

Economic Impact of the Ontario Race Horse Industry

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Consultant – Equine Industry and Disease Prevention

- Employee of OMAFRA for 33 years
 - 23 years as Lead veterinarian - equine
 - Authored/co-authored more than 150 publications including
 - 1996 Ontario Horse industry Report
 - 1993 Study of Ontario Racetracks
 - Updated economic impact of Ont Horse industry until 2008
 - Retired to private small animal practice Oct. 2009
 - **No funding from any sources or ties to racing**

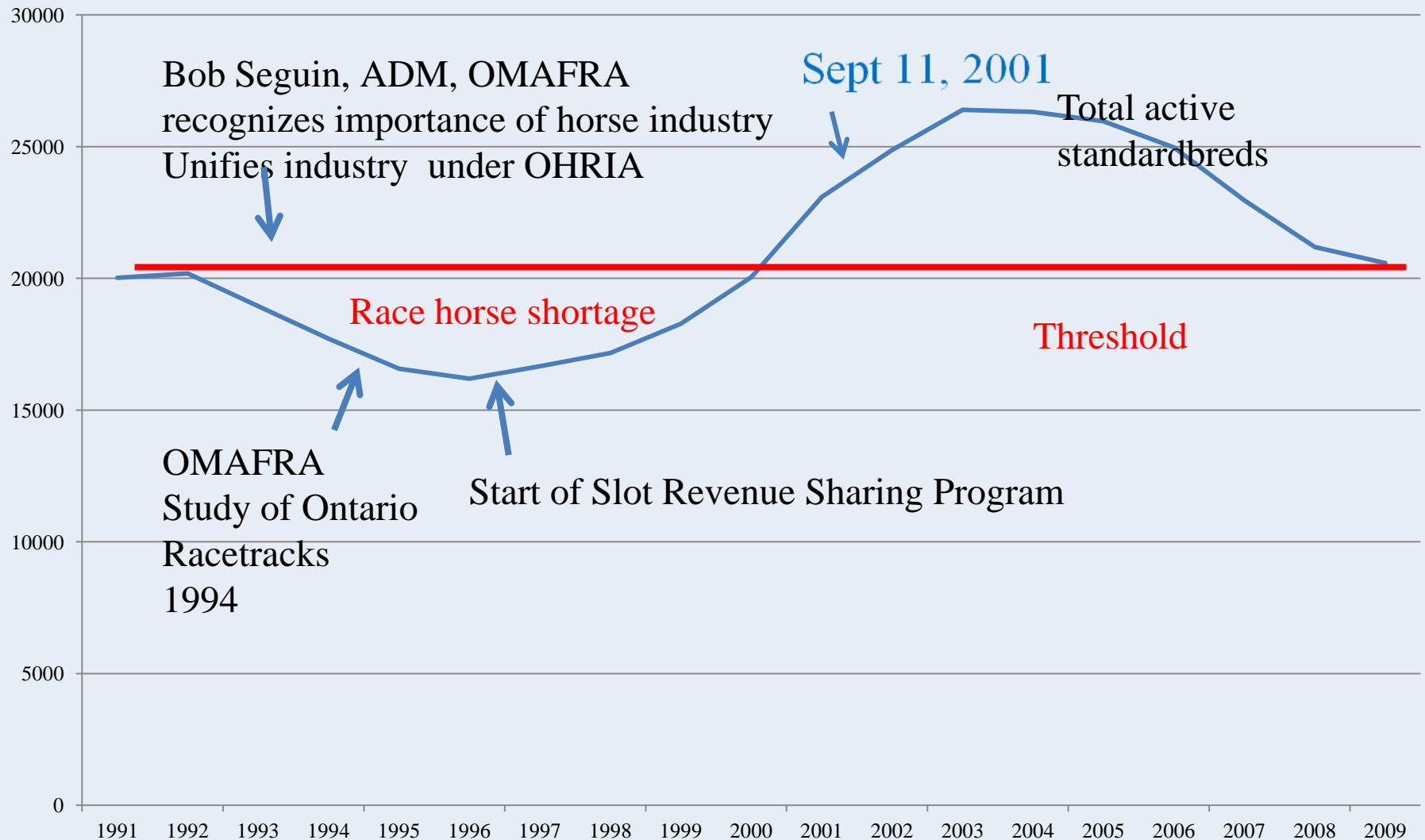
Position of Wellington County

Source: Dr. Bob Wright, OMAFRA Factsheet 2008

County or Regional Municipality	Estimated Number of Horses 2001	Estimated Number of Horses 2006	% Change
Wellington County	18,293	27,530	+50.5%
Grey County	14,005	21,754	+55.3%
Simcoe County	14,581	19,516	+33.8%
Durham Regional Municipality	18,341	18,147	-1.1%
Waterloo Regional Municipality	15,017	17,636	+17.4%
York Regional Municipality	19,544	16,735	-14.4%
Middlesex County	17,152	16,684	-2.7%
Bruce County	9,546	13,549	+41.9%
Huron County	8,171	12,890	+57.8%
Perth County	9,430	12,780	+35.5%
Provincial total	325,156	379,412	16.7%

