



**ECONOMIC IMPACTS OF THE
ALBERTA GAMING INDUSTRY**

Prepared for

Alberta Lotteries and Gaming

by

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EXECUTIVE SUMMARY

1. Gaming is a large and growing industry activity in Alberta, with gross revenues that totalled \$1.2 billion in the year 1991/92. The industry includes three broad sectors: 1) horse racing, 2) bingos, casinos, pull-tickets, and raffles, and 3) lotteries, including both ticket lotteries and video lottery terminals.
2. Of the total amount wagered in the province on various gaming activities, two-thirds is returned to the participants in the form of winnings. The remaining one-third covers the costs of operation and regulation and generates profits which are used by charitable and non-profit organizations to fund a variety of projects and programs. The economic impacts to the province derive from the expenditure of these revenues net of winnings and from the ancillary expenditures of bettors for parking, admission, concessions, and other goods and services associated with gaming. In 1991/92, the industry generated \$444 million in net revenues.
3. Including the indirect and induced "multiplier" effects that are linked to industry activities, an estimated 8,600 to 9,600 full-time jobs are generated through gaming expenditures in the province. The industry and its downstream activities account for gross domestic product (G.D.P.) of \$394 million annually, or 0.5% of Alberta's economic output. A total of \$281 million accrues from the industry in the form of provincial household income.
4. A breakdown of the economic impacts of the gaming industry by type of gaming activity is provided below.

	Household Income (\$ million)	G.D.P. (\$ million)	Jobs (full-time equivalent)
Racing	30.0	45.7	1,000 - 2,000 ¹
Bingos, casinos, pull-tickets, raffles	130.6	180.9	3,950
Lotteries	120.7	167.1	3,650
TOTAL	281.3	393.7	8,600 - 9,600

1. Conservatively estimated. Estimates of employment attributable to the Alberta racing sector range to as high as 6,000 jobs.

5. **The greatest financial beneficiaries of the gaming industry are the province's charitable and non-profit organizations, which in 1991/92 received \$214 million, or almost one-half of industry net revenues after winnings. That amount includes the net proceeds from charitable gaming (\$99 million) plus grants provided through the Lottery Fund (\$115 million). Those funds, which supplement other revenue sources, are used to finance a broad range of projects and programs within the non-profit community.**

1. INTRODUCTION

1.1 BACKGROUND TO THE STUDY

The gaming sector has assumed considerable importance across North America, and globally, over the past two decades. The introduction of new gaming products and activities, improvements in computer, telecommunications and other electronic technologies, the relaxation of legislative restrictions, the public demand for gaming entertainment, and a variety of other factors have combined to generate a rapid growth in the industry. That broad industry trend has extended to Alberta as well, and more than \$1.2 billion annually is now expended within the province on lotteries, bingos, casinos, horse-racing and other gaming activities.

The Alberta gaming industry is unequivocally a large one and is responsible for a considerable amount of economic activity, as measured by the income that flows to the many individuals, organizations, and businesses that participate in it, the people it employs, and the fiscal benefits it confers to government and to other non-governmental and charitable organizations.

The purpose of this study is to measure these economic impacts and to provide a consolidated picture of the economic role and contribution of the gaming industry in the province. The study represents the first holistic economic examination of what is a very diverse and rapidly evolving industry.

1.2 METHODOLOGY

The primary research objective of the study has been to trace the revenues, costs, and "profits" or net surpluses that relate to legal gaming activities in Alberta and to quantify the income, employment, and fiscal implications of the gaming sector.

The study team relied initially on data provided by the administrative and regulatory arms of the industry, including Alberta Lotteries and Gaming, Alberta Lotteries, the Alberta Gaming Commission, the Alberta Gaming Control Branch, and the Alberta Racing Commission. As the research program progressed, the consultants examined the "downstream" financial flows and operational activities of the industry through consultations with a number of private gaming operations and suppliers

and with non-profit provincial and community-based organizations that participate in the industry in an operational capacity or as beneficiaries of gaming profits.

Those data were assembled and interpreted by the consultants and supplementary research was carried out as necessary to "round-out" the analysis with other economic information that is not tabulated by the industry in the normal course of events. A major challenge for the study team has derived from the fact that the gaming industry is comprised of quite disparate sub-sectors that serve different markets, are all administered by different government bodies, have quite distinct financial and operational structures, and are linked only loosely through the common thread that they are all generated from betting or gambling expenditures. This lack of homogeneity has implied some research and presentational effort in terms of integrating the various gaming activities on a consistent and meaningful basis.

1.3 THE STUDY TEAM

The research has been conducted by Nichols Applied Management, an economic and management consulting firm that has particular experience and expertise in economic and fiscal impact analysis and industry evaluation. The study has been carried out under the direction of Peter Nichols, a partner of the firm, with the assistance of Maarten Ingen-Housz and Catherine Wirt.

1.4 ORGANIZATION OF THE REPORT

The report begins in Section 2 with an overview of the gaming industry in Alberta and a description of the structure, size, and growth of the industry.

Following that introduction to the industry, Section 3 provides the main elements of the economic impact analysis. The analytical framework for the analysis is summarized and each of the three main sectors of the gaming industry is reviewed in turn. The final part of the chapter is devoted to integrating the earlier findings and providing a cohesive picture of the economic impacts that derive from gaming in the province.

Section 4 of the report provides a summary of key findings.

2. AN OVERVIEW OF THE GAMING INDUSTRY

2.1 INTRODUCTION

The gaming industry as defined in this study includes all forms of legalized and controlled gambling in the province, and more specifically lotteries, bingos, casinos, pull-tickets and raffles, and horse racing. Illegal gambling and non-commercial gaming activities that do not require licenses (for example, private betting on sporting events, informal poker games, etc.) are not included in the industry because of the obvious lack of information regarding these activities. The inclusion of these non-recorded activities clearly would expand considerably the size of the industry.

The industry is defined as well to include the gaming that occurs only within the province. It therefore encompasses the betting in Alberta of out-of-province visitors, although these expenditures likely account for a small share of industry activity. At the same time, the analysis excludes the out-of-province betting by Alberta residents, as for example when trips are taken to Las Vegas on gambling holidays or conventions or Alberta residents purchase lottery tickets on trips out of the province.

The reader will not find the "gaming" industry in any conventional industry classification system, such as the Standard Industrial Classification (SIC) guide used by Statistics Canada. It is similar to the tourism industry in this regard. Gaming revenues and expenditures flow through a number of formal industries, including SIC 9662 (gambling operations, agricultural fairs, etc.), SIC 9643 (horse race tracks), SIC 9659 (sports and recreation clubs), SIC 98 (membership organization industries, including religious, business, and civic and fraternal organizations), SIC 9221 (taverns, bars, and night clubs), SIC 9111 (hotels), SIC 60 (food and convenience stores, pharmacies), SIC 6599 (newspaper and magazine stores), and SIC 82 (the provincial government services industries). These, and other industries as well, "capture" the primary economic activities related to gaming in the province. It is not possible, therefore, to assess the gaming industry by reference to government statistical information.

The gaming industry in Alberta is essentially part of the service sector, which accounts roughly for two-thirds of the provincial economy. In many ways, gaming can be viewed as a form of entertainment and provides another channel for consumer expenditure, as do other sports, recreational, travel, personal service and retail spending alternatives.

2.2 INDUSTRY STRUCTURE

Figure 1 describes visually the existing structure of the Alberta gaming industry. The figure identifies the regulatory "umbrella" organizations that oversee the various sectors of the industry and those organizations that are directly involved in the operation or delivery of the respective gaming "products". An indication of the general distribution of net gaming revenues among the various benefiting organizations is shown at the bottom of the chart.

Horse racing is the oldest of the legalized types of gambling in the province and is regulated by the Alberta Racing Commission. Pari-mutuel betting in the province is split relatively evenly between thoroughbred and standardbred (harness) racing and is concentrated at the Edmonton Northlands and Calgary Exhibition and Stampede tracks, although horse racing occurs as well at smaller tracks around the province that constitute the "B" and "C" race circuits. A significant share of the economic activity that is associated with horse racing relates directly to the race tracks and to the equine industry, which of course supplies the bred and trained horses that are featured in the racing programs. The provincial government benefits fiscally from horse racing through a pari-mutuel tax on racing bets, but much of those tax revenues are returned to the tracks and to the equine industry for development and operational support or used to cover the costs of regulating the industry.

Four separate and discrete gaming activities – bingos, casinos, pull-tickets and raffles -- are normally discussed together because they share a number of essential features and are regulated and administered by the Alberta Gaming Commission and the Alberta Gaming Control Branch. These activities are conducted across the province by a multitude of charitable, religious, and fraternal organizations -- in some cases relying on commercial organizations to provide operational services -- and are subject to license approvals and various eligibility guidelines. A significant share of the operational responsibilities associated with these types of gaming (other than casinos, where volunteer input does not represent a large percentage of

operational activity) is provided on a volunteer basis by members of the licensed organizations and is not reflected as a commercial activity. The net proceeds are largely retained by the non-profit community and these funds comprise an important source of funding for many groups. The Government of Alberta receives licensing revenues but these are small in relation to gaming incomes and basically offset the direct governmental costs of regulating the respective gaming activities.

The third broad area of gaming includes ticket lotteries and video lotteries. Conventional lottery activities have expanded dramatically over the past two decades, while video lottery terminals have been introduced only recently and are in the infancy of their development. There are, of course, a number of products that are sold under the "lotteries" umbrella and these, which include LOTTO 6/49, INSTANT, WESTERN EXPRESS, and SPORT SELECT, are modified, supplemented, and replaced over time in response to identified market preferences and new product innovations. The lotteries component of the gaming industry is differentiated from the two earlier segments (racing, bingos, casinos, etc.) in the sense that the provincial government or its agencies both regulate *and* operate these gaming activities. In the case of conventional lotteries, the Western Canada Lottery Corporation manages the operational activities with some responsibilities assumed by Alberta Lotteries. VLTs are managed and operated entirely by Alberta Lotteries. The net revenues that accrue from lotteries -- and these are significant -- are funnelled in the first instance to the Alberta Lottery Fund, which is administered by the province. Much of these revenues are in turn distributed to charitable and non-profit organizations and other foundations in the province.

