
PRESS RELEASE

For immediate publication

15 YEARS OF DECLINING PRODUCTIVITY AT LOTO-QUÉBEC

Montreal, December 4, 2017 – While Loto-Québec's declining profitability is generally attributed to lower demand and efforts to ensure that gambling is marketed responsibly, an in-depth analysis of the provincial crown corporation's performance points to a productivity issue. This is the main finding of a recent study by the HEC Montréal Centre for Productivity and Prosperity – Walter J. Somers Foundation (CPP).

"When we reviewed Loto-Québec's financial statements, we saw that the corporation's ability to turn a profit had indeed suffered in the face of various constraints," confirms CPP Director Robert Gagné. "But when we looked beyond the raw data in the annual reports, we saw that Loto-Québec had been unable to offset the pressure on its profitability through productivity gains. The corporation's actual net profit is now much lower than in the mid-2000s, and this represents a major shortfall for the Quebec government."

Few demands, lacklustre results

Without wishing to minimize the importance of addressing problem gambling, the study concludes that Loto-Québec's results could have been better if the government had required it to meet specific productivity targets. "Although Loto-Québec's productivity went into decline in the early 2000s, the Quebec government didn't act until 2010," says Gagné.

By limiting its demands to accounting targets – better wage control, reduced spending on administration, advertising and training – the government achieved only a limited impact on productivity at Loto-Québec. It was not until the 2014–2017 strategic plan that the corporation reversed the trend, by "offering innovative and competitive entertainment" while ensuring "effective and efficient management of its resources." At that point, Loto-Québec managed to boost its productivity by 15% in less than two years.

No exception

When the authors analyzed the performance of the Ontario Lottery and Gaming Corporation (OLGC), they found that Loto-Québec was not an isolated case. Lacking clear requirements from the Ontario government, the OLGC was also unable to adjust properly to market constraints in the 2000s, and its profitability declined. Despite its efforts and a 15% cut in its workforce, the corporation had to embark on a client-centred modernization phase in 2012 before its profitability started rising again.

Recommendation

The study leads to a clear conclusion: the Quebec government must review its requirements for Loto-Québec if it intends to market gambling responsibly while at the same time maximizing its revenue. “Rather than limiting itself to financial targets and vague references to productivity, the Quebec government must set clear goals and ensure that the corporation reaches them. Otherwise, its revenue from gambling is apt to decline once again,” concludes Gagné.

For more information:

- Consult the report (in French), entitled [Productivité du secteur public québécois : Loto-Québec](#).
- Télécharger le communiqué [en français](#).

About the Centre for Productivity and Prosperity – Walter J. Somers Foundation

The Centre for Productivity and Prosperity – Walter J. Somers Foundation has a twofold mission. First of all, it is devoted to research on productivity and prosperity, mainly in Quebec. The Centre then shares its research findings through knowledge transfer and educational activities.

About the Walter J. Somers Foundation

The Somers family established the Walter J. Somers Foundation in tribute to the founder of Walter Surface Technologies. Through different donations, the Foundation pursues the family heritage of commitment to the community and contributes to the prosperity of Quebec society, firstly by helping to improve its productivity but also by supporting excellence in youth education.

For more information on the Centre, visit www.hec.ca/cpp or write us at info.cpp@hec.ca.

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