

January 19, 2022

The Honorable Doug Downey
Attorney General of Ontario
McMurtry-Scott Building
720 Bay Street, 11th floor
Toronto, Ontario M7A 2S9

The Honorable Peter Bethlenfalvy
Minister of Finance
Frost Bldg South
7th Floor 7 Queen's Park Crescent
Toronto, ON M7A 1Y7

Dear Attorney General Downey and Minister Bethlenfalvy:

I hope this letter finds you well and enjoying the new year. I am writing on behalf of iDEA Growth (iDevelopment and Economic Association) to provide input on the proposal which recently emerged from Great Canadian Gaming Corporation (GCG) regarding the opening of the online gaming market in Ontario.

As you may recall from previous correspondence, iDEA is the premier U.S. trade association for operators and suppliers in the iGaming and mobile sports betting industry. Our 32 members are licensed in nearly every jurisdiction in the world that authorizes remote betting and have been eagerly anticipating the opportunity to become licensed in Ontario. Under GCG's proposal, few, if any, of iDEA's members would be able to do so.

We have followed closely the work of the AGCO to create an iGaming licensing program for Ontario. The free-market approach to market participation within that agency's proposed regulatory regime is commendable. The regulatory proposals advanced to date have envisioned a market where any suitable applicant can become licensed and compete in an open market. In iDEA's experience, such markets serve consumers best and provide the most revenue for regulatory jurisdictions. As proposed, the GCG model would mark a significant departure from this, based largely on the theory that iGaming "cannibalizes" gaming in brick-and-mortar casinos. This theory can be disproven by both intuition and experience in other jurisdictions.

The intuitive argument is the simpler one. Mobile sports betting and iGaming are in no way new to Ontario. The province has tolerated a grey offshore market that has been allowed to mature for more than two decades. To the extent that iGaming cannibalizes land-based gaming (and that extent is almost non-existent, as I'll explain below), that cannibalization has already happened. In the years the casino industry coexisted with the grey market (at least until 2020 when the pandemic closed casinos), the casino industry experienced healthy growth. It is the grey market that will face cannibalization from an open licensed market in Ontario, not the land-based casino industry. Typically, iGaming customers and brick-and-mortar customers are different demographically and provide opportunity to cross-sell different forms of gaming, providing opportunity to grow both markets. Shifting the pervasive grey market into a legal, regulated market will help drive additional jobs and tax revenue for Ontario, as we have seen in other jurisdictions, while creating a more consumer-friendly market

The experiential argument is described here and documented in the attached slides. As is clear from attachment #1, based on numbers from gaming regulators in those jurisdictions, iGaming and casino gaming grew in parallel in both the United Kingdom and Denmark (again, prior to the pandemic).

Earlier this month, the Iowa Racing and Gaming Commission (the state gaming regulator in Iowa) released a market analysis study they commissioned by the Innovation Group who concluded:

Despite what would seem to make intuitive sense — that online gaming would negatively affect bricks-and-mortar casino revenue — the evidence in New Jersey and other states suggests otherwise. Onsite casino revenue has continued to grow in New Jersey and Pennsylvania following implementation of online slot and table games ... This experience in New Jersey and Pennsylvania would tend to speak to the endurance of bricks-and-mortar casinos. Further, consumer appetite for in-person gaming has been affirmed by recent record-setting trends across the country.¹

iGaming and casino gaming offer very different experiences and tend to attract different players. If anything, they are synergistic. iGaming operators can offer games like poker or blackjack at very low stakes because they have very low marginal costs. However, a player who learns to play penny-stakes poker or blackjack online and gains skill may well eventually want to play for higher stakes in a live environment. Also, iGaming meets young adults where they are – in the virtual

¹ [Iowa Statewide Gaming Market Assessment and Socio-Economic Impact Analysis](#), The Innovation Group, December 2021, prepared for the Iowa Racing and Gaming Commission.

world where they transact much of their lives – and introduces them to the gaming experience. Some of them will eventually want to transfer that experience to a real casino.

As you can see in attachment #2, despite continued growth, iGaming in North America never eclipses land-based casino gaming. In 2021, the three largest states with legal iGaming – Pennsylvania, Michigan and New Jersey – experienced the exact same revenue trends month-over-month for both online and land-based gaming, proving the products can coexist without impacting the overall growth of gaming revenues. It is important to note that while iGaming has grown, revenue has remained considerably smaller than that of the land-based casino industry, even though the casinos in these states have had limited capacity and decreased visitation due to the Covid-19 pandemic. Additionally, many U.S. casino operators have expressed gratitude for having online casino options during the pandemic, as those options have offset revenue losses from operational challenges caused by casino closures and capacity restrictions. It importantly adds varied revenue streams for casinos that must be adaptable in a changing world.

iDEA urges you and your agencies to look to the experience of other jurisdictions and reject the GCG proposal, and instead proceed with a free and open licensing model of the sort that the AGCO has been planning for months. Ontario is an extremely attractive market for iDEA's members, and they anticipate making significant investments in people, technology and infrastructure as soon as a launch date is announced – indeed some have already begun making such investments in anticipation of the launch of a free market in the province.

