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User Report

Legalized Gaming
in Canada

NO. 1988-12

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**Legalized Gaming
in Canada**

NO. 1988-12

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This working paper is available in French. Ce document de travail est disponible en français.

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EXECUTIVE SUMMARY**INTRODUCTION**

This report presents the findings of research into legalized gaming in Canada. An earlier report, "Legalized Gambling: An Overview" (Beare and Hampton, 1984) examined legalized gaming in other selected countries. Two types of activities are examined: private gaming, which includes bingos, raffles and casinos, and true lotteries operated by public authorities. Pari-mutuel betting has been excluded from this study because it is regulated and controlled by separate legislation and procedures.

Since 1970, when the Criminal Code was amended to permit various forms of gaming activity, legalized gaming has grown to be a multi-billion dollar industry. Charitable organizations and public interests apparently reap the major benefits of legalized gaming. However, in the 1980s, the need for rigorous regulation, accountability and enforceable control of gaming activity has become increasingly apparent.

This report presents case studies of the response of each province and territory to legalized gaming regulation and control by examining the types of gaming operations permitted, the regulatory structure and administrative procedures in place to control them, and gaming data. The scope and regulatory structure of true lotteries are also examined. The working papers generally cover the period to 1985; however, the provincial and territorial profiles have been updated where new information was readily available.

LEGALIZED GAMING IN PERSPECTIVE

The legalization of gaming activity in many Western countries is clearly linked to the perceived economic benefits which can be attained from gaming. In Canada, legalized gaming is the primary fund-raising vehicle of many charitable organizations. Governments have also used gaming as a means of generating funds

for sports, cultural, recreational, and other community-oriented events.

While some jurisdictions such as Great Britain have legalized certain gaming activities as a means of reducing illegal activities associated with gambling, it is now evident that even legalized activities require close scrutiny and ongoing monitoring. Without clear cut regulatory and enforcement procedures, legalized gaming activities are very vulnerable to corruption and criminal infiltration. As the "stakes" involved in legalized gaming increase, provincial and territorial governments have responded with preventive measures, including tighter regulatory and control mechanisms, and ongoing monitoring of gaming activity.

Greater accountability can be achieved if regulatory and investigation responsibilities are bifurcated. First, independent record keeping and information systems which adhere to sound principles of financial control are required. Operational regulations and stipulated accounting procedures for all gaming activity are necessary. Consistent cash flow control can ensure that organizations adhere to sound financial management principles and that the opportunities for theft and fraud are reduced.

In addition, preventive measures are required to reduce the opportunities for criminal infiltration into gaming operations. There are lucrative illicit activities associated with gaming, such as loan sharking and drug trafficking. Appropriate safeguards, including the implementation of a "no-credit" policy, can reduce the attractiveness and vulnerability of the gaming operation to organized crime. Adequate prevention requires that authorities know who the participants are. Gaming licence applicants, gaming managers and operators should be thoroughly screened before permits are granted.

Adequate enforcement and investigation powers are also required to ensure that financial accountability is achieved. In Canada the task of effectively monitoring gaming activities under geographically diverse conditions poses a unique challenge to law enforcement officers and other investigatory bodies. Moreover, control over the gaming industry requires sufficient numbers of trained personnel to monitor the activities. In the case of some gaming events, in particular casinos, additional measures, such as the application of electronic surveillance equipment should be considered. Rigorous control over gaming supplies, particularly items such as tickets and bingo paper, can also reduce the opportunity for corruption, fraud, and theft.

GAMING OPERATIONS

In Canada, gaming operations fall into the following broad categories: bingos, raffles, break-open tickets (also commonly referred to as pull-tickets or Nevada tickets), casinos, and other games of chance. The principal types of gaming activity are discussed below.

1. Bingos

Bingos in Canada are conducted by charitable and private sector interests. In all provinces and territories, regulations have been established to govern the licencing and conduct of bingo operations. Regulations typically include restrictions on the number of games which can be held in a given period, and a prize limit per bingo session. For example, in British Columbia, a prize limit of \$1,000 per game is in effect whereas in Alberta, a prize limit of \$15,000 per event is permitted. Saskatchewan regulations specify a \$25,000 prize limit per organization in any 24 hour period; in Nova Scotia, a similar regulation allows daily limits of \$15,000 per organization, and in Prince Edward Island and Newfoundland, the limit is \$5,000 per day.

Many charitable organizations regard bingo as a major fund-raising vehicle. These events are controlled by provincial and territorial regulations which typically stipulate that 20 to 25 percent of the prize value awarded must be allocated for charitable purposes. Expense ceilings may also be set. For example, in Alberta, the Northwest Territories and the Yukon, expenses must not exceed more than ten percent of gross profits. Most charitable organizations must rent facilities and equipment from private operators; such costs have proven difficult to monitor and control. In Alberta, however, the ten percent limit on expenses does not include rent. Moreover, growing competition from large-scale commercial operations has also threatened the viability of smaller charity bingos. The provinces have responded to this issue in diverse ways. In Alberta, charitable organizations are permitted to form "bingo associations" to reduce expenses, and licence fees are not levied on this type of organization. To eliminate fraudulent practices among commercial operations and reduce mark-ups on rental facilities for charitable organizations, the Manitoba Lottery Foundation assumed control of three commercial establishments and is now the sole distributor of bingo papers and bingo machines to charitable organizations.

2. Raffles

Various forms of charitable and private sector raffles are permitted across the country; however this form of activity appears in decline due to the competition of more lucrative forms of gaming, especially public lotteries. Provincial and territorial regulations specify the terms and conditions under which raffles may be conducted. These licencing requirements and fee formulas differ among jurisdictions. For example, in British Columbia, licence fees are levied against charitable organizations and private sector interests, such as agricultural fairs. The fee schedules are in proportion to the authorized prize winnings. In Alberta, licence fees are not levied against charitable organizations. In some jurisdictions, small-scale

raffles may be licenced by municipalities. In Manitoba, raffles offering prizes of less than \$3,000 are subject to municipal control. To avoid competition with lotteries, raffles may also be limited to certain prize ceilings, as in Ontario where they are limited to \$50,000.

3. Break-open Tickets

Break-open tickets, also referred to as pull tickets and Nevada tickets, are usually sold in conjunction with other gaming events, such as bingos and casinos. The Manitoba Lottery Foundation has adopted the strictest licencing, printing and distribution scheme for break-open tickets. The British Columbia Lottery also controls the sale of break-open tickets.

There is an extensive black market in break-open tickets across Canada, and it is estimated that the total sale of legal and illegal tickets exceeds \$1 billion.

4. Casinos

The Criminal Code, permits three types of casino operations: those conducted by a charitable organization, those conducted by the Board of Fair or an Exhibition and those conducted by the government of a province or territory. Most casino activity is conducted under the auspices of a charitable organization. In British Columbia, charitable casinos are licenced only as an adjunct to a social event. The British Columbia government also operates slot machines on publicly-owned steamship liners, the Princess Marguerite and the Vancouver Island Princess.

Several provinces have permanent casino gaming locations, with events scheduled up to 360 nights per year. Presently, the largest casino operations within Canada are held in Alberta. The Manitoba Lottery Foundation established a permanent casino in 1985, and in addition operates rural casinos. In Quebec, two

casinos have been held: both were provincial events associated with the Grey Cup and the Quebec Winter Carnival.

In New Brunswick and Nova Scotia, cash casinos are not permitted, although organizations may hold casino "fun nites", played with tokens or scrip only. This currency is then used in an auction for merchandise at the end of the gaming evening.

Credit and cheque cashing facilities are provided in Diamond Tooth Gertie's, the Klondike Visitors Associations's Casino in Dawson City, Yukon. These facilities are not permitted at any other Canadian casino events. The British Columbia Gaming Commission contemplated introducing credit but has concluded that such privileges are unnecessary, given increasing access to cash through credit cards and twenty-four hour banking machines. Moreover, it is feared that the introduction of credit could ultimately undermine the integrity of the gaming industry.

REGULATORY STRUCTURE AND ADMINISTRATIVE PROCEDURES

The provinces and the territories are at various stages in the evolution of comprehensive regulatory structures. The principal entities responsible for regulating private gaming are discussed below. The regulatory structure for true lotteries is presented in detail in a later section of this summary.

The British Columbia Gaming Commission is charged with the responsibility of licencing, regulating, and developing gaming policy and hearing appeals in cases where gaming licences are denied or revoked. The Public Gaming Branch plays a supportive role; however the Commission has recently recommended that the Branch should assume the licencing function related to charities and the Commission should retain powers over special private sector categories. The Commission would focus on gaming policy and the terms and conditions of operation, and would serve as an appeal body. The Public Gaming Branch is responsible for audit,

inspection, enforcement and policy recommendations. The British Columbia Lottery Corporation oversees the province's true lotteries, subsequent to B.C.'s withdrawal from the Western Canada Lottery Foundation in 1985.

The Alberta Gaming Commission provides policy direction, approves licences, handles appeals and undertakes public consultation. The Gaming Control Branch, which reports to the Attorney General, is responsible for the administrative, audit, review and investigation functions. The Alberta gaming control structure is weighted heavily toward a "control through regulation" model.

In Saskatchewan an integrated approach to gaming regulation and control is under the direction of the Department of Consumer and Commercial Affairs, Licencing and Investigation Branch. It should be noted that municipalities hold separate responsibility for the regulation of gaming events involving prizes of less than \$1,000. Sasksports is the entity responsible for coordinating the province's role in true lotteries.

In Manitoba, in response to growing concerns about control over gaming and subsequent to two major inquiries into legalized gaming, the provincial government established the Manitoba Lotteries Foundation. This Crown Corporation adopted an assertive "control through operations" model to ensure that the majority of legal gaming revenues would be directed to the intended charitable recipients. This included extensive and stringent licencing, accounting, auditing and inspection procedures, as well as a formalized investigation and clearance system for important gaming personnel. It is now the sole operator of casinos, the sole distributor of lottery tickets and break-open tickets, and the sole licencer of bingo operations.

In the Northwest Territories, the Consumer Services Division of the Department of Justice and Public Services is responsible

for licencing gaming activity. The Sports North Federation manages true lotteries.

In the Yukon, the Consumer, Corporate and Labour Affairs Branch of the Department of Justice is responsible for gaming activity. The Yukon Lottery Commission manages public lotteries.

Alberta, Saskatchewan and Manitoba are members of the Western Canada Lottery Foundation, and the Northwest Territories and the Yukon are associate members.

Ontario operates a decentralized regulation and control system, which in some respects is similar to that of Saskatchewan. The Lotteries Branch of the Department of Consumer and Commercial Relations is responsible for licencing major gaming events while the municipalities are responsible for licencing events such as bingos, where the prizes are valued at not more than \$3,500, and raffles, where the prizes are valued at not more than \$5,000. It is estimated that eighty percent of all licences are issued by the municipalities. The Ontario Lottery Corporation is responsible for true lotteries.

The regulation of legalized gaming in Quebec is carried out by the Regie de loteries et course du Quebec. The provincial Quebec police force is responsible for the enforcement of gaming laws in the province. Loto-Quebec is responsible for true lotteries.

In New Brunswick, legalized gaming is regulated and controlled through the Lotteries Commission. The Commission retains both policy development and administrative/licencing functions and manages the province's role in the Atlantic Lottery Corporation.

In Nova Scotia, the Nova Scotia Lotteries Commission, which reports to the Department of Culture, Recreation, and Fitness, is responsible for all gaming licencing, monitoring and investigations, and true lotteries.

In Prince Edward Island, the Department of Justice is responsible for licencing and investigating private gaming operations, and the Prince Edward Island Lotteries Commission oversees the province's role in the Atlantic Lottery Corporation.

In Newfoundland and Labrador, the Department of Justice, Lotteries Licencing Branch, is responsible for the licencing and monitoring of all gaming events sponsored by religious and charitable organizations and agricultural fairs and exhibitions.

All of the Atlantic provinces are members of the Atlantic Lottery Corporation which manages true lotteries.

GAMING FACTS AND FIGURES

1. Licences

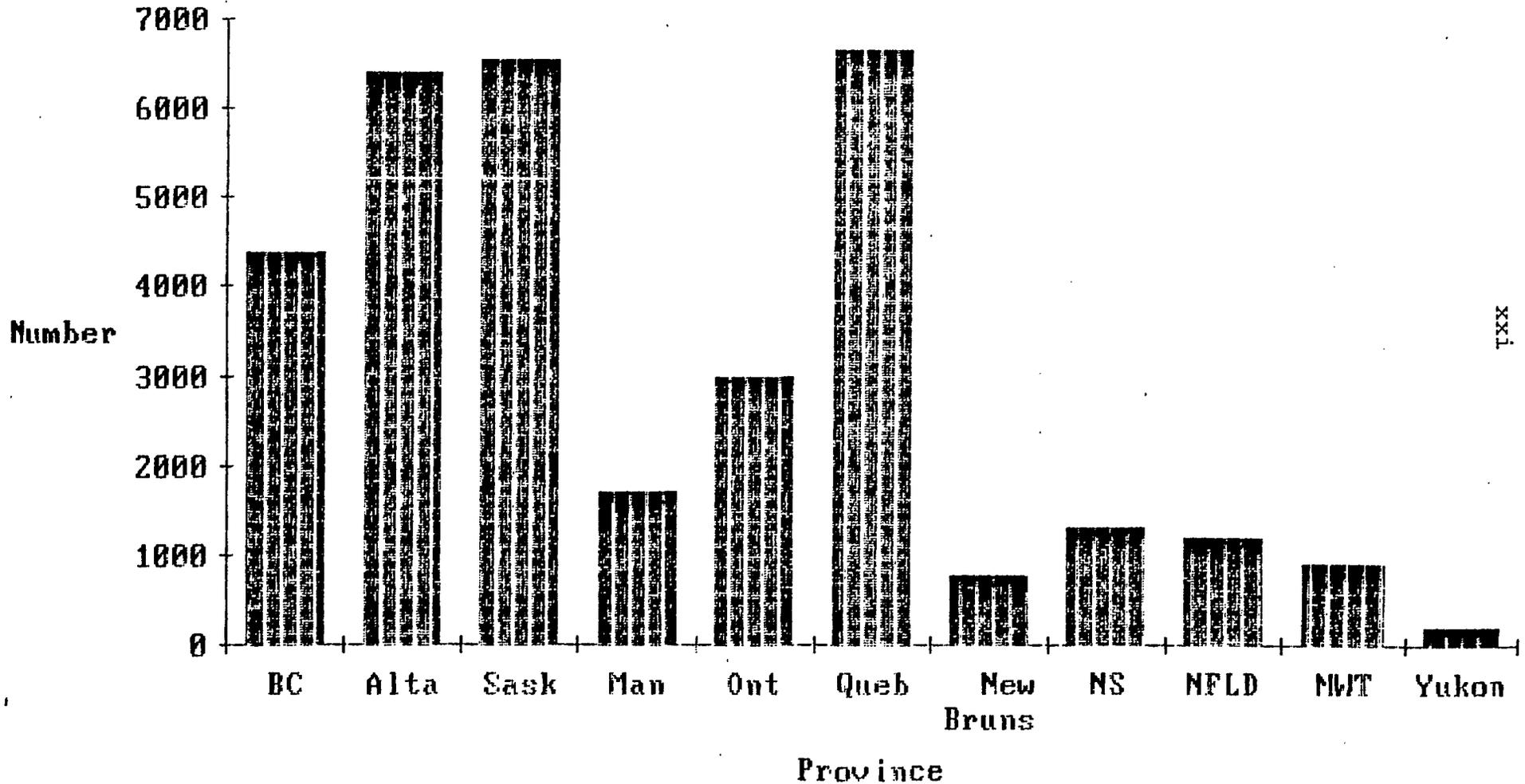
An estimated 33,098 gaming licences were granted by provincial and territorial authorities in 1984/85. Figure 1 presents a breakdown of licence statistics by province, and Figure 2 presents a breakdown of licence statistics by province and game. The proportionately higher licencing activity evident in the Western and central parts of Canada reflects the greater volume of gaming activity in these areas. Proportionate variations across gaming categories reflect differences in the licencing requirements of the jurisdictions.

The number of actual gaming events - licenced and unlicenced - far exceeds the number of licences granted. In most jurisdictions, a licence may be granted for more than one event and, the

licencing of small scale operations is often simplified or decentralized. Additionally, some provinces, such as Ontario, have charged municipalities with the responsibility for issuing gaming licences. In Manitoba, municipalities are responsible for licencing raffles where the prize value is less than \$3,000. Municipal gaming licence data, however, are not available for these provinces.

Figure 1

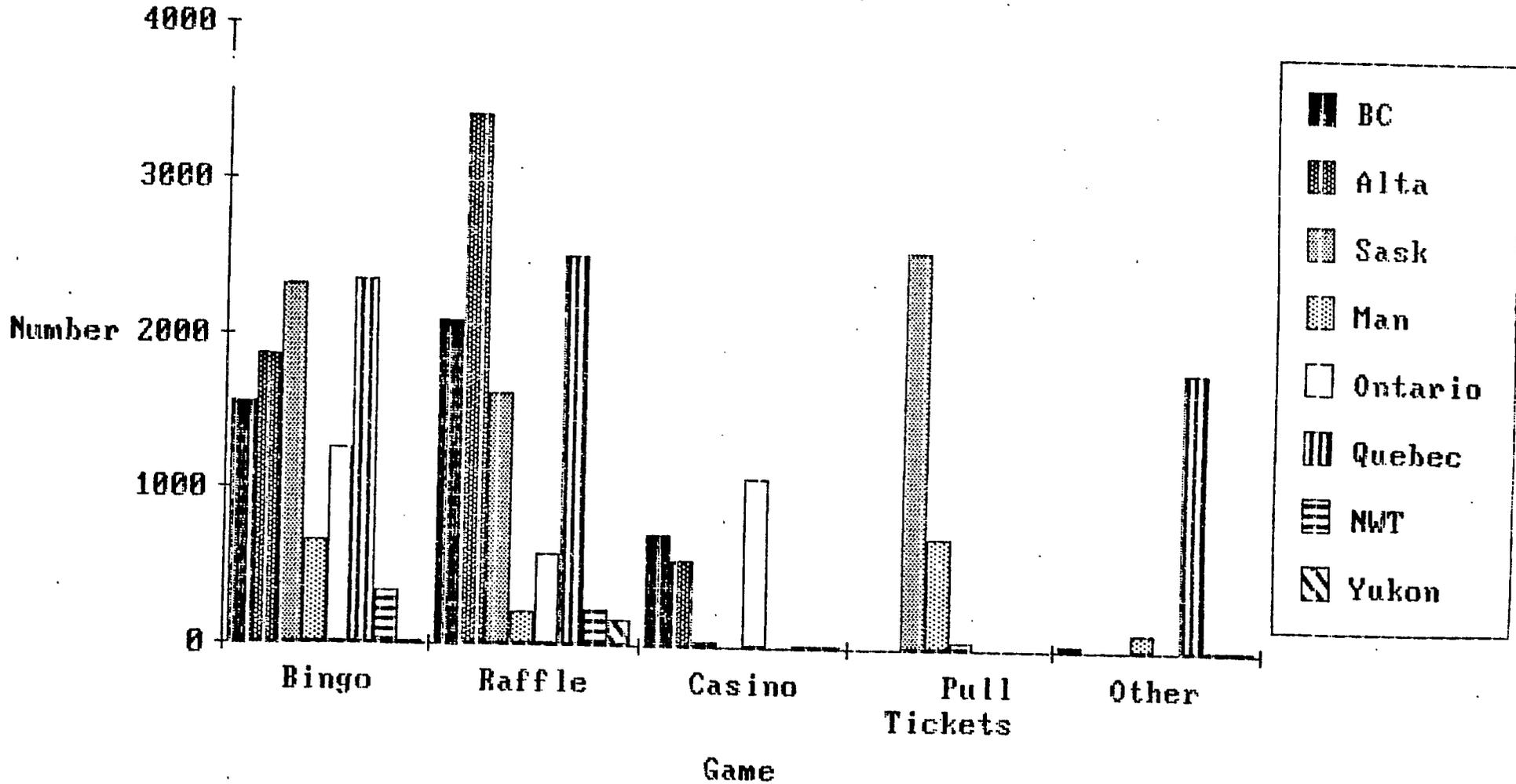
Gaming Licences 1984/85



Note: Alberta, Saskatchewan and Yukon figures are calendar year 1984. North West Territories figures are calendar year 1985. New Brunswick figures are fiscal year 1985/86.

Figure 2

Gaming Licences 1984/85



Note: Alberta, Saskatchewan and Yukon figures are calendar year 1984;

Figures for the Atlantic provinces are not available.

2. Revenues

Due to variations in record keeping requirements and practices across jurisdictions, the case study data presented in this study are neither consistently comparable nor complete across jurisdictions. A considerable proportion of "low-stakes" gaming is not regulated by the provinces and territories, and therefore revenues generated by these activities are not available. It should also be noted that illegal gaming is estimated by the RCMP at \$3-5 billion.

