



ECONOMIC IMPACT OF THE CANADIAN GAMING INDUSTRY

Key Findings Report

PREPARED BY:



JANUARY 2008



The fundamental goal of the Canadian Gaming Association is to create balance in the public dialogue about gaming in Canada.

Our members are the largest most established gaming operators, suppliers and gaming equipment manufacturers in Canada, including provincial lottery corporations, casino and racetrack operators and other related suppliers of goods, services and equipment.

Our mandate is to create a better understanding of the gaming industry through education and advocacy.

Visit our website at www.canadiangaming.ca and find more about the CGA.

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Foreword by Canadian Gaming Association

A Clear Picture

This Study, *Economic Impact of the Canadian Gaming Industry*, is another of a series of science and fact-based national studies and surveys relating to Canada's gaming industry that the Canadian Gaming Association (CGA) commissions.

The purpose of this Study is to provide a clear, comprehensive picture of the magnitude of the gaming industry and its economic impacts across the country. Although not a study or analysis of responsible gaming, the study includes a commentary on the responsible gaming programs and policies undertaken by governmental agencies.

A Major Industry and Contributor to the Canadian Economy

Among the findings of the Study are, that gaming in Canada:

- is the largest segment of the Canadian entertainment industry;
- is a pillar of the broader hospitality industry; and
- raises significant non-tax revenues to fund key government and charitable programs and initiatives.

The Study shows that legalized gaming has grown by one hundred and twenty seven percent since 1995 and, at over \$15 billion, is Canada's biggest entertainment industry – about the same size as movies, TV, recorded music and professional sports combined.

Gaming in Canada directly supports more than 135,000 full-time jobs (more than 267,000 jobs including indirect and induced impacts) and generates \$8.6 billion annually to fund government and community programs and services.

The Study also notes that Canadian provinces currently spend a total of \$90 million annually in funding for problem and responsible gaming programs – more than any other jurisdiction in the world.

The growth of the industry is reflective of the increase in availability of legal gaming options in response to market demands, consumer tastes and societal change, and in some cases the transfer of already existing activities from the underground economy. It also reflects the growth in non-gaming activities such as accommodation, entertainment, retail and food and beverage.

Given this size and growth over the last decade, the majority of goods and services needed to sustain operations are now produced and/or offered in Canada, and a number of Canadian companies now export gaming related products and services internationally.

Fulfilling a Mandate

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

Responsible Gaming

Canadian rates of participation in gaming are neither new found nor unique, but are reflective of worldwide norms. More than eighty-five percent of adult Canadians gamble in one form or another.

The overwhelming majority of Canadians who gamble do so without a problem or risk. More than eight out of ten always or almost always go with a budget and stick to it. Problem gambling rates fall between 0.5 percent - 1.5 percent across the country (Source – *Canadian Gambling Digest 2004-2005*, Canadian Partnership for Responsible Gambling). To put this issue in perspective – more than ninety-eight percent of Canadians can gamble without issue for fun and entertainment.

The gaming industry has an obligation to provide safe and secure venues and to assist the very small minority of individuals who may be playing beyond their limits. This is not an easy or straightforward undertaking – to help individuals address their own personal dependence challenges.

The Canadian Gaming Association supports the *Reno Model*, a science-based framework for responsible gaming, developed by Alex Blaszczynski (University of Sydney & Westmead Hospital, Australia), Robert Ladouceur (University of Laval, Quebec) and Howard Shaffer (Harvard Medical School, Boston).

Reno Model findings and recommendations include:

- *The majority of the adult population gambles responsibly.*
- *Only a small minority of the population develops gambling-related harm.*
- *Any responsible gambling program rests upon two fundamental principles:*
 - *The ultimate decision to gamble resides with the individual and represents a choice, and*
 - *To properly make this decision, individuals must have the opportunity to be informed.*
- *Within the context of civil liberties, external organizations cannot remove an individual's right to make decisions.*
- *In addition to viewing gambling as a choice, responsible gambling also rests on the principle of informed choice.*
- *Informed choice should be based on providing relevant, empirically-based information to help the players to make their decision.*

To quote Dr. Shaffer, the Director of the Division of Addictions at Harvard Medical School:

“There is a myth regarding addictive behaviors around gambling, that the game causes the disorder. In fact, the game doesn’t cause the disorder, because if it did, everyone who played the game would end up with the problem. It’s the relationship of a person with vulnerabilities to the games that they play, what this means to them and how it fits in their life, that essentially determines whether or not they will have a problem.”

A World Leader

The Canadian gaming industry is at the forefront of responsible gaming programs. Based on the most recent *Canadian Gambling Digest*, Canadian provinces currently spend approximately \$90 million on problem gaming treatment, research, awareness prevention initiatives and responsible gaming programs.

Gaming in Canada has grown and matured since the early 1990s, to become an important employer and provider of meaningful returns to Canadians balanced with socially responsible measures.



William P. Rutsey
President & CEO
Canadian Gaming Association

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Executive Summary

HLT Advisory Inc. was retained by the Canadian Gaming Association to identify and assess the economic contribution of the gaming industry to the Canadian economy. Hereunder is a summary of the findings contained in the report.

Over the last decade, the Canadian gaming industry has more than doubled in size from \$6.4 billion in gaming revenues in 1995 to over \$14.6 billion in 2006. In addition, the industry also generated \$721.0 million in non-gaming revenue for a total industry revenue base of \$15.3 billion in 2006.

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

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

The gaming industry has become a pillar of the broader hospitality industry in Canada. Traditional hospitality sectors include restaurants, accommodations and travel. 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. Virtually all private companies and governments alike utilize hospitality establishments to conduct business.

Gaming is similar to other hospitality sectors in terms of both its capital and labour intensity. However, it is unlike other hospitality sectors in terms of its ability to generate profit. The major benefactors of this profit are governments and charities.

Of the \$15.3 billion of revenues that were generated by the industry in 2006, governments and charities received almost \$8.7 billion. The majority of these revenues are spent annually to support priority areas and programs. The remaining \$6.6 billion was spent to sustain operations.

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)

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 gaming are being generated in all provinces in Canada as well as in all sub-provincial regions.

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.

Given the size and growth of the industry over the last decade, the majority of goods and services needed to sustain operations are now produced and/or offered in Canada. In fact, a number of Canadian companies now export gaming related products and services internationally.

In addition to the economic benefits generated from the operation of gaming activity and from government/charity spending of gaming profits, 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 as contained in the annual reports of the various corporate entities that operate gaming activity in Canada, 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.

The total amount of capital investment continues to increase as new facilities are constructed and existing facilities are expanded and/or “refreshed”. It is not unreasonable to suggest that anywhere from \$150 million to \$300 million will be spent annually over the next five years on capital assets across the entire Canadian gaming industry. These capital expenditures have not been included in the economic impact analysis. The economic benefits associated with this continual investment in infrastructure positively impact the construction industry and manufacturers of both gaming and non-gaming equipment.

The Canadian gaming industry is at the forefront of responsible gaming. Canadian provinces currently spend approximately \$74.3 million on problem gambling treatment, research and awareness prevention initiatives. In addition, \$16.0 million is spent in the area of responsible gambling initiatives, bringing the total to more than \$90 million annually – more than any other jurisdiction in the world.

1. Introduction

HLT Advisory Inc. (“HLT”) has been retained by the Canadian Gaming Association (“CGA”) to identify and assess the economic contribution of the Gaming Industry to the Canadian economy. The report that follows summarizes the key findings of this research.

1.1 CGA RESEARCH OBJECTIVES

The CGA’s primary objective for commissioning this 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 particular focus on employment, revenues generated for governments/charities and total value added; and
- provide more detailed analysis at both the provincial and sector level.

This research exercise represents the first attempt ever conducted in Canada that comprehensively estimates the gaming industry’s contributions to the Canadian economy.

1.2 FOCUS OF ECONOMIC IMPACT ASSESSMENT

The impact assessment contained in this report focuses on measuring the annual (2006) economic impacts 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 impacts are also identified and discussed in the report.

1.3 OVERVIEW OF APPROACH

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

- Identified all gaming activity in Canada.
- Collected and assembled all identify 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 based on input provided by HLT.
 - Assessed the results of the various model runs conducted and completed the assessment.

The results of the assessment are summarized in the remainder of this report. It should be noted that while the assessment focuses on gaming activity operating expenses and government/charity spending of gaming revenues for the year 2006, HLT did assess multiple year gaming industry data in order to better understand the 2006 operating structure of the industry. Where appropriate, adjustments to the 2006 base data were made to better reflect a typical operating year. All of these adjustments had the effect of decreasing expenditures (thus reducing resulting benefits).

1.4 ORGANIZATION OF THE REPORT

Following the Introduction, this report is organized into three sections.

- **Section 2** summarizes the methodology used to estimate the economic impacts of the gaming industry.
- **Section 3** compares the gaming industry to other Canadian entertainment/hospitality industries and presents its impact on the Canadian economy at the national level.
- **Section 4** presents the economic impacts of each provincial gaming industry.

Appendices as attached provide supporting documentation for the analyses contained in the main body of the report.

2. Methodology and Approach

This section of the report summarizes the methodology adopted to complete the assessment. First the scope of the assessment is defined. Second a discussion of the measures used to summarize the results of the assessment is presented. Finally HLT's approach to complete the same is summarized.

2.1 SCOPE OF ASSESSMENT

As with any economic impact assessment, it is key that what is being measured is fully understood by the readers of the report. As stated earlier this report focuses only on measuring the annual (2006) economic impacts 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).

As will be discussed later, some areas of the operation of gaming activity were not measured fully. These areas included gaming related "commissions" to lottery retailers and VLT site-holders and horse racing "purses". The economic model utilized to measure impacts could not easily measure the full magnitude of impacts associated with these expenditures. The likely magnitude of these impacts is however discussed in the report.

Also, impacts related to capital construction and capital maintenance projects (above and beyond typical repairs and maintenance) have not been measured. While impacts 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.

The assessment does not deal with social related impacts, nor does it incorporate the concepts of "substitution". The following briefly discusses why these impacts and concepts were not factored into the assessment.

- Social related economic impacts – There is currently much debate amongst academics, government policy makers, industry officials and professionals alike on an acceptable and/or proven methodology to measure these impacts. For this reason, the scope of this report did not include social related impacts.
- The concept of "substitution" – The concept of substitution implies that a portion of spending on a particular commodity displaces spending on another commodity that would have occurred if the first commodity was not offered. For instance, if governments and charities did not generate revenues from gaming activity they would find alternative means of generating needed revenues for their programs such as raising personal/corporate taxes or direct personal donations. The same logic

could be applied to gaming activity itself. For example, if gaming did not exist, people would transfer their gaming expenditures to other entertainment industries. With this said, gaming activity does exist, people do accept this activity as a form of entertainment and governments and charities do generate significant amounts of money which they spend on worthwhile projects and programs (services) that benefit all segments of Canadian society. Given these facts, the assessment does not incorporate the concept of substitution.

