

# Casino Gaming in Ontario

## ITS ROLE IN LOCAL ECONOMIC DEVELOPMENT

By: Rowan F.J. Faludi & William P. Rutsey

Gambling has played a significant role in community development since the beginning of North American settlement. Indeed, folklore and perhaps accurate colonial history has it that the Lords Carteret and Berkley acquired the lands comprising the State of New Jersey as settlement for gambling debts owed them by the Duke of York. Later, the American Revolution was financed in part by a public lottery countenanced by the early American Congress as a means to raise funds for the Continental Army led by George Washington.

The popular view of the 19th century American west, known to people throughout the world in the form of popular fiction and cinema, has a central place for the gambler on riverboats, in frontier saloons and around cowboy campfires. The legendary lawman James Butler "Wild Bill" Hickock died in Deadwood, South Dakota in 1876, shot from behind while holding aces and eights at a poker table, hence the poker term "dead man's hand" to describe that combination of playing cards. Unlawful as it may have been, gambling thrived throughout the 19th century, not only on the gritty western frontier, but in the populous midwest and east in resorts like Saratoga, New York; Hot Springs, Arkansas; and Atlantic City, New Jersey.

### Casino Gaming Today

As indicated by Figure 1, every Province in Canada and a large number of U.S. states have adopted casino gaming and/or devices, in one form or another. The various forms of gaming include:

- Large scale concentrations of privately operated casinos (e.g. Las Vegas, Atlantic City),

- Indian casinos, which can range from small scale operations to major gaming and entertainment outlets. These tend to be located on relatively isolated sites within Indian reserves. They rely almost entirely on support from the population within driving distance.

- Permanent government operated casinos, such as the Crystal Casino in Winnipeg.

- Permanent or rotating charitable casinos. There are casinos operated on behalf of charities which obtain short-term (i.e. 2 or 3 day) government licenses. The proceeds are shared between the government and the charity. In some provinces, such as Ontario, casinos are set up at temporary sites, such as convention rooms, hotels or shopping centres, which change on a weekly basis. In British Columbia, the casinos are permanent, however the participating charities change.

- Riverboat Casinos, which have been licensed in several states, can be attractive tourist venues. In some cases, however (e.g. Iowa and Illinois), riverboats are located in remote locations and draw almost entirely from the indigenous population. In many jurisdictions, riverboat gaming is considered politically more acceptable than permanent casinos in major population centres.

- Video lottery terminals, which are permitted in seven Canadian Provinces, and a number of U.S. states, offer slot machine type gaming in non-casino locations. In some jurisdictions, they are located only in traditional gaming venues, such as racetracks and off-track betting outlets. In most cases, however, they are more readily available to the general public, often in bars and other establishments restricted to adults.



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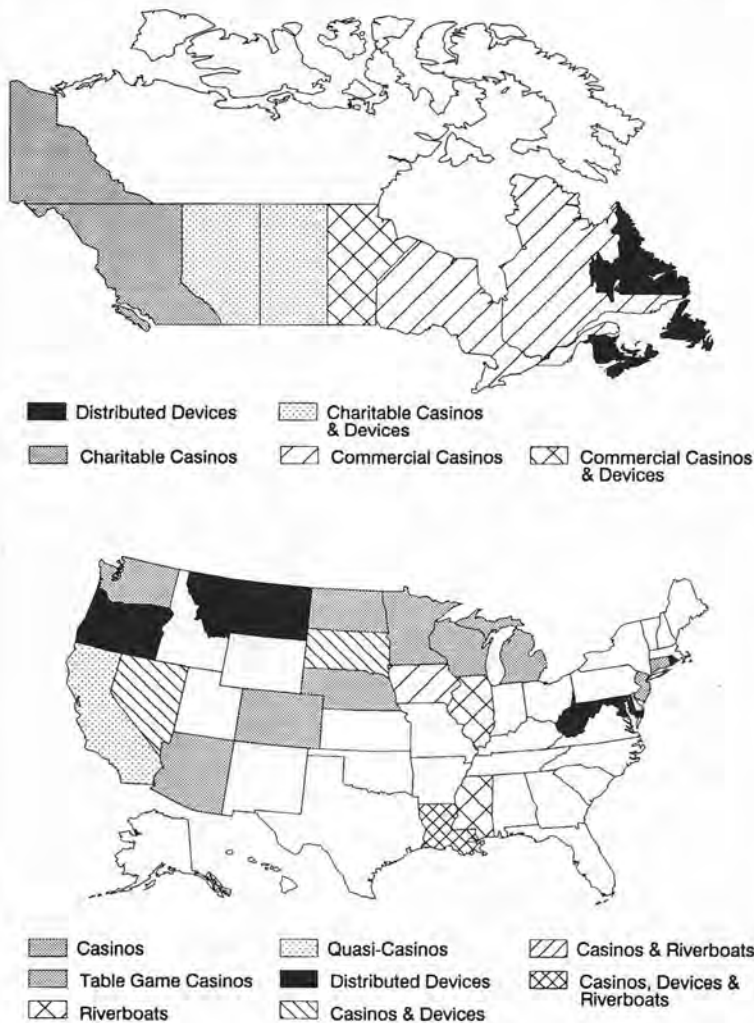
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### Casino Gaming in the United States