According to provincial statistics, the estimated gross revenues of reported, licenced, legalized gaming in Canada in 1984/85 was, at a minimum, \$1.4 billion. A breakdown of gross revenue by province/territory could not be established accurately, but can be estimated as follows:

Table 1
Estimated Gross Revenues of Licenced Gaming
(\$ millions)

British Columbia	126
Alberta	291
Saskatchewan	144
Manitoba	88
NWT	13
Yukon	2
Ontario	500
Quebec	175
New Brunswick	23
Nova Scotia	100
PEI	**
Newfoundland/Labrador	38
Total.....	\$1,398

Note: British Columbia, Alberta, Manitoba, Quebec, New Brunswick, Nova Scotia, and Newfoundland Labrador figures are 1984/85 estimates. The Quebec figures exclude amusement game revenues. A reliable estimate from Prince Edward Island was not available. The Northwest Territories and Yukon figures are calendar year 1985. Saskatchewan and Ontario figures are 1985/86 estimates.

A 1987 study by Indian and Northern Affairs Canada, estimated the gross revenues of legal gaming in 1985/86 to range between \$1.5 to \$2.2 billion. These statistics include revenues generated from bingos; break-open tickets, casinos, and raffles. Estimated net revenues for fiscal year 1985/86 range from \$295 million to \$431 million. Estimated gross revenues from licenced carnivals and fairs range from \$500 million to \$1 billion, with net revenues estimated at \$70 to \$140 million ¹.

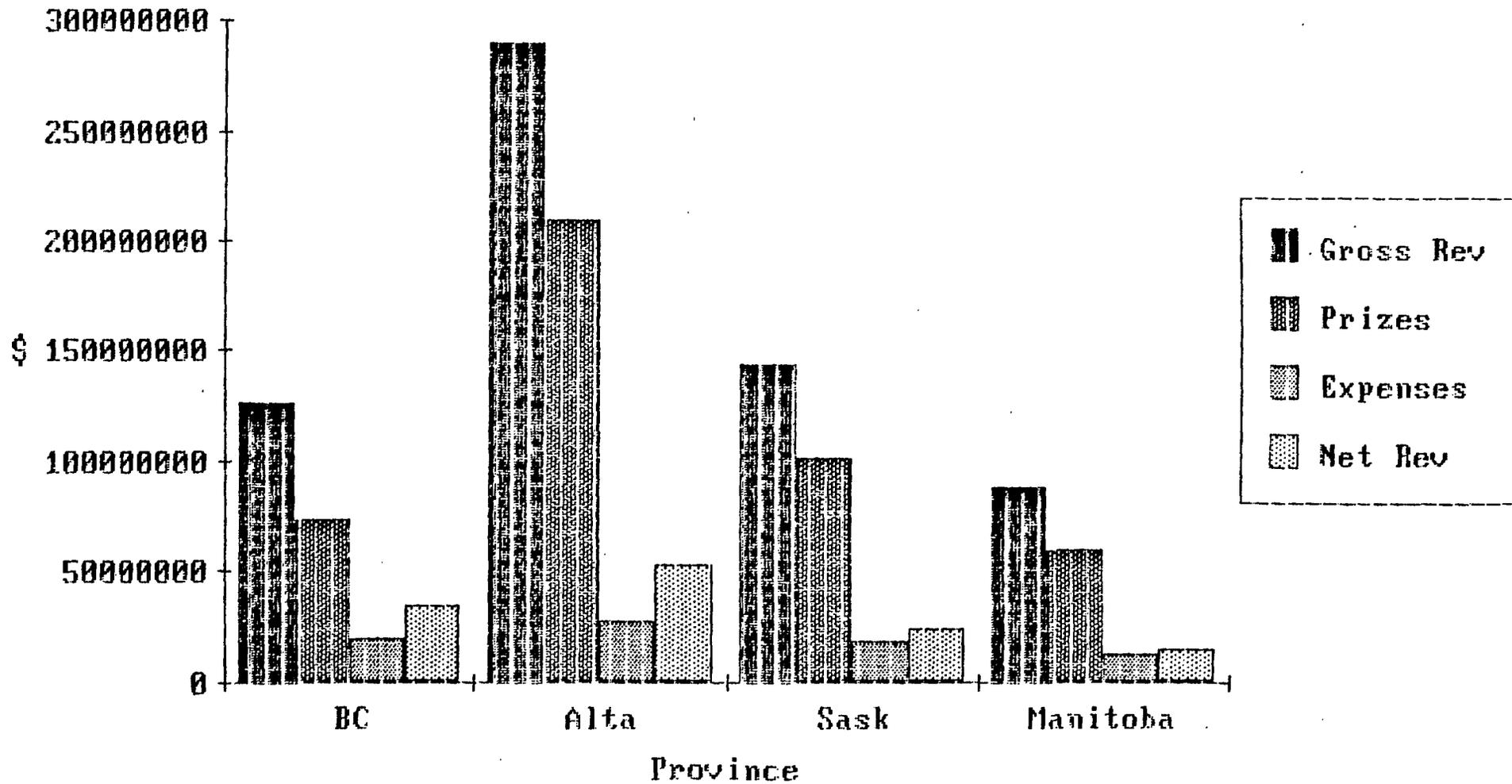
Revenue data are most complete for the Western Provinces. Figure 3 presents a combined financial statement for the Western Provinces. The estimated gross and net revenues of reported legalized gaming in the Western Provinces were \$648 million and \$126 million respectively, as demonstrated in Figure 4. Gross revenues by province and game category are presented in Figure 5.

In the Northwest Territories and the Yukon, the estimated total gross revenues of reported gaming activity in 1985 were \$15 million; approximately 87 percent (\$13 million) of these revenues were generated in the Northwest Territories. In that jurisdiction, break-open tickets accounted for approximately 59 percent of the gross revenues; bingos, raffles, and casinos accounted for 33.5; 7.0; and 0.4 percent respectively. In the Yukon, gaming events in 1985 yielded an estimated \$1 million in gross revenues. Bingos accounted for 60 percent of the gross revenues, and raffles, casinos, and sports pools accounted for 34.1, 3.7, and 2.3 per cent respectively. Diamond Tooth Gertie's, a permanent casino facility operated by the Klondike Visitors

¹ These figures were developed in consultation with the Ministry of the Solicitor General and the RCMP and are reported in Indian and Northern Affairs Canada, "Gaming on Reserves: Discussion Paper Prepared by a Departmental Task Force" (draft), Ottawa: Indian and Northern Affairs Canada, February 1987.

Figure 3
Financial Statement - Western Provinces

Gaming



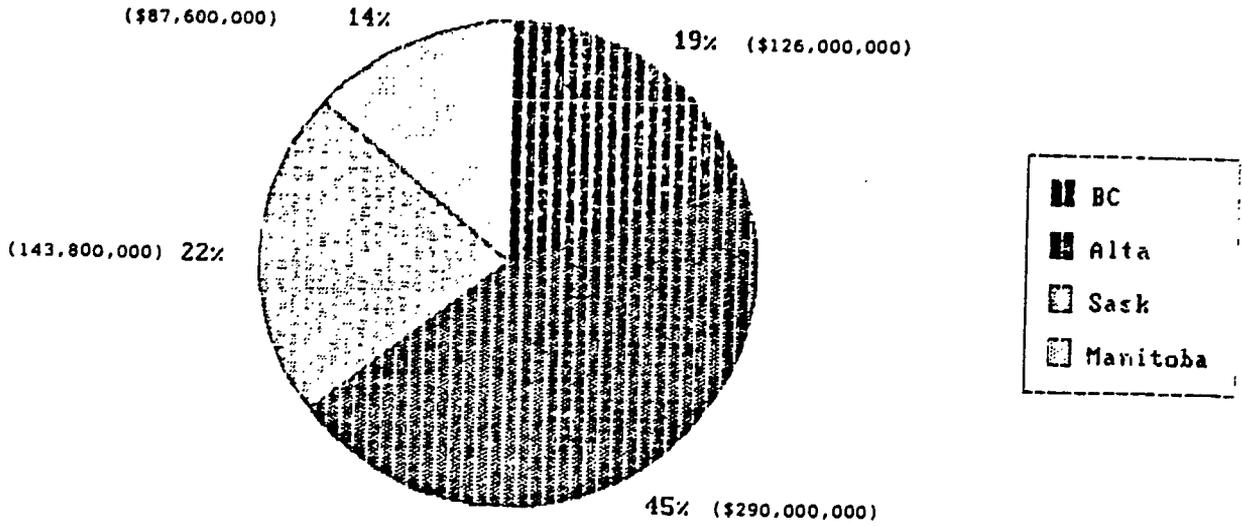
Note: BC, Alberta and Manitoba figures are 1984/85; Saskatchewan figures are 1985/86

Figure 4

Gaming - Western Provinces

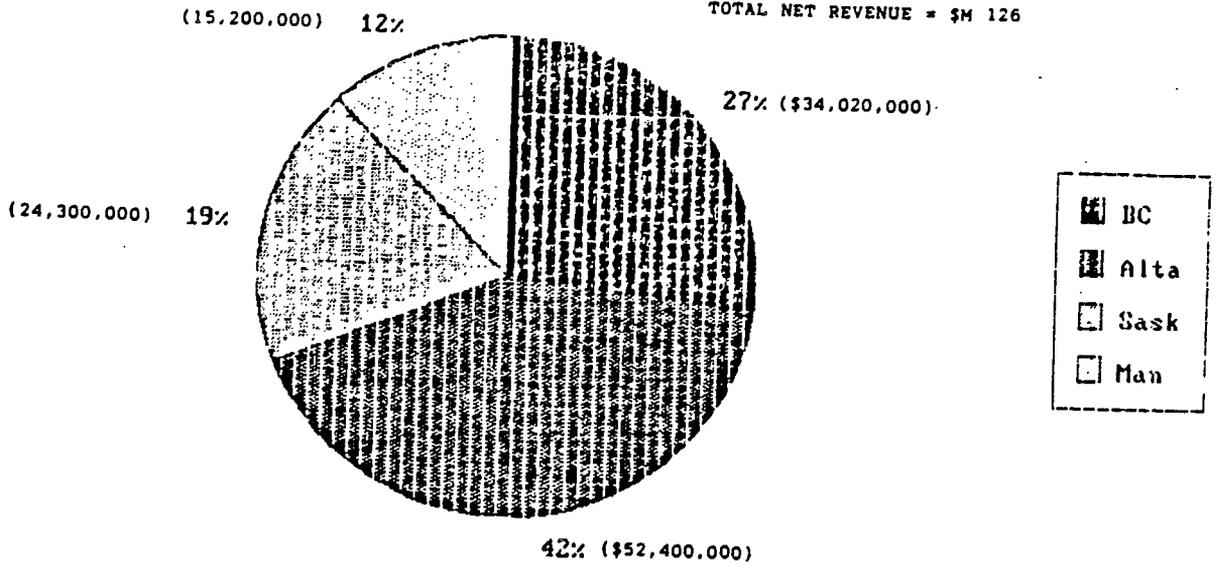
Gross Revenue 84/85

TOTAL REVENUE \$M648



Net Revenue 1984/85

TOTAL NET REVENUE = \$M 126

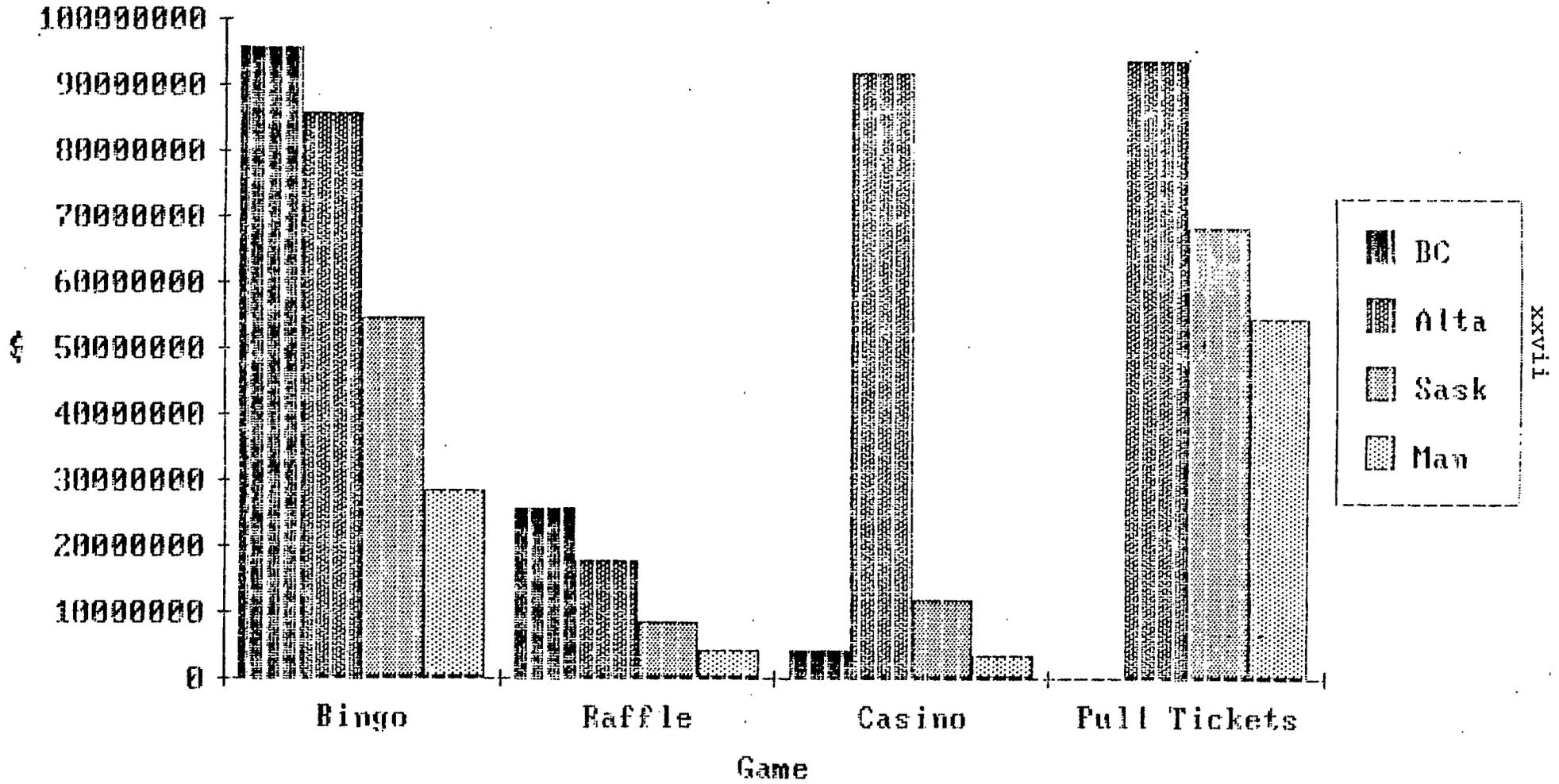


Note: Saskatchewan figures are 1985/86

Figure 5

Gaming Revenues - Western Provinces

Private Gaming Gross Revenues 1984/85



Association, produced \$968,810 in gross revenues in 1985.

In Ontario, bingos account for approximately 64 percent of the estimated \$500 million in gross revenues generated by legalized gaming in Ontario. Provincial gaming authorities estimate that reported gross revenues for 1986-87 increased to \$650 million. Bingo gross revenues dropped to 53.8 percent of the total gross revenue; the remaining 46.2 percent was distributed equally among raffles, break-opens and casinos.

Gross revenue statistics for Quebec were incomplete at the time of this study. A reliable breakdown of gross gaming revenues therefore, cannot be presented.

The gross revenues of reported, legalized gaming in the Atlantic provinces, excluding Prince Edward Island, is estimated conservatively at \$160 million. Reliable breakdowns by province and gaming category are not available.

TRUE LOTTERIES

True lotteries, introduced in Canada in 1976, have become immensely successful in generating significant amounts of revenues for public authorities. During fiscal year 1984-85, lottery sales amounted to over 2.2 billion dollars. Six separate agencies manage the operation of true lotteries in Canada:

1. The Interprovincial Lottery Corporation (IPLC) which markets three national-wide true lotteries: Lotto 6/49, the Provincial, and Super Loto;
2. The British Columbia Lottery Corporation which markets true lotteries in that province along with Bingo paper, break-open tickets and video Bingo devices;
3. The Western Canada Lottery Corporation (WCLC) which markets true lotteries for Alberta,

- Saskatchewan, Manitoba, the Yukon and the Northwest territories;
4. The Ontario Lottery Corporation which conducts true lotteries in that province;
 5. Loto-Quebec which controls public lottery operations for the province; and
 6. the Atlantic Lottery Corporation which markets true lotteries for New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador.

Lottery marketing in Canada follows a corporate style, and the structures in place to manage lottery operations appear to be stabilizing subsequent to the withdrawal of British Columbia from the Western Canada Lottery Corporation in 1985 and the formation of the British Columbia Lottery Corporation. The Interprovincial Lottery Corporation was established in 1976 and now co-ordinates three major national lotteries: the Provincial, Super-Loto and Lotto 6/49. The IPLC profits are allocated to the provincial lottery corporations and distributed according to pre-defined criteria. Several jurisdictions have established internal lottery commissions to manage their share of true lottery activity.

Figure 6 presents a comparison of lottery revenues by game for fiscal year 1984/85. Gross Revenue from true lotteries totalled \$2.2 billion during this year. The chart clearly illustrates that Lotto 6/49 is the most lucrative source of gaming revenues in 1985/86.

The allocation of lottery revenue is relatively constant across the country, with net revenues averaging 32.5 percent of the gross figures.

CONCERNS AND FUTURE TRENDS

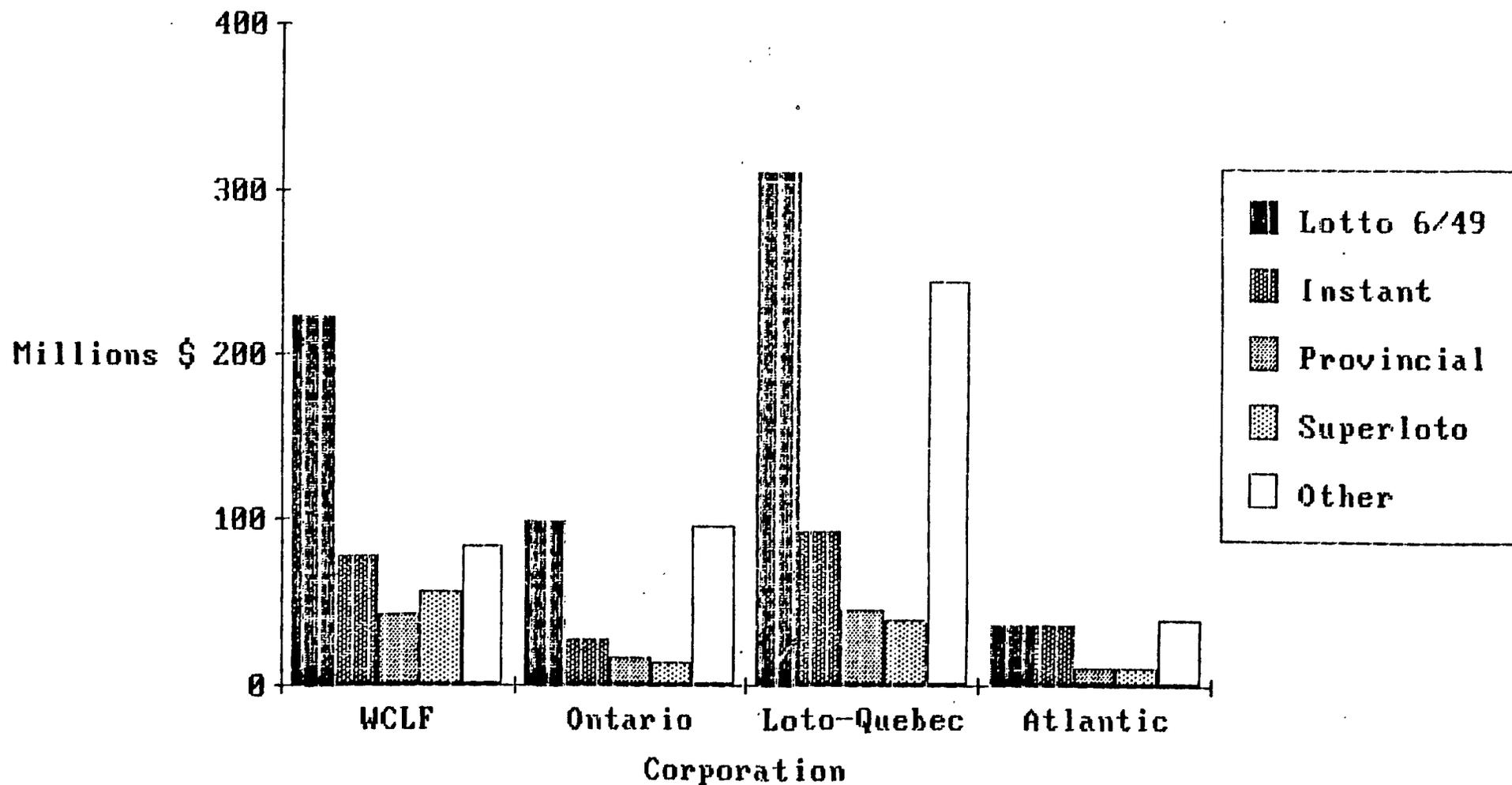
1. Concerns Relating to the Regulation of Legalized Gaming

Regulatory mechanisms in many jurisdictions neither adequately cover the scope of gaming activities nor anticipate the problems certain gaming activities are likely to induce. The lack of formal legal authority for administrative bodies to exercise adequate control over gaming, evident in several jurisdictions, coupled with weak auditing systems and requirements, and insufficient resources or personnel for the ongoing monitoring and investigation of gaming operations, make legalized gaming operations vulnerable to corruption, fraud, and other forms of criminal infiltration. Surveillance and control problems associated with rural and geographically remote gaming poses other challenges. While the use of electronic technology to monitor gaming activity may provide a limited solution, the associated costs may prove prohibitive.