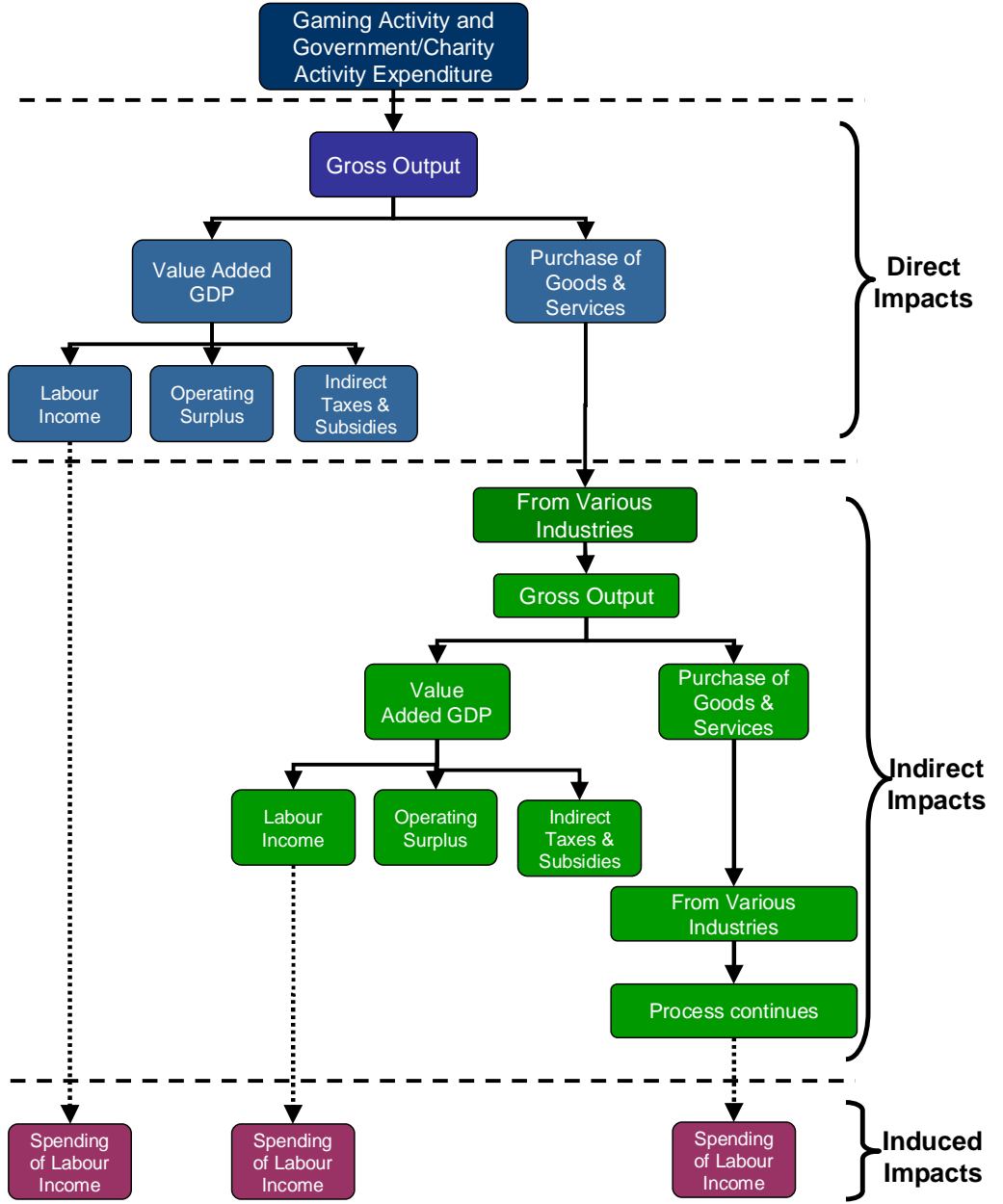
2.2 ECONOMIC MEASUREMENTS USED AND TYPES OF IMPACTS MEASURED

All economic impact assessments employ the use of common economic measures and classification of different impact types. For the purposes of this report, 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.

All economic impact 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, it is common to distinguish or isolate three types of impacts.

Exhibit 1 Summary of Economic Impact Process



Source: HLT Advisory Inc.

- **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 inclusion of induced impacts in any economic impact assessment is open to debate. Some argue that the inclusion of these impacts overestimates the actual benefits generated by spending in any one segment of the economy. Hence, for the purposes of this report, only the direct labour income of both the gaming operations and government/charity spending was used to estimate induced benefits (indirect labour income was not included in the estimation of induced 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. Exhibit 1 summarizes this process.

2.3 HLT APPROACH

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

- Identified, assembled and analysed revenue and operating expense data for all gaming activity (2006). The main sources of revenue and expense data included published annual reports of various government gaming entities and private sector operators. This data was organized into a number of gaming sectors:
 - Bingo
 - Casinos (include EGDs at racetracks)
 - Electronic Gaming Devices (“EGDs”) – VLTs located in non-gaming facilities
 - Lotteries
 - Pari-Mutuel (horse racing)

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. In general the sectors identified above have different operating expense structures. Certain gaming activity such as EGDs at racetracks, have been grouped with casinos since their operating expense structures are very similar to casinos. In other words, they have not been groups with horse racetracks since their expense structures are not similar to racetracks.

Note: Some gaming activity data in Canada is available on a calendar year basis while other data is available on a government fiscal year basis (ending March 31st). The 2006 data used in this report contains both calendar and fiscal year data. This data has been labeled 2006 for presentation purposes.

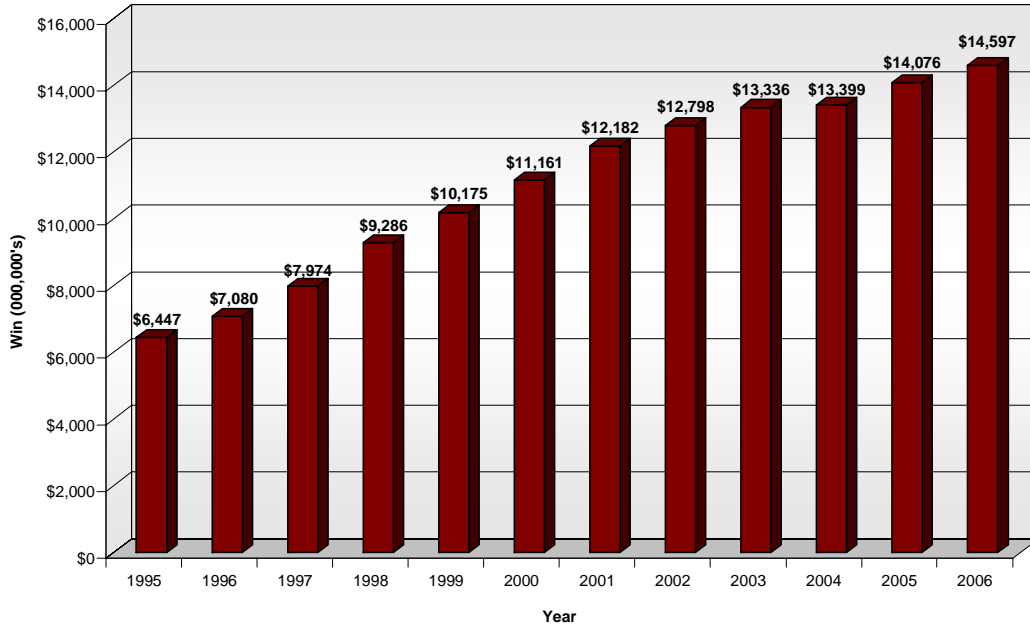
Where either revenue or expense data was not readily available, HLT estimated these numbers based on past work experience in the Canadian gaming industry. Industry contacts were utilized to verify certain assumptions and estimates. HLT maintains a large database of gaming activity (revenue) data in Canada. 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 has completed over 200 gaming related assignments in Canada).

- Compared the Canadian gaming industry to other Canadian entertainment and hospitality related industry sectors in terms of revenue and profitability. Published data obtained from Statistics Canada and annual reports of private sector companies were utilized to identify and measure the entertainment and hospitality industries.
- Identified and reviewed economic impact studies already conducted for gaming industries around the world as well as studies already undertaken in Canada for other significant industries.
- Researched available econometric or input-output models capable of measuring the economic impact of the gaming industry in Canada. The model had to be capable of measuring not only national but also provincial level impacts. Statistics Canada's Input-Output Model was chosen as the most appropriate model available. Appendix A contains a discussion of Statistics Canada's Input-Output Model.
- Reviewed the Statistics Canada Input-Output Model (published material prepared by Statistics Canada and reviews contained in third-party published reports) and attended a working seminar conducted by Statistics Canada on the use of their Model.
- Subsequently met with Statistics Canada officials responsible for the Input-Output Model to discuss project requirements, data sources (including format of data required) and technical elements of the Model. The Model utilizes the latest national and provincial Input-Output Tables available (2003) in Canada. Inherent within these Input-Output Tables is a definition of the gaming industry. This Statistics Canada definition was not directly comparable with the base data collected by HLT. These factors, combined with changes in gaming activity structure that have occurred since 2003, necessitated the testing of Model results.
- Tested the accuracy of the Model results through the running of various simulations (from a final demand perspective), the results of which were compared to base data collected by HLT. For instance, to test the breakdown of commodities that were produced by the Model, total gaming expenditure numbers were used as the only Model inputs. The Model results provided an estimate of the commodity sectors that are impacted. These sectors were compared to a breakdown of operating expenses by commodity that HLT prepared independent of the Model.

- Discussed the results of the testing process with Statistics Canada officials responsible for assembling the Canadian Input-Output Tables (specifically the gaming industry component of the Input-Output Tables) and the Input-Output Model. Based on the findings of the various simulations and subsequent discussions, final impact measures had to be adjusted. The adjustments were made to the Input-Output Model multipliers based on HLT's understanding of the operation of all gaming activity in Canada. The net impact of the total adjustments resulted in lower total impacts when compared to the unadjusted results of the Model (see Appendix A for a more detailed discussion of HLT adjustments).

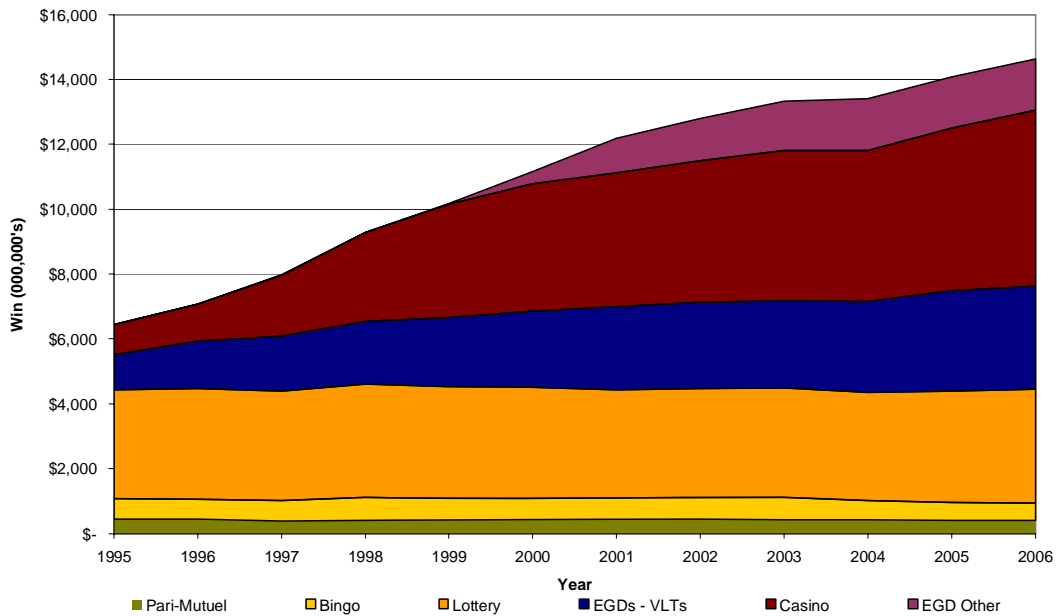
The work was initiated in January 2007. Preliminary results (base financial data) of the study were presented at the 2007 Canadian Gaming Summit in April. Adjustments to base financial data, Model testing and discussions with Statistic Canada officials took place over the May to November time period. The final Model results that are contained in this report were completed in December 2007 and the report was written in January 2008.

**Exhibit 2
Canadian Gaming Industry Win Trends**



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

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



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

3. Canada’s Gaming Industry

This section of the report first describes the Canadian gaming industry and compares it to other entertainment and hospitality industries in Canada. The results of the economic impact assessment for the country as a whole are presented next. Finally, the benefits of the various gaming sectors that make-up the industry is discussed.

3.1 INDUSTRY OVERVIEW

Over the last decade, the Canadian gaming industry has more than doubled in size from \$6.4 billion in gaming win (wagering less prizes) in 1995 to over \$14.6 billion in 2006 (Exhibit 2). 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.

The significant growth of the industry can be attributed mostly to the expansion of casino facilities and the implementation of the EGDs at facilities such as racetracks (Exhibit 3). The near term future growth of the industry will follow this trend as new casinos (including expansions) and gaming facilities with EGDs are being implemented in British Columbia, Alberta, Saskatchewan, Ontario, Québec and New Brunswick. An important aspect of the industry is that it can be found in all regions of Canada (Exhibit 4). Hence, economic benefits of gaming activity can be found in all regions of Canada.