Timelines


Using Standardbreds Race horse Industry



Government and The Race Horse Industry

- OMAFRA
 - understands meat, milk, eggs and field crops
 - Doesn't understand that horses **are agriculture** and they create **“value added”** products for agriculture
- Ontario Racing Commission
 - Runs all aspects of racing, wagering, Sires Stakes Program
- Ontario Lottery Corp
 - Creates wagering products to create revenue
 - Their business model is **cost of product and return on investment**
 - “Slots at tracks” is one product and an agrivation

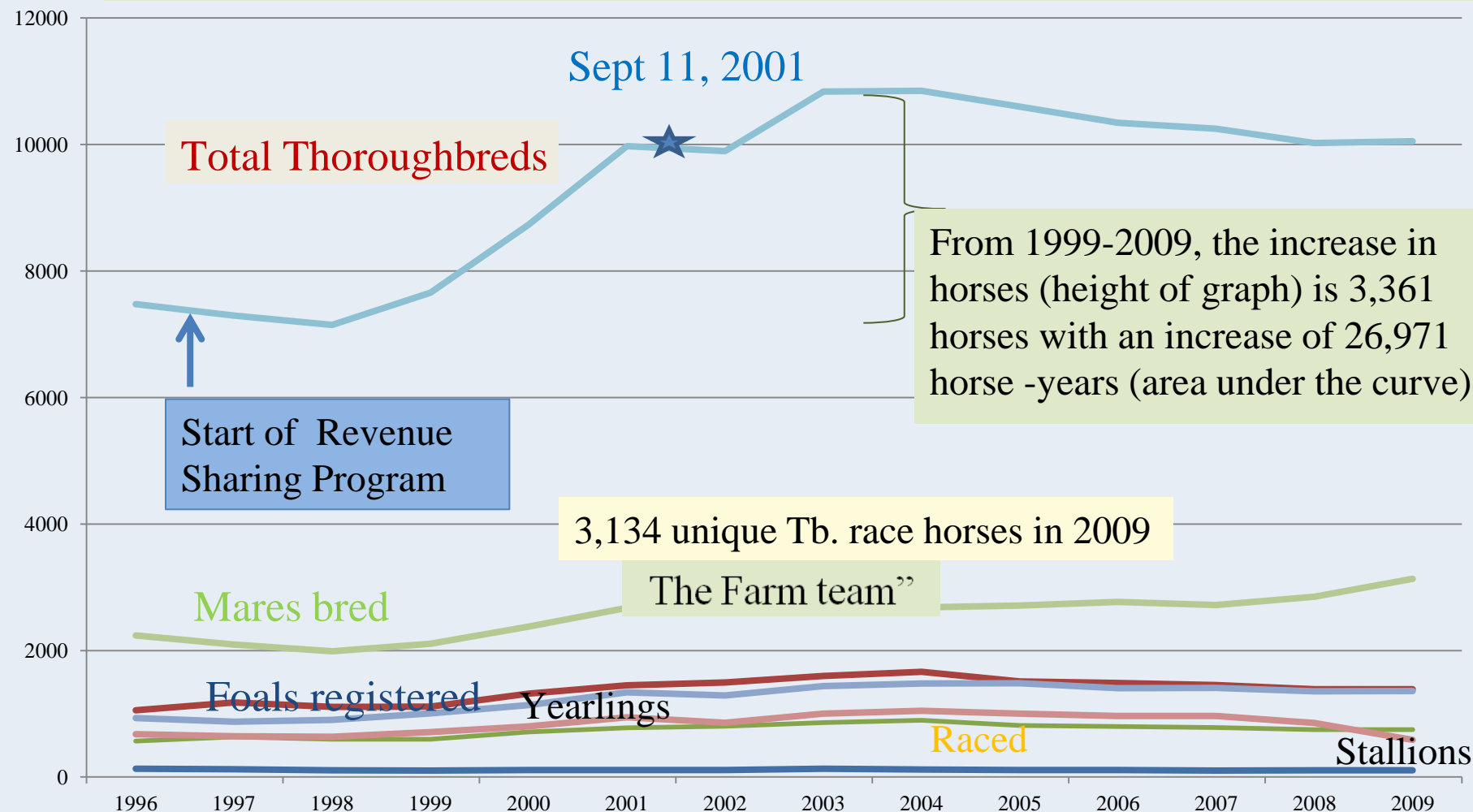
Development of the Elite Athlete

- The Ontario Race horse industry consists of 3 sectors;
 - Standardbreds -21,448
 - Thoroughbreds -10,048
 - Quarter horses approx.-1,500

Year 2009
- Within each sector there are the unique race horses and the farm team
 - The farm team consists of mares, stallions, foals, yearlings, 2-year olds, and horses in training
 - It takes 3-5 years to react to downturns and upswings
- Graphs are presented for the Thoroughbred and Standardbred horse sectors

