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Ontario Jockey Club

**Study of the Impact of
Casino Gambling on the
Ontario Horse Racing Industry**

September 21, 1992



ANALYSIS OF THE POTENTIAL EFFECTS OF CASINO GAMBLING ON THE HORSE RACING INDUSTRY IN ONTARIO

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I. Overview

The 111 race tracks across Canada were attended by 10.87 million people in 1991 making horse racing the most highly-attended professional spectator sport in Canada. Within Canada, Ontario's horse racing industry is by far the largest with annual wagering of approximately \$1.2 billion. Ontario's horse racing industry is the third largest in North America behind only those of California and New York.

Horse racing and breeding have long been recognized as large sources of employment, income, and entertainment. For this reason, Governments have provided the industry with many programs in order to promote and sustain the industry and preserve the farms and racetracks across Canada. The industry is a vital component of the agricultural, tourism and sport entertainment industries. The spin-offs from the industry are both substantial and widespread.

In recent years, as a result of the current recession, increased competition for the entertainment and wagering dollar, and high taxes imposed by governments, the industry has been weakened. One of the main factors affecting the viability of the horse racing industry is competition from other forms of gambling as it is a widely held view, supported by numerous studies, that bingos, lotteries, and horse racing all compete with each other for a limited number of gaming dollars. Thus, new forms of gambling which might be introduced would only further increase the competition. Therefore, with the recent announcement by the Ontario Government that full-fledged casino gambling would be legalized in the province, The Ontario Jockey Club commissioned Price Waterhouse to prepare a report commenting on the general condition of the horse racing industry in Ontario and to summarize documentation on experiences that other jurisdictions in the United States have encountered with respect to the effect of casino gambling on the horse racing industry. In addition, we have analyzed the trend in horse race wagering and casino wagering in Manitoba since the opening of a government-run, year-round casino in the Fort Garry Hotel in Winnipeg. We have attempted, where applicable, to take the results from these studies and extrapolate them to the Ontario situation.



II. Ontario

Background on gaming industry

Some past studies have tended to focus on a very narrow definition of gambling. It is our view that a broader definition that includes all games of chance, such as government-run lotteries, is the appropriate one. In 1976, the British Government appointed a Royal Commission to inquire into existing laws and practices relating to betting, gaming, lotteries and prize competitions. The Commission's report provided a definition of gambling as follows:

"Gambling consists of an agreement between parties with respect to an unascertained outcome that, depending on the outcome, there will be a redistribution of advantage (usually but not always monetary) among those parties. This redistribution may be achieved directly (as in a game of poker) or through an agent (as in the case of football pools and lotteries). Essential conditions in this definition of gambling are that participation in the agreement is voluntary and that the agreement not only provides each of the parties to the gamble with the chance of gaining advantage but also involves him in the risk of loss; failure to participate involves no risk of loss. Those who participate in such activities and risk loss for the chance of gain are termed gamblers."

Gaming is a massive industry in Canada with total revenues of \$9.3 billion in 1991. Of this total, lottery revenues represented the largest share, accounting for almost \$3 billion or 32% of the total. Horse racing was a strong second, comprising \$1.9 billion or 20% of the total and bingo followed with 19% (\$1.8 billion). Other forms of gambling include break-open tickets, casinos, raffles, and video lottery terminals (VLT's). Currently, every province has lotteries and allows charities to raise money through bingo games and raffles. Slot machines are offered in six provinces, five provinces have sports lotteries, and three have off-track horse betting. Only Manitoba currently has a year-round casino although the Yukon has a casino that runs during the summer months. British Columbia, Alberta, and Saskatchewan have small charity casinos.

In 1969, legalized gambling was expanded in Canada with amendments to the Criminal Code. Prior to this, only pari mutuel betting at race tracks was allowed. Lotteries began in Ontario in the early 1970's and have grown astronomically in both real and nominal terms before levelling off in 1987 (see Exhibit 2). Presently, the gaming industry in Ontario is comprised mainly of lotteries, horse



racing, and bingo. As shown in Exhibit 1, lotteries accounted for 34.3% of the approximately \$4 billion wagered in Ontario in 1991, horse racing's share of total wagering was 27.6% and the remaining 38.1% was comprised of betting on bingos, break-opens and raffles. VLT's, slot machines, and casinos are not legal in Ontario which explains the higher market share for lotteries and horse racing in Ontario as opposed to their national market share.

Prior to 1970, the horse racing industry had a monopoly over the legal gaming industry in Ontario. Recognizing the revenue-generating ability of pari mutuel betting, in 1939 the Province of Ontario instituted a pari mutuel tax on gross wagering. The pari mutuel tax on the horse racing industry is the highest tax in any major North American jurisdiction except for the tax on thoroughbred racing in California. Even though new forms of gambling have been introduced into the province in the past twenty years, thereby eliminating horse racing's monopoly, the tax structure has remained virtually the same. Not only has the Province of Ontario preserved a tax system premised on a monopoly franchise, it has also used revenues from the Consolidated Revenue Fund to develop horse racing's largest and most potent competitor, the Ontario Lottery Corporation.

Analysis of provincial horse racing industry

Horse racing in Canada has a long and colourful history which includes the Queen's Plate, the North American Cup and the pride surrounding Northern Dancer, Dance Smartly, Cam Fella and other famous horses. Jockeys and drivers such as Sandy Hawley and John Campbell have become household names in racing circles throughout North America. With the introduction of programs such as the Sires Stakes in 1974, Ontario has risen in stature as a producer of horses of world class calibre capable of competing anywhere.

