



CANADIAN GAMING ASSOCIATION

National Gaming Impact Study – Phase II Backgrounder

The National Gaming Impact study is the most comprehensive study ever conducted on the economic impact of gaming in Canada.

The first phase of the Economic Impact Study, released last April, outlined the gaming industry's economic contributions to government programs and services and charities. The initial findings revealed that gambling sizably exceeds other segments of the entertainment industry in terms of the direct impact on the economy. Gaming was found to be larger than magazine, books, spectator sport, movie theatre and performing arts sectors combined.

The second phase of the report, released April 07, 2008 focuses on:

- Employment
- Revenues generated for governments/charities
- Total economic value added by the industry, and
- Detailed analysis at both the provincial and sector level.

Methodology & Approach

The study was conducted by HLT Advisory Inc., a leading provider of research and information to the Canadian and international hospitality, leisure and tourism industries.

To complete the assessment, HLT undertook the following:

- Identified all gaming activity in Canada
- Collected and assembled all gaming activity revenue and expense data
- Compared the Canadian gaming industry to other Canadian entertainment and hospitality industries
- Reviewed gaming industry economic impact studies conducted in other jurisdictions around the world
- Reviewed economic impacts studies conducted for non-gaming industries
- Researched available economic models that focus on measuring economic impacts
- Selected an appropriate model (the Statistics Canada Input-Output Model) and commissioned the running of that model

The report covers the following gaming sectors:

- Bingo
- Electronic Gaming Devices (“EGDs”) – VLTs located in non-gaming facilities
- Casinos (include EGDs at racetracks)
- Lotteries
- Pari-Mutuel (horse racing)

The following economic measures were used to summarize the economic impacts 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). In the case of the Canadian gaming industry the operating surplus refers to private sector profit only.
- **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.

Key Findings

The gaming industry employs more than 135,000 Canadians directly. More than 267,000 people are employed when you factor in indirect and induced impacts of the industry.

Jobs Created and Sustained - National			
	Gaming Operation	Governments/ Charities	Total
Direct	52,858	82,915	135,773
Indirect	46,848	33,659	80,507
Induced	17,452	33,525	50,977
Total	117,157	150,100	267,257

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

The economic benefits from gambling are being generated in all provinces in Canada, as well as in all regions of those provinces. In terms of employment, Ontario leads the pack with 102,236 people employed in the industry, followed by Quebec (51,636), Alberta (43,342) and British Columbia (32,246).

The numbers include direct employment in gambling operations, employment in gambling-related government and charity organizations, and employment in professions that service and support the gambling sector.

Jobs Created and Sustained by Provincial				
Province	Direct	Indirect	Induced	Total
British Columbia	16,403	9,788	6,056	32,246
Alberta	23,340	11,703	8,299	43,342
Saskatchewan	6,204	3,120	1,843	11,168
Manitoba	6,552	3,242	2,271	12,065
Ontario	49,062	34,967	18,208	102,237
Quebec	26,543	13,801	11,292	51,636
New Brunswick	1,887	896	934	3,717
Nova Scotia	3,784	1,977	1,288	7,049
Prince Edward Island	411	272	142	825
Newfoundland	1,587	741	644	2,972

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

In 2006, the Canadian gaming industry generated significant economic benefits from the operation of all gaming activity and from the government/charity spending of gaming profits. Total direct, indirect and induced benefits included:

- \$28.9 billion in Gross Output
- \$13.9 billion in the Purchase of Goods and Services
- \$14.9 billion in Value Added GDP
- \$11.6 billion in Labour Income
- 267,257 jobs (full-time equivalent)