2.3 INDUSTRY SIZE AND GROWTH

Figure 2 describes the changes that have occurred over the past two decades in the size and composition of the Alberta gaming industry. Since 1973, gross revenues (in current dollars) have increased eleven-fold, to more than \$1.2 billion.¹

By any measure, gaming is a "growth" industry. During the period 1983/84 to 1991/92, industry gross revenues increased by more than 120% (in current dollars), compared, for example, to increases in

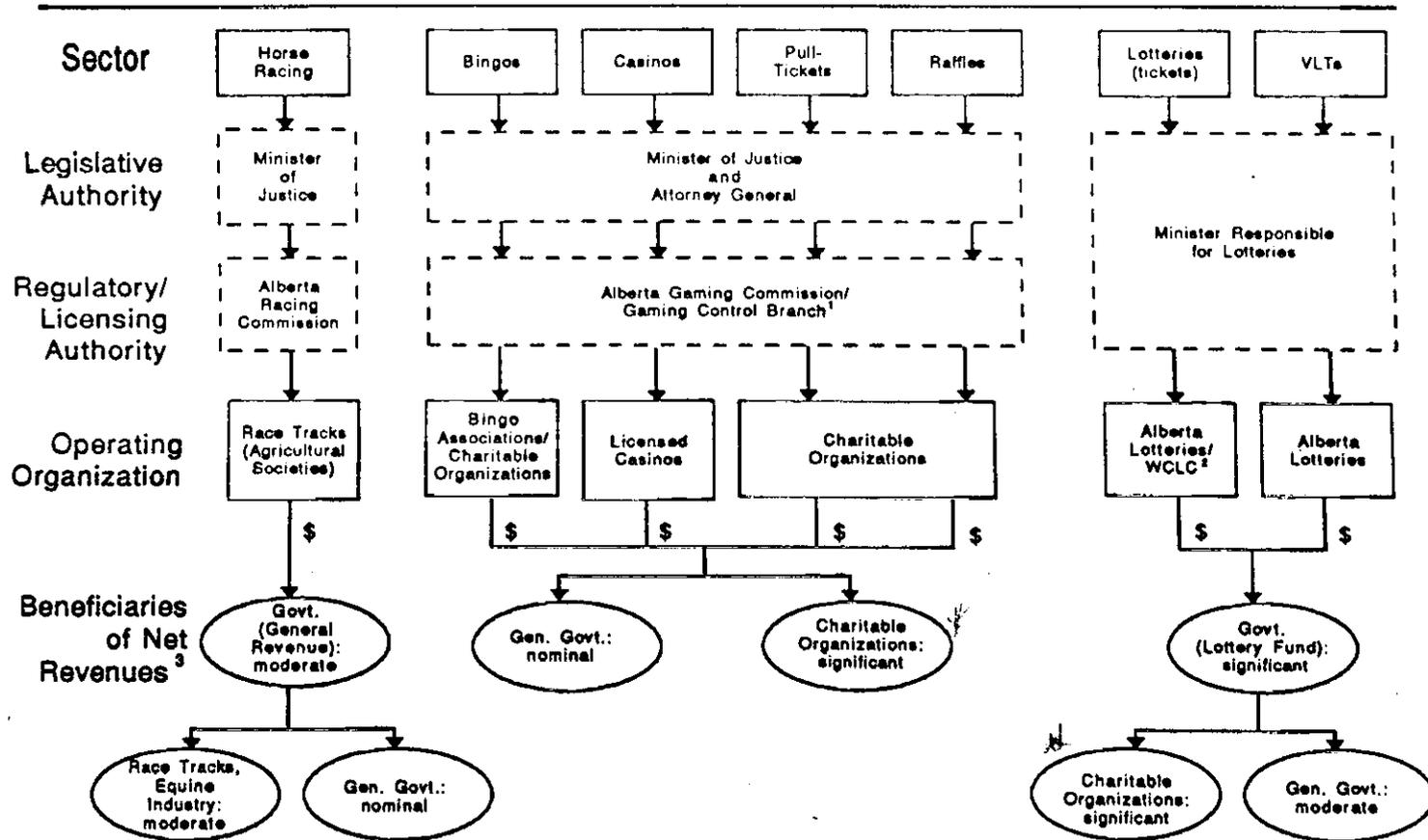
1. Gross revenues to the industry are defined to include the total outlays, wagerings, or bettings by individuals for the various gaming alternatives. They exclude ancillary consumer expenditures associated with gaming activities, such as the costs of travel and parking, admission, food and beverages, gambling supplies, and program booklets.

provincial gross domestic product (G.D.P.) and retail sales of about one-third and two-thirds, respectively. The industry obviously is accounting for a growing share of economic activity in the province, and competing with and very likely substituting for other types of entertainment and alternative forms of consumer outlay.

In the early 1970's, horse racing dominated the gaming industry and bingos, casinos, and lotteries were only beginning to achieve some prominence. During the 1970's and early 1980's casinos, pull-tickets, and lotteries expanded dramatically in both relative and absolute terms, while the share of gaming revenues taken by horse racing declined sharply. Over the past decade, bingos, casinos, lotteries, and -- very recently -- VLTs have accounted for an increasing share of the industry while raffles, pull-tickets, and horse racing have lost market share.

The structure of the gaming industry is clearly a dynamic one and the relative growth of specific types of gaming can change dramatically with "product" modifications or changes in bettor preferences. For example, while the racing sector has lagged over the longer-term, new communications technologies and regulatory changes have permitted "inter-track simulcasts" and teletheatres and these have reversed the decline in race revenues: for example, in the two-year period 1989/90 to 1991/92, the amounts wagered increased by 25%. In a similar way, the accelerating introduction and popularity of video lottery terminals are likely to expand the relative role in the industry of that gaming component in the coming years.

FIGURE 1
Basic Structure of the Alberta Gaming Industry

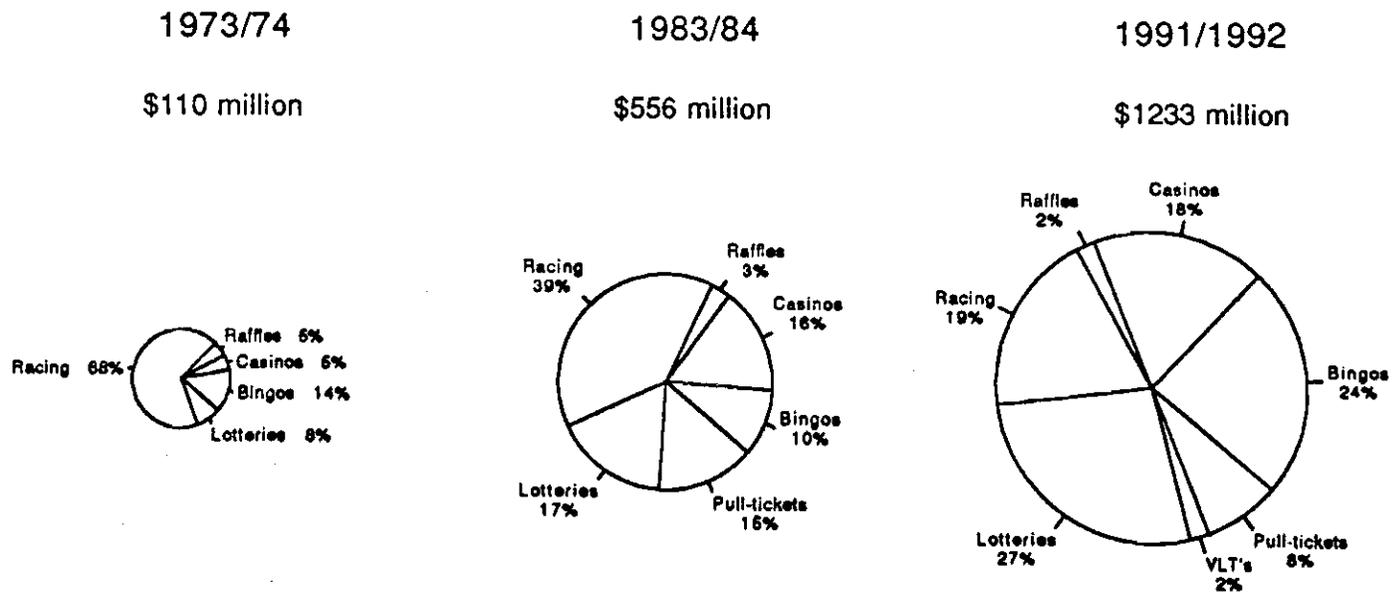


1. The Gaming Control Branch reports to the Minister responsible for Lotteries

2. Western Canada Lottery Corporation

3. Nominal: < \$5 million annually; Moderate: \$5-\$25 million annually
 Significant: > \$25 million annually

FIGURE 2
The Gaming Industry in Alberta:
Historical Size and Composition of Gross Revenues



Gross revenues include total direct outlays or wagerings for the various gaming pursuits.

