

The Economic Impact of Horse Breeding,
Raising, and Racing In Alberta (2015)
Final Report

Prepared For

Horse Racing Alberta
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1.0 Summary

- 1.1 Total Economic Impact The breeding, raising and racing of horses provides significant economic benefits to the province of Alberta. **Our analysis indicates that these benefits totaled \$290 million in 2015 - representing a 14% increase since 2011.**

Economic impacts result from a number of factors and are based on the extent to which horse owners and track operators invest in their assets and contribute to the community.

There are initial expenditures that are made by horse owners in breeding, raising and during live racing. In addition there are expenditures that are made at the races themselves as well as the subsequent rounds of spending from the business and people as a direct result of this expenditure.

When all of these factors are considered, it is our opinion that direct expenditures in the horse racing industry were \$152 million in 2015. In addition, there was an additional contribution of \$138 million in indirect and induced expenditures generating a total of \$290 million in benefits for Alberta.

- 1.2 Agricultural Fit These figures provide insight as to the impact of the sector in a number of critical areas of importance for the Province. The direct expenditures in agricultural activities represented \$90 million in 2015 (of the total direct impact of \$152 million). Direct expenditures in agricultural activities include training, feed and board and veterinary costs and consist of: \$45.4 million for breeding and raising horses that will eventually race; and \$44.9 million for agricultural inputs associated with racing activities.

Of even more importance is the reality that these impacts are so strongly connected to rural Alberta. In total, the sector creates an economic impact of over \$179 million to rural Alberta (62% of the total impact).

- 1.3 Employment In addition to the financial impact, the sector also has a significant impact on the workforce in the Province. Our assessment indicates that a total of 1,629 people (measured in full time equivalents (FTE)) owe their employment to the industry. When all the owners and unpaid labour are considered the total number of people involved in horse racing in Alberta is approximately 7,200.

The reality is that the sector is a vital contributor to the overall economic diversity of the economy in Alberta. The new track in Calgary reflects increased financial commitment by stakeholders in addition to the overall energy they contribute.

¹ **Note on multipliers: We have relied on multipliers from Alberta Finance in conducting this analysis. The most recent series was published in May, 2015 and is based on the 2011 Input-Output tables produced by Statistics Canada. Since the last update for HRA (2011) had used an older series of multipliers, we updated these estimates with the most recent multiplier information. Not only is this a more accurate estimate of 2011 figures, but it is also the only way to get results that can be compared across years.**

2.0 ECONOMIC IMPACT ANALYSIS

The following analysis updates the direct expenditures associated with horse breeding, raising, racing, and the physical racing infrastructure from 2011 to 2015. These direct expenditures, in the form of operating and capital expenditures and employment information, form the basis for assessing the overall economic impacts that horse racing has on the province. The overall impacts also include the indirect and induced expenditures by business and people that occur in subsequent rounds of spending. The overall economic impacts are found by multiplying the direct expenditure by multipliers published by Alberta Finance.

The following analysis is a summary of the findings and includes discussion of the multipliers used; a detailed review of the direct expenditures for breeding, raising, and racing horses; a review of the direct expenditures by racetracks and HRA; and a review of employment impacts.

2.1 Multipliers Used

Alberta Finance economic multipliers are used for both 2011 and 2015. The figures are generated from the 2011 Input-Output tables and were published in May of 2015. In order to more appropriately compare the economic impacts from 2011 and 2015, the same multipliers have been used for both years. Specifically the 2011 impacts have been rerun with updates of the same multipliers used in the 2015 model.