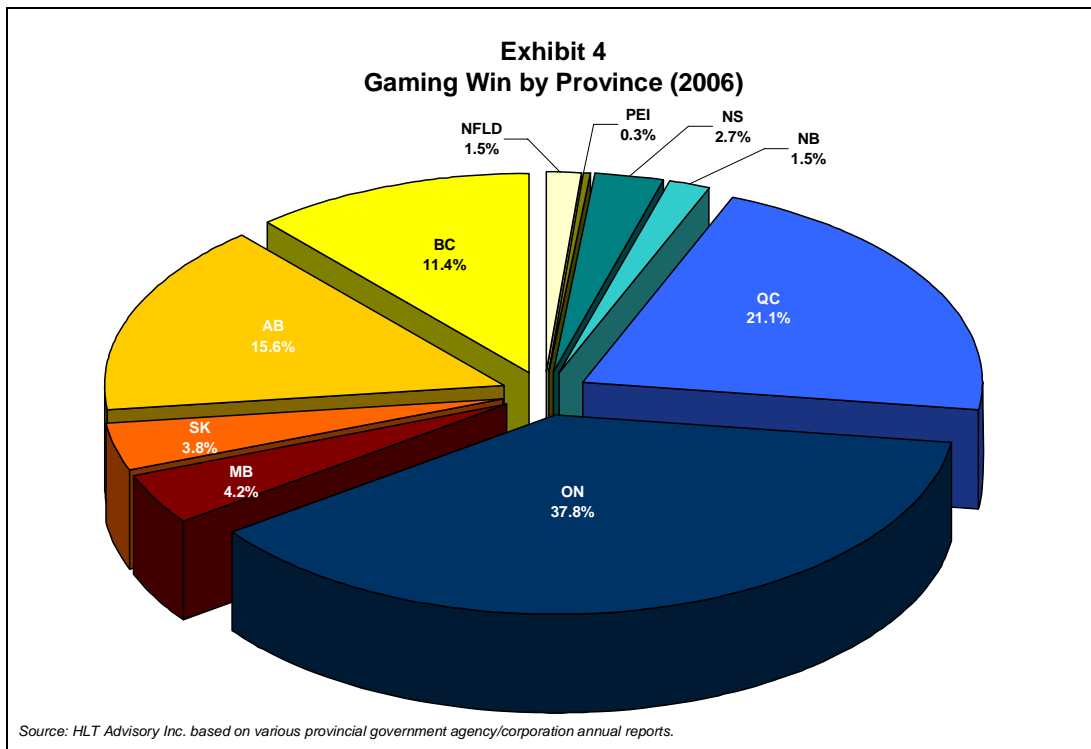
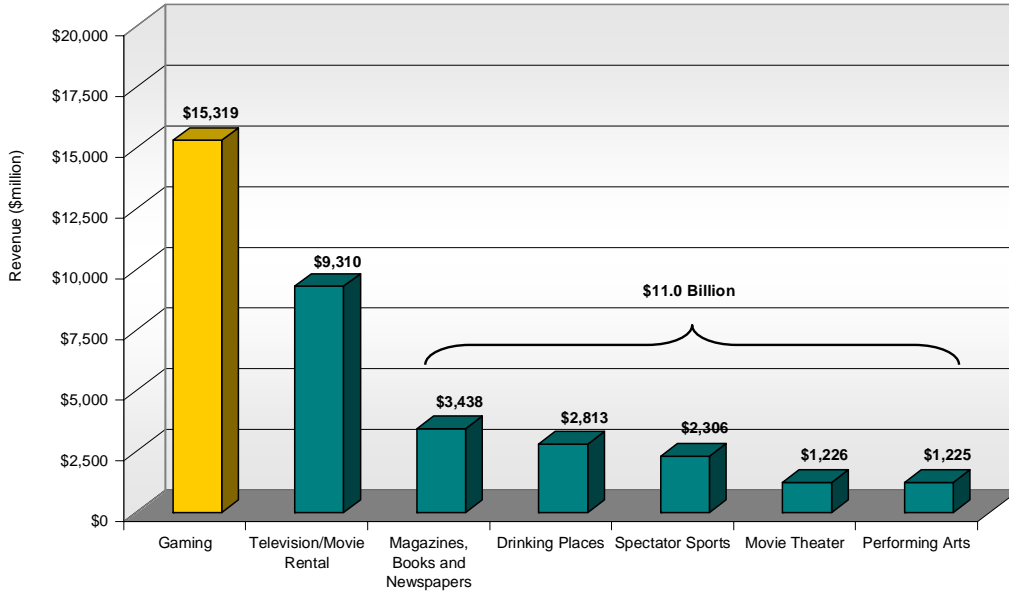
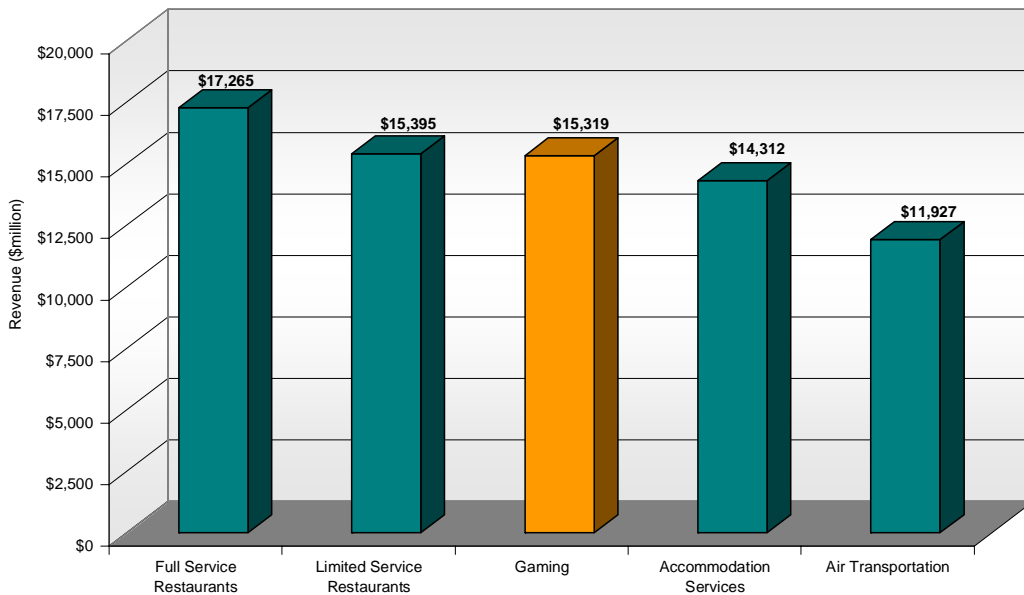


Exhibit 5
Revenue of Selected Entertainment Industries



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

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).

The gaming industry is one of the largest entertainment industries in Canada. It is larger than television and movie rentals and it is larger than the combined revenues generated by magazines and book sales, drinking places, spectator sports, movie theatres and performing arts (Exhibit 5).

The gaming industry has become a pillar of the broader hospitality industry in Canada (Exhibit 6). Traditional hospitality sectors include restaurants, accommodations and travel. 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. Virtually all private companies and governments alike utilize hospitality establishments to conduct business.

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 ability to generate profit (Exhibit 7). The major benefactors of this profit are governments and charities. Besides the ability to generate profit for governments and charities, most gaming activity in Canada was implemented to generate additional economic benefits in the regions they are located.

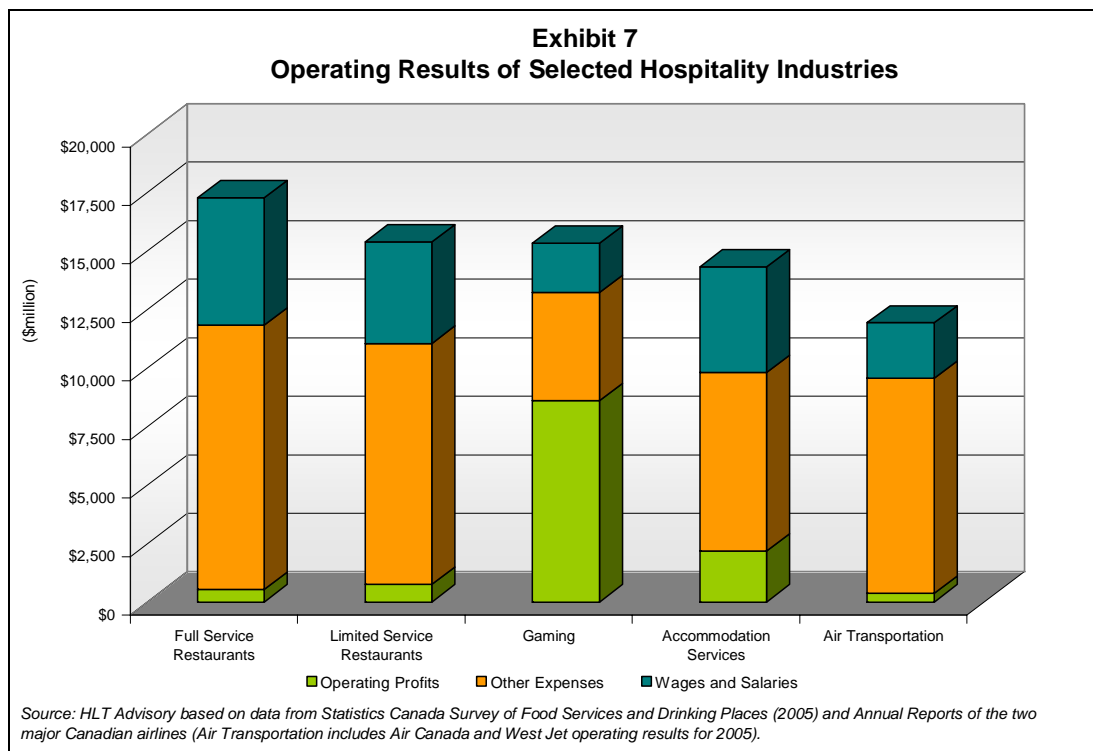


Exhibit 8
Total Economic Impacts of the Canadian Gaming Industry
2006 (\$000)

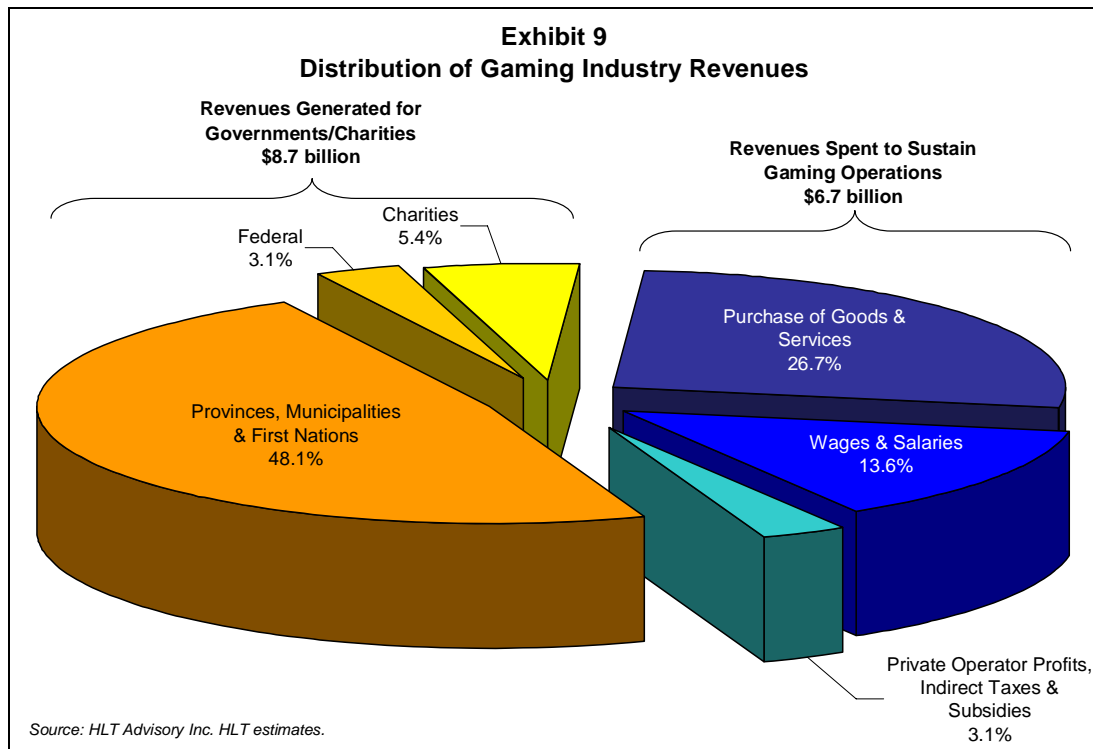
Total Gaming Revenue			
	\$15,318,567		
	Gaming Operation	Governments/ Charities	Total
Expenditures*	\$6,654,446	\$7,548,052	\$14,202,499
Gross Output			
Direct	\$6,654,446	\$7,548,052	\$14,202,499
Indirect	\$5,174,388	\$3,689,907	\$8,864,295
Induced	\$1,993,304	\$3,864,676	\$5,857,980
Total	\$13,822,139	\$15,102,636	\$28,924,774
Purchase of Goods & Services			
Direct	\$4,092,859	\$3,079,815	\$7,172,674
Indirect	\$2,915,661	\$1,449,103	\$4,364,764
Induced	\$811,605	\$1,587,450	\$2,399,055
Total	\$7,820,126	\$6,116,367	\$13,936,493
Value Added GDP			
Direct	\$2,561,587	\$4,468,237	\$7,029,824
Indirect	\$2,258,727	\$2,240,805	\$4,499,531
Induced	\$1,181,699	\$2,277,227	\$3,458,926
Total	\$6,002,013	\$8,986,269	\$14,988,281
Labour Income			
Direct	\$2,090,417	\$3,951,686	\$6,042,103
Indirect	\$1,928,908	\$1,591,606	\$3,520,514
Induced	\$691,942	\$1,317,602	\$2,009,545
Total	\$4,711,267	\$6,860,894	\$11,572,161
Employment (Full-Time Equivalent)			
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.