Respectfully,



Jeff Ifrah
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Impacts of iGaming and land-based casinos in the UK and Denmark

United Kingdom

Source - UK Gambling Commission

NOTE: Covid impacted information available for past few years. Land-based Gross Gambling Yield was around £750M – £800M in 2009 / 2010. By 2019, the last full year unaffected by Covid this number had grown over 25% to around £1,060M.

Year Ended 31st March	Gross Gambling Yield		Land-based	
	Online	Land-based	Attendance	Number of Employees
2021	4,015,620,000			
2020	3,533,440,000	1,017,590,000		
2019	3,278,970,000	1,058,820,000		
2018	3,190,090,000	1,180,720,000	19,230,000	15,376
2017	3,108,430,000	1,163,540,000	19,720,000	16,397
2016	2,931,130,000	999,380,000	20,560,000	16,352
2015	2,740,110,000	1,159,790,000	20,690,000	15,566
2014	2,661,040,000	1,111,060,000	20,820,000	15,611
2013	2,401,280,000	961,410,000	19,840,000	15,010
2012	2,364,440,000	872,800,000	18,240,000	14,701
2011	2,130,660,000	797,430,000	17,380,000	13,949
2010		751,130,000	17,100,000	15,729
2009		796,170,000	16,600,000	13,321
2008			16,200,000	
2007			15,100,000	

Denmark

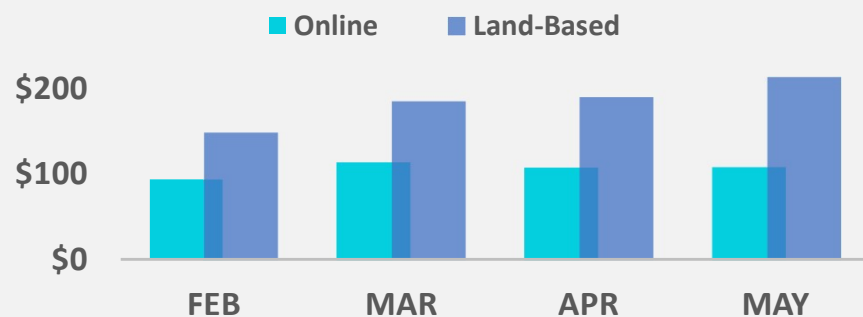
Source - Spillemyndigheden (Danish Gambling Authority)

Denmark regulated iGaming in 2012. The Danish figures show a GGR for land-based of 334M DK (Danish Krone) in 2012, increasing to 379M DK in 2016 and stabilising at c350M DK before the Covid-19 lockdowns. That represents double digit growth over the period of legalization and regulation of iGaming in Denmark.

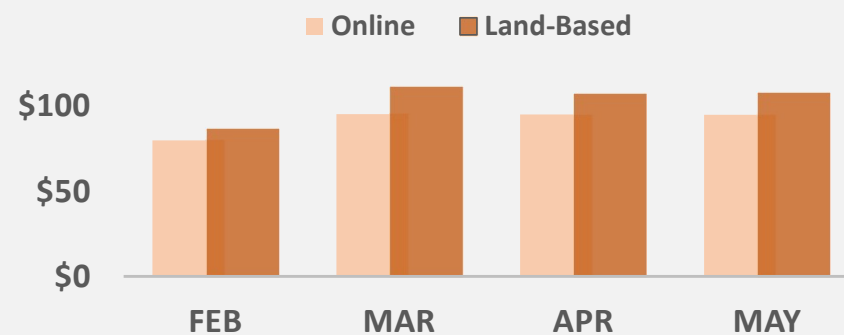
Year	Gross Gaming Revenue	
	Land-Based Casinos	Online Casino
2021	205,000,000	2,552,000,000
2020	236,000,000	2,485,000,000
2019	349,000,000	2,380,000,000
2018	354,000,000	2,216,000,000
2017	375,000,000	1,865,000,000
2016	379,000,000	1,565,000,000
2015	349,000,000	1,308,000,000
2014	330,000,000	1,058,000,000
2013	337,000,000	976,000,000
2012	344,000,000	885,000,000

iGaming is Complementary to Casino

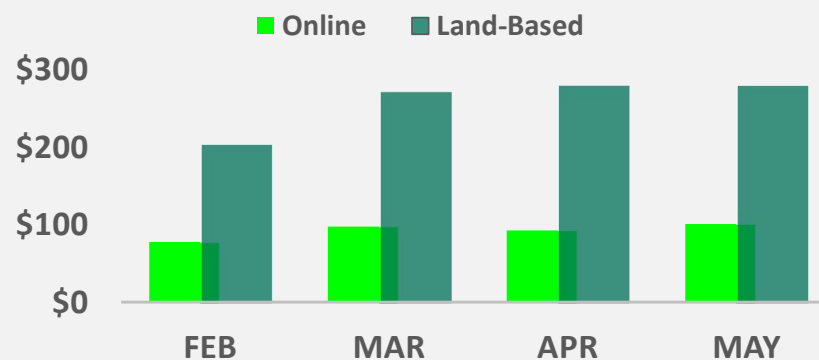
NEW JERSEY



MICHIGAN



PENNSYLVANIA



* GGR in Millions USD

IDEA