



iGaming Ontario

Economic Contribution of Ontario's Regulated iGaming Market

April 2023



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Glossary

List of Abbreviations and Key Terms

AGCO	Alcohol and Gaming Commission of Ontario
iGO	iGaming Ontario
iGaming	Internet Gambling
B2B	Business-to-Business
B2C	Business-to-Consumer
GGR	Gross Gaming Revenue. Gross Gaming Revenue in this study is consistent with iGaming Ontario’s definition in the organization’s quarterly reports in that the figure “represents total cash wagers, including rake fees, tournament fees and other fees, across all iGaming operators minus player winnings derived from cash wagers and does not take into account operating costs or other liabilities” ¹
Operators	Reference to the licensed private sector operators who have executed an operating agreement with iGaming Ontario and are offering their products in Ontario
Channelization	Refers to the proportion of iGaming activity that occurs in the regulated iGaming market
Year 1	Refers to the economic contribution for Year 1 of Ontario’s regulated iGaming market: April 4, 2022 – April 3, 2023
Year 5	Refers to the economic contribution for Year 5 of Ontario’s regulated iGaming market: April 4, 2026 – April 3, 2027
Year 10	Refers to the economic contribution for Year 10 of Ontario’s regulated iGaming market: April 4, 2031 – April 3, 2032
GDP	GDP is a measure of “the total unduplicated value of the goods and services produced in the economic territory of a country or region during a given period.” ² In this study GDP is valued at market prices and as such includes taxes on products such as iGO revenue share.
FTE	Employment represents full-time equivalent (FTE) positions. FTEs are counted according to their duration – for example, two part-time employees are counted as one FTE if the total time they spent on the job adds up to the number of hours one full-time employee would work in one year.
Labour Income	Labour income represents the total earnings of employees (including those associated with indirect and induced impacts), consisting of wages, salaries, and benefits, as well as supplementary labour income (for example, employer contributions to pension funds and employment insurance).
Government Revenue	Government revenue represents federal, provincial, and municipal products and production taxes, such as HST, property taxes, import duties as well as the government share of gaming revenue. For certainty, the government share of gaming revenue is captured within provincial government revenue. This report also includes corporate income taxes and personal income taxes.
Direct Contribution	Direct economic contribution represents the contribution from the operations of licensed iGaming operators. It includes licensed operators’ income, salaries and wages paid by licensed operators to their employees and associated personal income taxes, and government taxes paid by licensed operators (such as iGaming Ontario revenue share, HST, property taxes, license payments and corporate income taxes).
Indirect Contribution	Indirect economic contribution represents the contribution from licensed iGaming operators’ suppliers. It results from purchases of goods and services by licensed iGaming operators from other businesses and includes operator suppliers’ income, salaries and wages paid by suppliers to their employees and associated personal income taxes, and government taxes paid by suppliers (such as HST, property taxes and corporate income taxes).
Induced Contribution	Induced economic contribution represents the contribution from the spending of the wages and salaries by licensed iGaming operator employees and indirect suppliers’ employees supported by the regulated iGaming industry’s demand for goods and services. It includes the economic contribution from the production of goods and services in response to those consumer expenditures.

¹ As per the definition in iGO Market Performance Reports

² Statistics Canada. Glossary. <https://www150.statcan.gc.ca/n1/pub/13-605-x/gloss/gloss-g-eng.htm#Grossdomesticproductbyindustryatmarketprices>

Executive Summary

Report Objective

In October 2022, Deloitte was engaged by iGaming Ontario (“iGO”) to conduct a study of the potential economic contribution supported by Ontario’s regulated iGaming market. This report provides the results of the study, including an estimation of the regulated iGaming market’s economic contribution to Ontario in terms of:

- Gross Domestic Product (GDP) (i.e., value added);
- Employment;
- Labour income; and
- Government revenue.

The scope of the economic contribution analysis is estimated at the following intervals for the regulated iGaming market:

- Year 1 (April 4th, 2022 – April 3rd, 2023);
- Year 5 (April 4th, 2026 – April 3rd, 2027), and
- Year 10 (April 4th, 2031 – April 3rd, 2032).

Additionally, the scope of this report (i) assumes no changes to the current Registrar Standards for Internet Gaming and no changes to iGaming Ontario Operating Agreements, and (ii) only includes the potential economic contribution of the iGaming industry which is under iGO’s conduct and manage regime. As an example, the analysis in this report does not contemplate any changes to the existing liquidity pool rules in Ontario, nor does it contemplate any potential economic benefits associated with the iGaming activity Ontario Lottery and Gaming Corporation (“OLG”).

In addition to quantifying the potential economic contribution of Ontario’s regulated iGaming market, this report identifies and presents potential additional structuring³ benefits that the regulated iGaming market brings to the Ontario economy as informed by secondary research and 10 + interviews with stakeholders across the iGaming ecosystem. Participants in the consultations provided a perspective on both the Ontario market and observations from other iGaming jurisdictions.

The key information sources used for this study included:

- Deloitte Canada Economic Outlook;
- Deloitte Canada Sports Betting Forecast;
- External industry data forecasts (H2 Gambling Capital, Eilers and Krejcik Gaming);
- Operator survey forecasts;
- iGaming industry consultations;
- iGaming Ontario data; and
- Statistics Canada.

All assumptions used throughout the analysis have been validated by iGaming Ontario.

³ Structuring economic benefits of the regulated iGaming market are the benefits to the economy other than the economic contributions created by iGaming market expenditures.

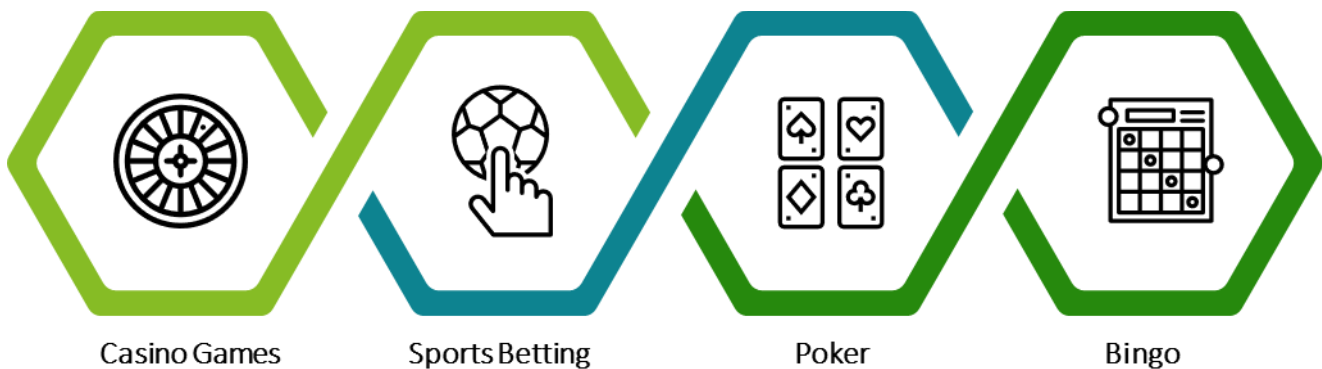
Industry Overview

This report focuses on iGaming, or Internet Gambling, which is a segment of the global gambling industry. iGaming can refer to gambling activities that occur via app or website. In 2021, H2 Gambling Capital estimated global online gambling Gross Gaming Revenue (“GGR”) to be \$97.52 Billion USD.⁴

The iGaming industry does not have a single global regulatory body or set of standards. Instead, it is up to each individual jurisdiction, in regulated iGaming markets, to issue operating licenses and assess operator compliance with their regulatory standards.

Though product offering may vary based on regulations in different jurisdictions, the suite of product verticals provided by B2C iGaming operators usually includes:

Key Product Verticals



On April 4th, 2022, Ontario became the first province in Canada to launch a licensed and regulated iGaming market. iGaming Ontario, a subsidiary of the Alcohol and Gaming Commission of Ontario (“AGCO”) is the conduct and manage body for the open and competitive iGaming market.

The first year of Ontario’s regulated iGaming market included **45** operators offering varying selection of the four product verticals described above across **76** gaming sites. Total gaming revenue⁵ attributable to the regulated iGaming market under iGO’s conduct and manage regime was just over **\$1.4B CAD**. The economic contribution of the regulated iGaming market can be measured across GDP, Employment, Labour Income, and Government Revenues.

Potential Economic Contributions of Ontario’s Regulated iGaming Market⁶

B2C iGaming operators in Ontario offer a variety of products, including casino games, sports betting, poker, and bingo to eligible customers. For these operators to legally offer their products in Ontario, under iGaming Ontario’s conduct and manage regime, they must abide by the terms of their operating agreement with iGO and share a percentage of their Gross Gaming Revenue with the Ontario government. Additionally, in undertaking their operating activities, the operators incur various types of expenditures such as paying salaries and wages, rent, investing in IT infrastructure and equipment, executing partnership agreements, spending on content development, and advertising, and procuring external professional services, among others.

The channelization of the regulated iGaming market and expenditures described above in turn can further support contributions to the Ontario economy, **both directly** (i.e. through licensed iGaming operators revenue share with government, and payment of salaries and wages to their employees) as well as **indirectly**, via generating demand for goods and services provided by suppliers (i.e. expenditure activities of licensed iGaming operators on marketing and advertising, procurement of technical services). A third order of contribution (**induced** contribution) is supported as a result of the

⁴ H2 Gambling Capital (h2gc.com), H2 Global All Product Summary dataset

⁵ Consistent with iGO’s Market Report gaming revenue “represents total cash wagers, including rake fees, tournament fees and other fees, across all iGaming operators minus player winnings derived from cash wagers and does not take into account operating costs or other liabilities”

⁶ All amounts are expressed in Canadian dollars, unless otherwise stated

spending of wages and salaries earned by employees of iGaming operators and the employees of their suppliers (i.e., household expenditure). Accounting for the direct, indirect, and induced economic contribution, it is estimated that in Year 1 (April 4th, 2022 – April 3rd, 2023) of the regulated iGaming market, the total economic contribution was **\$1.58B to Ontario's GDP**, of which about **\$906M** was contribution **to labour income**. It is also estimated that approximately **12,072 FTEs** were sustained by the industry across Ontario. The estimates indicate that for every dollar spent by iGaming operators, approximately **\$1.14 of GDP** was supported in the Ontario economy.

The regulated iGaming market is also estimated to support notable revenue benefits to government. It is estimated that in Year 1 of the regulated iGaming market, its activity supported **\$238M** in federal government revenue,⁷ **\$469M** in provincial government revenue in Ontario (including the Ontario government share of GGR), and **\$54M** in municipal government revenue in Ontario.