* Does not equal total gaming revenue. Federal government revenue (GST, lottery payment and CPMA levy) as well as provincial government revenues allocated to capital expenditure, principal repayment and operating reserves are not included.

3.2 NATIONAL ECONOMIC IMPACTS

Economic impacts are generated from the spending of gaming industry revenues. Exhibit 8 summarizes the impacts associated with both the operation of all gaming activity and government/charity spending of their share of industry revenues. Governments and charities are the largest benefactors of gaming activity profits in Canada. Of the \$15.3 billion of revenues that were generated by the industry in 2006, governments and charities received almost \$8.7 billion. The majority of these revenues are spent annually to support priority areas and programs. The remaining \$6.6 billion was spent by activity operators to sustain operations (Exhibit 9).



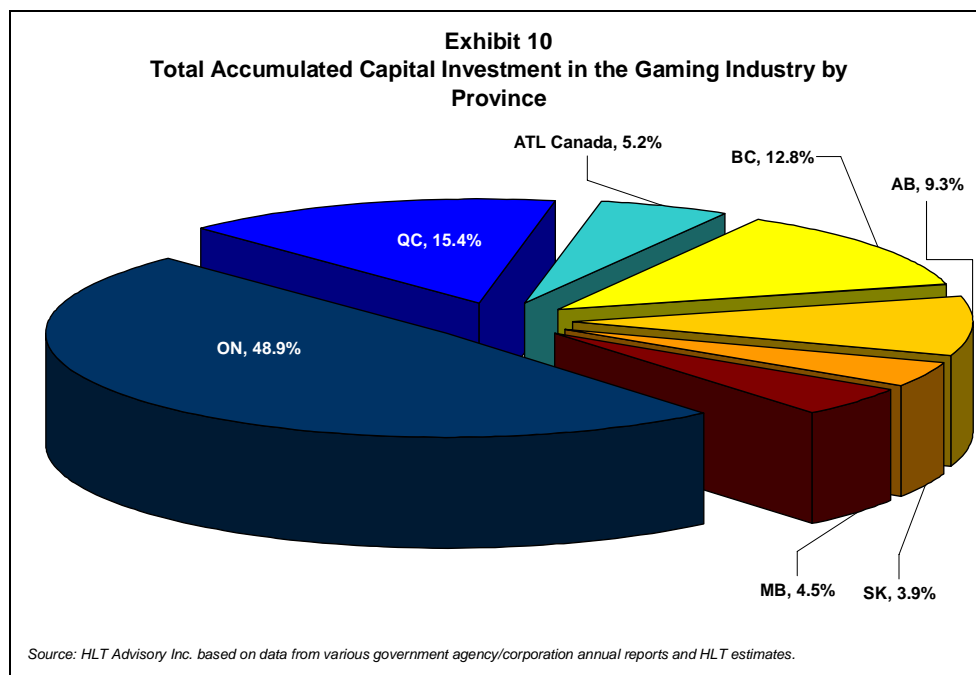
In 2006, the Canadian gaming industry generated significant economic benefits from the operation of all gaming activity and from the government/charity spending of gaming profits. Total benefits (see Exhibit 8) included:

- \$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)

These benefits are being generated in all provinces in Canada as well as in all sub-provincial regions. In addition, given the size and growth of the industry over the last decade, the majority of goods and services needed to sustain operations are now produced and/or offered in Canada. In fact there are a number of Canadian companies that now export gaming related products and services internationally. Typical goods and services needed to sustain activity operations are produced by a wide range of industries including:

- Printing and publishing products and services
- Communication products and services
- Business and professional services
- Electrical and electronic products
- Food and beverage products
- Transportation products and services
- Finance, insurance and real estate services

In addition to the economic benefits generated from the operation of gaming activity and from the government/charity spending of gaming profits, 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 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 (Exhibit 10).



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 constantly being replaced. It is not unreasonable to suggest that anywhere from \$150 million to \$300 million will be spent annually over the next five years on capital assets across the entire Canadian gaming industry. These capital expenditures have not been included in the operational expenditure numbers used to calculate the 2006 impacts. The economic benefits associated with this continual investment in industry infrastructure does positively impact the construction industry and manufacturers of both gaming and non-gaming equipment such as playing Input-Output Tables, electronic gaming machines, and furniture and fixtures.

3.3 NATIONAL ECONOMIC IMPACTS – GAMING SECTOR (DIRECT BENEFITS)

All provinces in Canada permit the operation of virtually all gaming sectors within their boundaries. These gaming sectors vary in terms of revenue generation, operating expenses and profitability. Exhibit 11 summarizes the revenues and operating expenditures for the entire gaming industry by sector and the direct impacts associated with the operation of each sector.

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 in Ontario.

The casino sector (including racetrack slot operations in Ontario, British Columbia and Alberta) is the largest sector accounting for 49.0 percent of total industry revenue, 43.0 percent of government/charity profit and 56.0 percent of total industry operating expenses. Lotteries are the second largest sector in terms of revenue and operating expenses, and third largest in terms of government/charity profit. Government/charity profits account for 75.0 percent of VLT revenue.

In terms of labour intensity (sector labour income divided by total sector revenue), the pari-mutuel sector (23%) followed by the casino (21%) and bingo (18%) sectors are the most intense. With regard to industry labour income, the casino sector accounts for 76.0 percent of that total. Over 52,000 jobs are supported by direct labour income in the industry as a whole.

Also stated earlier, the economic impacts associated with the Purchases of Goods and Services is underestimated in this report. The Statistics Canada Model treated commissions paid to VLT site holders, lottery ticket agents and horse racing purses as “retailing services” (retailing services have a low total multiplier impact). Hence, the indirect benefits associated with these commissions are minimal. These commissions totaled \$1.5 billion in 2006. Economic benefit generated from these commissions are however real and significant.

- The \$464 million in lottery agent commissions paid, help to sustain the operations of over 32,000 convenience stores, gas stations, grocery stores and other lottery outlets across the country. Many of these stores are independently owned and operated. Lottery tickets can be purchased in virtually every community in Canada.
- The \$635 million in VLT site holder commissions paid, help to sustain the operation of over 7,000 bars, restaurants and hotels across the country (except in BC and Ontario which do not permit VLTs). Many of these establishments are located in rural and small urban centres and represent key travel/entertainment infrastructure in these communities. It has been put forward by the Canadian Hotel Association that without VLT revenues, many hotels in small rural centres would not be able to sustain operations.
- The \$444 million directed towards racetracks and horse racing purses represent the main income source for race horses and a significant source of income for racetracks. The race horse component of the pari-mutuel sector represents a significant agricultural sector in Canada that employs thousands of people.

It is not unreasonable to suggest that these commissions help to support (directly and indirectly) over 30,000 jobs in Canada. These jobs are in addition to the 267,000 jobs that are generated from the operation of gaming activity and government/charity spending of gaming profits.

3.4 RESPONSIBLE GAMING

As already stated, the scope of this report did not include an assessment of social impacts. With this said, as gaming has become widely available as a form of entertainment, people have become more aware of problem gambling. The industry has studied the issue, directly supports problem gambling initiatives and has adopted responsible gaming as a core operating philosophy. This philosophy is behind the development and implementation of a wide range of responsible gaming programs and safety features. Broad key elements of all responsible gaming programs are:

- Education and Awareness
- Prevention
- Treatment

Examples include on-machine display and programming features, responsible gaming kiosks, self-exclusion programs, advertising guidelines, public education, in-house training and social responsibility assessments.

These programs are directly supported from province's share of gaming revenues. Based on the most recent *Canadian Gambling Digest* (2004-2005 report prepared by the Canadian Partnership for Responsible Gambling), Canadian provinces currently spend approximately \$74.3 million on problem gambling treatment, research and awareness prevention initiatives. In addition, \$16.0 million is spent in the area of responsible gambling initiatives, bringing the total to more than \$90.0 million annually – more than any other jurisdiction in the world.

4. Provincial Gaming Industries

This section of the report summarizes total economic impacts generated by the operation of all gaming activity and government/charity spending of gaming profits by province. Besides a detail summary account of the economic impacts generated by each provincial gaming industry, a brief description of the number of gaming facilities located in each province, historical gaming revenue trends by sector and a comment on the future direction of the industry including revenue trends is provided.

Please note that the exhibits containing historical gaming revenue growth trends by sector do not include non-gaming revenue as this data was not available for all historic years. Only gaming revenue (or win) for each sector is included. Also, given the different sizes of each provincial industry, three different scales are used to illustrate trends (i.e., BC, Alberta and Quebec share the same scale, Ontario uses a different scale and all remaining provinces share yet another scale).

4.1 OVERVIEW OF PROVINCIAL IMPACTS

As stated previous in the report, the Canadian gaming industry is truly a national industry in that gaming activity can be found in every province and within all regions in every province. Hence, the industry generates economic benefits in all regions of the country. The size of each provincial industry varies based on the size of each market as well as which gaming activities are permitted and more importantly the number of facilities/outlets permitted and the “market focus” of the same. These areas are essentially guided by provincial government policy direction and this policy direction varies by province.

The economic impact estimates contained in this section are presented in terms of the impacts 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 (based on discussions with Statistics Canada officials). 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.

**Exhibit 13
Total Economic Impacts of the British Columbia Gaming Industry
2006 (\$000)**

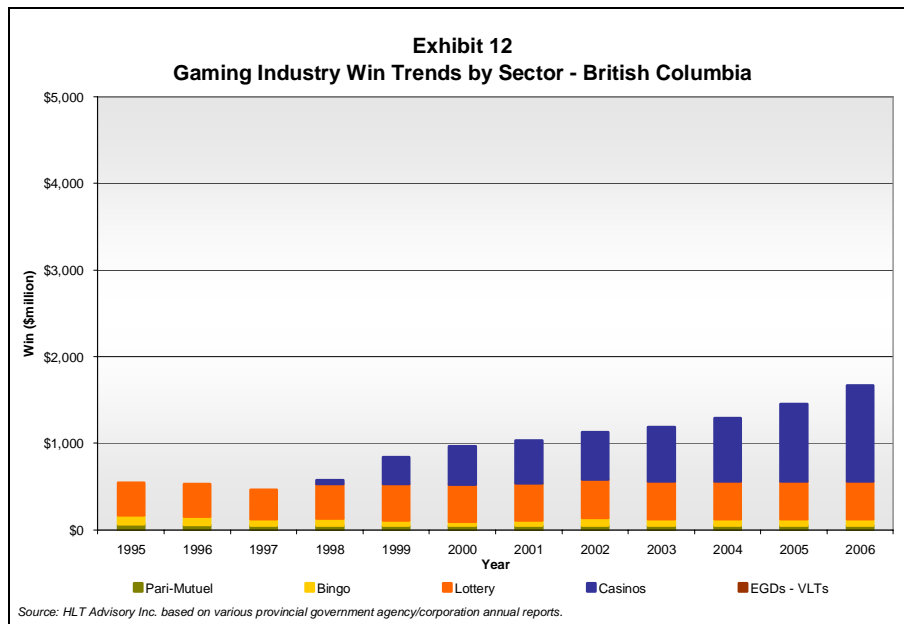
Total Gaming Revenue			
	\$1,745,576		
	Gaming Operation	Governments/ Charities	Total
Expenditures*	\$730,675	\$914,388	\$1,645,062
Gross Output			
Direct	\$730,675	\$914,388	\$1,645,062
Indirect	\$548,006	\$435,096	\$983,102
Induced	\$198,631	\$447,407	\$646,037
Total	\$1,477,311	\$1,796,890	\$3,274,201
Purchase of Goods & Services			
Direct	\$323,513	\$363,435	\$686,948
Indirect	\$222,277	\$170,567	\$392,844
Induced	\$75,504	\$170,070	\$245,574
Total	\$621,295	\$704,072	\$1,325,366
Value Added GDP			
Direct	\$407,161	\$550,953	\$958,114
Indirect	\$325,729	\$264,529	\$590,258
Induced	\$123,126	\$277,337	\$400,463
Total	\$856,016	\$1,092,819	\$1,948,835
Labour Income			
Direct	\$221,405	\$493,214	\$714,620
Indirect	\$195,700	\$182,320	\$378,020
Induced	\$74,477	\$167,756	\$242,233
Total	\$491,582	\$843,290	\$1,334,872
Employment (Full-Time Equivalent)			
Direct	6,326	10,077	16,403
Indirect	5,377	4,411	9,788
Induced	1,862	4,194	6,056
Total	13,565	18,681	32,246

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

* Does not equal total gaming revenue. Federal government revenue (GST, lottery payment and CPMA levy) as well as provincial government revenues allocated to capital expenditure, principal repayment and operating reserves are not included.