The Gross Output/Expenditure multiplier used for Crop and Animal Production (Industry BS11A00) is 1.984, and the Employment multiplier for Crop and Animal Production is 0.073. This multiplier is used on expenditures made for breeding, raising, and racing horses. ***It should be noted that the animal production multipliers used in 2015 are about 9% and 17% lower, respectively, than the multipliers originally used in the 2011 evaluation.***

The Gross Output/Expenditure multiplier for Arts, Entertainment, and Recreation (Industry 710) is 1.807, and the Employment multiplier is 0.187. These were used for the industry expenditures on activities related to physical racing infrastructure, including pari-mutuel wagering, food and beverage services, and other related activities. ***The entertainment multiplier used in 2015 is about 10% lower than the multiplier originally used in the 2011 evaluation.***

An additional multiplier was used for capital construction, including capital projects at both existing and new racetracks. The Gross Output/Expenditure multiplier used for Non Residential Construction (Commodity M23B0) is 1.752, and the Employment multiplier is 0.071. ***These construction multipliers are approximately 15% and 20% lower, respectively, than the multipliers originally used in 2011.***

The change in multipliers from 2011 has the effect of lowering the overall impact using the multiplier approach. In other words, changes in the multipliers themselves reduce the overall economic impact by 14% suggesting

that the actual increase between 2011 and 2015 would have been double (28%) had we used the previous set of multipliers.

It is important to understand that these changes will have a significant impact on the comparison of the 2011 and 2015 figures, all due to factors outside the control of HRA.

2.2 Structural Changes 2011 to 2015

In comparing the economic impacts of 2011 to 2015 it should be noted that there have been significant structural changes to the industry, and to racing activities. Specifically, Calgary was not holding races in 2011, but racing is in place at the new Century Downs facility in 2015. As a result of this change, the number of race horses has increased, since 2011 as has the number of race days at A Class Racetracks. This has impacted the expenditures at race tracks and expenditures related to agricultural activities. The economic impacts related to the A Class racetracks are also considerably greater than the economic impact related to community tracks. Table 1 and 2 below highlight the structural changes that have occurred in the Alberta horse racing industry.

Table 1: Total Horses Related to Racing in Alberta, 2011 & 2015

HORSES	
2015	2011
5,562	4,780

Table 2: Total Race Days in Alberta, 2011 & 2015

RACE DAYS		
	2015	2011
A CLASS RACETRACKS	184	116
COMMUNITY	67	143

2.3 Direct Expenditures

The province of Alberta receives economic benefits from activities and financial expenditures from racehorse breeding and raising, training, racing and associated activities. Relevant activities of HRA – funded programs and activities not including purses paid – are also considered. In 2015, the industry had direct expenditures of \$152 million. This is broken into three components in Figure 1.

Figure 1: Direct Expenditures by Category, 2015
(*\$ millions, and as a percent of total direct expenditure*)



2.3.1 Breeding and Raising Activities

The costs of breeding and raising racehorses are impacted by the costs associated with mares, foals, yearlings, and stallions, along with the number of the horses being kept in Alberta.

In order to be consistent with previous economic impact studies, many of the costs of keeping a stallion are allocated to the cost of the mare. While not having an effect on the total economic impact figures, it does understate the costs of a stallion if they are looked at independently of the rest of the analysis. Had these costs been allocated directly to the stallion, the annual cost associated with a stallion would exceed \$30,000.

The total direct expenditures for breeding and raising can be seen in Table 3. These expenditures are calculated based on the product of the costs per horse by category and the number of Alberta horses in each category.

Total direct economic benefits from breeding and raising activities are \$45 million for 2015.

Table 3: Direct Expenditures for Breeding and Raising,		
	2011	2015
Breeding and Raising - Thoroughbreds		
Mares	8,116,049	11,726,665
Foals	2,355,110	2,070,707
Yearling & Non Racing 2		
Yrs.	3,000,439	4,267,882
Stallions	971,445	1,414,259
Total	14,443,044	19,479,513
Breeding and Raising - Standardbreds		
Mares	4,198,049	9,599,651
Foals	1,594,510	1,259,328
Yearling & Non Racing 2		
Yrs.	1,545,545	3,470,925
Stallions	893,870	2,057,485
Total	8,231,973	16,387,389
Breeding and Raising - Quarter Horses		
Mares	6,843,917	4,466,528
Foals	2,546,197	2,871,245
Yearling & Non Racing 2		
Yrs.	2,412,616	1,565,747
Stallions	967,591	635,587
Total	12,770,322	9,539,106
Breeding and Raising	35,445,339	45,406,008
Total		
% increase over previous year		+28%