Ontario's 49 racetracks are located in both small and large city centres. A majority of the wagering is conducted at tracks which are primarily non-profit organizations or agricultural societies. Horse racing continues to be the most popular professional sport in Ontario, attracting 5.8 million patrons in 1991, which was more than the Blue Jays, Argos, and Maple Leafs combined. Some tracks are located in small rural communities, they are often the only source of sports entertainment for the residents. A strong industry is important to the rural community for reasons other than entertainment



as idle land is put back into use and increased breeding activity supports direct employment and feed mills. As well, race tracks provide indirect benefits to local motels, restaurants, and businesses as they attract out of town visitors.

Breeding and training farms are spread widely around the province and play a significant role in the agricultural communities. All horse farms purchase feed, hay, straw and services locally. The dollar value of this activity alone was estimated in the Dunning Report to be \$350 million annually. The Dunning report was a study commissioned by the Government of Ontario in 1987 to review the Racetracks Tax Sharing Program and significant effort was made at the time to determine the economic impact of the industry on the province.

Several racetracks in Ontario generate a significant amount of tourism from the U.S., in particular those tracks located in border communities such as Windsor, Fort Erie, Sarnia, and Kingston. Windsor and Fort Erie are heavily dependent on patrons from Detroit and Buffalo. The Dunning report stated that approximately 60% of the wagering at Windsor and Fort Erie occurs in U.S. dollars. Total handle at these two tracks alone was \$97.8 million in 1991, of which approximately \$58.9 million would be from U.S. tourists.

Economic impact

The total economic impact on the Province from the horse racing industry in 1986 was estimated in the Dunning report to be \$2.2 billion comprised of the following;

- salary and wages of \$500 million for 45,000 full and part time workers.
- supplies (direct and indirect) of \$1.17 billion.
- capital expenditures of \$240 million annually
- spectators expenditures (excluding wagering) of \$240 million.
- trade balance of \$50 million.

The government is also a large recipient of funds from the horse racing industry by way of a tax on total amounts wagered. The Ontario Government's net takeout of 5% is 90% greater than the government takeout at the Meadowlands in New Jersey and 50% greater than the average



government takeout at tracks throughout North America. As shown in Exhibit 3, the provincial government has collected \$824.9 million since 1980 from the horse racing industry by way of this tax. Racetracks also contributed \$83.2 million to the federal government during the same period and are significant contributors to property and sales taxes. In 1991, the Ontario Jockey Club (OJC) alone paid \$7.2 million in property taxes on its four properties.

Employment

The horse breeding and racing industry is very labour intensive and thus is a major employer in the province. The employment base is primarily comprised of unskilled, low-paying positions on farms and in backstretch facilities at racetracks. According to Ernst & Young studies done in 1989 and 1990, the horse racing industry employed approximately 72,000 people in Canada in 1988, 49,000 of which were in Ontario. By comparison, a Statistics Canada report on the labour force dated June 30, 1992, indicates that employment derived from horse racing would rank above industries such as logging and forestry, mining and quarrying, and fishing and trapping.

	Employment (‘000’s)
Horse racing, Canada	72
Logging and forestry, Canada	55
Mining and quarrying, Canada	53
Horse Racing, Ontario	49
Fishing and trapping, Canada	45

A breakdown of how Ontario residents derive employment from horse racing as determined by Ernst and Young is shown as Exhibit 4.

Vulnerability of the industry

Current situation

Even though the Ontario horse racing industry has fared much better than many of its counterparts in the rest of Canada and the U.S., it is under serious financial strain as both attendance and handle



have declined in the last two years. The OJC, which is one of North America's largest horse racing operations accounting for \$880 million of the approximately \$1.2 billion in total wagering in Ontario, has not been able to break-even in the last two years. The corporation lost \$673,000 on operations in 1990 and \$3,319,000 from operations in 1991. In particular, smaller operations have been hit very hard as shown by the plight of the 95-year old Fort Erie racetrack owned by the OJC. Fort Erie has been losing \$2 million per year for the last five years. The OJC was able to sustain these losses for a period of time as its other operations produced sufficient revenues to subsidize these losses. They were forced into a position, however, to close the Fort Erie operation unless assistance was received from other participants. An arrangement with the provincial government was reached at the end of July which is expected to provide the OJC with an additional \$1.5 million by way of a tax-rebate scheme. It has recently been announced that smaller operations will receive a proportionately larger tax-rebate from the government in order to survive in the current recessionary environment. If the government increases competition for these tracks by introducing new forms of gambling, it is likely that further government assistance will be required if significant track closures are to be avoided. It was estimated by the OJC that closure of the Fort Erie track would have meant a loss of 4,500 jobs and a loss of payroll for the community of \$38 million.

It is not enough, however, that horse racing tracks merely generate positive cash flows from operations. Instead, racetracks must generate sufficient cash to enable them to maintain their enormous investment in capital equipment such as grandstands and stables. Without such investment, tracks would soon fall into disrepair and their continued viability would be called into question.

Viability

While long term trends for the Ontario industry have not been favourable either in terms of wagering or attendance, they have been significantly better than trends in wagering and attendance in the rest of Canada. As illustrated in Exhibits 5 and 6, real total wagering in Ontario has decreased 21% and attendance has declined 15% since 1981 while real total handle and attendance in the rest of Canada have dropped 44% and 29% respectively since 1981. The main reasons for the decline in the industry have been competition from other forms of betting and entertainment combined with the pari mutuel tax system.



- Lotteries have made significant inroads into the gaming market. Sales at the Ontario Lottery Corporation have gone from \$97 million in 1976 to \$1.3 billion in 1990. Only in the last several years have lottery sales begun to level off.
- The tax regime in place in Ontario for the horse racing industry is perhaps out-of-date. While supportable during the period when horse racing had a monopoly over gaming in Ontario, the current 5% tax is no longer sustainable by the industry. The introduction of casino gambling would require the acceleration of the process to overhaul the current tax system.
- Professional sports teams such as the Blue Jays have had unparalleled success especially in the last two years when the club has set major league baseball attendance records.
- Home entertainment has emerged as a significant market especially during the current recession as families conserve cash in order to weather the difficult times.