4.2 BRITISH COLUMBIA

In 2006, the British Columbian gaming industry consisted of 20 casino facilities, 2 main horse racetracks, approximately 4,400 lottery outlets (retailers), 27 bingo halls and 5 bingo halls with slot machines (Community Gaming Centres). The casino sector accounted for the lion's share of the \$1.7 billion industry revenue base, followed by the lottery sector (Exhibit 12). The construction of casino complexes containing enhanced non-gaming facilities such as expanded food and beverage, hotels and entertainment, have dominated recent development trends.



Of the \$1.7 billion in revenue, gaming activity operations spent over \$730.0 million to sustain operations while governments/charities spent over \$914.0 million (Exhibit 13). These expenditures in total generated over:

- \$3.2 billion in Gross Output
- \$1.3 billion in Purchases of Goods and Services
- \$1.9 billion in Value Added GDP
- \$1.3 billion in Labour Income
- 32,200 jobs (full-time equivalent)

The current direction of the industry is focused on redeveloping and expanding (number of gaming devices and amenities) selected casino sites and converting additional bingo halls into Community Gaming Centres (constructing new bingo halls with slot machines). This industry direction will result in increased gaming and non-gaming revenues being generated over the near term, thus increasing the annual economic benefits from both operational and government/charity spending.

Exhibit 15
Total Economic Impacts of the Alberta Gaming Industry
2006 (\$000)

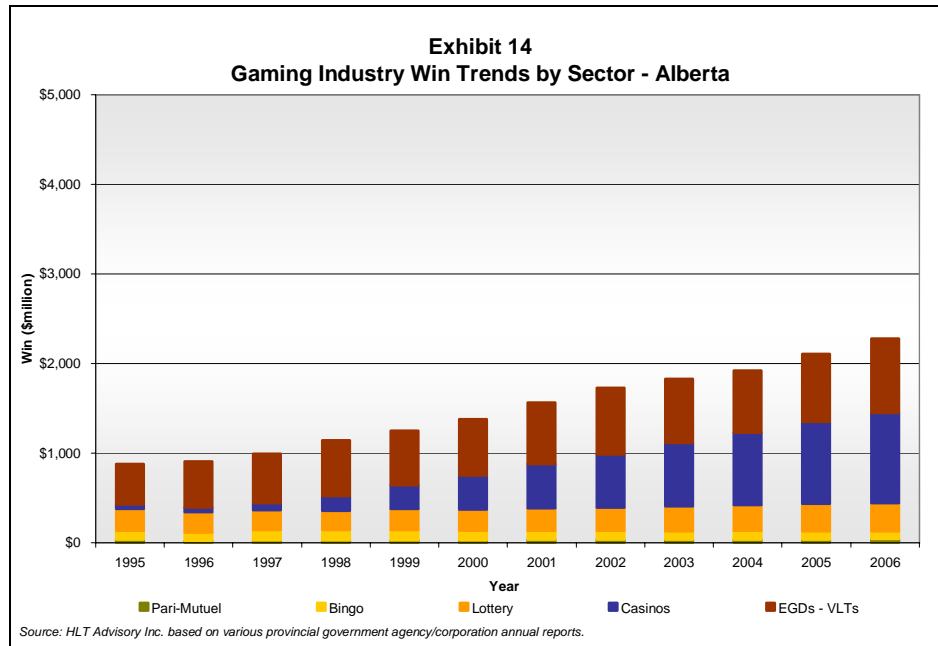
Total Gaming Revenue			
	\$2,352,185		
	Gaming Operation	Governments/ Charities	Total
Expenditures*	\$602,071	\$1,641,055	\$2,243,126
Gross Output			
Direct	\$602,071	\$1,641,055	\$2,243,126
Indirect	\$481,656	\$773,620	\$1,255,277
Induced	\$205,435	\$932,040	\$1,137,474
Total	\$1,289,162	\$3,346,715	\$4,635,877
Purchase of Goods & Services			
Direct	\$356,166	\$697,566	\$1,053,732
Indirect	\$260,342	\$306,901	\$567,243
Induced	\$87,149	\$395,387	\$482,536
Total	\$703,657	\$1,399,855	\$2,103,511
Value Added GDP			
Direct	\$245,905	\$943,489	\$1,189,394
Indirect	\$221,314	\$466,719	\$688,033
Induced	\$118,286	\$536,652	\$654,938
Total	\$585,505	\$1,946,860	\$2,532,365
Labour Income			
Direct	\$185,153	\$840,025	\$1,025,178
Indirect	\$178,788	\$301,456	\$480,244
Induced	\$64,316	\$291,798	\$356,114
Total	\$428,258	\$1,433,278	\$1,861,536
Employment (Full-Time Equivalent)			
Direct	5,697	17,643	23,340
Indirect	4,842	6,860	11,703
Induced	1,499	6,801	8,299
Total	12,038	31,304	43,342

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

* Does not equal total gaming revenue. Federal government revenue (GST, lottery payment and CPMA levy) as well as provincial government revenues allocated to capital expenditure, principal repayment and operating reserves are not included.

4.3 ALBERTA

In 2006, the Alberta gaming industry consisted of 17 casino facilities, 4 horse racetracks, over 1,100 VLT sites, over 2,200 lottery outlets (retailers), and 40 bingo halls. These facilities and outlets are located in every region of the Province and generated over \$2.3 billion in revenue. Casinos and VLTs accounted for the majority of this revenue (Exhibit 14). Charity participation is a significant characteristic of Alberta's gaming industry.



Of the \$2.3 billion in revenue, gaming activity operations spent over \$602.0 million to sustain operations while governments/charities spent over \$1.6 billion (Exhibit 15). These expenditures in total generated over:

- \$4.6 billion in Gross Output
- \$2.1 billion in Purchases of Goods and Services
- \$2.5 billion in Value Added GDP
- \$1.8 billion in Labour Income
- 43,300 jobs (full-time equivalent)

The current direction of the industry is focused on the introduction of additional casinos and redeveloping and expanding (number of gaming devices and amenities) selected casino sites. The VLT sector will continue to be modified (consolidation of sites) without increasing the number of machines (approximately 6,000). A new racetrack facility is also being planned in the Calgary area. This industry direction will result in increased gaming and non-gaming revenue being generated over the near term, thus increasing the annual benefits from both operational and government/charity spending.

Exhibit 17			
Total Economic Impacts of the Saskatchewan Gaming Industry			
2006 (\$000)			
Total Gaming Revenue	\$576,409		
	Gaming Operation	Governments/ Charities	Total
Expenditures*	\$236,117	\$274,454	\$510,571
Gross Output			
Direct	\$236,117	\$274,454	\$510,571
Indirect	\$184,171	\$114,080	\$298,251
Induced	\$68,798	\$125,976	\$194,774
Total	\$489,087	\$514,509	\$1,003,596
Purchase of Goods & Services			
Direct	\$150,614	\$110,967	\$261,581
Indirect	\$113,203	\$46,981	\$160,184
Induced	\$28,142	\$51,531	\$79,673
Total	\$291,959	\$209,479	\$501,438
Value Added GDP			
Direct	\$85,504	\$163,487	\$248,990
Indirect	\$70,968	\$67,099	\$138,067
Induced	\$40,656	\$74,445	\$115,101
Total	\$197,128	\$305,031	\$502,158
Labour Income			
Direct	\$79,863	\$146,237	\$226,100
Indirect	\$67,020	\$43,097	\$110,117
Induced	\$21,961	\$40,212	\$62,173
Total	\$168,844	\$229,546	\$398,390
Employment (Full-Time Equivalent)			
Direct	2,457	3,747	6,204
Indirect	2,089	1,032	3,120
Induced	651	1,192	1,843
Total	5,197	5,971	11,168
<i>Source: HLT Advisory Inc. based on Statistics Canada Input-Output Model and HLT estimates.</i>			
<i>* Does not equal total gaming revenue. Federal government revenue (GST, lottery payment and CPMA levy) as well as provincial government revenues allocated to capital expenditure, principal repayment and operating reserves are not included.</i>			

4.4 SASKATCHEWAN

In 2006, the Saskatchewan gaming industry consisted of 6 casino facilities, one operational horse racetrack, about 700 VLT sites, almost 800 lottery outlets (retailers), and 21 bingo halls. These facilities and outlets generated over \$576.0 million in gaming revenue. VLTs and casinos represent the two largest sectors followed by lottery (Exhibit 16). Active involvement of First Nations and a unique revenue sharing arrangement between the Province and First Nations characterize the Saskatchewan industry.



Of the \$576.0 million in revenue, gaming activity operations spent over \$236.0 million to sustain operations while governments/charities spent over \$274.0 million (Exhibit 17). These expenditures in total generated over:

- \$1.0 billion in Gross Output
- \$501.0 million in Purchases of Goods and Services
- \$502.0 million in Value Added GDP
- \$398.0 million in Labour Income
- 11,100 jobs (full-time equivalent)

The current direction of the industry is focused on the addition of two new casinos and the expansion of some existing casinos (namely the addition of non-gaming amenities such as hotels, restaurants and entertainment). This direction will result in near term growth of the casino sector while other sectors will likely remain stable. The growth of the casino sector will produce additional benefits especially in terms of jobs and the purchase of goods and services to sustain operations.

**Exhibit 19
Total Economic Impacts of the Manitoba Gaming Industry
2006 (\$000)**

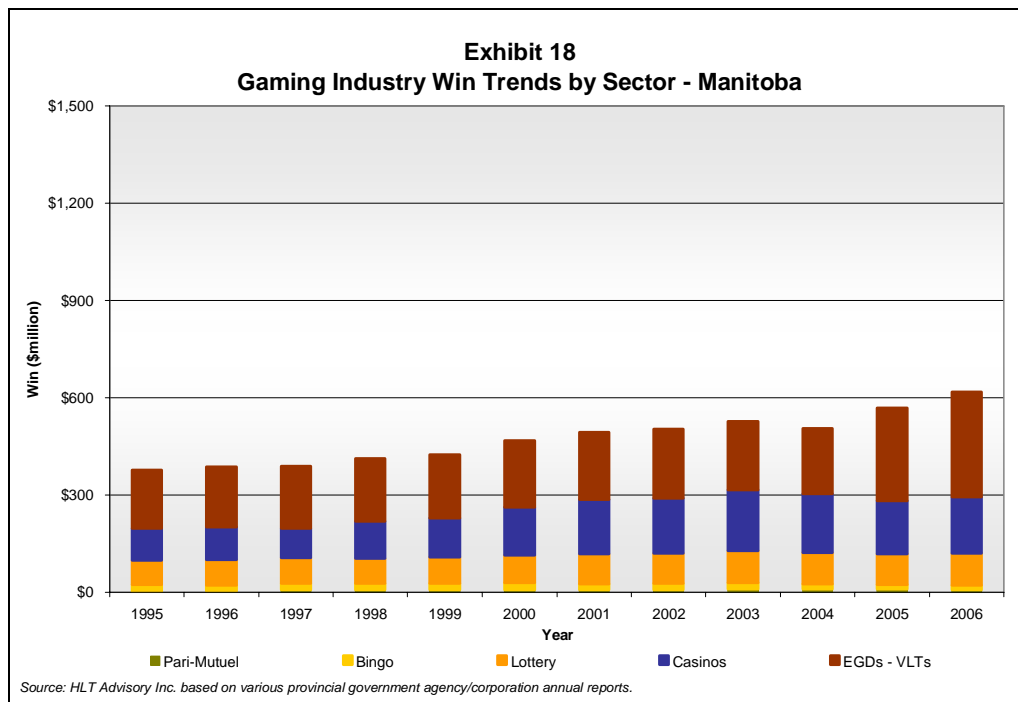
Total Gaming Revenue	\$639,504		
	Gaming Operation	Governments/ Charities	Total
Expenditures*	\$291,279	\$302,348	\$593,627
Gross Output			
Direct	\$291,279	\$302,348	\$593,627
Indirect	\$215,546	\$122,664	\$338,210
Induced	\$69,736	\$166,062	\$235,798
Total	\$576,562	\$591,073	\$1,167,635
Purchase of Goods & Services			
Direct	\$214,816	\$108,468	\$323,284
Indirect	\$146,730	\$50,453	\$197,183
Induced	\$29,246	\$69,642	\$98,887
Total	\$390,791	\$228,563	\$619,354
Value Added GDP			
Direct	\$76,463	\$193,880	\$270,343
Indirect	\$68,817	\$72,211	\$141,027
Induced	\$40,491	\$96,420	\$136,911
Total	\$185,771	\$362,510	\$548,281
Labour Income			
Direct	\$72,698	\$173,115	\$245,813
Indirect	\$66,181	\$50,489	\$116,671
Induced	\$24,162	\$57,536	\$81,697
Total	\$163,041	\$281,140	\$444,181
Employment (Full-Time Equivalent)			
Direct	2,237	4,315	6,552
Indirect	2,013	1,229	3,242
Induced	672	1,599	2,271
Total	4,922	7,143	12,065

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

* Does not equal total gaming revenue. Federal government revenue (GST, lottery payment and CPMA levy) as well as provincial government revenues allocated to capital expenditure, principal repayment and operating reserves are not included.

