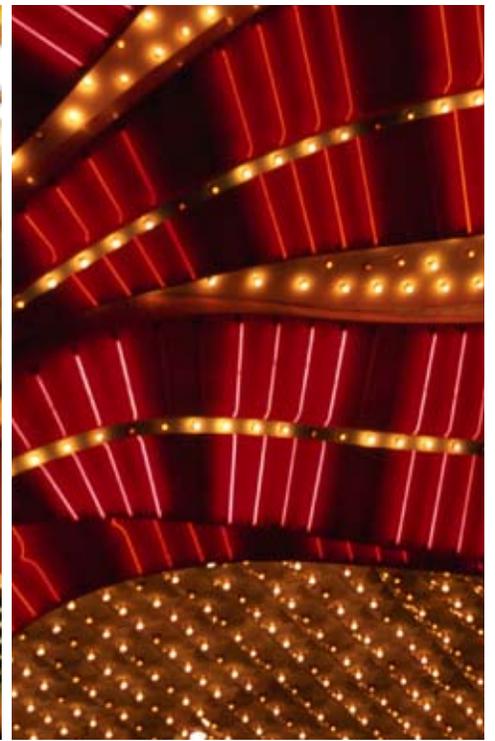


ECONOMIC IMPACT OF THE CANADIAN GAMING INDUSTRY



Prepared by

HLT
ADVISORY

2010 - 2011



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

Our members are among the largest most established gaming operators, suppliers and gaming equipment manufacturers in Canada.

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

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

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FOREWORD BY CANADIAN GAMING ASSOCIATION

The 2010 Economic Impact of the Canadian Gaming Industry (the Study) is part of a series of science and fact-based national studies and surveys relating to Canada's gaming industry that the Canadian Gaming Association (CGA) commissions and is an update of the original economic impact assessment completed in 2008.

The purpose of this Study is to provide a clear, comprehensive picture of the magnitude of the gaming industry and its economic impacts across the country.

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

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

A Major Industry and Contributor to the Canadian Economy

The Canadian gaming industry generates significant benefits and activities across the broader Canadian economy – totalling more than \$31-billion in Gross Output and \$14-billion in purchased goods and services.

The Study shows that legalized gaming, at \$16-billion, has almost tripled since 1995. Among the findings of the Study are that gaming in Canada continues to:

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

Gaming in Canada directly supports more than 128,000 full-time jobs (more than 283,000 jobs including indirect and induced impacts) and generates \$8.7-billion annually to fund government and community programs and services.

The size and scope of the industry have created a positive economic environment wherein the majority of goods and services needed to sustain operations are now produced and/or offered in Canada, and a number of Canadian companies export gaming related products and services internationally.

Growth Tempered with Responsibility

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

The Canadian industry is at the forefront of responsible gaming programs, having adopted responsible gaming as a core operating philosophy, which includes education and awareness, prevention and treatment. Canadian provinces currently spend approximately \$110-million on problem gaming treatment, research, awareness prevention initiatives and responsible gaming programs (Source – Canadian Gambling Digest 2009-2010, Canadian Partnership for Responsible Gambling).

Problem gambling rates have not risen since the mid-to-late 1990's and fall between 0.7 per cent and 1.4 per cent across the country. To put this issue in perspective: more than 98 per cent of Canadians continue to gamble without issue for fun and entertainment.

William P. Rutsey
President & CEO
Canadian Gaming Association

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EXECUTIVE SUMMARY

HLT Advisory Inc. was retained by the Canadian Gaming Association to update an assessment of the economic contribution of the gaming industry to the Canadian economy in 2010. An original assessment was completed in 2008 based on the state of the industry in 2006. Hereunder is a summary of the findings contained in this updated report.

Over the past 15 years, the Canadian gaming industry has almost tripled in size from \$6.4 billion in gaming win (wagering less prizes) in 1995 to about \$15.1 billion in 2010. In addition the industry also generated about \$900.0 million in non-gaming revenue (e.g. food and beverage, accommodations, entertainment and retail) for a total industry revenue base of \$16.0 billion (2020).

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

The gaming industry is also a pillar of the broader hospitality industry in Canada. Traditional hospitality sectors include restaurants, accommodations and travel. These sectors represent the foundation of Canada's broader tourism industry as well as a key infrastructure component of the Canadian economy as a whole.

Gaming is similar to other hospitality sectors in terms of both its capital and labour intensity. It is unlike other hospitality sectors however in terms of its ability to generate profit (in 2010, gaming profits represented 54% of gaming revenues). The major benefactors of this profit are governments and charities.

Of the \$16.0 billion of revenues that were generated by the industry in 2010, governments and charities received almost \$8.7 billion. The majority of these revenues are spent annually to support priority areas and programs. The remaining \$7.3 billion was spent by activity operators to sustain operations.

In 2010, the Canadian gaming industry generated significant economic benefits from the operation of all gaming activity and from the government/charity spending of gaming profits. Total benefits included:

- \$31.1 billion in Gross Output
- \$14.6 billion in the Purchase of Goods and Services
- \$16.5 billion in Value Added GDP
- \$12.5 billion in Labour Income
- 253,487 jobs (full-time equivalent).

Economic benefits from gaming are generated by the purchase of goods and services needed to sustain gaming operations and the spending of profits by governments and charities.

Jobs Created and Sustained - National			
	Gaming Operation	Government/ Charities	Total
Direct	54,616	73,679	128,295
Indirect	49,023	28,565	77,588
Induced	17,742	29,863	47,605
Total	121,381	132,106	253,487

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

The economic benefits from gaming are being generated in all provinces in Canada as well as in all sub-provincial regions.

Jobs Created and Sustained - Provinces				
	Direct	Indirect	Induced	Total
British Columbia	18,812	11,971	6,791	37,573
Alberta	23,226	11,906	8,148	43,279
Saskatchewan	8,398	4,423	2,190	15,010
Manitoba	6,985	3,839	2,224	13,048
Ontario	40,118	30,112	15,203	85,433
Quebec	23,170	11,815	10,053	45,038
New Brunswick	1,935	847	918	3,700
Nova Scotia	3,578	1,707	1,275	6,560
Prince Edward Island	418	289	126	832
Newfoundland	1,656	680	678	3,014
Total	128,295	77,588	47,605	253,487

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

Given the size and growth of the industry over the past 15 years, the majority of goods and services needed to sustain operations are now produced and/or offered in Canada. In fact there are a number of Canadian companies that now export gaming related products and services internationally.

In addition to the economic benefits generated from the operation of gaming activity and from the government/charity spending of gaming profits, the industry also has generated substantial benefits from the construction of facilities and the purchase of capital equipment. Based on the initial cost of capitalized assets the industry had invested \$11.5 billion in capital assets by the end of 2010.

This total amount of capital investment continues to increase as new facilities are constructed and existing facilities are expanded and/or "refreshed". Also, gaming and non-gaming equipment and furniture and fixtures are continually being replaced. While these capital expenditures have not been included in the operational expenditure numbers used to calculate the 2010 impacts, they are real and positively impact the construction industry and manufacturers of both gaming and non-gaming equipment such as table games, playing cards, electronic gaming machines, and furniture and fixtures.

Also, impacts associated with the payment of commissions to lottery retail outlets, VLT site holders and horse race purse supplements are understated in this report. These commissions totalled over \$1.5 billion in 2010. It is not unreasonable to suggest that these commissions help to support (directly and indirectly) over 30,000 jobs in Canada (above and beyond the 253,487 jobs stated earlier).

The Canadian gaming industry continues to be at the forefront of responsible gaming. According to research conducted by the Canadian Partnership for Responsible Gaming, Canadian provinces currently spend approximately \$83.0 million on problem gambling treatment, research and awareness prevention initiatives. In addition, \$31.0 million is spent in the area of responsible gambling initiatives, bringing the total to more than \$110.0 million annually. This represents an increase of over 20.0 percent in the amount spent since 2004/2005 (as reported in the 2006 Assessment).

1. INTRODUCTION

HLT Advisory Inc. (“HLT”) has been retained by the Canadian Gaming Association (“CGA”) to identify and assess the economic contributions of the Gaming Industry to the Canadian economy based on 2010 industry data. The report that follows represents an update of the first ever Economic Impact Assessment of the Canadian Gaming Industry completed in January 2008. The original assessment was based on 2006 industry data (the “2006 Assessment”).

1.1 CGA RESEARCH OBJECTIVES

The CGA’s primary objective for commissioning this update research study is the same as the 2006 Assessment - to determine in a recognized and established manner the contributions that gaming makes in the Canadian economy. The goals of the research exercise are to:

- Document, in a reliable, factual and unbiased manner, the economic impacts of the Canadian Gaming Industry, with particular focus on employment, revenues generated for governments/charities and total value added; and
- provide more detailed analysis at both the provincial and sector level.

A fundamental goal of the Canadian Gaming Association is to create balance in the public dialogue about gaming in Canada. To help achieve this, the Association is attempting to create a better understanding of the gaming industry and this updated research study has been undertaken for this purpose.

1.2 FOCUS OF ECONOMIC IMPACT ASSESSMENT

The impact assessment contained in this report focuses on measuring the annual (2010) economic impacts generated by both:

- The operation of gaming activity (i.e. the purchase of goods and services, and labour needed to offer the gaming activity); and
- government and charity spending of gaming profits (all levels of government including First Nations, and charities are the main benefactors of gaming profits in Canada).

Other areas, such as capital expenditures on buildings and equipment, where the gaming industry generates economic impacts are also identified and discussed in the report. This impact assessment does not attempt to quantify social related impacts.

1.3 OVERVIEW OF APPROACH

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

- Reviewed the original 2006 Assessment.
- Assessed all gaming activity in Canada and identified changes since 2006.
- Collected and assembled all identified gaming activity revenue and expense data.
- Compared the Canadian gaming industry to other Canadian entertainment and hospitality industries.

- Reviewed any significant changes to Statistics Canada’s Input-Output Model (including base Input-Output tables).
- Used Statistics Canada’s Input-Output Model to run various assessment simulations.
- Analysed the results of the various assessment simulations and completed the assessment.

The results of this update are summarized in the remainder of this report.

1.4 ORGANIZATION OF THE REPORT

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

Section 2

Summarizes the methodology used to estimate the economic impacts of the gaming industry.

Section 3

Compares the gaming industry to other Canadian entertainment/hospitality industries and presents its impact on the Canadian economy at the national level.

Section 4

Presents the economic impacts of each provincial gaming industry.

Appendices

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

2. METHODOLOGY AND APPROACH

This section of the report summarizes the methodology adopted to complete the economic impact assessment. Upon review of the methodology used in the 2006 Assessment, it was concluded that changes were not warranted. The remainder of this section lays out the scope of the assessment, discusses measurements used and HLT's approach to the complete the assessment.

2.1 SCOPE OF ASSESSMENT

As with any economic impact assessment, it is key for readers of the report to fully understand what is being measured. As stated earlier, this report focuses only on measuring the annual (2010) economic impacts generated by both:

- The operation of gaming activity (i.e. the purchase of goods and services, and labour needed to offer the gaming activity); and
- government and charity spending of gaming profits (all levels of government including First Nations, and charities are the main benefactors of gaming profits in Canada).

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

Also, impacts related to capital construction and capital maintenance projects (above and beyond typical repairs and maintenance) have not been measured. While impacts associated with these expenditures are real and significant, and do occur on a regular basis, the magnitude varies annually. The focus of the assessment is on annual impacts. The likely magnitude of capital expenditures is however discussed in the report.

As was the case in the 2006 Assessment, this updated assessment does not attempt to deal with social related impacts.

2.2 ECONOMIC MEASUREMENTS USED AND TYPES OF IMPACTS MEASURED

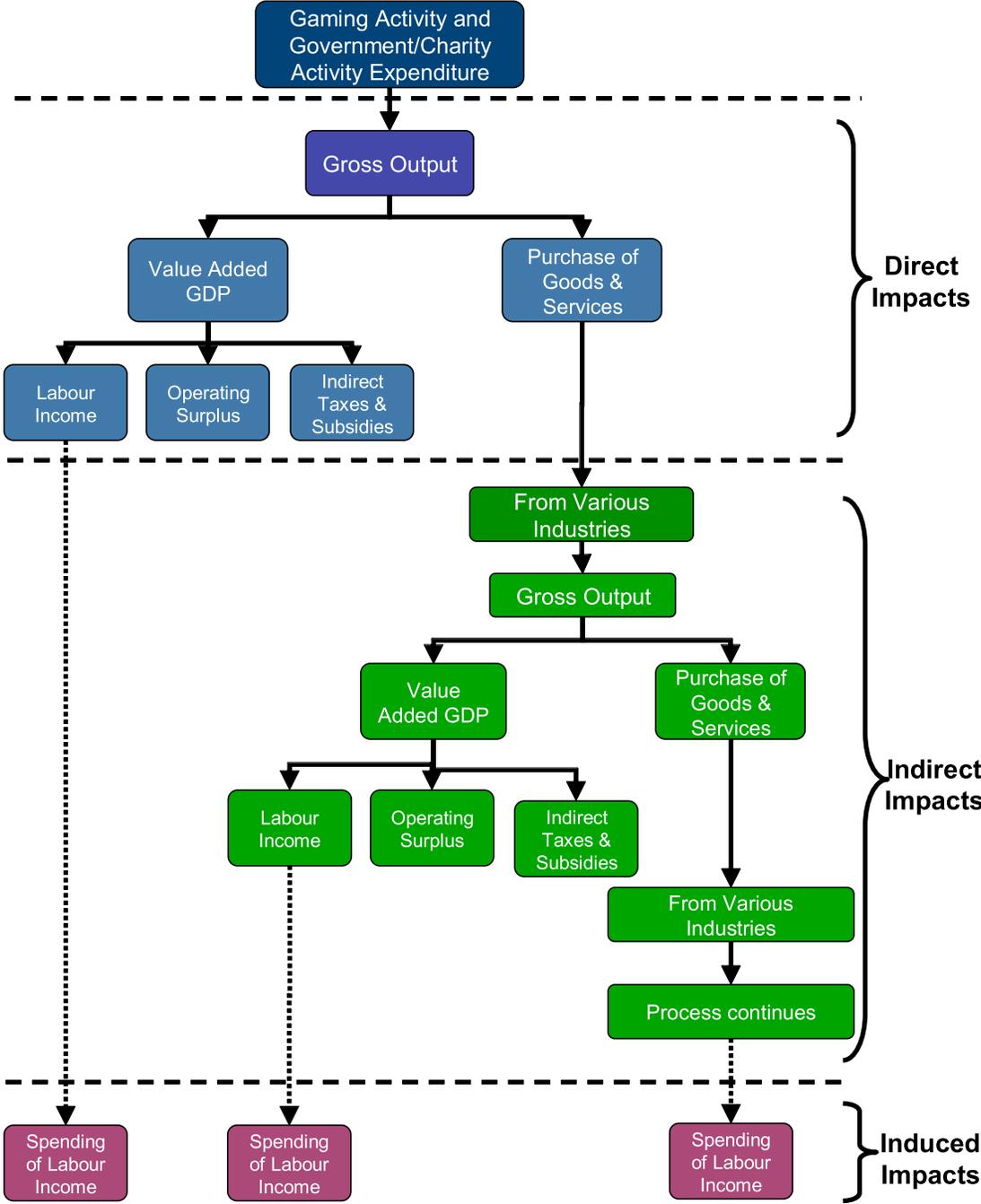
All economic impact assessments employ the use of common economic measures and classifications of different impact types. For the purposes of this report, the following economic measures were used to summarize the economic impacts of the Canadian gaming industry:

Gross Output - The sum of sales generated in the economy, including the value of "purchases of goods and services" needed to sustain gaming activity and government/charity projects/programs, and "Value Added GDP".