The horse racing industry outside of Ontario encounters greater competition than Ontario does as other forms of gambling exist such as video lottery terminals which have been introduced in six provinces and a successful casino which is being operated in Manitoba.

Even though industry-wide trends for the horse racing industry are negative, **well-run, fully amortized horse tracks in markets that do not have casinos or gaming devices are profitable** according to Eugene M. Christiansen, co-author of a respected academic study on commercial gambling in the U.S. In particular, he refers to the examples of Churchill Downs and Turfway Park, both located in Kentucky, where competition from other forms of gambling is very limited. A similar Canadian example would be the OJC in Ontario which has until only recently managed to maintain reasonable economic returns despite having to compete with the meteoric rise in popularity of government-owned lotteries in the 70's and 80's. Because of the severity of the recession and in particular the difficulties encountered at the Fort Erie race track, the OJC lost money in 1990 and 1991. Recent trends suggest that the popularity of lotteries has peaked and therefore, given an improvement in the Ontario economy, the current demand fundamentals for the industry appear suitable to enable the



OJC and other well-run operations to achieve positive returns and support a large and respected horse racing industry.

III. Casinos in Manitoba - Effects to Date

Horse racing and other gaming

The gaming industry in Manitoba is comprised mainly of lotteries, horse racing, bingo, break opens, the Crystal Casino and newly introduced video lottery terminals. As shown in Exhibit 7, lotteries accounted for 37% of the \$324 million wagered in Manitoba in 1991. Bingo and break opens had the next largest shares, with 24% and 17%, respectively. Horse racing dropped from third place in market share in 1990 to fourth in 1991 with a share of 15% in 1991 (Exhibits 7 and 8). Interestingly, the drop in horse racing's share of 3% from 1990 to 1991 matched the increase in the casino's share of 3% over the same period. Similar to Ontario, lotteries began in Manitoba in the 1970's and grew exponentially during the 1980's until 1988, when total proceeds from lotteries began to level off.

The most significant development in the Manitoba gaming industry in the last few years has been the introduction of full-scale casino gambling along with video lottery terminals (VLT's). The Manitoba lottery licensing board began issuing short-term casino licences to charitable organizations and event organizers in the 1970's. In 1984, the lottery licensing board, now the Manitoba Lotteries Foundation (MLF), changed its role from issuing casino licenses to assuming direct responsibility for operating all casinos in the province on behalf of charitable organizations. Casinos were held at the Winnipeg Convention Centre and at various locations throughout rural Manitoba. Regulations limited annual casino operating days to 90 for Winnipeg and 120 days in rural areas.

In 1989, the provincial government replaced the casino at the Convention Centre and the majority of the rural casinos with the Crystal Casino, a permanent, year-round casino located in a major hotel in downtown Winnipeg.



VLT's, or electronic slot machines, were introduced in November, 1991. At the end of 1991, approximately 600 VLT's were operating in 130 locations throughout Manitoba. By the fall of 1992, these figures are expected to increase to 1,850 VLT's at 280 locations.

Horse races are run on fourteen tracks in Manitoba. Only Assiniboia Downs in Winnipeg, however, runs year-round. It accounts for 99% of horse race wagering in the province. Assiniboia Downs has traditionally run standardbred races in the winter and thoroughbred races in the summer. In recent years, separate pool betting (SPB) has been introduced in Manitoba. SPB is betting on races being run at racetracks outside the province but with the betting pools being operated by the Winnipeg track.

Impact of casino gambling on horse racing

Total casino wagering in Manitoba increased by \$10 million, or 200%, in the fiscal year ended March 31, 1991 over the 1990 fiscal year. For the year ended March 31, 1992, a further \$11 million (73%) increase is projected over the 1991 fiscal year (1992 actual figures had not been released as of the date of this report). The total increase over the two year period is therefore projected to be \$21 million or 420%. This increase in casino gambling occurred as wagering on lotteries and horse racing declined. This trend implies that casino wagering is cannibalizing betting on other games.

Assiniboia Downs has been the racetrack most clearly affected by the Crystal Casino due to its proximity to the Fort Garry Hotel. Since 1989, when the Crystal Casino was opened, there has been a significant drop in both attendance and wagering for Manitoba races at Assiniboia Downs. For the year ended December 31, 1991, wagering was down \$5.6 million (11%) from its 1989 level. This drop corresponds roughly (because of the three month difference in the casino and racetrack year-ends) with the two-year increase in casino wagering from 1990 to 1992 discussed above. Monthly financial comparisons between Assiniboia Downs and the Crystal Casino are impossible because financial disclosure requirements for the Casino are much less stringent than those required for horse racing tracks.



Without the effects of separate pool betting (i.e. including only wagering on races run at Assiniboia Downs), total wagering fell \$10.6 million (19%) over the two-year period. This is a more relevant comparison than total wagering because betting on out-of-province races such as occurs with separate pool betting, while offering some additional commission income for the Winnipeg track, does not support a local horse racing industry. Therefore, a true reflection of the condition of the local horse-racing industry is obtained from the trends in betting on races run in Manitoba.

As illustrated in Exhibit 9, in the first half of 1992, attendance and wagering for Manitoba races were off 54% and 61%, respectively, from the same period in 1991. This is mostly attributable to the cancellation of the winter schedule of harness racing due to strong competition from other forms of legal gambling. Jim Wright, the owner of Assiniboia Downs, estimated that the stoppage of winter racing has resulted in a loss of 500 jobs.

The sharp decrease in wagering on local races and the elimination of winter harness racing at Assiniboia Downs are clearly correlated with the significant increases in betting at the Crystal Casino. The Crystal Casino recently extended its hours of operation to include Sundays. Sunday racing at Assiniboia Downs has already been adversely affected. The introduction of video lottery terminals, while still in a relatively early stage, will likely have a similarly negative impact on the Manitoba horse racing industry.

