



Volume 1, Chapter 3.12—Provincial Support to Sustain the Horse-Racing Industry

2019 Value-for-Money Audit

Why We Did This Audit

- As of April 2016, the Ontario Lottery and Gaming Corporation (OLG) assumed responsibility for administering funding and monitoring, as well as supporting the horse-racing industry with the goal of making the industry financially self-sufficient.
- Although the horse-racing industry receives a significant amount of public funding, it lacks transparency and public accountability.

Why It Matters

- Horse racing as a gaming operation has been in decline in Ontario since the legalization of lotteries in the province in 1969.
- Over the last five years, the province has provided about \$500 million in funding support to the horse-racing industry.
- In May 2018, the province agreed to a new 19-year funding agreement that initially provides up to \$120 million annually to support the industry.
- Based on the latest available information, the horse-racing industry supports the equivalent of 45,000 full-time jobs in Ontario.

What We Found

- After approximately \$500 million in funding over the last five years, the industry is not significantly closer to the goal of becoming self-sustaining than it was in 2013. Over the same time period, gross wagering has remained relatively unchanged, while purses have slightly increased.
- A new 19-year funding agreement of up to \$120 million annually for the first two years and decreasing to \$63.4 million by the eighth year, was approved by the province in March 2018 without conducting an economic study and without any out clauses. The 19-year term was chosen because it aligned with the contract term that the OLG has with service providers who operate provincial casinos. The 19-year term provides similar certainty to the horse-racing industry consistent with casino operators.
- Provisions for funding reductions in the new 19-year agreement relating to wagering increases are likely unattainable. Before any funding clawback occurs, Ontario wagering would need to increase by 44% and wagering outside of Ontario would need to increase by 30%. However, overall wagering has increased by only 1% over the last 10 years.
- Wagering by foreigners on Ontario races has increased at a higher rate, but because the racetracks' share of foreign wagers is lower, it does not compensate for the decline in wagering by Canadians. OLG's marketing strategy has been ineffective in increasing wagering by Ontarians on horse racing.
- Woodbine Entertainment Group (Woodbine) plays a significant role in the latest long-term funding agreement and in the horse-racing industry. Woodbine generates about 90% of wagering revenues in the province and owns the management company that supports the board of Ontario Racing (the private industry association that is administering the long-term funding agreement). Also, the long-term agreement is effectively cancelled if Woodbine's role is changed or eliminated.
- For an industry relying heavily on public funding for sustainability, there is no public reporting by racetrack of wagering revenue, purses paid, revenue and expenses related to racing operations separate from other operations, or of key statistics regarding employment in the industry.
- Ontario has more racetracks than comparable jurisdictions, without the wagering income needed to support them. When compared with racetracks in the United States, Ontario serves fewer people per racetrack than the states of California, Florida, New York, Pennsylvania and Ohio.

Conclusions

- Public funding to the horse-racing industry has not helped the industry become self-sustainable. Income from wagering continues to decline and is not sufficient to cover racetrack operating costs and purses.
- The focus of provincial funding has shifted from self-sustainment to sustaining the industry.
- The province has taken limited action to improve the industry's lack of transparency to the public on racetrack gaming operations.
- Our testing indicated that funding was spent on purses as intended.

Read the audit report at www.auditor.on.ca