In 1931, Nevada became the first U.S. state to legalize gambling, in an effort to induce tourism and establish a new taxable industry. It is now the most important industry in the state, the largest employer and the largest source of public tax revenue.

Las Vegas stands alone, as the only city in the world to develop its economy almost exclusively from gambling. In 1992, there were 76 casinos in metropolitan Las Vegas, containing over 3,000 gaming tables and 100,000 slot machines. Las Vegas casinos employ some 120,000 persons or about 1 out of every 6 residents. In the

**Figure 1:**  
**Casinos and Devices in North America**



past year, Las Vegas recorded 21.9 million visitors, of which 2.0 million were convention delegates and 19.9 million were tourists, according to surveys undertaken by the Las Vegas Convention and Visitors Authority. There are more than 75,000 hotel and motel rooms in Las Vegas, with an annual occupancy rate of over 80 percent, compared to a national average of about 63 percent.

It was not until 1976 that New Jersey became the second state to legalize gambling. The purpose was to restore Atlantic City as a major convention and tourist centre. It should be noted, however, that in 1948,

Puerto Rico, a U.S. territory, legalized gambling in order to develop the island's tourism industry.

There are presently 12 casino hotels in Atlantic City, employing over 40,000 workers. The 12 gaming hotels contain over 22,000 slot machines and 1,100 table games.

Atlantic City records more than 30 million visitors each year, with the average stay reported to be less than half a day. Unlike Las Vegas, there are relatively few hotel rooms, in Atlantic City (i.e. 8,900). Occupancy rates average above 80 percent in gaming hotels, but only about 50 percent in

other hotels and motels.

In 1988, a third U.S. state approved legal gaming, when South Dakota voted to permit casinos in the small town of Deadwood in the Black Hills region, some 40 miles north of Mount Rushmore. The purpose of legalized gambling was to make the town attractive as a tourism destination by recreating an "old west" town, including small stakes gaming. Similarly, in 1991, Colorado implemented casino gaming in three wild west theme towns. The maximum permitted wager in both states is \$5.00.

In 1990, the State of Iowa adopted a statute to permit casino gaming on riverboats operating on rivers bordering the state. Communities targeted for riverboats were those most severely impacted by the departure of local manufacturing industries. The following year, Illinois, Louisiana and Mississippi legalized riverboat gambling on both bordering and inland rivers. The Illinois law, however, specifically prohibits gaming in the City of Chicago. In 1992, Louisiana also approved an immense (up to 250,000 square feet) joint public-private casino in New Orleans.

Most recently, in late 1992, Missouri approved riverboat gaming scheduled to start in the spring of 1993.

### The U.S. Indian Gaming Regulatory Act

In 1986, a small native American Indian tribe sued the State of California, after the state moved against the tribe's bingo operation. In a landmark decision, the U.S. Supreme Court ruled that California had violated the rights of the tribe, concluding that as "sovereign nations", Indian bands had certain rights to conduct gaming. In 1988, the Federal Government adopted the Indian Gaming Regulatory Act to guide and regulate the development of Indian gaming. In general, gaming is permitted in the host state, in which the tribal lands are located. The act, however, was extremely complicated and to date has not been applied with any degree of success. Although there has been some cooperation between the States and resident tribes, the casinos exist largely outside of state jurisdiction. Friction has become common due to the inability of many states to derive any revenue from indian gaming operations.