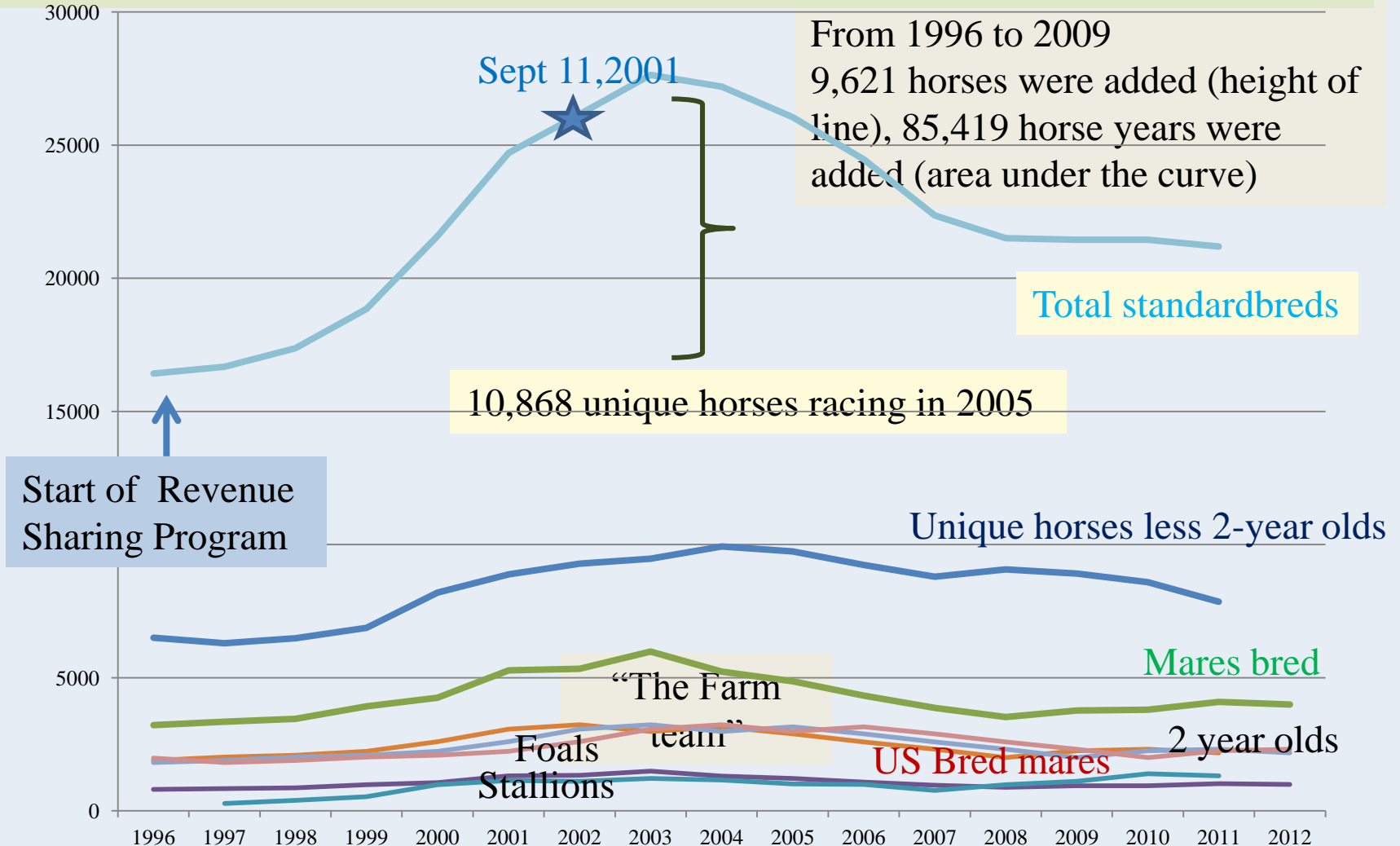
Development of the Elite Thoroughbred Athlete

Sources: RG Wright,
Equine Canada, *The Economic of Horse Racing 2010*,
2012 Ontario Fact Book, *The Jockey Club*



