,471,178 |
| Total | \$3,073,193 | \$3,059,163 | \$837,792 | \$854,421 | \$6,948,428 | \$2,936,967 | \$376,645 | \$58,479 | \$457,770 | \$282,683 | \$18,885,540 |
| Labour Income (\$000) | | | | | | | | | | | |
| Direct | \$1,052,295 | \$1,172,143 | \$352,580 | \$322,789 | \$2,362,314 | \$1,024,336 | \$132,459 | \$18,228 | \$157,923 | \$93,275 | \$6,688,343 |
| Indirect | \$433,057 | \$465,620 | \$109,940 | \$117,476 | \$1,264,944 | \$519,146 | \$58,986 | \$11,431 | \$76,269 | \$55,207 | \$3,112,076 |
| Induced | \$333,768 | \$322,093 | \$92,260 | \$90,588 | \$776,875 | \$317,037 | \$38,353 | \$6,611 | \$51,556 | \$28,515 | \$2,057,656 |
| Total | \$1,819,119 | \$1,959,857 | \$554,780 | \$530,853 | \$4,404,133 | \$1,860,520 | \$229,798 | \$36,270 | \$285,748 | \$176,997 | \$11,858,075 |
| Employment (FTE) | | | | | | | | | | | |
| Direct | 17,631 | 17,236 | 6,259 | 5,620 | 36,276 | 15,724 | 2,314 | 343 | 2,730 | 1,472 | 105,605 |
| Indirect | 6,002 | 5,609 | 1,470 | 1,670 | 17,743 | 7,661 | 1,104 | 223 | 1,424 | 808 | 43,714 |
| Induced | 5,407 | 4,629 | 1,453 | 1,484 | 12,437 | 5,523 | 703 | 125 | 945 | 473 | 33,179 |
| Total | 29,041 | 27,474 | 9,181 | 8,775 | 66,457 | 28,908 | 4,120 | 691 | 5,098 | 2,754 | 182,499 |
| Average Salaries | | | | | | | | | | | |
| Direct | \$59,684 | \$68,006 | \$56,335 | \$57,432 | \$65,121 | \$65,147 | \$57,242 | \$53,096 | \$57,853 | \$63,345 | \$63,334 |
| Indirect | \$72,150 | \$83,009 | \$74,811 | \$70,360 | \$71,291 | \$67,761 | \$53,442 | \$51,202 | \$53,569 | \$68,303 | \$71,191 |
| Induced | \$61,724 | \$69,576 | \$63,493 | \$61,024 | \$62,463 | \$57,403 | \$54,589 | \$53,040 | \$54,580 | \$60,313 | \$62,016 |
| Total | \$62,640 | \$71,334 | \$60,425 | \$60,499 | \$66,271 | \$64,360 | \$55,772 | \$52,475 | \$56,050 | \$64,280 | \$64,976 |

Source: HLT Advisory Inc. based on Statistics Canada Input-Output Model and HLT estimates.

Appendix A

Methodology Background

Consistent with the 2006 and 2010 National Economic Benefits assessments, HLT used Statistics Canada's Input-Output Model ("Model"). It is a comprehensive model that measures economic impacts at both the national and provincial level. The Model (closed version) is capable of estimating direct, indirect and induced impacts.

The Model has been constructed based on the Canadian Input-Output Tables. The Input-Output Tables describe the actual flow of goods and services between industries and final demand sectors. They are created annually and at the most detailed level, show the relationship between industries, final demand sectors and commodities.

The Model is currently based on 2014 Input-Output Tables. While data is collected annually, it takes about 30 months to complete the national Input-Output Tables and 36 months to complete the provincial Input-Output Tables.

Model Base Data

The Canadian System of National Accounts ("SNA"), a branch of Statistics Canada, is responsible for compiling the data for the Input-Output Tables. These data are collected annually from various sources including surveys, administrative sources (i.e., tax records), professional and industrial organizations, and non-government institutions. In the case of the "gambling industry" (SNA's term for the gaming industry), data are collected primarily from provincial lottery corporation annual reports.

The SNA's definition of the gaming industry is limited to "government-run" lotteries, video lottery terminals ("VLTs") and casinos. Revenues generated by or for charities and/or on First Nation lands are excluded from this definition. Hence, this definition excludes:

- First Nation casinos and VLTs;
- Table revenue from Alberta casinos (as tables are operated by/for charities);
- Charity-run bingo halls and lotteries; and
- Pari-mutuel revenue except from "off-track" betting facilities.

With regard to pari-mutuel activity at racetracks, this activity is included in the Spectator Sport Industry.

Using the Model to Estimate Gaming Activity Operational Expenditure Impacts

Two main challenges of using the Model to estimate gaming activity operating expenditures were identified.

- Definition and structure of the gaming industry.
- Classification of certain gaming operating expenses into commodities.

The limited definition of the industry used by Statistics Canada affects the structure of the gaming industry as depicted in the Input-Output Tables. The inclusion or exclusion of certain gaming activities can impact the structure of the gaming industry as certain gaming activities have different operating expense structures than others.

In previous assessments, HLT used revenue data as model inputs and revised the results and adjusted the Model output multipliers where necessary. For this update assessment, HLT estimated direct impacts (Gross Output, Purchase of Goods and Services, Value Added GDP and Labour Income) and used these estimates as Model inputs. HLT reviewed the results and adjusted the number of direct FTE jobs (average salaries) based on detail information on the actual number of FTE jobs in the Gaming Industry (HLT was able to determine the number of jobs generated by approximately 80% of industry labour income and estimated the jobs supported by the remaining percent of labour income).

Using the Model to Estimate Government/Charity Gaming Revenue

To complete the assessment of government/charity spending of gaming revenue (profit), HLT undertook the following steps:

1. Identified shares of gaming revenue by all levels of government (including First Nations) and charity.
2. Subtracted the federal government's share of revenue (GST, federal "lottery" payment and CPMA levy) and that portion of revenue not remitted to provincial governments from provincial gaming corporations/entities (i.e., used for capital expenditures, reserves, and repayment of principal on loans).
3. Allocated remaining revenue for both provincial governments and charities into broad service categories in the Input-Output Tables:
 - Services provided by non-profit (used as proxy for charity spending)
 - Government funding of hospitals
 - Government funding of education
 - Other provincial government services
 - Other municipal government services

Where details were available (e.g., portion of revenue allocated to municipalities), revenue was allocated to specific areas. The remaining distribution of revenue was estimated based on the general distribution of expenditures as contained in individual provincial government budgets.

4. Provided Statistics Canada with Model inputs (i.e., expenditures by service category) to run the Model.

HLT reviewed the Model results. No adjustments were made to model results.

Data Sources and Collection

The primary source of data needed to complete the assessment was compiled from various publicly annual reports of provincial lottery/gaming corporations, regulators and like entities. Where further details were required to estimate expenditure areas, HLT relied on past work experience with industry operators and regulators.

While much of the data is in the public domain, certain detailed data is confidential to clients. This limits our ability to disclose actual expense breakdowns in this report. Hence the expense breakdowns used are only estimates and should be treated as such. With this said, HLT is confident that broad expenditure areas, namely labour income, total purchase of goods and services, GST and provincial/charity share of gaming revenue are reflective of actual totals.