3. ECONOMIC IMPACT ASSESSMENT

3.1 ANALYTICAL FRAMEWORK

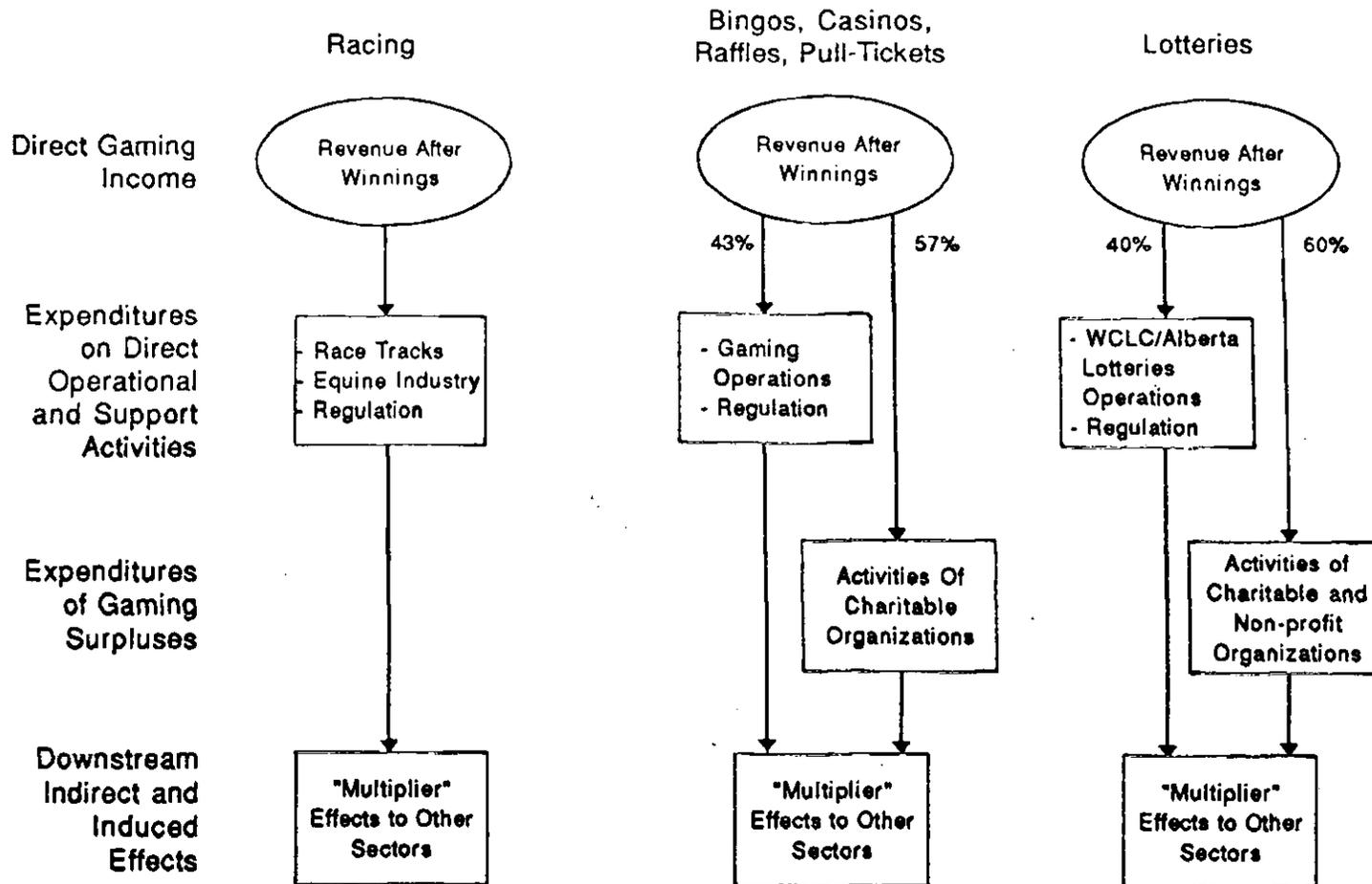
This section of the report examines the economic dimensions of the gaming industry by reviewing, in turn, each of the three main sectors of the industry: 1) horse racing, 2) bingos, casinos, raffles, and pull-tickets, and 3) lotteries, including VLTs. The analysis focuses on the income and employment generated by each of these sectors and by the industry at large.

The economic impacts described in the report are premised on wagers that are *net* of the winnings and prizes returned to bettors, *plus* the ancillary expenditures of a non-betting nature that accrue in association with the gaming activities. The study team recognizes that although winnings serve at a broad level to retain income among the betting public, they do imply a redistribution of capital toward "winning" individuals within that group. That redistribution may have economic effects in terms of altering overall savings and expenditure patterns. The analysis of the potential distributional impacts is beyond the scope of the present study.

The study team believes it to be important that the reader understand clearly the framework in which the economic impacts are discussed in the report and particularly so because the three sectors of the industry have quite different structural patterns. Figure 3 provides a simplified overview of the economic framework that is used in the analysis that follows.

Turning first to horse racing, it is apparent that a large part of the gaming revenues is utilized in the operation of the sector and flows directly to the race tracks and to horse breeders and owners or is redistributed indirectly to those same industry groups from the taxes collected by the province. Stated somewhat differently, most of the direct economic activities associated with racing are "captured" by the race tracks and the equine industry.

FIGURE 3 Gaming Economic Impact Framework



By contrast, the direct operational activities of the two remaining gaming sectors absorb only a portion -- about two-fifths -- of the net revenues generated. In the lotteries sector, significant surpluses are earned and flow directly, or indirectly through the Alberta Lottery Fund, to a variety of non-profit organizations where they are used for a multitude of projects and programs. In the case of bingo, pull-tickets, and raffle activities -- and to a lesser extent casinos -- these profits are bolstered by the extensive use of volunteer labour, which tends also to reduce the *commercial* operational impacts associated with those forms of gaming.

Correspondingly, it follows that any economic analysis of the bingo, casino, and lottery sectors *must recognize the uses of the gaming surpluses* if the full magnitude of the economic impacts of these sectors is to be measured.

In aggregate, the gaming activities in Alberta generate more than \$200 million annually in net revenues for numerous non-profit organizations across the province. It has been beyond the scope of this study to assess in any depth the use of these funds and the related expenditure patterns but the study has examined in some limited detail the use of lottery grants by the Wild Rose Foundation and the Alberta Recreation, Parks and Wildlife Foundation on a "case-study" basis.

Economic impact studies sometimes examine as well the indirect and induced or so-called "multiplier" effects that accrue to the economy through the subsequent spending and re-spending of new industry income. The cumulative effects of these subsequent "rounds" of spending compound or "multiply" the initial injection of income. Approximations of the total income and employment effects associated with the gaming industry are provided in the study.

In reviewing these aggregate economic dimensions, the reader is cautioned that these should not be interpreted as denoting incremental effects -- effects, that is, that would not be realized in the absence of the gaming activities. Revenues to the gaming industry involve, to some considerable degree at least, an outlet for household expenditures which might otherwise be used for alternative recreational services or other consumer goods and personal services. The spending on those alternate goods and services would similarly produce downstream economic impacts which, in the aggregate, might be greater or less than those generated through expenditures on gaming. The analysis and comparison of these potential differential impacts are beyond the scope of the current study.

3.2 HORSE RACING

3.2.1 Introduction

Horse racing in the province accounts for roughly one-fifth (19%) of gross gaming revenues. The introduction of new forms of gaming and recreation, the demographic aging of bettors, and various marketing and other factors have had an adverse effect on the competitive position of horse racing, whose relative significance within the gaming industry has declined over the years. During the past decade, live racing attendances in Alberta fell by about one-quarter, reaching a level of 1.2 million in 1991.

The advent of "simulcast" and teletheatre betting in Alberta in recent years has reversed the long-term decline in industry wagering and, indeed, the dollar amounts wagered have increased moderately since 1989. Nonetheless, track betting has, in real terms and after adjustments for inflation, fallen -- by about 45% -- since 1982/83.

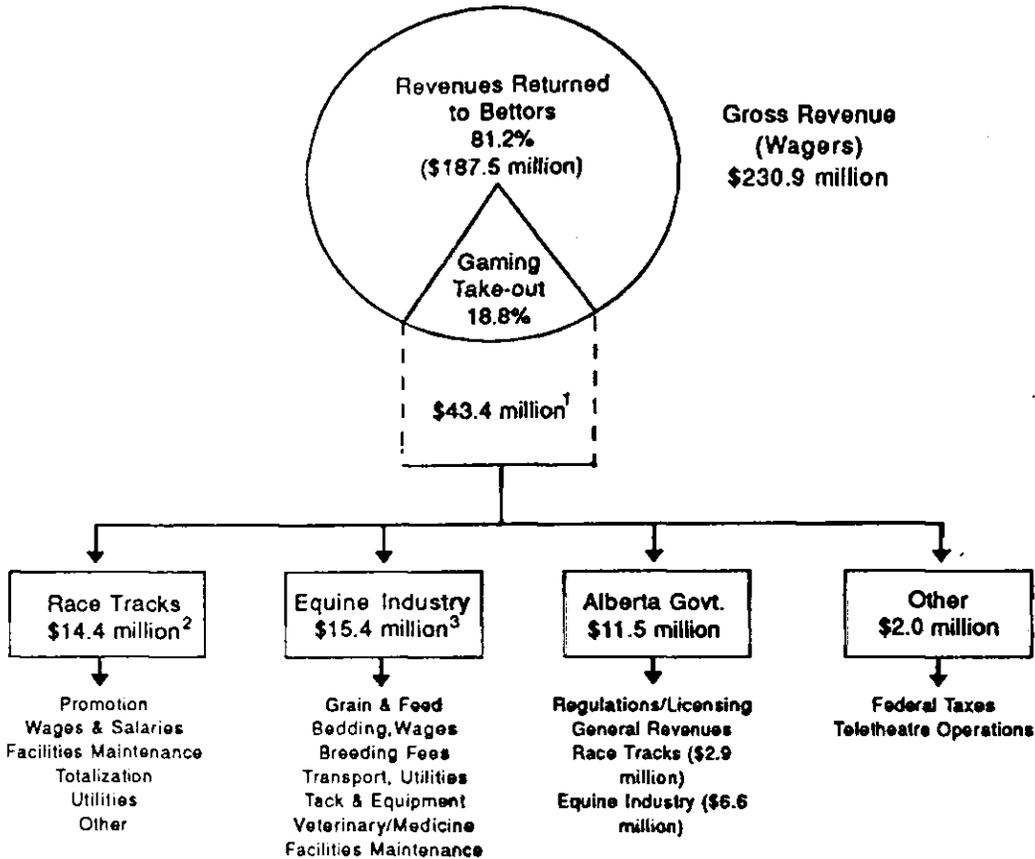
Horse racing in the province is concentrated in Edmonton and Calgary, which together account for more than 95% of bettings and attendances. That level of geographic concentration is not so pronounced for the other types of gaming. The industry nonetheless relies on its main product -- thoroughbred and standardbred horses -- from the outlying rural parts of the province and an important share of racing revenues "filter" back to the equine industry in the form of purses and development grants.

3.2.2 Revenue Flows

The flow of gaming revenues in the racing industry is complex, characterized by various taxes, levies, and other distributions and by other rebates and grant allocations which return most government taxes to the industry.

Figure 4 provides a simplified picture of the flow of revenues through the racing industry. In 1991/92, \$43.4 million, or 18.8% of the total amount wagered, was retained by the industry after pay-outs to bettors. The race tracks, directly and through grants from pari-mutuel taxes, obtain two-fifths (40%) of the industry take-out, and those funds are largely expended on wages and salaries for management and operational staff, advertising and promotion, facilities maintenance, and totalizator system costs.

FIGURE 4
The Flow of Gross Revenues in the
Alberta Racing Industry, 1991/92



Source: Alberta Racing Commission

Footnotes:

1. Disaggregated totals below do not add due to rounding
2. Race tracks receive an additional \$2.9 million from the Government of Alberta through the proceeds of the pari mutuel tax.
3. The equine industry receives an additional \$6.6 million from the Government of Alberta through the proceeds of the pari mutuel tax.

One-half (51%) of the wagerings net of winnings, or about \$22 million annually, finds its way directly, through the purses of winning horses, or indirectly, through a development fund generated from the provincial pari-mutuel tax, to the equine industry, where these funds are used to pay for the breeding, maintenance, training, and transportation of race horses. Much of the revenues to the equine industry accrue to the industry in Alberta although some purses are earned by horses from out-of-province.

Two-fifths (40%) of net revenues, totalling \$17.3 million, accrues directly and indirectly to the race tracks, where they fund racing promotional and operational costs.