Development of the Elite Standardbred Athlete

Source: RG Wright, Janet Cookson Standardbred Canada

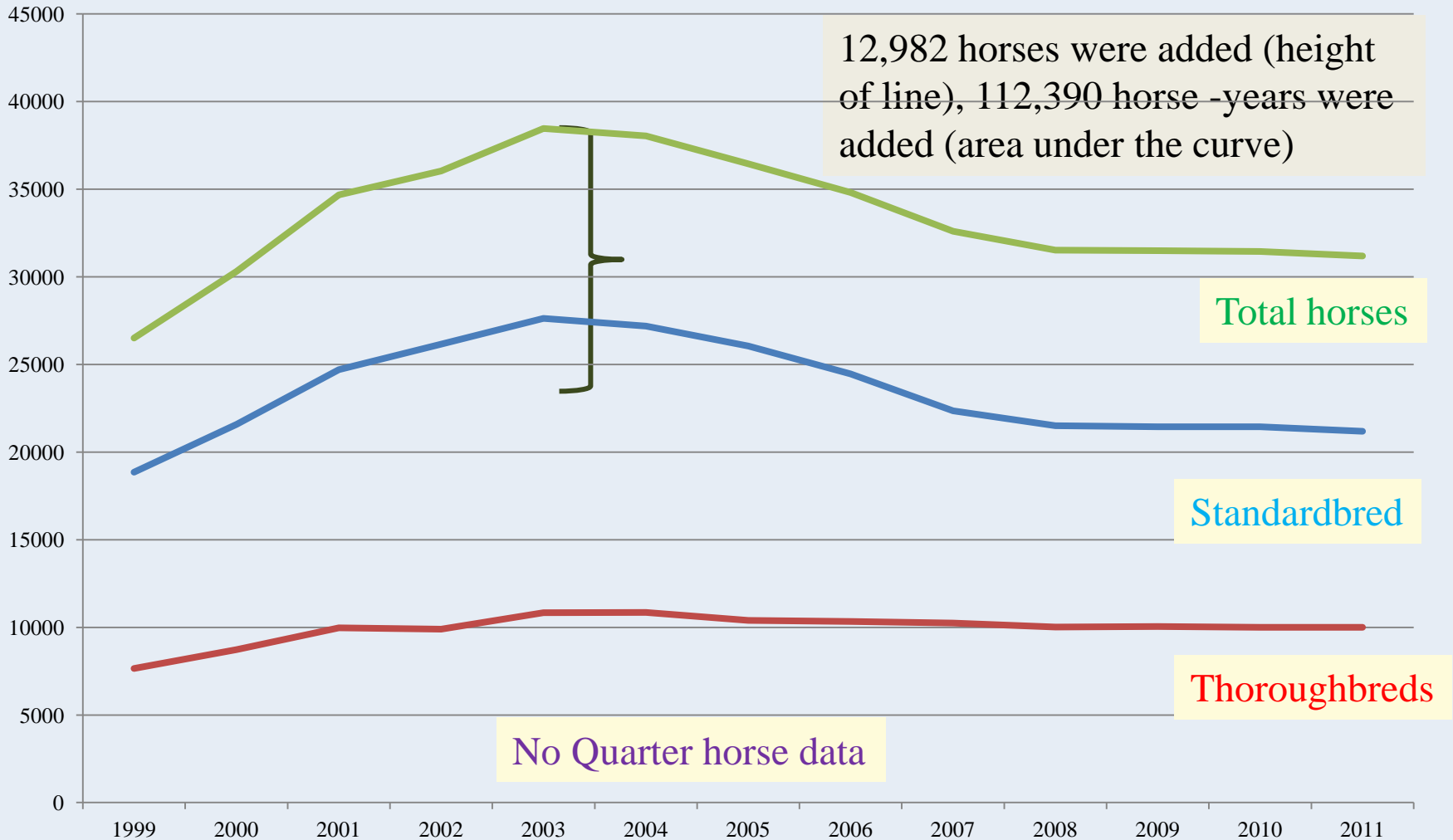


Dr. Robert Wright Veterinary Consultant, Equine Industry and Disease Prevention

Development of the Elite Athlete

Size of Race Horse Industry 1996 -2011

Source: RG Wright,



Economic Impact

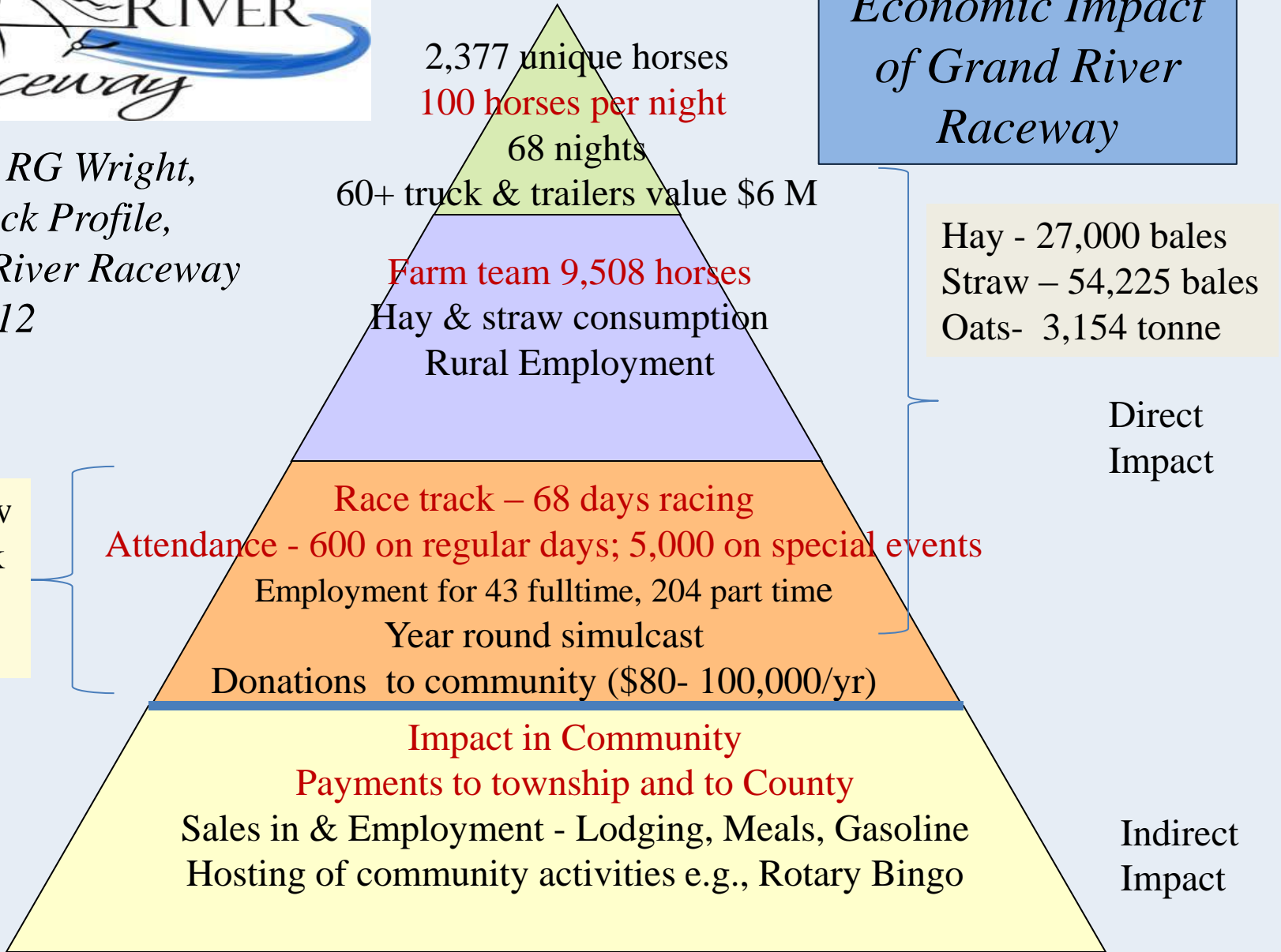


- Economic Impact can be broken into an industry wide impact or a local impact.
- Grand River Raceway is used as an example of direct local impact on the community including hay, bedding and feed sales but the indirect induced impacts are huge