Purchases of Goods and Services – The cost of the various goods and services needed to sustain the operation of gaming activity and government/charity project/programs. In economic modeling terms, these purchases can be referred to as "intermediate inputs".

Value Added GDP – Refers to the contribution of primary factors of production. Primary factors of production include labour income, indirect taxes and subsidies, and operating surplus (or profit). Under this report's methodology, operating surplus (or profit) only refers to private sector profit as government/charity profit is removed and the spending of this profit is measured separately.

Exhibit 1 Summary of Economic Impact Process



Source: HLT Advisory Inc.

Labour Income – The sum of money paid to employees (wages and salaries plus supplementary income and mixed income).

Employment - The number equivalent to “full-time” jobs (can also be expressed in terms of person years of employment) that are supported by the amount of labour income paid.

All economic impact assessments also incorporate the concept of different types of impacts. In simple terms, any type of consumer spending or industry production creates economic impacts within an economy. For example, the purchase of a commodity generates an impact in the industry that produces that commodity. In turn, the industry that produced that commodity had to purchase other commodities that were in turn produced by yet other industries. This process creates a chain reaction in the economy. From a measurement perspective, this chain reaction creates a total “impact” that is greater than the initial spending on (purchase of) the commodity. Throughout this chain reaction, labour income is generated. The spending of labour income generates additional impacts. Within this economic process (*as summarized in Exhibit 1*), it is common to distinguish or isolate three types of impacts.

Direct Impacts – Impacts related to the initial change in the economy. In terms of the operation of gaming activities, direct impacts are produced by the purchase of/spending on goods and services, and labour needed to offer gaming activity to customers.

Indirect Impacts – These impacts represent the “backwards linkages in the economy” – i.e., the production of a particular commodity or the offering of a particular service requires the purchase of other commodities or services produced by other industries (or second, third and so on rounds of impacts). For example, the purchase of playing cards by casino operators represents a direct impact. The production of those playing cards as well as the production of the paper, ink and plastic needed to make the playing cards represent indirect impacts.

Induced Impacts – These impacts are the result of spending of labour income that is generated from both direct and indirect impacts. The inclusion of induced impacts in any economic impact assessment is open to debate. Some argue that the inclusion of these impacts overestimates the actual benefits generated by spending in any one segment of the economy. Hence, for the purposes of this report, only the direct labour income of both the gaming operations and government/charity spending was used to estimate induced benefits (indirect labour income was not included in the estimation of induced impacts).

The operation of gaming activity and the spending of government/charity gaming related revenues generate direct, indirect and induced impacts in terms of Gross Output, Purchase of Goods and Services, Value Added GDP, Labour Income and Employment.

2.3 HLT APPROACH

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

- Identified, assembled and analysed revenue and operating expense data for all Canadian gaming activity (2010). The main sources of revenue and expense data included published annual reports of various government gaming entities and private sector operators. This data was organized into a number of gaming sectors:
 - Bingo
 - Casinos (including EGDs at racetrack facilities in British Columbia, Alberta and Ontario)
 - Electronic Gaming Devices (“EGD-VLTs”) – VLTs located in non-gaming facilities

- Lotteries
- Pari-Mutuel (horse racing)

Gaming activity includes all forms of legal gaming regardless of who operates the activity or who is the main financial beneficiary of the activity – government, private sector, charity. In general the sectors identified above have different operating expense structures. In certain provinces (British Columbia, Alberta and Ontario), EGDs at racetracks have been grouped with casinos since their operating expense structures are very similar to casinos. In Quebec and Prince Edward Island, EGDs located at racetrack facilities are considered part of the VLT network and therefore are classified as EGD-VLTs.

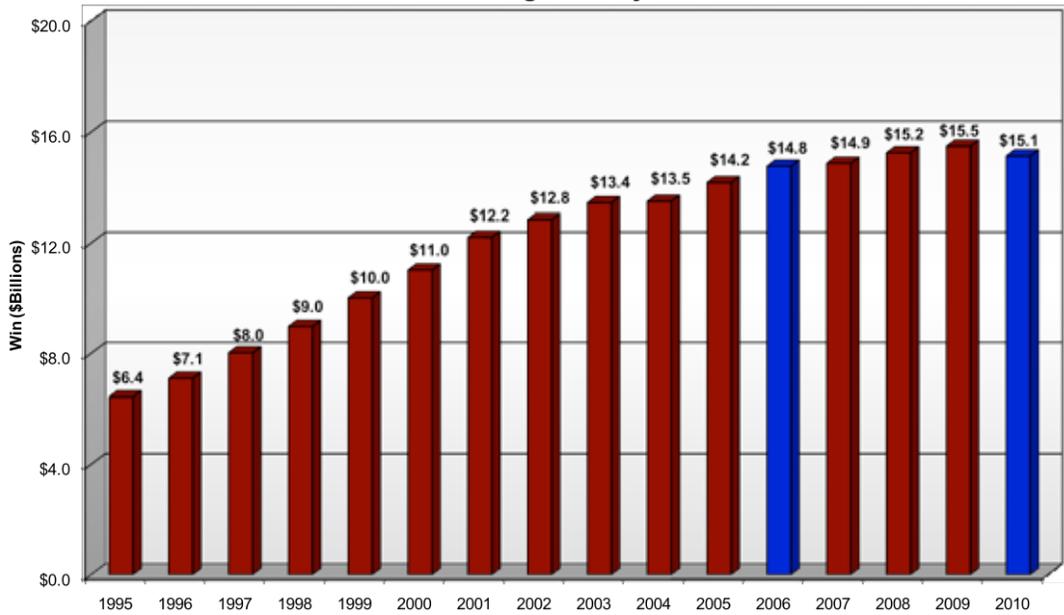
Note: Win generated by casino, EGD-VLTs and traditional lotteries are reported on a March 31st fiscal year end and represents approximately 92% of the total gaming win in Canada. All other sectors are generally reported on a calendar year end basis. For presentation purposes, fiscal and calendar year end data have been combined. For instance, March 2010 data has been combined with December 2009 data and labelled “2010”. Historically, HLT combined December year end win data with the following March year end win data (e.g. December 2010 data was combined with March 2010 data and labelled 2010). Hence some historic win numbers in this report differ from those contained in the 2006 Assessment (*e.g. Exhibits 2 and 3*).

Where either revenue or expense data was not readily available, HLT estimated these numbers based on past work experience in the Canadian gaming industry. Industry contacts were utilized to verify certain assumptions and estimates. HLT maintains a large database of gaming activity (revenue) data in Canada. This database is updated annually based on published annual reports and periodically based on new information; the latter component is related to work assignments (HLT has completed over 250 gaming related assignments in Canada).

- Identified major changes that have occurred in each gaming sectors since 2006.
- Compared the Canadian gaming industry to other Canadian entertainment and hospitality related industries in terms of revenue and profitability. Published data obtained from Statistics Canada and annual reports of private sector companies were utilized to identify and measure these entertainment and hospitality industries.
- Inquired if significant changes were made to Statistics Canada’s Input-Output Model since it was used to complete the 2006 Assessment. Beyond the base Input-Output tables which were updated (2007 is the current base year Input-Output tables that Statistics Canada uses; at the time of the 2006 Assessment, the base tables were from 2003) there were no significant changes made to the model since the 2006 Assessment.
- Used Statistics Canada’s Input-Output Model to run Input-Output model simulations. Reviewed the results of the Input-Output Model and made adjustments (final impact numbers) where necessary. The adjustments were made to the Input-Output Model multipliers based on HLT’s understanding of the operation of all gaming activity in Canada. The net impact of the total adjustments resulted in similar total impacts (at the national level) when compared to the unadjusted results of the Model (see Appendix A for a more detailed discussion of Statistic Canada’s Input-Output Model and HLT adjustments).

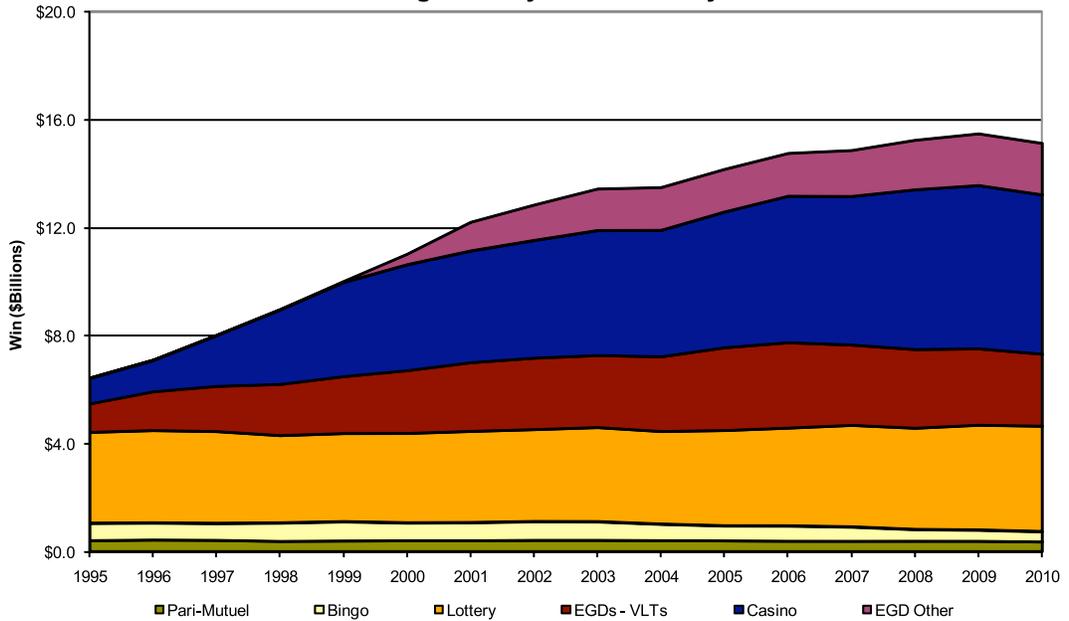
This research project was undertaken between January and May 2011.

**Exhibit 2
Canadian Gaming Industry Win Trends**



Source: HLT Advisory Inc. based on most recent data available from various provincial government agency/corporation annual reports, subject to update as further information becomes available.

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



Source: HLT Advisory Inc. based on most recent data available from various provincial government agency/corporation annual reports, subject to update as further information becomes available.

3. CANADA'S GAMING INDUSTRY

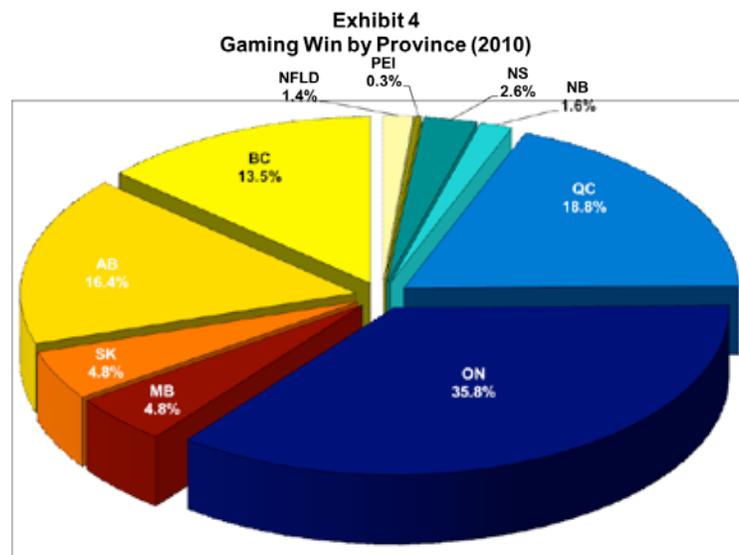
This section of the report first describes the Canadian gaming industry and compares it to other entertainment and hospitality industries in Canada. The results of the economic impact assessment for the country as a whole are presented next. Finally, the benefits of the various gaming sectors that make-up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

3.1 INDUSTRY OVERVIEW

Over the past 15 years, the Canadian gaming industry has almost tripled in size from \$6.4 billion in gaming win (wagering less prizes) in 1995 to about \$15.1 billion in 2010 (*Exhibit 2*). In addition to gaming win, the industry also generated \$900.0 million in non-gaming revenue (i.e. food and beverage, accommodations, entertainment and retail) for a total industry revenue base of \$16.0 billion in 2010.