The remaining net racing revenues -- less than 10% of the total -- are channelled to teletheatre operators and, more substantially, by way of taxes to the provincial and federal governments. The Government of Alberta generated, in 1991/92, approximately \$11.5 million in pari-mutuel taxes but, after rebates and grant provisions to the tracks and to the race horse industry and after the cost of regulation through the Alberta Racing Commission, approximately \$1.2 million remained for general government purposes.

It is evident from this analysis that most of the revenue from horse racing in the province is "captured" by the race tracks and the equine industry and that government retains a relatively small share of residual earnings.

The analysis of racing revenues discussed above excludes the ancillary expenditures of bettors for parking, food and beverages, racing programs and general admission and these are significant sources of revenue to the tracks. In 1992, for example, the Calgary Exhibition and Stampede attributed \$0.7 million in profits to parking, food services and concessions from racing and identified more than \$1.9 million in gross revenues from admissions and other racing-associated revenues. It is estimated that the revenues from these associated goods and services are equal to roughly 20% of race revenues after winnings.

3.2.3 Income Impacts

The direct income that accrued to the racing sector in 1991/92, after deducting winnings that were returned to bettors, totalled \$43.4 million. Another 20%, or \$8.7 million, is estimated to have flowed to the sector for parking, programs, admissions and food and beverage concessions.

The aggregate annual direct, indirect and induced income impacts to the province that arise from that injection of horse racing spending is estimated as follows¹:

Household Income	\$ 30.0 million
Gross Domestic Product (G.D.P.) ²	\$ 45.7 million
Gross Output	\$110.7 million

These income impacts include the cumulative effects to the province after the initial income stimulus has "worked itself" through the economy. Household incomes include the sum of wages, salaries, and investment income that accrue to Albertans. G.D.P., or gross domestic product, provides a measure of the net output of goods and services that is derived from the income expended by the racing industry. Gross output provides a measure of total "turnover" or revenues that are generated across the provincial economy by the gaming industry.

3.2.4 Employment

Much of the employment attributable to the racing industry consists of remunerated employment at the race tracks and at racehorse breeding and training farms. The amount of volunteer labour is relatively small as compared, for example, to the bingo, casino, and raffle components of the gaming industry where charitable organizations have a more important operational role. The industry is known to be labour-intensive and is characterized by relatively low wage rates.

The study team has endeavored to develop estimates of the employment effects of the racing industry in Alberta. However, this has been particularly difficult in the absence of a comprehensive and in-depth analysis of the industry, and alternative approaches to estimation have revealed dramatically different employment figures.

The direct employment associated with the operation of the race tracks and the regulation of the industry can be estimated quite closely. Based on employment data provided by Edmonton Northlands, the Calgary Exhibition and Stampede Association, and the Alberta Racing Commission, it is estimated that these components of the industry account for approximately 425 full-time equivalent jobs. The number of job positions during active operational periods would be considerably

1. Multipliers from Alberta Economic Multipliers, Alberta Bureau of Statistics, May 1991. Multipliers based on 40% to agriculture (live animals), 60% to miscellaneous other services.
2. G.D.P. is a measure of the value of goods and services produced in the province. Alberta's G.D.P. at factor cost in 1992 totalled approximately \$69.8 billion (preliminary estimates of Alberta Bureau of Statistics).

higher of course, reflecting the use of many part-time employees as cashiers, waiters, parking attendants, and so forth.

Not included in these employment figures, of course, are the on-farm jobs or the indirect jobs that are associated with providing various services to the industry.

The study team has estimated direct and indirect industry employment by reference to published economic multipliers. Based on the estimated 1991/92 expenditures of \$52.1 million (net wagerings after winnings, plus ancillary expenditures), a total employment estimate of 1,000 full-time equivalent jobs is implied. That estimate is significantly below previous indications of industry employment.

For example, a 1986 study of the Alberta racehorse breeding and racing industries quantified the employment effects by relating employment coefficients developed in other studies to estimates of the number of racehorses and using a multiplier of 2.0 (that is, one indirect or induced job for each direct job) to derive estimates of direct and indirect employment. The number of direct and "downstream" jobs attributed to the industry in that study totalled 4,900.¹

Another indication of industry employment can be derived from the licensing data of the Alberta Racing Commission. In 1992, the Commission licensed a total of 5,798 individuals for entry to the non-public areas of racetrack facilities. That total includes owners, trainers, grooms, drivers and jockeys, stablehands, gate crews, starters, track officials and others. The estimate does not equate to full-time job equivalency, of course, and clearly a considerable number of the licensees would not rely on racing for full time commercial employment. At the same time, however, the number of individuals licensed would not include those workers that rely indirectly on the racing industry for their employment. This would include the employees of breeding farms, agricultural supply companies, transport firms, track food and beverage concessions, and other associated businesses.

These different estimates suggest that the total employment derived from the industry might lie within the broad range of 1,000 to 6,000 full time equivalent positions.

1. Alberta's Racehorse Breeding and Racing Industries, Opportunities and Constraints. Deloitte Haskins & Sells Associates. 1986.

A number of factors may explain the wide range in estimates. First, the apparent significance of part-time and to some degree seasonal employment (particularly in relation to thoroughbred racing) in the industry may explain some of the differences between the number of jobs and the number of full-time equivalent positions.

Second, the revenues that accrue to the equine industry from race purses and other racing development grants represent only one source of income to the industry: the private sale of horses and stud fees and out-of-province earnings also provide a share of revenue and employment. Also, it appears that parts of the industry are subsidized by individual breeders and owners. Accordingly, the derivation of employment estimates from racing revenues alone would tend to understate the number of industry jobs.

And third, the evidence suggests that wage rates in parts of the industry are low and that the use of unremunerated labour may be significant. The use of standard employment multipliers may therefore have the effect of understating total levels of paid *and* unpaid labour. In its summary estimates of gaming industry employment, the study team has taken the conservative approach of relying on a lower range of estimated racing-induced employment, or roughly 1,000 to 2,000 jobs. More definitive estimates would require a scope of analysis beyond that of this study.

3.3 BINGOS, RAFFLES, PULL-TICKETS AND CASINOS

3.3.1 Introduction

The Alberta Gaming Commission licenses and the Gaming Control Branch regulates bingos, raffles, pull-tickets and casinos in the province and these gaming activities, which together account for slightly more than one-half of the gaming industry, are treated together in this section of the report.

These gaming activities have grown considerably over the years: in 1973, the combined outlays on all four types of gaming totalled \$25 million; in 1991, \$649 million¹. During the past decade, bingos and casinos have demonstrated the most dramatic growth among these forms of gaming. The gross revenues for raffles and pull-tickets

1. The gross revenues for casinos cannot be strictly equated to the revenues for other forms of gaming. Casino revenues represent the value of chips purchased, rather than the total turnover of bets.

increased moderately during the early 1980's but have plateaued in recent years. A summary of revenues and growth trends for the various gaming activities is provided in Table 1.

TABLE 1
Gross Revenues for Bingos, Raffles, Pull-Tickets
and Casinos, 1981-1991

	Gross Revenues			Annual Growth Rates	
	1981	1986	1991	1981-1986	1986-1991
	\$ millions			%	
Bingos	\$40.2	\$167.1	\$297.3	33.0	12.2
Casinos	76.3	108.9	224.3	7.4	15.5
Raffles	10.8	20.8	24.2	14.0	3.1
Pull-Tickets	68.2	105.9	103.6	9.2	(0.4)
Total	\$195.5	\$402.8	\$649.4	12.1	8.7

Source: Gaming Control Branch statistical summaries.

These areas of gaming are much more geographically dispersed than horse racing, which as shown earlier is largely concentrated at the large urban track facilities in Edmonton and Calgary. They do not require major facilities nor do they depend on large urban markets to a significant degree. Among the four types of gaming, the two largest cities in the province account for an estimated 66% of the gross revenues or wagerings.

The total participation in these gaming activities can only be approximated, but it is currently estimated that annual attendances at casinos and bingos total 2.4 million and 8.6 million, respectively.

3.3.2 Revenue Flows

Bingo, casino, pull-ticket and raffle operations differ from horse racing in terms of financial flows in one major sense: they generate significant net revenues that accrue to not-for-profit, charitable organizations. Most of the income from horse racing is channeled to the race tracks or to the equine industry, while some 15% of the combined gross revenues (57% of net revenues after winnings) from bingos, casinos, pull-tickets, and raffles, a total of almost \$100 million in 1991, was left in the hands of organizations across the province for internal uses approved by the Alberta Gaming Commission.

Figure 5 shows the flow of revenues for each of the four gaming activities. In the case of bingos and casinos, particularly, operational expenses are significant. These outlays include event advertising and promotional costs, wages for contracted specialized staff, space rental costs, and the cost of supplies. At the same time, volunteer services contribute significantly through management and control of the gaming activities but are not recognized as monetary costs in the financial flows.

The Government of Alberta receives license fees from these gaming activities and those revenues totalled \$3.9 million in 1991. That income is largely off-set by the costs of the respective licensing and regulatory functions, whose costs total \$3.6 million per year. The net balance accrues to the general benefit of the provincial government.

The quantification of gaming revenues and expenditures discussed above does not include the associated expenditures of bettors for food and beverages or, for example, bingo supplies such as markers. These expenditures are significant in the case of bingos and casinos and are conservatively estimated to total more than \$27 million annually.

3.3.3 Income Impacts

The income that flows to the bingo, casino, pull-ticket, and raffle sector totalled, after pay-outs for prizes and including the associated non-betting expenditures, almost \$200 million in 1991.¹ Somewhat more than one-half of that amount is absorbed by various operating costs, while the remainder is channelled as surpluses to the charitable organizations and expended, in achieving their goals and objectives, on a wide range of services, materials, and equipment.