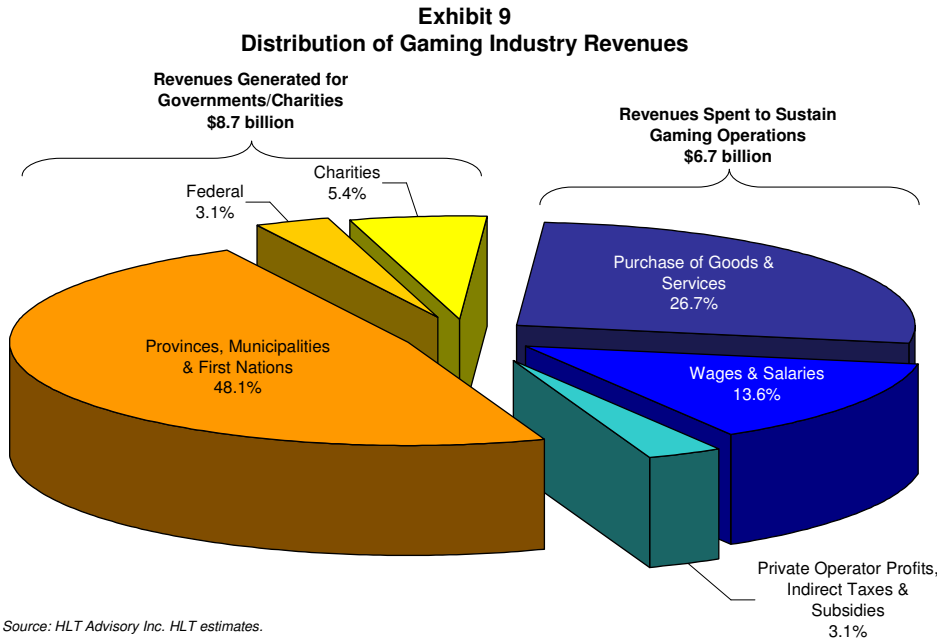
Exhibit 11						
Direct Economic Impacts from the Operation of the Canadian Gaming Industry by Sector 2006 (\$000)						
	Casinos	Lotteries	VLTs	Bingo	Pari-Mutuel	Total
Total Gaming Revenues	\$7,511,511	\$3,512,010	\$3,148,613	\$660,394	\$486,039	\$15,318,567
Government/Charities*	\$3,760,718	\$2,271,073	\$2,347,316	\$215,482	\$69,533	\$8,664,121
Gaming Operation Expenditure	\$3,750,792	\$1,240,937	\$801,297	\$444,913	\$416,507	\$6,654,446
Direct Impacts from Operations						
Gross Output	\$3,750,792	\$1,240,937	\$801,297	\$444,913	\$416,507	\$6,654,446
Purchase of Goods and Services	\$1,795,672	\$1,039,933	\$734,329	\$250,659	\$272,266	\$4,092,859
Commissions**	\$299,458	\$464,053	\$635,054	\$0	\$144,994	\$1,543,559
Value Added GDP	\$1,955,120	\$201,004	\$66,968	\$194,254	\$144,240	\$2,561,587
Labour Income	\$1,587,542	\$201,004	\$66,968	\$122,129	\$112,773	\$2,090,417

Source: HLT Advisory Inc. based on Statistics Canada I-O Model Results and HLT estimates.

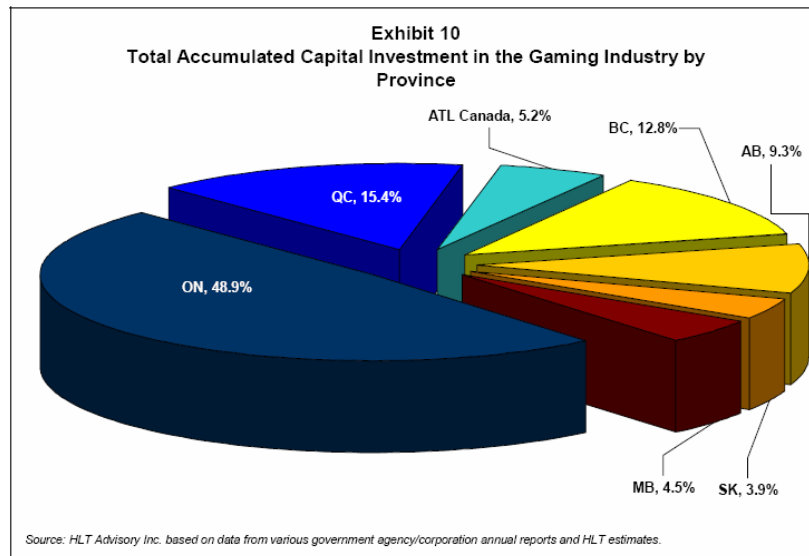
* Includes Federal government revenue (GST, lottery payment and CPMA levy) as well as provincial government revenues allocated to capital expenditure, principal repayment and operating reserves

** Includes commissions paid to VLT site holders, lottery ticket agents and horseracing purses (amount of purse from wagering only). Under the casino sector, the commission refers to the 20% of slot revenue given to racetracks and horseracing purses.