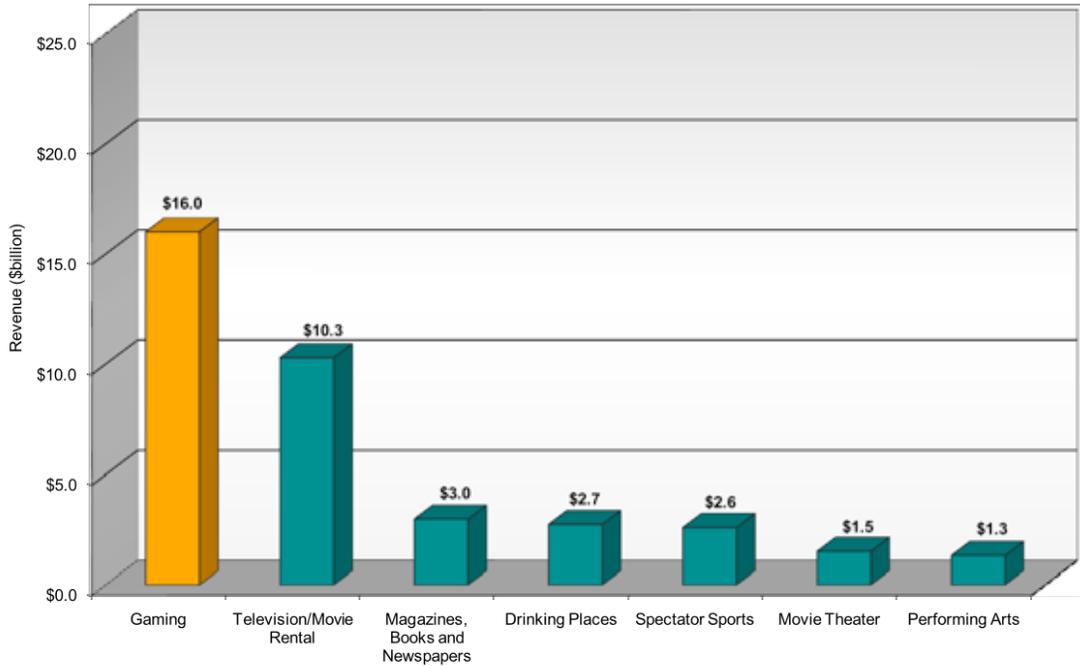
Since the 2006 Assessment, the industry as a whole has only increased marginally from \$14.8 billion (2006) to \$15.1 billion (2010). This limited growth is due to a combination of industry maturity, the state of the economy, increased competition and the restructuring of a number of provincial gaming programs (e.g., certain provincial VLT programs). Slow growth will likely characterize the industry from a national perspective over the near term.

The significant growth of the industry over the past 15 years can be attributed mostly to the expansion of casino facilities and the implementation of the EGDs at facilities such as racetracks (*Exhibit 3*). Future growth will likely be a function of increased market penetration rates into specific demographic segments (i.e., offering gaming products that appeal to specific demographic segments) and strength of the overall economy. An important aspect of the industry is that it can be found in all regions of Canada (*Exhibit 4*). Hence, economic benefits of gaming activity can be found in all regions of Canada.



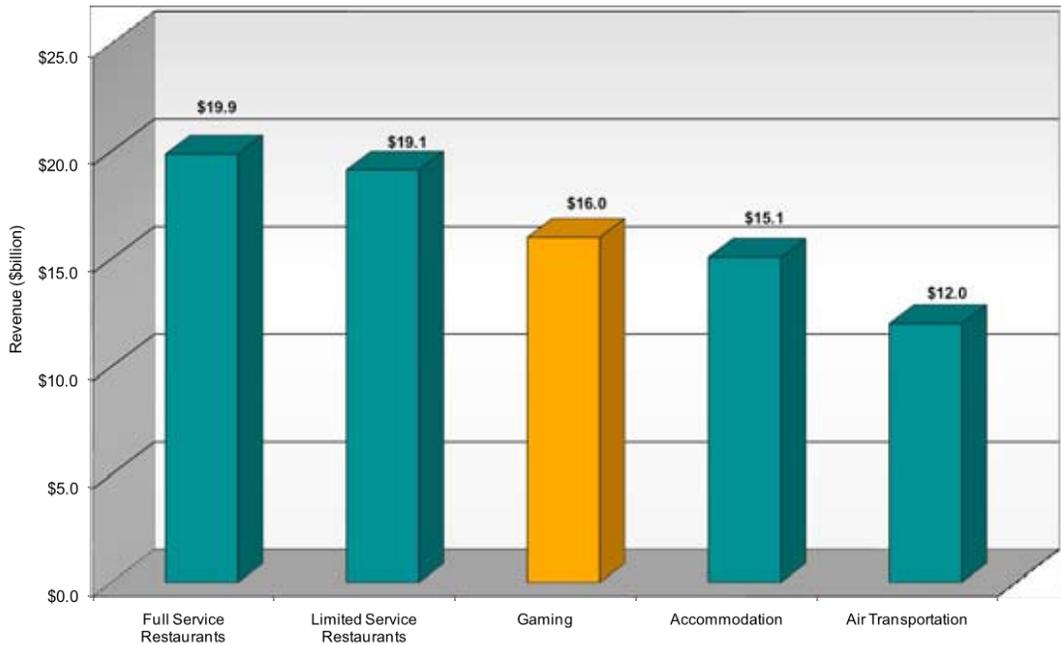
Source: HLT Advisory Inc. based on most recent data available from various provincial government agency/corporation annual reports, subject to update as further information becomes available.

Exhibit 5
Revenue of Selected Entertainment Industries



Source: HLT Advisory based on data from PWC Global Entertainment Outlook 2010-2014 and Statistics Canada Catalogue no. 87F0009X (Motion Picture Theatres, 2009), 87F0003X (Performing Arts, 2009), 63-246-X (Spectator sports, 2009), and 63-243-X (Food Services and Drinking Places, 2009).

Exhibit 6
Revenue of Selected Hospitality Industries



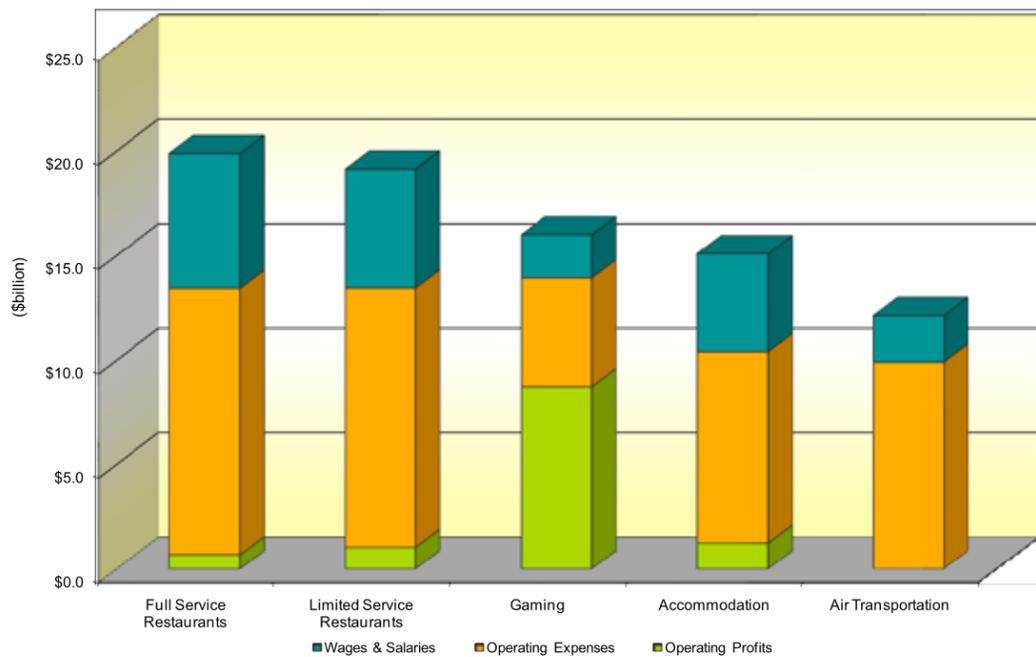
Source: HLT Advisory based on data from Statistics Canada Catalogue no. 63-243-X (Survey of Food Services and Drinking Places, 2009) and Annual Reports of the two major Canadian airlines (Air Transportation includes Air Canada and West Jet operating results for 2009).

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

The gaming industry is now a pillar of the broader hospitality industry in Canada (*Exhibit 6*). Traditional hospitality sectors include restaurants, accommodations and travel. These sectors represent the foundation of Canada’s broader tourism industry as well as a key infrastructure component of the Canadian economy as a whole. Virtually all private companies and governments alike utilize hospitality establishments to conduct business.

Gaming is similar to other hospitality sectors in terms of both its capital and labour intensity. It is unlike other hospitality sectors however in terms of its ability to generate profit (*Exhibit 7*). The major benefactors of this profit are governments and charities. Besides the ability to generate profit for governments and charities, most gaming activity in Canada was implemented to generate additional economic benefits in the regions they are located.

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



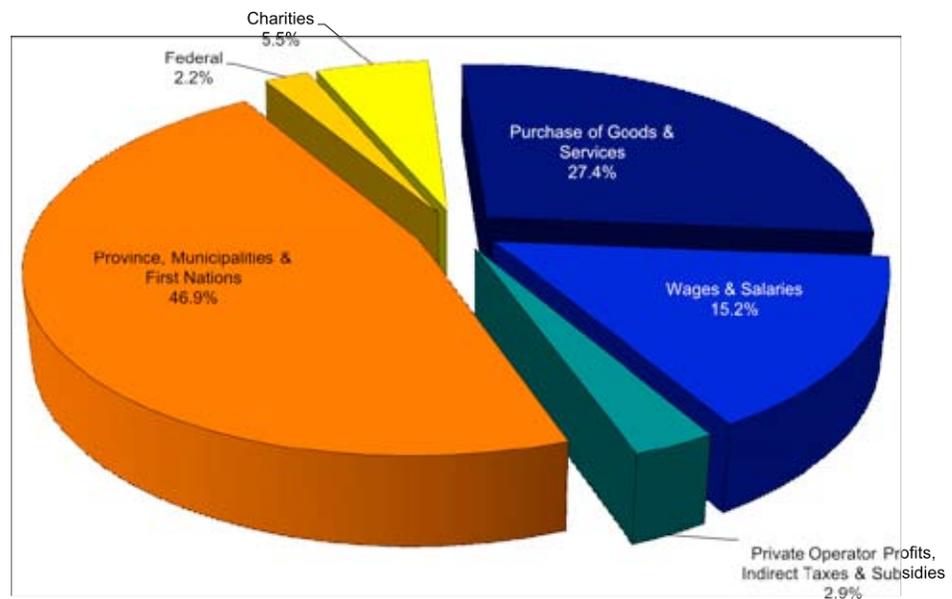
Source: HLT Advisory based on data from Statistics Canada Catalogue no. 63-243-X (Survey of Food Services and Drinking Places, 2009) and Annual Reports of the two major Canadian airlines (Air Transportation includes Air Canada and West Jet operating results for 2009).

Exhibit 8			
Total Economic Impacts of the Canadian Gaming Industry			
2010 (\$000)			
Total Gaming Revenue	\$16,016,401		
	Gaming Operation	Governments/ Charities	Total
Expenditures*	\$7,279,150	\$7,694,818	\$14,973,968
Gross Output			
Direct	\$7,279,150	\$7,694,818	\$14,973,968
Indirect	\$6,000,114	\$3,746,429	\$9,746,543
Induced	\$2,344,282	\$3,998,795	\$6,343,078
Total	\$15,623,546	\$15,440,042	\$31,063,589
Purchase of Goods & Services			
Direct	\$4,380,873	\$3,091,460	\$7,472,333
Indirect	\$3,045,917	\$1,496,478	\$4,542,396
Induced	\$956,748	\$1,638,168	\$2,594,916
Total	\$8,383,539	\$6,226,106	\$14,609,645
Value Added GDP			
Direct	\$2,898,277	\$4,603,358	\$7,501,635
Indirect	\$2,954,196	\$2,249,951	\$5,204,147
Induced	\$1,387,535	\$2,360,628	\$3,748,162
Total	\$7,240,008	\$9,213,936	\$16,453,944
Labour Income			
Direct	\$2,427,106	\$4,067,365	\$6,494,472
Indirect	\$2,263,749	\$1,559,574	\$3,823,323
Induced	\$801,009	\$1,347,968	\$2,148,976
Total	\$5,491,864	\$6,974,906	\$12,466,771
Employment			
Direct	54,616	73,679	128,295
Indirect	49,023	28,565	77,588
Induced	17,742	29,863	47,605
Total	121,381	132,106	253,487
<i>Source: HLT Advisory Inc. based on Statistics I-O Model and HLT estimates.</i>			
<i>* Does not equal total gaming revenue. Federal government revenue (GST, lottery payment and CPMA levy) as well as provincial government revenues allocated to capital expenditure, principal repayment and operating reserves are not included.</i>			

3.2 NATIONAL ECONOMIC IMPACTS

Economic impacts are generated from the spending of gaming industry revenues. *Exhibit 8* summarizes the national impacts associated with both the operation of all gaming activity and government/charity spending of their share of industry revenues. Governments and charities are the largest benefactors of gaming activity profits in Canada. Of the \$16.0 billion of revenues that were generated by the industry in 2010, governments and charities received almost \$8.7 billion. The majority of these revenues are spent annually to support priority areas and programs. The remaining \$6.6 billion was spent by activity operators to sustain operations (*Exhibit 9*).

Exhibit 9
Distribution of Gaming Industry Revenues



Source: HLT Advisory Inc. based on most recent data available from various provincial government agency/corporation annual reports, subject to update as further information becomes available.

