

In Support of The Alberta Horse Racing Industry

By Lindsay Ward

In support of the revitalization of the racing industry through the revenue sharing government program.

Prior to the 1990s, horse racing supplied an important source of entertainment and economic benefit for many Albertans. Competing sources of entertainment for the gambling dollar arose throughout the 1990s, however, resulting in decreased live wagering at Alberta racetracks. This decline led to the introduction of government revenue sharing programs with the racetracks leading to controversy among various groups within the community. Opponents of the program argue that the racetracks are being subsidized by the government and should not be receiving such financial support. Supporters of the revenue sharing program argue that racing is a long-standing activity that contributes to the economy and that the revenue is directly earned by the tracks.

The changes within the industry began in 1992 with the introduction of Video Lottery Terminals (VLTs). The lotteries, VLTs and slot machines contributed significantly to the rise of competition for real wagering at live horse races. Wagering declined by almost 50% over a ten-year period, and by 2003, horse racing captured only 0.5% of the gaming market in Alberta, down from 22% in 1991. The decline of the horse racing industry during the 1990s led to significant concern among the breeders and owners of Alberta thoroughbreds. Many were not sure that the future of horse racing was viable given the loss of support from breeders and the movement of gamers to the new alternatives.

The recognition of the downturn in the core racing industry led the Alberta Government to form the Racing Industry Renewal Initiative (RIRI) in 1996, which allowed the racing industry to receive a portion of the revenue generated by slot machines placed at the racetracks or Racing Entertainment Centers (RECs). Horse Racing Alberta (formerly the Alberta Racing Corporation) was also formed

at the same time to provide an independent non-profit organization to govern and promote horse racing in Alberta. In 2002, Bill 16 - the Racing Corporation Amendment Act - came into effect allowing racetracks to obtain a share of the slot machine revenue from the RECs. The RECs were now providing a tool to assist the Alberta horse-racing industry to compete in the modern gaming arena. Revenues from the slot machines were used to increase purses at the races leading to a renewed sense of optimism for the industry.

The Amendment Act allowed the racing industry to begin a process of revitalization within the Alberta horse racing industry. Revenue from the slot machines at the race-tracks is put into the Alberta Lottery Fund which then distributes the funds through allocations to 13 specific ministries which in turn allocates to foundations and grant programs. One of those ministries is Tourism, Parks, Recreation and Culture of which Alberta's Horse Racing and Breeding Renewal Program is a part. Horse Racing Alberta receives a percentage of the slot revenue from racetracks, which it directly re-invests in the core business of horse racing including purses, breed improvement, racetrack licensing, industry & government relations, animal welfare and human resources.

Opposition to the slot-revenue sharing program has arisen from those who believe that the Alberta Lottery Fund should not be giving out a percentage to the horse racing industry. These challengers believe that the industry is taking revenue away from other sectors more in need. The facts show however, that horse racing in Alberta is actually a significant contributor to the economy and the core business of horse racing should be sustained and developed. Without the horse racing entertainment centers, the Lottery Fund would not have a major source of revenue in the first place. As the 2006 Horse Racing Annual Report points out "This sound investment by government returns more money to tax coffers than the industry receives from government". In 2005, \$73 million was generated through slot revenue specifically at the racetracks for the Alberta Lottery Fund. Of this amount, Horse Racing Alberta received \$41 million. This left

\$32 million dollars to be distributed to other foundations and grant programs – dollars that would otherwise not be generated. The Horse Racing Industry is not taking away from the economy with its receipt of lottery handouts; in fact, it directly generated a large amount of that revenue. Horse racing tracks provided the entertainment centers for the slots – the revenue is earned, it is not a subsidy or a handout. Indeed, racing is not just a “front” for slot gaming - it provides a real benefit for the economy with job creation, employment security, increased tourism and government revenue. The economic benefits associated with the horse racing industry in Alberta are estimated at \$385 million resulting from expenditures made by horse owners in breeding, raising and racing horses; expenditures made at horse races; and subsequent rounds of spending from the businesses and people as a result of the outlay of money.

The new racetrack at Balzac scheduled to open in 2009 is the result of private investment and is the first Class A racetrack to open in Alberta in 70 years. It is estimated to generate over \$200 million in annual economic benefit. The racetrack construction phase alone is estimated to have a total economic impact of \$436 million and create 1,972 jobs. It is projected to attract over one million visitors per year and generate \$90 million in slot revenue by 2010. The new racetrack entertainment center will be a major reason why the Alberta Lottery Fund will be in receipt of substantial dollars earned through the racetrack slots. It is difficult to argue that a portion of the revenue generated should not be shared and returned to the racing industry when it is the creator of the entertainment draw. The Alberta Government will receive a substantial amount of revenue earned as a result of the new racetrack complex from which other sectors of the community will also benefit significantly.

In conclusion, the Alberta economy and the various community foundations that receive funds through the Lottery Fund only stand to benefit from sharing in the revenue created by the entertainment centers placed at the racetracks. This revenue is earned by the placement of the slot machines at the racetracks and

the use of the racetracks as entertainment centers. The revenue is not subsidizing the racing industry – a portion is being *returned* to where it was produced.

Sources:

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- Horse Racing Alberta – 2006 Annual Report
- Alberta Lottery Fund – *Where the Money Goes, Ministry Allocations*
- Alberta Gaming and Liquor Commission, *Gaming History and Facts*
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- Alberta Gaming Research Institute – University of Alberta