IV. Other experiences and studies

New Jersey

Richard Thalheimer and Mukhtar Ali of the University of Louisville conducted a study, published in 1992, on the impact of several factors, including casino gambling, on the demand for pari mutuel horse race wagering. The study dealt with the effects of the casinos in Atlantic City, New Jersey on pari mutuel horse race wagering in New Jersey. Two dependent variables representing the demand for pari mutuel horse race wagering were identified, real total handle (on-track and intra-state inter-track wagering) per capita and real on-track handle per capita.



In 1960, total harness racing handle was \$58 M in New Jersey, when harness races were run at only one track. By 1988, total harness racing handle had increased to \$543 million. Although the total handle had risen significantly in absolute terms, the figures must be adjusted for inflation to enable meaningful interpretation. Real average daily handle for harness racing in 1960 was \$1,160,000. Between 1960 and 1977, the harness racing industry grew significantly with the addition of three more tracks with real average daily handle peaking at \$1,825,000 in 1977. The first casino was opened in Atlantic City in 1978 and in the ten year period to 1988, 11 more casinos were opened. Real average daily handle fell steadily from 1977-88. By 1988, it had fallen to \$1,050,000, a 42.5% decline from the 1977 level. Real average daily handle from thoroughbred racing exhibited a similar decline, falling 25% from its 1977 level of \$2,100,000 to \$1,531,000 by 1988.

Thalheimer recognized that there are a number of significant variables which affect demand for pari mutuel horse race wagering. In order to determine the impact of any one factor (e.g. casino gambling) on the demand for wagering (handle), a correctly specified model was developed to allow the researcher to interpret the impact of any one included factor net of the effect of all other included demand factors. Thalheimer assumed that the opportunity for casino gambling increases as there are more casinos available for gambling; and as this opportunity increases, **the possibility of substitute gambling for horse race wagering increases.**

Based on this proposition, Thalheimer took the number of casinos as a determinant of horse race wagering demands and hypothesized that as the number of casinos increases, pari mutuel horse race handle will decrease for both thoroughbred and harness racing. The model allowed for other significant independent variables such as the number of race days, takeout rate, racing quality, market area personal income and competition from the state lottery, intra-state inter-track wagering and other events to be held constant.

The Atlantic City casinos were found to have a significant and negative effect on pari mutuel horse race wagering in New Jersey. The impact on standardbred (harness) and thoroughbred race wagering was found to be the same. Using the mean value of the number of casinos from 1978-88 (8.5), the estimated impact of casino gambling was -25.4%. In 1988, the impact was -33.9%.



Table 1 gives the estimated impact of casino gambling on thoroughbred and harness racing from 1978, the first year of operation, through 1988.

Table 1
Impact of Casino Gambling

Year	Number of Casinos	Impact on Thoroughbred and Harness Handles
1978	1	-3.4%
1979	3	-9.8%
1980	6	-18.7%
1981-83	9	-26.7%
1984	10	-29.1%
1985-86	11	-31.5%
1987-88	12	-33.9%

It should be noted that this table shows the effect of the number of casinos that have been opened on **total** handle in the State of New Jersey. The impact of any one casino opening in a particular geographic area would likely have been more substantial on handle at one local racetrack.

Chicago

The City of Chicago Gaming Commission requested Deloitte and Touche to evaluate economic and other impacts of a proposed casino facility for Chicago. **In their report, Deloitte estimated that the opening of such a facility could cause a decline of 20% or more in revenues at Illinois racetracks.** As well, Deloitte estimated that race track revenue would fall an additional 4-6% as a result of the ten riverboat casinos which are expected to be in operation by 1995.

Clearly, the prognosis for the Illinois horse racing industry is bleak under any scenario which involves casino gambling in the state. **If casino gambling is legalized in Ontario and a downtown Toronto casino is opened it could have a devastating potential impact on the Woodbine and Greenwood racetracks.**



Connecticut

In their report on gambling in Connecticut, Christiansen/Cummings Associates Inc. stated that between 16% and 35% of the respondents to their surveys of pari mutuel betting customers indicated that they would spend less at each pari mutuel facility if a casino were located within a one-hour drive. Christiansen went on to say that respondents "typically tend to underestimate the impacts that new, highly attractive gambling options will have on their current activities". Christiansen also referred to the Thalheimer's New Jersey study as an example of the adverse effects of casinos on other forms of gambling and suggested that impacts on pari mutuel handle in other geographic areas, from **limited** forms of casino gaming, have been reductions of 20% or more. Christiansen developed projections for the combined effects of two proposed casinos on other gaming locations in the state. The results are summarized in Table II.

Table II
Christiansen Projections

	Attendance	Per Capita Wager	Total Handle
Plainfield Greyhound	-30.0%	-25.0%	-47.0%
Hartford Jai Alai	-25.0%	-20.0%	-40.0%
Milford Jai Alai	-26.0%	-21.0%	-41.5%
Bridgeport Greyhound	-25.0%	-20.0%	-40.0%
Windsor Locks Teletheater	-22.0%	-18.0%	-36.0%
New Haven Teletrack	-24.0%	-19.0%	-38.4%
OTB Branches (average)	NA	NA	-30.0%
Instant Lottery Sales	NA	NA	-12.0%

In April of this year, the Connecticut State Government released the actual results from the first full month of operation at the new Foxwood Casino. Revenue from the Connecticut off-track betting teletrack theatre in New Haven declined 73% compared with figures for March 1991. Revenue from all the state's off-track betting parlours was down nearly 37%. While not as marked as the decrease



for off-track betting, similar declines were noted for wagering at jai-alai games and greyhound tracks.