In 2010, the Canadian gaming industry generated significant economic benefits from the operation of all gaming activity and from the government/charity spending of gaming profits. Total benefits (see *Exhibit 8*) included:

- \$31.1 billion in Gross Output
- \$14.6 billion in the Purchase of Goods and Services
- \$16.5 billion in Value Added GDP
- \$12.5 billion in Labour Income
- 253,487 jobs (full-time equivalent)

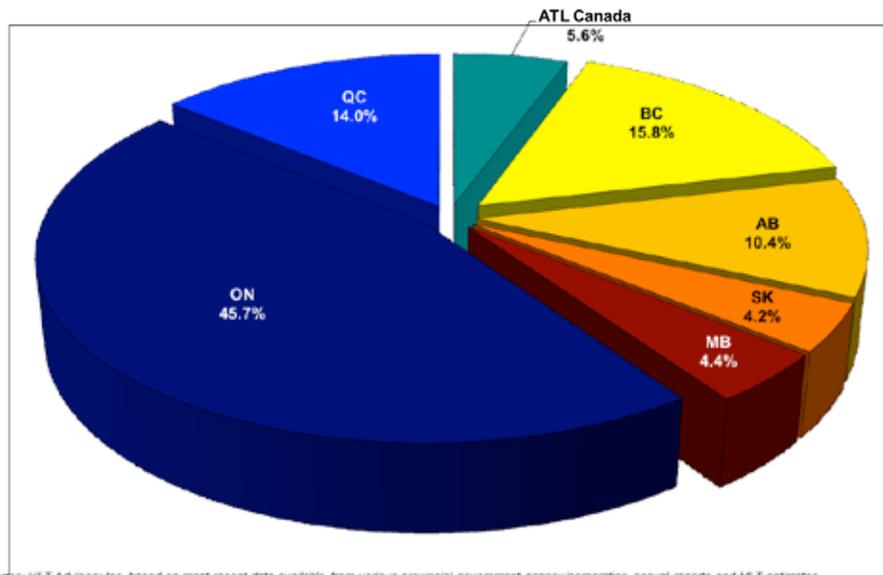
These benefits are being generated in all provinces in Canada as well as in all sub-provincial regions. In addition, given the size and growth of the industry over the last 15 years, the majority of goods and services needed to sustain operations are now produced and/or offered in Canada. In fact there are a number of Canadian companies that now export gaming related products and

services internationally. Typical goods and services needed to sustain activity operations are produced by a wide range of industries including:

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

In addition to the economic benefits generated from the operation of gaming activity and from the government/charity spending of gaming profits, the industry also has generated substantial benefits from the construction of facilities and the purchase of capital equipment. Based on the initial cost of capitalized assets as contained in the annual reports of the various corporate entities that operate gaming activity in Canada and HLT estimates for gaming activity not operated by public entities, the industry had invested \$11.5 billion in capital assets by the end of 2010. This investment in gaming activity infrastructure has taken place in every region of Canada (*Exhibit 10*).

Exhibit 10
Total Accumulated Capital Investment in the Gaming Industry by Province



Source: HLT Advisory Inc. based on most recent data available from various provincial government agency/corporation annual reports and HLT estimates.

This total amount of capital investment continues to increase as new facilities are constructed and existing facilities are expanded and/or “refreshed”. Also, gaming and non-gaming equipment, and furniture and fixtures are constantly being replaced. These capital expenditures have not been included in the operational expenditure numbers used to calculate the 2010 impacts. The economic benefits associated with this continual investment in industry infrastructure does positively impact the construction industry and manufacturers of both gaming and non-gaming equipment such as table games, playing cards, electronic gaming machines, and furniture and fixtures.

3.3 NATIONAL ECONOMIC IMPACTS - GAMING SECTOR (DIRECT BENEFITS)

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

Exhibit 11						
Direct Economic Impacts from the Operation of the Canadian Gaming Industry by Sector (2010) (\$000)						
	Casinos	Lotteries	VLTs	Bingo	Pari-Mutuel	Total
Total Gaming Revenues	\$8,347,509	\$3,902,673	\$2,705,797	\$601,063	\$459,359	\$16,016,401
Government/Charities*	\$4,026,393	\$2,465,884	\$1,980,549	\$201,786	\$62,641	\$8,737,252
Gaming Operation Expenditure	\$4,321,116	\$1,436,791	\$725,248	\$399,277	\$396,719	\$7,279,150
Direct Impacts from Operations						
Gross Output	\$4,321,116	\$1,436,791	\$725,248	\$399,277	\$396,719	\$7,279,150
Purchase of Goods & Services	\$2,111,431	\$1,115,900	\$629,891	\$259,583	\$264,068	\$4,380,873
Commissions**	\$347,111	\$496,962	\$532,344	\$0	\$146,315	\$1,522,732
Value Added GDO	\$2,209,685	\$320,891	\$95,356	\$139,694	\$132,651	\$2,898,277
Labour Income	\$1,806,696	\$320,891	\$95,356	\$99,825	\$104,338	\$2,427,106

Source: HLT Advisory Inc. based on most recent data available from various provincial government agency/corporation annual reports and HLT estimates.

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

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

The casino sector (including racetrack slot operations in Ontario, British Columbia and Alberta) is the largest sector accounting for 52.0 percent of total industry revenue, 46.0 percent of total government/charity profit and 59.0 percent of total industry operating expenses. Lotteries are the second largest sector in terms of revenue, operating expenses and government/charity profit. Government/charity profits account for 73.0 percent of VLT revenue.

In terms of labour intensity (sector labour income divided by total sector revenue), the pari-mutuel sector (23%) followed by the casino (22%) and bingo (17%) sectors are the most intense. With regard to industry labour income, the casino sector accounts for 74.0 percent of that total. Over 54,600 jobs are supported by direct labour income in the industry as a whole.

As stated earlier, the economic impacts associated with the Purchases of Goods and Services is underestimated in this report. The Statistics Canada Model treated commissions paid to VLT site holders, lottery ticket agents and horse racing purses as "retailing services" (retailing services have a low total multiplier impact). Hence, the indirect benefits associated with these commissions are minimal. These commissions totaled over \$1.5 billion in 2010. Economic benefit generated from these commissions are however real and significant.

- The \$497.0 million in lottery agent commissions paid helps to sustain the operations of over 32,000 convenience stores, gas stations, grocery stores and other lottery outlets across the country. Many of these stores are independently owned and operated. Lottery tickets can be purchased in virtually every community in Canada.

- The \$532.0 million in VLT site holder commissions paid helps to sustain the operation of over 5,300 bars, restaurants and hotels across the country (except in BC and Ontario which do not permit VLTs). Many of these establishments are located in rural and small urban centres and represent key travel/entertainment infrastructure in these communities.
- The \$493.0 million directed towards racetracks and horse racing purses represent the main income source for race horses and a significant source of income for racetracks. The race horse component of the pari-mutuel sector represents a significant agricultural sector in Canada that employs thousands of people.

It is not unreasonable to suggest that these commissions help to support (directly and indirectly) over 30,000 jobs in Canada. These jobs are in addition to the 253,500 jobs that are generated from the operation of gaming activity and government/charity spending of gaming profits.

3.4 RESPONSIBLE GAMING

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

- Education and Awareness
- Prevention
- Treatment

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

These programs are directly supported from province's share of gaming revenues. Based on the most recent Canadian Gambling Digest (2009-2010 report prepared by the Canadian Partnership for Responsible Gambling), Canadian provinces currently spend approximately \$83.0 million on problem gambling treatment, research and awareness prevention initiatives. In addition, \$31.0 million is spent in the area of responsible gambling initiatives, bringing the total to more than \$110.0 million annually. This represents an increase of over 20.0 percent in the amount spent in 2004/2005 (as reported in the 2006 Assessment).

4. PROVINCIAL GAMING INDUSTRIES

This section of the report summarizes total economic impacts generated by the operation of all gaming activity and government/charity spending of gaming profits by province. Besides a detail summary account of the economic impacts generated by each provincial gaming industry, a brief description of the number of gaming facilities located in each province and historical gaming revenue trends by sector is provided (i.e., changes in provincial industries between 2006 and 2010).

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

4.1 OVERVIEW OF PROVINCIAL IMPACTS

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

The economic impact estimates contained in this section are presented in terms of the impacts generated from the operation of gaming activity and government/charity spending of gaming profits of each provincial gaming industry regardless of which province receives the benefits. For example, the total economic benefits generated by the British Columbian gaming industry are not confined to British Columbia; other provinces also receive benefits.

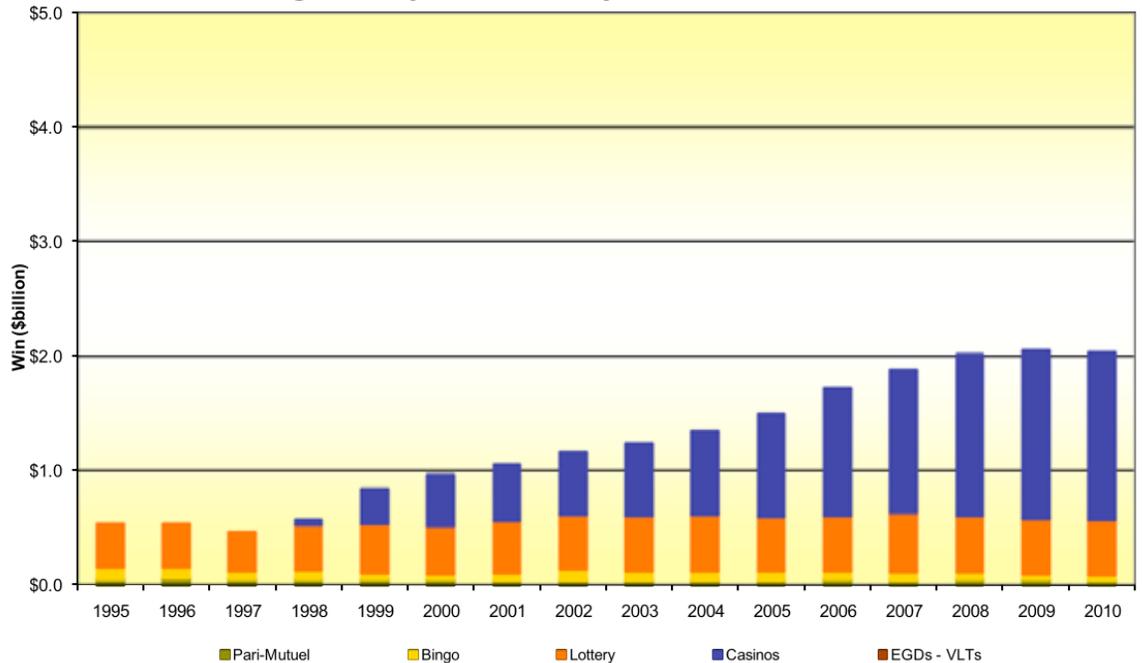
While Statistics Canada’s Input-Output Model did provide an estimate of impacts that were generated by one province on all others, these results (i.e. where the impacts were generated) are less reliable, especially for smaller provinces (based on discussions with Statistics Canada officials). For this reason, HLT decided to present the benefits on the basis of benefits generated by each provincial industry as opposed to benefits generated for each province. With this said, HLT believes that the majority of direct benefits are generated in the province where the expenditures were made.

Exhibit 13			
Total Economic Impacts of the British Columbia Gaming Industry			
2010 (\$000)			
Total Gaming Revenue	\$2,172,025		
	Gaming Operation	Governments/ Charities	Total
Expenditures*	\$916,012	\$1,099,532	\$2,015,544
Gross Output			
Direct	\$916,012	\$1,099,532	\$2,015,544
Indirect	\$716,439	\$527,205	\$1,243,644
Induced	\$290,238	\$534,626	\$824,864
Total	\$1,922,689	\$2,161,363	\$4,084,051
Purchase of Goods & Services			
Direct	\$364,134	\$432,504	\$796,638
Indirect	\$247,344	\$213,221	\$460,565
Induced	\$109,045	\$200,864	\$309,910
Total	\$720,523	\$846,590	\$1,567,113
Value Added GDP			
Direct	\$551,877	\$667,028	\$1,218,906
Indirect	\$469,096	\$313,984	\$783,079
Induced	\$181,192	\$333,761	\$514,954
Total	\$1,202,166	\$1,314,773	\$2,516,939
Labour Income			
Direct	\$321,870	\$592,893	\$914,763
Indirect	\$305,776	\$211,568	\$517,344
Induced	\$107,327	\$197,700	\$305,027
Total	\$734,974	\$1,002,161	\$1,737,135
Employment			
Direct	8,191	10,620	18,812
Indirect	7,483	4,487	11,971
Induced	2,390	4,402	6,791
Total	18,064	19,509	37,573
<i>Source: HLT Advisory Inc. based on Statistics I-O Model and HLT estimates.</i>			
<i>* Does not equal total gaming revenue. Federal government revenue (GST, lottery payment and CPMA levy) as well as provincial government revenues allocated to capital expenditure, principal repayment and operating reserves are not included.</i>			

4.2 BRITISH COLUMBIA

In 2010, the British Columbian gaming industry consisted of 17 casino facilities, 2 main horse racetracks, approximately 4,050 lottery outlets (retailers), 28 bingo halls including 18 bingo halls with slot machines (Community Gaming Centres of “CGCs”). The casino sector accounted for the lion’s share of the \$2.2 billion industry revenue base, followed by the lottery sector (*Exhibit 12*). The provincial industry grew annually since 2006, except in 2010 (slight decrease of about \$15.0 million). In total the industry grew by over \$316.0 million. The majority of growth was accounted for by the redevelopment/expansion of existing casinos and the introduction of a number of CGCs.

Exhibit 12
Gaming Industry Win Trends by Sector - British Columbia



Source: HLT Advisory Inc. based on various provincial government agency/corporation annual reports.
Note: Casinos includes slot revenues from Community Gaming Centres and Racinos.