### Canadian Gaming

Casino gaming in Canada was legalized in 1969, when the criminal code allowed for

the establishment of casinos by provinces or charities. At that time, only table games (excluding games involving dice) were permitted. More recently, the criminal code permits video lottery terminals and slot machines. Dice games are still prohibited.

In British Columbia, Alberta and Saskatchewan, full scale charity casinos have been operating almost since the inclusion of casino gaming in the Criminal Code. These casinos are operated by private management companies who offer their facilities to non-profit organizations for use in fund raising. Demand is high enough such that these casinos are generally open year round. In Saskatchewan, licenses are granted only to agricultural associations and organizations that promote farming. Unlike British Columbia and Alberta, Saskatchewan casinos are usually open only two to three days a week. Few run year round. One of Canada's oldest casinos is Diamond Tooth Gerties Yukon Casino, in Dawson, Yukon Territory. The casino is operated by the Klondike Visitors Association, and uses the proceeds to promote local cultural heritage.

Winnipeg's Crystal Casino, which opened in 1989, is presently the only government run casino in Canada. The 10,000 square foot Crystal Casino, however, is more comparable to the small up-market casinos in Europe than the Las Vegas Model. The casino has been extremely successful, attracting some 600,000 persons per year, with annual profits ranging from \$15 to 18 million. More than 25 percent of casino patrons are tourists from outside of Manitoba. The Manitoba Lotteries Foundation, which operates the casino, is scheduled to open two additional casinos in Winnipeg, both of which will be larger than the Crystal Casino.

The Quebec government has recently announced the development of two casinos, one in Montreal and one in Charlevoix, outside of Quebec City. The Montreal Casino, to be located at the French Pavilion constructed for Expo 67, would be comparable in size to the Windsor, Ontario Casino. The Quebec government expects the Montreal facility to attract a significant portion of its revenues from outside of the Province. The Charlevoix casino would be much smaller in scale, being comparable in size to Winnipeg's Crystal Casino.

### **Video Lottery Terminals (VLTs)**

In 1990, New Brunswick became the first province in Canada to legalize Video Lot-

tery Terminals. By 1993, they had been introduced into every province with the exception of British Columbia, Ontario and Quebec. Currently there are over 12,000 VLTs in Canada. Due to their success, most provinces are planning to increase both the number of terminals and their locations.

Due to potential problems, however, VLTs are generally restricted to licensed premises, not accessible to minors. The number of devices per site is also regulated.

### **Casinos Come to Ontario**

Casinos and casino gaming has been the subject of much speculation and scrutiny in Ontario since the fall of 1991, with reports surfacing that the government was contemplating up to six "Las Vegas" style casinos throughout the province. The government's intention to legalize casino gaming, along with teletheatre wagering (off-track betting) and a sports-book lottery, was announced by Floyd Laughren, Deputy Premier, Treasurer and Minister of Economics, in his budget of April 30, 1992. An internal study team (The Ontario Casino Project) was established within the Ministry of Consumer and Commercial Relations to consider all aspects of the legalization of casinos in the Province. Marilyn Churley, Minister of Consumer and Commercial Relations, in an announcement October 6, 1992, designated Windsor as the "pilot project" for casinos in Ontario. Windsor was selected as the initial site for a casino in Ontario primarily because it was a border community, ravaged by cross-border shopping. In addition, over 14 million Americans live within 150 miles of Windsor.

In January of 1993, Coopers & Lybrand was commissioned by the Ontario Casino Project to evaluate the market for casinos in Ontario and to report on the economic and social impacts of casino gaming. Specifically, the Coopers & Lybrand study dealt with the following components:

- the market for casino gaming in Ontario;
- the number and size of casinos which could best serve the market;
- the regions where casinos should be located;
- the economic and social impacts on the province;
- the most effective regulatory structure; and
- measurements of success for casino gaming given the key policy objectives of:
  - job creation;

- tourism development;
- community economic development;
- start up of a viable new industry; and
- revenue generation

The only caveat in the terms of reference for the study was that the clustering of casinos, such as in Las Vegas or Atlantic City, was not to be considered, even if this might be the most economically efficient strategy.