The gross annual income impacts of the bingo, casino and related gaming sector to the Alberta economy, including downstream indirect and induced effects, are summarized below²:

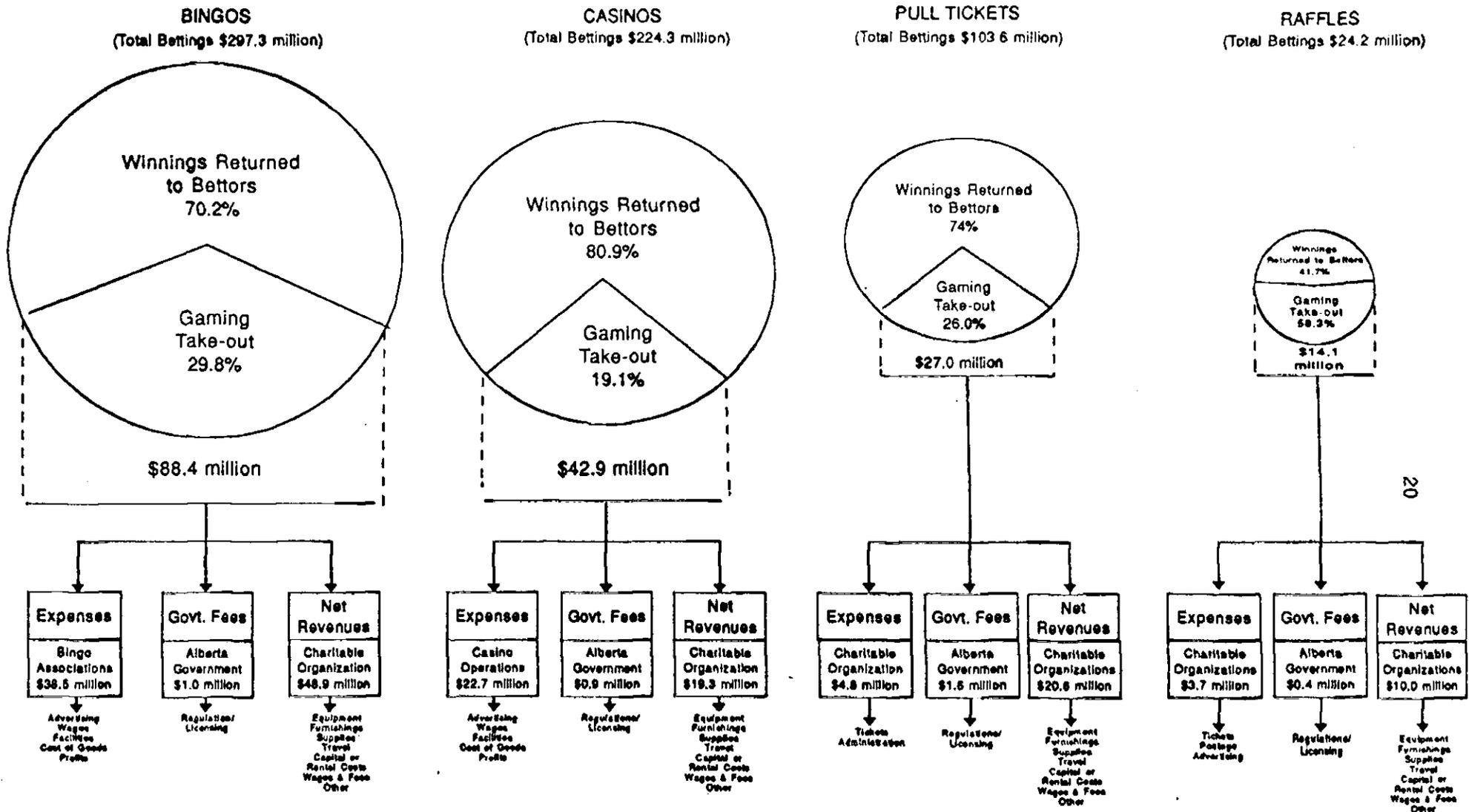
Household Income	\$130.6 million
Gross Domestic Product	\$180.9 million
Gross Output	\$407.6 million

These estimates are based on simplified assumptions regarding the use that is made of the gaming funds received by the charitable organizations and should be considered to represent broad order-of-magnitude economic impacts.

-
1. The net revenue estimates provided in Figure 5 aggregate \$172.4 million, but these figures exclude the associated expenditures of bettors for food, beverages, parking and other services.
 2. Multipliers from Alberta Economic Multipliers. Alberta Bureau of Statistics. May 1991. The multipliers used relate to the business, personal, and other miscellaneous service categories.

FIGURE 5

The Flow of Betting Revenues: Licenced Gaming, 1991



Source: Gaming Control Branch

3.3.4 Employment

Table 2 provides estimates of the employment directly associated with the operation of bingos, casinos, pull-ticket, and raffle activities. As shown in the table, almost one-half of the labour required for these activities is provided on a volunteer or non-monetary basis. This extensive involvement of non-paid labour differentiates these types of gaming from horse racing and, as discussed in a later section of the report, lotteries. It is estimated that the equivalent of 3,910 full-time jobs are associated with bingos, casinos and the related forms of gaming, and approximately 2,100 of those jobs are recognized as paid labour in the formal work force. Roughly 90% of the employment is associated with bingos and casinos, which dominate this sector of gaming.

TABLE 2
**Direct Employment in the Bingo, Casino,
Raffle, and Pull-Ticket Sectors, 1991**

Gaming Activity	Full-Time Equivalent Jobs
Remunerated Employment	
Government regulation and licensing ¹	70
Bingo - operations ²	440
- concessions ³	670
Casinos - operations ⁴	610
- concessions ⁵	160
Pull-tickets ⁶	150
Subtotal	<u>2,100</u>
Volunteer Employment	
Bingo ⁷	1,420
Casinos ⁸	100
Pull-tickets ⁹	15
Raffles ¹⁰	275
Subtotal	<u>1,810</u>
TOTAL	<u><u>3,910</u></u>

1. Actual employment of Alberta Gaming Commission and Gaming Control Branch.
2. Estimated at four persons per four-hour event. Events in 1991, 49,210. Full-time equivalent taken at 1,800 hours per year.
3. Concession employment based on estimated total concession sales of \$22 million, with labour at 33%. Average labour costs taken at \$6 per hour.
4. Wages and benefits estimated at 67% of casino expenses, or \$15.2 million. Average salary per year assumed at \$25,000.
5. Estimated concession sales of \$5.3 million. Labour factors as indicated in footnote 3.
6. Estimated on basis of one person-hour per \$70 of net profit, with 90% of labour provided on a remunerated basis. 1 FTE = 1,800 hours.
7. Based on 13 volunteers for four hours per event held in 1991.
8. Based on 22 volunteers for four hours per casino-day.
9. Reference footnote 6. 10% of labour assumed to be on volunteer basis.
10. Assumes effective return per volunteer-hour of \$20. 1 FTE = 1,800 hours.

The total direct, indirect and induced employment generated by the sector has been estimated through the use of published employment multipliers.¹ The analysis suggests that the total remunerated employment (i.e. not including volunteer labour) attributable to the sector totals 3950 jobs. In contrast, the estimates provided in Table 2 include only direct employment, but incorporate as well non-paid volunteer labour which is not captured in the "multiplier" analysis.

3.4 LOTTERIES

3.4.1 Introduction

Lotteries comprise the fastest growing form of gaming in Alberta, accounting for almost 30% of industry gross revenues. Lottery revenues accelerated sharply during the decade 1975 to 1985 and have expanded at a more moderate pace in recent years. The popularity of specific lottery games changes over time and new games are introduced periodically. However, LOTTO 6/49 has dominated for some years; it is followed in importance, at some distance, by INSTANT, the PLUS, and SPORT SELECT.

The most recent stimulus to the lotteries sector has been the introduction of video lottery terminals (VLTs), which are essentially electronic slot machines. The VLTs are proving to be extremely popular and are beginning now to have a significant impact on the gaming industry. They were first introduced in Alberta on a trial basis in 1991/92 and the gross revenues from them in that year totalled almost \$20 million.

The Western Canada Lottery Corporation (WCLC) acts on behalf of Alberta, Saskatchewan, and Manitoba in managing the ticket lottery activities of the three provinces, and net revenues are allocated to Alberta on the basis of sales generated in this province less the direct costs associated with producing those sales (prizes, commissions, ticket production), the direct provincial expenses incurred through the provincial marketing organization, which markets lottery products in Alberta jointly with the Corporation, and other corporate administrative expenses.

The role of the WCLC does not extend to the VLTs, which are owned and operated directly by Alberta Lotteries.