The gaming industry contributes \$15.3 billion to the economy directly, with governments and charities being the largest benefactors of gaming activity profits in Canada. In fact, governments and charities receive 57 per cent of this revenue for a total of \$8.7 billion. The remaining \$6.6 billion (43 per cent) was spent to sustain operations, paid out as salaries, and used to purchase goods and services.

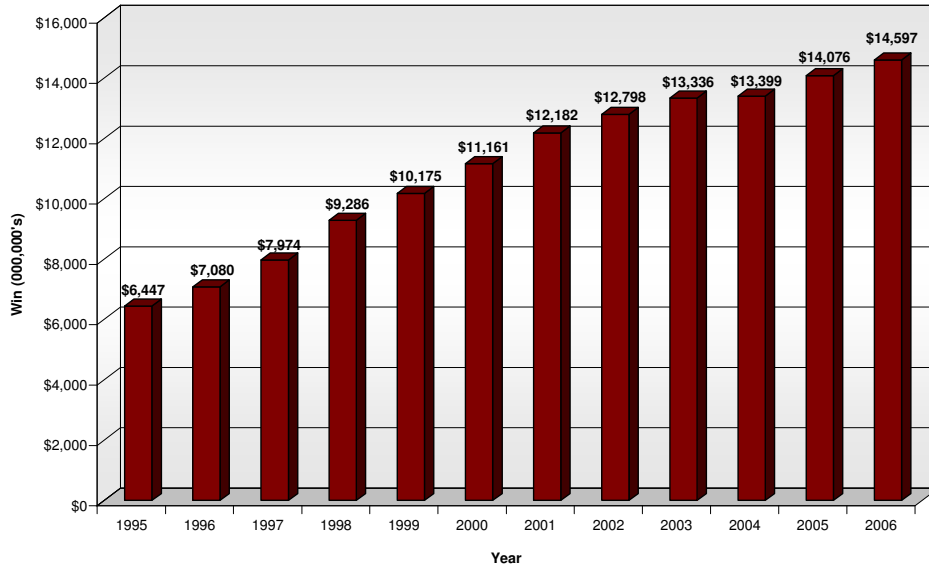


The industry also generates substantial benefits from the construction of facilities and the purchase of capital equipment. Based on the initial cost of capitalized assets (as contained in the annual reports of the various corporate entities that operate gaming activity in Canada and HLT estimates) for gaming activity not operated by public entities, the industry had invested \$9.5 billion in capital assets by the end of 2006. This investment in gaming activity infrastructure has taken place in every region of Canada.



Over the last decade, the Canadian gaming industry has more than doubled in size from \$6.4 billion in gaming win (wagering minus prizes) in 1995 to over \$14.6 billion in 2006. In addition to gaming win, the industry also generated \$721.0 million in non-gaming revenue (i.e. food and beverage, accommodations, entertainment and retail) for a total industry revenue base of \$15.3 billion in 2006.