Figure 1 below summarizes the estimated economic contribution based on the business activities of licensed iGaming operators in the province of Ontario, to the Ontario economy, for Year 1 of Ontario's regulated iGaming market.

Year 1 (April 4th, 2022 – April 3rd, 2023)

Figure 1: Year 1 Estimated Economic Contributions of Ontario's Regulated iGaming Market

Total Contribution	Direct Contribution	Indirect Contribution	Induced Contribution
\$1.58B in GDP 12,072 jobs	\$308M in GDP 1,803 jobs	\$937M in GDP 7,916 jobs	\$332M in GDP 2,353 jobs

Figure 2: Year 1 Estimated Government Revenue Contributions of Ontario's Regulated iGaming Market

Total	Federal	Provincial	Municipal
\$761M	\$238M	\$469M	\$54M

Years 5 (April 4th, 2026 – April 3rd, 2027) and 10 (April 4th, 2031 – April 3rd, 2032)

In forecasting the potential growth of the iGaming industry in Ontario, Deloitte estimated an expenditure and investment profile based on:

- Deloitte Canada Economic Outlook;
- Deloitte Canada Sports Betting Forecast;
- Review of external industry data forecasts (H2 Gambling Capital, Eilers and Krejcik Gaming);
- Execution of a jurisdictional scan (New Jersey, Pennsylvania, United Kingdom, Sweden, Denmark, Italy, and Spain);
- Operator survey forecasts; and
- iGaming Ontario data.

The potential economic contributions to the province of Ontario are shown below:

⁷ In this report, federal taxes estimates include only federal taxes from the operation of iGaming operators and their suppliers in Ontario, as such they do not include federal taxes associated with operations, including suppliers' operations, outside Ontario.

Figure 3: Year 5 Potential Economic Contributions of Ontario's Regulated iGaming Market

Total Contribution	Direct Contribution	Indirect Contribution	Induced Contribution
\$2.91B in GDP 16,242 jobs	\$1.15B in GDP 2,236 jobs	\$1.31B in GDP 10,768 jobs	\$455M in GDP 3,238 jobs

Figure 4: Year 5 Potential Government Revenue Contributions of Ontario's Regulated iGaming Market

Total	Federal	Provincial	Municipal
\$1.32B	\$389M	\$849M	\$82M

Figure 5: Year 10 Potential Economic Contributions of Ontario's Regulated iGaming Market

Total Contribution	Direct Contribution	Indirect Contribution	Induced Contribution
\$4.73B in GDP 22,132 jobs	\$2.30B in GDP 2,836 jobs	\$1.80B in GDP 14,824 jobs	\$627M in GDP 4,472 jobs




Figure 6: Year 10 Potential Government Revenue Contributions of Ontario's Regulated iGaming Market

Total	Federal	Provincial	Municipal
\$2.15B	\$647M	\$1.39B	\$115M

Broader Structuring Economic Development Impacts

In addition to the economic contributions associated with the business activities of Ontario's regulated iGaming market, there is an opportunity for the industry to support the development of structuring benefits to the broader provincial economy.

It can be noted that though these benefits can be supported by licensed operators offering their products in Ontario, the true and substantive benefits occur when the licensed operators invest and establish an operating footprint in Ontario. Acknowledging the regulated Ontario iGaming market is still in its nascency, through research and consultation with iGaming industry stakeholders, a profile has emerged of potential structuring benefits. A brief overview of these benefits is provided below, whilst additional details can be found in the body of this report.

 <p>Human capital development</p>	<ul style="list-style-type: none"> • In executing their business activities, the occupational breakdown of iGaming operators often centres around those with technical, creative, and commercial skills respectively. Early evidence suggests that the foundation of the employment base for Ontario’s regulated iGaming market entails highly skilled positions. • Compensation levels are also higher than the average across all industries, as evidenced by an estimated job compensation in Year 1 of \$103,000 at Ontario’s licensed iGaming operators which is 41% more than the average job compensation across all industries, \$73,000.⁸ This reflects industry demand and premium for the highly skilled positions demanded in the iGaming market, such as engineering, software development, and product development roles.
 <p>Establishment of cross-sectoral linkages with high value-add sectors</p>	<ul style="list-style-type: none"> • Analyzing the expenditure activity of licensed iGaming operators shows that there is potential for the development of a ‘iGaming economic ecosystem’. This ecosystem could encompass various high value added (measured by GDP) and productive (as measured by GDP per hour worked) sectors such as real estate professional, scientific, and technical services, as well as information and cultural industries, bringing together diverse organizations and talent in responding to the demand generated by the newly regulated, and growing, iGaming industry. • The iGaming industry also has the potential to benefit from Ontario's well-established technology clusters, which have been identified as a priority sector for investment attraction in the province.⁹ In addition to leveraging these existing clusters, the iGaming industry also plays a vital role in nurturing and expanding them by acting as a host sub-ecosystem for top talent. This adds further momentum to Ontario's already strong position in this space, making it an attractive destination for businesses and investors alike.
 <p>Technological development and innovation</p>	<ul style="list-style-type: none"> • For the iGaming industry, the focus of differentiating – and winning – on product has led to an increased importance on resource and capital allocation towards ‘in-house’ technology, risk and trading, and product development for B2C iGaming operators. These activities support product innovation and productivity gains both within and outside the industry and can form the basis for an acquisition thesis. • From an economic standpoint in Ontario, the productivity gains in the iGaming industry could potentially create export opportunities for both products and talent services. This could drive the demand for highly skilled and technical positions, leading to increased investment in the sector. Additionally, it could lead to innovation and investment in related industries such as B2C iGaming operator partners. • Moreover, by focusing on in-house technology and product development, Ontario-based iGaming operators may create new intellectual property (IP) opportunities, which have economic benefits, as there is a large body of economic research that suggests that intellectual property is one of the key drivers of economic growth.¹⁰ By being home to new patents, Ontario could further establish itself as a hub for innovation and attract more investment. • Overall, the productivity gains in the iGaming industry have the potential to stimulate growth in multiple areas of the economy, and further establish Ontario as a leader in the technology and innovation sectors.

⁸ Statistics Canada – Table 36-10-0489-01.

⁹ About Invest Ontario: Our new investment attraction agency (<https://www.investontario.ca/invest-ontario>)

¹⁰ CSIS – ‘Economic Growth in a Digital Economy: The Role of Intellectual Property and Innovation’ (<https://www.csis.org/analysis/economic-growth-digital-economy-role-intellectual-property-and-innovation>)



Contribution to Ontario's Balance of Trade

- Being the first Canadian province to introduce a licensed and regulated iGaming market offers Ontario an opportunity to position the province as a North American jurisdiction for investment for international operators. This has been witnessed by the numerous international operators who have invested in and established a foothold in the province in the early days of the market.
- Provincial balance of trade benefits can be realized through both attracting foreign investment by 'setting up shop' in Ontario, and then using Ontario as a base to invest, operate, and export products and services from the province. This opportunity is particularly compelling as additional jurisdictions in the United States introduce regulated iGaming markets. Currently, only six states have both legal and regulated markets that offer both casino and sports-betting markets. There are 24 states, and DC, that only offer legal online sports-betting and 7 states that are in legislation to establish an online sports-betting market. Further there are three states where an online sports-betting market is legal, but not yet operational.^{11,12} Additionally, whether operators are 'home grown' or international, discrete revenue generated could be viewed as export revenue for the province. This includes revenue stemming from technical platforms, gaming products, and services from their Ontario based operations – whether in a formal external B2B relationship or part of a global intercompany arrangement.

It is critical to note that, for the economic benefits identified above to occur in a meaningful way, player safety must be at the forefront. The Government of Ontario acknowledged this fact and consumer protection as a key pillar when it introduced the establishment of iGaming Ontario in July 2021.¹³ A licensed and regulated market offers additional choice and opportunities for the consumer, and this additional choice and opportunity requires additional awareness, education, and programs in place to support at-risk groups. Every stakeholder engaged throughout this study highlighted the importance of responsible gambling, and the opportunity for Ontario to lead, establish, and export a 'responsible gambling culture' to the global iGaming community. Specific opportunities identified, as the regulated iGaming market in Ontario evolves, include:

- Establishment of a centralized self-exclusion platform for the province;
- Building a dataset – using responsible gambling and player behaviour data - to inform an insight-driven perspective on at-risks groups for problem gambling, policy development, the design of awareness and prevention programs and to track the effectiveness of targeted prevention programs; and
- Intentional and continued consideration on how advancement in technology and analytical tools can be applied from a responsible gambling perspective; specifically interpreting data across all player touchpoints as an opportunity to garner learnings, sharing of best practices and responding to the needs of players to drive player health outcomes.

By prioritizing safe growth, Ontario can foster sustainable growth and realize the benefits outlined in this study. Moreover, implementing best-in-class regulations that balance consumer protection and commercial opportunity could enhance Ontario's comparative advantage in the iGaming industry. Safe growth will promote sustainable growth, and realization of the benefits presented throughout this study.

¹¹ As of April 24, 2023.

¹² American Gaming Association – 'Interactive U.S. Map: Sports Betting State-level detail on types of wagering allowed, key regulations, legal retail, and online/mobile sportsbooks, and more.' (<https://www.americangaming.org/research/state-gaming-map-mobile/>)

¹³ Ontario Newsroom – 'Ontario Creating a Safe, Legal and Competitive Online Gaming' (www.news.ontario.ca/en/release/1000471/ontario-creating-a-safe-legal-and-competitive-online-gaming-market)

Section 1: Introduction

This report examines the potential economic contribution and structuring¹⁴ benefits of Ontario’s regulated iGaming market. This section introduces the industry segment, and iGaming in Ontario.

1.1. The iGaming Industry

iGaming, or Internet Gambling, is a segment of the global gambling industry. iGaming can refer to gambling activities that occur via app or website. In 2021, H2 Gambling Capital estimated global online gambling Gross Gaming Revenue (“GGR”) to be \$97.52 Billion USD.¹⁵

The iGaming industry does not have a single global regulatory body or set of standards. Instead, it is up to each individual jurisdiction, in regulated iGaming markets, to issue operating licenses and assess operator compliance with their regulatory standards.

Though product offering may vary based on regulations in different jurisdictions, the suite of product verticals provided by B2C iGaming operators usually include:

- Casino Games;
- Sports Betting;
- Poker; and
- Bingo.