1. Alberta Economic Multipliers. Alberta Bureau of Statistics. May 1991.

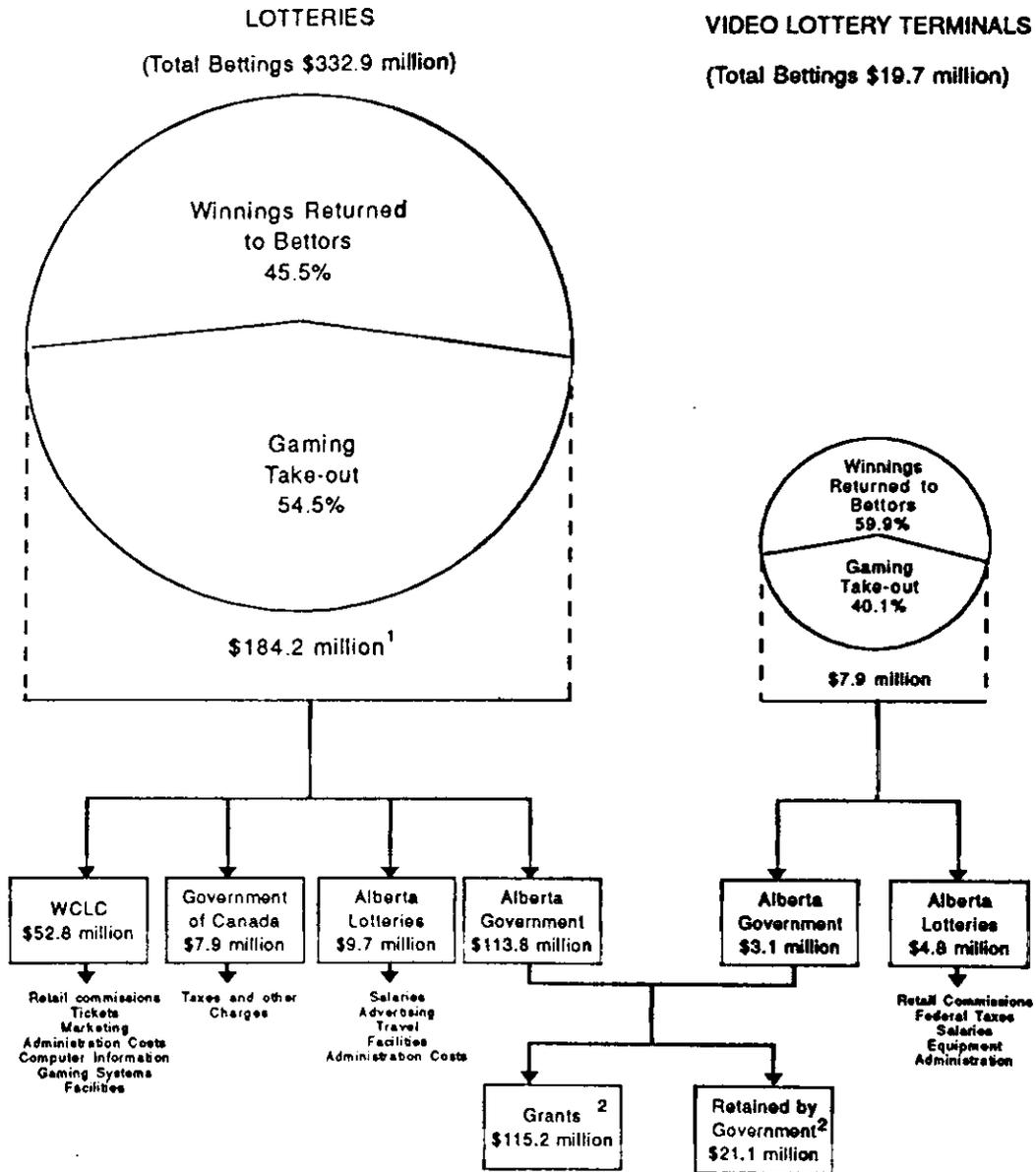
3.4.2 Revenue Flows

The traditional lotteries and the video lottery terminals together generated more than \$350 million in gross revenues in 1991/92. Of that amount, more than \$190 million remained after pay-outs to winners to cover operating costs and to generate profits which, in the first instance, accrue to the Government of Alberta by way of the Lottery Fund, administered by Alberta Lotteries and Gaming. In fiscal year 1991/92, a net amount of \$136.3 million, including interest on surplus balances, was generated by the Lottery Fund and almost 85% of that was disbursed to a broad range of non-profit provincial and local organizations to fund a host of community sport, recreational, and cultural facilities and programs, agricultural services and facilities, tourism programs, medical research activities and equipment purchases, and other programs. Figure 6 provides a visual representation of the flow of gaming revenues in the lotteries sector.

The lottery system -- with the exclusion of the VLTs -- is administered by the Western Canada Lottery Corporation, which manages the lottery activities of the three prairie provinces. WCLC expenses are allocated to Alberta largely on the basis of sales. Those allocations need not equate to actual expenditure flows within the province, although some costs such as retail commissions are directly tied to sales and are channelled to retail outlets in Alberta. With the head office of WCLC in Winnipeg, it is possible that a disproportionate share of expenses (for example, administrative costs) might accrue outside Alberta. The study team has not undertaken an in-depth analysis of the geographic distribution of lottery expenditures, but has assumed that with the transfer to Alberta of the WCLC marketing division and the finishing in this province of lottery tickets, a generally proportionate share of the corporation's expenditures flow to business suppliers and households in Alberta. On that basis, it is estimated that in the order of 95% of the expenditures related to the operation of lotteries is spent within the province, with the remaining 5% largely accruing to the federal government in the form of taxes and other charges.

FIGURE 6

The Flow of Lottery Revenues in Alberta, 1991/92



1. Includes \$2.8 million in interest and other income.
 2. Total available for distribution includes \$19.4 million in interest and other income.

Sources: WCLC and Alberta Lottery annual reports.
 Alberta Lottery Fund financial reports.

3.4.3 Income Impacts

The net gaming revenues that remain in the lottery sector, covering operating and regulatory costs and generating surpluses which in turn are distributed to non-profit groups by the government, totalled \$192.1 million in 1991/92. The subsequent expenditure of those funds, in the hands of the WCLC and Alberta Lotteries and the various recipients of grants through the Lottery Fund, generate income effects which are compounded through the multiplier phenomenon discussed earlier. The magnitude and distribution of those effects are related to the expenditure breakdowns of the net lottery revenues across the many organizations that are involved operationally in the sector or that benefit from the surpluses earned. The study team has not reviewed the individual activities and spending patterns of the many beneficiaries of lottery funds. That would be necessary in order to define with some accuracy the downstream economic impacts that arise from the spending of lottery surpluses. Rather, a simplified approach, relying on standard industry multipliers for Alberta, has been used to develop the following estimates of the gross annual income impacts of the lottery sector, for the reference year 1991/92¹:

Household Income	\$120.7 million
Gross Domestic Product	\$167.1 million
Gross Output	\$376.5 million

The study team has, on a selective basis, examined the funding activities of two foundations which benefit from lottery funds in order to provide some confirmation of the subsequent economic impacts that derive from lottery profits. The two organizations, the Wild Rose Foundation and the Recreation Parks and Wildlife Foundation, received between them \$10.4 million from the Lottery Fund in 1991/92 or about 9% of the grants distributed by the fund in that year. A brief profile of the activities and expenditures patterns of the two organizations is provided below.

Wild Rose Foundation

The Wild Rose Foundation was established by the Government of Alberta in 1984. The stated purposes of the Foundation are to:

- 1) provide funding to volunteer, non-profit organizations that provide valuable services to Albertans, 2) foster the use of volunteers, or assist those who volunteer or use the services of volunteers in Alberta, and 3)

1. Based on Alberta Economic Multipliers. Alberta Bureau of Statistics. May 1991. Direct income impact based on \$192.1 million less taxes to Federal Government (\$7.9 million).

foster charitable, philanthropic, humanitarian, or public-spirited acts or assist those who perform them.

The Wild Rose Foundation received \$5 million from the Lottery Fund in 1991/92. That funding, together with other interest earnings on asset balances, accounted for the organization's total revenues in that year.

The foundation's income is used for 1) the administration of the organization; 2) the operation of volunteer development programs, and 3) the funding of capital, operational, and program activities among other volunteer organizations. The latter use of funds accounts for more than three-quarters of the foundation's outlays.

The recipients of grants from the foundation include voluntary associations, service agencies, senior citizens societies and clubs, service clubs, childcare organizations, performing arts organizations, public institutions and health care facilities, fundraising organizations and chambers of commerce. Among the uses of grants awarded by the foundation in 1991/92 were the following:

- the funding of counsellor, training, coordinator, and outreach positions for various non-profit organizations;
- the purchase of transportation vehicles for the disabled;
- the rehabilitation, reconstruction, and furnishing of senior citizens centres;
- the operational funding of youth development programs;
- the purchase of program equipment for playschools and community halls;
- the operational and capital support of an adult literacy program; and,
- the provision of equipment and other capital support to food banks, auxiliary hospitals, day care organizations, eye banks, and fire protection and other organizations.

The above provides only a partial representation of the projects funded.

Figure 7 provides a visual overview of the flow of lottery and other funds through the Wild Rose Foundation. Of the \$5.9 million expended by the foundation in 1991/92, approximately one-half was ultimately used for wages and salaries, another 40% for equipment or other capital purposes, and the remainder for various supplies and other goods and services.

It is clear that the expenditures made directly by the foundation for its own administration and internal programs and by the recipients of foundation grants in the implementation of their funded programs convey substantial economic impacts. The flow of income to households in the form of wages and salaries and to businesses for supplies, facilities rental, equipment and construction services have positive income and employment effects. For example, based on an examination of grant and administrative information provided by the foundation, it is estimated that approximately 70 employment positions within various non-profit organizations and the foundation itself are directly funded by the Wild Rose Foundation¹. Those direct jobs do not include the employment that is indirectly generated through the expenditure of foundation funds for various materials, equipment and services.

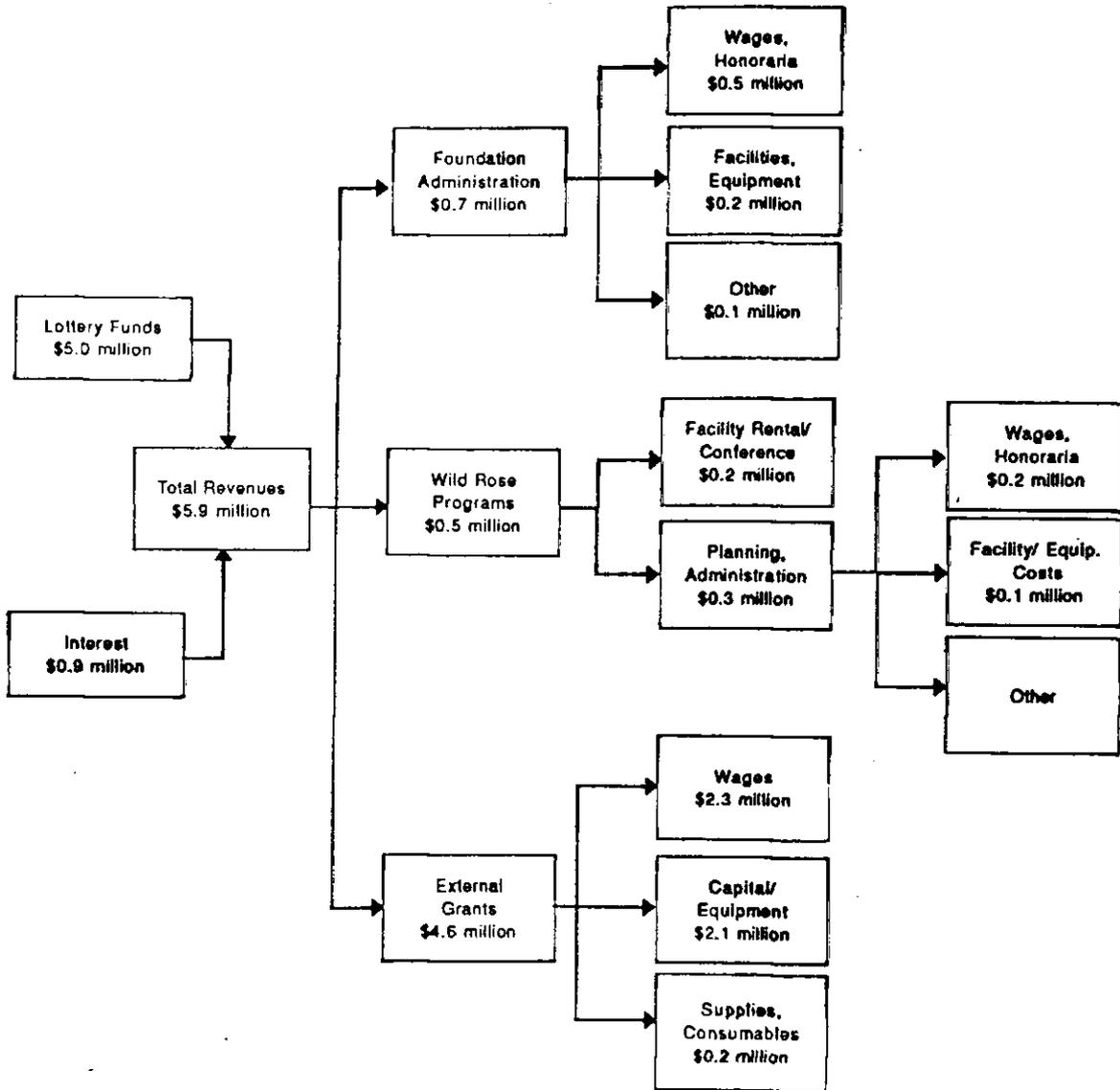
In 1991/92 more than \$4.6 million in grants were awarded by the foundation to 184 organizations. Those grants were equivalent to roughly 20% of the total cost of the funded projects and programs. The effect of these grants is to: 1) advance the timing of some volunteer projects, by up to two-to-three years, 2) support projects that might not otherwise proceed in the absence of Wild Rose funding and 3) support projects which might otherwise be of a smaller size or scale. Accordingly, it can be argued that the funding provided by the foundation may generate a greater than dollar-for-dollar impact, although such potential leveraging effects have not been considered in the economic impact estimates provided in this report.

