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**Ministère des Finances**  
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June 7, 2012

[REDACTED]

Dear [REDACTED]

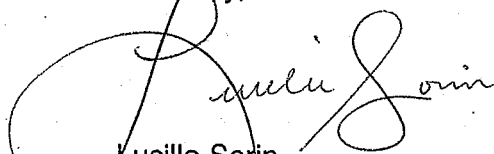
**Re: G-12-0097-02 – Studies – Release of Records**

Further to our letter dated May 30, 2012, your payment in the amount of \$10.60 was received.

The records responsive to your request for access to information under the *Freedom of Information and Protection of Privacy Act* (the Act) are enclosed.

Should you have any questions please give me a call at (416) 212-1481.

Sincerely,

  
Lucille Sorin  
FOI Assistant Coordinator(A)

Encl.



**Economic Impact Note: Ontario's Horse Racing Industry**  
 Macroeconomic Policy Analysis Unit - March 14, 2012

--- REVISED DRAFT ---

This note examines the overall economic impact of the horse racing industry in Ontario and assesses the economic implications of reallocating the \$345M Slot at Racetracks Program (SARP).

The analysis of the horse racing industry includes activities associated with racetracks and the portion of the equine industry related to breeding and raising race horses; however, it excludes all spending at slot machines and associated activity.

**Conclusions**

Reallocation of the \$345M SARP subsidy to health and education, in addition to benefiting the long-term sustainable prosperity of Ontario, would have a positive net impact on jobs and economic growth in the short run.

A removal of SARP from race track operators in Ontario would lead to:

- The potential closure of 11 of the 17 race tracks operating in Ontario currently (MOF estimate).
- A reduction in industry expenditures proportional to the relative importance of wagering at the 11 tracks at risk of closing.
- A reduction in GDP (\$2010) of between \$200M and \$400M annually (the latter estimate based on OHRIA/ERL's impact study).
- Job losses of 3,500 to 5,800 annually (the latter estimate based on OHRIA/ERL's impact study).

Re-allocating these SARP expenditures to health care or education expenditure would lead to:

- A \$360M to \$380M boost to Ontario's GDP (\$2010) annually
- Annual employment gains of 5,700 to 6,700.

**Economic Impact**

The following results are based on information provided by the Gaming Policy Branch at MOF, studies published by the Ontario Horse Racing Industry Association (OHRIA) and Equine Canada as well as internal work using the Ontario Input-Output model and Statistics Canada's detailed I-O multipliers.

**Impact of Horse Racing Industry and Ending SARP (MOF)**

Impact in 2010\$M	Current Activity (Without Slot Operations)	Activity After Ending SARP	Loss
Gross Spending	970	750	-220
Total GDP Impact	970	740	-220
Multiplier (dir+indir+induced)	1.00	1.00	
Total Employment Impact (jobs)	13,540	10,050	-3,480
Multiplier (dir+indir+induced)	14.0	14.0	

Source: MOF estimates -- Gross spending and multipliers, Statistics Canada Input-Output tables, 2008  
 MOF impacts expressed in 2010\$ to make comparable with ERL's study.

Total direct spending in the industry (excluding spending on slot machines) is estimated to have been about \$970M in 2010. This would have generated an estimated \$970M of GDP (2010\$), supporting about 13,540 annual jobs, both directly at the race tracks and farms associated with the industry, through supplier industries (indirect) and through the spending of incomes generated by the industry (induced effects).

If government support for the industry through the \$345M Slot At Racetracks Program (SARP) were to be phased out, MOF's Gaming Policy Branch estimates that 11 of the 17 race tracks in Ontario would likely not survive (i.e., the major ones, such as Woodbine, would remain while some of the smaller tracks, heavily dependent on slot revenues, would either merge with other tracks or cease operations).

Based on the above assumptions, the gross spending on horse production associated with each race track and the operating expenditures in the tracks at risk, eliminating SARP would reduce gross spending permanently by an estimated \$220M (in 2010\$) with total GDP declining by similar amount and Ontario employment declining by roughly 3,500 jobs.<sup>1</sup>

### Re-Allocating Spending

Ending SARP would free up resources for the investment in other priority areas. Currently, SARP is estimated to be approximately \$345M per year (about \$330M in 2010\$). The table below shows the impact of spending this amount in health care (nursing and residential care facilities and ambulatory care) or education (elementary and secondary schools and community colleges) or distributed across the economy in proportion to each industry's output levels.