4.5 MANITOBA

In 2006, the Manitoba gaming industry consisted of 4 casino facilities, one horse racetrack, over 550 VLT sites, about 850 lottery outlets (retailers), and numerous bingo halls. These facilities and outlets generated over \$639.0 million in gaming revenue. VLTs accounted for the largest share of this revenue followed by casinos and lotteries (Exhibit 18). Active involvement of First Nations in both the casino and VLT sectors is a significant component of recent development trends.



Of the \$639.0 million in revenue, gaming activity operations spent over \$291.0 million to sustain operations while governments/charities spent over \$302.0 million (Exhibit 19). These expenditures in total generated over:

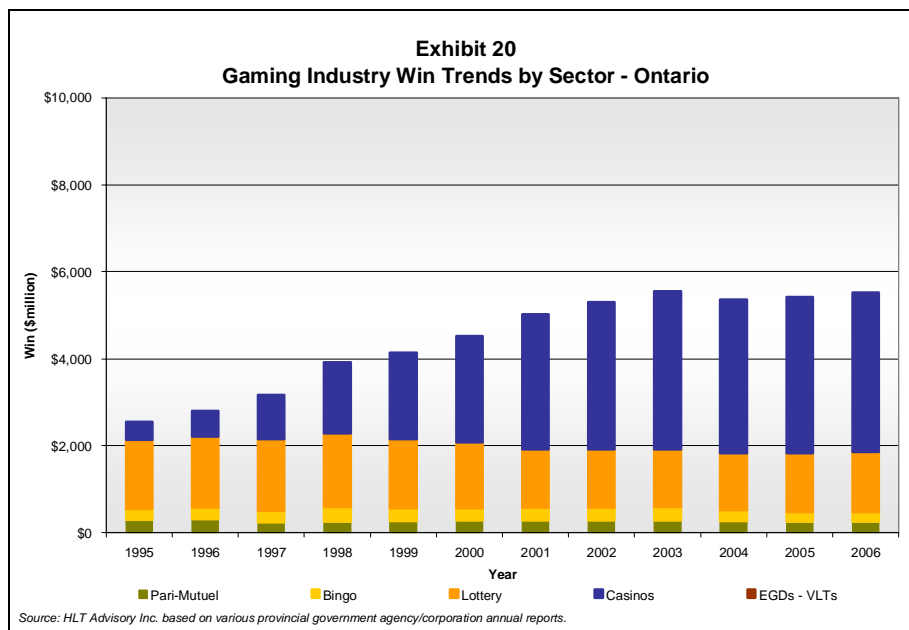
- \$1.1 billion in Gross Output
- \$619.0 million in Purchases of Goods and Services
- \$548.0 million in Value Added GDP
- \$444.0 million in Labour Income
- 12,000 jobs (full-time equivalent)

The current direction of the industry is focused on the likely addition of a casino and the expansion of others (number of gaming devices and amenities). The remaining sectors will likely remain stable over the near term. The casino sector will likely see modest growth over the near term thus generating modest increases in the economic benefit level generated in 2006.

Exhibit 21			
Total Economic Impacts of the Ontario Gaming Industry			
2006 (\$000)			
Total Gaming Revenue	\$5,944,644		
	Gaming Operation	Governments/ Charities	Total
Expenditures*	\$3,172,940	\$2,415,798	\$5,588,738
Gross Output			
Direct	\$3,172,940	\$2,415,798	\$5,588,738
Indirect	\$2,443,164	\$1,392,871	\$3,836,035
Induced	\$1,014,914	\$1,139,313	\$2,154,226
Total	\$6,631,017	\$4,947,982	\$11,578,999
Purchase of Goods & Services			
Direct	\$1,922,876	\$1,066,096	\$2,988,972
Indirect	\$1,318,107	\$549,141	\$1,867,248
Induced	\$410,121	\$460,390	\$870,511
Total	\$3,651,104	\$2,075,627	\$5,726,731
Value Added GDP			
Direct	\$1,250,064	\$1,349,702	\$2,599,766
Indirect	\$1,125,057	\$843,730	\$1,968,787
Induced	\$604,793	\$678,923	\$1,283,716
Total	\$2,979,913	\$2,872,354	\$5,852,268
Labour Income			
Direct	\$1,074,771	\$1,206,507	\$2,281,279
Indirect	\$1,002,353	\$629,389	\$1,631,741
Induced	\$357,403	\$401,210	\$758,613
Total	\$2,434,527	\$2,237,106	\$4,671,633
Employment (Full-Time Equivalent)			
Direct	25,289	23,774	49,062
Indirect	22,760	12,207	34,967
Induced	8,578	9,630	18,208
Total	56,627	45,610	102,237
<i>Source: HLT Advisory Inc. based on Statistics Canada Input-Output Model and HLT estimates.</i>			
<i>* Does not equal total gaming revenue. Federal government revenue (GST, lottery payment and CPMA levy) as well as provincial government revenues allocated to capital expenditure, principal repayment and operating reserves are not included.</i>			

4.6 ONTARIO

In 2006, the Ontario gaming industry consisted of some 11 casino facilities, 17 “slots at racetrack” facilities, 18 horse racetracks, over 10,800 lottery outlets (retailers), and over 70 bingo halls. Of the \$5.9 billion in gaming revenue, casinos (including slots at racetrack facilities) accounted for over half the revenue followed by lotteries (Exhibit 20). The development of three large full-scale casino complexes and increased competition from US border casinos has characterized the industry recently. It is often overlooked that Ontario is the third largest horse racing jurisdiction in North America behind only California and New York, and has the largest charitable bingo sector in Canada.



Of the \$5.9 billion in revenue, gaming activity operations spent over \$3.1 billion to sustain operations while governments/charities spent over \$2.4 billion (Exhibit 21). These expenditures in total generated over:

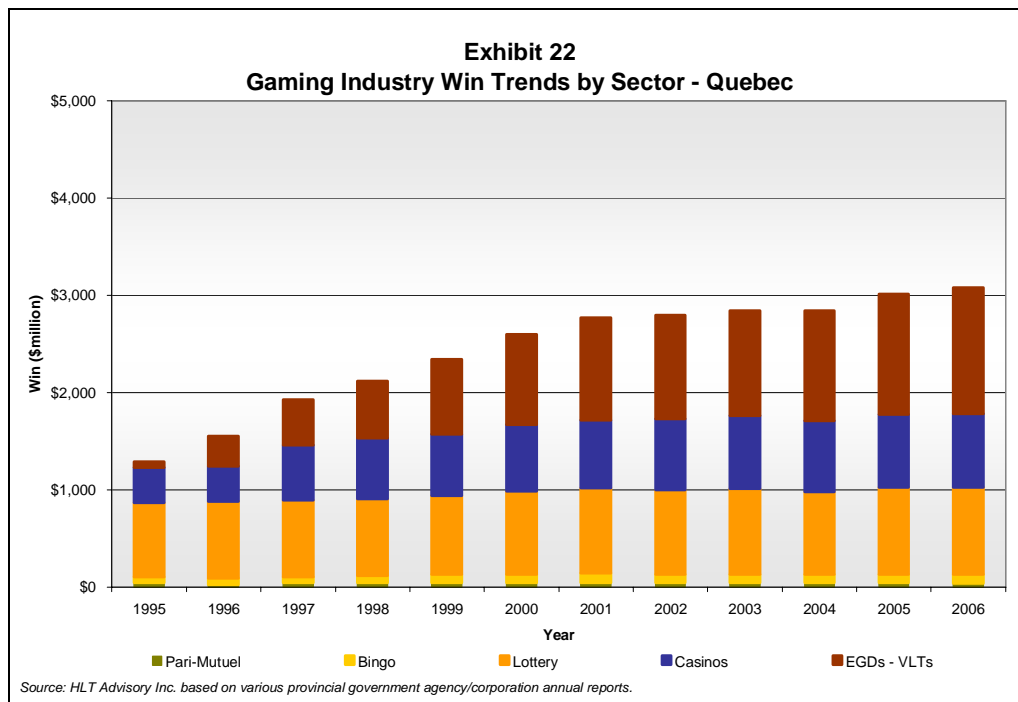
- \$11.5 billion in Gross Output
- \$5.7 billion in Purchases of Goods and Services
- \$5.8 billion in Value Added GDP
- \$4.6 billion in Labour Income
- 102,200 jobs (full-time equivalent)

The current direction of the industry is focused on redeveloping and expanding (number of gaming devices and amenities) selected casinos and slots at racetrack facilities. Future growth in gaming revenue from these expansions will be somewhat offset by US border competition resulting in modest near term growth. Hence, economic benefit increases are likely to be modest over the near term.

Exhibit 23			
Total Economic Impacts of the Quebec Gaming Industry			
2006 (\$000)			
Total Gaming Revenue	\$3,162,690		
	Gaming Operation	Governments/ Charities	Total
Expenditures*	\$1,281,453	\$1,566,322	\$2,847,775
Gross Output			
Direct	\$1,281,453	\$1,566,322	\$2,847,775
Indirect	\$1,025,163	\$680,678	\$1,705,841
Induced	\$362,979	\$821,945	\$1,184,924
Total	\$2,669,595	\$3,068,945	\$5,738,540
Purchase of Goods & Services			
Direct	\$869,110	\$567,244	\$1,436,354
Indirect	\$654,054	\$254,339	\$908,393
Induced	\$150,652	\$341,142	\$491,794
Total	\$1,673,816	\$1,162,725	\$2,836,541
Value Added GDP			
Direct	\$412,343	\$999,078	\$1,411,421
Indirect	\$371,109	\$426,339	\$797,448
Induced	\$212,327	\$480,803	\$693,130
Total	\$995,779	\$1,906,220	\$2,901,999
Labour Income			
Direct	\$379,408	\$859,146	\$1,238,554
Indirect	\$348,054	\$314,779	\$662,833
Induced	\$125,250	\$283,620	\$408,870
Total	\$852,711	\$1,457,546	\$2,310,257
Employment (Full-Time Equivalent)			
Direct	8,431	18,112	26,543
Indirect	7,588	6,213	13,801
Induced	3,459	7,833	11,292
Total	19,478	32,157	51,636
<i>Source: HLT Advisory Inc. based on Statistics Canada Input-Output Model and HLT estimates.</i>			
<i>* Does not equal total gaming revenue. Federal government revenue (GST, lottery payment and CPMA levy) as well as provincial government revenues allocated to capital expenditure, principal repayment and operating reserves are not included.</i>			

4.7 QUÉBEC

In 2006, the Québec gaming industry consisted of 3 casino facilities, 4 horse racetracks, about 3,000 VLT sites, over 9,800 lottery outlets (retailers), and over 100 bingo halls. Of the \$3.1 billion in gaming revenue, VLTs was the largest sector followed by lottery and casino (Exhibit 22). The continued enhancement of two resort casino facilities, the planned addition of four gaming halls, the reduction of VLT sites and the attempted revitalization of horse racing characterize recent industry developments.



Of the \$3.1 billion in revenue, gaming activity operations spent over \$1.2 billion to sustain operations while governments/charities spent over \$1.5 billion (Exhibit 23). These expenditures in total generated over:

- \$5.7 billion in Gross Output
- \$2.8 billion in Purchases of Goods and Services
- \$2.9 billion in Value Added GDP
- \$2.3 billion in Labour Income
- 51,600 jobs (full-time equivalent)

The current direction of the industry is focused on reducing both the number of VLTs and VLT sites, and transferring machines to four new gaming halls, three of which will be located at horse racetracks. Near term future revenue growth will likely be modest as the loss of VLT sites and associated revenue will likely be offset by new gaming hall revenues, thus maintaining current economic benefit levels.

