



# Lottery and Gaming

A Financial Analysis of the OLG's Gaming Expansion and Sale  
of the Greater Toronto Area Gaming Bundle

**Technical Briefing**

**fAO**

Financial  
Accountability  
Office of Ontario

# Background

- Starting in 2010, the Ontario Lottery and Gaming Corporation (OLG) undertook a review of its gaming and lottery operations in order to generate more revenue for the Government of Ontario (the Province)
- As part of OLG's gaming review, OLG divided its gaming assets into eight different "bundles" and began a process to identify private sector service providers to operate each bundle
- This report reviews the GTA Gaming Bundle, which was transitioned to a service provider in January of 2018

# Report Outline

1. Deal Structure
2. Financial Analysis
3. Revenue Sharing Agreements

# 1. Deal Structure

# GTA Gaming Bundle

- ▶ The GTA Gaming Bundle includes the OLG Slots at Woodbine, the OLG Slots at Ajax Downs and the Great Blue Heron Casino
- ▶ Overall, the GTA Gaming Bundle generates about **\$600 million in revenue** for the Province from over 4,000 slot machines and 60 table games
- ▶ The GTA Gaming Bundle has approval to expand up to 11,100 slot machines and 570 table games, and also to build a new casino in the GTA

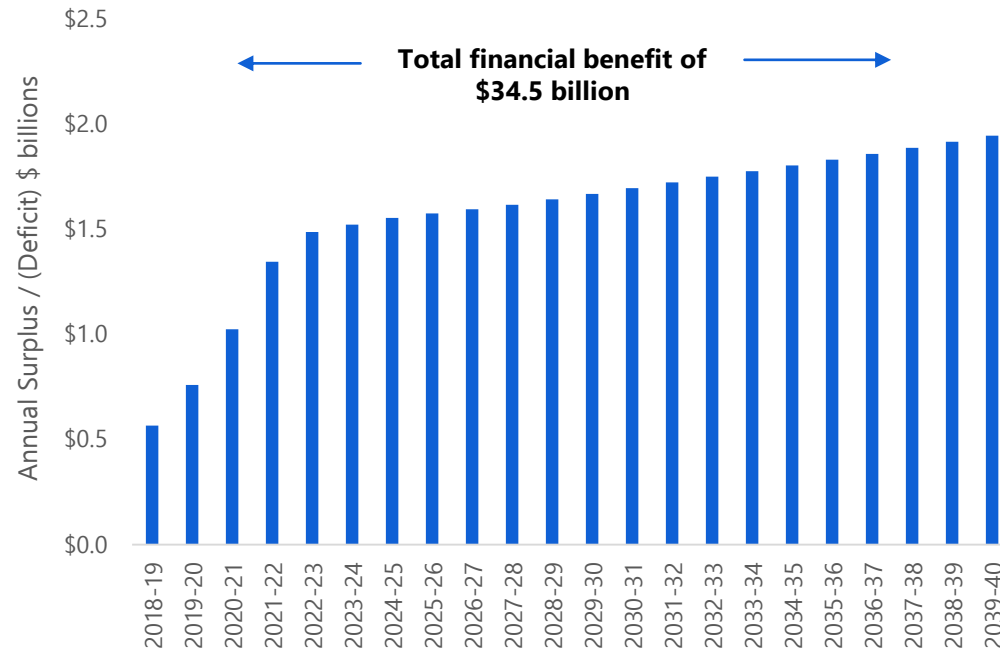
# GTA Gaming Bundle

- ▶ In August of 2017, Ontario Gaming GTA LP (OGGLP) was announced as the successful bidder to operate the GTA Gaming Bundle assets for an initial 22-year term
- ▶ Under the deal, OLG retains the gaming revenue from the assets in the GTA Gaming Bundle and will no longer be responsible for capital and operating costs
- ▶ OGGLP also **paid \$170 million** to OLG as the successful bidder. In return, OLG will make payments to OGGLP to operate the assets and OGGLP retains all non-gaming revenue

## 2. Financial Analysis

# Financial Benefit to the Province

Estimated Contribution to the Annual Surplus / (Deficit), billions of dollars



Source: FAO analysis of Provincial information.



# Financial Benefit to the Province

- ▶ The FAO estimates that the GTA Gaming Bundle will contribute a total financial benefit to the Province of **\$34.5 billion over the next 22 years**, in nominal dollars
- ▶ The financial benefit to the Province is estimated to be **\$13.1 billion on a net present value basis**, which accounts for inflation and investment risk

# Revenue Expansion Target

- ▶ OLG has targeted an incremental annual revenue increase to the Province of **\$211 million by 2021-22** from the planned expansion of gaming in the GTA Gaming Bundle region
- ▶ Based on the FAO's review, the revenue increase to the Province is expected to be **\$398 million by 2021-22**, assuming planned gaming expansion is 90 per cent complete by 2021-22
- ▶ The FAO estimates that OLG will miss its \$211 million target should planned gaming expansion be less than 50 per cent complete by 2021-22

# Key Assumptions and Risks

- ▶ OGGLP will **expand gaming** at each location to the maximum-approved levels and open a new casino in the GTA
- ▶ All necessary provincial and municipal **approvals are obtained** by OGGLP. The delay or rejection of planned gaming expansion would reduce the FAO's estimated financial benefit to the Province
- ▶ Gaming expansion will **reduce the overall revenue per game** due to market saturation. Any deviation from the FAO's assumptions will impact the financial benefit to the Province calculation

# 3. Revenue Sharing Agreements

# Revenue Sharing Agreements

- ▶ OLG makes payments to various parties, such as First Nations and municipalities, which are calculated based on revenue specifically defined in various agreements
- ▶ As OLG will continue to receive all gaming revenue from the GTA Gaming Bundle, the process to make the payments to these parties is not expected to change
- ▶ The FAO estimates that OLG will pay a total of **\$3.1 billion to First Nations and municipalities** from GTA Gaming Bundle revenue over the next 22 years, or \$1.1 billion on a net present value basis
- ▶ The FAO estimates that a total of **\$775 million** from GTA Gaming Bundle revenue will be directed to problem gambling funding over the next 22 years, or \$303 million on a net present value basis

# Thank you

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