



# Arizona Symposium on Racing and Gaming

“Words from the Elders”

December 5-9, 2005

# Introduction

- ***The Ontario Lottery and Gaming Corporation (“OLGC”) is responsible for 26 gaming sites and the sale of lottery products at 10,500 retailers across Ontario.***
- ***Provides gaming entertainment in a socially responsible way that maximizes the net economic benefit for the province.***
- ***Net revenues are used for the provision of health care and the promotion of physical fitness, recreation and cultural activities.***

	<u>Operator</u>	<u>Tables</u>	<u>Slots</u>	<u>Size (Slots)</u>	<u>Jobs (FTEs)</u>
<b>Commercial Casinos (4)</b>	<b>3<sup>rd</sup> Party</b>	<b>420</b>	<b>11,110</b>	<b>2,300 to 3,300</b>	<b>8,980</b>
<b>Charity Casinos (6)</b>	<b>OLGC</b>	<b>147</b>	<b>2,712</b>	<b>450 to 500</b>	<b>2,085</b>
<b>Racinos (16)</b>	<b>OLGC (slots only)</b>	<b>N/A</b>	<b>9,330</b>	<b>100 to 1,700</b>	<b>4,495</b>

**Source: Ontario Lottery and Gaming Corporation. As of March 31<sup>st</sup>, 2005.**



# OLGC Gaming Facilities

## Gaming Across The Borders!

- Commercial Casinos
- Charity and Aboriginal Casinos
- Slots-at-Racetracks Facilities

### Competition Across the Borders

#### Michigan

1. Bay Mills Casino
2. Kewadin Casino, Sault Ste. Marie, MI
3. Kings Club Casino
4. Kewadin Slots, Manistique
5. Kewadin Slots, Hessel
6. Turtle Creek, Traverse City
7. Soaring Eagle Casino, Mount Pleasant
8. Greektown Casino, Detroit
9. MGM Grand Casino, Detroit
10. Motor City Casino, Detroit
- Port Huron Casino (Proposed)

#### Minnesota

11. Grand Portage

#### New York

12. Turning Stone Casino
  13. Akwesasne Mohawk Casino
  14. Seneca Niagara Casino
- Potential New Casinos**
- Buffalo
  - Tonawanda
  - Niagara Falls
  - Batavia Downs (Slots)

#### Quebec

15. Casino Lac-Leamy, Hull
16. Casino de Montreal



# North American Pari-Mutuel Wagering Summary

<u>Jurisdiction:</u>	<u>Total Handle</u>	<u>Adult Population</u>	<u>Spend/Adult</u>
California	US\$4.3 billion	26,064,483	\$166
New York	US\$2.7 billion	14,657,367	\$185
New Jersey	US\$1.6 billion	6,506,779	\$250
Illinois	US\$1.1 billion	9,422,938	\$112
Pennsylvania	US\$1.1 billion	9,534,761	\$110
<b>Ontario</b>	<b>CDN\$1.2 billion</b>	<b>9,294,500</b>	<b>\$127</b>

Source: OLGC; State and Provincial records (2003 and 2004 data); Statistics Canada, US Census Bureau

- **Ontario Racing Commission**—supervises more racetracks and more live race dates than any other jurisdiction in North America:
  - » **Number of Facilities**—18 racetracks
  - » **Number of Race Dates**—seven consecutive years of growth
    - 1,735 race dates approved for 2005
  - » **Wagering**—Ontario accounts for 67% of all wagering in Canada



# Evolution of OLGC Racinos

<u>Fiscal Year:</u>	<u>Racinos</u>	<u>Slot Machines</u>	<u>Revenues</u>	<u>Visitation</u>
1999	1	712	\$17.5	N/A
2000	9	7,063	\$364.8	4,954,600
2001	12	8,053	\$1,034.6	13,462,200
2002	15	8,675	\$1,289.4	15,921,200
2003	15	8,668	\$1,491.0	17,244,700
2004	16	9,342	\$1,540.0	17,230,900

Source: Ontario Lottery and Gaming Corporation Fiscal year ends March 31<sup>st</sup> (CDN\$ millions)

- ***The Slots-at-Racetracks Program was designed to revitalize the Ontario horse racing industry:***
  - » **Number of Facilities**—16 racinos, with 2 planned for 2006/2007
  - » **Slot Machines**—9,300+ slots (sites ranging from 100 to 1,700 slots each)
  - » **Slot Revenues**—more than CDN\$1.5 billion annually
  - » **Visitation**—more than 17 million patrons annually

# Measures of Success

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1. **Revenue-Sharing**—Significant revenues for OLG's key stakeholders. Of the \$1.54 billion in fiscal 2004 slot revenues:
  - » **Racetrack Owners/Operators (10%)**—\$154 million
  - » **Horse People (10%)**—\$154 million
  - » **Host Municipalities\* (5%)**—\$55 million

*Since 1998 over \$1 billion dollars has been distributed to track owners and horse people.*

2. **Employment:**

- » **Direct Employment**—4,192 jobs (OLGC)
- » **Direct Payroll**—\$154 million (OLGC)
- » **Indirect Employment**—7,000 new jobs have been created in the agricultural sector (Source: Ontario Horse Racing Industry Association)

*Note: \*Host municipalities receive 5% of revenue from slots up to 450 machines and 2% from slots over 450.*

# Measures of Success (cont'd)

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**3. Racetrack Statistics**—Between 1998 and 2003, Ontario racetracks have achieved:

- » **Increased Purses**—from \$104 million to \$306 million (+142%).
- » **Increased Handle**—from \$1.1 billion to \$1.2 billion (+11%).
- » **More Race Days**—from 1,614 to 1,742 (+17%).

**4. Quality of the Product**

- » **Renovated Facilities**—including grandstand, food and beverage and related amenities.
- » **New-build Facilities**—e.g., Georgian Downs, proposed openings in 2007/2008.

**Source: Ontario Racing Commission. 54<sup>th</sup> Annual & Statistical Report 2003-2004.**

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# Growing Pains

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## 1. Slot Supply/Allocation

- » **Locations of racinos**—dictated by the locations of existing racetracks; NOT by market demand or population base.
- » **Number of sites**—limited to 18 existing racetracks (too few? too many?)
- » **Number of slots**—allocated among the 18 racetracks (too few? too many?)

## 2. Demand

- » **At some racinos, demand levels have not matched slot supply.**
- » **Impacts on OLGC casinos was not effectively predicted/managed.**
- » **Introduction of US competition at border locations has impacted demand levels.**



# Growing Pains (cont'd)

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## 3. Operations

- » **Food & Beverage**—OLGC operates food & beverage at 2 of the 16 sites.
- » **Customer Service**—How does OLGC ensure an exceptional experience across all locations?

## 4. Marketing

- » **Racino Experience**—How to effectively market the “OLGC Racino” experience across the province?
- » **Cannibalization**—How to promote each of OLGC’s high/mid/low market gaming offerings?

## 5. Stakeholder Considerations:

- » **Who wins?**—Is the current revenue sharing arrangement equitable for all?
- » **Reinvestment**—Lack of reinvestment into some facilities.

# Looking Ahead

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- **Market Reassessment**—In summer 2005, OLGC's Development team completed an updated analysis on potential slot expansion opportunities.
- **Balance Supply/Demand Levels**—As the OLGC racino market matures, emphasis moves to the optimization of existing sites in order to meet performance targets.
- **Complimentary Amenities**—Determine what non-gaming amenities need to be introduced to enhance the OLGC racino experience.