1.2. Regulated iGaming in Ontario

In the 2019 Budget, the Government of Ontario indicated intention to “establish a competitive market for online legal gambling”¹⁶ to address issues of both economic leakage and consumer protection. It is also worth noting that just under one year prior to the release of the 2019 Ontario budget, and the Government’s signaling of its future iGaming intentions, the iGaming landscape in North America had been forever changed with the United States Supreme Court striking down the 1992 *Professional and Amateur Sport Protection Act* (“PASPA”). Canada began the road to our own “PASPA moment” in September 2020 with the introduction of Bill C-218 “*Safe and Regulated Sports Betting Act*”, a Bill that ultimately received Royal Assent in June 2021.¹⁷

On December 8th, 2020, in Ontario, Bill 229 ‘*Protect, Support and Recover from COVID-19 Act*’ received Royal Assent amending the ‘*Alcohol, Cannabis, and Gaming Regulation Protection Act, 1996*’ to allow for the establishment of a new lottery subsidiary to conduct and manage online lottery schemes¹⁸ for iGaming in the province.¹⁹ The objective in creating the new iGaming regulatory regime, which would open a competitive iGaming market in Ontario, was to:

¹⁴ Structuring economic benefits of the regulated iGaming market are the benefits to the economy other than the economic contributions created by iGaming market expenditures.

¹⁵ H2 Gambling Capital (h2gc.com), H2 Global All Product Summary dataset

¹⁶ 2019 Ontario Budget (www.budget.ontario.ca/pdf/2019/2019-ontario-budget-en.pdf)

¹⁷ Parliament of Canada – ‘LEGISinfo C-218 (43-2)’ (www.parl.ca/legisinfo/en/bill/43-2/c-218)

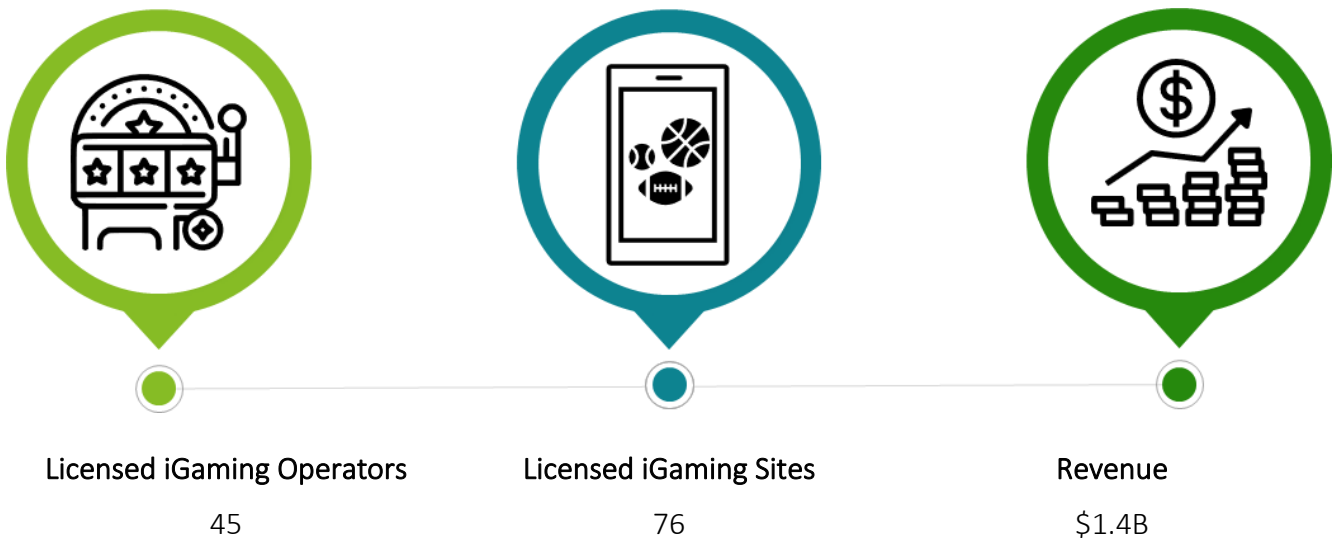
¹⁸ Excluding Ontario Lottery and Gaming corporation

¹⁹ Bill 229 (www.ola.org/sites/default/files/node-files/bill/document/pdf/2020/2020-12/b229ra_e.pdf)



In July of 2021, iGaming Ontario (“iGO”) was formed as a subsidiary of the Alcohol and Gaming Commission of Ontario (“AGCO”), and on April 4th, 2022, Ontario became the first province in Canada to launch a licensed and regulated iGaming market. As the conduct and manage body for the licensed and regulated iGaming market in Ontario iGO “works collaboratively with the AGCO and the Government of Ontario to bring the world’s best online gambling experiences to the province in a safer environment, helping to protect consumers and provide more choice. Gaming Operators that have successfully registered with the AGCO and have executed an operating agreement with iGO can offer their games to players in Ontario. Operators offer gaming sites in the market on behalf of the province in accordance with these agreements. Through these relationships, gaming revenues are shared with the Government of Ontario to be used in support of provincial priorities.”²¹

A snapshot of Ontario’s Year 1 performance – of the regulated iGaming market – is shown below.²²



²⁰ Alcohol and Gaming Commission of Ontario – ‘AGCO to regulate and, through a subsidiary, conduct and manage internet gaming (igaming)’ (www.agco.ca/agco-regulate-and-through-subsiary-conduct-and-manage-internet-gaming-igaming)

²¹ iGaming Ontario – ‘What We Do’ (www.igamingontario.ca/en/player/what-we-do)

²² iGaming Ontario – ‘iGaming Ontario’s FY22 2022-2023 Q3 and Full Year Market Performance Report (www.igamingontario.ca/en/fy-2022-2023-q4-market-report) Consistent with iGO’s Market Report gaming revenue “represents total cash wagers, including rake fees, tournament fees and other fees, across all iGaming operators minus player winnings derived from cash wagers and does not take into account operating costs or other liabilities”

Section 2: Economic Contribution

Results across Year 1, 5, and 10

The revenue generated by the regulated iGaming market, along with capital investments and operating expenditures of the licensed operators, contribute economic benefits to the Ontario economy. This section presents quantitative estimates of the expected economic contribution in terms of GDP, employment, labour income, and government revenues, as well as an overview of the analytical framework and modeling methodology used to derive the estimates. The potential economic contribution is presented at three distinct time intervals:

1. Year 1 – April 4th, 2022 – April 3rd, 2023;
2. Year 5 – April 4th, 2026 – April 3rd, 2027, and
3. Year 10 – April 4th, 2031 – April 3rd, 2032.

2.1. Measuring Economic Contribution

In order to estimate the potential economic contribution from the business activities of Ontario’s regulated iGaming market, this study uses an Input-Output modeling methodology, which traces how the expenditures associated with iGaming operators ripple through the Ontario economy by creating demand for goods and services across industries.

The economic contribution is estimated across four metrics:

- **GDP:** Refers to “the total unduplicated value of goods and services produced in the economic territory of a country or a region during a given period.”²³ In the context of our study, GDP serves as a measure of the total economic value added resulting from the business activities of licensed operators in Ontario’s regulated iGaming market.
- **Employment:** Employment is estimated in terms of full-time equivalent (“FTE”) positions.
- **Labour income:** Labour income represents the total earnings of licensed iGaming operator employees, and that of their suppliers, including wages and salaries as well as supplementary labour income (e.g., contributions to Canadian Pension Plan and Employment Insurance made by employers).
- **Government revenue:** Government revenues include product taxes (such as HST and iGO revenue share), production taxes (such as license payments and property taxes) as well as corporate and personal income taxes at the federal, provincial, and municipal levels. For certainty, the iGO revenue share is included in provincial government revenue.

The economic contribution is assessed at three levels:

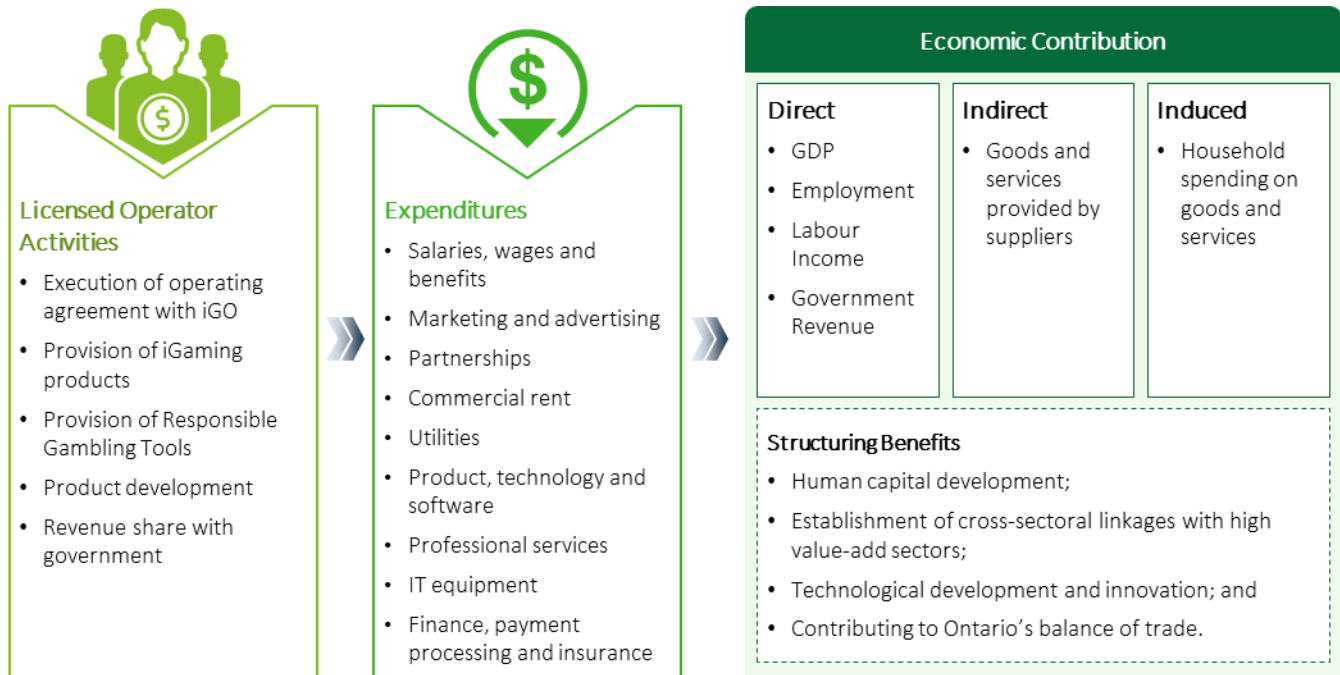
- **Direct contribution** - the contribution directly associated with the operations of licensed iGaming operators, for example the contribution resulting from government revenue share, operators’ profit and salaries and wages paid by licensed operators to their employees;
- **Indirect contribution** - the contribution resulting from the demand for goods and services, by licensed iGaming operators, from other industries such as advertising and marketing expenditure and procurement of technical services; and
- **Induced contribution** - the contribution resulting from the spending of the wages and salaries by licensed iGaming operator employees and indirect suppliers’ employees supported by the regulated iGaming industry’s demand for goods and services.