**Exhibit 25
Total Economic Impacts of the New Brunswick Gaming Industry
2006 (\$000)**

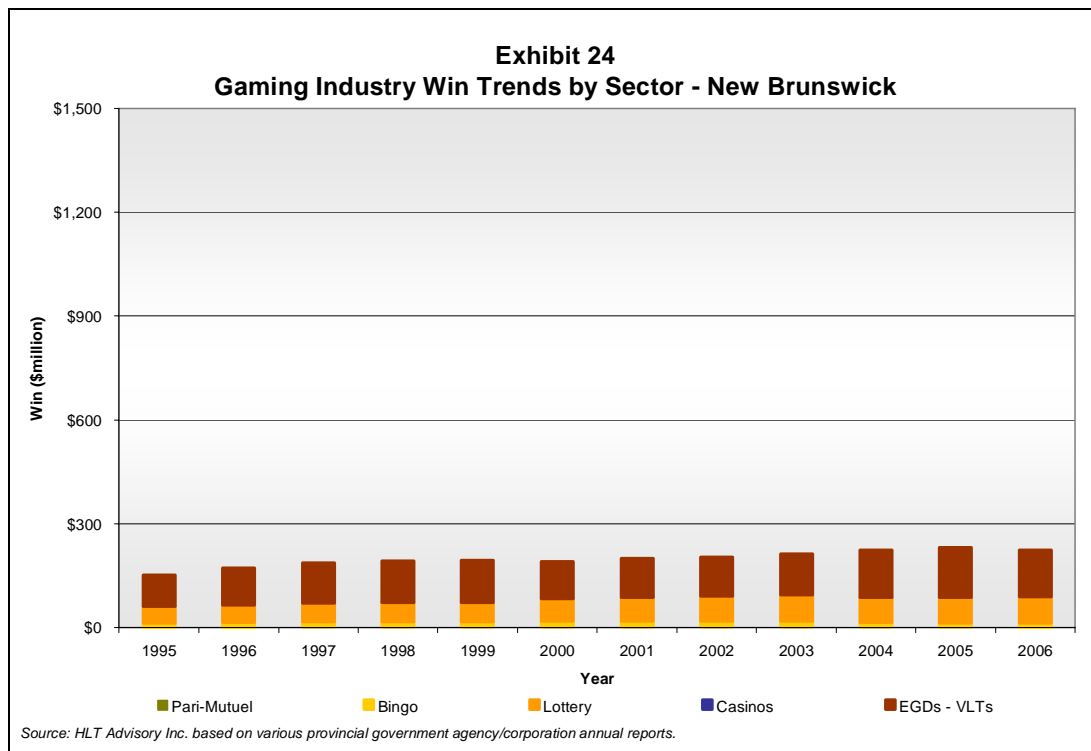
Total Gaming Revenue			
	\$227,094		
	Gaming Operation	Governments/ Charities	Total
Expenditures*	\$77,974	\$124,128	\$202,101
Gross Output			
Direct	\$77,974	\$124,128	\$202,101
Indirect	\$62,379	\$52,371	\$114,750
Induced	\$17,115	\$80,576	\$97,691
Total	\$157,468	\$257,075	\$414,542
Purchase of Goods & Services			
Direct	\$63,989	\$45,993	\$109,982
Indirect	\$49,793	\$24,072	\$73,865
Induced	\$8,379	\$39,448	\$47,827
Total	\$122,161	\$109,513	\$231,674
Value Added GDP			
Direct	\$13,985	\$78,135	\$92,120
Indirect	\$12,586	\$28,299	\$40,885
Induced	\$8,736	\$41,128	\$49,864
Total	\$35,307	\$147,561	\$182,868
Labour Income			
Direct	\$13,849	\$65,200	\$79,049
Indirect	\$12,491	\$19,948	\$32,439
Induced	\$5,312	\$25,010	\$30,323
Total	\$31,652	\$110,158	\$141,811
Employment (Full-Time Equivalent)			
Direct	426	1,461	1,887
Indirect	384	513	896
Induced	164	770	934
Total	973	2,744	3,717

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

* Does not equal total gaming revenue. Federal government revenue (GST, lottery payment and CPMA levy) as well as provincial government revenues allocated to capital expenditure, principal repayment and operating reserves are not included.

4.8 NEW BRUNSWICK

In 2006, the New Brunswick gaming industry contained 3 horse racetracks, over 600 VLT sites, over 1,800 lottery outlets (retailers), and a number of bingo halls. Of the \$227.0 million in gaming revenue, VLTs generated over half while lotteries accounted for about 33.0 percent (Exhibit 24). New Brunswick has recently decided to allow the introduction of a casino in the Province and is currently conducting a RFP process to select a developer/operator.



Of the \$227.0 million in revenue, gaming activity operations spent over \$77.0 million to sustain operations while governments/charities spent over \$124.0 million (Exhibit 25). These expenditures in total generated over:

- \$414.0 million in Gross Output
- \$231.0 million in Purchase of Goods and Services
- \$182.0 million in Value Added GDP
- \$141.0 million in Labour Income
- 3,700 jobs (full-time equivalent)

The current direction of the industry is focused on the introduction of one casino and the reduction of both the number of VLTs and VLT sites. The result of these changes should result in modest near term revenue and economic benefit growth.

Exhibit 27
Total Economic Impacts of the Nova Scotia Gaming Industry
2006 (\$000)

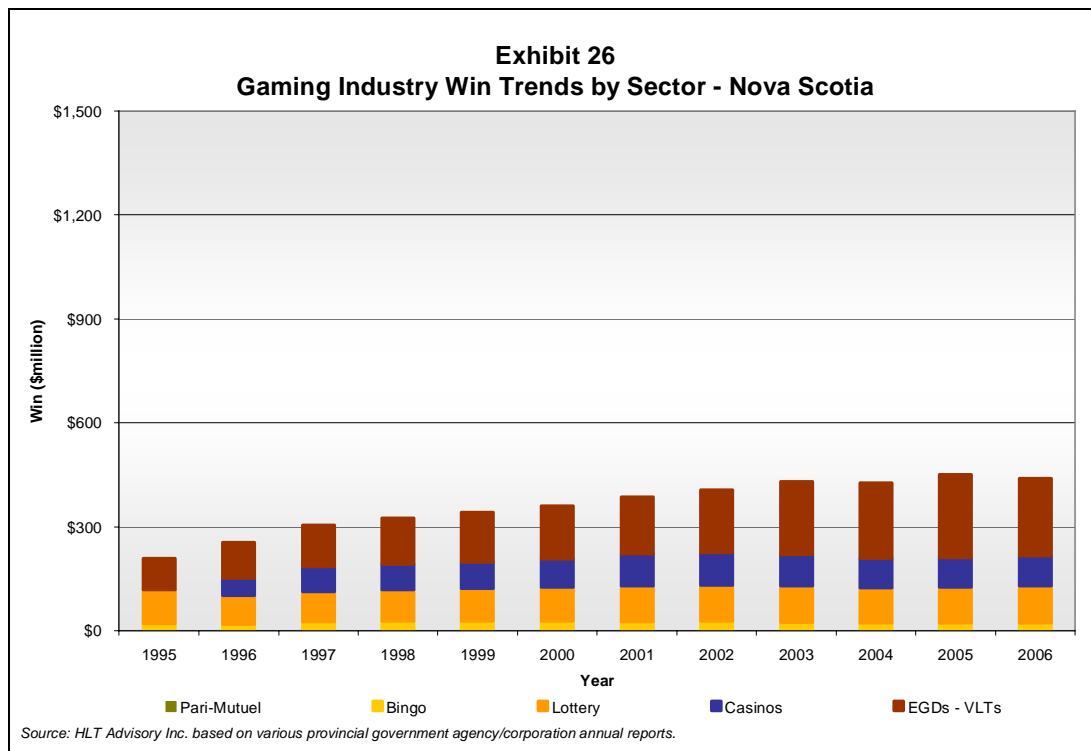
Total Gaming Revenue			
	\$411,037		
	Gaming Operation	Governments/ Charities	Total
Expenditures*	\$158,399	\$180,492	\$338,891
Gross Output			
Direct	\$158,399	\$180,492	\$338,891
Indirect	\$131,471	\$72,348	\$203,819
Induced	\$38,699	\$85,999	\$124,698
Total	\$328,570	\$338,838	\$667,408
Purchase of Goods & Services			
Direct	\$107,041	\$70,520	\$177,561
Indirect	\$85,249	\$29,120	\$114,369
Induced	\$15,837	\$35,193	\$51,030
Total	\$208,127	\$134,833	\$342,960
Value Added GDP			
Direct	\$51,358	\$109,972	\$161,330
Indirect	\$46,222	\$43,228	\$89,450
Induced	\$22,862	\$50,806	\$73,668
Total	\$120,443	\$204,006	\$324,448
Labour Income			
Direct	\$44,664	\$99,255	\$143,919
Indirect	\$41,536	\$30,666	\$72,203
Induced	\$13,647	\$30,328	\$43,975
Total	\$99,847	\$160,249	\$260,096
Employment (Full-Time Equivalent)			
Direct	1,374	2,410	3,784
Indirect	1,237	740	1,977
Induced	400	888	1,288
Total	3,011	4,038	7,049

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

* Does not equal total gaming revenue. Federal government revenue (GST, lottery payment and CPMA levy) as well as provincial government revenues allocated to capital expenditure, principal repayment and operating reserves are not included.

4.9 NOVA SCOTIA

In 2006, the Nova Scotia gaming industry consisted of 2 casino facilities, 2 horse racetracks, over 500 VLT sites, over 2,000 lottery outlets (retailers), and numerous bingo halls. Of the \$411.0 million in gaming revenue, VLTs accounted for about half followed by lotteries and casinos (Exhibit 26). In 2005 the Province decided to reduce both the number of VLTs and VLT sites, and as such VLT revenue declined in 2006. Further reductions are likely in the future.



Of the \$411.0 million in revenue, gaming activity operations spent over \$158.0 million to sustain operations while governments/charities spent over \$180.0 million (Exhibit 27).

These expenditures in total generated over:

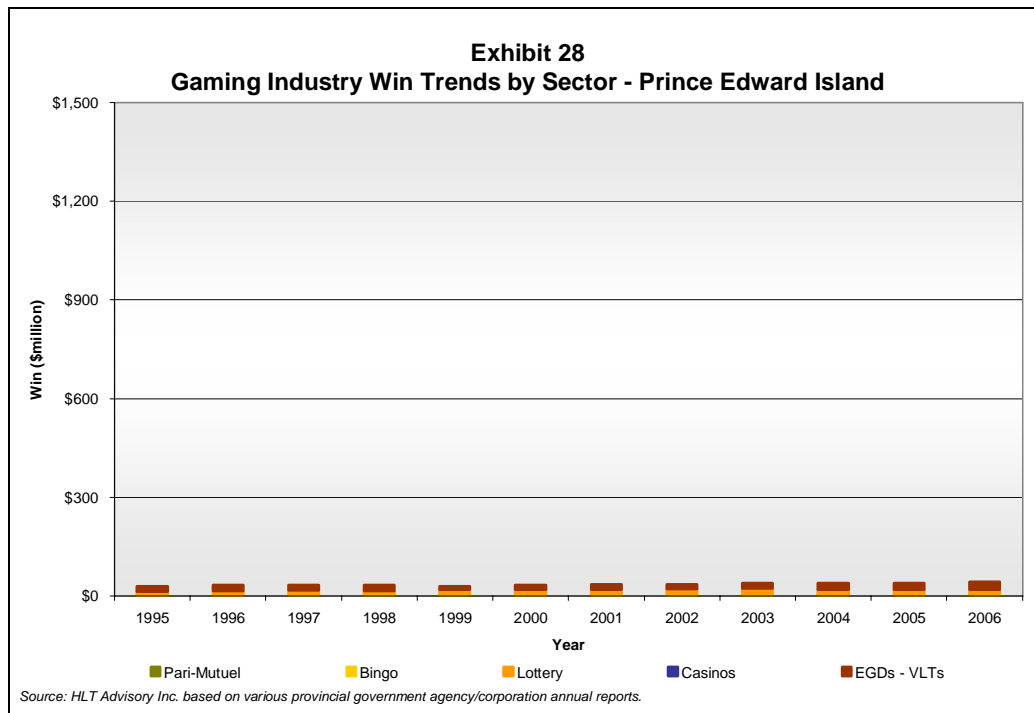
- \$667.0 million in Gross Output
- \$342.0 million in Purchases of Goods and Services
- \$324.0 million in Value Added GDP
- \$260.0 million in Labour Income
- 7,000 jobs (full-time equivalent)

The current direction of the industry is focused on reducing both the number of VLTs and VLT sites. In the near term, total industry revenues are likely to decline, thus decreasing annual economic benefits from expenditures.