From an operational viewpoint, there also are many concerns. The primary purpose of legalized gaming system has been to produce revenues that will benefit the public good. Section 190 of the Criminal Code authorizes various gaming events with terms and conditions created by provincial licencing bodies, who stipulate the recipients of the profits. Charitable causes and cultural, recreational, and sports development are the intended recipients of gaming dollars. Private sector competition, particularly in the field of bingos, is increasingly perceived as a threat to the revenue base of some organizations. Moreover, charitable organizations are dependent upon commercial interests for the actual management and operation of their gaming operations. Because commercial interests are driven by profit motives, governments must ensure, through adequate monitoring of commercial operations, that charities receive their allotted share of gaming profits.

Figure 6

Comparison of Lottery Revenue by Game*



*Note: all figures, excepting Ontario, are gross revenue. Only the net figures for Ontario are presented.

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Adequate control over persons employed in the gaming industry is critical. This should include effective screening mechanisms of all gaming personnel. As some experts have suggested, formalized training for gaming personnel should be considered.

2. Gaming on Indian Reserves

Gaming on Indian reserves is extensive and includes the main forms of gaming: bingos, casinos, break-open tickets, and slot machines. Only a few Indian communities accept provincial authority on reserves, this has resulted in antagonism concerning on-reserve gaming. An Indian and Northern Affairs Task Force on Indian Gaming has recently examined the situation and its recommendations for resolution are now under review.

The issue of gaming on Indian reserves is not unique to Canada. In the United States, bingo gaming on reserves increased from two to three tribes having gaming in 1981 to 111 tribes holding bingos in 1986 (Lupsha, 1986, p.25). The revenues attached to these events are significant. Information presented to the United States Senate Select Committee on Indian Affairs (17 June, 1986, p.2) indicated that more than a dozen tribes surveyed by the Bureau of Indian Affairs reported gross annual revenues of over \$1 million. The highest amount reported was approximately \$15.5 million annually. The survey estimated the national annual figure for reserve gaming to be \$100 million (Hanssens, 1986).

While U.S. federal government officials have viewed bingos on reserves as a way for tribes to obtain economic independence there is concern with the lack of control over these gaming activities. The director of the Washington state Gambling Commission, Keith Kisor, expressed concern that in addition to the fact of organized criminal involvement in the management companies hired by the reservations, these companies take 45 to

50 percent of the gross profits and then charge various "costs" to the Indians. Exploitation is thereby coupled with the potential for criminal activity.

3. Law Enforcement Concerns Related to Specific Gaming Activities

The information in this section is based on findings from provinces and territories in addition to research outside Canada. These concerns may not uniformly reflect the policies and procedures in place in all Canadian jurisdictions.

A. Bingo

The "church basement" nature of traditional bingo events has resulted in the perception that this particular gaming activity is relatively innocuous. Recent investigations into the conduct of bingos, such as the Saskatchewan Bingo Inquiry conducted in 1986, and documented evidence of corruption in Manitoba, for example, suggest otherwise. Bingo is a billion dollar industry in Canada; there is evidence of monopolization of the industry by families involved in fraudulent practices, and it has proven easy even for inexperienced or non-professional operators to skim profits away from the charities and from government revenue. It seems likely that unless bingo is stringently regulated and controlled, it will be subject to corruption. Improving the financial accountability of bingo operations would involve government regulation of bingo paper and stricter regulation of commercial bingo profits.

There remains some resistance among charitable organizations and commercial operators to substituting sequentially numbered bingo paper for the traditional bingo cards because of customers preference for "lucky" cards plus the higher costs involved. Yet without the use of approved and inspected numbered paper, accountability - and an end to unscrupulous practices - is impossible.

Frauds possible with traditional cards include the use of duplicate numbered cards so that an accurate count of the number of players cannot be ascertained and hence profits and prizes can be manipulated. In the large bingo halls, this form of skimming alone may account for thousands of dollars during an evening of play. Likewise, the playing numbers on the cards may be manipulated to preclude certain winning combinations. This practice is said to be particularly prevalent with novelty high prize events. Mandated use of non-reusable bingo paper would end these forms of fraud.

Even when bingo paper is used, safeguards must be imposed. A bifurcated system, wherein the responsibilities for printing and distribution of the paper is separated from the operation and auditing of the games, should be required. In several provinces the government has taken the sole responsibility for producing "authentic" bingo paper; this action, coupled with monitored operations, is believed to have reduced corruption within the industry.

How bingo profits are distributed is also a point of concern. The percentage of profits kept by the operators varies greatly among the provinces and territories, and may vary by operator. In many cases, charities which contract with commercial gaming operations cannot scrutinize bingo operator profits because of the operator's inferior or incomplete accounting procedures. As charity bingo revenues are often regarded as "found money", charities accept without question whatever proceeds are offered to them, providing that bingo operators take responsibility for most of the management and operation of the events. Therefore, several provinces have placed ceilings on the percentage of bingo profits which may be allocated to the management and conduct of the bingo event.

B. Break-open Tickets (Pull-Tabs or Nevada Tickets)

To the uninitiated, the break-open ticket industry appears even less threatening than the bingo industry; yet the boxes of tickets which are sold for charity profit are vulnerable to considerable abuse.

Some provincial governments such as Manitoba attempt to regulate the sale of break-open tickets through authorized printing and distribution systems for pull-tabs. The authorized tickets, however, must compete with those available on the black market. Unauthorized tickets can be offered at lower prices, because there is no government percentage to pay. The quality of the unauthorized tickets and the lack of control over their distribution can result in corrupt practices among distributors.

Other provinces including Alberta do not take a position on the quality of tickets sold, and attempt to regulate the break-open ticket industry only by the audit of ticket sales. However, because of the black market and the lack of accountability in the sale of legitimate tickets, authorities cannot determine how many tickets have been sold, or how many winning tickets existed in each box. Moreover, the quality of tickets produced by some break-open ticket companies is so inferior that there are colour differences which can be easily observed between winning tickets and non-winning tickets. The inside of some non-foil tickets can be read with the help of a 150 watt bulb, and some winning tickets have a detectable double stamp.

Some ticket companies allow sellers to identify winning tickets, either through a code system or by informing them of the irregularity in the printing of the winning tickets. Unscrupulous sellers can therefore withdraw a number of winning tickets from the boxes in order to increase the client charity's profits.

Quebec has declared break-open tickets illegal; nevertheless they face a large black market in this type of gaming activity.

C. Casinos

When casino gaming cash flow reaches a significant threshold, numerous law enforcement concerns arise. Beare and Hampton (1984) demonstrated how large-scale casino operations outside of Canada attract organized crime. This may include organized criminal control over the ownership of the casino or its supply companies and over unions; the use of casino credit for loan sharking; and the use of casino gaming for money laundering.

Canadian legislation requires significant provincial and territorial involvement in the running of casinos. In the majority of provinces, the result has been limited to "casino evenings" by charitable organizations. However, several provinces have permanent casino gaming locations, with gaming occurring up to 360 nights per year. Under these circumstances, the "charitable" aspect of these casino events may be deceptive, because it is possible that the majority of the participants may have no knowledge of which charity is receiving the funds on a particular evening.

Many people seem to believe that government involvement will eliminate criminal infiltration into casinos. For this to be true, adequate safeguards to monitor potential criminal involvement must be in place. For example, some provinces that have discussed the establishment of permanent, "world-class" or resort casino gaming have, at present, no established system of ongoing investigation of personnel employed by either casino management companies or their suppliers. Therefore, it is impossible to determine whether persons with criminal backgrounds are currently involved in the gaming industries. Likewise, in some jurisdictions the casino licencing process for charities and for managerial companies is so superficial that the issue of "temporary" versus "permanent" screening does not exist.

Some forms of casino gaming are particularly susceptible to cheating and fraudulent operation schemes. Slot machine gaming requires good quality machines from reputable companies, qualified and honest maintenance contractors, and sophisticated electronic security systems which can detect cheating and provide internal operational surveillance. In addition, slot machine gaming must be policed by skilled investigators who are familiar with frauds associated with this particular form of gaming, the intricate operation of the machines, and the international criminal networks within the slot machine industry.

Law enforcement concerns relating to the potential for criminal involvement in casino events in several provinces has created considerable debate. Some provinces have chosen to wait for further research and the formation of comprehensive policies on casinos, while other provinces are moving tentatively to increasing casino gaming.

FUTURE TRENDS IN LEGALIZED GAMING IN CANADA

The regulation and control of legalized gaming has changed considerably over the past two decades. The growth of the gaming industry and a number of investigations and documented cases of corruption and fraud within the gaming industry have underscored the need for stringent regulation, ongoing scrutiny and control of gaming activities. Several provinces have initiated reforms to better control the increasing scope of legalized gaming. The charitable sector and the private sector have voiced disagreement with some aspects of the regulatory changes which attempt to restrain the growth of the gaming industry; however the governments concerned have maintained the position that better control is necessary to create a responsible gaming industry.

The balance among charitable, public, and private sector interests in the gaming industry will require careful considera-

tion over the next few years. Prior to any future expansion of certain gaming activities, particularly casinos, the potential impact upon existing regulatory and enforcement policies, procedures, and resources should be fully considered. Finally, adequate numbers of trained, professional investigatory staff, conversant in all operational aspects of gaming are needed to cope with gaming law enforcement. Electronic gaming devices and technologies may contribute to more systematized surveillance and control over certain types of gaming, but at the same time, this technology may pose new opportunities for criminals which must be anticipated. Canadian police forces should continue to develop the required level of gaming expertise to assist in the control of this quickly changing enterprise.

INTRODUCTION

This report examines legalized gaming in Canada and the regulatory and enforcement structures which have been developed to control it. It is based on a series of research working papers which were prepared in 1985-86, in response to a request by the Royal Canadian Mounted Police (RCMP). These working papers represent Phase 2 of a larger research initiative on legalized gaming. An earlier report, "Legalized Gambling: An Overview" (Beare and Hampton, 1984) presented the Phase 1 research findings which focussed on legalized gambling in foreign jurisdictions.

RESEARCH OBJECTIVES

The research objectives of this study were to examine the development and form of legalized gaming in each province and territory, to describe the respective regulatory and enforcement structures which have been created to control it, and to identify the problems which, from an enforcement and control perspective, have been encountered in operating legalized gaming activities.

SCOPE

The original working papers examined the development of legalized gaming to December, 1985. As many significant changes have occurred since that date, the information has been updated to include a summary of the recent concerns and trends.

In Canadian jurisdictions, legalized gaming can be divided into two separate categories: private gaming and "true" lotteries. The legal scope of these activities is described in the Criminal Code, Sections 188 to 190. Private gaming includes games of chance such as bingos, raffles, break-open tickets (also referred to as Nevada tickets) and casinos. Dice games, three card monte, punch boards and coin tables are explicitly outlawed. Subject to provincial and territorial regulation, such activities may be lawfully operated by charitable or religious

organizations, agricultural fair or exhibition operators, and amusement park operators.

"True" lotteries are public, government operated lotteries, and are subject to separate regulation. All the provinces and the territories belong to the Interprovincial Lottery Corporation (IPLC) which oversees three high profile lotteries: Lotto 6/49, Super Loto, and the Provincial. Five additional public corporations operate true lotteries: the British Columbia Lottery Foundation (BCLF), the Western Canada Lottery Foundation (WCLF), the Ontario Lottery Corporation, Loto-Quebec, and the Atlantic Lottery Corporation. The profits of true lotteries are allocated among the member provinces and territories according to pre-defined criteria, and are then disbursed at the discretion of each province. In many instances, the profits are applied to the promotion of specific community initiatives, such as cultural enrichment, education, sports and recreation.

Pari-mutuel betting, associated with horse racing and other limited activities, has been excluded from this study because it is a form of activity controlled under separate sections of the Criminal Code. It is regulated by Agriculture Canada and is subject to different regulatory requirements and legal penalties.

METHODOLOGY

Case studies of each province and territory were prepared, based on a review of relevant documentation, such as legislation, regulations, annual reports and other government documents. Where possible, interviews were held with key officials responsible for administering or overseeing gaming operations in each province or territory. Gaming specialists with the Royal Canadian Mounted Police (RCMP) and provincial authorities responsible for gaming regulation were also consulted throughout various stages of the research.

The reader should note that due to different record keeping requirements and practices, the case study data are neither consistently comparable nor complete across jurisdictions. Despite this difficulty, it is possible to cautiously discern broad trends in legalized gaming in Canada.

ORGANIZATION OF THIS REPORT

The remaining sections of this introduction provide a summary of the Phase 1 research on legalized gaming in foreign jurisdictions and an overview of the development of legalized gaming in Canada. The body of the report is divided into five parts: Legalized Gaming in Western Canada, Legalized Gaming in the Territories, Legalized Gaming in Central Canada, Legalized Gaming in the Atlantic Provinces, and True Lotteries in Canada. Parts One to Four contain discrete chapters on the province and territory of each geographic unit. Each chapter presents an overview of the province or territory's gaming operations, regulatory structure and administrative procedures, growth and revenue, and role in true lotteries. Part Five presents an overview of Canada's six true lottery corporations and provides a summary of national facts and figures. A final section identifies key regulatory and operational concerns evident in each province or territory's legalized gaming activities, and the likely future trends in this area. A concluding section summarizes the common themes presented in the case studies and draws conclusions on the future trends of gaming in Canada.

LEGALIZED GAMING IN PERSPECTIVE

1. Perceived Economic Benefits

Many governments in Western societies have legalized gaming based on its perceived economic benefits. Gaming creates a significant source of new tax revenue; it can boost a stagnant local economy and offer much needed employment opportunities. The casino industries in Nevada and New Jersey and in Europe, for example, are frequently cited for the significant economic

benefits they bring to their local and regional economies (Beare and Hampton, 1984, 52-57; 116-119; 243-246).

In other jurisdictions, the primary rationale for legalizing gaming has been to curtail illegal gaming and the corresponding array of criminal activities it engenders. With gaming viewed as an inevitable social evil, the objective of this model is to increase its visibility and thereby the state's ability to control it. Great Britain, for example, adheres to this model; sports pools and local betting shops were introduced in the 1960s as a means of eradicating the widespread corruption witnessed in illegal betting operations (Beare and Hampton, 1984, pp.158-202).

Legalized gaming is not, however, without its own set of problems. Many critics argue that its perceived economic benefits are misleading. World renowned gaming locations (such as Las Vegas and Monte Carlo) exercise a monopolistic hold on significant portions of gaming profits, and few other locations can realistically compete with them. The economic impact of gaming is therefore relatively isolated. Evidence from Atlantic City indicates that although casinos are extremely profitable, the surrounding neighbourhood does not benefit; the wealth of the gaming industry has not served to revitalize the dying resort area.

Moreover, critics suggest that gaming revenue cannot be considered "new" money because it represents a proportion of consumer funds which would otherwise be expended on other consumer goods and services. Shifts in consumer spending which have been witnessed in locations such as Atlantic City support these concerns. Critics further forewarn that government dependency on gaming revenue may in fact hamper more progressive and broadly-based tax reform. Studies in the United States suggest that specific forms of gaming such as sports pools, lotteries and bingos are regressive means of generating

government revenue, as the participants in such activities are typically from low and middle income groups.

2. Law Enforcement Concerns

Research clearly indicates that legalizing gaming does not make the activities immune from corruption and criminal infiltration. Nor does the legalization of gaming serve to significantly replace illegal gaming. While legalizing gaming may displace certain illegal activities possible in the underground gaming industry, it also spawns opportunities for criminal gain. Thus jurisdictions which legalize gaming must be prepared to pay the costs of regulatory bodies and enforcement mechanisms to guard against corruption and criminal influence into the legal activities while still maintaining enforcement against illegal gaming.

In Phase 1 of this research, the regulatory and enforcement responses to legalized gaming in eight foreign jurisdictions were examined. This study suggests that legislators and planners should consider the following points in establishing regulatory and enforcement structures for legalized gaming:

A. Bifurcation of Powers

A bifurcated power structure, where the body responsible for investigation is clearly and distinctly separated from the body responsible for the regulatory decision-making, reduces the opportunities for collusion and corruption in the gaming industry. A separation of powers is believed to achieve a higher level of accountability than possible in a consolidated approach. Moreover, independent record keeping and information gathering systems are recommended to ensure that decisions rendered by each body are visible, fair, and easily monitored (Beare and Hampton, 1984).

Both the state of Nevada and Atlantic City, New Jersey have maintained a separation between the regulatory and control branches of its gaming administration. In Nevada, a Board and Commission oversee activities; in Atlantic City, a Commission and Division of Gaming Enforcement hold the responsibility for decision-making and investigation respectively. In England, the Licensing Authority is independent of the Gaming Board.

The separation of powers, however, must be more than nominal. In Nevada, the distinction between the Board and the Commission is in fact blurred. In some instances, these bodies share similar duties, consult the same legal counsel, and engage in informal negotiations with one another (Beare and Hampton, 1984, p.68). In Atlantic City, the Commission is charged with the potentially contradictory task of regulating the casinos and planning the economic development of the inner city area (Beare and Hampton, 1984, p. 88). Such overlap and inconsistencies in mandate can jeopardize the independence and impartiality of the proscribed regulatory and enforcement bodies.

B. Thorough Screening of Gaming Licence Applicants, Operators and Other Gaming Personnel

In some jurisdictions, enforcement problems have occurred in cases where temporary or conditional licences were granted to operators before the applicants had been thoroughly screened. These licences have subsequently proven difficult to revoke, due to political and economic pressures which come to bear upon the licencing body.

For example in New Jersey, in the interests of promoting economic development, some licences were granted to casino operators prior to the completion of the state's lengthy investigation process into the proposed operation. Although Article 6A of its Temporary Casino Permits would specify licence

repeal dates to which operators were required to comply, even this temporary licencing is believed to have contributed to infiltration of the casino business. In some instances, whether a casino could ultimately meet the licencing requirements became a moot point. The proven economic benefit over-ruled evidence of negative investigatory results and licenses with special "conditions" were granted. Critics have argued that these "conditions" were usually superficial, and did not effectively eradicate any criminal involvement associated with the operation.

Adequate safeguards for the proper screening of proposed gaming operator applicants is therefore paramount to maintaining a properly controlled gaming industry. Such problems also underline the importance of implementing adequate control structures prior to the legitimization of the gaming activity.

C. Assessment of Potential Crime Involvement

Many research studies confirm that certain forms of high-stakes legalized gaming are very attractive to organized crime. As we stated in our previous report:

Crime is a business and as such it will operate wherever there is a profit to be made - or where the legal operation may serve the enterprise in some illicit manner (Beare and Hampton, 1984, p.84).

Wherever there are high-stakes operations, it is prudent to assume that organized criminals have appraised the situation, and have potentially infiltrated the business. Casinos in particular are vulnerable to criminal infiltration. Funds can be laundered easily through such operations where there is no method to verify or refute a patron's claims of winning. Large bingo operations that are not adequately supervised are equally susceptible to this kind of illicit operation. Loan sharking and drug trafficking are two other forms of illicit activity which are typically associated with many casino operations. In some jurisdictions, it is suggested that other forms of large-scale

gaming such as pull-tabs and carnivals also directly involve organized crime.

Gaming enforcement therefore requires highly experienced and specially trained investigative officers with adequate resources to monitor all aspects of gaming. As investigative officers must work closely with the casinos, the danger arises that they will be co-opted into giving casino security concerns priority over wider enforcement concerns. For example, while organized criminals were actively using the Atlantic City casinos, critics argued that the New Jersey State Police Officers housed within the casinos, and paid in part by the casinos, were overly concerned with the apprehension of card-counters and prostitutes i.e. individuals detrimental of the operation of the casinos.

D. Implementation of a "No-credit" Policy

Many research studies show that gaming operations which allow credit are at the same time welcoming organized criminals to participate in its activities. This is particularly true for casinos. In some jurisdictions, credit is provided on the rationale that without it, patrons will continue to use illegal gaming venues where credit is readily attainable. Yet the introduction of credit carries a significant control burden. In Atlantic City, credit loans of over \$2,500 are only payable after ninety banking days. This provides the recipient with 120 interest free days during which the money is untraceable, once it is "walked" from the casinos. This money can then be used to finance other illicit operations.