The study recommended seven market area regions which would serve a total foreign and domestic population of in excess of 33 million. These market area regions included:

|                  |                   |
|------------------|-------------------|
| Windsor          | Niagara Falls     |
| Toronto          | Ottawa            |
| Sault Ste. Marie | Sudbury/North Bay |
| Thunder Bay      |                   |

A casino or casinos could conceivably be located anywhere within the identified market area regions, subject to regional and local considerations, primarily the existence of sufficient complementary infrastructure and other supportive elements.

### **Casinos Have Been Actively Pursued**

The boost to the local economy that can be generated by a casino has been the cause of elation, consternation, anxiety and disappointment in municipal economic development offices across the province. No one knows for certain if, where and when casinos are to be located in Ontario, other than the announced 75,000 square foot casino "pilot project" in Windsor.

### **Casinos Generate Substantial Economic Activity**

On whatever scale, in whatever type of location and facility, casinos are an entertainment attraction to the adult public. As businesses and economic generators, however, casinos are something else.

As a business, the function of a casino is to earn income from the wagering of its patrons on games of chance. Such income is used in a variety of ways: to finance investment and repay capital debt; to pay wages and salaries; to pay for the goods and services necessary to operate the casino and related facilities (hotel, restaurants, sports and theatre facilities, etc.); to pay taxes and fees to which the casino is obligated; and to earn profits and pay dividends

to shareholders.

A casino accomplishes this economic mission by arranging the transfer of income and assets from its patrons through their wagers. The casino itself does not produce goods, though it consumes them. It provides a singular service through creating opportunities for games of chance. The casino takes a risk on the games, the risk is less than that of the gambler because each game has built into the computation of its mathematical odds an advantage in favour of the casino. Winning is a matter of more or less random luck for players, which can be improved by their knowledge of each game and by the way in which they manage their gambling bankrolls. Winning is far less a matter of luck and far more a certainty for the casino within the totality of the custom of its players. If operated efficiently and honestly, the casino is almost certain to achieve its business objective.

Visitors to casinos spend substantial monies in addition to their gaming budgets, including accommodations, food and beverage, local transportation, retail, sightseeing, recreation, entertainment and sundry expenditures. Based upon surveys of visitors to Atlantic City in 1991, it is estimated that non-gaming spending typically exceeds casino losses. For example, the average overnight casino visitor in Atlantic City loses \$57 U.S. per day through gambling, but spends \$77 U.S. on food, retail items, accommodations and entertainment.

Thus, there is great advantage to placing legal gaming in a tourist destination. The economic function of casinos becomes a more dubious proposition, however, when the primary market is the local population. In such cases the transfer of income and assets benefits the local casino at the expense of local residents. It is one thing to redistribute income to a local economy from outside sources, and quite another to redistribute income and assets within a local, urban economy. The former promotes business and public revenue generation which will be put to other productive uses. The latter simply redistributes and rearranges revenue and income, sometimes disproportionately, without expanding the local economic base.

A serious problem could be created if the casino were to source a large portion of its supplies, services and labour from outside the local region. In this case, the casino would be channelling local dollars outside of the community.

As an example, Atlantic City has been

very positive from a local economic development standpoint. The Atlantic City casino industry is reported to have purchased \$2.0 billion in goods and services in 1991, of which \$1.3 billion or 67 percent was spent in New Jersey. The industry, averaging between 40,000 and 45,000 employees depending on the season, paid above \$1.3 billion in salaries and benefits, mostly to local residents of Atlantic City and Atlantic County who comprise 70 percent of the industry workforce.

### Ontario Casinos Also Offer Significant Benefits

The Coopers & Lybrand Report to the Ontario Casino Project included, among other findings, the one-time and annual economic benefits generated by casinos and their patrons. Casinos located in the seven market area regions are estimated to generate in excess of 32 million visitations annually, of which more than 24 million would be new tourist visitations (see Figure 2). Off-site, non-gaming spending by these visitors is estimated to exceed \$1.4 billion annually, in 1993 dollars. Casino construction is estimated to generate almost 13,000 person years of employment. On-

going casino operations and resultant off-site spending are estimated to create or support full-time employment for more than 97,000 persons, earning annual salaries and wages of almost \$4.2 billion. This includes persons working within the casinos, as well as the employees of supplier firms and new or expanded off-site services, such as restaurants, hotels and retailers. Also included are the jobs created as a result of the additional spending by workers and businesses.