Of the \$2.2 billion in revenue, gaming activity operations spent over \$916.0 million to sustain operations while governments/charities spent about \$1.1 billion (Exhibit 13). These expenditures in total generated over:

- \$4.0 billion in Gross Output
- \$1.5 billion in Purchases of Goods and Services
- \$2.5 billion in Value Added GDP
- \$1.7 billion in Labour Income
- 37,500 jobs (full-time equivalent)

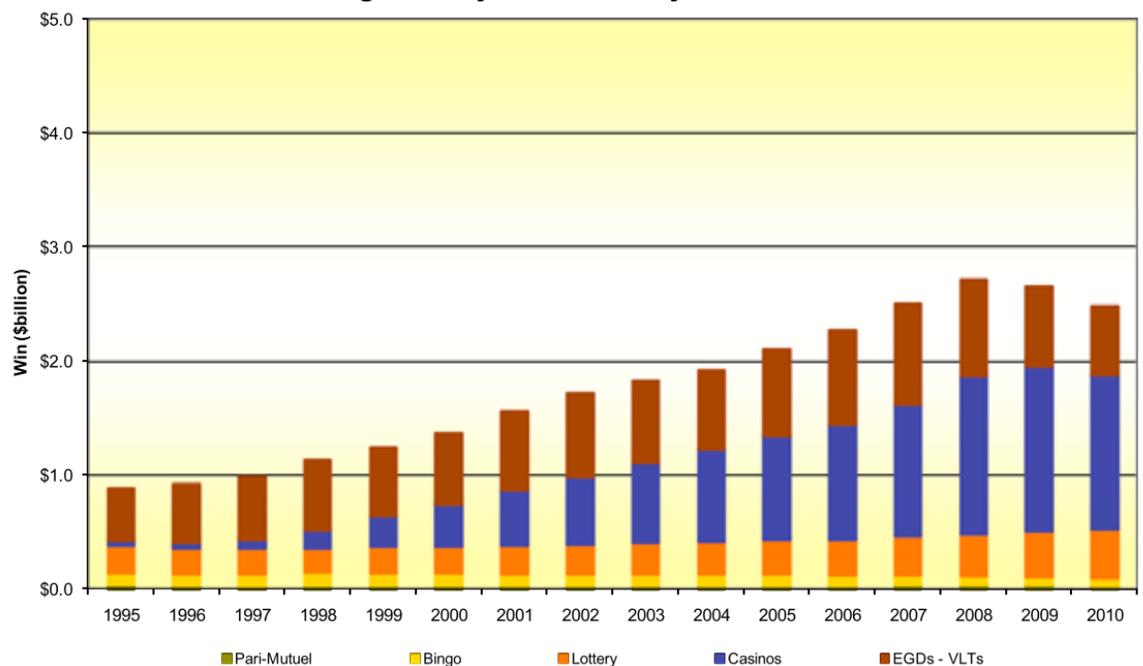
Exhibit 15			
Total Economic Impacts of the Alberta Gaming Industry			
2010 (\$000)			
Total Gaming Revenue	\$2,614,481		
	Gaming Operation	Governments/ Charities	Total
Expenditures*	\$815,267	\$1,722,301	\$2,537,568
Gross Output			
Direct	\$815,267	\$1,722,301	\$2,537,568
Indirect	\$652,213	\$786,275	\$1,438,489
Induced	\$298,977	\$1,019,611	\$1,318,588
Total	\$1,766,457	\$3,528,187	\$5,294,644
Purchase of Goods & Services			
Direct	\$421,738	\$677,542	\$1,099,279
Indirect	\$298,037	\$305,933	\$603,970
Induced	\$122,809	\$418,818	\$541,627
Total	\$842,584	\$1,402,293	\$2,244,877
Value Added GDP			
Direct	\$393,529	\$1,044,760	\$1,438,289
Indirect	\$354,176	\$480,342	\$834,518
Induced	\$176,168	\$600,792	\$776,961
Total	\$923,873	\$2,125,894	\$3,049,767
Labour Income			
Direct	\$272,234	\$928,410	\$1,200,644
Indirect	\$269,512	\$309,399	\$578,911
Induced	\$96,241	\$328,213	\$424,453
Total	\$637,987	\$1,566,022	\$2,204,009
Employment			
Direct	6,895	16,331	23,226
Indirect	6,009	5,897	11,906
Induced	1,847	6,300	8,148
Total	14,751	28,528	43,279
<i>Source: HLT Advisory Inc. based on Statistics I-O Model and HLT estimates.</i>			
<i>* Does not equal total gaming revenue. Federal government revenue (GST, lottery payment and CPMA levy) as well as provincial government revenues allocated to capital expenditure, principal repayment and operating reserves are not included.</i>			

4.3 ALBERTA

In 2010, the Alberta gaming industry consisted of 24 casino facilities, 3 horse racetracks, over 1,000 VLT sites, over 2,400 lottery outlets (retailers), and 31 bingo halls. These facilities and outlets are located in every region of the Province and generated over \$2.6 billion in revenue. Charity participation is a significant characteristic of Alberta's gaming industry.

Casinos and VLTs accounted for the majority of this revenue (*Exhibit 14*). While industry win is higher in 2010 (\$2.5 billion) compared to 2006 (\$2.3 billion), industry win peaked in 2008 (\$2.7 billion) and has since contracted. Almost all of this contraction has been concentrated in the VLT sector.

Exhibit 14
Gaming Industry Win Trends by Sector - Alberta



Source: HLT Advisory Inc. based on various provincial government agency/corporation annual reports.
Note: Casinos includes slot win from Racinos.

Of the \$2.6 billion in revenue, gaming activity operations spent over \$815.0 million to sustain operations while governments/charities spent over \$1.7 billion (*Exhibit 15*). These expenditures in total generated over:

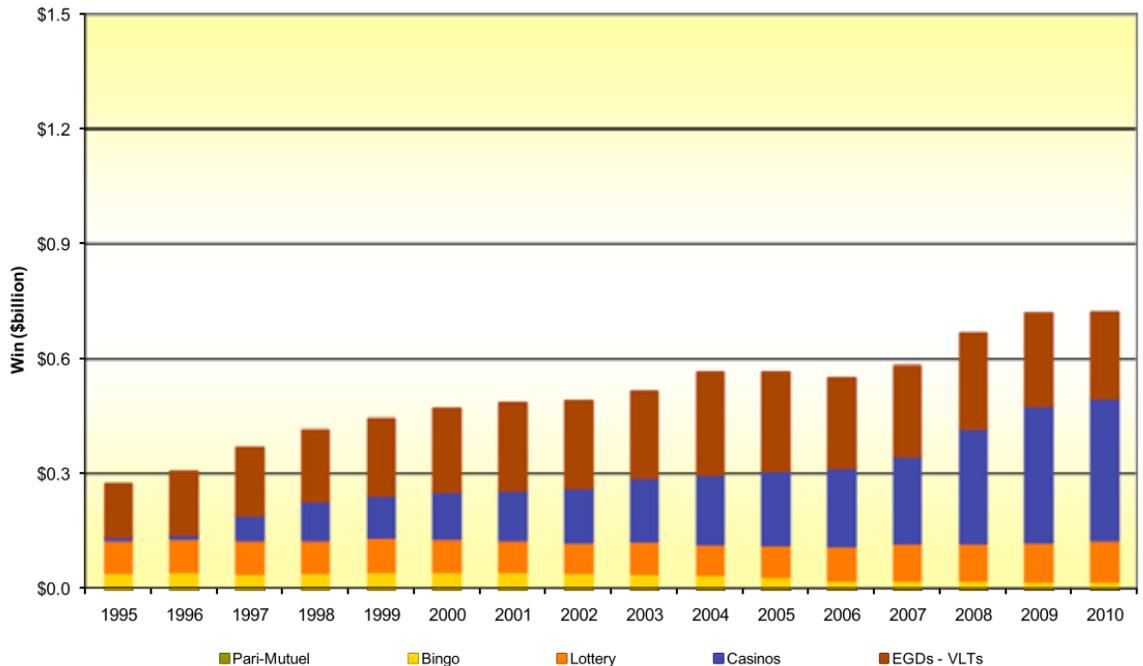
- \$5.2 billion in Gross Output
- \$2.2 billion in Purchases of Goods and Services
- \$3.0 billion in Value Added GDP
- \$2.2 billion in Labour Income
- 43,200 jobs (full-time equivalent)

Exhibit 17			
Total Economic Impacts of the Saskatchewan Gaming Industry			
2010 (\$000)			
Total Gaming Revenue		\$765,677	
	Gaming Operation	Governments/ Charities	Total
Expenditures*	\$336,020	\$376,343	\$712,363
Gross Output			
Direct	\$336,020	\$376,343	\$712,363
Indirect	\$262,096	\$150,999	\$413,094
Induced	\$115,259	\$169,485	\$284,744
Total	\$713,374	\$696,826	\$1,410,201
Purchase of Goods & Services			
Direct	\$192,409	\$145,518	\$337,927
Indirect	\$121,357	\$65,600	\$186,957
Induced	\$48,153	\$70,808	\$118,961
Total	\$361,920	\$281,926	\$643,845
Value Added GDP			
Direct	\$143,611	\$230,825	\$374,436
Indirect	\$140,739	\$85,399	\$226,137
Induced	\$67,105	\$98,677	\$165,782
Total	\$351,455	\$414,900	\$766,355
Labour Income			
Direct	\$142,233	\$209,150	\$351,383
Indirect	\$128,010	\$49,521	\$177,531
Induced	\$35,118	\$51,640	\$86,758
Total	\$305,360	\$310,311	\$615,672
Employment			
Direct	3,716	4,681	8,398
Indirect	3,388	1,035	4,423
Induced	886	1,303	2,190
Total	7,990	7,020	15,010
<i>Source: HLT Advisory Inc. based on Statistics I-O Model and HLT estimates.</i>			
<i>* Does not equal total gaming revenue. Federal government revenue (GST, lottery payment and CPMA levy) as well as provincial government revenues allocated to capital expenditure, principal repayment and operating reserves are not included.</i>			

4.4 SASKATCHEWAN

In 2010, the Saskatchewan gaming industry consisted of 8 casino facilities, three operational horse racetracks (limited race days), about 650 VLT sites, 800 lottery outlets (retailers), and 14 bingo halls. These facilities and outlets generated over \$765.7 million in gaming revenue. Casinos and VLTs represent the two largest sectors followed by lottery (*Exhibit 16*). The provincial industry has grown annually since 2006 with First Nation casinos leading the way. In total, industry win increased from \$549.0 million in 2006 to over \$723.0 million in 2010.

Exhibit 16
Gaming Industry Win Trends by Sector - Saskatchewan



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

Of the \$765.7 million in revenue, gaming activity operations spent over \$336.0 million to sustain operations while governments/charities spent over \$376.0 million (*Exhibit 17*). These expenditures in total generated over:

- \$1.4 billion in Gross Output
- \$643.0 million in Purchases of Goods and Services
- \$766.0 million in Value Added GDP
- \$615.0 million in Labour Income
- 15,000 jobs (full-time equivalent)

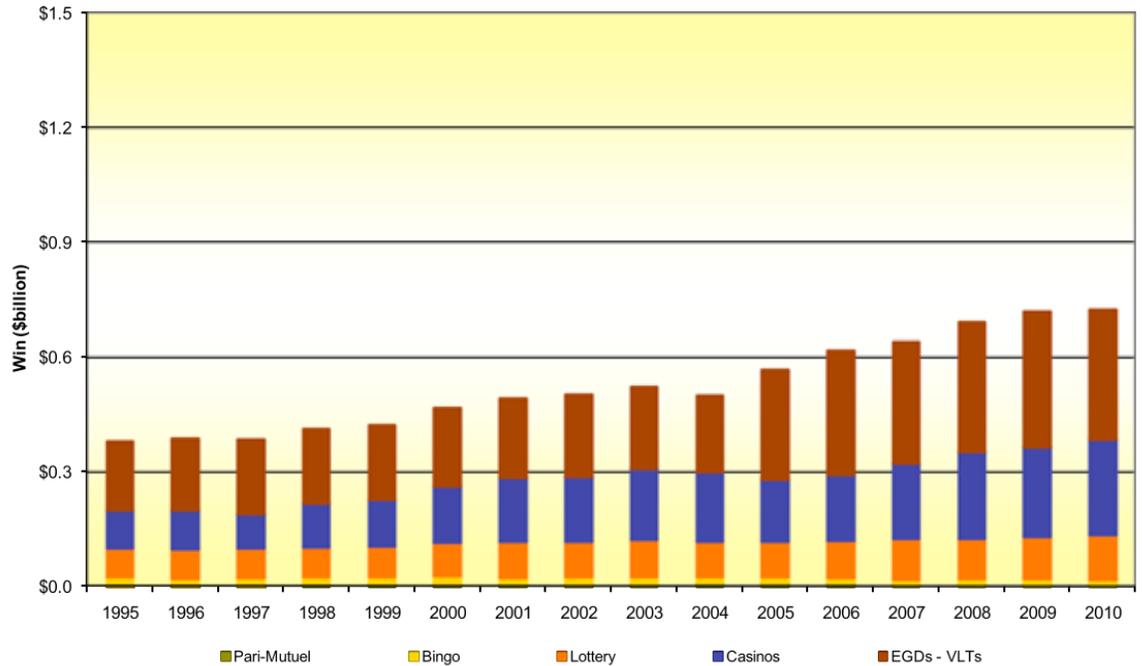
Exhibit 19			
Total Economic Impacts of the Manitoba Gaming Industry			
2010 (\$000)			
Total Gaming Revenue	\$751,451		
	Gaming Operation	Governments/ Charities	Total
Expenditures*	\$350,637	\$354,301	\$704,938
Gross Output			
Direct	\$350,637	\$354,301	\$704,938
Indirect	\$277,944	\$140,571	\$418,514
Induced	\$97,626	\$175,492	\$273,118
Total	\$726,206	\$670,364	\$1,396,570
Purchase of Goods & Services			
Direct	\$235,548	\$132,972	\$368,520
Indirect	\$151,346	\$58,863	\$210,208
Induced	\$39,809	\$71,561	\$111,370
Total	\$426,702	\$263,395	\$690,097
Value Added GDP			
Direct	\$115,089	\$221,329	\$336,418
Indirect	\$126,598	\$81,708	\$208,306
Induced	\$57,817	\$103,932	\$161,748
Total	\$299,504	\$406,969	\$706,473
Labour Income			
Direct	\$109,727	\$197,245	\$306,971
Indirect	\$104,240	\$55,955	\$160,195
Induced	\$33,544	\$60,298	\$93,842
Total	\$247,510	\$313,497	\$561,008
Employment			
Direct	2,875	4,110	6,985
Indirect	2,700	1,139	3,839
Induced	795	1,429	2,224
Total	6,371	6,677	13,048
<i>Source: HLT Advisory Inc. based on Statistics I-O Model and HLT estimates.</i>			
<i>* Does not equal total gaming revenue. Federal government revenue (GST, lottery payment and CPMA levy) as well as provincial government revenues allocated to capital expenditure, principal repayment and operating reserves are not included.</i>			

4.5 MANITOBA

In 2010, the Manitoba gaming industry consisted of 4 casino facilities, one horse racetrack, over 500 VLT sites, about 800 lottery outlets (retailers), and a number of bingo halls. These facilities and outlets generated over \$751.0 million in gaming revenue.