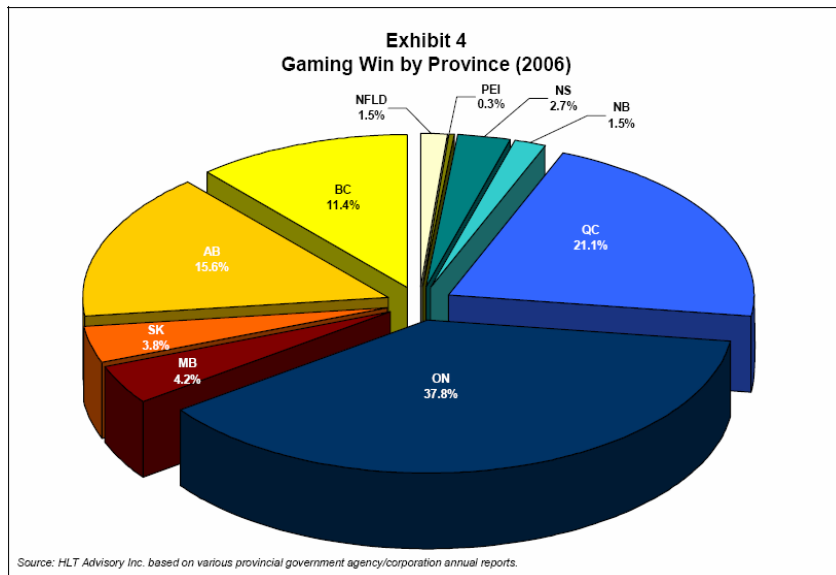
**Exhibit 2
Canadian Gaming Industry Win Trends**



Source: HLT Advisory Inc. based on various provincial government agency/corporation annual reports.

The significant growth of the industry can be attributed mostly to the expansion of casino facilities and the implementation of EGDs at facilities such as racetracks. The near term future growth of the industry will follow this trend as new casinos (including expansions) and gaming facilities with EGDs are implemented in British Columbia, Alberta, Saskatchewan, Ontario, Québec and New Brunswick. Hence, the economic benefits of gaming activity can be found in all regions of Canada.

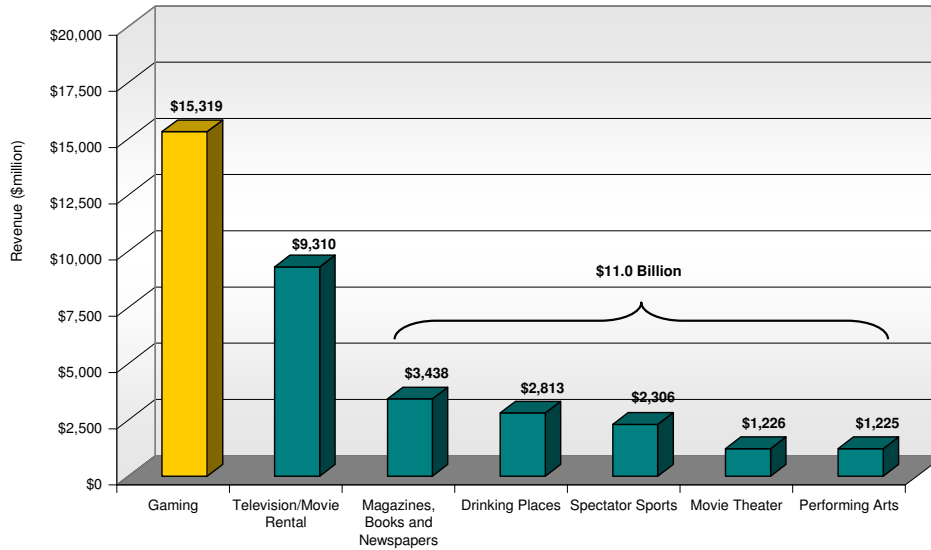
**Exhibit 4
Gaming Win by Province (2006)**



Source: HLT Advisory Inc. based on various provincial government agency/corporation annual reports.

Overall, the gaming industry is one of the largest entertainment industries in Canada. It is larger than television and movie rentals and larger than the combined revenues generated by magazines and book sales, drinking places, spectator sports, movie theatres and performing arts.