²³ Statistics Canada. Glossary. <https://www150.statcan.gc.ca/n1/pub/13-605-x/gloss/gloss-g-eng.htm#Grossdomesticproductbyindustryatmarketprices>

It is important to make a note on induced economic contribution: not taking into account induced economic effects underestimates economic contribution because household spending is absent from the model; including induced effects, however, tends to overestimate economic contribution because of the rigid assumptions about incomes (such as fixed expenditure shares relative to incomes).²⁴ Therefore, generally, economic contribution based on direct and indirect effects alone and based on direct, indirect and induced effects are considered as upper and lower bounds of economic contribution estimates.

In this study, total economic contribution is based on the direct, indirect, and induced effects. **Figure 7** illustrates how these impacts occur.

Figure 7: Economic Contribution Framework



In completing this analysis, and forecasting the potential growth of the iGaming industry in Ontario, Deloitte estimated an economic profile based on multiple data sources:

- Deloitte Canada Economic Outlook ;
- Deloitte Canada Sports Betting Forecast;
- External industry data forecasts (H2 Gambling Capital, Eilers and Krejcik Gaming);
- Jurisdictional scan;
- Operator survey forecasts;
- iGaming Ontario data; and
- Statistics Canada

Key assumptions used throughout the analysis have been validated by iGaming Ontario.

All contributions in this section are reported in Canadian dollars and are not adjusted for inflation.

²⁴ Statistics Canada. Industry Accounts Division. Provincial Input-Output Multipliers, 2014. Catalogue no. 15F0046XDB.

2.2. Overview of Licensed Operator Expenditure

The estimated expenditure figures for licensed iGaming operators in the province of Ontario are **\$1.39B** in Year 1, **\$1.94B** in Year 5, and **\$2.66B** in Year 10. Please see the appendix for information on how these estimates were determined.

In Year 1, operators are estimated to directly employ approximately 1,803 FTEs²⁵ with an average job compensation at \$103,000 that is 41% higher than the average job compensation in Ontario.²⁶

As it pertains to cross-sectoral linkages, and spending with other Ontario-based organizations in the first year of the regulated iGaming market, the following industry groups were identified.²⁷ As such it can be expected that iGaming will create demand for these industries:

- Media
- Marketing and ad agencies
- Creative services
- Production services
- Event services
- Sport and live entertainment
- Commercial real estate
- Utilities
- Financial services
- Professional services
- Technical services
- Payment processors
- Location services
- Public Administration (government)

2.3. Potential Economic Contribution of the Regulated iGaming Industry to the Ontario Economy – Year 1 (April 4th, 2022- April 3rd, 2023)

It is estimated that the regulated iGaming industry contributed \$1.58B to GDP, sustained 12,072 FTEs, and supported \$523M in provincial and municipal government revenues in Ontario in 2022-2023.

Accounting for the direct, indirect, and induced economic contribution, it is estimated that operators' operations and capital investments contributed **\$1.58B** to Ontario's GDP in 2022-2023, of which approximately **\$906M** was contribution to labour income that sustained the employment of **12,072 FTEs** across Ontario (see Figure 8).

It is also estimated that operators support **\$469M** in provincial government revenue and **\$54M** in municipal government revenue in Ontario, as well as **\$238M** in federal government revenue,²⁸ in 2022-2023 (Figure 9). These government

²⁵ Some operators do not have or have a limited representation of their employees in Ontario, therefore, while they stimulate economic activity in the province creating demand for the supply of products, their direct employment contributions are limited.

²⁶ Ontario average job compensation refers to 2021 and is sourced from Statistics Canada, Table 36-10-0489-01.

²⁷ Please note, this list is not exhaustive

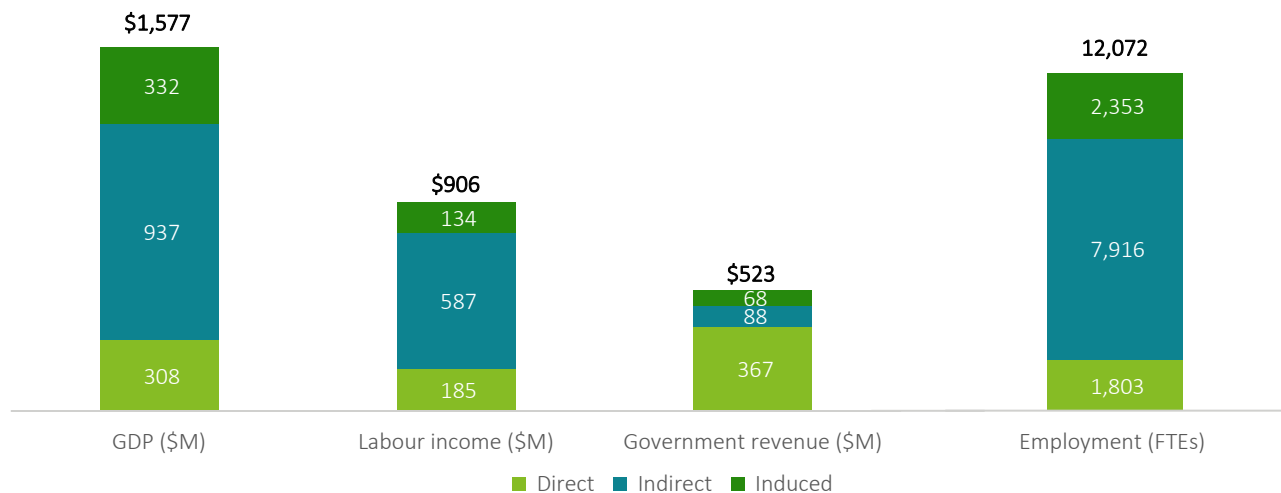
²⁸ In this report, federal taxes estimates include only federal taxes from the operation of iGaming operators and their suppliers in Ontario, as such they do not include federal taxes associated with operations, including suppliers' operations, outside Ontario.

revenues include the iGO revenue share, taxes on products and production (for example, sales taxes and property taxes), corporate income taxes, and personal income taxes.

In addition to the estimates of economic contribution to GDP, jobs and government revenues, the analysis supports several other conclusions.

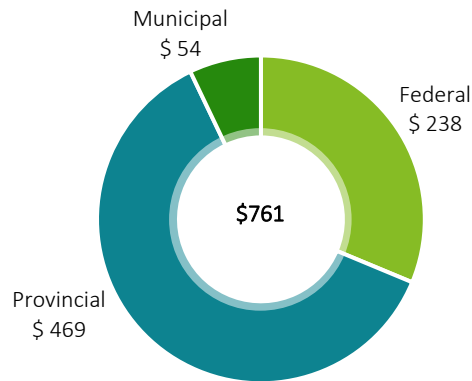
- Approximately \$1.14 of economic activity (in terms of GDP) is added to the Ontario economy for every dollar spent by operators in operating or capital expenditures.
- Approximately 8.7 FTEs are sustained in Ontario for every million dollars spent by operators in operating or capital expenditures.
- At the direct level, Ontario’s licensed iGaming operators will support approximately \$103,000 in average annual compensation per job compared to the Ontario average of \$73,000.²⁹

Figure 8: Estimated Direct, Indirect, and Induced Economic Contribution of Ontario’s Regulated iGaming Market (Year 1), Expressed in \$M



²⁹ Ontario average job compensation refers to 2021 and is sourced from Statistics Canada, Table 36-10-0489-01.

Figure 9: Estimated Contribution of Ontario’s Regulated iGaming Market to Government Revenue (Year 1), by Level of Government, Expressed in \$M



2.4. Potential Economic Contribution of the Regulated iGaming Industry to the Ontario Economy – Year 5 (April 4th, 2026- April 3rd, 2027)

It is estimated that the regulated iGaming industry will contribute \$2.91B to GDP, sustain 16,242 FTEs, and support \$931M in provincial and municipal government revenues in Ontario in 2026-2027.

Accounting for the direct, indirect, and induced economic contribution, it is estimated that operators’ operations and capital investments will contribute **\$2.91B** to Ontario’s GDP in 2026-2027, of which approximately **\$1.24B** will be a contribution to labour income that will sustain the employment of **16,242 FTEs** across Ontario (see Figure 10).

It is also estimated that operators will support **\$849M** in provincial government revenues and **\$82M** in municipal government revenues in Ontario, as well as **\$389M** in federal government revenues³⁰ in 2026-2027 (Figure 11). These government revenues will include the iGO revenue share, taxes on products and production (for example, sales taxes and property taxes), corporate income taxes, and personal income taxes.

In addition to the estimates of economic contribution to GDP, jobs and government revenues, the analysis supports several other conclusions.

- Approximately \$1.50 of economic activity (in terms of GDP) will be added to the Ontario economy for every dollar spent by operators in operating or capital expenditures.
- Approximately 8.4 FTEs will be sustained in Ontario for every million dollars spent by operators in operating or capital expenditures.³¹

³⁰ In this report, federal taxes estimates include only federal taxes from the operation of iGaming operators and their suppliers in Ontario, as such they do not include federal taxes associated with operations, including suppliers’ operations, outside Ontario.

³¹ This estimate is lower compared to the one for Year 1 because of structural changes in the expenditure profile forecast for operators for Year 5 compared to Year 1.