As part of the review in determining the costs of breeding and raising horses, Serecon evaluated a report prepared for Equine Canada in March 2012, "Horse Racing in Canada – Economics of Horse Racing in 2010". Serecon also conducted additional due diligence in terms of the current costs in the Alberta horse racing industry in order to index these costs to 2015.

2.3.2 Racing Activities

The direct expenditures for racing standardbred and thoroughbred horses were \$41 million in 2011, and these have increased to just under \$45 million in 2015. The number of horses racing in Alberta decreased but the costs associated with training, veterinary, and board have increased by 19.0% per horse, leading to net increase in expenditures of 8.8%. These results are summarized in Table 4.

The total direct economic benefit from racing activities approaches \$45 million annually

Table 4: Direct Expenditures for Racing Activities, 2011 - 2015			
	2011	2015	% Change
Racing Costs – Thoroughbreds	31,517,562	32,388,508	+2.8%
Racing Costs - Standardbreds	9,805,939	12,565,985	+28.1%
Total Racing Cost	41,323,501	44,954,493	+8.8%

2.3.3 Physical Racing Infrastructure and Related Activities

The expenditures surrounding the physical racing infrastructure and related activities includes costs associated with: pari-mutuel betting; slots; food and beverage; administration; the Horses Off Track (HOT)/ Alberta Tele Network (ATN); and capital expenditures on the existing facilities. This is a difficult number to compare over time as capital investment tends to occur at a point in time.

This is the case in 2015, where a substantial portion of the capital costs of the Century Downs track are included. However, it is also important to note that even if the expenditure on the Calgary track in 2015 was removed, the total would still be higher than in 2011.

The direct and indirect expenditures associated with these activities were \$62 million in 2015. A breakdown of these costs is found in Table 5.

Direct economic impacts related to physical racing infrastructure is \$62 million in 2015

	2011	2015	% Change
Operational Expenditure	36,300,333	45,658,728	+26%
Capital Expenditure (existing tracks)	1,319,789	1,265,326	-4%
Capital Expenditure (new tracks)	-	15,000,000	
Total	37,620,122	61,924,054	+65%

Revenue that flows to horsemen in the form of purses and claims are not included since the model uses an expenditure based multiplier and to count revenue would result in double counting. In addition, costs that flow out of province including commissions to other racetracks have been removed as this has no effect on the Alberta economy.

2.4 Combined Impacts

Direct expenditures are only one component of the total economic impact of horse racing in Alberta. When all the indirect and induced impacts are calculated, the total impact increases to \$290 million. Table 6 displays a summary of the direct, indirect and induced impacts for 2015, and their relative change from 2011.

Table 6: Direct, Indirect & Induced, and Total Economic Impacts of the Horse Racing Industry by Expenditure Category

	Direct		Indirect and Induced		Total Economic Impact	
	2015	% Change	2015	% Change	2015	% Change
Physical Racing Infrastructure and Related Activities	61,924,054	45%	49,078,119	14%	111,002,173	29%
Racing Activities	44,954,493	9%	44,235,221	-10%	89,189,713	-2%
Breeding and Raising Activities	45,406,008	28%	44,679,512	6%	90,085,521	16%
Total	152,284,555	28%	137,992,852	2%	290,277,407	14%

The horse racing industry generates approximately \$290 million in economic benefits annually

The attribution of these impacts to specific market areas is somewhat arbitrary. On the other hand, since the activities of the industry are directly linked to live racing days, it is possible to assign impacts resulting from tracks based on their live racing days. In our opinion it is not unreasonable to assume that total industry economic impacts would align to some extent with the location of the live racing days.