The introduction of credit to a gaming operation also creates the additional problem of enticing the compulsive gambler. Within the United States, various courts have increasingly acknowledged the casino's responsibility in offering illegal and/or unconscionable extensions of credit to customers (Beare and Hampton, 1984, p.114). While most pertinent to casino

operations, this added liability further confirms the negative aspects of granting credit in gaming operations.

THE CANADIAN EXPERIENCE

1. To 1970

In most parts of Canada, gaming has a deeply rooted history. Until 1970, however, most gaming activities permitted today were illegal. With the enactment of the Criminal Code, in 1892, most forms of gaming were declared illegal, with the exception of para-mutuel racetrack betting and, under certain limited circumstances, games of chance. In most provinces and in the territories, games of chance were generally permitted only at seasonal agricultural fairs, carnivals, and other amusement events, and were subject to local regulations.

During the first part of this century, gaming continued to be perceived as a "pernicious vice" and the principal method of control was their prohibition. Accordingly, minor amendments were made to the gaming legislation contained in the Criminal Code to maintain order and control. For example, in 1922, in response to an apparent increase in illegal gaming, an amendment was passed to prohibit certain games, namely, dice games, three card monte, punchcards and cointables.

The enforcement of the legislation, however, remained limited. Prosecutions were largely restricted to lotteries, gaming houses, and bookmaking infractions in major cities, principally Toronto, Montreal, and Winnipeg (Robinson, 1983:116). Municipal police forces began to develop some expertise in gaming enforcement, however, the actual enforcement of the gaming laws remained a low priority (Robinson, 1983:116).

In the 1950s, however, social attitudes about gaming shifted away from the moral focus. With the opening of major casino operations across the border in Nevada, public pressure to relax

Canada's gaming laws started to build. Yet there were concerns about controlling any permitted gaming activity. In Montreal, an arm of the New York mafia was reputed to have infiltrated underground gaming operations, which led to a concern that the legitimization of certain gaming activities would only expand their realm of influence.

Nevertheless, in 1953, in response to public pressure, the task of reviewing the lotteries issue was added to a Joint Committee of the House of Commons which had been struck to study the issues of capital and corporal punishment. As could be expected under this mandate, the lotteries issue was given scant attention, and no major recommendations resulted from its deliberations (Robinson, 1983:122). The Committee's hearings did reveal that both the federal and provincial governments, and their respective police forces were neither well informed nor well equipped to control gaming. Until the late 1960s, the debate about expanding lawful gaming activities receded from public attention.

2. 1970 to Present Day

During 1968-69, the law reform review carried out by the Standing Committee on Justice and Legal Affairs did substantively address the issue of gaming and opened the path for a major philosophical shift in Canada's gaming policies. The Committee's work culminated in the enactment of section 190 of the Criminal Code in 1970. Under this new section, gaming would no longer be controlled through prohibition, but through regulation. Section 190 permitted federal, provincial, and territorial governments to manage and conduct "lotteries" (which were deemed to include games of chance). Full licencing authority for gaming activity was also passed to the provincial and territorial governments.

Section 190 also opened the window for charitable or religious organizations to conduct or manage a lottery scheme,

providing certain conditions were fulfilled. The provincial authorities were granted the final discretion in determining what would constitute a charity organization for the purposes of gaming activity. Agricultural fair and exhibition operations and amusement operators retained their rights to hold gaming events, under certain conditions of play, subject to provincial regulation.

Additionally, Section 179 of the Criminal Code was amended, permitting "bona fide social clubs" to offer gaming activities at the discretion and under the regulation of provincial authorities.

The character of gaming in Canada changed significantly as a result of these Criminal Code amendments. Lawfully able to conduct and manage lottery schemes, the provinces and the territories readily embraced the opportunity to develop local gaming industries. From 1970 to 1985, the federal government managed and conducted a number of lottery schemes through Sports Pool Corporation and Loto Canada Inc. The principal aims of these federal schemes were to help defray the costs of the Montreal Olympics, and inject needed revenue into Canadian sports activities. The perception that lotteries could serve as a significant "new" source of government revenue, in particular for activities such as culture, sports, and recreation, has profoundly changed the attitudes of Canadian authorities to the issue of gaming.

New enforcement concerns also emerged with this new legislation. Critics have argued that the provincial, territorial and federal governments were poorly equipped to implement an adequate gaming control system. In many provinces, the implementation of adequate regulatory control and enforcement mechanisms was perceived as lagging far behind provincial and territorial expansions of permissible gaming activities

(Robinson, 1983: 124). This led to various weaknesses and problems in the burgeoning industry, prompting independent inquiries into local gaming activities in many provinces. The results of these inquiries are discussed separately in Parts One to Five of this report).

Competitive tension among the provinces, the territories and the federal government over the management and operation of gaming also began to rise. To resolve emerging conflicts, competing provinces entered into a series of agreements with each other to manage large scale lottery schemes. In 1974, British Columbia, Alberta, Saskatchewan and Manitoba created the Western Canada Lottery Foundation (later renamed the Western Canada Lottery Corporation). The Northwest Territories and the Yukon subsequently joined as associated members. New Brunswick, Nova Scotia, Newfoundland and Prince Edward Island formed the Atlantic Lottery Corporation in 1976. In the same year, the provinces jointly created the Interprovincial Lottery Corporation (IPLC) to coordinate the three major interprovincial lottery schemes, including the disbursement of funds among the member governments on a pro-rata basis.

Competition for lottery sales and legal disputes about respective federal and provincial governmental rights and powers over gaming led to serious confrontations among officials. After considerable federal-provincial negotiation, a resolution of agreement was adopted. A primary impetus for this agreement was the need to generate revenue for the 1988 Calgary Winter Olympics. The provincial governments agreed to pay the federal government, through the Interprovincial Lottery Corporation, the sum of \$100 million. Additionally they agreed to discontinue certain litigation between that Corporation and the federal government. In exchange, the federal government offered the following:

(i) to introduce amendments to Part V of the Criminal Code, removing the permission therein for the federal government to conduct lotteries and other forms of gaming; and to make changes to other provisions dealing with gaming;

(ii) to refrain from re-entering the field of gaming and betting, and to ensure that the rights of the provinces in that area are not reduced or restricted;

(iii) to use its "best efforts" to ensure that the winding up of the Sports Pool Corporation and Loto Canada Inc. are accomplished; and

(iv) to discontinue the appeal to the Supreme Court of Canada of the decision of the Quebec Court of Appeal in the case of Attorney General of Canada v Loto-Quebec. (Canada, Senate, December 20, 1985).

Pursuant to this agreement, the government drafted Bill C-81, "An Act to amend the Criminal Code (lotteries)." Despite concerns voiced in the Senate that the proper and customary process for amendments to the Criminal Code had not been followed in drafting Bill C-81, it was passed without revision.

Section 190 of the Criminal Code is pivotal to understanding legalized gaming in Canada, and is included as Appendix A to this report.

AN OVERVIEW OF GAMING IN CANADA

1. Western Canada

Through a series of Orders-in-Council, British Columbia expanded its licencing and regulatory capabilities. In 1974, it enacted the Lotteries Act which created a new administrative agency, known as the Lotteries Branch of the Ministry of the Provincial Secretary and Government Services, to administer the sales and distribution of lottery tickets and licence and regulate gaming activities. In April 1987, the province established a Gaming Commission to develop a gaming policy for

British Columbia, and to formulate the terms and conditions, and act as licensing authority for charitable gaming events, social clubs, and Board of Fairs and Exhibitions and operators of concessions leased to these Boards. A 1988 "Report on the Status of Gaming in British Columbia" (British Columbia Gaming Commission, 1988) has recommended further changes to the structure of gaming in that province.

In Alberta, the Attorney General was charged with the task of establishing a modest Lotteries and Licencing Section to oversee that province's activities in gaming. In Saskatchewan, a similar structure, also administered by the Attorney General, was established.

In Manitoba, the 1970 amendment to section 190 of the Criminal Code coincided with that province's Centennial Year, and it became one of the first provinces to lawfully implement and licence lotteries by establishing a Centennial Lottery. A Lotteries Act of 1971 created two permanent administrative bodies, the Manitoba Lotteries Commission and the Manitoba Lotteries Licensing Board, to manage, conduct, licence, and regulate gaming activities.

The Yukon re-created history in 1972, with the opening of Diamond Tooth Gerties, a legendary gaming hall of the Gold Rush Era. All private gaming in the Yukon is controlled through the Consumer, Corporate and Labour Affairs Branch of the Ministry of Justice.

The Northwest Territories entered the lottery field in 1976. The Consumer Services Division of the Department of Justice and Public Services licences all private gaming activities and the Sport North Federation conducts true lotteries on behalf of the Western Canada Lottery Corporation.

To better coordinate and streamline competitive lottery activity in the West, in 1974, British Columbia, Alberta, Saskatchewan and Manitoba incorporated the Western Canada Lottery Foundation (WCLF). The Northwest Territories and Yukon subsequently joined as associate members. This Foundation controls Lotto 6/49, the Provincial, Super Loto, Instant Lotteries, Lotto West, and the Western Express. In 1985, British Columbia withdrew from the WCLF to establish its own foundation, the British Columbia Lottery Corporation.

Throughout the past decade, legalized gaming in Western Canada has grown significantly. To keep pace with the increased scope of the activity, each province and territory has had to refine its regulatory and enforcement policies and procedures.

b. Central Canada

In Ontario, the responsibility for licencing and overseeing legalized gaming was passed to the Lotteries Branch of the Ministry of Consumer and Commercial Relations, pursuant to Order-in-Council 274/1970. In 1975, the Ontario Lottery Corporation was established and its first provincial lottery, Wintario, was introduced. In addition to Wintario, the province now conducts the Provincial, Lottario, Super Loto and Lotto 6/49, and the Instant game. In 1985, a Task Force was established to review the operation of gaming and gaming regulation in Ontario, and its recommendations are now under review. The Lotteries Branch has undergone a re-organization of its resources and has automated its operating systems.

In 1970, Quebec was the first province to officially introduce its own lottery scheme. The Régie de loteries et course du Québec and Loto-Québec are the chief regulating bodies. The Québec Police Force maintain the responsibility for enforcing all provincial laws relating to gaming activity in the province. The

establishment of casinos has been considered in this province, however, there remains considerable debate about this issue.

c. Atlantic Canada

New Brunswick assigned licensing responsibility for non-profit community gaming to the Lotteries Commission in 1983. Gaming is a relatively small industry in this province.

In 1976, Nova Scotia established a Lottery Commission which serves as the central licencing and regulating body for gaming.

Prince Edward Island's gaming activities are licenced and regulated by the Consumer Services Division of the Department of Justice, pursuant to legislation enacted in 1984 to regulate private gaming.

In 1983, Newfoundland and Labrador established a Lottery Licencing Branch within the Department of Justice to licence and monitor gaming events. In 1985, the provincial regulations governing gaming activity were amended to introduce better control of this growing industry.

In 1976, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador formed the Atlantic Lottery Corporation to centralize the operation of true lotteries in this region.

The following chapters detail the scope of gaming activity in each province and territory, and examine the regulatory mechanisms which have been put in place to control these activities.

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PART ONE: LEGALIZED GAMING IN WESTERN CANADA

CHAPTER ONE: BRITISH COLUMBIA

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INTRODUCTION

A study of gaming and its regulation in British Columbia entails a complex intertwining of both true lotteries and charity gaming, as from 1970 to 1984 the two forms of gaming were administered by the same agency. In 1984 British Columbia withdrew from the Western Canada Lottery Foundation and established its own lottery foundation, the British Columbia Lottery Corporation. Statistical information on British Columbia's participation in the Western Canada Lottery Foundation can be found in Chapter 13.

It should be noted that since 1985, legalized gaming in British Columbia has changed considerably, and so this chapter

attempts to present information up to the creation of the Gaming Commission in 1987.

HISTORICAL PERSPECTIVE

The history of legalized gaming in British Columbia can be grouped into three main periods: 1970 to 1978; 1978 to 1984; and Post-1984.

1. The Period 1970 to 1978

During this period, responsibility for the licencing of gaming within British Columbia resided with the Ministry of the Attorney General. Licences were issued to religious and charitable organizations and to agricultural fairs and exhibitions in accordance with regulations established in 1970 (Order-in-Council 1331, British Columbia Regulations 108/70). Permitted games included bingos and raffles (sometimes referred to as ticket lotteries). Licencing was granted by municipal authorities, usually the police department, or in the more rural areas by the local RCMP detachment (Order-in-Council 4409, British Columbia Regulations 4/71).

In 1974, British Columbia took part in the formation of the Western Canada Lottery Foundation. In doing so, it enacted the Lotteries Act 1974 which transferred responsibility for the licencing of all forms of gaming from the Ministry of the Attorney General to the Ministry of the Provincial Secretary and Government Services (Order-in-Council 2176, British Columbia Regulations 436/74). This Act created a new administrative agency known as the Lotteries Branch, whose primary responsibility was the distribution and inventory control of true lottery tickets. Of considerably less importance was the Lotteries Branch's second responsibility of licencing the funding-raising gaming activities of religious and charitable

organizations. The Branch also licenced non-charitable gaming activities at agricultural fairs and exhibitions.

Between 1974 and 1982, true lottery tickets were sold on a consignment basis by a loose amalgam of individuals and community groups. These community groups distributed books of tickets to members, who prior to each draw returned the cash and the ticket stubs bearing the names and addresses of the purchasers. It is reported that a large number of these books of tickets remained unaccounted in the registered ticket system, and this lack of control left the integrity of the true lottery system open to question. As a result, British Columbia introduced a "bearer" ticket system in 1976. This change, made possible by technological innovations in lottery ticket marketing, simplified the administration of lottery sales, reduced operating costs and eventually led to a considerably diminished role for community-based organizations in the distribution of true lottery tickets.

2. The Period 1978 to 1984

Throughout this period, charity gaming was not the subject of great policy concern, as it was perceived to be a benign activity that permitted charitable community organizations the opportunity to generate modest amounts of money for their projects.

In 1978, the province extended the range of permitted gaming by allowing casino-type games of chance popularly known as Monte Carlo or Las Vegas Nights (Order-in-Council 1728, British Columbia Regulations 265/78). This change allowed such games as blackjack to be played at social functions conducted by charitable organizations judged to be non-profit and contributing to the public good. Bets were not allowed to exceed two dollars nor could there be more than six gaming tables.

Charity gaming was not a large-scale activity during this period. Only one or two casino equipment rental companies existed to provide gaming tables and other apparatuses to charitable organizations holding casino nights as an adjunct to a social event. Other small-scale gaming activities such as bingos were conducted by a variety of non-profit, community-based groups (Hintz, 1986). Most organizations that sought charity gaming licences were granted them, and subsequent regulatory follow-up to ensure funds were being properly allocated was virtually non-existent.

Although charity gaming was a low-keyed activity, by 1981 the Lotteries Branch had grown to a staff of twenty-three. This growth was based primarily on the Branch's responsibility for the distribution of lottery tickets. More than half the staff was committed to administering true lotteries. Overseeing charity gaming was an office staff of four (including a Chief Inspector) and six field inspectors.

In 1982, however, the Lotteries Branch saw the first of what was to be a series of staff reductions. In that year, the responsibility for the distribution of lottery tickets was transferred to the Western Canada Lottery Foundation. This change occurred for two reasons. The first was the changing nature of the new lottery games, while the second was based on the realization that community groups were not efficient vehicles for the marketing of lottery tickets. As a result, retail merchants were given a greater involvement in the marketing of true lotteries, and this trend has continued to the present day (Western Canada Lottery Foundation, 1984).

Under the Lotteries Act, British Columbia's share of revenues was deposited with the British Columbia Provincial Treasurer and held in a special lottery fund. Disbursements for

appropriate purposes were determined by the provincial Cabinet (Simonis, 1986).

The transfer of responsibility for true lotteries to the Western Canada Lottery Foundation in 1982 left the Lotteries Branch with a greatly reduced staff and only one responsibility - that of overseeing charitable gaming. The Branch became a licencing body with an inspection staff of seven people (British Columbia Gaming Commission, 1988). The following year, the provincial government instituted a government-wide spending restraint program which saw the layoff of several more of the Branch's employees. Finally, the formation of the British Columbia Lottery Corporation during 1984-85 led to still further staff reductions.

3. Post-1984

By the beginning of 1985, the Lotteries Branch had been reduced to a skeletal staff of six employees who were responsible for screening, licencing and inspecting an escalating number of applications. Paradoxically, the same provincial government spending restraint program that reduced the staffing in the Lotteries Branch also resulted in an increased demand by charitable, non-profit community organizations for the right to conduct gaming events as a means of generating much-needed revenues.

Coinciding with the program of restraint introduced by the province was a change in the betting limits, which resulted in an escalation of casino gaming events. In late 1984, the maximum betting limit was increased to five dollars per bet, and the maximum number of blackjack tables was raised from six to ten. Additionally, a limitation of five dollars per bet was also placed on wheels, a form of gaming previously unmentioned in the regulations or legislation (Order-in-Council 2242, British Columbia Regulations 362/84).

These increased casino betting limits made the operation of casino events a much more attractive venture not only for charitable organizations but also for commercial casino companies specializing in the rental of casino equipment. The result was that the number of casino companies proliferated rapidly, and charitable organizations increasingly began to exercise their right to conduct casino gaming events.

The period between 1984-85 also saw a rapid proliferation of major bingo hall facilities (Bolan, 1985). Once the preserve of small charities, bingos began to attract private companies who specialized in the rental of large bingo hall facilities capable of seating from 400 to 1,400 patrons during both afternoon and evenings sessions. With the proposition of conducting bingo events with larger cash prizes in new facilities, these companies actively solicited eligible charities to seek bingo licences.

The small established charity bingos were not happy with the commercialization of bingo gaming. They believed that these new large operations were destroying their bingos by luring away patrons and that commercial owners were extracting exorbitant profits out of monies deemed to be the exclusive domain of charities. Moreover, the decline in bingo revenues was accelerated by the replacement of traditional bingo "cards" with disposable "paper." These papers added appreciable overhead expenses to bingo operations, thus further damaging the financial viability of small bingo operations.

By late 1985, the growing number of gaming events, private businesses and charitable organizations seeking licences resulted in considerable media attention being directed at gaming in British Columbia (McIntyre, The Province, 1985; Sagi, Vancouver Sun, 1985). This attention, coupled with public expressions of concern by police authorities about the adequacy of charity

gaming regulation, led to changes in the Lotteries Branch. The Branch was given new directions and additional contract field inspectors to establish firmer control over charity gaming. Moreover, it was given the new and more appropriate title of Public Gaming Control Branch.

In 1986 the Branch was transferred back to the Ministry of the Attorney General. Its mandate was three-fold:

1. licence charitable and religious organizations;
2. monitor licenced gaming activities commensurate with the regulations; and
3. advise the Minister on all gaming matters and changes in the regulations (British Columbia Gaming Commission, 1988).

The extensive growth in gaming in British Columbia during 1985-86 produced two results. First, in April 1987, the British Columbia Gaming Commission was established to set policy for gaming within the province and to licence charitable events. Second, this Commission was asked to review the status of gaming in the province. While it was studying the gaming situation, a partial freeze was imposed on casino activity. During this period, casino permits were granted only to charities, locations and management companies who had previously qualified for licences.

GAMING OPERATIONS

British Columbia permits a variety of legalized gaming activities in a number of different settings. Three forms of charity gaming - bingo, raffles and casinos - are licenced by the Public Gaming Control Branch. The province also allows gaming at duly-licenced social clubs. Finally, gaming is permitted at agricultural fairs and exhibitions. These events are licenced by the Public Gaming Control Branch; however, as these organization

are not regarded as charitable, the Branch does not regulate their gaming activities. This responsibility rests with the RCMP gaming specialists. It should be noted that the sale of Nevada and break-open tickets was legalized in 1987.

General requirements pertaining to charity gaming stipulate that not less than thirty-five percent of the gross proceeds from any gaming event must be paid to the charitable or religious purpose set out by the licensee in the licence application (Order-in-Council 1728, British Columbia Regulations 265/78). Moreover, other than a nominal honorarium, no person is allowed to be paid wages, salary or other monetary consideration for assisting at a gaming event. These two regulations do not apply to bingo events.

According to Board regulations, the licensee must submit a written financial report within sixty days of the gaming event. This report must indicate:

1. the total gross receipts from the licenced event;
2. the total cost of all prizes awarded;
3. an itemized list of the administrative costs incurred in the management and conduct of the event; and
4. the total cash proceeds donated to the charitable or religious purpose for which the licence was granted.

In addition, organizations which are licenced to conduct a series of bingos must submit a written semi-annual financial report to the Branch.

Licence fees for all forms of gaming in British Columbia are paid into the Lottery Fund established under the Lotteries Act. Fees vary according to the type of gaming event and with the amount of the prize to be paid out. Depending on the cash value of the prizes involved, a flat fee or a percentage fee is levied.