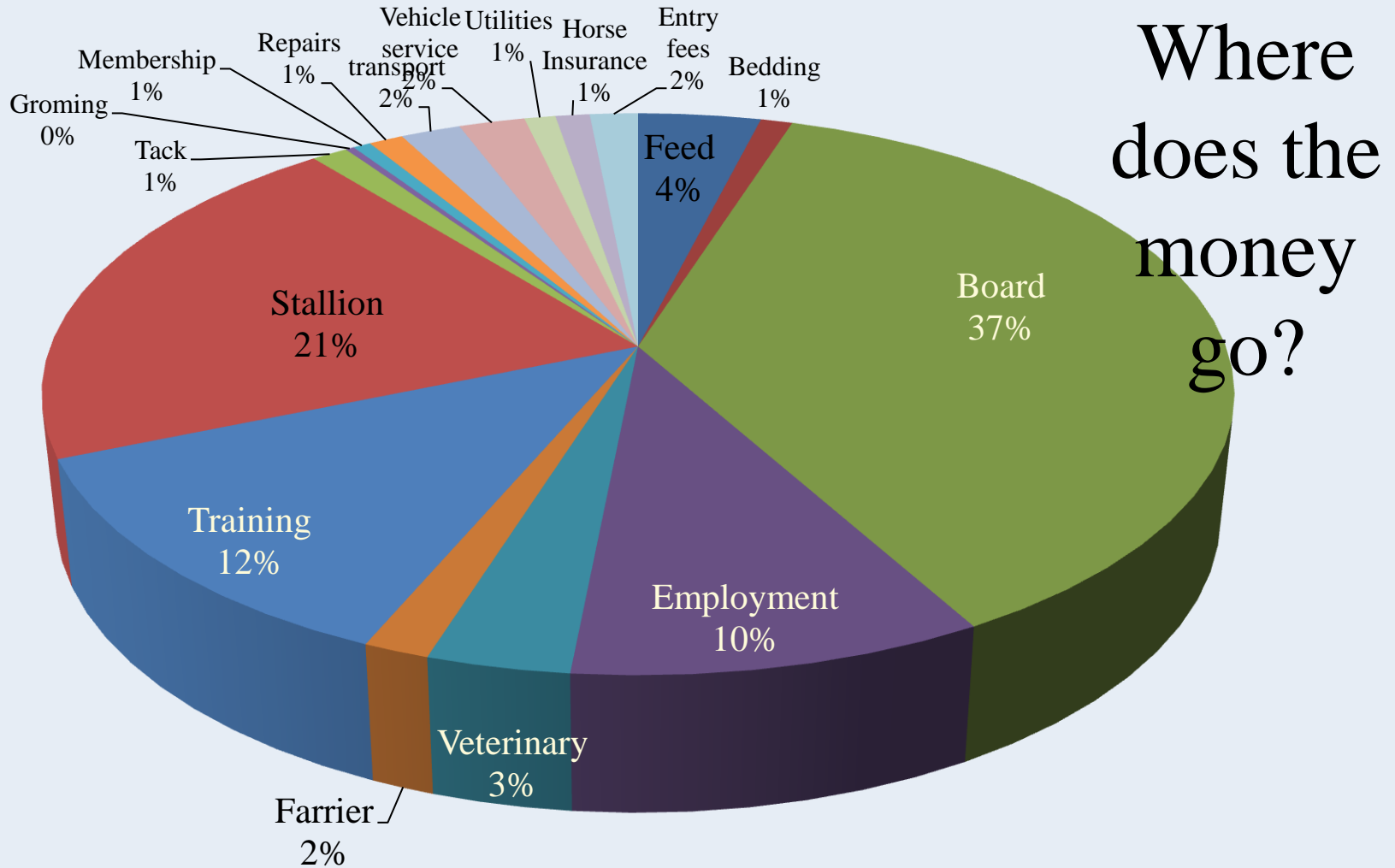


Source: RG Wright,
Racetrack Profile,
Grand River Raceway
May 2012

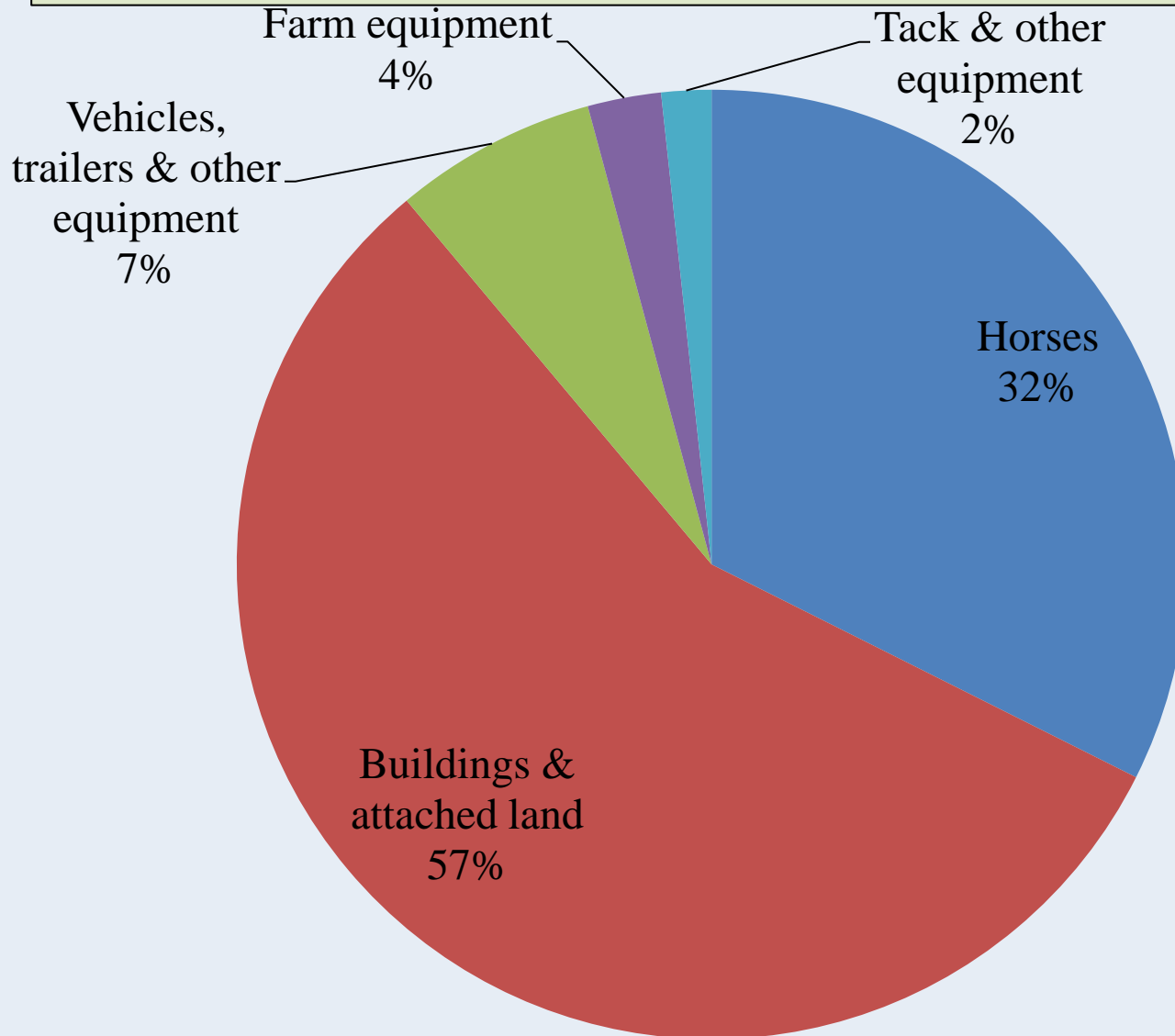
Economic Impact of Grand River Raceway



Horse owners racing at Grand River Raceway spend approx. **\$33M** in the rural community annually



Horse owners racing at Grand River Raceway Investment **\$330M**
in Fixed Assets in the rural community





Economic Impact of Grand River Raceway

Source: RG Wright, Racetrack Profile, Grand River Raceway May 2012

Total Annual Expenditures	2377 unique horses (25% of season)	\$156/day	\$33.8 M
Investment in Fixed Assets		\$56,963/horse	\$330 M
Farm Gate sales	Hay - 27,000 bales Straw – 54,225 bales Oats- 3,154 tonne	226 acres 1,000 acres 2,041 acres	\$271,126 \$271,126 \$580.507
Track employment	Full time Part time Volunteers	43 67 (32 FTE) 150	Wages \$1.9 M Operating expenses \$3.8 M
Backstretch	Owners Trainers Grooms Trades people Veterinarians Catering	167 per night 86 86 3 2 4	2,286 Person days 862 5,934 207 138 276
Officials	Cdn Pari-Mutual Agency ORC, OHRIA/Std Cdn	9	594 Person days