The industry also has critical regional impacts. In 2015, 59% of the direct economic benefits can be allocated to rural Alberta. In fact, **there is a total economic impact of over \$179 million in rural areas which represents 62% of the total impact on the province.** The distribution of the economic benefits between rural and urban areas can be seen in Table 8. This impact on the general economy of rural Alberta is a critical contributor to the economic diversification of the province.

Table 7: Direct, Indirect and Induced, and Total Economic Impacts by Market Area and Category

Impact Type		Physical Racing Infrastructure and Related Activities		Racing Activities		Breeding and Raising Activities		Total	
		2015	% Change	2015	% Change	2015	% Change	2015	% Change
		Direct	Edmonton	25,841,155	-22%	22,677,576	-12%	21,663,862	6%
	Calgary	26,670,180		10,222,329		9,261,922		46,154,431	
	Lethbridge	7,230,159	15%	7,804,453	15%	9,374,872	39%	24,409,484	23%
	Grande Prairie	2,182,560	0%	4,250,136	55%	5,105,352	87%	11,538,048	51%
	Total	61,924,054	45%	44,954,493	9%	45,406,008	28%	152,284,555	28%
Indirect and Induced	Edmonton	20,787,801	-38%	22,314,734	-28%	21,317,240	-12%	64,419,775	-27%
	Calgary	20,697,835		10,058,771		9,113,731		39,870,338	
	Lethbridge	5,833,907	-9%	7,679,581	-5%	9,224,874	15%	22,738,363	1%
	Grande Prairie	1,758,576	-20%	4,182,134	28%	5,023,667	55%	10,964,376	26%
	Total	49,078,119	14%	44,235,221	-10%	44,679,512	6%	137,992,852	2%
Total Economic Impacts	Edmonton	46,628,955	-30%	44,992,310	-21%	42,981,102	-4%	134,602,367	-20%
	Calgary	47,368,015		20,281,100		18,375,653		86,024,769	
	Lethbridge	13,064,066	3%	15,484,034	4%	18,599,747	26%	47,147,847	12%
	Grande Prairie	3,941,136	-10%	8,432,269	40%	10,129,019	69%	22,502,424	37%
	Total	111,002,173	29%	89,189,713	-2%	90,085,521	16%	290,277,407	14%

Table 8: Allocation of Economic Benefits Between Rural and Urban Communities

Impact Type	Rural Alberta		Urban Alberta	
	2011	2015	2011	2015
Direct	76,768,840	90,360,501	42,606,841	61,924,054
Indirect and Induced	91,508,457	88,914,733	43,131,350	49,078,119
Total	168,277,297	179,275,234	85,738,191	111,002,173

3.0 EMPLOYMENT IMPACTS

The horse racing industry generates employment both as a result of the expenditures that are made directly in the industry, and from the indirect and induced effects.

1,629 FTE's
resulting from the
horse racing
industry

When the indirect and induced impacts are considered using the appropriate Alberta Finance multipliers, the **FTE's associated with the industry total 1,629 in 2015.**

This figure is a very important element of the sector given the fact that many of these jobs are in rural regions of Alberta and lead to diversification in the economy.

4.0 CONCLUSIONS

After reviewing the activities of the horse racing industry, it is our opinion that the economic impact on Alberta remains significant, **and has actually increased by 14% since 2011. The industry had direct expenditures of \$152 million, and a combined direct, indirect and induced impact of \$290 million.**

The industry continues to be of importance to a wide distribution of both urban and rural areas, playing an important part in the viability of rural communities. It is estimated that **the sector creates an economic impact of over \$179 million to rural Alberta, representing 62% of the total impact.**

In summary, the sector generates **approximately \$290 million annually in direct, indirect and induced economic benefits. It provides 1,629 FTE's and is associated with the creation of jobs for more than 7,200 Albertans in total.**