Recreation, Parks and Wildlife Foundation

The Recreation, Parks and Wildlife Foundation is another recipient of lottery funds, receiving \$5.0 million in 1991/92. As with the Wild Rose Foundation, a large share of the foundation's revenues is related to lottery funding and to the interest earned on asset balances. Other financial sources include the donation of money and lands.

1. Based on staffing data for the Wild Rose Foundation and the results of a granting decision process review conducted on behalf of the foundation in early 1993 by external consultants.

FIGURE 7
Flow of Funds: Wild Rose Foundation
1991/92



Note: Numbers may not add due to rounding.

Source: Wild Rose Foundation annual report and supplementary program and financial data.

Approximately 9% of the foundation's expenditures are associated with the administration of the organization and another 7% is channelled to foundation-supported projects, the largest of which is the Rick Hansen Centre, a facility which provides the physically disabled with opportunities to improve their health and fitness.

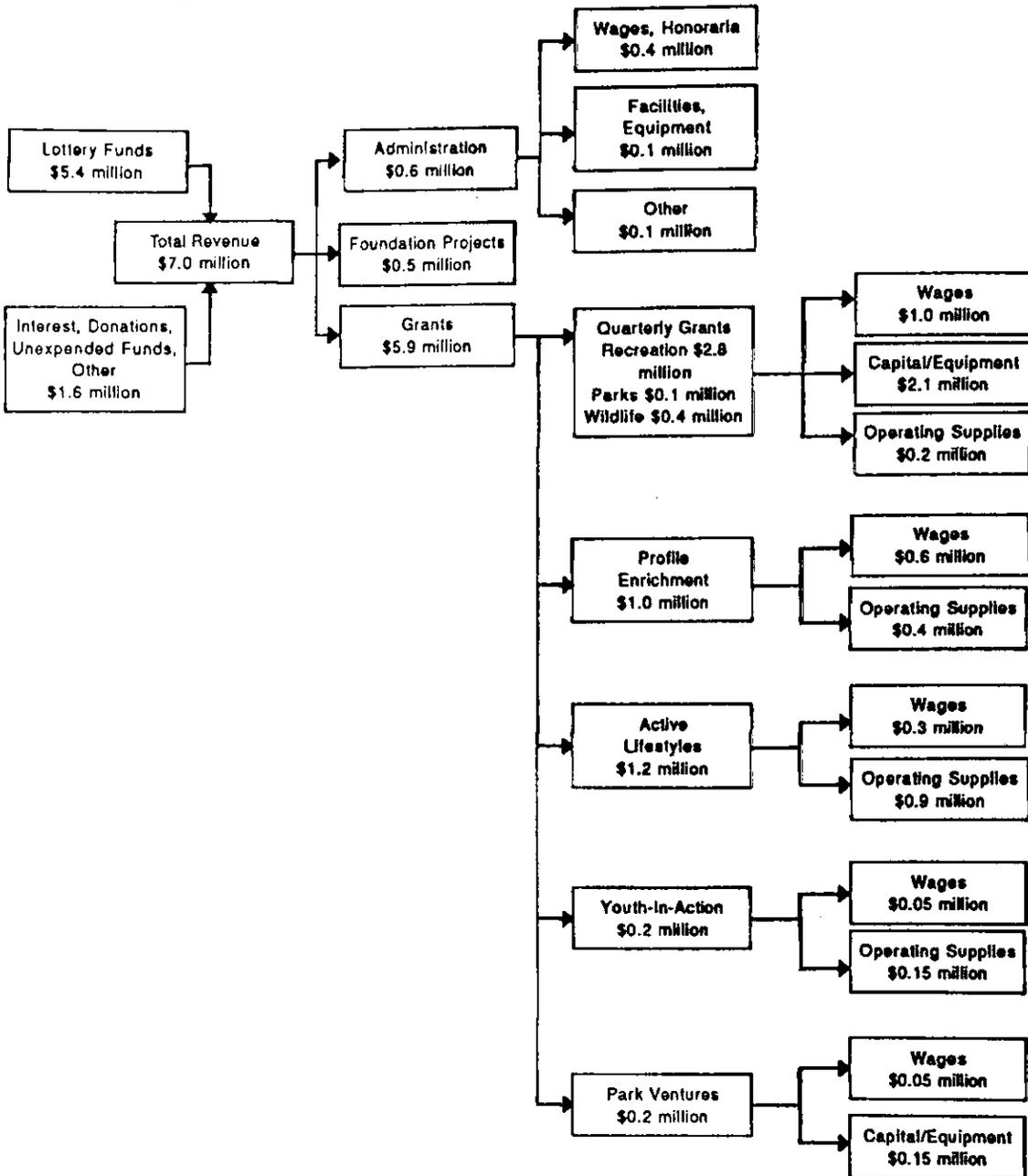
The remaining and dominant share of foundation expenditures is provided in the form of grants through various programs to a multitude of non-profit organizations. Figure 8 provides a summary of the financial flows of the foundation in 1991/92.

The grant programs offered by the Recreation, Parks and Wildlife Foundation are summarized below:

- **Quarterly Grant System.** The largest of the foundation's programs, the quarterly grants provide assistance to individuals, groups, municipalities and organizations for recreation, parks and wildlife projects. Representative projects funded include: the construction and redevelopment of playgrounds and other sports and recreational facilities, the preparation of recreation resource manuals, wildlife research projects, and the promotion and development of sports and recreational events and activities.
- **Profile Enrichment Program.** This program provides funding to recreation, parks, and wildlife service associations and to regional fitness centres. In 1991/92, thirty-one organizations were assisted under the program.
- **Active Lifestyles Program.** This program encourages the pursuit of recreation as a vehicle for health promotion, and it supports recreational promotional initiatives, research and education, special recreational projects, and fitness delivery programs.
- **Youth-In-Action Program.** This program is administered by the Foundation and assists in youth leadership development, provides travel support to youth groups, and encourages youth exposure and involvement in the recreation, parks and wildlife assets of the province.

FIGURE 8

Flow of Funds: RPW Foundation 1991/92



Source: Recreation Parks and Wildlife Foundation annual reports and supplementary program and financial data.

- **Park Ventures Program.** The objectives of this program include the expansion of program opportunities in parks and the development, management, and preservation of park resources. Project funds can include, for example, the acquisition of lands; the provision of new recreational facilities and services, including educational and interpretive services; the maintenance or replacement of capital facilities; and assistance toward resource management issues.

The financial contributions of the Foundation account for a varying share of the costs of funded projects and programs. Under the quarterly grants program, the foundation's assistance accounts for roughly 12% of total project costs, while in the case of other program areas the foundation's share of project costs may be significantly greater.

As with the funding activities of the Wild Rose Foundation, discussed earlier, it appears that the effects of the grants provided are to advance the timing of projects, to "leverage" support from other sources and thus encourage projects to proceed that might not otherwise be pursued, and to expand the scale and scope of supported projects.

It is estimated that roughly 35% to 40% of the expenditures of the foundation are channelled directly to wages and salaries, generating an estimated 60 full-time equivalent positions, while the remaining funds are used to construct facilities, acquire equipment and supplies, and purchase other goods and services. The expenditure of the foundation's lottery funds, aside from any leveraging effects that may occur in terms of precipitating other expenditures, obviously has downstream economic impacts that must be recognized in any examination of the gaming industry.

3.4.4 Employment

Estimates have been made of the employment directly associated with the operation of lotteries in Alberta, and these are summarized in Table 3. It is estimated that more than 1,400 full-time equivalent positions in the province are directly linked to lotteries operational activities. The figures do not include the employment in the supplier industries (eg. ticket printing) nor do they include downstream employment effects related to the distribution and subsequent use of lottery funds by the benefiting foundations and other non-profit

organizations. As a result, the estimates constitute only a portion of the overall employment impacts.

The gross employment impacts of lotteries have been estimated by reference to published economic multipliers for Alberta. It is estimated that a total of 3650 jobs in the province are linked directly or indirectly to the lotteries sector.

TABLE 3
Direct Operational Employment in
the Lotteries Sector, 1991/92¹

	Full-Time Equivalent Jobs
Operational Employment	
Western Canada Lottery Corporation	35
Alberta Lotteries	65
Distribution/Sales Outlets	
VLTs ²	24
Ticket lotteries ³	1,305
TOTAL	1,429

1. Excludes employment in the supplier industries.
2. Based on 1993 employment indices developed by Alberta Lotteries and applied to the number and mix of outlets in 1991/92.
3. Derived from 1993 employment estimates developed by Alberta Lotteries on the basis of the current employment indices and number and mix of retail accounts by sales range. Estimates for 1991/92 prorated on the basis of relative sales (constant dollars) for 1991/92 and 1993/94.

3.5 AGGREGATE PROVINCIAL IMPACTS

The economic impact estimates developed earlier for each of the gaming sectors have been combined and the aggregate impacts of the industry as a whole are summarized in Figure 9.

The impacts of the industry are generated by bettings and the ancillary expenditures (parking, concessions, etc.) of gaming participants after deducting the winnings returned to them. In 1991/92, \$444 million was channelled to the gaming industry and those funds were used to cover operating costs and to generate surpluses. A sense of the relative size of the gaming industry in Alberta can be gained by comparing those net revenues -- now approaching \$0.5 billion annually -- with the revenues of such large and strategic industries as tourism (\$3 billion), agriculture

(farm cash receipts of about \$4.5 billion), and forestry (annual shipments of more than \$2 billion).

The industry income, in the hands of gaming operators, charitable organizations, and others, was used to purchase a wide array of goods and services and stimulated economic activity as it filtered through various parts of the provincial economy.