VLTs accounted for the largest share of this revenue followed by casinos and lotteries (*Exhibit 18*). The provincial industry has grown annually since 2006 with casinos accounting for the majority of overall growth. In total industry win increased from about \$617.0 million in 2006 to over \$723.0 million in 2010.

Exhibit 18
Gaming Industry Win Trends by Sector - Manitoba



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

Of the \$751.5 million in revenue, gaming activity operations spent over \$350.0 million to sustain operations while governments/charities spent over \$354.0 million (*Exhibit 19*). These expenditures in total generated over:

- \$1.3 billion in Gross Output
- \$690.0 million in Purchases of Goods and Services
- \$706.0 million in Value Added GDP
- \$561.0 million in Labour Income
- 13,000 jobs (full-time equivalent)

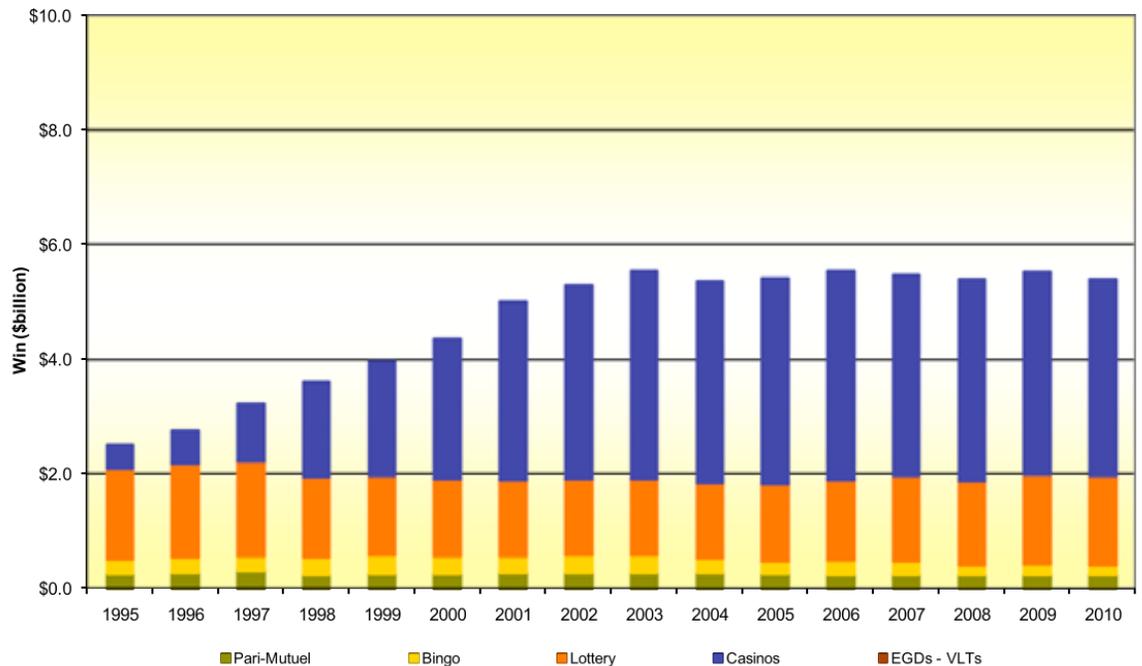
Exhibit 21			
Total Economic Impacts of the Ontario Gaming Industry			
2010 (\$000)			
Total Gaming Revenue	\$5,833,104		
	Gaming Operation	Governments/ Charities	Total
Expenditures*	\$3,212,976	\$2,200,363	\$5,413,338
Gross Output			
Direct	\$3,212,976	\$2,200,363	\$5,413,338
Indirect	\$2,626,835	\$1,346,819	\$3,973,654
Induced	\$1,045,102	\$1,013,401	\$2,058,503
Total	\$6,884,913	\$4,560,582	\$11,445,495
Purchase of Goods & Services			
Direct	\$2,053,163	\$1,023,333	\$3,076,496
Indirect	\$1,351,040	\$535,550	\$1,886,590
Induced	\$426,632	\$413,691	\$840,322
Total	\$3,830,835	\$1,972,574	\$5,803,408
Value Added GDP			
Direct	\$1,159,813	\$1,177,029	\$2,336,843
Indirect	\$1,275,795	\$811,269	\$2,087,063
Induced	\$618,470	\$599,710	\$1,218,181
Total	\$3,054,078	\$2,588,008	\$5,642,087
Labour Income			
Direct	\$1,071,411	\$1,038,911	\$2,110,322
Indirect	\$996,412	\$595,999	\$1,592,411
Induced	\$363,108	\$352,093	\$715,201
Total	\$2,430,931	\$1,987,003	\$4,417,934
Employment			
Direct	22,410	17,709	40,118
Indirect	20,112	9,999	30,112
Induced	7,718	7,484	15,203
Total	50,240	35,192	85,433
<i>Source: HLT Advisory Inc. based on Statistics I-O Model and HLT estimates.</i>			
<i>* Does not equal total gaming revenue. Federal government revenue (GST, lottery payment and CPMA levy) as well as provincial government revenues allocated to capital expenditure, principal repayment and operating reserves are not included.</i>			

4.6 ONTARIO

In 2010, the Ontario gaming industry consisted of 10 casino facilities, 17 “slots at racetrack” facilities, 18 horse racetracks, over 10,000 lottery outlets (retailers), and over 50 bingo halls. Of the \$5.8 billion in gaming revenue, casinos (including slots at racetrack facilities) accounted for about 65.0 percent of the revenue followed by lotteries (*Exhibit 20*).

Since 2006 total industry win has decreased by almost \$150.0 million. The lottery sector is the only sector to experience an increase between 2006 and 2010. Several factors including increased competition from US border casinos, passport requirements and the strength of the Canadian dollar have impacted the performance of the industry (namely commercial casinos) since 2006.

Exhibit 20
Gaming Industry Win Trends by Sector - Ontario



Source: HLT Advisory Inc. based on various provincial government agency/corporation annual reports.
Note: Casinos includes slots at racetracks.

Of the \$5.8 billion in revenue, gaming activity operations spent over \$3.2 billion to sustain operations while governments/charities spent \$2.2 billion (*Exhibit 21*). These expenditures in total generated over:

- \$11.4 billion in Gross Output
- \$5.8 billion in Purchases of Goods and Services
- \$5.6 billion in Value Added GDP
- \$4.4 billion in Labour Income
- 85,400 jobs (full-time equivalent)

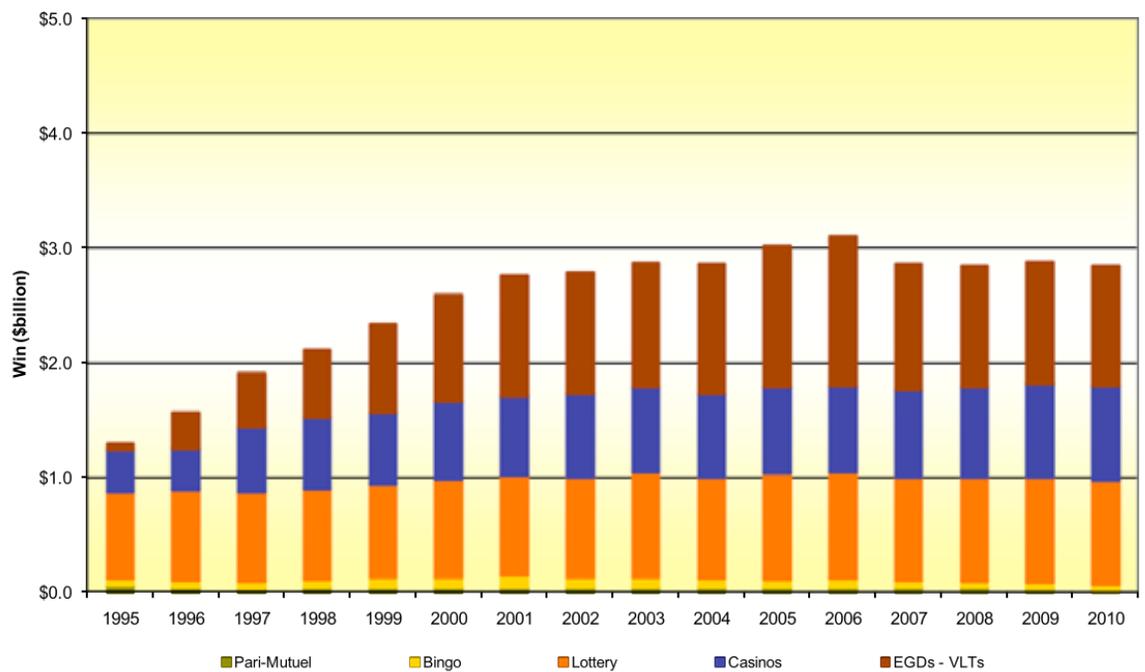
Exhibit 23			
Total Economic Impacts of the Quebec Gaming Industry			
2010 (\$000)			
Total Gaming Revenue	\$2,968,214		
	Gaming Operation	Governments/ Charities	Total
Expenditures*	\$1,316,322	\$1,430,396	\$2,746,718
Gross Output			
Direct	\$1,316,322	\$1,430,396	\$2,746,718
Indirect	\$1,171,526	\$595,144	\$1,766,671
Induced	\$421,257	\$799,248	\$1,220,505
Total	\$2,909,105	\$2,824,789	\$5,733,893
Purchase of Goods & Services			
Direct	\$871,225	\$485,843	\$1,357,069
Indirect	\$681,920	\$232,239	\$914,160
Induced	\$177,421	\$336,620	\$514,041
Total	\$1,730,567	\$1,054,703	\$2,785,269
Value Added GDP			
Direct	\$445,096	\$944,553	\$1,389,649
Indirect	\$489,606	\$362,905	\$852,511
Induced	\$243,836	\$462,628	\$706,464
Total	\$1,178,538	\$1,770,086	\$2,948,624
Labour Income			
Direct	\$432,402	\$820,395	\$1,252,797
Indirect	\$389,162	\$261,199	\$650,361
Induced	\$141,566	\$268,592	\$410,158
Total	\$963,130	\$1,350,186	\$2,313,316
Employment			
Direct	8,392	14,778	23,170
Indirect	7,410	4,405	11,815
Induced	3,470	6,583	10,053
Total	19,272	25,766	45,038
<i>Source: HLT Advisory Inc. based on Statistics I-O Model and HLT estimates.</i>			
<i>* Does not equal total gaming revenue. Federal government revenue (GST, lottery payment and CPMA levy) as well as provincial government revenues allocated to capital expenditure, principal repayment and operating reserves are not included.</i>			

4.7 QUÉBEC

In 2010, the Québec gaming industry consisted of 4 casino facilities, 4 racetracks (currently only one operational), about 1,900 VLT sites, over 8,700 lottery outlets (retailers), and over 40 bingo halls. Of the \$2.9 billion in gaming revenue, VLTs was the largest sector followed by lottery and casino (Exhibit 22).

Since 2006, industry win decreased from \$3.1 billion to \$2.9 billion (2010). Almost all of this decrease was concentrated in the VLT sector where the provincial government made structural changes to its VLT gaming program (i.e. reduced the number of sites and the total number of VLT machines in operation).