Exhibit 29			
Total Economic Impacts of the PEI Gaming Industry			
2006 (\$000)			
Total Gaming Revenue	\$43,811		
	Gaming Operation	Governments/ Charities	Total
Expenditures*	\$22,982	\$15,733	\$38,714
Gross Output			
Direct	\$22,982	\$15,733	\$38,714
Indirect	\$18,385	\$6,332	\$24,717
Induced	\$5,435	\$7,290	\$12,726
Total	\$46,802	\$29,355	\$76,157
Purchase of Goods & Services			
Direct	\$16,182	\$5,679	\$21,861
Indirect	\$12,266	\$2,857	\$15,123
Induced	\$2,276	\$3,054	\$5,330
Total	\$30,725	\$11,590	\$42,315
Value Added GDP			
Direct	\$6,799	\$10,054	\$16,853
Indirect	\$6,119	\$3,474	\$9,594
Induced	\$3,159	\$4,237	\$7,396
Total	\$16,077	\$17,765	\$33,842
Labour Income			
Direct	\$6,642	\$8,909	\$15,551
Indirect	\$6,009	\$2,604	\$8,613
Induced	\$1,918	\$2,573	\$4,492
Total	\$14,569	\$14,087	\$28,656
Employment (Full-Time Equivalent)			
Direct	221	190	411
Indirect	199	73	272
Induced	61	81	142
Total	481	344	825
<i>Source: HLT Advisory Inc. based on Statistics Canada Input-Output Model and HLT estimates.</i>			
<i>* Does not equal total gaming revenue. Federal government revenue (GST, lottery payment and CPMA levy) as well as provincial government revenues allocated to capital expenditure, principal repayment and operating reserves are not included.</i>			

4.10 PRINCE EDWARD ISLAND

In 2006, the PEI gaming industry consisted of 2 horse racetracks, about 80 VLT sites, over 300 lottery outlets (retailers), and a few bingo halls. Of the \$43.0 million in gaming revenue, VLTs (including one racetrack facility with slots) accounted for about half followed by lotteries at 33.0 percent (Exhibit 28). While small in terms of total revenue, the horse racing sector is a historic and culturally significant component of the social fabric of the Province. The Province has the second highest per capita spending (wagering) level on horse racing in Canada; only Ontario has a higher level.



Of the \$43.0 million in revenue, gaming activity operations spent over \$22.0 million to sustain operations while governments/charities spent over \$15.0 million (Exhibit 29). These expenditures in total generated over:

- \$76.0 million in Gross Output
- \$42.0 million in Purchases of Goods and Services
- \$33.0 million in Value Added GDP
- \$28.0 million in Labour Income
- 800 jobs (full-time equivalent)

No major changes are expected in the industry, thus both industry revenues and associated annual economic benefits are likely to remain stable over the near term.

Exhibit 31
Total Economic Impacts of the Newfoundland Gaming Industry
2006 (\$000)

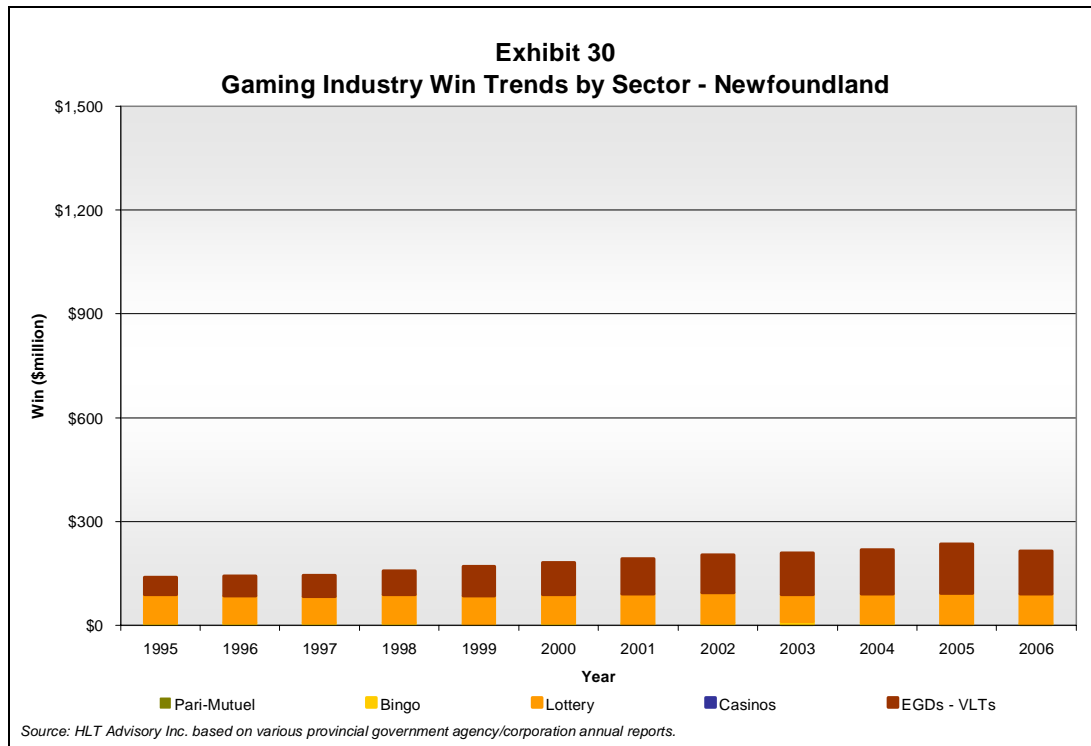
Total Gaming Revenue			
	\$215,617		
	Gaming Operation	Governments/ Charities	Total
Expenditures*	\$80,557	\$113,336	\$193,893
Gross Output			
Direct	\$80,557	\$113,336	\$193,893
Indirect	\$64,446	\$39,848	\$104,294
Induced	\$11,563	\$58,069	\$69,632
Total	\$156,566	\$211,253	\$367,819
Purchase of Goods & Services			
Direct	\$68,552	\$43,848	\$112,399
Indirect	\$53,641	\$14,671	\$68,312
Induced	\$4,300	\$21,593	\$25,892
Total	\$126,492	\$80,112	\$206,603
Value Added GDP			
Direct	\$12,006	\$69,488	\$81,494
Indirect	\$10,805	\$25,177	\$35,982
Induced	\$7,263	\$36,476	\$43,739
Total	\$30,074	\$131,141	\$161,216
Labour Income			
Direct	\$11,963	\$60,077	\$72,040
Indirect	\$10,775	\$16,858	\$27,633
Induced	\$3,496	\$17,559	\$21,056
Total	\$26,234	\$94,494	\$120,728
Employment (Full-Time Equivalent)			
Direct	399	1,188	1,587
Indirect	359	382	741
Induced	107	537	644
Total	865	2,108	2,972

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

* Does not equal total gaming revenue. Federal government revenue (GST, lottery payment and CPMA levy) as well as provincial government revenues allocated to capital expenditure, principal repayment and operating reserves are not included.

4.11 NEWFOUNDLAND & LABRADOR

In 2006, the Newfoundland gaming industry consisted of one horse racetrack, over 550 VLT sites, over 2,000 lottery outlets (retailers), and some bingo halls. VLTs and lotteries accounted for virtually all of the \$215.0 million gaming revenue generated in 2006 (Exhibit 30). In 2005, the Province decided to impose a 15.0 percent reduction in the number of VLT machines to be implemented over 5 years.



Of the \$215.0 million in revenue, gaming activity operations spent over \$80.0 million to sustain operations while governments/charities spent over \$113.0 million (Exhibit 31). These expenditures in total generated over:

- \$367.0 million in Gross Output
- \$206.0 million in Purchase of Goods and Services
- \$161.0 million in Value Added GDP
- \$120.0 million in Labour Income
- 2,900 jobs (full-time equivalent)

The current direction of the industry is focused on reducing the number of VLT machines. Hence near term total industry revenues and associated annual economic benefits are likely to decline.

APPENDIX A

Appendix A – Methodology Background

The two key requirements of the assessment methodology used to estimate the economic impacts of the Canadian gaming industry were:

- the identification and availability of the most appropriate economic model to measure industry impacts at both the national and provincial levels; and
- the collection of relevant data needed to run the model.

The following discusses the model chosen and the relevant data collected.

Economic Model

The Statistics Canada Input-Output Model (“Model”) was identified as the most comprehensive model available to measure economic impacts at both the national and provincial level in Canada. The Model is an “open model” capable of estimating direct and “total impacts” of changes in demand or industry output at the provincial and national level (indirect impacts are isolated by simply subtracting direct impacts from total impacts). Induced impacts can be estimated using Model results (namely labour income) as inputs.

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 303 industries, 172 final demand sectors and 727 commodities. There are four tables that make up the Input-Output Tables:

- The Input (Intermediate Use) Table – the range of commodity inputs used by each industry to generate output.
- The Output (Make) Table – the type of commodities each industry produces.
- Final Demand Table – commodities consumed by final demand sectors (Personal Expenditure, Government Expenditure, Investment, Inventory, Exports and Imports).
- Trade Flow Table – intraprovincial and international import and export flows.

The Model is currently based on the 2003 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. All the Canadian models that were identified by HLT which measure economic impacts, are based on Statistic Canada’s 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 gaming sector is included in the Spectator Sport Industry.

Use of the Statistics Canada Input-Output Model

The Model was used to estimate the impacts of operational expenditures of gaming activity, government/charity spending of gaming revenue (profit) and induced impacts (spending of direct labour income). All of these Model runs were undertaken from a final demand perspective (see definition of Final Demand Table previously).

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. For example, the operational expenses of table gaming (i.e., labour and goods and services purchased) differ from the operational expenses of a VLT or lottery network. This becomes an issue if you wanted to determine the impacts of the casino sector and you only had total expenditure data. The Model would first take this expenditure total and distribute it amongst all commodities under the gaming industry in the 2003 Input-Output Tables. It

would then determine the linkages in the economy by commodity. The results would not be indicative of the true impact of the casino sector.

The classification of expense categories influences how the gaming industry impacts other industries (direct to total impact estimate). Based on a review of the 2003 structure of the industry by commodity (as contained in the 2003 Input-Output Tables provided by Statistics Canada), and a discussion of the same with Statistics Canada officials, the most significant classification issue revolves around the treatment of gaming operator “commissions” or “management fees”. For example, in British Columbia and Alberta, casino operators are given a commission to run casinos, from which they must cover all operating expenses. These commissions are treated as “retailing services” in the Input-Output Tables. Retailing services are the largest commodity expense (even larger than labour income) in the gaming industry according to the 2003 Input-Output Table. Retailing services also have a minimal indirect impact. The majority of these commissions are spent on casino labour and the purchase of other goods and services which have higher total impacts. Thus, the Model results without adjustments would underestimate total impacts.

These two challenges necessitated the testing of Model results. First the Model was run at the national level and at the provincial level for each province. The resulting breakdown of commodity expenditures was compared against a breakdown of expenses that HLT prepared for each province. Based on these simulations, expense commodities were reclassified. From here, the direct economic measures used (i.e. Gross Output, Purchases of Goods and Services, Value Added GDP and Labour Income) were calculated. The direct to total multipliers from the Model results were adjusted and applied to the economic measures to arrive at total impacts. HLT believes these adjustments better reflect the actual impacts of provincial gaming industries. It is noted that the resulting relationship between direct and indirect benefits (as depicted by total multipliers) at the national level are lower than those generated by actual Model results. Provincial level relationships in some cases are however higher than Model results.

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 (i.e., 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 to run the Model.

The results of the Model were not adjusted by HLT.

Using the Model to Estimate Induced Impacts

To complete the assessment of induced impacts, HLT undertook the following steps:

1. Assembled the direct labour income from both gaming operations and government/charity spending of gaming revenue.
2. Subtracted from total labour income savings and income taxes. HLT assumed a 5.0 percent savings rate and a 20.0 percent income tax rate.
3. Provided Statistics Canada with Model inputs to run the Model.

The results of the Model were not adjusted by HLT.

Data Collection

The primary source of data needed to complete the assessment was compiled from various annual reports of provincial lottery/gaming corporations and entities (see Appendix B for a list). The level of detail in terms of expense breakdowns needed to complete the assessment was not available on a consistent basis across all provinces and all sectors. HLT was able to estimate more detailed expense categories based on past work assignments in every province and in all gaming sectors. HLT and/or the principals of HLT have completed over 200 gaming related assignments in Canada.

While many of these reports are in the public domain, the 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. Future assessments should focus on a more rigorous breakdown of goods and services expenditures. This would provide a greater understanding of specific goods and services industries that are impacted by gaming operations.

APPENDIX B

Appendix B – List of Sources

Revenue and Expense Data Sources

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