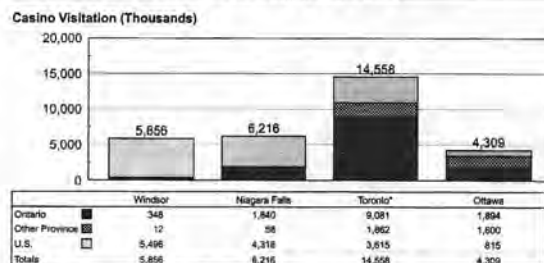
### What Communities in Ontario Can Expect

Casinos will significantly impact the traditional local economic development components of employment, income, capital investment, enhancement of real property values and purchases in the local economy.

### Employment and Income

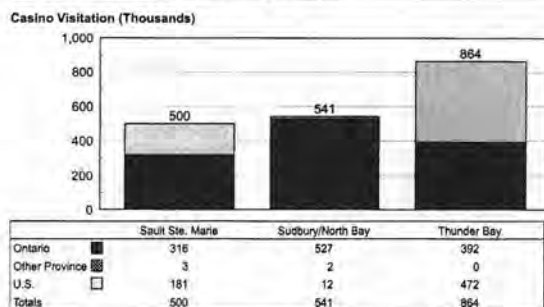
The development of casinos will engage a substantial construction labour force. From an operational perspective, casinos are generally recognized as the most labour-intensive form of gambling. More people are required to perform more functions in a casino than in any other type of gambling establishment. Within casinos, table games, which must be staffed by dealers as well as

Figure 2: Visitation Estimates for Major Market Area Casino Regions



\* Other province visitors include 1,185,000 over Source: Coopers & Lybrand, 1993

Visitation Estimates for Smaller Market Area Casino Regions



by first and second level gaming supervisors, are the most labour-intensive. The table games department of a casino must be managed to ensure that sufficient personnel are present to operate and supervise an adequate number of tables nonstop while allowing for variable market demands, employee meal and rest breaks, absenteeism and vacation schedules. "Back-of-the-house" gaming operations, particularly in the cage (the casino's bank), count rooms, and other areas require many people to operate efficiently and with appropriate controls. Other factors also contribute to the need for large employment needs in well-run casinos. These include:

- the need to adhere to controls that segregate responsibilities and duties (so that employees cannot be randomly shifted from one task to another); and
- the intensity of activity and interaction with patrons.

A casino employs:

- dealers (croupiers);
- gaming area clerks (to handle paper work generated at and by the gaming tables);
- floorpersons (first-level games supervisors);
- pit bosses (higher level supervisors);
- slot machine attendants and coin sellers;
- slot machine mechanics;
- slot machine department supervisors;
- cage cashiers;
- count room personnel;
- security guards and supervisors;
- surveillance technicians and supervisors;
- credit department supervisors; and
- sales and clerical personnel.

Atlantic City once again provides an example how employment by legal gaming is absorbed within a local labour market. The average Atlantic City casino-hotel employs approximately 3,500 workers. The population of Atlantic City is 38,000, of whom more than 11,000 were employed by the Atlantic City casino-hotel industry during 1991 (28 percent of all industry employees). An additional 23,000 persons residing in the remainder of Atlantic County (all of which is within a 25-mile radius of Atlantic City) were also employed in the casino-hotels during 1991. To summarize, more than 34,000 residents, or more than 73 percent of all industry workers of

Atlantic County held casino-hotel industry jobs in 1991.

Related to employment and incomes is public assistance as a social and economic consideration. This in Ontario is either unemployment insurance or welfare. In New Jersey the largest category of public assistance is Aid For Dependent Children (AFDC), the major welfare program in the United States. In the period 1978 to 1992, corresponding with legal gaming in Atlantic City, the public assistance caseload in Atlantic County and Atlantic City has been measurably reduced, with some fluctuation in the overall downward trend sensitive to periods of economic downturn. Casino development can create employment and training opportunities that enable those on public assistance to obtain work and become self-supporting, with a consequent reduction in public expenditures.