Exhibit 22
Gaming Industry Win Trends by Sector - Quebec



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

Of the \$3.1 billion in revenue, gaming activity operations spent over \$1.3 billion to sustain operations while governments/charities spent over \$1.4 billion (Exhibit 23). These expenditures in total generated over:

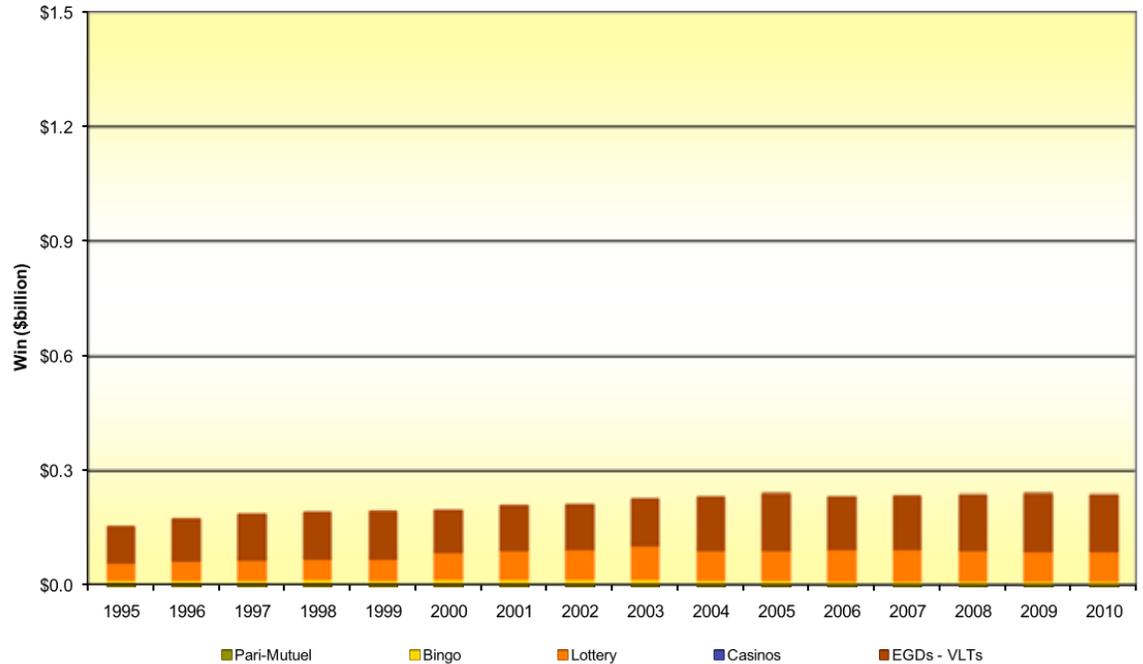
- \$5.7 billion in Gross Output
- \$2.7 billion in Purchases of Goods and Services
- \$2.9 billion in Value Added GDP
- \$2.3 billion in Labour Income
- 45,000 jobs (full-time equivalent)

Exhibit 25			
Total Economic Impacts of the New Brunswick Gaming Industry			
2010 (\$000)			
Total Gaming Revenue	\$238,481		
	Gaming Operation	Governments/ Charities	Total
Expenditures*	\$80,158	\$145,357	\$225,514
Gross Output			
Direct	\$80,158	\$145,357	\$225,514
Indirect	\$70,139	\$58,910	\$129,049
Induced	\$19,992	\$97,911	\$117,903
Total	\$170,288	\$302,178	\$472,466
Purchase of Goods & Services			
Direct	\$64,202	\$52,772	\$116,974
Indirect	\$52,588	\$27,752	\$80,340
Induced	\$10,111	\$49,521	\$59,633
Total	\$126,901	\$130,046	\$256,947
Value Added GDP			
Direct	\$15,956	\$92,584	\$108,540
Indirect	\$17,551	\$31,158	\$48,709
Induced	\$9,880	\$48,390	\$58,270
Total	\$43,387	\$172,132	\$215,519
Labour Income			
Direct	\$15,868	\$77,716	\$93,584
Indirect	\$14,282	\$20,793	\$35,075
Induced	\$5,765	\$28,232	\$33,997
Total	\$35,914	\$126,741	\$162,655
Employment			
Direct	427	1,508	1,935
Indirect	384	463	847
Induced	156	763	918
Total	967	2,733	3,700
<i>Source: HLT Advisory Inc. based on Statistics I-O Model and HLT estimates.</i>			
<i>* Does not equal total gaming revenue. Federal government revenue (GST, lottery payment and CPMA levy) as well as provincial government revenues allocated to capital expenditure, principal repayment and operating reserves are not included.</i>			

4.8 NEW BRUNSWICK

In 2010, the New Brunswick gaming industry contained 2 horse racetracks, about 300 VLT sites, about 900 lottery outlets (retailers), and a number of bingo halls. In May 2010 (fiscal 2011) the first casino opened in the Province. Of the \$238.5 million in gaming revenue, VLTs generated about 60.0 percent while lotteries accounted for about 28.0 percent (*Exhibit 24*). Between 2006 and 2010 industry win has generally been stable between \$230.0 and \$240.0 million.

Exhibit 24
Gaming Industry Win Trends by Sector - New Brunswick



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

Of the \$238.5 million in revenue, gaming activity operations spent over \$80.0 million to sustain operations while governments/charities spent over \$145.0 million (*Exhibit 25*). These expenditures in total generated over:

- \$472.0 million in Gross Output
- \$256.0 million in Purchase of Goods and Services
- \$215.0 million in Value Added GDP
- \$162.0 million in Labour Income
- 3,700 jobs (full-time equivalent)

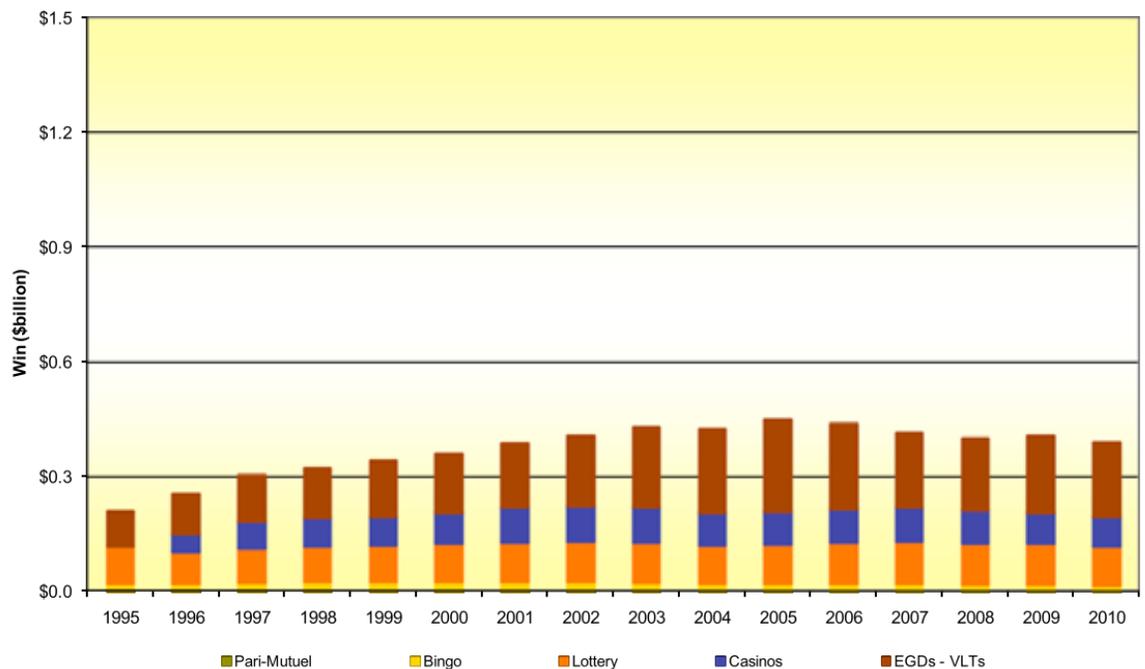
Exhibit 27			
Total Economic Impacts of the Nova Scotia Gaming Industry			
2010 (\$000)			
Total Gaming Revenue	\$403,448		
	Gaming Operation	Governments/ Charities	Total
Expenditures*	\$137,286	\$230,169	\$367,455
Gross Output			
Direct	\$137,286	\$230,169	\$367,455
Indirect	\$122,185	\$95,516	\$217,700
Induced	\$34,942	\$112,444	\$147,386
Total	\$294,413	\$438,129	\$732,541
Purchase of Goods & Services			
Direct	\$87,852	\$95,695	\$183,547
Indirect	\$67,807	\$39,776	\$107,583
Induced	\$14,828	\$47,715	\$62,543
Total	\$170,487	\$183,186	\$353,673
Value Added GDP			
Direct	\$49,434	\$134,475	\$183,908
Indirect	\$54,377	\$55,740	\$110,117
Induced	\$20,114	\$64,728	\$84,843
Total	\$123,925	\$254,943	\$378,868
Labour Income			
Direct	\$37,678	\$121,249	\$158,927
Indirect	\$35,041	\$37,626	\$72,667
Induced	\$11,760	\$37,842	\$49,602
Total	\$84,478	\$196,717	\$281,195
Employment			
Direct	1,020	2,558	3,578
Indirect	918	789	1,707
Induced	302	973	1,275
Total	2,240	4,321	6,560
<i>Source: HLT Advisory Inc. based on Statistics I-O Model and HLT estimates.</i>			
<i>* Does not equal total gaming revenue. Federal government revenue (GST, lottery payment and CPMA levy) as well as provincial government revenues allocated to capital expenditure, principal repayment and operating reserves are not included.</i>			

4.9 NOVA SCOTIA

In 2010, the Nova Scotia gaming industry consisted of 2 casino facilities, 3 horse racetracks, about 400 VLT sites, over 1,000 lottery outlets (retailers), and numerous bingo halls. Of the \$403.4 million in gaming revenue, VLTs accounted for about half followed by lotteries and casinos (*Exhibit 26*).

Between 2006 and 2010, total industry win declined by almost \$50.0 million from about \$440.0 million to \$391.0 million. VLTs accounted for over half of that decline. Over this time period, the Province restructured its VLT program; the restructured program included both fewer sites and machines in operation.

Exhibit 26
Gaming Industry Win Trends by Sector - Nova Scotia



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

Of the \$403.4 million in revenue, gaming activity operations spent over \$137.0 million to sustain operations while governments/charities spent about \$230.0 million (*Exhibit 27*). These expenditures in total generated over:

- \$732.0 million in Gross Output
- \$353.0 million in Purchases of Goods and Services
- \$378.0 million in Value Added GDP
- \$281.0 million in Labour Income
- 6,500 jobs (full-time equivalent)

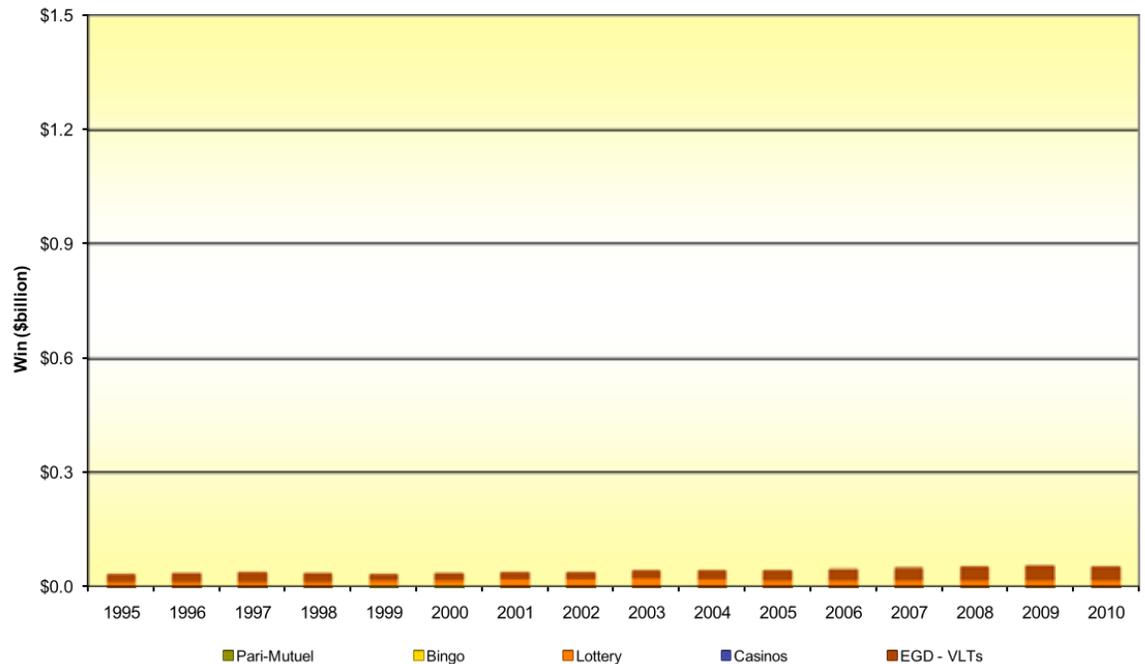
Exhibit 29			
Total Economic Impacts of the PEI Gaming Industry			
2010 (\$000)			
Total Gaming Revenue	\$49,965		
	Gaming Operation	Governments/ Charities	Total
Expenditures*	\$25,337	\$16,546	\$41,883
Gross Output			
Direct	\$25,337	\$16,546	\$41,883
Indirect	\$22,296	\$6,753	\$29,049
Induced	\$6,402	\$6,641	\$13,043
Total	\$54,035	\$29,940	\$83,975
Purchase of Goods & Services			
Direct	\$16,473	\$6,133	\$22,606
Indirect	\$12,546	\$3,046	\$15,593
Induced	\$2,575	\$2,671	\$5,246
Total	\$31,595	\$11,850	\$43,445
Value Added GDP			
Direct	\$8,864	\$10,413	\$19,277
Indirect	\$9,750	\$3,706	\$13,456
Induced	\$3,827	\$3,970	\$7,797
Total	\$22,441	\$18,089	\$40,530
Labour Income			
Direct	\$8,687	\$9,010	\$17,697
Indirect	\$7,818	\$2,551	\$10,369
Induced	\$2,220	\$2,303	\$4,523
Total	\$18,724	\$13,864	\$32,589
Employment			
Direct	255	163	418
Indirect	228	61	289
Induced	62	64	126
Total	544	288	832
<i>Source: HLT Advisory Inc. based on Statistics I-O Model and HLT estimates.</i>			
<i>* Does not equal total gaming revenue. Federal government revenue (GST, lottery payment and CPMA levy) as well as provincial government revenues allocated to capital expenditure, principal repayment and operating reserves are not included.</i>			

4.10 PRINCE EDWARD ISLAND

In 2010, the PEI gaming industry consisted of 2 horse racetracks with slot machine gaming floors, about 40 VLT sites, about 200 lottery outlets (retailers), and a few bingo halls. Of the \$50.0 million in gaming revenue, VLTs (including one racetrack facility with slots) accounted for over 60.0 percent followed by lotteries at 27.0 percent (*Exhibit 28*).

Between 2006 and 2010 total industry win increased by over \$6.0 million. While the Province restructured its VLT program (fewer sites and machines in operation), it established gaming facilities (slot machines) at two horse racetracks.

Exhibit 28
Gaming Industry Win Trends by Sector - Prince Edward Island



Source: HLT Advisory Inc. based on various provincial government agency/corporation annual reports.
Note: EGD-VLTs include the gaming win generated at the two Racing Entertainment Centres.