1. Bingos

In British Columbia, bingo is conducted by both small traditional bingo hall operations as well as by the large commercial interests. The regulations pertaining to bingo operations are the most developed of the gaming regulations in British Columbia. For example, bingo regulations specify that:

- no person managing, conducting or assisting at a bingo event shall participate as a player during the same bingo session;
- following the calling of each number, the caller must place the ball in an appropriate position to enable any interested person or persons to determine that the proper number has been called; and
- all players, unless otherwise authorized, must be seated in the same room with the operator calling the numbers.

With respect to prizes, the regulations state that all prizes advertised or offered must be awarded during a single bingo session, and jackpot prizes may not be carried over from one bingo session to another. As a promotional technique to encourage attendance, bingo operations are permitted to award "door prizes," provided that the individual prizes are not greater than fifty dollars. Regulations prohibit payouts on individual bingo games from exceeding \$1,000.

Licence fees for bingo events vary with the amount of the prize. Where the prize awards do not exceed \$3,500, the sponsoring organization is levied a licence fee of ten dollars. When the prizes to be awarded are over \$3,500 (but not over \$20,000), a fee of twenty-five dollars is charged. For prizes in excess of \$20,000, a fee equal to one percent of the prizes is levied.

Remuneration paid for managing, conducting and assisting in the conduct of a bingo event is limited. "Key personnel," of which there can be no more than three, are allowed up to thirty

dollars each per bingo event. Other personnel are allowed a remuneration of ten dollars each per bingo event.

Regulations also specify that certain minimum percentages of the gross proceeds from bingo games must be put toward an organization's charitable purpose. The proportion of the proceeds depends on the aggregate value of the prizes awarded during the licencing period. When the total value of prizes awarded does not exceed \$20,000, fifteen percent must be allocated to the charitable purpose. When the total prizes exceed \$20,000 (but are less than \$60,000), the percentage of revenues is twenty percent. For total values in a licencing period which are in excess of \$60,000, twenty-five percent must be put toward the charitable purpose.

In this manner, without specifically stipulating what expenses are allowable, regulations pertaining to bingo seek to ensure that licenced organizations allocate a set percentage of their gross proceeds toward a charitable purpose.

2. Raffles

Raffles are a well-established, if declining, means of funding raising for many smaller charitable organizations.

Raffle ticket regulations specify that raffle tickets must indicate the name and address of the organization, the licence number, and the location, date and time of the draw for the prize. Tickets must be numbered consecutively, and the number of tickets printed must be indicated. Regulations prohibit the sale of raffle tickets outside the province.

A fee of ten dollars is charged where the value of the raffle prizes does not exceed \$500. For raffle events where the value of the prizes is between \$501 and \$1,000, a fee of twenty-five dollars is applied. For raffle events having prizes over

\$1,000 (but not more than \$10,000), a fee of one hundred dollars is levied. A fee of one percent of the value of the prizes is charged where the value of the prizes exceeds \$10,000.

All unsold tickets, forms and financial documents be retained for a period of not less than twelve months from the expiration date of the licence.

3. Casinos

On receipt of a licence, the charitable organization engages the services of a private casino company, which agrees to take on the major responsibility for conducting the casino. Gaming events are usually held at either a hotel facility or at a hall such as those belong to the Royal Canadian Legion or a service club. Confirming the availability of the premises, advertising, arranging for casino dealers, and providing equipment is included in the contract package.

Casino owners and managers have considerable autonomy with respect to the entire gaming operation. Company managers take a strong hands-on approach to overseeing the gaming event, as they provide the cash float (or initial bankroll) on the charity's behalf as well as derive a percentage of the gross win.

Members of the licenced organization have relatively small roles to play in the conduct and operation of the event. Volunteers are sometimes conscripted to run the simpler wheel games, and to act as bank cashiers to facilitate players "cashing out" their chips. At the conclusion of the night, two or three representatives are also required to be present to oversee the accounting of the casino's win for that event.

For the most part, however, the more technical casino games such as roulette and blackjack are operated by dealers hired and paid by the casino company. In addition to the pay, dealers

receive a share of the tips and gratuities offered by the players.

The major regulations on casino operations establish a maximum of ten blackjack tables and limit bets to a maximum of five dollars. There are no limitations with respect to the number of wheels (Order-in-Council 2242, British Columbia Regulation 362/84).¹

There is considerable variation among the casino companies as to the nature of the games offered. In addition to blackjack and roulette, wheel games such as "Wheel of Fortune" or "Over and Under" are permitted. Additionally, some casino companies operate carnival-type games of chance such as "Six Arrows" and the "Pea Game."

Moreover, there are extensive differences regarding the rules of play. As they are not restricted by the terms or conditions of licencing, casino operations in British Columbia are free to establish whatever "house rules" they feel are appropriate. For example, throughout most of the world it is conventional that casino-style blackjack rules allow "pushes" (or ties) to be a stand-off, that is, the player neither wins or loses. As well, it is standard that the house pays 3:2 odds to the player receiving a blackjack. Some casino operations in the Lower Mainland, however, take "pushes" and pay only even-money odds on blackjacks. While not illegal, such practices do provide significantly greater advantages to the house - advantages that most casinos elsewhere forego.

While the nature and extent of cash and chip controls vary according to both the expertise and conscientiousness of the

¹ The Order-in-Council was rescinded in 1985. A total of fifteen games are now permitted in B.C. casinos.

particular casino company, most casino events operate without formal cash and chip controls. Moreover, little systematic paperwork is required to conduct the event. For example, some casino managers exercise personal control over the dispersal of chips to the gaming tables when fills are required. These fills are delivered by hand to the tables by a senior dealer or pit boss and simply placed in the tray without indication or verification of the amount.

Casino gaming in British Columbia is licenced only as an adjunct to a social event (Order-in-Council 1728, British Columbia Regulations 265/78)²; however, many organizations licenced to conduct casino gaming events openly violate this requirement. By designating a small corner of the casino floor space as a dance floor and providing music through a stereo tape system, organizations are able to circumvent the requirement that gaming not be the major activity. Admission fees are often charged, which flow not to the licenced organization, but to the casino company.

Regulations also prohibit the consumption of alcoholic beverages in the gaming area, but these regulations are also routinely circumvented. For example, a velvet rope is deemed sufficient for demarcating a separate lounging area where alcohol is purchased and consumed.

Licence fees for casino events are based on the gross receipts. For casino events where gross funds do not exceed \$500, a flat fee of ten dollars applies. Where gross receipts are between \$501 and \$1,000, a fee of twenty-five dollars is

² The Order-in-Council was rescinded in 1985. Casino events in B.C. operate as independent functions, not as adjuncts to social events.

levied, and for events that exceed \$1,000 (but not \$5,000), a licence fee of one hundred dollars is charged. Where the gross funds are in excess of \$5,000, the licence fee is a sum equal to two percent of the gross funds. This latter amount is the fee most likely levied, given the average revenue generated at a casino event.

4. Social Clubs

British Columbia is the only province that formally licences social club gaming. Known more commonly as "poker clubs," these establishments often, but not solely, cater to particular ethnic groups. In the Vancouver area, social clubs have existed since the 1930s.

The province initiated formal licencing of social clubs in 1974. In 1985, however, doubts about the legal enforcement powers of Lotteries Branch inspectors led to the licencing responsibility moving to the Ministry of the Attorney General.

Social clubs are licenced pursuant to Section 179(2) of the Criminal Code and are not considered to constitute charity gaming. The Ministry of the Attorney General licences bona fide social clubs incorporated under the Societies Act to operate gaming houses. Social clubs are licenced and overseen by the Police Services Branch of the Ministry of the Attorney General. Some 36 social clubs are licenced and in operation in British Columbia.

Social clubs permit their members to gamble on certain games, primarily poker. Cards games such as hearts and bridge, and board games such as chess and backgammon are also played. With regard to card games, regulations specify that there can be no "house dealers," that is, the deal must change hands.

Under licencing arrangements, social clubs are allowed to charge membership fees of one to two dollars, but they are not allowed to impose an admission fee to entrants. Social clubs are allowed to charge each player a flat fee not to exceed one dollar per half hour. No portion of a bet or of the proceeds of a bet can be paid to the keeper of the club. In other words, the club is allowed to charge a "time fee" rather than take a "rake-off" or percentage of the gaming stakes.

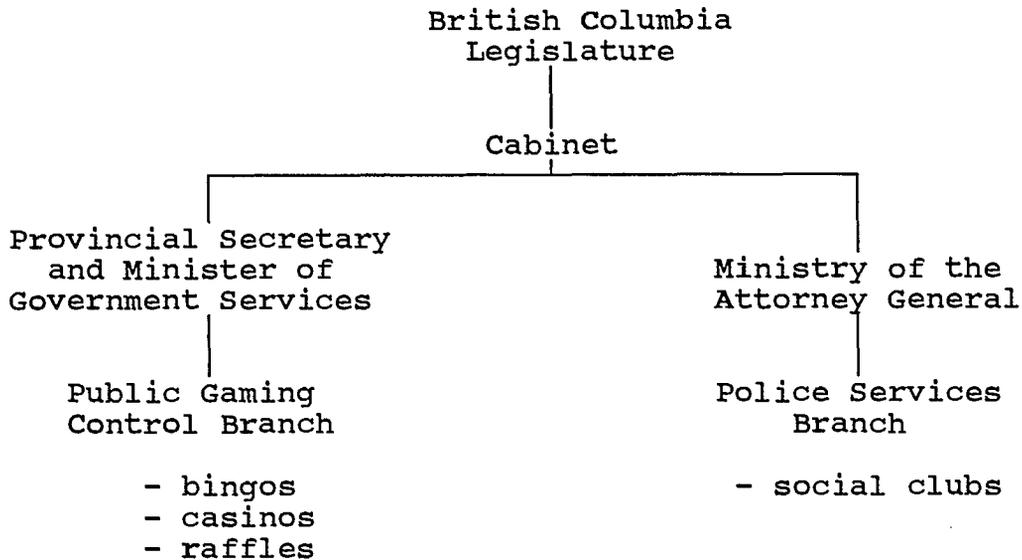
Social clubs must apply in writing to the Ministry of the Attorney General and must demonstrate that the directors, officers, members and persons employed in the operation of the gaming house are of good character and reputation. Their backgrounds are subject to police investigation. Directors and officers of a social club are not permitted to serve in similar capacities with any other social club. A non-refundable application fee of two hundred dollars must accompany the application. Additionally, the social club must agree to permit reasonable spot checks of the gaming operations as well as permit inspection of bookkeeping records.

REGULATORY STRUCTURE

Prior to 1987, the regulation of bingos, raffles and casinos held by charitable organizations in British Columbia rested with the Public Gaming Control Branch which reported to the Provincial Secretary and the Minister of Government Services. The Ministry of the Attorney General was responsible for the regulation of gaming at social clubs, while the RCMP was responsible for the monitoring of gaming activities at annual agricultural fairs and exhibitions. Figure 1 presents the structure of the gaming regulation system in British Columbia for bingos, casinos, raffles and social clubs during this period.

Figure 1

STRUCTURE OF GAMING REGULATION IN BRITISH COLUMBIA



1. Public Gaming Control Branch

The Public Gaming Control Branch of the Ministry of the Provincial Secretary (referred to here as the Branch) was the agency responsible for regulating charity gaming in the province of British Columbia. Its main role was the licencing and inspection of gaming activities. The Branch took on ancillary duties such as providing public information to prospective licencees, conducting ad hoc research in new gaming developments, and reviewing on an informal basis appeals from unsuccessful applicants.

The Branch exercised its regulatory authority through a number of administrative procedures: the application process, field inspection, the collection of licence fees, and the establishment of expense guidelines.

A. Application Process

The Branch was the sole agency responsible for licencing bingos, casinos and raffles. Organizations seeking to conduct a gaming event applied directly to the Branch offices in Victoria. On receiving an application, a licencing officer screened the organization to ensure that it had a charitable status. Organizations are held to be charitable if their objectives involve the furtherance of education, the relief of poverty, the advancement of religion or any purpose beneficial to the community (Order-in-Council 1728, British Columbia Regulations 265/78).

Considerable discretion is exercised in determining an organization's eligibility. A key criterion is the reputation of the organization in the community. Some well-known groups, such as the Canadian National Institute for the Blind (CNIB), are approved as a matter of course, providing that no reports are outstanding from a prior licenced event. Inquiries are made about lesser-known organizations to determine if the group is registered under the Societies Act. Although it is not a requirement of licencing, the Branch uses such registration as a measure of an unknown organization's eligibility. Attention is also given to the stated use of the funds to ensure it is for a bona fide charitable purpose.

There is no formal appeal process for an organization denied a licence. If an organization feels that it has been unjustly denied a licence, however, an ad hoc appeal procedure exists whereby the organization may request the Director of the Branch to overrule the decision of the licencing officer. Occasionally, groups denied licencing will seek a more favourable outcome by appealing to their M.L.A. for intervention.

B. Field Inspection

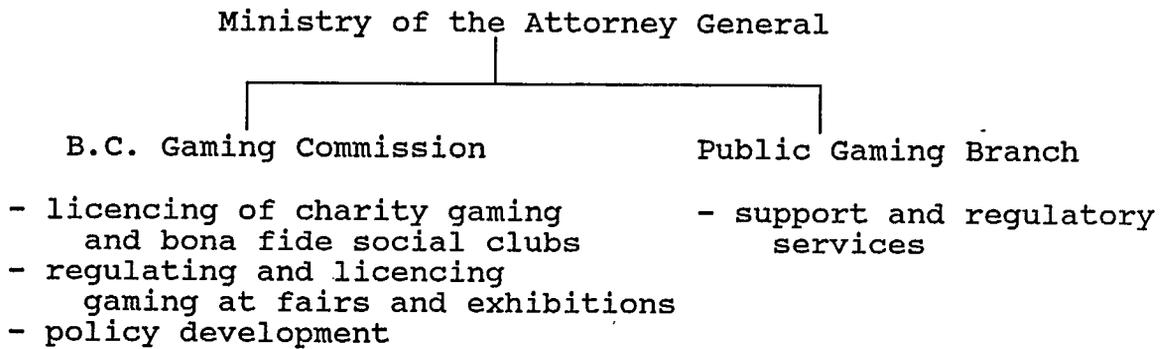
Gaming control inspectors were not permanent government employees, but were hired on a contract basis as "gaming consultants." These inspectors reported to the Chief Inspector and were responsible for overseeing licenced gaming throughout the province. Their primary activities entailed periodic visitations to bingo and casino operations in order to maintain a presence. During such visits, a review of the financial records pertaining to the licenced gaming event was generally conducted.

Gaming control inspection did entail subsequent regulatory auditing in order to ensure that funds generated from a licenced gaming activity were actually allocated to the approved charitable purpose. According to field inspectors, it was problematic for them to conduct formal audits of any organization's financial records because of uncertainty about their legal capacity to demand access to such records. Lack of personnel was also cited as a reason for the absence of follow-up auditing.

In 1986 the Branch was transferred back to the Ministry of the Attorney General, and in April of the following year the British Columbia Gaming Commission was established. In August 1987 the administration and licencing of social clubs was taken from the Police Services Branch and assigned to the Commission.

Once established, the Commission became the licencing authority for charitable gaming events as well as for the regulation and licencing of gaming at fairs and exhibitions. The Branch makes recommendations to the Commission regarding the granting of licences and is responsible for monitoring gaming activities through inspections and audits (British Columbia Gaming Commission, Report on the Status of Gaming in British Columbia 1988). Figure 2 presents the structure of the gaming control system in British Columbia during 1987.

Figure 2
STRUCTURE OF GAMING CONTROL - 1987

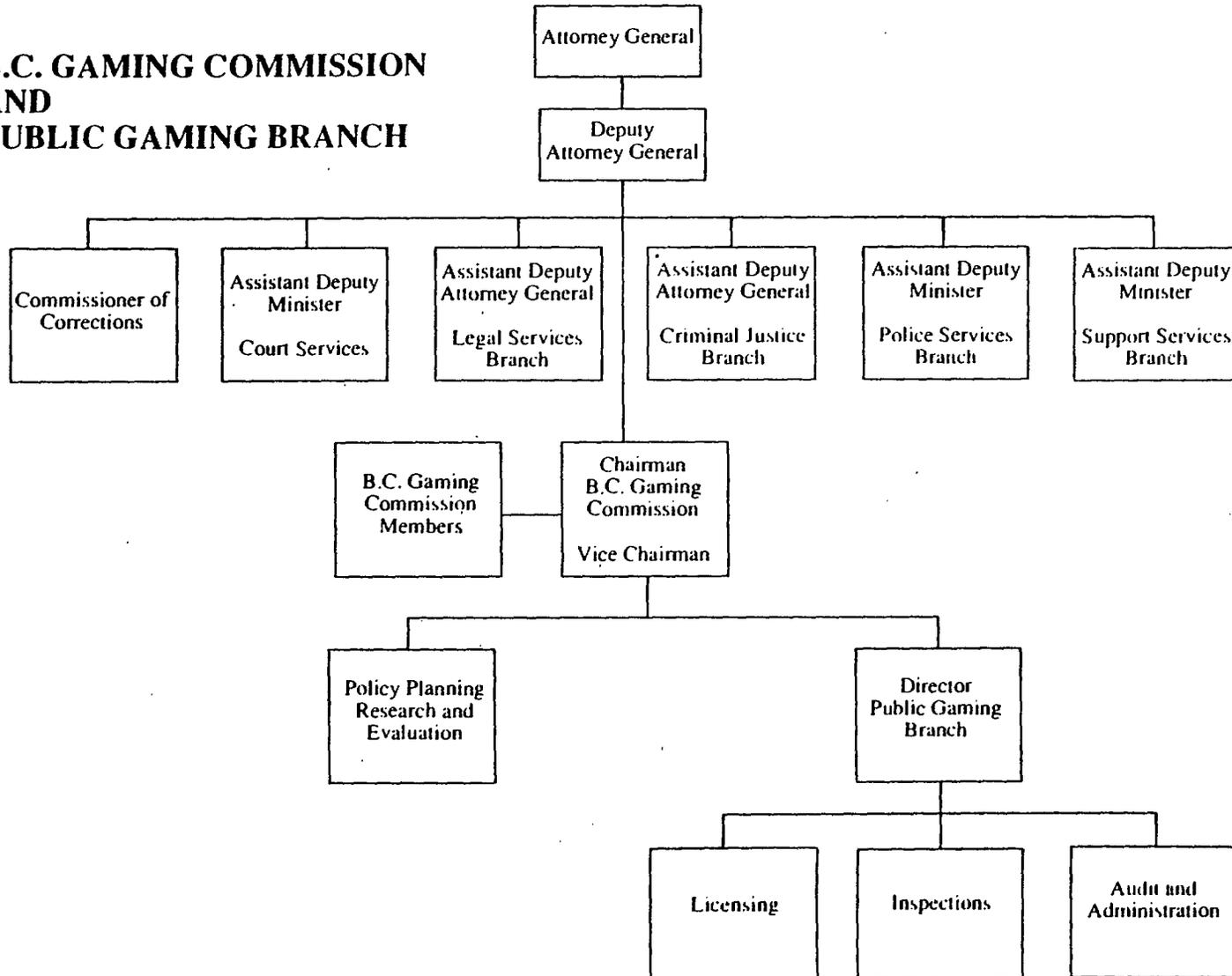


As the Commission report points out, the Commission's power to licence has made it the focus for the charity gaming community, and the Branch is now seen as a weaker organization. The report has, therefore, recommended a different division of responsibilities. They have proposed that the Branch take back the licencing responsibilities with respect to charities as well as the monitoring of compliance of all licencees. The Branch is also to have the power to approve, refuse, revoke or suspend licences (British Columbia Gaming Commission, 1988). Under this proposal, the Commission would set policy, create and amend terms and conditions, and serve as an appeal body. The Commission would maintain the licencing powers over special categories, such as casino management companies and commercial bingo hall owners/operators.

Figure 3 summarizes the organizational structure recommended by the Commission Report.

Figure 3

**B.C. GAMING COMMISSION
AND
PUBLIC GAMING BRANCH**



GAMING: FACTS AND FIGURES

The following figures are based on data from the Public Gaming Control Branch of the Ministry of the Provincial Secretary.

1. Licences and Licence Fees

An indication of the growth of gaming in British Columbia can be ascertained by looking at the number of licences issued and the amount of licence fees collected for the years 1983 to 1986 (Table 1).

Table 1**GAMING LICENCES AND LICENCE FEES IN BRITISH COLUMBIA**

	1983 ^a	1984-85 ^b	1985-86 ^b
Licences Issued			
Bingo	1,311	1,552	2,106
Raffles	1,776	2,088	1,795
Casinos	628	718	991
Concessionaires ^c		7	5
Agricultural fairs	39 ^d	21	7
TOTAL LICENCES	<u>3,754</u>	<u>4,386</u>	<u>4,904</u>
Licence Fees Collected	N.A.	\$642,528	\$887,572

^a Calendar year.

^b Fiscal year ending March 31st.

^c Carnival operators under a contractual agreement with an exhibition board.

^d Agricultural fairs and concessionaires combined.