Figure 10: Estimated Direct, Indirect, and Induced Economic Contributions of Ontario’s Regulated iGaming Market (Year 5), Expressed in \$M

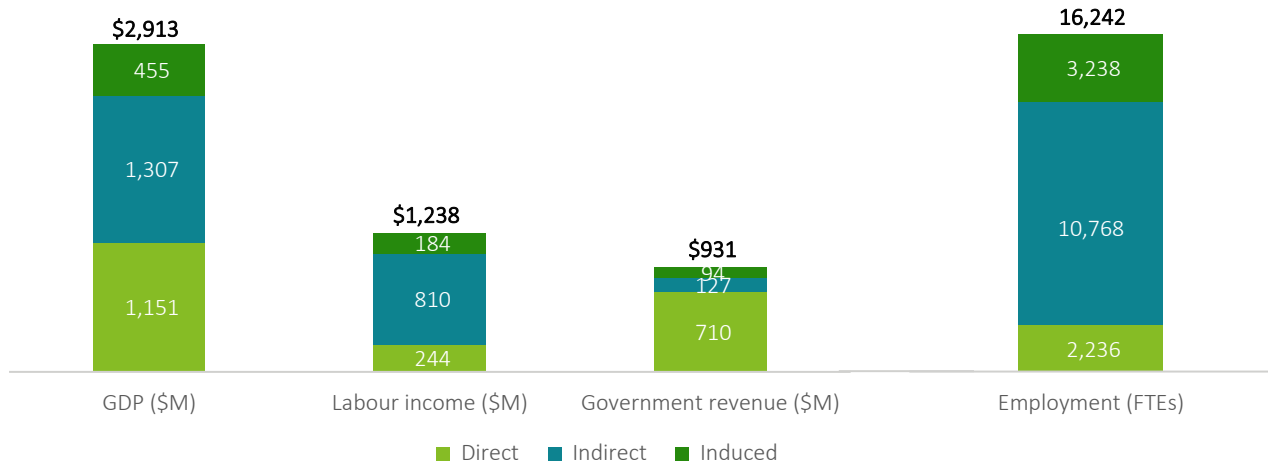
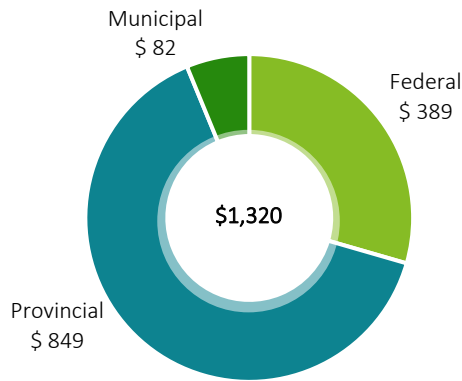


Figure 11: Estimated Contribution of Ontario’s Regulated iGaming Market to Government Revenue (2026-2027), by Level of Government, Expressed in \$M



2.5. Potential Economic Contribution of the Regulated iGaming Industry to the Ontario Economy – Year 10 (April 4th, 2031- April 3rd, 2032)

It is estimated that the regulated iGaming industry will contribute \$4.73B to GDP, sustain 22,132 FTEs, and support \$1.50B in provincial and municipal government revenues in Ontario in 2031-2032.

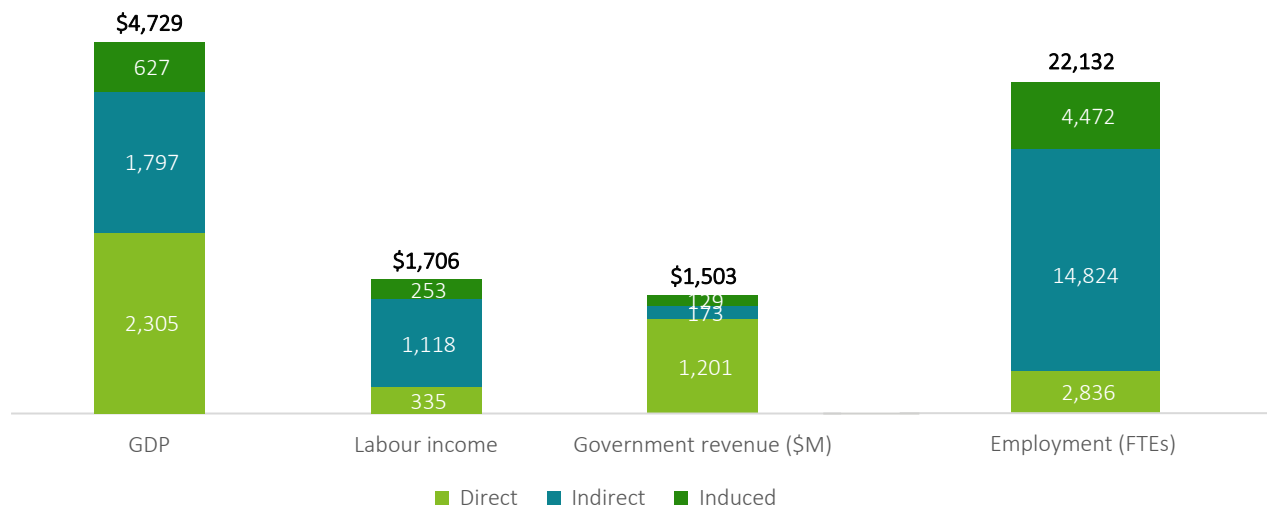
Accounting for the direct, indirect, and induced economic contribution, it is estimated that operators’ operations and capital investments will contribute **\$4.73B** to Ontario’s GDP in 2031-2032, of which approximately **\$1.71B** will be a contribution to labour income that will sustain the employment of **22,132 FTEs** across Ontario (see Figure 12).

It is also estimated that operators will support **\$1.39B** in provincial government revenues and **\$115M** in municipal government revenues in Ontario, as well as **\$647M** in federal government revenues³² in 2031-2032 (Figure 12). These government revenues will include the iGO revenue share, taxes on products and production (for example, provincial sales taxes and property taxes), corporate income taxes, and personal income taxes.

In addition to the estimates of economic contribution to GDP, jobs and government revenues, the analysis supports several other conclusions.

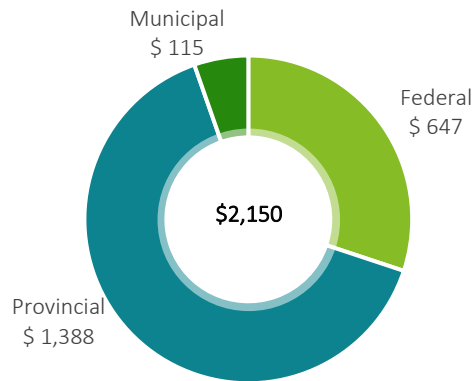
- Approximately \$1.78 of economic activity (in terms of GDP) will be added to the Ontario economy for every dollar spent by operators in operating or capital expenditures.
- Approximately 8.3 FTEs will be sustained in Ontario for every million dollars spent by operators in operating or capital expenditures.

Figure 12: Estimated Direct, Indirect, and Induced Economic Contribution of Ontario’s Regulated iGaming Market (2031-2032), Expressed in \$M



³² In this report, federal taxes estimates include only federal taxes from the operation of iGaming operators and their suppliers in Ontario, as such they do not include federal taxes associated with operations, including suppliers’ operations, outside Ontario.

Figure 13: Estimated Contribution of Ontario’s Regulated iGaming Market to Government Revenue (2031-2032), by Level of Government, Expressed in \$M



2.6. Economic Contributions - Concluding Thoughts

This section estimated the potential economic contribution to the Ontario from the regulated iGaming market. In Year 1 channelization is a significant direct GDP lever for the Ontario economy and will remain a significant lever moving forward. The level of indirect spending in Year 1 reflects the introduction of a newly regulated market with newly licensed market participants, as operators promote brand awareness and fight for market share. The regulated iGaming market has also supported approximately 1,800 high-paying jobs in the province, with the average job compensation estimated at \$103,000, which is 41% higher than the average job compensation in Ontario.³³

Going forward, as the regulated iGaming industry evolves, the profitability growth of Ontario based operators will be critical to sustaining direct GDP growth. Though not at the levels estimated, as a share of GGR, for Year 1, the continued stable expenditures from licensed iGaming operators on marketing, advertising, and partnerships will create stable demand for creative, content, and productions services; along with economic benefits to Ontario based media and live sport and entertainment organizations.

Further, and given the importance that licensed operators place on product as a competitive differentiator, sustaining investments will be required in technology which will support industry productivity and create demand for employment opportunities in engineering, product development, software development, and other technical services; contributing to the direct GDP and employment opportunities for the Ontario economy, through the licensed and regulated iGaming industry, over the long term. Additionally, not only will these jobs contribute to labour income, but they may also lead to formal applied research partnerships and internship programs with Ontario based colleges and universities, supporting opportunities for local human capital development.

As a final point, it is critical to note that, for the economic benefits identified above to occur, player safety must be at the forefront. The Government of Ontario acknowledged this fact and consumer protection as a key pillar when it introduced the establishment of iGaming Ontario in July 2021.³⁴ A licensed and regulated iGaming market offers additional choice and opportunities for the consumer, and this additional choice and opportunities requires additional investment in awareness, education, and programs in place to support at-risk groups. Every stakeholder engaged throughout this study highlighted the importance of responsible gambling, and the opportunity for Ontario to lead, establish, and export a ‘responsible

³³ Job Compensation – refers to the gross compensation of employees which comprises wages and salaries as well as employers’ social contribution (e.g., Canada Pension Plan).

³⁴ Ontario Newsroom – ‘Ontario Creating a Safe, Legal and Competitive Online Gaming Market’ (www.news.ontario.ca/en/release/1000471/ontario-creating-a-safe-legal-and-competitive-online-gaming-market)

gambling culture' to the global iGaming community. Specific opportunities identified, as the regulated iGaming market in Ontario evolves, include:

- Establishment of a centralized self-exclusion platform for the province;
- Building a dataset – using responsible gambling and player behaviour data - to inform an insight-driven perspective on at-risks groups for problem gambling, policy development, the design of awareness and prevention programs and to track the effectiveness of targeted prevention programs; and
- Intentional and continued consideration on how advancement in technology and analytical tools can be applied from a responsible gambling perspective; specifically interpreting data across all player touchpoints as an opportunity to garner learnings, sharing of best practices and responding to the needs of players to drive player health outcomes.

Safe growth will promote sustainable growth and drive the potential realization of the benefits presented throughout this study.

Section 3: Broader Structuring Economic Development Impacts

Beyond stimulating economic growth, job creation and government revenues, Ontario's regulated iGaming market has the potential to support the development of structuring benefits to the Ontario economy;³⁵ particularly in the context of licensed operators investing in establishing an operational base in the province.

This study examines four potential structuring benefits of Ontario's regulated iGaming market based on secondary research and consultations with industry stakeholders:

- Human capital development;
- Establishment of cross-sectoral linkages with high-value add sectors;
- Technological development and innovation; and
- Contributing to Ontario's balance of trade.

Recognizing that the regulated iGaming market is still in its infancy, the following section will introduce each of the benefits mentioned above, describe the mechanisms through which they may occur, identify future opportunities, and present supporting evidence gathered from secondary research and stakeholder consultations.