### Capital Investment

Casinos are unique facilities, having distinctive physical characteristics and requirements. While some characteristics are comparable to other kinds of business facilities (for example, the cashiers' cage in a casino bears some similarity to retail banking counters and support areas), they are also substantially unique and demand novel construction. Examples of novel design and construction in well-conceived casino facilities are the needs for extensive concealed, overhead closed-circuit television systems, physical separations between cage personnel and patrons (bars, grates, bullet proof glass dividers), and floor wiring for slot machines. No other business purchases slot machines and gaming tables. Other equipment necessary in a casino is comparable to that of other businesses (computers, cash and coin counting machines, pneumatic delivery systems, etc.). Because of these features, whether a casino project entails new construction or reconstruction of an existing building, the design, building and outfitting thereof is a capital-intensive undertaking.

Start-up investment in equipment is substantial, particularly to outfit a large casino with slot machines. The 12 casino-hotels in Atlantic City offer 92 restaurants, 30 lounges, 14,532 theatre seats, one arena seating 5,000 persons, 595,342 square feet of convention space, and 29,237 parking spaces for patrons. The Indian Run Foxwoods Casino, in Mystic, Connecticut, required an initial \$60 million U.S. con-

struction budget to design and build. In addition to the casino, the facility contains four restaurants, three lounges, and a bingo hall that can be converted to a theatre/ballroom. A casino expansion, hotel construction, addition of underground parking, and construction of a mall that will contain 10 stores and three more restaurants and will connect the existing casino to the new project was budgeted at \$224 million U.S.

Casinos can act as the catalyst for urban development and redevelopment projects. This is evidenced by Windsor's downtown "twin anchor" concept revitalization strategy.

The casino, which forms one of the anchors, is to include:

- a gaming area of 7000 square metres (75,000 square feet)
- an entertainment facility
- three restaurants
- a hotel with up to 300 rooms
- lounges and bars
- a child-care facility
- a gift shop
- parking facilities, tour bus drop-off facilities and other related infrastructures.

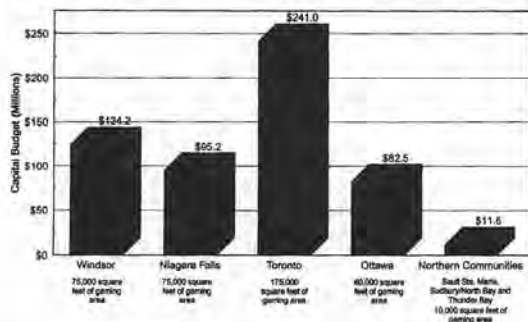
The entire development is to be extensively landscaped and integrated with the overall redevelopment facing the Detroit River. Casino proponents have been encouraged to suggest additional facilities in keeping with the theme of their particular proposals.

Figure 3 summarizes Coopers & Lybrand's estimates of casino capital costs for each of the seven potential Ontario casinos.

### Enhancement of Real Property Value

A casino, by virtue of the volume of business it generates, can create a substantial increase in land values. By way of example, in 1977, the last year before casinos began operating in Atlantic City, the total assessed value of all real property in the city was \$309 million and the combined levy was \$7.95 per \$100 of value (prior to 1986 revaluation). In 1992, the total value of all real property in Atlantic City was \$6.2 billion U.S. and the unified tax rate was \$2.48 per \$100 of value. Casino-hotel property was assessed at \$4.3 billion. The total value of all property and equipment investments in casino-hotel operations was approximately \$5.1 billion. The average casino-hotel cumulative investment in

**Figure 3:**  
**Estimated Capital Budgets for Ontario Casinos**  
 (not including hotel component)



property and equipment was approximately \$424 million. The total amount generated by real property taxation in Atlantic City in 1992 was \$154.0 million U.S., of which the 12 operating casino hotels paid \$106.4 million, or 69.1 percent. Real estate taxation of the casinos generated 27 percent of county government funds.

According to information obtained from the Division of Local Government Services of the New Jersey Department of Community Affairs, the residential share of Atlantic City property taxes, expressed in terms of the annual tax levy, has fallen from 27.6 percent in 1978 when the first casino opened to 13.3 percent in 1992. For purposes of comparison, the residential share of property taxes in Metropolitan Toronto for the same period fluctuated between 47.1 percent and 49.0 percent. It is readily apparent that the burden of real property taxation during the period of capital investments into casino-hotels in Atlantic City has markedly shifted away from residential property owners. Residential property owners in Atlantic City have experienced a 52 percent decrease in their municipal taxes, in terms of allocation of overall taxes levied since the introduction of casino gaming.