It should be noted that while Table 1 presents the total number of gaming licences issued, these figures do not reflect the total number of gaming events. For example, an organization licenced for bingo may conduct up to fifty-two bingo sessions per year while an organization eligible to run a raffle may conduct up to three separate raffles per year. With regard to casino

gaming, licenced organizations may hold up to three separate events per year, each up to three days` duration.

As shown in Table 1, the number of licences for casinos and bingos have consistently increased. The number of raffle licences, however, decreased during 1985-86. This decline is attributed to the growing awareness among charities that bingos and casinos offer greater revenue potential, and hence the preference among organizations for these forms of licencing. Indeed, the use of raffles as a means of raising revenue is becoming problematic in that organizations are often unable to sell a sufficient number of tickets to recover the cost of the prize to be awarded. Newspaper accounts show some licenced charitable organizations appealing to government for assistance in overcoming losses incurred while conducting raffle schemes (Tafler, The Province, September 11, 1985).

Table 1 also shows that the amount of licence fees collected has increased. These fees are paid into the Lottery Fund. It is important to note that operating budget costs for the Public Gaming Control Branch are paid from this Lottery Fund. According to Branch officials, annual operating costs amounted to slightly less than \$500,000 for both 1984-85 and 1985-86. Precise budget figures are not available.

2. Gross Revenues

Figure 4 represents a breakdown of gross revenues for all licences from 1980 to 1986. By combining administrative costs with charitable donations, the actual amounts expended on charity gaming can be discerned. From 1980 to 1985, such expenditures rose consistently. Expenditures from 1986, however, indicate a slight decrease. This decrease can be attributed to the competition between bingo halls which has resulted in higher prize payouts and increased administrative costs. (This is evident in Figure 6). Likewise, administrative costs pertaining to casinos

rose proportionally, contributing to the decline in the charitable portion of revenues. (This is demonstrated in Figure 8.)

Figure 5 presents the gross revenues for the three forms of charity gaming - bingos, raffles and casinos.

A. Bingo Revenues

Figure 5 shows that, despite an increased number of bingo operations, gross revenues for bingos declined between 1984-85 and 1985-86 from \$95,565,642 to \$91,985,171. This decline may have been attributable to competition due to the increased availability of casino gaming. Also, as Figure 6 shows, administrative costs and prizes for bingo increased between 1984-85 and 1985-86, resulting in less revenue being allocated to charitable purposes. This has been attributed to greater competition between bingo halls, necessitating higher prize payouts.

This decline was short-lived. By 1987 bingo revenue was \$112,347,121, and the projected figure for the fiscal year ending March 1988 is \$180 million (British Columbia Gaming Commission, 1988). This growth is largely due to the operation of more and bigger bingo halls. The creation of these commercial halls has necessitated changes to the licencing requirements and regulations for charities. As the Commission report states, there has been a tendency for charities to allow "professional" bingo hall operators to manage the bingos, with little or no involvement by the volunteers. Charities using bingo for revenue purposes are encouraged to form bingo associations and establish a board of directors to negotiate time slots and rental rates. This matter will be investigated further.

B. Raffle Revenues

As Figure 5 shows, there was a decrease in the revenues generated through raffles between the years 1984-85 and 1985-86. This is attributable to the diminishing attractiveness of raffle purchases, perhaps due in part to competition from true lotteries.

The Commission report identified three concerns relevant to raffles:

1. there should be notarized, written proof of any prize valued over \$5,000;
2. written verification should be made to the Branch of the name and address of the prize winner within two weeks of the draw date; and
3. the application process should include a budget to identify increasing costs of professionally produced advertising and sales promotion (British Columbia Gaming Commission, 1988).

With respect to raffles, Figure 7 shows that higher administrative costs and larger prizes resulted in a decline in revenues allocated to charitable purposes.

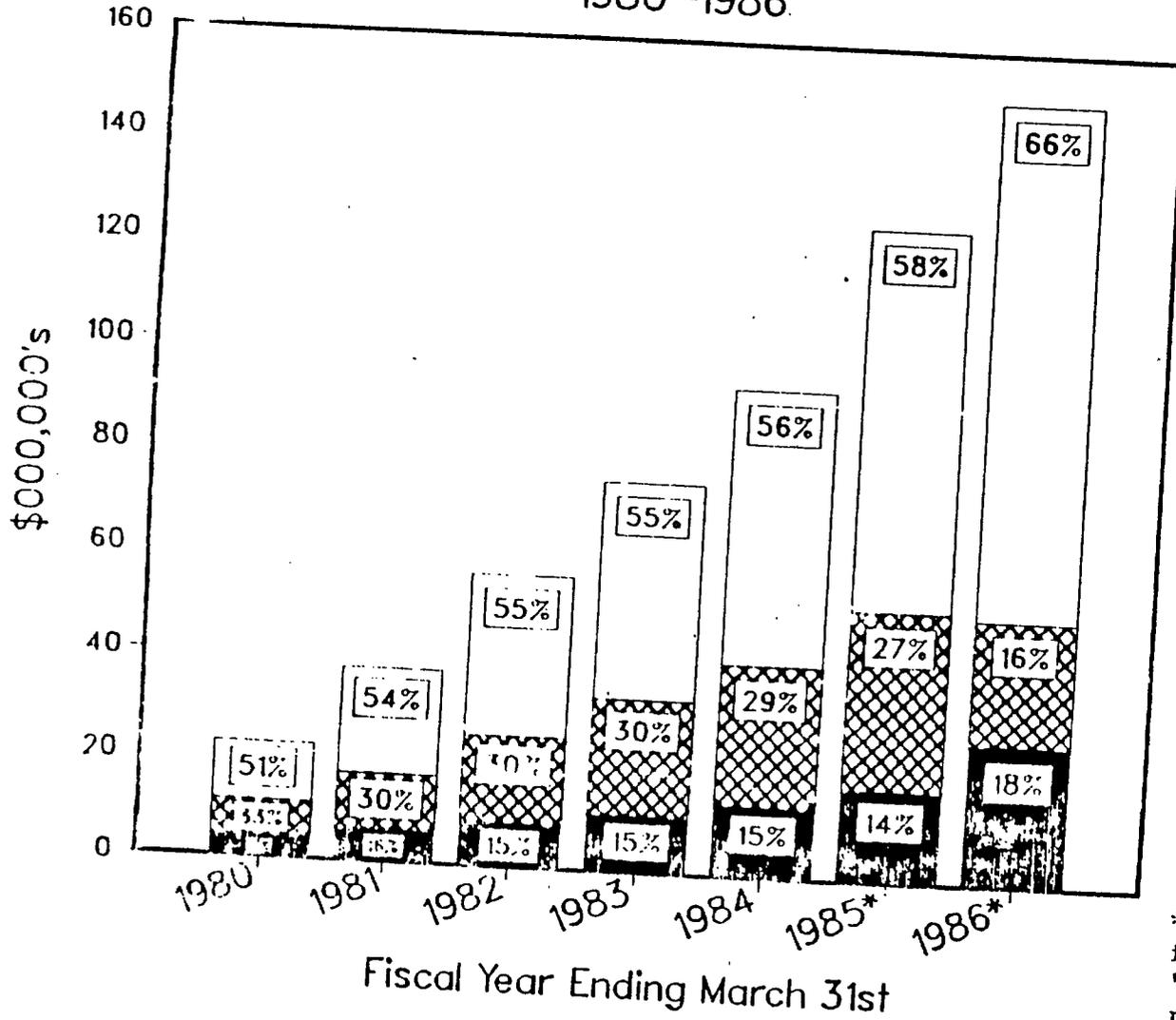
C. Casino Revenues

As Figure 5 demonstrates, casino gaming represents the area of most growth. The calculations include estimates based on "drop" calculated from reported win. While casino gaming experienced a major increase in terms of gross revenues, however, administrative costs overtook the amount allocated toward charitable purposes. Figure 8 demonstrates the decline in the charitable component of gross revenues for the years 1984-85 and 1985-86.

Figure 4

Breakdown of Gross Revenues for All Licenses 1980-1986

42

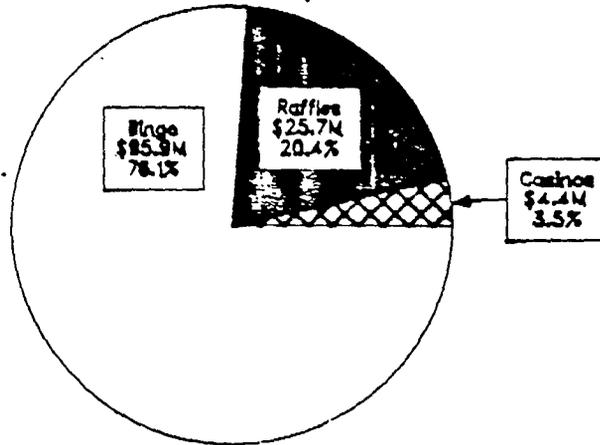


Legend
□ Prize Payouts
▨ Charitable Donations
■ Administrative Costs

*1985 & 1986 Gross Revenues include estimates based on 'drop' calculated from casino reported win.

Figure 5
Gross Revenues by Game
1984-85 and 1985-86

1984-85 Total is \$126 Million



1985-86 Total is \$150.3 Million

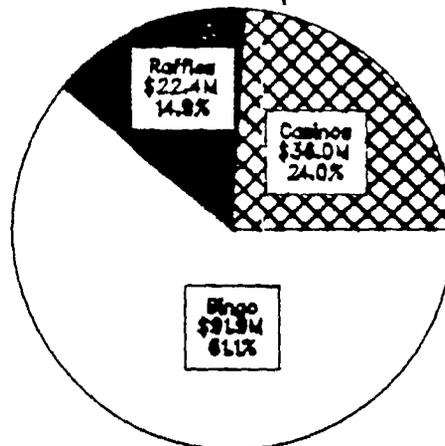
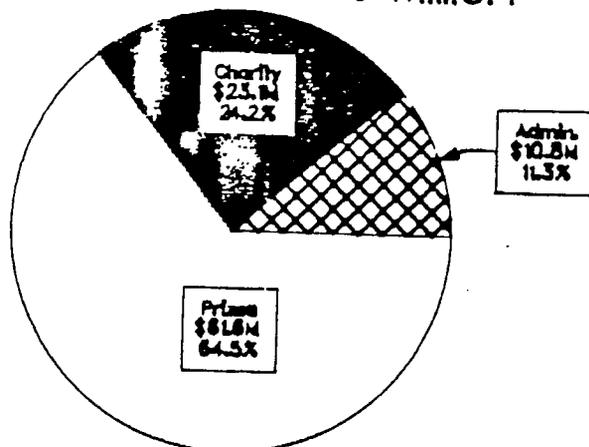


Figure 6

Breakdown of Total Revenues for Bingo 1984-85 and 1985-86

1984-85 Total is 96 Million



1985-86 Total is 92 Million

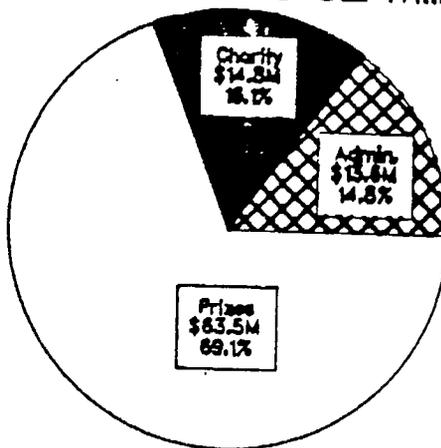
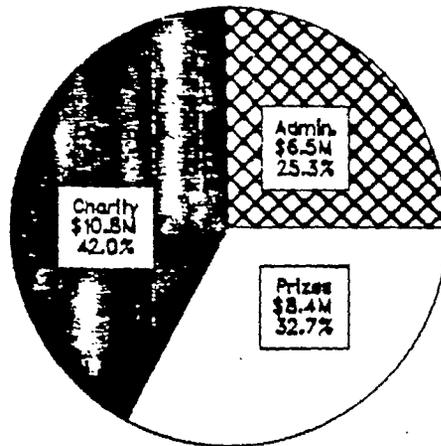


Figure 7

Breakdown of Revenues for Raffles 1984-85 and 1985-86

1984-85 Total is 25.7 Million



1985-86 Total is 22.4 Million

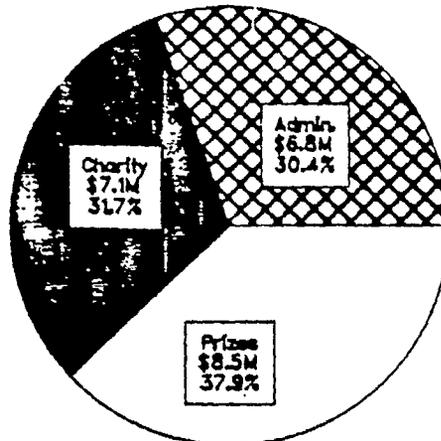
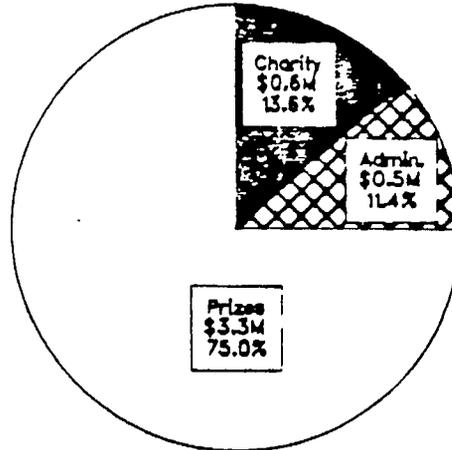


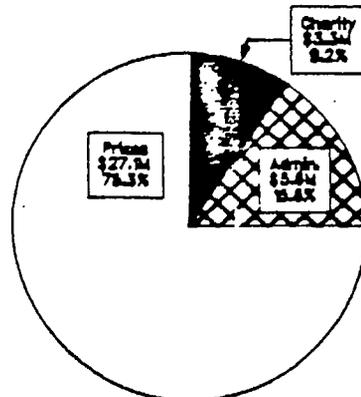
Figure 8

Breakdown of Revenues for Casinos 1984-85 and 1985-86

1984-85 Total is 4.4 Million *



1985-86 Total is 36 Million *



* Total revenues include estimates based on 'drop' calculated from casino reported win.

The decrease in returns to the charities may have been due to the proliferation of casino management companies operating in British Columbia. While the Great Canadian Casino Supply Company had dominated casino operations between 1982 and 1985, by 1986 there were 32 competing companies. Gross revenue per event declined, and the increasing reliance on inexperienced personnel made financial accountability impossible. As the Commission reports states:

"In most cases the 'win' became a guess since appropriate accounting forms and audit trails were absent. Gross revenue (win) occasionally exceeded \$25,000 and the cash flow (the drop) could exceed \$100,000. Little or no supervision was provided and only in rare cases were security personnel present." (p.III-4)

As the Commission report noted, problems during this period included:

1. companies recruited and even created charities as licensee customers;
2. casino facilities were sub-standard;
3. there were numerous disputes concerning rules and regulations, hours of operation, and the number and location of casinos; and
4. there was a lack of financial accountability.

The creation of the Commission and the establishment of a freeze on aspects of casino operations allowed for a period of stock-taking, and lead to the following changes:

1. fewer casino management companies exist, partially through consolidation;
2. employees are being trained as professionals; and
3. charities are becoming more realistic in their expectations of resources via casinos (British Columbia Gaming Commission, 1988).

As of 1988, there were six casino companies operating in seven to eight locations in the Greater Vancouver Region. These operations and others throughout the province are being studied by the Commission.

D. Break-Open Tickets

Break-open tickets can be sold in British Columbia only in licensed liquor establishments and the occasional bingo, on an experimental basis. The sale of these tickets is prohibited at casino and gaming events. These tickets are marketed by the British Columbia Lottery Corporation.

TRUE LOTTERIES

British Columbia withdrew from the Western Canada Lottery Corporation (formerly the Western Canada Lottery Foundation) in March 1985. Since that time, the British Columbia Lottery Corporation has been responsible for the conduct and management of true lotteries within the province. Its mandate also allows it to co-operate with other provinces in the marketing of regional and national lottery games (British Columbia Lottery Corporation Annual Report, 1986).

The Corporation reports to the Provincial Secretary and Minister of Government Services, and during fiscal year 1985-86, had approximately three hundred employees. The Corporation also has a network of over 2,000 retailers who sell lottery tickets. Over 1,800 of these retailers have computer sales terminals. The Corporation paid out \$18.7 million in retailer commissions during fiscal year 1985-86.

The Corporation conducts six different lottery games: Lotto 6/49, the Provincial, Super Loto, Instant, Lotto West and Pacific Express. Lotto 6/49, the Provincial and Super Loto are jointly conducted by all provinces through the Interprovincial Lottery Corporation, while the Corporation participates in the regional

game, Lotto West, in co-operation with the Western Canada Lottery Corporation. Instant and Pacific Express are provincial games conducted solely by the Corporation. The Corporation planned to introduce a new on-line lottery, Lotto BC, during the 1986-87 fiscal year.

Fiscal year 1985-86 was the Corporation's first year of operation as a separate organization. Sales for the year ending March 31, 1986 amounted to \$330 million, and the Corporation paid out \$150 million in lottery prizes. Net revenues amounted to \$113 million, with the province receiving \$104 million and the Government of Canada \$9 million.

Table 2 presents a breakdown of ticket sales by game for fiscal year 1985-86.

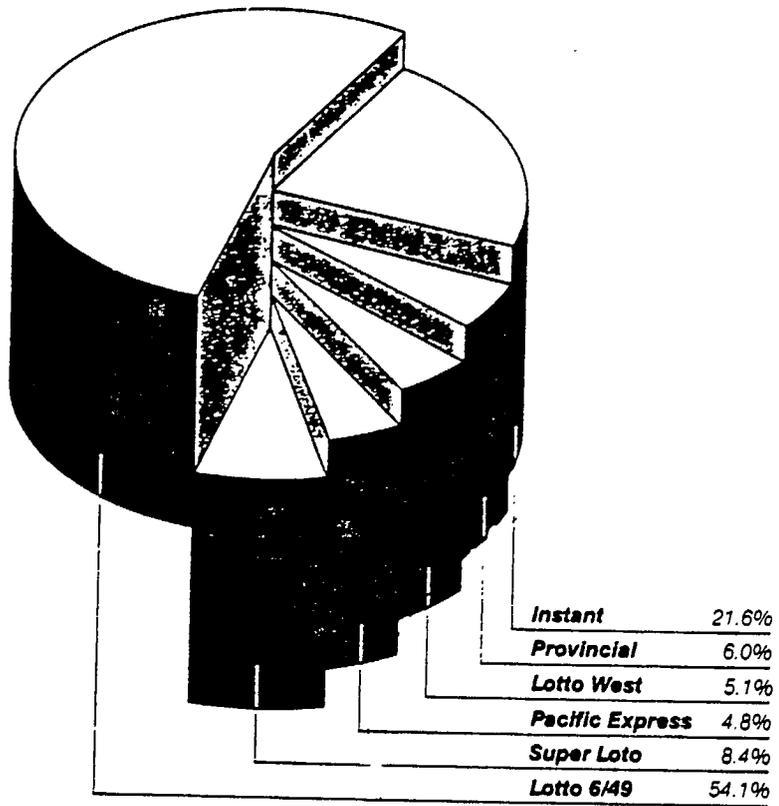
Table 2
LOTTERY SALES - 1985-86

	(in 000`s)
Lotto 6/49	\$178,484
Instant	71,360
Super Loto	30,541
Provincial	19,855
Lotto West	19,437
Pacific Express	15,788
	<hr/>
	\$335,465
Less free ticket redemptions	5,404
	<hr/>
TOTAL	\$330,061

As Figure 9 demonstrates, Lotto 6/49 generated 54.1 percent of the total sales for fiscal 1985-86. The other five lotteries accounted for the following percentages of total sales: Instant (21.6), Provincial (6), Lotto West (5.1), Pacific Express (4.8) and Super Loto (8.4). Sales of the traditional lotteries (Pacific Express, the Provincial and Super Loto) declined from the previous year's volume, while sales of Instant games continued to grow.

Figure 9

Lottery Sales



The revenues generated by lottery sales are allocated to a Lottery Fund, and decisions regarding disbursements are made by Cabinet. Sport, recreation, cultural, heritage, medical research and community projects are the recipients of lottery revenues. The province also directed lottery funds to EXPO'86, the world transportation fair held in Vancouver in 1986.

CONCERNS AND FUTURE TRENDS

Legalized gaming in British Columbia is changing rapidly, thus making it difficult to isolate long-term concerns. Some of the immediate changes and concerns are discussed below.

1. Insufficient Regulatory Resources

British Columbia has experienced an unprecedented growth in charity gaming. Commercial bingo halls have proliferated, and casino companies are actively soliciting charitable groups to apply for licencing. This growth has made it difficult, if not impossible, for gaming control apparatus and personnel to adequately screen, licence, inspect and audit the groups clamouring to conduct gaming events. There are also concerns that field staff are insufficiently familiar with the types of games to adequately inspect the day-to-day operations.