3.1. Human Capital Development

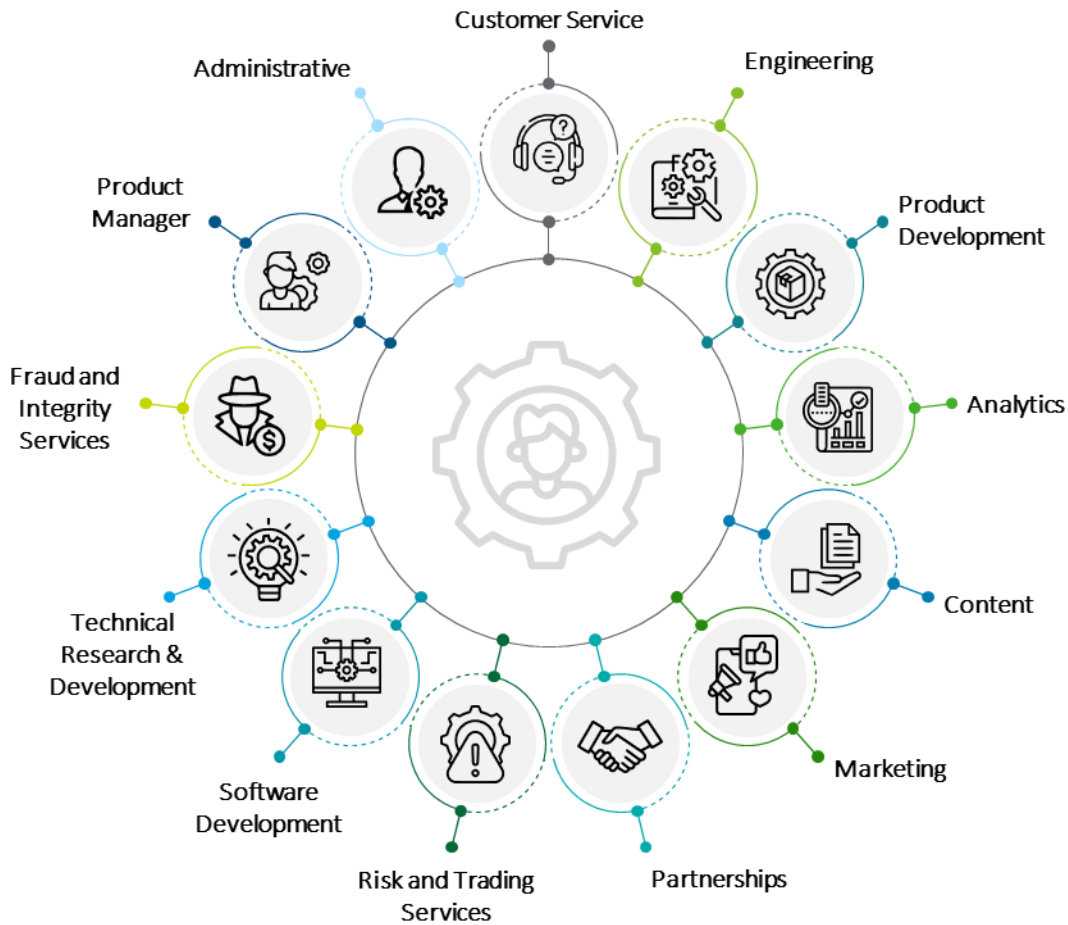
In this study, human capital development refers to the regulated iGaming industry's ability to attract and retain highly skilled positions while also contributing to skill development that can benefit other sectors of the broader economy. This is crucial as companies are more likely to invest in regions with a skilled workforce, which can lead to growth and success. Additionally, retaining best in class talent is important to prevent brain drain, where skilled workers leave for other regions, taking their knowledge, expertise, and potential contributions with them. By keeping these talented individuals in Ontario, the province can maintain a competitive edge, drive innovation, and contribute to economic growth.

³⁵ Structuring economic benefits are the benefits to the economy other than the economic contributions created by iGaming industry revenue and expenditures.

iGaming operators have established a highly skilled workforce.

In executing their business activities, the occupational breakdown of iGaming operators often centres around those with technical, creative, and commercial skills respectively. Early evidence suggests that the foundation of the employment base for Ontario’s regulated iGaming market entails highly skilled positions. Figure 14 outlines the broader occupational breakdown of roles.

Figure 14: Collection of Highly Skilled Roles Employed by Licensed iGaming Operators



Compensation levels are also higher than the average across all industries, as evidenced by an estimated job compensation of \$103,000 at Ontario’s licensed iGaming operators which is 41% more than the average job compensation across all industries, \$73,000.^{36,37} This reflects industry demand and premium for the highly skilled positions demanded in the iGaming market, such as engineering, software development, and product development roles.

Moreover, and highlighted during the industry consultations, a significant portion of licensed iGaming industry’s activities rely on science, technology, engineering, and mathematics (STEM) roles, making them an essential component of the industry’s workforce. For example, product development refers to developers who use programming languages and software engineering techniques to design and develop new products. Additionally, data analysis in iGaming can be responsible for analyzing player behaviour data to identify trends and patterns. They often use statistical methods to analyze data and derive insights, which can benefit from a strong background in mathematics and statistics.

³⁶ Job Compensation – refers to the gross compensation of employees which comprises wages and salaries as well as employers’ social contribution (e.g., Canada Pension Plan).

³⁷ Statistics Canada – Table 36-10-0489-01.

As such, iGaming operators align with the Government of Ontario’s focus on STEM. The Government has prioritized the enhancement of STEM skills within the province, reflected in the evolving high school curriculum “cutting-edge digital literacy and modern technological skills to lead the global economic, scientific and societal innovations of tomorrow”.³⁸ This commitment to talent development in STEM has the potential to establish Ontario as a leading jurisdiction in STEM education and provide opportunities for enhanced development in “coding concepts, applied technical projects, artificial intelligence, cybersecurity, and other emerging technologies”.²⁹ Investing in STEM talent development within the province of Ontario not only benefits students, but also enhances the province’s attractiveness for investment in the iGaming industry. By prioritizing STEM education, Ontario is well-positioned to cultivate a skilled workforce that can drive innovation and growth in the iGaming industry. A prioritization of STEM not only benefits the province’s economy in the short term, but also sets up a sustainable talent pipeline for the future, as STEM education supports in the development of transferable skills that are needed to meet the demands of today’s global economy and society. As a result, both students and the province stand to benefit from a stronger talent positioning throughout their careers.³⁹ Within this context, the iGaming industry represents a new set of employers in Ontario who can leverage the STEM skillsets and retain highly skilled and productive talent in Ontario.

Future opportunities

As Ontario’s regulated iGaming market evolves, future opportunities to enhance human capital development may include:

- Formal research partnerships with iGaming operators and Ontario based colleges and universities. This partnership can help promote the growth and development of the iGaming industry in Ontario by providing opportunities for research and innovation that can benefit both the industry and academia;
- Formal internship/co-op partnerships with iGaming operators and Ontario based colleges and universities – a model that can help support the investment attractiveness of the province, as employers could benefit from pre-trained talent with exposure to the industry;
- iGaming participation in private and public sector collaboration on upskilling and re-skilling programs – as the industry and consumer preferences evolve. This collaboration can help ensure that the workforce in the iGaming industry is equipped with the skills and knowledge needed to meet the evolving needs of the industry and the changing preferences of consumers, thereby promoting the long-term sustainability and competitiveness of the industry; and
- To diversify the supply of individuals with STEM skills, it is important to increase the participation of underrepresented groups, including women and Aboriginal peoples. By supporting and leveraging the involvement of these priority populations, iGaming can seize an opportunity to help grow their participation in STEM. This will not only benefit the iGaming industry but also help bridge the skill gap in Canada’s workforce.⁴⁰

³⁸ Government of Ontario – ‘Ontario Modernizing Computer Studies and Tech-Ed Curriculum to Ensure Students Are Prepared for the Jobs of the Future’ (<https://news.ontario.ca/en/release/1002583/ontario-modernizing-computer-studies-and-tech-ed-curriculum-to-ensure-students-are-prepared-for-the-jobs-of-the-future>)

³⁹ Government of Ontario – ‘Ontario Modernizing Computer Studies and Tech-Ed Curriculum to Ensure Students Are Prepared for the Jobs of the Future’ (<https://news.ontario.ca/en/release/1002583/ontario-modernizing-computer-studies-and-tech-ed-curriculum-to-ensure-students-are-prepared-for-the-jobs-of-the-future>)

⁴⁰ Council of Canadian Academies – ‘Some Assembly Required: STEM Skills and Canada’s Economic Productivity The Expert Panel on STEM Skills for the Future’ (<https://cca-reports.ca/wp-content/uploads/2018/10/stemfullreporten.pdf>)

3.2. Establishment of Cross-Sectoral Linkages with High Value-Add Sectors

In this study, establishment of cross-sectoral linkages with high value-add sectors refers to sectors impacted via the operating and capital expenditure activities of licensed iGaming operators and the potential formation of an 'iGaming economic ecosystem'.

iGaming operators have established a cross-sectoral linkages with high- value add sectors

The iGaming industry has the potential to benefit from Ontario's well-established technology clusters, which have been identified as a priority sector for investment attraction in the province.⁴¹ In addition to leveraging these existing clusters, the iGaming industry also plays a vital role in nurturing and expanding them by acting as a host sub-ecosystem for top talent. This adds further momentum to Ontario's already strong position in this space, making it an attractive destination for businesses and investors alike.