In addition, the Atlantic City luxury tax, a New Jersey state tax charged at a rate of nine percent only in Atlantic City on specified retail sales, including hotel room occupancy, raised a total of \$17.1 million U.S. in 1992 of which \$12.2 million (71 percent) was generated by casino-hotel guest room occupancy.

A related issue is the matter of actual or potential land speculation. This question emerged in the first several years after gaming legalization in New Jersey in 1976. At that time, there had not been new hotel con-

struction or any other meaningful development in Atlantic City since the completion of a motor hotel in the centre of the city in 1967. Land values had fallen to record lows in recognition of the fact that Atlantic City was a failed resort that offered no promise of return on investment. From about

1965 to 1976, there was no interest in 56 cleared and barren seaside acres of what had once been a major U.S. resort city. In 1976, the year of the gaming referendum, Resorts International, Inc. (Resorts), which heavily backed the legalization campaign, acquired an option for the 56 acres of land, which was known as the uptown urban renewal tract. The option cost Resorts less than \$6 million U.S. The company ultimately opened the first Atlantic City casino-hotel in May 1978, and became, for a time, the largest landowner in Atlantic City. Passage of the gaming referendum, fuelled by Resorts' appetite for land in the city, set off a wave of land speculation.

Resorts acquired its option on premium ocean-front public land at a cost of \$100,000 per acre. By 1980, land deals had been recorded in which ground in Atlantic City sold for upwards of \$1 million per acre. Notwithstanding the adoption of local ordinances that restricted casino-hotel development to certain key sections of the small seaside city, the speculative fever washed over other parts of the community. Critics blamed such speculation for driving poor residents from their homes, indeed from the city itself; the municipal population did decline from nearly 48,000 in 1970 to 40,000 in 1980 before levelling off at 38,000 in the 1990 census.

Trading in land also occurred prior to the establishment of the gaming regulatory system and in at least two cases the newly-constituted gaming regulatory authorities detected the presence of "questionable" individuals in early land deals which resulted in the assemblage of land parcels on which gaming hotels ultimately were constructed. While those individuals had taken their speculative profits and departed, or were finally forced out by the regulators,

the early and uncontrolled wave of land speculation enabled them to profit by gaming legalization.

A similar pattern appears to have occurred in the very small city of Deadwood, South Dakota. A recent report by an industry trade journal described typical lots along Main Street in Deadwood as being 25 feet wide by 100 feet deep. The report said such small lots at the centre of the gaming district were first sold to developers for as little as \$30,000 U.S. after the 1988 gaming legalization vote, but that many such properties turned over three and even four times in the first year, with asking prices soaring unreasonably to \$1 million. One consequence was to encourage traditional shopkeepers to sell out, reducing community retail services and replacing them with 80 casinos.

In order to avoid these problems, communities wishing to attract a casino should consider amending their Official Plans and Zoning By-laws in order to identify clearly where casinos should and should not locate. In addition, the land use characteristics appropriate for casino locations should be outlined.

### Purchasing in the Local Economy

Purchasing of goods and services by casinos or casino hotels in the local community is a consequence of gaming. A casino is a business that must continuously buy an extensive range of goods and services. It must purchase and periodically upgrade furniture, fixtures and equipment and purchase daily supplies of food and beverages. There will also be budgets to buy services such as advertising, public relations, legal counsel, and accounting and auditing.

The only jurisdiction that makes meaningful reports on gaming industry purchasing of goods and services is New Jersey. During 1992, Atlantic City casino-hotels reported total expenditures of \$1.971 billion U.S. for goods and services, buying from 10,044 other businesses, of which 4,029 were New Jersey businesses. The volume of business with New Jersey companies was \$1.312 billion (67 percent of total industry purchasing). The industry reported that in Atlantic County the 12 casino hotels spent \$954 million (44 percent of total industry purchasing).

## Additional Spending in the Local Economy

The Ontario gaming model will likely resemble that of Atlantic City, from a tourism perspective, in that it will consist primarily of day trips and single overnight visitations. Las Vegas, by way of contrast, is a much more destination oriented tourism market, generating almost 8 times as many room-nights of lodging from a substantially smaller visitation base (44 percent fewer individual tourist visitors than Atlantic City).