Gaming specialists with the RCMP and other municipal police agencies have expressed concern over the rapid growth of gaming in any jurisdiction if it is not accompanied by adequate regulatory controls. The fear is, despite the lack of concrete evidence of criminal wrongdoings, that rapid proliferation of gaming without adequate regulatory supervision would eventually culminate in serious law enforcement problems.

Police forces are concerned that the lack of regulations in British Columbia are allowing undesirable individuals into the

casino business. For example, persons working as dealers are not required to undergo any kind of prior screening to assess background records. Moreover, the introduction of mandatory registration of casino personnel in other provinces may be having an impact on British Columbia. Individuals who are unable to obtain registration elsewhere may now be migrating to British Columbia.

2. Lack of Authority

The structure of gaming control in British Columbia is under review. The lack of formal legal authority has been perceived to be a handicap to the introduction of effective controls. The Public Gaming Control Branch has been neither formally mandated nor empowered to impose stringent terms and conditions on licenced groups. As a result, the Branch feels somewhat restricted in its efforts to exercise controls such as demanding access to an organization's books and records to ensure that funds generated by licenced gaming events were being allocated honestly and in accordance with the licenced charitable purpose. After the creation of the Commission, responsibilities were seen to overlap. Confusion resulted as to which organization had responsibility for what aspect of gaming.

3. Weak Auditing Requirements

Licensed groups are not required to report gross revenues or "drop"; they need only report the gross win, that is, the figure on which the licence fee is based. It is also not mandatory that groups compute the win/loss record of individual games.

Branch staff are aware of the need for such financial controls; however, they are often constrained by cumbersome amendment procedures which sometimes require Cabinet approval. This approval must take the form of an Order-in-Council which authorizes any revisions prior to their implementation.

4. The Licencing of Social Clubs

Concerns are also forthcoming regarding the legitimacy of some organizations which profess charitable purposes when making application to conduct gaming events. For example, police authorities have become aware of emerging problems with regard to social club gaming. Police in the Lower Mainland believe that some social clubs, even though formally fulfilling the requirements of the Societies Act and meeting the licencing specifications stipulated by the Attorney General, are fabrications designed to circumvent the legal requirements. Concern has been raised that some organizations are being legally incorporated as societies, gaining social club licencing, but are, in fact, fronts for individuals seeking to establish private profit-making ventures. Police suspect that such individuals often hire themselves as club managers at generous salaries. Moreover, social clubs, listed as proprietorships, have been bought and sold like commercial businesses. The Ministry of the Attorney General is engaged in a thorough review of social clubs and their licencing.

CONCLUSION

In 1986, in response to police concerns and a number of media reports, the provincial government introduced major changes to reaffirm control over the increasing number of bingos and casinos. In an attempt to eliminate undesirables, blackjack and roulette betting limits were lowered from five dollars to two dollars, thus preventing the bettor from "doubling-up" the bet. It should be noted that the limit was subsequently raised back to five dollars. Other reforms included a restriction on the number of casino licences issued and limitations on operating expenses across all forms of licenced gaming. The changes have not been uniformly well received by members of the charitable sector, who realize that these new measures could drastically diminish their revenues.

Amid this politicized atmosphere, some predictions regarding future developments pertaining to gaming in British Columbia can be offered. Politicians and senior civil servants have been forced by the charitable sector to become more appreciative of the complexity of public gaming as a policy issue. More systematic approaches to policy planning are being developed under the auspices of the Gaming Commission. This will entail the development of a more thoroughly staffed agency possessing formal research and policy advisory capacities.

With regard to trends in specific forms of currently permitted gaming, demand for bingo halls appears to be levelling off. However, there are still enormous revenues being generated from bingo operations with very few restrictions imposed upon the bingo halls. One significant attempt to monitor bingo revenues is the controlled sale of bingo paper by the B.C. Lottery Corporation plus stricter legislation to regulate commercial halls.

Casino gaming, on the other hand, despite a series of restrictive policies instituted in 1986, continues to escalate. This growth is evident by the number of organizations seeking casino licencing and the gross revenues being generated.

Private sector interests, such as the British Columbia Chamber of Commerce, have publicly called upon the provincial government to give serious consideration to permitting commercial casino gaming as a mechanism by which the declining provincial economy might be revitalized. Public statements such as these led to considerable speculation as to the form such casino gaming might take. The introduction of provincially owned and operated casino facilities on British Columbia Steamship Corporation vessels was one suggestion. Slot machine gaming was, in fact, introduced on B.C. steamships in 1986. The ships sail between

Victoria, British Columbia and Seattle, Washington, and all gaming is played in U.S. currency. Further casino expansion was halted in February 1988, when the government rejected a proposal to establish resort casinos.

At present, legalized gaming in British Columbia is undergoing considerable change and expansion. The creation of the new gaming control commission will no doubt enable the province to better cope with the challenges of a growing gaming industry.

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PART ONE: LEGALIZED GAMING IN WESTERN CANADA

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INTRODUCTION

The system for the licencing and regulation of charity gaming in Alberta is based on the philosophy that criminal involvement can be discouraged if gaming is kept relatively small, community-based and distributed throughout the province. While the province actively regulates many aspects of the industry, the delivery of gaming rests with the private sector, that is, religious and charitable organizations and private

business interests. Through this arrangement, the province believes that charitable and religious groups will function more efficiently and remain autonomous of government funding (Villa-Arce, 1986). Alberta's system of gaming control is by regulation rather than by operation, as it is practised by Manitoba.

Alberta has played a pioneering role in establishing a legalized gaming control system in which the licencing and appeal procedures are separated from the investigatory and enforcement functions. This bifurcation of powers is designed to ensure that, both in fact and in appearance, gaming licences are granted and investigated on a fair and equitable basis. Tracing the evolution of this particular system illustrates a number of issues related to how government organizations can respond to the challenges of gaming regulation and control.

HISTORICAL PERSPECTIVE

The history of gaming in Alberta can be divided into three periods: 1967 to 1974, 1975 to 1980 and 1981 to 1984.

1. The Period 1967 to 1974

The first public casino in Alberta was held in July 1967 at the fair grounds during the annual Edmonton Exhibition. This was not the result of any policy changes by the Provincial Government, but rather due to the initiative of Edmonton businessman Bryce Van Dusen and Edmonton's Chief Crown Prosecutor Richard Anthony. The casino had three wheels which consisted of "Racehorse", Crown and Anchor" and "Over and Under". It also had a round kitchen table which was used as the "21", or more commonly referred to as Blackjack, table. By the end of the week, five more "21" tables were added. Through what is believed to have been a misinterpretation of Section 179 (3) of the Criminal Code, the "21" game was actually an illegal game as that section exempted such things as bingo and Wheels of Chance for Agricultural fairs or Exhibitions but not "21" games. The casino

was housed in a temporary structure located on the Edmonton fair grounds near the Silver Slipper Saloon. In 1969 the casino moved to the Silver Slipper Saloon.

Although formally permitted only at agricultural fairs, occasional one-night casino events were also permitted in conjunction with major fund-raising events. Entertainment rather than fund raising was the primary purpose of these Monte Carlo/-Las Vegas style casinos. Licencing arrangements for such casino events were informal, and usually consisted of a verbal notification of intent to the local police (Campbell and Ponting, 1983).

In 1970, the Criminal Code was amended to allow the provinces to issue licences to charitable and religious organizations to conduct lottery schemes including games of mixed chance and skill. The provinces, however, were ill prepared to monitor and control gaming. Alberta chose to establish its system of regulation through an Order-in-Council. There was, however, no systematic follow-up and recording of gaming activities, and enforcement tended to focus on actual crimes and not regulation and control (Alberta Attorney General, 1979).

Between 1970 and 1973, licences for bingos and raffles were issued by senior police personnel. In 1973, however, all gaming licence functions were transferred to the newly-created Lotteries Licencing Section of the Attorney General's Department in Edmonton.

It soon became apparent that this new organization was poorly equipped to handle its licencing, regulatory and enforcement responsibilities. The Lotteries Section consisted of only two licencing officers, with no field auditors or audit staff. As the report from the Attorney General's office commented: "this small Lotteries Section did not have the manpower to properly audit operations or to make investigations into complaints of

missing revenue" (Alberta Attorney General, 1979). The result was a period marked by the unsystematic evaluation of applications, poor regulation and marginal enforcement.

Moreover, during this period, the novelty of gaming revenues led recipients to be grateful for the increased funding, but not necessarily prudent with regard to how those revenues were distributed. A disproportionate percentage of the gaming revenues, acquired for charitable purposes, was lost as a result of contracts between exhibition boards and gaming operators.

2. The Period 1975 to 1980

The character of casino gaming in Alberta changed in 1975 when the Attorney General granted a licence for a four-day casino at the Calgary Stampede. The casino was licenced under what was then Section 190(1)(d) of the Criminal Code which permitted the licencing of agricultural fairs or exhibitions. This much-publicized event attracted the attention of charities, and the subsequent increase in applications for casino licences showed that casinos were no longer viewed as mere entertainment but rather as powerful fund-raising vehicles. In 1974, 158 casino licences were issued province-wide for a total "drop" of \$2.9 million; in 1975, 224 licences were issued province-wide for a "drop" of \$11.3 million.

Despite the influx of applications for casino licences, the police were reluctant to expand their role in the areas of gaming security and operations. Unlike New Jersey where the state police are reimbursed by the casinos for providing law enforcement within the Atlantic City casinos, Alberta police felt that there would be a chance of co-optation if the police were made an integral part of casino security.

The RCMP were particularly concerned with the spread of criminal activities throughout the circuit travelled by the

carnival operators before returning to the United States each year. Rumours that "underworld interests were behind a startling rush of applications for casino permits" (The Edmonton Sun, January 6, 1980) plus investigatory evidence of skimming, fraud and other illegal activities led to a joint investigation of Royal American Shows by the RCMP, local police forces and the Department of National Revenue. The investigation was initiated by the Attorney-General and focussed its efforts on offences relating to tax evasion, fraud, illegal games and cheating at games, drug trafficking, skimming and the corruption of municipal and fair board officials (Laycraft, 1978). A simultaneous raid by 130 officers occurred on July 24, 1975.

The inquiry learned that corrupt carnival gaming activities were entrenched in Alberta. Evidence from seized records provided a picture of payoffs from minor gifts to cash in plain envelopes being the normal, if not formally approved, procedure. The Edmonton Exhibition Association, the alleged victim of the fraud, denied throughout the inquiry that any fraud had occurred.

Some of the difficulties faced by this task force are indicative of the problems inherent in cross-jurisdictional gambling investigations. According to media reports, the task force carried out its assignment amid an atmosphere of suspicion, friction and compromised enforcement. It was suggested that this atmosphere had been created by the fear of potential corruption, the need for co-operation among the various police departments and the ongoing lobbying pressures from influential charity groups.

Following the investigation, the Attorney General's Department created the Gaming Control Section to provide a more comprehensive regulation of gaming activity. This section consisted of three service units: licencing, audit and investigation. In addition, Ron Sheppard, a former RCMP staff sergeant,

was recruited in the spring of 1976 as chief inspector of the new Gaming Control Section (Campbell and Ponting, 1983).

The Gaming Control Section directed its efforts at establishing control over gaming by imposing regulations rather than undertaking time-consuming consultations with charitable and religious organizations. This lack of consultation, however, led to ongoing confrontations between provincial officials and the private sector organizations, the main events of which are summarized below.

In June 1976 the Gaming Control Section issued its first set of rules. These stated that only one casino of two days' duration would be permitted in any community at one time. The rationale was to keep gaming as small and dispersed as possible so as to reduce the likelihood of criminal infiltration. Additional rules stipulated that gaming event workers and managers would have to be screened and licenced. As well, licence fee schedules were introduced. One group - the gaming equipment suppliers - was not part of the regulatory process, and this situation eventually led to allegations that certain supply companies had criminal connections (The Edmonton Sun, January 7, 1980).

Further rules were introduced in 1977 which included a controversial decision to reduce to eight the number of consecutive hours a dealer could work. The dealers subsequently formed an association to protest these new restrictions, but the decision was not reversed (The Edmonton Sun, January 7, 1980). New inspection auditing controls were introduced as well as further restrictions on how proceeds could be spent. It was also proposed that by April 1979 casino licences for charities would be limited to only one night in any community at one time. This proposal, it was suggested, would allow more organizations access to the limited number of licences available. These new controls

as well as others governing bingos were not well-received by the charitable and religious organizations and were rescinded. The one day casino was too risky for the licenced organizations, since the chance of losing money in one day is very great.

The most unpopular of these new regulations, however, dealt with bingos. These rules called for new detailed accounting procedures and financial reporting requirements (The Edmonton Sun, January 7, 1980). The protests that followed spurred the government of the date to move quickly to defuse what was called the "Bingo Bomb." In July 1979 the party caucus appointed a Citizens' Advisory Committee on Gaming to review the gaming issue in the province. This Committee was not a public body, and all its meetings were held in camera but, the committee was composed of individuals drawn at large from the province, with no serving politicians or public servants and submissions from various community groups were solicited and received. In September 1980 the Advisory Committee presented sixty-three recommendations to its caucus, only a few of which were made public. Those recommendations that were accepted and introduced include:

- two organizations be allowed to operate casinos simultaneously in Calgary and Edmonton, so that more groups would have an opportunity to sponsor such events;
- no eligible organization be refused a casino licence. Dates should be assigned by a public draw; and
- the Alberta Gaming Commission be created with responsibilities which included licencing, public information and policy recommendations (Alberta Attorney General News Releases, October and December 1980).

3. Post-1980

In January 1981 the province formally bifurcated the licencing and appeal procedures from the audit and investigation functions. The Gaming Control Branch became responsible for administration and enforcement duties, including audits and the

investigation of licence applications, while the newly created Alberta Gaming Commission was charged with the responsibility for licencing, appeals, public information, public consultation and policy recommendation. This separation of responsibilities remains in place to the present day.

The structures of these organizations are discussed in detail in the section entitled "Regulatory Structure and Administrative Procedures."

GAMING OPERATIONS

The Alberta Gaming Commission issues licences to charitable and religious organizations to conduct and manage four types of legalized gaming: bingos, raffles, casinos and pull-tickets. As the Commission decides each case on an individual basis, it does not have a strict definition of what constitutes a charitable or religious organization. The Commission does, however, have eligibility guidelines for the issuance of licences. An organization seeking a licence must exist primarily for public service or community benefit; membership must be voluntary, and the activities of the organization must be carried out by its members without compensation.

Proceeds from gaming events must be used only for charitable or religious purposes, and these purposes must be clearly identified in the application. Some examples of approved uses of gaming proceeds are: the purchase or rental of equipment, travel, accommodation and meal costs related to the organization's charitable or religious objectives; wages, salaries and fees for services related to the provision of a public service or community benefit, and donations to other approved charitable or religious groups.

General regulations also require that no credit or cheque-cashing privileges be allowed at gaming events.

1. Bingos

The number of bingos have increased rapidly in Alberta, as more organizations use such events as fund-raising vehicles. Many groups, however, must rent equipment and premises, a situation that the Gaming Commission believes can lead to unacceptable expenses for licenced organizations. To address this concern, the Gaming Commission established a set of guidelines for the formation of what are called "bingo associations." These associations allow charitable and religious groups to join together for the purpose of conducting bingos based upon a common program and within a facility used primarily for bingo. These associations serve the following functions:

1. arrange for facility leasing, procurement of supplies, salaried personnel and other items of common interest to member organizations;
2. establish a common bingo program including prize payout, rules of play, and house rules consistent with terms and conditions of licence;
3. schedule events and determine which organizations will conduct them; and
4. maintain proper financial/inventory controls regarding services provided to member organizations.

New bingo associations must be approved by the Gaming Commission. The Commission licences member organizations directly, and they are solely responsible for conducting their bingo operations.

Bingo licences may be issued for a single event or for a series of events over a maximum of twelve months. No bingo program is allowed to include more than seventy-five individual games, and events must be held within the organization's own city, town or community. The organization is required to maintain adequate financial records, and an interim bingo financial report must be submitted to the Gaming Commission

within thirty days following the first six month period of the licence.

The Gaming Commission does not charge licence fees for bingos sponsored by charitable or religious groups, as such gaming activities are the prime fund-raising vehicles for smaller community organizations with limited resources. Licence fees are, however, charged for bingo events at agricultural fairs and exhibitions.

The Gaming Commission suggests guideline targets that gross proceeds from bingo operations be disbursed in approximately the following proportions: sixty-five percent for prizes, twenty-five percent for profits, and ten percent for expenses. The rental of premises is not included in the latter figure.

Volunteer members of the licenced organization or the bingo association must not receive any remuneration for their services. Cashiers and callers can be hired personnel, but they cannot be members of the licenced organization. An individual bingo event may have one caller and up to two cashiers, although the number of cashiers may be adjusted subject to the approval of the Gaming Commission.

There is no limit on bingo playing fees, but there is a limit of \$15,000 on prizes per session.

2. Raffles

The Gaming Commission does not charge licence fees for raffles held by religious and charitable groups, as these gaming events are held primarily by small groups with limited financial means. A licence fee is levied, however, for raffles held at agricultural fairs and exhibitions.

The management and conduct of raffles must be carried out by the sponsoring organization. Ticket sellers cannot be compen-

sated, unless the seller is another approved charitable or religious group that uses the proceeds for an approved purpose.

There are a number of restrictions with regard to the form and distribution of raffle tickets, and raffle tickets must be reviewed by the Gaming Control Branch after they are printed to ensure that the tickets adhere to certain specifications. For example, discount tickets must be coloured differently than non-discount tickets. Moreover, tickets cannot be sold or advertised outside the province, and unsolicited tickets cannot be distributed to the general public. Bearer tickets are not allowed, and sports lottery tickets must contain the results of the sporting event; no choice is given to the participant.

There are also a number of conditions with respect to prizes. All prizes listed must be awarded, and the retail value of the prize(s) must be at least twenty percent of the total ticket value authorized by the licence. With regard to plate dinners or similar schemes, prizes and expenses must not exceed forty and thirty percent respectively of the total ticket value. There is no limit on the number of prizes that can be charged per ticket and no limit on winnings.

The Gaming Commission closely monitors raffles that exceed \$25,000, however, and will not licence raffles expected to be over \$1 million, as it is felt these are competing with true lotteries and it is unlikely to be run solely by the volunteer efforts of the licensee, but would need professional input which the Commission finds unacceptable.

Only expenses related to the management and conduct of the raffle are allowable deductions from gaming revenue.

3. Casinos

Casino gaming in Alberta operates on a scale unequaled in

the rest of Canada. It occurs on a full-time basis, 298 days per year, twelve hours a day at permanent and temporary locations in Calgary and Edmonton (Robinson, 1987). Once the Gaming Commission determines that an organization is eligible and the use for the proceeds is deemed acceptable, a slot within a two month period is assigned on a first-come, first-serve basis. Three months before the start of each of these periods, a public draw is held to assign the specific two day periods to successful applicants. In Calgary and Edmonton, public draws are held every two months.

Casinos must be held within the organization's own city, town or community, and only one public casino will be licenced in any city or town at one time. Calgary and Edmonton are exceptions to this rule where two organizations can be licenced for Fridays and Saturdays. Public casinos are permitted Mondays to Saturdays inclusive and are limited to two days' duration. This rule does not apply to agricultural fairs and exhibition boards. Private casinos, that is, casinos limited to members of the sponsoring organization and their guests, are normally of one day's duration and may be scheduled by the applicant.

A charitable organization is eligible for only one public or private casino licence at a time and may hold no more than one casino in a year. Where an organization has branches or similar related groups with a common objective, only one part of the organization is eligible for a casino licence in any year. Sponsoring groups are charged a licence fee of ten dollars per game per day for casino events. Agricultural fairs are charged twenty dollars per casino game per day.

The Gaming Commission will usually grant licences for thirty tables or games, most of which are blackjack. The betting range for blackjack is one dollar to twenty-five dollars, while the range for wheel of fortune games is twenty-five cents to five

dollars. The betting range for roulette is one to one hundred dollars for the outside, and fifty cents to five dollars for the inside. There is no limit on total winnings.

Once an organization has received a casino licence, it must engage the service of one of a small number of professional games management companies which provide the facilities and equipment required. Organizations entering into casino sponsorship usually have very little experience. Consequently, it is necessary for them to hire outside firms for professional help and equipment. The Gaming Commission has chosen to impose minimal regulations on casino equipment and professional services supplied through the private sector. Fees that casino operators can charge for their equipment and services are left to market forces. Sponsoring organizations, however, are actively encouraged by the Commission to seek the lowest price from competing equipment suppliers.