Other

Thalheimer and Ali conducted another study, published in 1990, on the impact of the Ohio State Lottery on the demand for horse racing in the Ohio/Kentucky market area. The impact of the lottery on attendance and real (inflation-adjusted) handle was determined to be statistically significant and negative. The average impact over the period 1974-1987 was estimated to be -14.8% for attendance and -21.9% for total handle.

Although this study analyzed the impact of a lottery on horse racing, the effects of the introduction of a lottery are analogous to the introduction of casinos. Aggregate demand for all forms of gaming is finite and the establishment of a new form of legalized betting is bound to have a negative effect on existing games.

V. Ramifications for Ontario

Based on our analysis of studies and experiences to date in selected American states and in Manitoba, it is clear that the legalization of casino gambling in Ontario would have a substantial negative impact on the Ontario horse racing industry. The studies we have documented on experiences to date in U.S. jurisdictions have determined that the actual negative effects of casino gambling on horse race wagering range from 20% to 37%. The large range of potential impacts is due to the many variables inherent in the implementation of casino gambling such as the types of casinos, hours of operation, games offered etc. Even the introductions of separate pool and expanded off-track betting in other jurisdictions have not been enough to compensate for the loss of wagering that has resulted from the introduction of other forms of gaming such as casino gambling.



Our analysis of the Manitoba gaming industry has determined that several factors have combined in the last few years to cause a drop of 19% in horse race wagering on Manitoba races from 1989 to 1991. The most significant factor affecting pari mutuel wagering in this period has been the success of the Crystal Casino which opened in 1989. An even greater decrease in wagering (61%) has been experienced in the first six months of 1992 as a result of the cancellation of the winter harness racing schedule at Assiniboia Downs. Cancellation was the result of poor market conditions which were further exacerbated by the introduction of VLT's into Manitoba in November of 1991. These dramatic results from Manitoba provide additional support for the documented findings from the United States.

All of these studies and experiences point to a potentially devastating effect on the horse racing industry in Ontario from the introduction of casino gambling. This impact will appear initially as a huge reduction in wagering on horse races. **Assuming that similar effects from casinos would be felt in Ontario, the decrease in total wagering could range from \$217 million to \$401 million, based on 1991 figures.** Any decrease in wagering will have an immediate and adverse effect on jobs and tax revenues. Wagering is also the major generator of purse money, the sole source of income for racehorse owners.

With a potential negative impact of 19% to 37% on total horse race wagering in Ontario from the introduction of casino gambling, a proportional loss of between 9,500 and 18,500 industry jobs would likely occur over the medium term. These jobs would mainly be those held by low-skilled labourers with few other potential opportunities for employment. There are few places for workers with no transferable skills and little education in today's sophisticated economy. As a result, a significant percentage of people who would stand to lose their jobs in the horse racing industry would become permanent additions to the unemployed and welfare ranks.

The potential loss of jobs, however, is not restricted to those directly employed in the industry. For example, there are large numbers of people in the hotel, restaurant and hospitality trades who would also be adversely affected. As well, smaller communities for which the racetrack is an integral part of their economic infrastructure could be devastated. The potential losses and economic consequences in these areas cannot be quantified.



In the 1992 Budget Document tabled by the Ontario Government, the intention of the province to establish casinos was announced. Since then revenue benefits of up to \$150 million have been discussed. Assuming a government takeout of 10% to 15%, the Government is forecasting an industry with gross wagering of \$1 billion to \$1.5 billion. A new participant in the Ontario gaming market of this size would have a profound effect on the market share of the other forms of gambling. While casino gambling would attract some limited additional revenue from tourists and might retain a portion of Ontario residents who would otherwise be going to Las Vegas or Atlantic City, a large proportion of its revenues would be cannibalized from other forms of gaming in Ontario. This study estimates that of the revenues generated by casinos, between \$217 million and \$401 million would be generated at the expense of the horse racing industry. Another \$600 million or more would likely be realized at the expense of the Ontario Lottery Corporation and charitable gaming operations.

In summary, we conclude that the introduction of casino gambling into Ontario would have a very detrimental effect on the Province's horse racing industry. This conclusion is strongly supported by the experiences to date in Manitoba and the United States. Any final decision to legalize casino gambling in Ontario should be made with the full consequences of job losses in the horse racing industry borne in mind.