#### **Impact of Re-allocating Proceeds from SARP\***

	Health Care	Education	Economy-wide
Total Gross Spending (2010\$M)	330	330	330
Total GDP Impact (2010\$M)	360	380	305
Multiplier (dir+indir+induced)	1.10	1.16	0.93
Total Employment Impact	6,670	5,740	3,160
Multiplier (dir+indir+induced)	20.4	17.5	9.6

\*Slots at Race Tracks Program

\* SARP estimated at approximately \$345M in 2012, equivalent to about \$330M in 2010\$

Re-allocating \$345M in funding from race tracks to health care would boost provincial GDP by \$360M, adding about 6,670 jobs across Ontario. The same spending in education would add \$380M to GDP, creating about 5,740 jobs.

<sup>1</sup> To the extent that the incidence of part-time employment in this industry exceed provincial averages, the actual number of jobs at risk would be somewhat higher than 3,500.

## Industry's Perspective

In 2011, OHRIA commissioned a study by Econometric Research Limited (ERL) to assess the contribution of the horse racing industry to the Ontario economy.<sup>2</sup> The study estimates that gross spending in the industry in 2010 was \$1,990M; leading to a total GDP impact of \$2,300M and 31,440 FTE jobs across Ontario.<sup>3</sup>

The ERL study did not consider a scenario with a partial decline in the horse racing industry's output due to removal of SARP, (i.e., removing SARP leads to some -but not all- tracks closing, with expenditures in the industry declining in some proportion to the closures). Considering a scenario and using the estimated size of the industry and multipliers according to the ERL study, removal of SARP would result in \$430M reduction in GDP (\$2010) and a loss of about 5,810 FTE jobs.

### Impact of Horse Racing Industry and Ending SARP (ERL's Study)\*

Impact in 2010\$M	Current Industry Activity (2010)	Current Without Slot Operations	Impact After Ending SARP**	Loss
Total Gross Spending	1,990	1,420	1,090	-330
Total GDP Impact	2,300	1,770	1,340	-430
Multiplier (dir+indir+induced)	1.16	1.16	1.16	
Total Employment Impact (jobs)	31,440	23,850	18,040	-5,810
Multiplier (dir+indir+induced)	15.8	15.8	15.8	

\* Impacts based on ERL's estimated 2010 spending of \$1,990M (or \$1,420M w/o slots)

\*\* This "Ending SARP" scenario is not part of ERL's study. We assume a proportional reduction in ERL's gross spending and the multipliers computed in the study to assess the impact of ending SARP.

There are two key areas in which OEP's analysis differs from ERL's framework:

- 1) **Size of the industry** - The ERL study concluded that direct gross spending in the industry approximated \$2B in 2010. This includes \$570M in spending associated with slot machine operations, implying \$1,420M, net of slot operations. MOF analysis is based on \$970M (\$2010) of industry spending (net of slot machine operations). This smaller net amount is attributable to less spending assigned to horse breeding and horse racing, as well as less spending assumed for track expenditures by race track operators.
- 2) **Smaller Multipliers** - OEP's input-output analysis suggests that both the GDP and employment multipliers are lower than ERL's study, leading to smaller impacts.

<sup>2</sup> "The Economic Impacts of Horse Racing and Breeding in Ontario, 2010" (2011) Econometric Research Limited

<sup>3</sup> According to ERL, this job estimate increases to about 60,000 after part-time and casual employment is factored in.

**Impact of Ontario's Horse Racing Industry and Re-allocating SARP Spending \***

2010\$ millions	Impact of Industry (without Slot Operations)		Impact of Ending SARP		Re-allocating SARP (MOF)	
	ERL	MOF	ERL	MOF	Health	Education
Total Gross Spending	1,420	970	-330	-220	330	330
Total GDP Impact	1,770	970	-430	-220	360	380
Total Employment Impact (jobs) **	23,850	13,540	-5,810	-3,480	6,670	5,740

Source: Econometric Research Limited (ERL) and Ontario Ministry of Finance (MOF)

\* SARP estimated at approximately \$345M in 2012, equivalent to about \$330M in 2010\$

\*\* Employment impact in ERL study are full-time equivalent jobs (FTE) whereas MOF's estimate are total jobs (including part-time).

Reforming SARP would lead to a smaller reduction in industry gross spending (\$220M in 2010\$) relative to the size of the program (\$330M in 2010\$) because it is expected that patrons at racetracks that might close down would wager at other remaining racetracks such as Woodbine (or electronically). Moreover, the reduced return on capital to horse owners and breeders as a result of phasing out SARP (i.e., fewer races in Ontario and smaller purses) would not lead to a significant reduction in the economic size of the industry.

On the other hand, the greater short-term benefit of investing in health and education derives partly from the fact that the GDP multiplier in these sectors is greater than in horse racing, with a large portion of the funds flowing directly to jobs and wages, and partly from the fact that by ending SARP, funds available to other priorities (\$330M) would exceed the total reduction in horse racing industry expenditures (\$220M).

**Eduardo Rojas (5-7211) / Tony Stillo (5-0774)**  
**ERFAB, OEP**  
**March 14, 2012**