Of the \$50.0 million in revenue, gaming activity operations spent over \$25.0 million to sustain operations while governments/charities spent over \$16.0 million (*Exhibit 29*). These expenditures in total generated over:

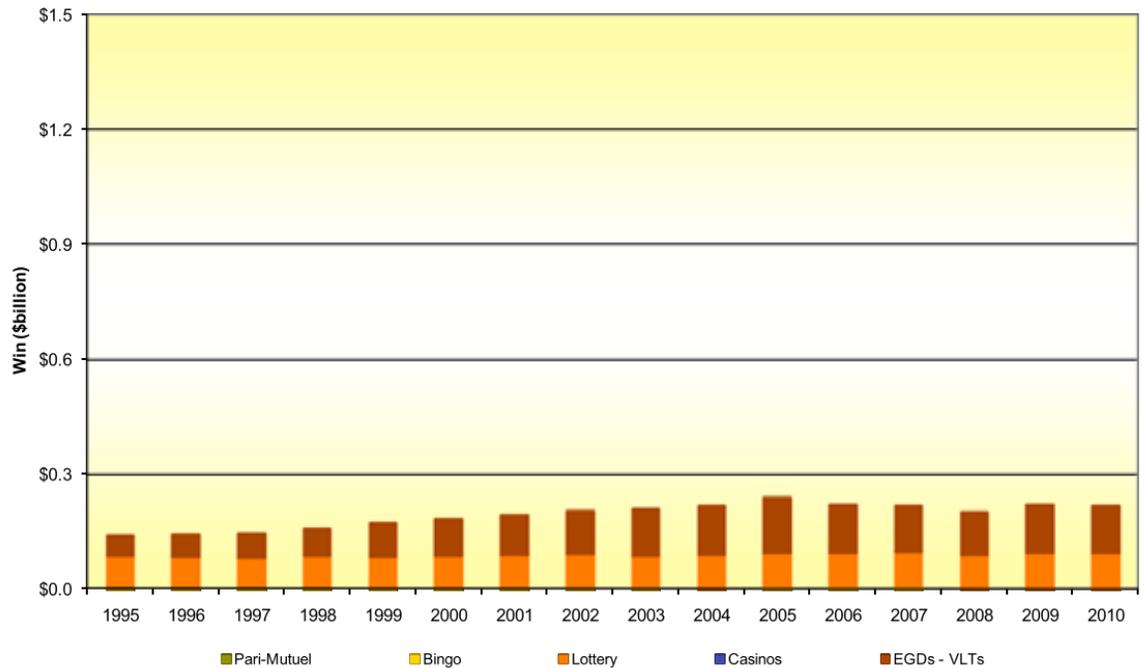
- \$83.0 million in Gross Output
- \$43.0 million in Purchases of Goods and Services
- \$40.0 million in Value Added GDP
- \$32.0 million in Labour Income
- 800 jobs (full-time equivalent)

Exhibit 31			
Total Economic Impacts of the Newfoundland Gaming Industry			
2010 (\$000)			
Total Gaming Revenue	\$219,556		
	Gaming Operation	Governments/ Charities	Total
Expenditures*	\$89,137	\$119,510	\$208,646
Gross Output			
Direct	\$89,137	\$119,510	\$208,646
Indirect	\$78,440	\$38,238	\$116,679
Induced	\$14,489	\$69,937	\$84,426
Total	\$182,066	\$227,685	\$409,751
Purchase of Goods & Services			
Direct	\$74,129	\$39,148	\$113,277
Indirect	\$61,932	\$14,498	\$76,430
Induced	\$5,365	\$25,898	\$31,264
Total	\$141,426	\$79,544	\$220,970
Value Added GDP			
Direct	\$15,008	\$80,362	\$95,370
Indirect	\$16,509	\$23,740	\$40,249
Induced	\$9,123	\$44,039	\$53,162
Total	\$40,640	\$148,141	\$188,781
Labour Income			
Direct	\$14,996	\$72,386	\$87,382
Indirect	\$13,496	\$14,963	\$28,459
Induced	\$4,362	\$21,054	\$25,416
Total	\$32,854	\$108,403	\$141,257
Employment			
Direct	435	1,221	1,656
Indirect	391	289	680
Induced	116	562	678
Total	942	2,072	3,014
<i>Source: HLT Advisory Inc. based on Statistics I-O Model and HLT estimates.</i>			
<i>* Does not equal total gaming revenue. Federal government revenue (GST, lottery payment and CPMA levy) as well as provincial government revenues allocated to capital expenditure, principal repayment and operating reserves are not included.</i>			

4.11 NEWFOUNDLAND & LABRADOR

In 2006, the Newfoundland and Labrador gaming industry consisted of one horse racetrack, over 450 VLT sites, over 1,000 lottery outlets (retailers), and some bingo halls. VLTs and lotteries accounted for virtually all of the gaming revenue generated in 2010 (*Exhibit 30*). Total provincial industry win was generally stable between 2006 and 2010 at about \$220.0 million.

Exhibit 30
Gaming Industry Win Trends by Sector - Newfoundland



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

Of the \$219.5 million in revenue, gaming activity operations spent over \$89.0 million to sustain operations while governments/charities spent over \$119.0 million (*Exhibit 31*). These expenditures in total generated over:

- \$409.0 million in Gross Output
- \$220.0 million in Purchase of Goods and Services
- \$188.0 million in Value Added GDP
- \$141.0 million in Labour Income
- 3,000 jobs (full-time equivalent)

APPENDIX A



APPENDIX A - METHODOLOGY BACKGROUND

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

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

With regard to the identification of an appropriate economic model, HLT relied on the research conducted for the 2006 Assessment. The result of that research was the identification of the Statistics Canada Input-Output Model as the most appropriate model to use in Canada.

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

ECONOMIC MODEL

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

The Model has been constructed based on the Canadian Input-Output Tables. The Input-Output Tables describe the actual flow of goods and services between industries and final demand sectors. They are created annually and at the most detailed level, show the relationship between 303 industries, 170 final demand sectors and 727 commodities. There are four tables that make up the Input-Output Tables:

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

The Model is currently based on the 2007 Input-Output Tables. While data is collected annually, it takes about 30 months to complete the national Input-Output Tables and 36 months to complete the provincial Input-Output Tables.

Model Base Data

The Canadian System of National Accounts ("SNA"), a branch of Statistics Canada, is responsible for compiling the data for the Input-Output Tables. These data are collected annually from various sources including surveys, administrative sources (i.e., tax records), professional and industrial organizations, and non-government institutions. In the case of the "gambling industry" (SNA's term for the gaming industry), data are collected primarily from provincial lottery corporation annual reports.

The SNA's definition of the gaming industry is limited to "government-run" lotteries, video lottery terminals ("VLTs") and casinos. Revenues generated by or for charities and/or on First Nation lands are excluded from this definition. Hence, this definition excludes:

- First Nation casinos and VLTs;
- Table revenue from Alberta casinos (as tables are operated by/for charities);
- Charity-run bingo halls and lotteries; and
- Pari-mutuel revenue except from "off-track" betting facilities.

With regard to pari-mutuel activity at racetracks, this gaming sector is included in the Spectator Sport Industry.

USE OF THE STATISTICS CANADA INPUT-OUTPUT MODEL

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

Using the Model to Estimate Gaming Activity Operational Expenditure Impacts

Two main challenges of using the Model to estimate gaming activity operating expenditures were identified.

- Definition and structure of the gaming industry.
- Classification of certain gaming operating expenses into commodities.

The limited definition of the industry used by Statistics Canada affects the structure of the gaming industry as depicted in the Input-Output Tables. The inclusion or exclusion of certain gaming activities can impact the structure of the gaming industry as certain gaming activities have different operating expense structures than others. For example, the operational expenses of table gaming (i.e., labour and goods and services purchased) differ from the operational expenses of a VLT or lottery network. This becomes an issue if you wanted to determine the impacts of the casino sector and you only had total expenditure data. The Model would first take this expenditure total and distribute it amongst all commodities under the gaming industry in the 2007 Input-Output Tables. It would then determine the linkages in the economy by commodity. The results would not be indicative of the true impact of the casino sector.

The classification of expense categories influences how the gaming industry impacts other industries (direct to total impact estimate). Based on a review of the 2007 structure of the industry by commodity (as contained in the 2007 Input-Output Tables provided by Statistics Canada), the most significant classification issue revolves around the treatment of gaming operator "commissions" or "management fees". For example, in British Columbia and Alberta, casino operators are given a commission to run casinos, from which they must cover all operating expenses. These commissions are treated as "retailing services" in the Input-Output Tables. Retailing services are the largest commodity expense (even larger than labour income) in the gaming industry according to the 2007 Input-Output Table. Retailing services also have a minimal indirect impact. The majority of these commissions are spent on casino labour and the purchase of other goods and services which have higher total impacts. Thus, the Model results without adjustments would underestimate total impacts.

Based on research conducted for the 2006 Assessment, HLT had to simplify the expense breakdown by focusing on major categories such as labour income, other operating expenses (including Retailer Commissions), private operator profits, taxes (i.e. GST) and government/charity revenue. The Model was first run at the national level and at the provincial level for each province. The resulting Model expense breakdown (in particular Labour Income) was compared against HLT's estimates. Once compared, HLT made adjustments to the direct to total multipliers, which were then applied to the various economic measures of each of the provinces (i.e., Gross Output, Purchase of Goods and Services, Value Added GDP and Labour Income). HLT believes that these adjustments better reflect the actual impact of provincial gaming industries. It is noted that the resulting relationship between direct and indirect benefits (as depicted by total multipliers) at the national level are similar to those generated by the actual Model results. Provincial level relationships however vary.

Using the Model to Estimate Government/Charity Gaming Revenue

To complete the assessment of government/charity spending of gaming revenue (profit), HLT undertook the following steps:

1. Identified shares of gaming revenue by all levels of government (including First Nations) and charity.
2. Subtracted the federal government's share of revenue (GST, federal "lottery" payment and CPMA levy) and that portion of revenue not remitted to provincial governments from provincial gaming corporations/entities (i.e., used for capital expenditures, reserves, and repayment of principal on loans).
3. Allocated remaining revenue for both provincial governments and charities into broad service categories in the Input-Output Tables:
 - Services provided by non-profit (used as proxy for charity spending)
 - Government funding of hospitals
 - Government funding of education
 - Other provincial government services
 - Other municipal government services

Where details were available (e.g., portion of revenue allocated to municipalities), revenue was allocated to specific areas. The remaining distribution of revenue was estimated based on the general distribution of expenditures as contained in individual provincial government budgets.

4. Provided Statistics Canada with Model inputs to run the Model.

HLT reviewed the Model results and made adjustments where necessary. The only adjustment made was to the inherent average annual salaries (total labour income divided by full-time equivalent jobs). This adjustment reflected the total increase in salaries for provincial public administration employees between 2003 and 2007 (the historic and current base year for the Input-Output tables used in the Model).

Using the Model to Estimate Induced Impacts

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

5. Assembled the direct labour income from both gaming operations and government/charity spending of gaming revenue.
6. Subtracted from total labour income savings and income taxes. HLT assumed a 5.0 percent savings rate and a 20.0 percent income tax rate.

7. Provided Statistics Canada with Model inputs to run the Model.

HLT reviewed the Model results and made adjustments where necessary. The only adjustment made was to the inherent average annual salaries (total labour income divided by full-time equivalent jobs). This adjustment reflected the total increase in salaries for all employees across all industries between 2003 and 2007 (the historic and current base year for the Input-Output tables used in the Model).

DATA COLLECTION

The primary source of data needed to complete the assessment was compiled from various annual reports of provincial lottery/gaming corporations and entities (see Appendix B for a list). The level of detail in terms of expense breakdowns needed to complete the assessment was not available on a consistent basis across all provinces and all sectors. HLT was able to estimate more detailed expense categories based on past work assignments in every province and in all gaming sectors. HLT and/or the principals of HLT have completed over 250 gaming related assignments in Canada.

While many of these reports are in the public domain, the detailed data is confidential to clients. This limits our ability to disclose actual expense breakdowns in this report. Hence the expense breakdowns used are only estimates and should be treated as such. With this said, HLT is confident that broad expenditure areas, namely labour income, total purchase of goods and services, GST and provincial/charity share of gaming revenue are reflective of actual totals.

APPENDIX B



APPENDIX B - LIST OF SOURCES

Revenue and Expense Data Sources

Alberta Gaming and Liquor Commission. *Annual Report*.

Alberta: 1996-1997 through 2009-2010.

Alberta Gaming and Liquor Commission and Alberta Lottery Fund. *Alberta Gaming Annual Report*.

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Newfoundland: 1994-1995 through 2009-2010.

Great Canadian Gaming Corporation. *Annual Report*. British Columbia: 2004-2005 and 2009-2010.

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Saskatchewan Liquor and Gaming Authority. *Annual Report.*
Saskatchewan: 1996-1997 through 2009-2010.

Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation. *Financial Statements.*
2008-2009 through 2009-2010.

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(CANSIM, table 351-0002 and Catalogue no. 63-253-X) [Online]
Available <http://www40.statcan.gc.ca/l01/cst01/serv23a-eng.htm>, March 25, 2011.

Statistics Canada. "Arts, Entertainment & Recreation: Spectator Sports."
(CANSIM, table 361-0013 and Catalogue no. 63-246-X) [Online]
Available <http://www40.statcan.gc.ca/l01/cst01/arts74a-eng.htm>, March 8, 2011.

Statistics Canada. "Food Services and Drinking Places – Drinking Places (alcoholic beverages)".
(CANSIM, table 355-0005 and Catalogue no. 63-243-X) [Online]
Available <http://www40.statcan.gc.ca/l01/cst01/serv42a-eng.htm?sdi=food%20services>, March 31, 2011.

Statistics Canada. "Food Services and Drinking Places – Full-Service Restaurants".
(CANSIM, table 355-0005 and Catalogue no. 63-243-X) [Online]
Available <http://www40.statcan.gc.ca/l01/cst01/serv42a-eng.htm?sdi=food%20services>, March 31, 2011.

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