Based upon the Atlantic City experience, casino visitors' total non-gaming expenditures in seven Ontario locations are expected to approximate their total gaming budget and could be in excess of \$1.4 billion annually as set out in Figure 4. These estimates could in fact, be increased to the extent that tourists can be induced to increase their average length of stay.

## What Casinos Require of Communities

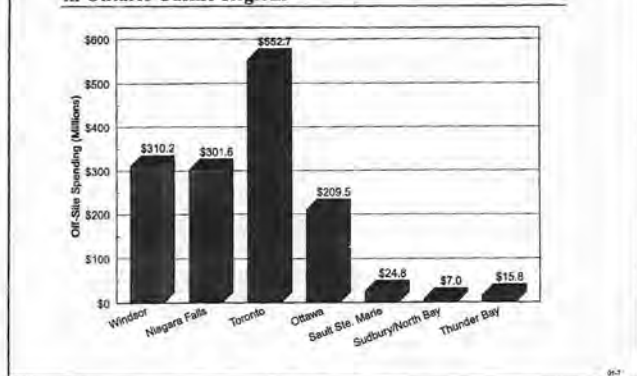
Communities wishing to host casinos must be prepared for a large ongoing influx of tourist visitors. In the wake of the United States Indian Gaming Regulatory Act of 1988 (IGRA), casino gaming has become widespread in several midwest states. South Dakota and Colorado have allowed multiple small casinos to be situated in rural towns with populations ranging from less than 500 to just over 2000. Early information from these smaller communities suggest that the costs associated with casino gaming, such as additional policing requirements and problem gambling, are much greater than in metropolitan areas where a higher level of public infrastructure and support services are available.

Communities looking to attract casinos must ensure that the appropriate services are available to minimize the potential negative impacts on its residents. If properly planned for, these additional service levels, primarily policing and staffing community health and social service agencies, can create additional employment opportunities within the community.

The location of a casino is critical to its success. The community within which a casino is sited must offer:

- proximity for potential casino visitors and no difficulties in crossing the border
- a superior environment to any com-

Figure 4:  
Projected Off-Site Visitor Spending Estimates  
in Ontario Casino Regions



petitive facilities in neighbouring states or provinces

- an existing visitation base (tourism, other attractions, conventions)
- a suitable site
  - supportive surrounding land uses (conductive, not disruptive)
  - ability to expand
  - adequate parking
- other close-by entertainment (restaurants, clubs, parks, tourist attractions)
- the availability of lodging
- the availability of labour
- an adequate transportation infrastructure (roads, airport, rail)
- adequate law enforcement and security

Without all of the above, a community risks not only hosting an under-performing and perhaps unsuccessful casino but, more importantly, creating potential serious social disruption and all of the attendant costs.

## The Future of Casinos

In recent years, casinos and other forms of recreational gaming have gained popularity throughout North America, particularly because of their ability to attract tourism, stimulate economic growth and generate public revenues. In addition to the continued development of Atlantic City and Las Vegas, North America has seen the emergence of community run casinos, casinos operated by Indian bands, charitable casinos, riverboat gaming, and electronic gaming devices. As a result of the substantial economic benefits and stimulus to tourism offered by recreational gaming, it has been adopted, in one form or another, by every province in Canada.

Casinos create potential opportunities for other segments of the tourist industry to

exploit. If the province proceeds with the establishment of casinos in a number of regions, the Ontario casino industry would be unique in that it would consist of multiple stand-alone casinos located throughout a large geographical area. Most casinos would be located close to substantial

urban populations, both from Canada and the United States. As such, there currently exists no North American model which is directly comparable.

The Ontario model of single casinos distributed among multiple locales is perhaps the wave of the future. Casino gaming is suited to tourism and resort environments or border communities, where it has great potential to attract revenues from outside the region and the country. Proper tourist and resort destinations have other man-made, natural and climatic attractions, which casinos will enhance but not overpower. Casinos, as they become more widespread, will become one of a number of important local attractions, including theme parks, theatres, professional sports teams, fine dining and recreation facilities and their presence will form part of the vacation and convention destination alternatives in Ontario. □