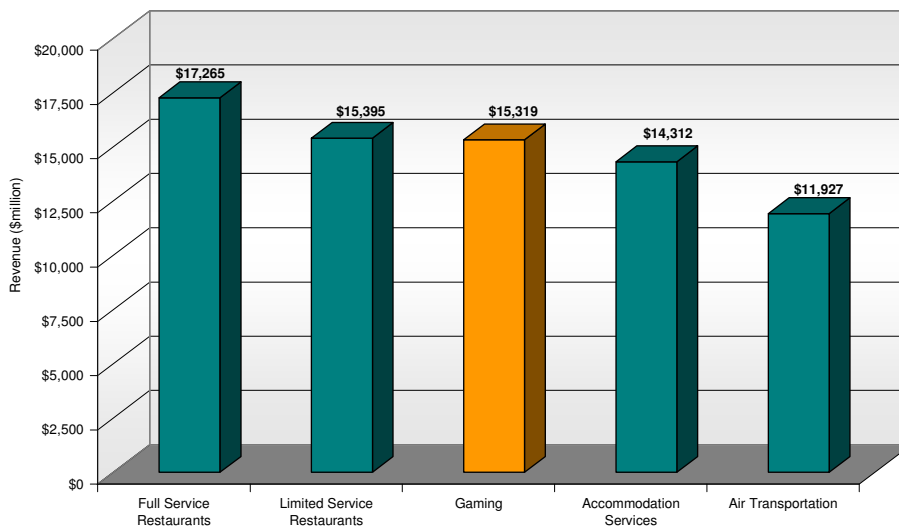
Exhibit 5
Revenue of Selected Entertainment Industries



Source: HLT Advisory based on data from PWC, *Global Entertainment Media Outlook 2006-2010*, and data from Statistics Canada (2004-2005).

The gaming industry has become a pillar of the broader hospitality industry in Canada, which includes traditional hospitality sectors such as restaurants, accommodations and travel. Together with gaming, these sectors represent the foundation of Canada's broader tourism industry as well as a key infrastructure component of the Canadian economy as a whole.

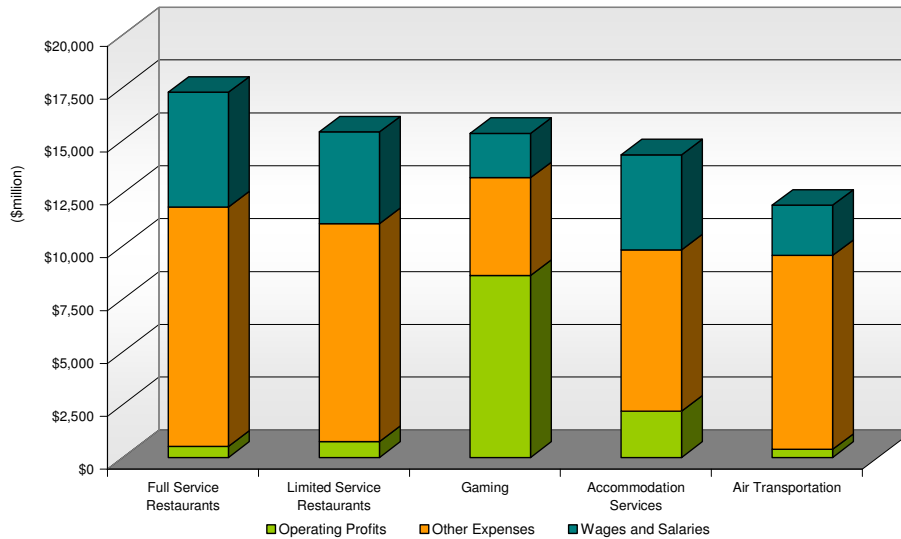
Exhibit 6
Revenue of Selected Hospitality Industries



Source: HLT Advisory based on data from Statistics Canada Survey of Food Services and Drinking Places (2005) and Annual Reports of the two major Canadian airlines (Air Transportation includes Air Canada and West Jet operating revenues for 2005).

Gaming is similar to other hospitality sectors in terms of both its capital and labour intensity. It is unlike other hospitality sectors, however, in terms of its profitability. The major benefactors of this profitability are governments and charities. In addition, most gaming activity in Canada has been implemented to generate additional economic benefits in the regions they are located.

**Exhibit 7
Operating Results of Selected Hospitality Industries**



Source: HLT Advisory based on data from Statistics Canada Survey of Food Services and Drinking Places (2005) and Annual Reports of the two major Canadian airlines (Air Transportation includes Air Canada and West Jet operating results for 2005).