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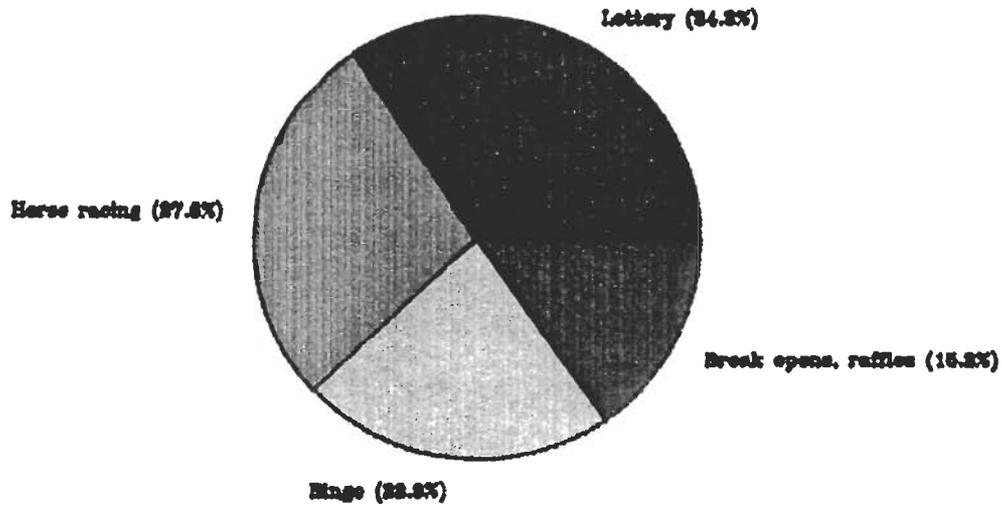
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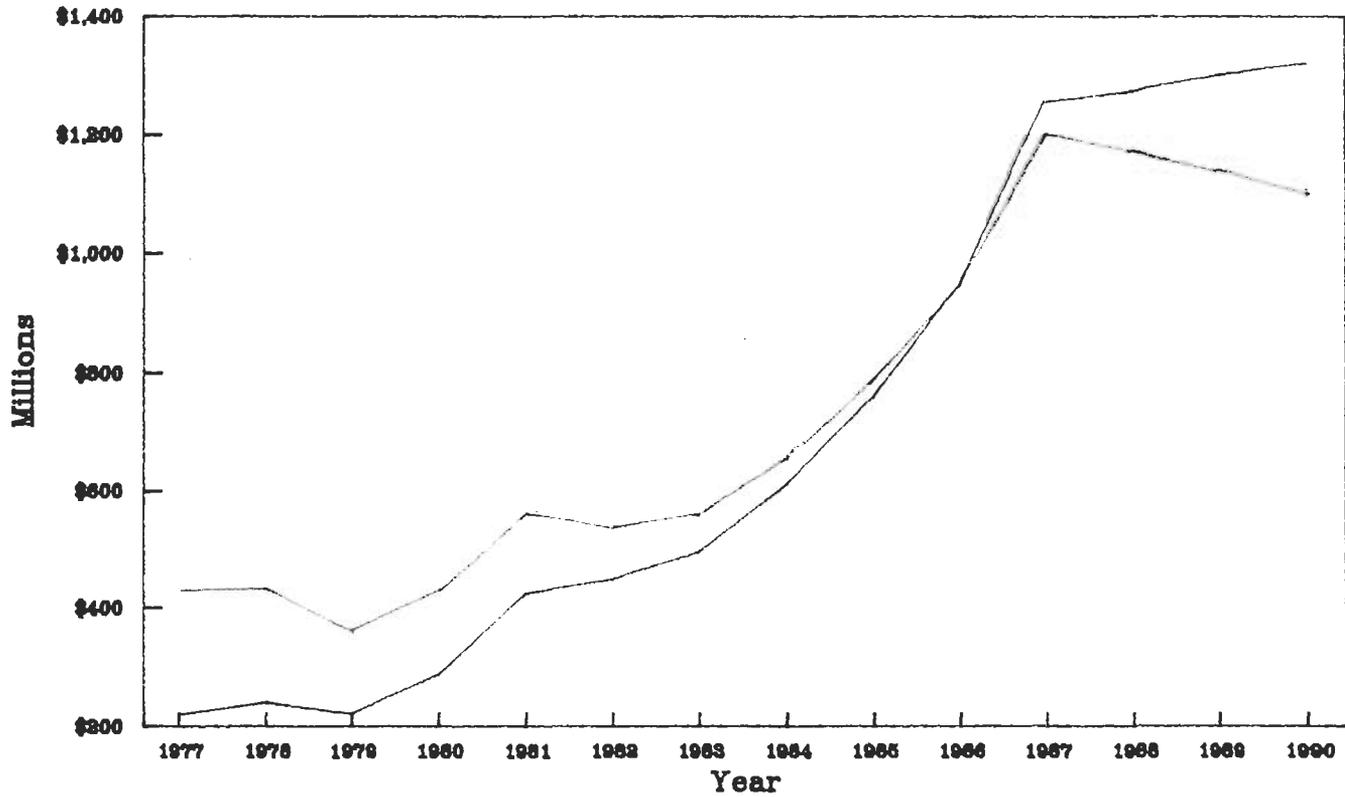
PRICE WATERHOUSE

ONTARIO GAMING MARKET IN 1991



PRICE WATERHOUSE

ONTARIO LOTTERY SALES IN NOMINAL AND REAL DOLLARS



— Cash Sales in nominal dollars — Cash sales in real dollars

PRICE WATERHOUSE
 PARI MUTUEL TAXES PAID BY ONTARIO
 HORSE RACING INDUSTRY

Year	Provincial Tax *	Federal Levy	Total
1980	\$54,513,620	\$3,893,831	\$58,407,451
1981	58,643,592	4,929,655	63,573,247
1982	62,230,179	5,103,763	67,333,942
1983	60,939,990	5,760,004	66,699,994
1984	61,277,504	6,612,178	67,889,682
1985	61,337,537	6,624,254	67,961,791
1986	66,121,165	7,118,941	73,240,106
1987	72,426,344	7,790,417	80,216,761
1988	78,641,241	8,478,853	87,120,094
1989	83,110,619	8,975,405	92,086,024
1990	85,285,620	9,213,997	94,499,617
1991	<u>80,386,083</u>	<u>8,678,713</u>	<u>89,064,796</u>
Total	<u><u>\$824,913,494</u></u>	<u><u>\$83,180,011</u></u>	<u><u>\$908,093,505</u></u>