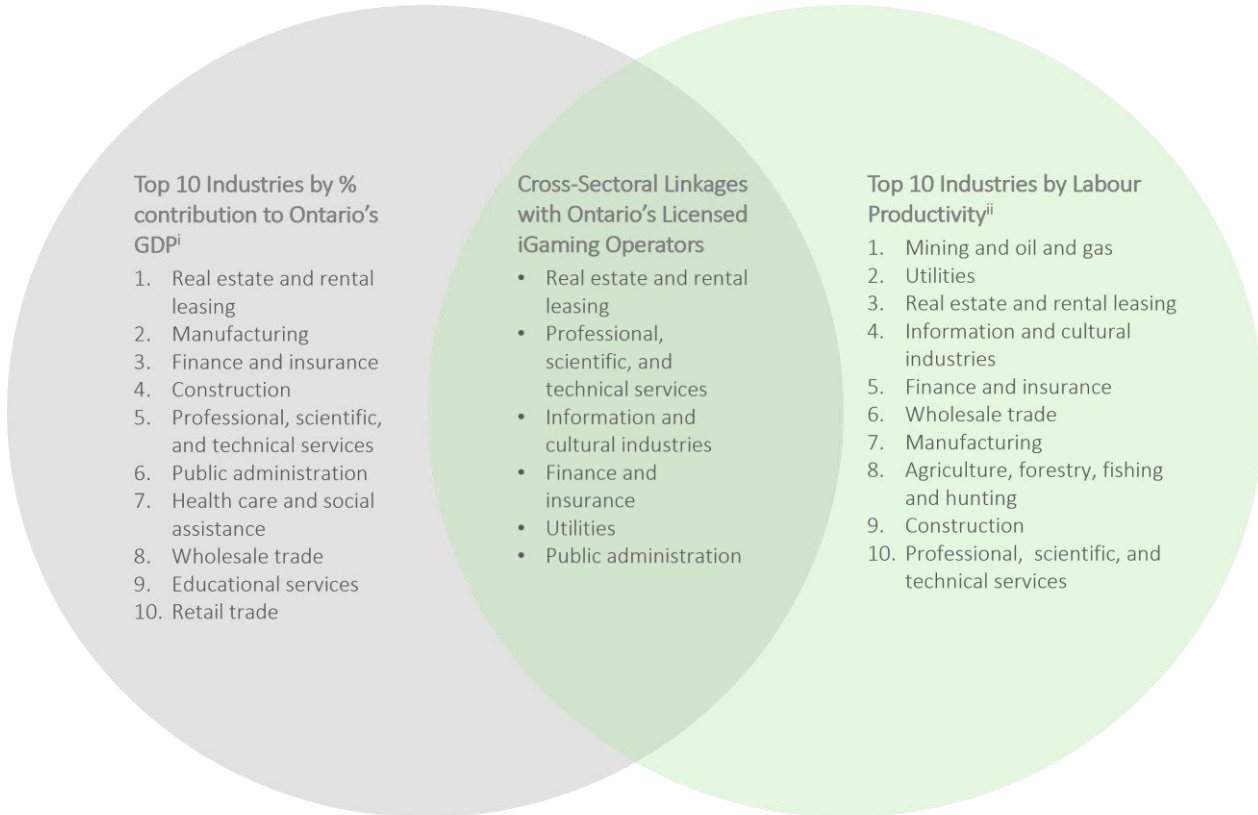
As previously mentioned, the activities of licensed iGaming operators support local businesses and the provincial economy through the demand that is places for goods and services from Ontario-based organizations. In completing the analysis on expenditure activity of licensed iGaming operators during the first year of the regulated iGaming market the following industry groups were identified:⁴²

- Media
- Marketing and ad agencies
- Creative services
- Production services
- Event services
- Sport and live entertainment
- Commercial real estate
- Utilities
- Financial services
- Professional services
- Technical services
- Payment processors
- Location services
- Public Administration (government)

⁴¹ [About Invest Ontario | Invest Ontario \(www.investontario.ca/invest-ontario\)](https://www.investontario.ca/invest-ontario)

⁴² Please note, this list is not exhaustive

Figure 15: Top 10 Industries by % contribution to Ontario’s GDP and labour productivity in Ontario
By industry, 2021



i. Industry's percentage share of gross domestic product (GDP) at basic prices to provincial economy. Statistics Canada – Table 36-10-0400-01. 2021.

ii. Industry labour productivity as measured by the ratio between real value added (GDP) and hours worked. Statistics Canada – Table 36-10-0480-01. 2021.

Analyzing the cross-sectoral linkages and expenditure activity of licensed iGaming operators shows that there is potential for the development of an 'iGaming economic ecosystem.' This ecosystem could encompass various high-value sectors (measured by GDP) and high productivity sectors (measured as GDP per hours worked), such as real estate, professional, scientific, and technical services, as well as information and cultural industries and finance and insurance, bringing together diverse organizations and talent in responding to the demand generated by the newly regulated, and growing, iGaming industry.⁴³ Other aspects of the potential for a 'iGaming economic ecosystem' are evaluated across the other structuring benefits.

Future opportunities

As Ontario's regulated iGaming market evolves, future opportunities to enhance interconnected cross-sectoral linkages with high-value add sectors may include:

- Government led establishment of formal collaboration forums for iGaming ecosystem participant organizations and institutions to discuss economic development implications of regulatory and market choices;
- Continued focused by government on regulatory modernization and product catalogue which reflects the evolution of the iGaming industry and consumer preferences; and
- Development, by government, of a provincial iGaming industry strategy

⁴³ Statistics Canada- 'Table 36-10-0400-01 Gross domestic product (GDP) at basic prices, by industry, provinces and territories, percentage share' (<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610040001>)

3.3. Technological Development and Innovation

The potential contribution of Ontario’s regulated iGaming to investment in new technology, contributions to industry productivity, and innovation opportunities for the provincial economy.

The iGaming industry is rapidly evolving, and operators are constantly seeking new ways to improve productivity and support economic benefits. One way to achieve this is through investment and adoption of new technologies. By embracing new technology, iGaming operators can gain a competitive edge, attract more players, and ultimately grow their businesses. As the industry continues to evolve, investing in and adopting new technology will be critical for iGaming operators to stay ahead of the curve and achieve long-term success.

Technology and product as a market differentiator – and investment and innovation catalyst

As the iGaming market evolves, the focus on differentiating – and winning – on product has led to an increased focus on resource and capital allocation towards ‘in-house’ technology, risk and trading, and product development. For iGaming operators, ‘owning your own tech stack’ can form the basis for an acquisition thesis of technology firms which can have incremental economic benefits for the Ontario economy dependent on the jurisdiction and redeployment of capital.

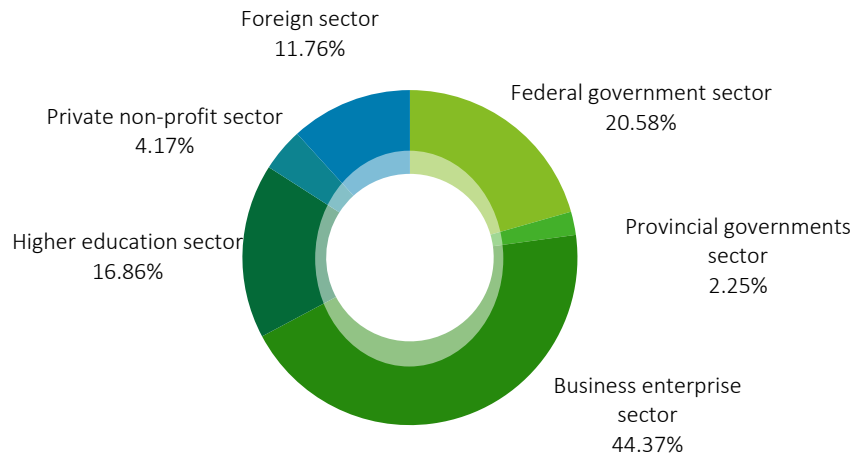
Moreover, by focusing on in-house technology and product development, Ontario-based iGaming operators may create new intellectual property (IP) opportunities, which have proven economic benefits, as there is a large body of economic research that suggests that intellectual property is one of the key drivers of economic growth. By being home to new patents, Ontario could further establish itself as a hub for innovation and attract more investment. Further, operator investment in in-house technology and the resulting productivity gains within the iGaming industry provide a benefit to the Ontario economy, as the growth of profitability of the iGaming industry increases. As part of our economic contribution analysis, it was estimated that the GDP per FTE, as measure of industry productivity, in the regulated iGaming industry is estimated to grow from \$171K in Year1, to \$515K in Year 5 and further to \$813K in Year 10.

From a broader economy perspective, research, and development (“R&D”) is a noted tailwind for economic growth and productivity. Between 2017 and 2020, expenditure on R&D funding experienced an increase of 21%, growing from \$15.8 billion to \$19.3 billion in Ontario.⁴⁴ This growth has been predominantly driven by private sector funding, with Figure 16, on the following page, indicating that the business enterprise sector, accounted for the largest portion of total research funding in the province of Ontario 2020. Given the focus of licensed iGaming operators on technology development and product innovation, one would expect to see Ontario’s licensed and regulated iGaming industry contribute to private sector R&D – strengthening the economic tailwind – in supporting the Ontario economy.

⁴⁴ Statistics Canada- ‘Table 27-10-0273-01 Gross domestic expenditures on research and development, by science type and by funder and performer sector’ (<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=2710027301>)

Figure 16: Sector Funding of Research and Development in Ontario

Percentage of Total Research Funding, 2020



Additionally, with respect to human capital development, a relentless focus by licensed iGaming operators on product can be expected to create demand for employment opportunities in engineering, product development, software development, and other technical services, contributing to the direct GDP and employment opportunities in the iGaming industry over the long term. This development could also have the potential dual-benefit of establishing Ontario as a ‘technical hub’ within iGaming; a technical hub that could drive export revenue – through product and content licensing or providing services to other jurisdictions – in the growing global iGaming market.

As Ontario’s regulated iGaming market evolves, future opportunities around technological development may include:

- iGaming focused incubator/accelerator backed by government, including facilitation of integration opportunities between developers and operators which can take on greater importance from an addressable market perspective as other jurisdictions introduce regulated iGaming markets;
- Identify potential opportunities with an existing provincial agency to design and facilitate iGaming industry specific innovation funding – targeted to stage of business lifecycle/firm maturity; and ensuring licensed operators are aware of existing applicable grants and incentives;
- iGaming operators and their strategic partners (specifically media and sports) develop products and experiences that support greater breadth and depth of customer engagement (and data monetization);
- iGaming operators further investing – in technology and analytical tools- from a responsible gambling perspective; and
- iGaming operators further investing to evolve with consumer preferences (such as micro/in-play markets in sports betting).

3.4. Contributing to Ontario's Balance of Trade

The potential contribution of Ontario's regulated iGaming industry to Ontario's trade and the profile of Ontario with international investors.

iGaming Catalyzing Strategic Investment for Ontario

Being the first Canadian province to introduce a licensed and regulated iGaming market offers Ontario an opportunity to position the province as a North American jurisdiction for investment for international operators. This has been witnessed by the numerous international operators who have invested in and established a foothold in the province in the early days of the market.