An estimated \$280 million, equivalent to about two-thirds of the original \$444 million that is injected into the industry by bettors, ultimately accrues in the form of income to households in the province. The aggregate annual effect of the gaming sector in 1991/92 was estimated to equate to a G.D.P. of \$390 million, or about 0.5% of total economic activity in the province. The total provincial employment that stem from the gaming activities is equal to roughly 8,600 to 9,600 paid jobs. It is estimated that non-paid volunteers who are directly involved in the operation of casinos, bingos, and related gaming activities on behalf of charitable organizations contribute labour equivalent to another 1,800 full-time jobs.

In terms of financial impacts, the province's charitable organizations are the greatest immediate beneficiaries of the gaming industry. A total of \$214 million or almost one-half of industry net revenues after winnings accrue to non-profit organizations. That amount includes the net proceeds from charitable gaming (\$99 million) plus grants provided through the Lottery Fund (\$115 million).

The Government of Alberta receives pari-mutuel taxes from racing, license fees from casinos, bingos, pull-tickets and raffles, and profits from lotteries. These gross receipts (excluding interest earnings) totalled \$132 million in 1991/92. However, much of those revenues is returned to industry participants (in the case of horse racing), is provided to charitable organizations through the Lottery Fund, or is used to fund the government regulation and licensing of the industry. A summary of the source and use of the gaming funds received by the provincial government is provided in Table 4.

TABLE 4
Government Gaming Revenues and Transfers

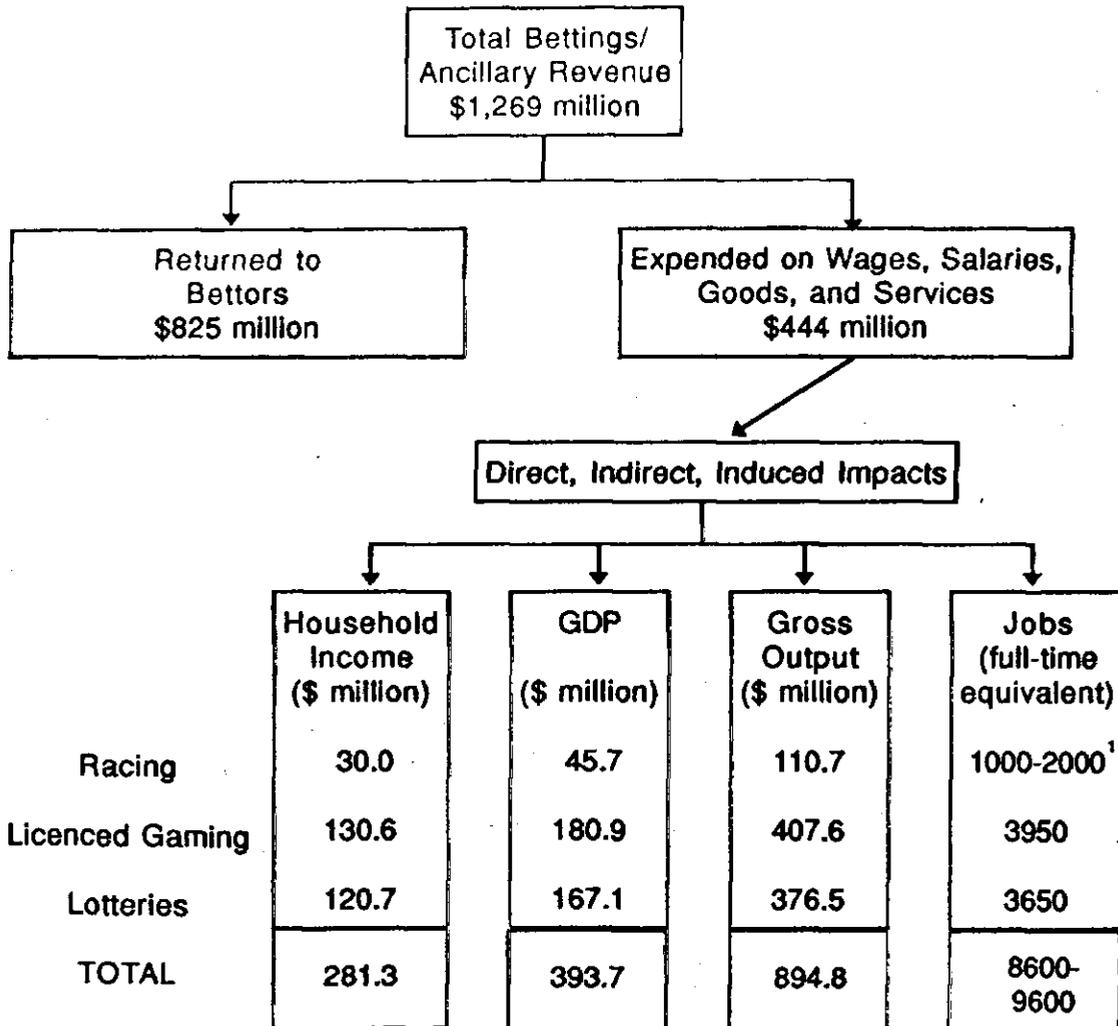
Revenues:	
Parimutuel taxes	\$11.5 million
Gaming licensing fees	\$3.9 million
Net revenues from lotteries	<u>\$116.9 million</u>
Net revenues to government	\$132.3 million ¹
Less:	
Transfers to tracks and equine industry	\$9.5 million
Gaming regulatory and licensing costs	\$3.5 million
Grants from Lottery Fund	\$115.2 million
Racing Commission costs	<u>\$0.8 million</u>
Subtotal	\$129.0 million
Equals:	
Residual revenues for general government purposes	<u>\$3.3 million¹</u>

1. Excludes interest earned on surplus balances.

The gaming industry in Alberta appears to be self-contained in the sense that much of its revenues are in turn expended within the province. This certainly is true for horse racing, bingos, and casinos but less clear in the case of lotteries given the interprovincial involvement of the WCLC. The consultants have not analyzed independently the geographic distribution of lottery operating expenditures.

It appears that a large share of gaming revenues in Alberta is derived from Albertans and represents an alternative use of provincial disposable personal income. Data are unavailable that would indicate what share of gaming revenues in the province are generated by visitors to Alberta and thereby represent tourism expenditures. Nor is there information that would suggest what effects the existence of gaming activities in the province have in terms of reducing the "leakage" of Alberta consumer incomes to other jurisdictions through out-of-province gaming and other recreational expenditures. This information would assist in establishing more definitively the economic impacts of gaming to Alberta.

FIGURE 9
Aggregate Economic Impacts
Gaming Industry 1991/92



1. Conservatively estimated. Estimates of employment attributable to the Alberta racing sector range to as high as 6000 jobs.

4. SUMMARY AND CONCLUSIONS

Purposes

The purpose of the study has been to measure the economic role and contribution of the gaming industry in Alberta. More than \$1.2 billion annually is expended within the province on lotteries, bingos, casinos, horse racing and other legal gaming activities.

Definitions

The gaming "industry" is not a formally-defined industry in terms of conventional classification systems. It is an amalgam of different forms of gambling and its revenues, expenditures and jobs are diffused across a number of discrete business sectors. However, gaming is essentially part of the service sector and represents a channel for consumer expenditures in the same way as do other recreational, travel, personal service and retail industries.

The gaming industry is comprised of three broad sectors: 1) horse racing, 2) bingos, casinos, pull-tickets, and raffles, and 3) lotteries, including both ticket lotteries and video lottery terminals.

Industry Growth

Gaming is a "growth" industry, and has accounted for a increasing share of provincial economic activity over the past two decades. At the same time, the various parts of the industry demonstrate different growth patterns: horse racing, for example, has declined in both relative and absolute size over the past ten years or more, while the significance of video lottery terminals is increasing dramatically.

Horse Racing

Horse racing accounts for about one-fifth of the gaming industry gross revenues. After pay-outs to bettors, racing generated \$43.4 million in gaming revenues and another \$8.7 million in associated revenues from concessions, parking, and other sources during 1991/92. Much of that revenue accrued to the race tracks and to the equine industry, which supplies the thoroughbred and standardbred horses that form the central ingredient to the sector.

Bingos, Raffles, Pull-Tickets, and Casinos

The gross revenues from bingos, raffles, pull-tickets and casinos have grown from \$25 million in 1973 to \$195 million in 1981, and to \$649 million in 1991, with bingos and casinos accounting for much of that expansion. The net revenues after pay-outs to this gaming sector totalled \$172 million in 1991 and another \$27 million were generated from concessions and other ancillary services.

The sector generates significant profits and the subsequent use of those surpluses by the charitable organizations that receive them must be recognized in the economic impact analysis.

This sector is unique among the three gaming sectors in relation to its extensive involvement of volunteer services, which are not reflected as "market transactions" but embody a large value nonetheless which is reflected in the surpluses that accrue to the non-profit organizations. These volunteer services equate to an estimated 1,800 full-time jobs.

Lotteries

Lotteries, including VLTs, now comprise the fastest growing form of gaming in Alberta, accounting for almost 30% of industry gross revenues, or more than \$350 million in 1991/92. The sector has recently been stimulated by the introduction and popularity of VLTs.

The net revenues that accrued to this sector after payouts totalled \$192 million in 1991/92. Almost \$117 million of that amount accrued after operating costs to the province's Lottery Fund and most of that was channelled in the form of grants to a host of charitable and non-profit organizations across the province. The use of those funds in the hands of the benefiting organizations is considered in the economic analysis in order to reflect the downstream effects of the lottery profits. As a means of providing some verification of those effects, the expenditure activities of two Lottery Fund recipients -- the Wild Rose Foundation and the Recreation, Parks and Wildlife Foundation -- were examined as part of the study.

Overall Economic Impacts

The various gaming sectors combined received an injection of net revenues after payouts totalling \$444 million in 1991/92. Those funds, circulated to gaming operations, charitable organizations, and provincial regulatory agencies, are used for wages and salaries and a wide array of purchased goods and services. Recognizing the subsequent rounds

of income and employment generated by those expenditures, it is estimated that the gaming sector generated \$280 million in household income in the province, and contributed \$390 million to Alberta's gross domestic product (G.D.P.).

The total paid employment (excluding volunteer labour) that derived from that economic activity is equal to roughly 8,600 to 9,600 jobs.

The greatest financial beneficiaries of the gaming industry are the province's charitable organizations, which received \$214 million in 1991/92, or almost one-half of industry net revenues after winnings. That amount includes the net proceeds from charitable gaming (\$99 million) plus grants provided through the Lottery Fund (\$115 million).

A total of \$132 million in net revenue flowed to the Government of Alberta from gaming activities in 1991/92, but much of that was returned to industry participants (primarily the racing industry) and to non-profit charitable organizations, or was absorbed in the costs of regulating the industry.