* Tax provided to government prior to rebate

PRICE WATERHOUSE

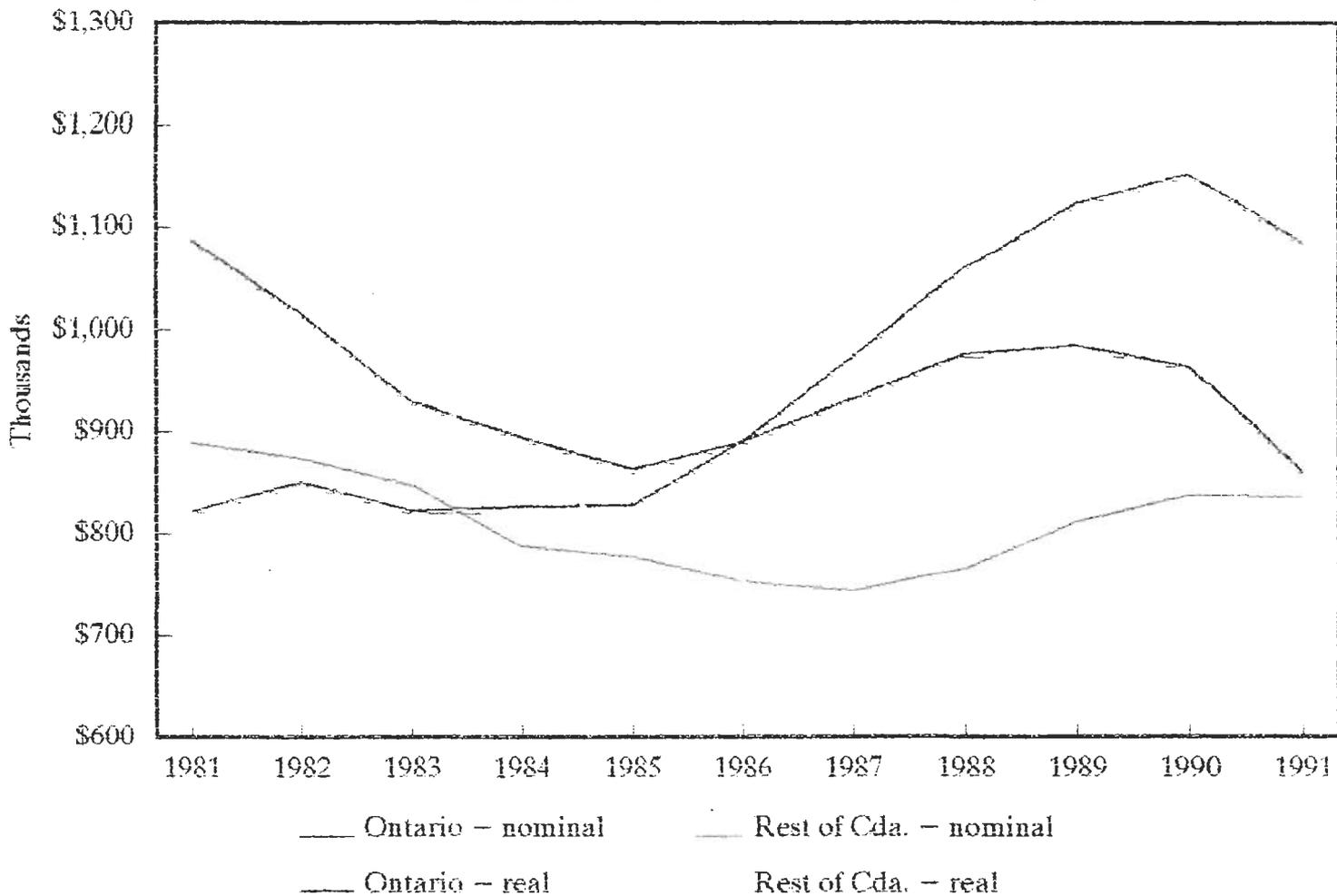
Number of Ontario Residents Earning Incomes from Horse Racing in 1988

Horse Operations	
Owners and Breeders active in racing	12,650
Breeders (excl. those active in racing)	3,550
Owner/drivers, owner/trainers, etc.	5,350
Trainers (excl. owners)	1,450
Jockeys/Drivers (excl. owners)	1,050
Backstretch Employees	10,800
Owner Paid Employees	<u>6,500</u>
Total Horse Operations	41,350
Track Operations	6,200
Closely Associated Activities	
Tradesmen	650
Veterinarians on-track	400
Government	250
Associations/Societies	70
Press, etc.	<u>70</u>
Total Associated Activities	1,440
Total	<u>48,990</u>