Provincial balance of trade benefits can be realized through both attracting foreign investment by 'setting up shop' in Ontario, and then using Ontario as a base to invest, operate, and export products and services from the province. This opportunity is particularly compelling as additional jurisdictions in the United States introduce regulated iGaming markets. Currently, only six states have both legal and regulated markets that offer both casino and sports-betting markets. There are 24 states, and DC, that only offer legal online sports-betting and 7 states that are in legislation to establish an online sports-betting market. Further there are three states where an online sports-betting market is legal, but not yet operational^{45,46} Additionally, whether operators are 'home grown' or international, discrete revenue generated could be viewed as export revenue for the province. This includes revenue stemming from technical platforms, gaming products, and services from their Ontario based operations – whether in a formal external B2B relationship or part of a global intercompany arrangement. From a Foreign Direct Investment ("FDI") perspective, jurisdictions are now operating in an increasingly competitive environment for global investment. As such, to win in this competitive marketplace, jurisdictions are making choices and targeting investment that is:

- Designated as strategic or for priority sectors;
- Provides notable economic contributions through activities associated with investment, and more structuring economic contributions through sustained investment and operational presence;
- Supports high-value add employment opportunities – both at the organization and through the domestic sector supply chain; and
- Promotes the overall attractiveness of the jurisdiction as a place for talent, investment, and ongoing business activities in priority sectors.

Based on the economic contribution analysis conducted for this study, the technical and operational expertise of established licensed iGaming operators, the demand iGaming places on high-value add sectors in the province, and alignment to the technology sector - a defined government priority⁴⁷- iGaming investment could certainly qualify as strategic for the province of Ontario.

Additionally, from a contributing to Ontario's balance of trade perspective, any servicing of the global iGaming market from Ontario based operators could be viewed as export revenue for the province.

⁴⁵ As of April 24, 2023.

⁴⁶ American Gaming Association – 'Interactive U.S. Map: Sports Betting State-level detail on types of wagering allowed, key regulations, legal retail, and online/mobile sportsbooks, and more.' (<https://www.americangaming.org/research/state-gaming-map-mobile/>)

⁴⁷ [About Invest Ontario | Invest Ontario \(www.investontario.ca/invest-ontario\)](#)

Future opportunities

As Ontario's regulated iGaming market evolves, future opportunities for the Government of Ontario to enhance Ontario's trade profile may include:

- Exploring alignment, and go-to-market, opportunities with provincial and regional investment promotion agencies;
- iGaming participation in government trade-support programs; and
- Development of an iGaming competitiveness scorecard as a consideration for future economic development policy discussions, with an objective to attract and catalyze investment in the iGaming industry. Illustrative categories to contrast against peer jurisdictions could include quality of labour force, economic stability, profile of customer base, density of post-secondary institutions (focusing on programs particularly attractive to iGaming companies), state of digital infrastructure, taxation, and regulations.

Appendices

Methodology, Assumptions and Data Sources

A. Economic Contribution Model

The economic contribution from iGaming operator expenditures was estimated using the Deloitte Input-Output (“I-O”) model configured based on Statistics Canada multipliers.⁴⁸ I-O modeling is a quantitative method used in economics to estimate the potential impact of a change in an economy, for example, an impact of a new investment or industry expansion. The model uses data on industries output, value-added, inter-industry transactions and on final demand in the economy to trace through all the changes in the output of supplier industries that are required to support an initial increase in an industry’s output or an increase in expenditures. I-O model simulation results in estimates of the direct, indirect, and induced impacts on GDP, employment, labour income and government revenues in an economy (see Section C of this appendix for detailed definitions of these concepts).

The I-O model is subject to a number of general assumptions and limitations. The model reflects a simplified macroeconomic structure, it does not include some variables of interest for macroeconomic analysis such as interest rates, unemployment rates or inflation. The model assumes that the economy (in this study, the Ontario economy) has the capacity to produce the goods and services stimulated by an economic change. The model is not able to forecast situations in which demand outpaces the capacity to produce the required goods and services, however, it does estimate the portion of goods and services sourced from other Canadian provinces and internationally. The model also assumes that the number of jobs maintains a linear relationship with gross output, that technologies are fixed and that product prices do not change in response to a higher demand.

It is important to make a note on induced economic contribution resulting from the spending of the wages and salaries: not taking into account induced economic effects underestimates economic contribution because household spending is absent from the model; including induced effects, however, tends to overestimate economic contribution because of the rigid assumptions about incomes (such as fixed expenditure shares relative to income).⁴⁹ Therefore, generally, economic contribution based on direct and indirect effects alone and based on direct, indirect and induced effects are considered as lower and upper bounds of economic contribution estimates.

It is important to note that the economic contribution results in this study should be interpreted as a snapshot of the economic activity associated with the iGaming industry. These results do not account for the opportunity cost of the labour, capital and intermediate resources used for capital and operating activities. As such, the economic contribution results do not represent incremental economic impacts.

B. iGaming Operators Revenue and Expenditures Forecast

The forecast of the iGaming operators’ revenue and expenditures used in the I-O model was informed by multiple data sources⁵⁰ as well as a survey of operators conducted for the purposes of this study. The survey was conducted from December 2022 to January 2023 and asked operators to provide data on their GGR, EBITDA, employment, operating and capital expenditures for Year 1 (forecasting to the year-end) as well as the forecast of those data for Year 5 and Year 10 where possible.

Informed by the survey and multiple data sources, the forecast of the iGaming operators’ revenue and expenditures in Year 1, Year 5, and Year 10 were estimated based on a top-down, demand-driven approach. As a first step, Ontario iGaming

⁴⁸ The data on multipliers was sourced from Statistics Canada Tables 36-10-0595-01 and 36-10-0113-01. The reference year of multipliers used in this study was 2019, that is the most recent year for which data were available.







⁴⁹ Statistics Canada. Industry Accounts Division. Provincial Input-Output Multipliers, 2014. Catalogue no. 15F0046XDB.

⁵⁰ The sources used include Deloitte Canada’s Macroeconomic Outlook, Deloitte Canada’s Sports Betting Forecast, external industry data forecasts (H2 Gambling Capital, Eilers and Krejcik Gaming), iGaming industry consultations, iGaming Ontario data and Statistics Canada.

industry’s GGR was forecasted based on the forecast of household consumption expenditure in the province,⁵¹ historical share of household expenditures on gambling,⁵² and an assumption on the growth of iGaming share within the gambling market informed by the performance of the iGaming market in the United States, other jurisdictions, and Deloitte industry forecasts. Further, operators’ expenditures were estimated from the GGR forecast while accounting for the key terms of iGaming Ontario Operating Agreements, including those on payments of iGO revenue share, eligible deductions and HST. We have also incorporated annual license payments of operators into the model. Lastly, industry profitability and detailed operating and capital expenditure breakdown were based on the survey of iGaming operators as well as H2 Capital data on operators in other jurisdictions with a legal iGaming market.

C. Definition of Terminology of Economic Contribution Analysis

The I-O model estimates direct, indirect, and induced economic contribution from iGaming operators’ revenue and expenditures in terms of GDP, employment, labour income, and government taxes as defined below:



Measures	Definitions
 <p>Gross Gaming Revenue (GGR)</p>	Gross Gaming Revenue in this study is consistent with iGaming Ontario’s definition in the organization’s quarterly reports in that the figure “represents total cash wagers, including rake fees, tournament fees and other fees, across all iGaming operators minus player winnings derived from cash wagers and does not take into account operating costs or other liabilities.” ⁵³
 <p>Direct Contribution</p>	Direct economic contribution represents the contribution from the operations of licensed iGaming operators. It includes licensed operators’ profit, salaries and wages paid by licensed operators to their employees and associated personal income taxes, and government taxes paid by licensed operators (such as iGO revenue share, HST, property taxes, license payments and corporate income taxes).
 <p>Indirect Contribution</p>	Indirect economic contribution represents the contribution from licensed iGaming operators’ suppliers. It results from purchases of goods and services by licensed iGaming operators from other businesses and includes operator suppliers’ profit, salaries and wages paid by suppliers to their employees and associated personal income taxes, and government taxes paid by suppliers (such as HST, property taxes and corporate income taxes).
 <p>Induced Contribution</p>	Induced economic contribution represents the contribution from the spending of the wages and salaries by licensed iGaming operator employees and indirect suppliers’ employees supported by the regulated iGaming industry’s demand for goods and services. It includes the economic contribution from the production of goods and services in response to those consumer expenditures.
 <p>Gross Domestic Product (GDP)</p>	GDP is a measure of “the total unduplicated value of the goods and services produced in the economic territory of a country or region during a given period.” ⁵⁴ In this study GDP is valued at market prices and as such includes taxes on products such as iGO revenue share.
 <p>Employment</p>	Employment represents full-time equivalent (FTE) positions. FTEs are counted according to their duration – for example, two part-time employees are counted as one FTE if the total time they

⁵¹ Deloitte’s forecast of household consumption expenditure in the province was tied to the Canadian one which was produced by the Deloitte large-scale macroeconomic model. Within the model, consumption expenditures are built up by detailed category with main drivers being relative prices, incomes, consumer confidence, and population.

⁵² Historical data on household expenditures, including on the gambling industry, was sourced from Statistics Canada Table 36-10-0225-01.

⁵³ As per the definition in iGO Market Performance Reports

⁵⁴ Statistics Canada. Glossary. <https://www150.statcan.gc.ca/n1/pub/13-605-x/gloss/gloss-g-eng.htm#Grossdomesticproductbyindustryatmarketprices>

Measures	Definitions
	spent on the job adds up to the number of hours one full-time employee would work in one year.
 Labour Income	Labour income represents the total earnings of employees (including those associated with indirect and induced impacts), consisting of wages, salaries, and benefits, as well as supplementary labour income (for example, employer contributions to pension funds and employment insurance).
 Government Revenue	Government revenue represents federal, provincial, and municipal products and production taxes, such as HST, property taxes, import duties as well the government share of gaming revenue. This report also includes corporate income taxes and personal income taxes.

D. Glossary

Abbreviation	Definitions
ACGO	Alcohol and Gaming Commission of Ontario
iGO	iGaming Ontario
iGaming	Internet Gambling
B2C	Business-to-Consumer
GGR	Gross Gaming Revenue
Operators	Reference to the licensed private sector operators who have executed an operating agreement with iGaming Ontario and are offering their products in Ontario.
Channelization	Refers to the proportion of iGaming activity that occurs in the regulated iGaming market.
Year 1	Refers to the economic contribution for Year 1 of Ontario's regulated iGaming market: April 4, 2022 – April 3, 2023.
Year 5	Refers to the economic contribution for Year 5 of Ontario's regulated iGaming market: April 4, 2026 – April 3, 2027.
Year 10	Refers to the economic contribution for Year 10 of Ontario's regulated iGaming market: April 4, 2031 – April 3, 2032.

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