Purses 2011

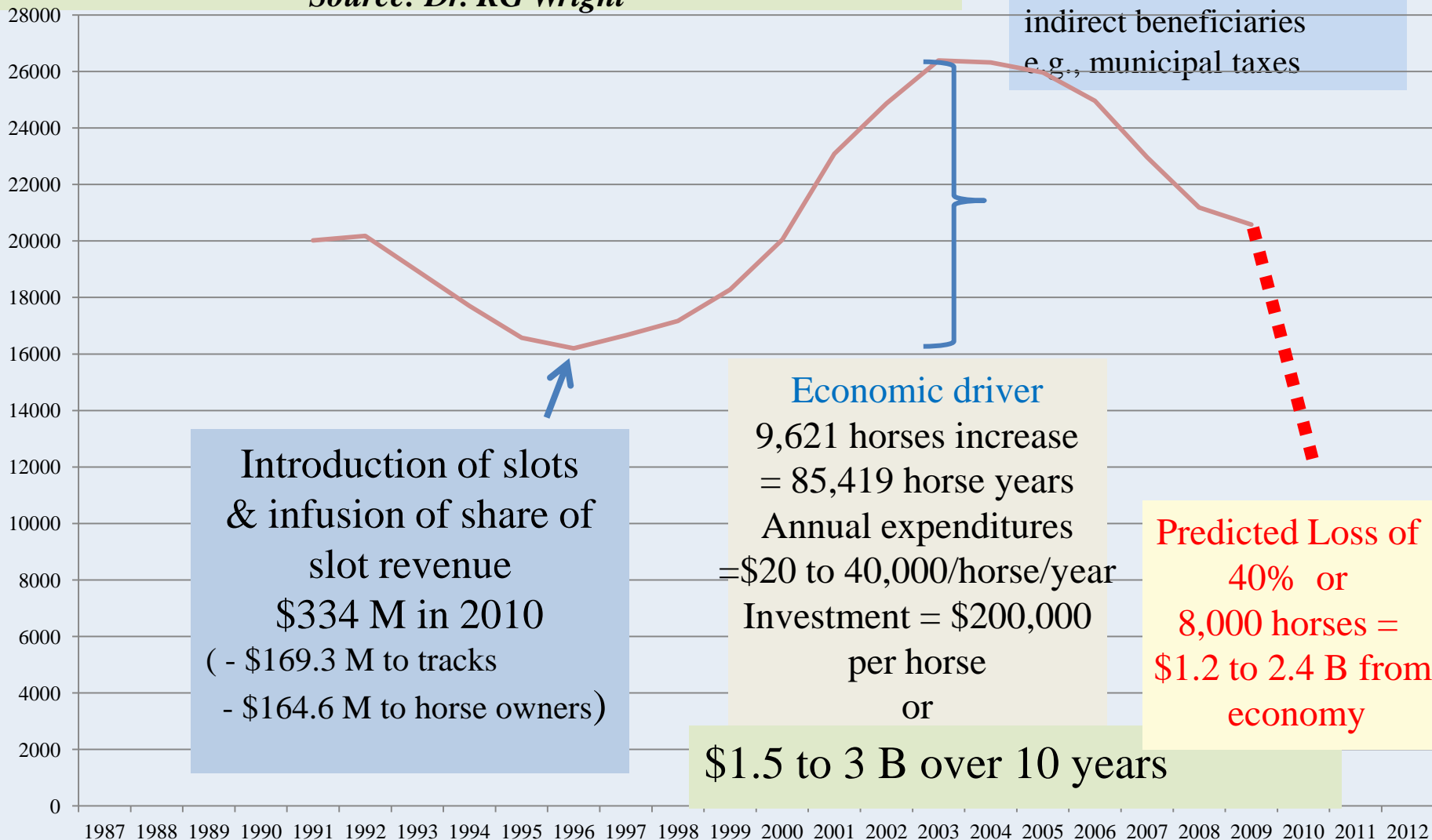
Source: RG Wright, Racetrack Profile, Grand River Raceway May 2012

- Percentage of Purses from;
 - Entry fees 1.7%
 - Stake money –OSS 14.3%
 - Wagering 19.2%
 - Share of Slot revenue 64.8%
- Purses Ontario Sires stakes
 - Grassroots \$24,000
 - Gold Series 2yr- \$76,000 3yr- \$113,333

Economic Impact on Standardbred Racing Industry

Source: Dr. RG Wright

Economic Impact doesn't include;
 - income and tax paid by indirect beneficiaries
 e.g., municipal taxes



Introduction of slots & infusion of share of slot revenue
 \$334 M in 2010
 (- \$169.3 M to tracks
 - \$164.6 M to horse owners)

Economic driver
 9,621 horses increase
 = 85,419 horse years
 Annual expenditures
 = \$20 to 40,000/horse/year
 Investment = \$200,000
 per horse
 or