Source:
Ernst & Young

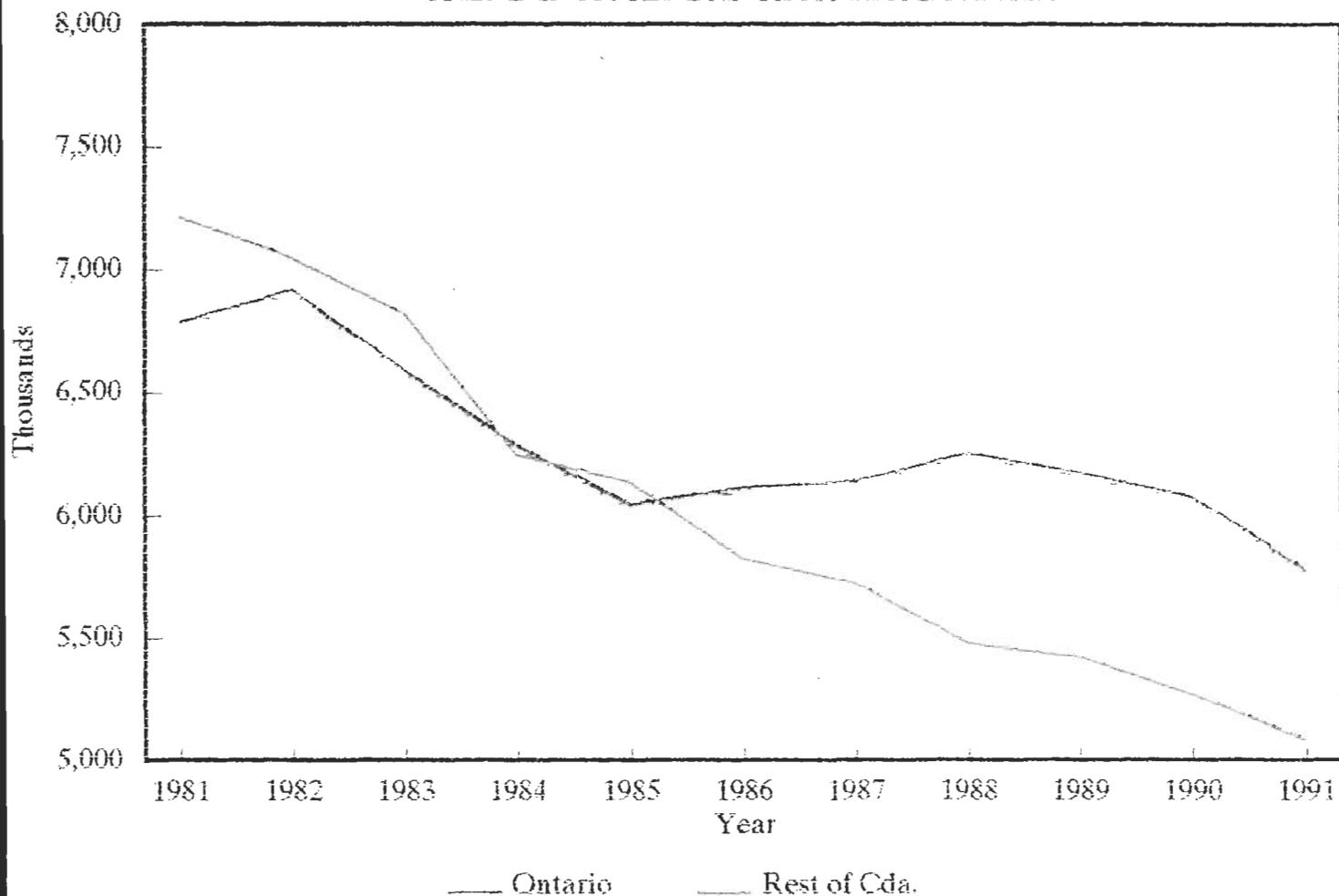
PRICE WATERHOUSE

TRENDS IN TOTAL WAGERING ON HORSES



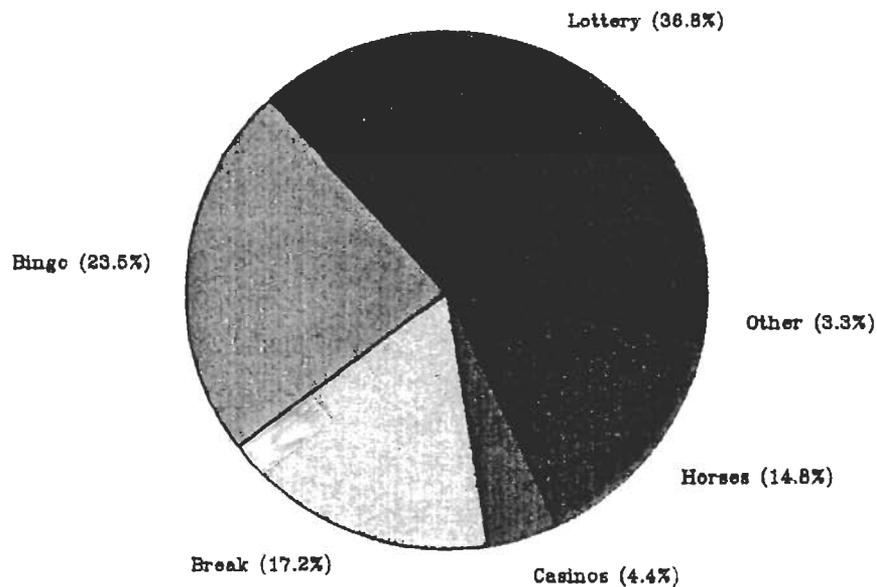
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TREND IN ATTENDANCE AT RACETRACKS



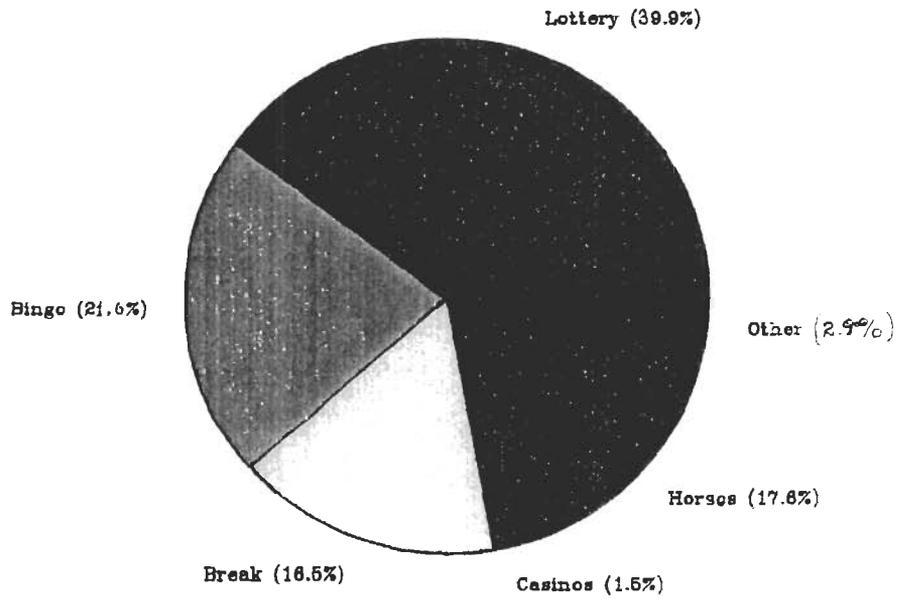
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Manitoba Gaming Market Share 1991



PRICE WATERHOUSE

Manitoba Gaming Market Share 1990



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Trend in Wagering on Races at Assiniboia Downs