\$1.5 to 3 B over 10 years

Predicted Loss of
 40% or
 8,000 horses =
 \$1.2 to 2.4 B from
 economy

Selected Expenses		Horse per Year	Unit \$	Slot Revenue Impact \$ M	Impact 34,000 horses \$M	Impact 34,000 horses
Annual Expenditures		\$20,000		2,000 to 4,000	680 to 1,360	
Investment Fixed Assets				10,000	7,000	
Feed:	Hay 1/2 bale per day,	183 bales	6	111.7	37.3	18,250 acres
	Grain -6 lbs per day	2190 lbs	15	60.9	20.3	34,000 acres
Wormer	every 6.5 weeks	8	15	12.2	4.1	
Veterinarian	7 visits per year	7	275	196.4	65.5	110 PY
Farrier	average 12 visits per yr	12	100	122.4	40.8	189 PY
Stable Accessories:	Shavings - 1 bale a day	365	6	223.4	74.5	

Direct Economic Impact to Ontario's Economy in 2010

Gov't invested \$334 M from slot revenue into the race horse industry.
(Horse owners received \$164.6 M, track operators received \$169.3 M)

There were approx. 34,000 race horses in 2010

- race horse owners spent \$680 -1,360 M (annual expenditures)
- they invested \$7,400 M in fixed assets

The Revenue Sharing agreement added \$164.6 M in 2010 (\$1.8 B since 1999) which in turn added

- 12,982 horses (of the 34,000) to the industry or this translates to
 - 108,991 horse years from 1996 to present
- as a consequence \$272 to 544 M of economic activity was generated for the \$164.6 M invested in 2010 or
- \$2.7 -5.4B since the inception of the program

Indirect Economic Impact to Ontario's Economy in 2010

Gov't invested \$334 M from slot revenue into the race horse industry.
(Horse owners received \$164.6 M, track operators received \$169.3 M)

Economists use a multiplier of \$2 - \$3 for every \$1 spent to estimate indirect induced annual economic impact

In 2010 the \$334 M Slot Revenue sharing agreement induced

- a total of \$1,079 to 2,631 M in direct and indirect economic activity in 2010
- HST alone on annual expenditures = \$88M
- HST on Investment in fixed assets = \$176 M

(This was derived from \$164.6 M added to purses + \$169.3M to operators for running the slots facilities' infrastructure + \$272-544M from horse owners in direct expenditures for a sub total of \$605 to \$877 M. Then apply 2-3x multiplier giving us 1,210 to 2,631M)

Where the Money come from Grand River wagering 2009

• Live wagering	\$ 1.268 M	(5.8%)
• Intertrack	\$ 4.104 M	(18.9%)
• Teletheatre	\$13.872 M	(63.8%)
• TAB (Telephone Account betting)	<u>\$ 2.509 M</u>	(11.5%)
• Total wagering	\$21.7 M	(down 5.1% from 2009)
– Thoroughbred	\$11.372 M	
– Standardbred	\$10.382 M	

Pari-Mutuel Wagering in Ontario in 2009

Source: ORC Annual Report 2009

• GROSS wagering - 1645 days of racing	\$1,039,195,575
– Thoroughbred	717,568,684
– Standardbred	370,894,980
– Quarter horse	370,286
• Amount paid to bettors	\$796,713,772
• FEDERAL LEVY (0.8% for CPMA operations)	\$ 8,294,530
• Paid to tracks (17.7% of Bet) (operations costs for racetracks)	\$ 184,163,779
• Purses supplement for races	\$ 168,468,00

Provincial Share	\$50,023,494
– PROVINCIAL TAX (0.5%)	\$ 5,209,711
– PROVINCIAL LEVY (2.5%)	\$ 25,849,717
– Net from wagering	\$ 18,964,066

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What happens to tax revenue from wagering when there aren't enough horses when you drop below the threshold?

The Slot Revenue Sharing Agreement

- Total gross revenue from casinos and slots at race tracks was \$2.02 B in 2009-2010 (OLG Annual Report).
- Sharing agreement
 - 75% to government
 - 20% of slot revenue to the industry (purse supplement and race track reimbursement)
 - 5% to hosting municipalities

The Slot Revenue Sharing Agreement

What is clear to me is that;

1. This program is a very successful government partnership and generates
 1. \$50 M annually in taxation and revenue from track wagering
 2. 75% of revenue from slots goes to gov't
 3. Horse owners spend \$272-544 M annually (HST= \$88M)
 4. 20,000 additional jobs were added annually or 200,000 person years of employment since program inception
2. Race tracks have a major additional economic impact as well as providing the means to generate the gambling and slot revenues for government.
3. Induced economic impact is at least 2 times that of horse owners and race track owners expenditures

Drummond Report

- Mr. Drummond's Recommendation 17-4 states:
“Re-evaluate, on a value-for-money basis, the practice of providing a portion of net slot revenues to the horse racing and breeding industry and municipalities in order to substantially reduce and better target that support.”
- The report does **not** state **eliminate** this support.

Gentlemen, your job is to recommend that;

- an economic impact study involving all parties in the agreement is needed to evaluate the full economic impact of the Slot Revenue Sharing agreement and
- The study's recommendations should be implemented to re focus and make improvements to the agreement.