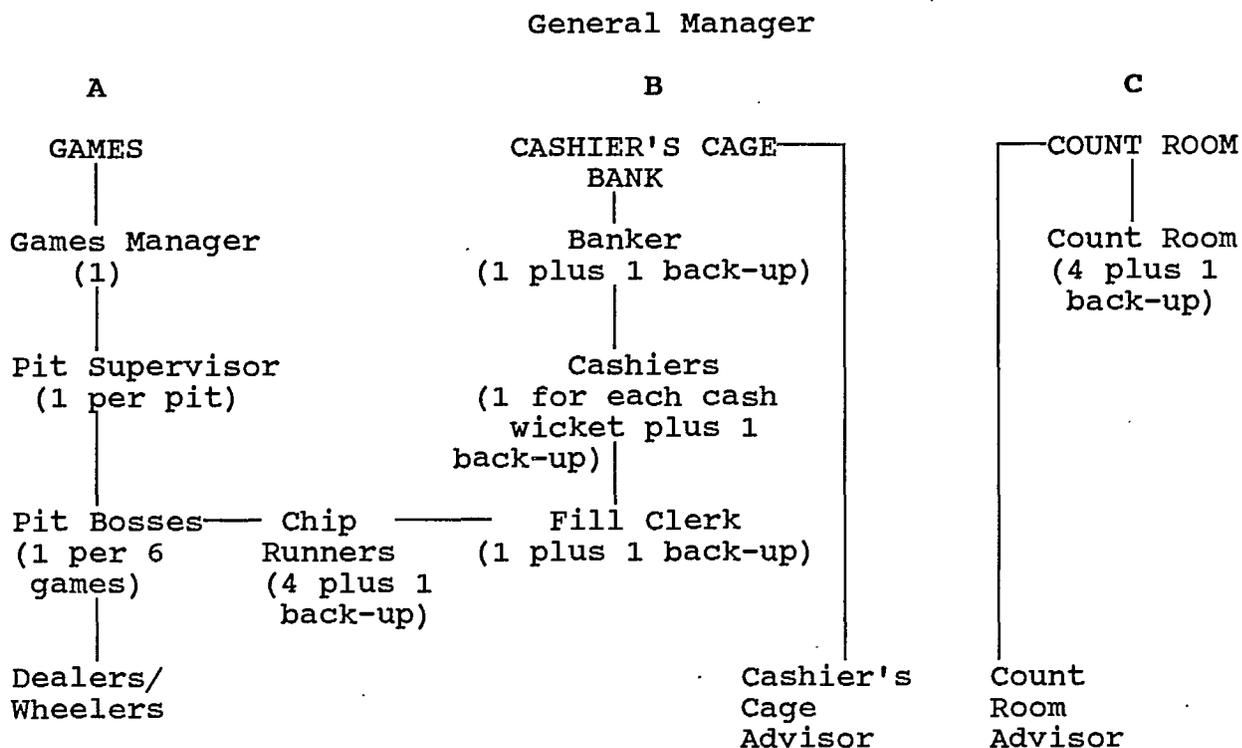
The cost of equipment and services is fixed in advance, thus placing the organization at risk if it is not able to recover its costs. Moreover, groups must provide the initial "float" or bankroll. The size of the float is regulated by the "Terms and Conditions" of the licence and must be at least \$1650 per game per day (Jose Ville-Arce, correspondence, 1988).

Sponsoring groups usually contract casino firms for the following positions: dealer, wheeler, pit boss, pit supervisor and games managers. There is also an advisor in the cashier cage and another in the counting room. All other positions must be staffed by unpaid volunteers from the organization's membership roster (Alberta Attorney General, 1979).

Figure 1 presents a casino organization chart which outlines the three distinct areas during a casino event: games area, cashier's cage, and the count room.

Figure 1

CASINO ORGANIZATION CHART



- Persons working in positions (B) and (C) can work full-time from opening to closing, or in shifts depending on the hours of operation. If there are to be shifts, the number of persons required for positions in (B) and for Chip Runners must be multiplied by the number of shifts. This does not apply to back-ups).
- A person designated as a back-up is required at the casino only if the regular appointee to the specified position is not available.
- Security arrangements are the responsibility of the licencees. Only peace officers or persons licenced pursuant to the Private Investigators and Security Guards Act may provide this service.

4. Pull-Tickets

Licences are issued on an annual basis, and pull-ticket operations are levied a licence fee of one percent of gross sales. There is no limit on ticket prices or maximum payoffs;

however, expenses for the management and sale of pull-tickets must not exceed ten percent of gross revenue less prize money and cost of tickets. ¹

The management and sale of pull-tickets by the licensee must not be delegated to another organization, and ticket sales are restricted to the organization's premises. The premises, whether owned or rented, must be the facility from which the organization regularly conducts its charitable and/or religious activities.

Inspectors from the Gaming Control Branch must have access to both sold and unsold pull-tickets for the purposes of audit. Tickets can be confiscated by the inspector for further examination.

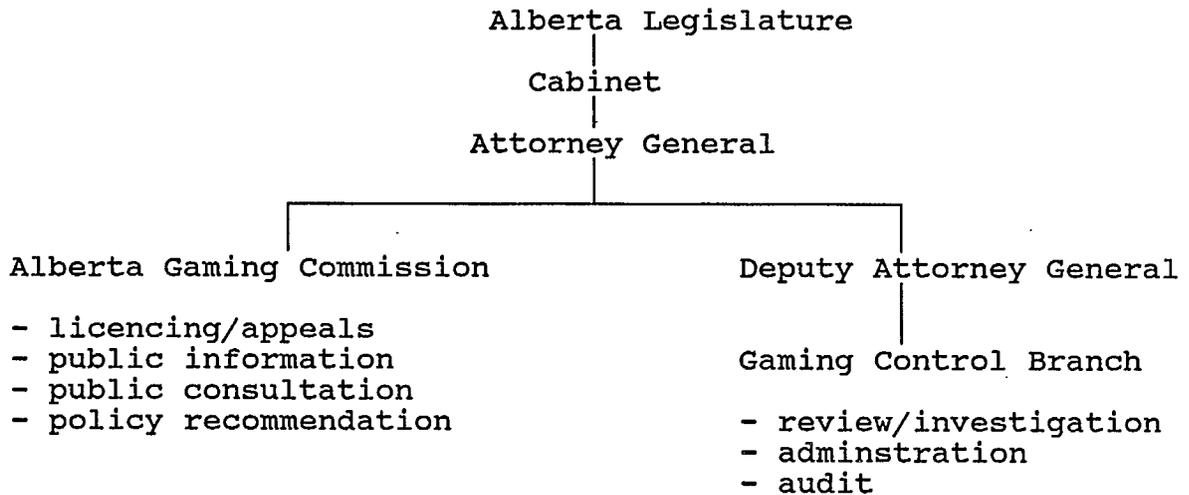
REGULATORY STRUCTURE AND ADMINISTRATIVE PROCEDURES

Alberta divides the regulation of gaming between the Alberta Gaming Commission and the Gaming Control Branch. The headquarters for both of these organizations is in Edmonton, and both organizations report to the Provincial Attorney General. The Gaming Commission is charged with the formal authority for licence issuance; however, the review, investigation and audit functions are carried out by the Gaming Control Branch. The Commission is viewed as providing direct information and assistance to the community while the Gaming Control Branch's role is more enforcement oriented. The Commission also assumes the role of neutral adjudicator when it hears licence appeals and provides for extensive public consultation before policy change recommendations are advanced. Figure 2 presents the organizational structure of gaming regulation in Alberta.

¹ As of 1988 new standards are in force licencing pull-tickets. No individual winning ticket can be valued at more than \$100.00, and the winning tickets cannot be identified by differences in colour quality or any other physical difference.

Figure 2

STRUCTURE OF GAMING REGULATION IN ALBERTA



Source: Alberta Gaming Commission

1. Alberta Gaming Commission

The Commission was established by Order-in-Council 124/81 to issue licences for the conduct of lotteries in accordance with Section 190 [1](c), (d) and (e) of the Criminal Code.

The Commission consists of a full-time contract chairperson and six part-time members who are paid on a per diem basis. All members of the Commission are appointed to fixed terms of one, two or three years by Order-in-Council. There is a policy of regional representation on a north-south basis, with two commissioners from Calgary and Edmonton and one each from Lethbridge and Grande Prairie. To be considered for an appointment, candidates must have been active in community work and associated with charitable and community organizations. The chairperson reports directly to the Attorney General.

2. Gaming Control Branch

The Gaming Control Branch reviews and makes recommendations on gaming licence applications; these applications are then forwarded to the Commission for approval. In addition to its

review/investigatory role, the Branch performs an audit function and most of the administrative work for the Gaming Commission.

The Branch is composed of thirty-five permanent employees and up to five temporary staff. Of this total, nine positions are for inspectors and six for auditors. Branch inspectors are special constables with authority to investigate all criminal activity arising from licenced gaming. The Branch is authorized to request technical assistance from the police through the auspices of the Attorney General. One temporary and six permanent positions are located in the Calgary office. Legal opinions are obtained from the criminal justice lawyers within the Department of the Attorney General. Gaming Control is a Branch of the Criminal Justice Division of the Department of the Attorney General.

Throughout the year inspectors undertake routine cyclical audits of charitable and religious organizations. The inspectors meet once every three years with the organization representatives, discuss the organization's management problems and review the financial reporting of their gaming events. The Branch believes that this field work helps to make the inspectors more responsive to the requirements of the charities.

3. Licencing Procedures

Applications are first sent to the records area of the Gaming Control Branch where they are checked against any previous applications. The file is then assigned to a reviewer who specializes in either bingos, raffles, casinos or pull-tickets. If the organization has not filed a financial report for its last licenced event within the required sixty day period, the reviewer will find a "stop" attached to the organization's file. A letter of reminder is then sent to the organization, and if there is no response, the organization is then contacted by telephone. Should the organization subsequently fail to file its financial report, no further licences are issued.

To establish the eligibility of a sponsoring organization, the reviewer looks at two aspects of the application: the structure of the organization and intended use of the proceeds. For the most part, the organization should be staffed by volunteers, and policy and decision-making powers should reside with them. The reviewer also ensures that the benefits do not accrue to specific individuals in the organization but rather have a wider community impact.

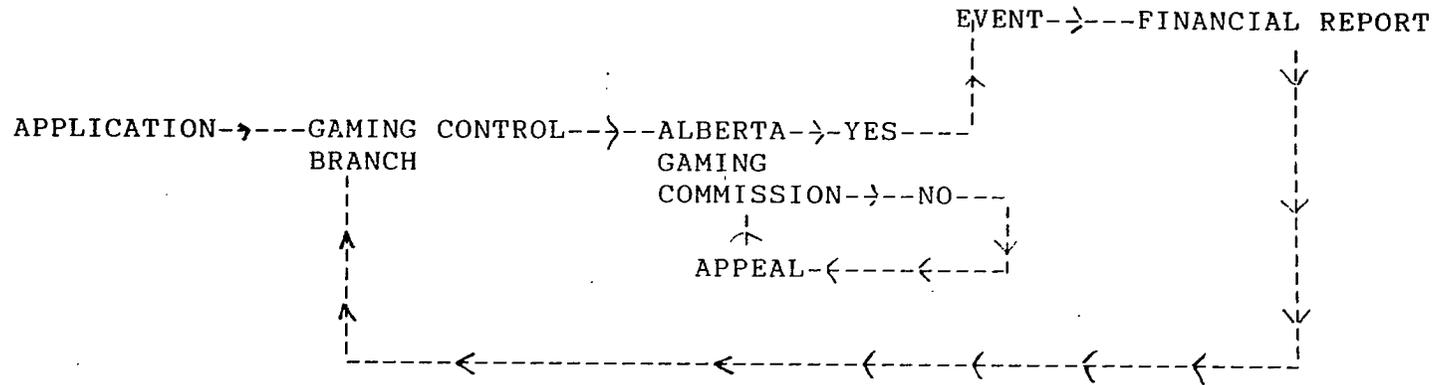
After the application has been processed by the Branch, recommendations are sent to the Gaming Commission. Based on these recommendations, a decision is reached by the Commission as to whether the licence will be issued. Where warranted, the Commission may attach certain operating conditions to a licence. If the application is rejected, the Commission states the reasons in writing and gives the applicant an opportunity to present its case at a public hearing.

The Gaming Commission hears appeals twice a month. The hearings are informal in structure; however, the applicant is permitted to have legal representation. During the hearing, the Gaming Control Branch presents its concerns and the applicant responds. The Commission cannot compel a witness to testify or place them under oath. Applicants are, however, permitted to dispute information presented by the Branch. At the conclusion of the hearing, the Commission provides a written record of the reasons for its decision.

A flowchart of the licencing process is presented in Figure 3.

In 1985 the Commission heard 164 appeals, most involving either a question of charitable status or use of proceeds. Table 1 presents a summary of the Commission's hearings from 1982 to 1985.

Figure 3.
The Licencing Process*



Note: Applicants must make a separate application for each Gaming Event.

Source: Alberta Gaming Commission staff

TABLE 1
SUMMARY OF HEARINGS BY ALBERTA GAMING COMMISSION

	1982	1983	1984	1985
CASELOAD FOR HEARINGS				
Decisions	113	131	184	160
Applications withdrawn	n/a	2	7	7
Deferred decisions	<u>n/a</u>	<u>9</u>	<u>3</u>	<u>4</u>
TOTAL	113	142	194	171
TYPE OF ISSUES				
Charitable status	64	71	87	79
Suitable use of funds	42	27	49	43
Eligibility for casino licence	5	12	14	21
Terms and conditions of licence	18	21	45	25
Large ticket value raffles	-	5	1	2
Proposed bingo associations	-	10	16	5
Registration status/casino personnel	3	4	3	6
TOTAL NUMBER OF CASES REVIEWED*	113	140	187	164
DECISIONS FOLLOWING HEARINGS**				
Licences approved				
Bingo	21	172	215	114
Casino	29	25	28	24
Raffle	17	27	32	16
Pull-ticket	<u>7</u>	<u>4</u>	<u>8</u>	<u>3</u>
TOTAL	74	228	283	157
Licences not approved				
Bingo	13	15	33	13
Casino	17	18	19	26
Raffle	17	17	18	19
Pull-ticket	<u>25</u>	<u>7</u>	<u>10</u>	<u>6</u>
TOTAL	72	57	80	64
Policy Issues				
Approved	1	1	0	n/a
Not approved	<u>1</u>	<u>0</u>	<u>1</u>	<u>n/a</u>
TOTAL	2	1	1	n/a
Casino Staff Registration				
Approved	2	1	-	n/a
Not approved	<u>1</u>	<u>3</u>	<u>3</u>	<u>n/a</u>
TOTAL	3	4	3	n/a

* Not equal to sum of issues as each case may involve more than one issue.

** Not equal to sum of cases reviewed as each case may involve more than one licence.

Source: Alberta Gaming Commission. Annual Review. 1984 and 1985.

GAMING: FACTS AND FIGURES

The following figures and analyses are based on information from the Alberta Gaming Commission.

1. Licences

An indication of the growth of gaming in Alberta can be ascertained by looking at the number of licences issued from 1983 to 1985.

Table 2
GAMING LICENCES AND LICENCE FEES IN ALBERTA

	1983	1984	1985
Licences Issued			
Bingo	1,536	1,858	2,001
Raffles	3,277	3,413	3,397
Casino	544	552	575
Pull-Ticket	469	580	671
TOTAL LICENCES	<u>5,826</u>	<u>6,403</u>	<u>6,644</u>
Licence Fees Collected^a	\$1,212,151	\$1,315,075	\$1,400,222

^a Licence fees are not levied for bingos and raffles held by charitable and religious groups.

2. Gross Revenues

During the period from 1974 to 1985, gross revenues from gaming in Alberta rose from \$7 million to \$344 million. As Figure 4 demonstrates, the total gross in 1985 yielded net profits to sponsoring organizations of nearly \$61.4 million, an increase of 16.5 percent over 1984. These statistics show that religious and charitable organizations have generated significant sums of money through gaming and that this trend is still increasing.

3. Bingo Revenues

As Figure 5 shows, gross revenue from bingos rose dramatically between 1981 and 1985 from just over \$40 million to \$122.5 million. The continued growth in bingo operations was most

Figure 4
Gaming Statistics
(Compiled by Audit Section, Gaming Control Branch, Department of the Attorney General)

	Licences	Events*	\$ Licence Fees	\$ Total Gross	\$ Prizes/Winnings	%	\$ Expenses	%	\$ Net Profit	%
1983										
Bingo	1,536	32,345	—	54,310,548	37,941,009	69.8	5,415,060	10.0	10,954,479	20.2
Casino	544	1,086	330,540	87,168,224	67,751,003	77.7	8,754,891	10.1	10,662,330	12.2
Raffle	3,277	8,146	23,350	17,125,752	7,388,158	43.1	2,188,789	12.8	7,548,805	44.1
Pull Ticket	469	469	858,261	85,957,080	63,595,823	74.0	5,169,899	6.0	17,191,358	20.0
TOTAL	5,826	42,046	1,212,151	244,561,604	176,675,993	72.2	21,528,639	8.8	46,356,972	19.0
1984										
Bingo	1,858	37,158	100	86,526,008	60,717,483	70.2	10,485,739	12.1	15,322,786	17.7
Casino	552	1,108	347,930	92,104,459	72,154,429	78.3	9,251,341	10.1	10,698,689	11.6
Raffle	3,413	9,807	20,550	17,938,091	7,676,949	42.8	2,377,213	13.2	7,883,929	44.0
Pull Ticket	580	580	946,495	94,206,965	69,726,063	74.0	5,681,628	6.0	18,799,274	20.0
TOTAL	6,403	48,653	1,315,075	290,775,523	210,274,924	72.3	27,795,921	9.6	52,704,678	18.1
1985										
Bingo	2,001	39,720	—	122,543,089	86,591,782	70.7	15,191,439	12.4	20,759,868	16.9
Casino	575	1,154	356,830	102,266,315	79,831,902	78.1	9,675,661	9.4	12,758,752	12.5
Raffle	3,397	10,098	20,000	17,738,146	7,749,384	43.7	2,352,084	13.3	7,636,678	43.0
Pull Ticket	671	671	1,023,392	101,562,970	75,193,635	74.0	6,124,783	6.0	20,244,552	20.0
TOTAL	6,644	51,643	1,400,222	344,110,520	249,366,703	72.5	33,343,967	9.7	61,399,850	17.8

*For bingo, this represents the number of sessions; for casinos, the number of days; for raffles, the number of draw dates, and for pull-tickets, the number of licences.

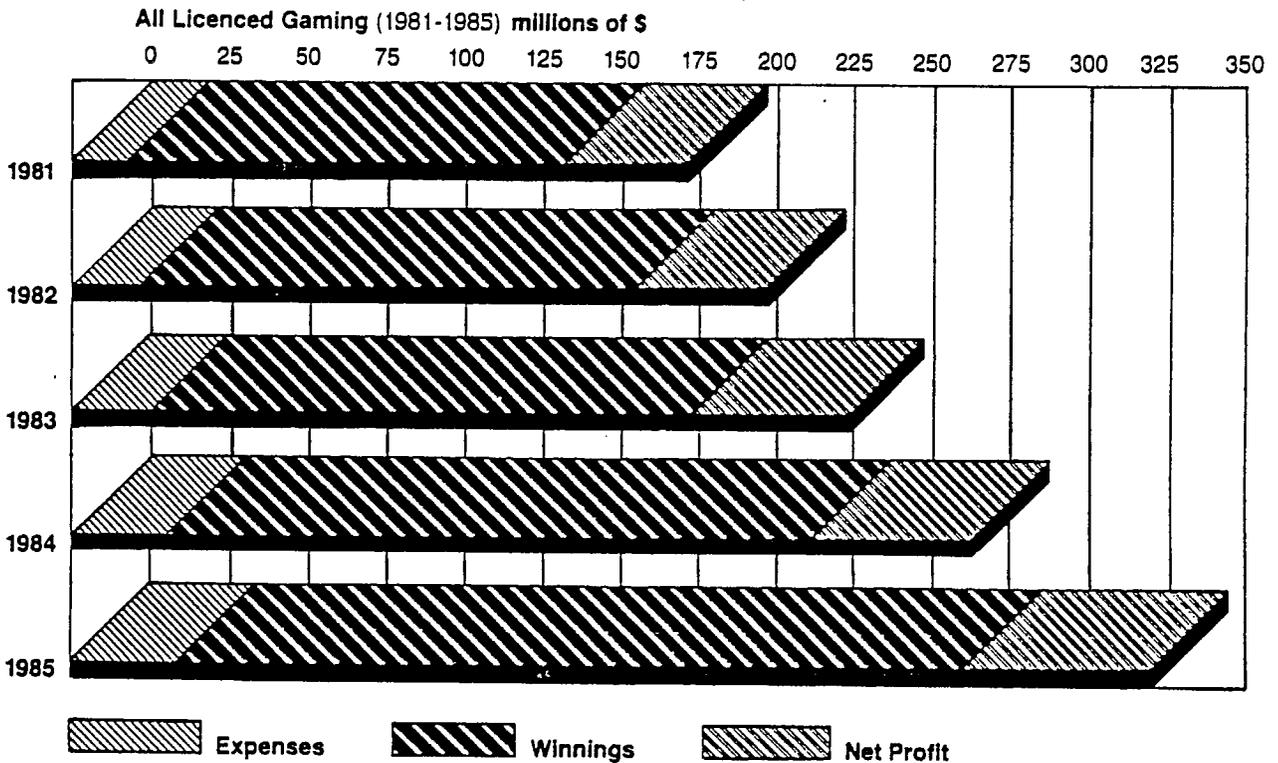
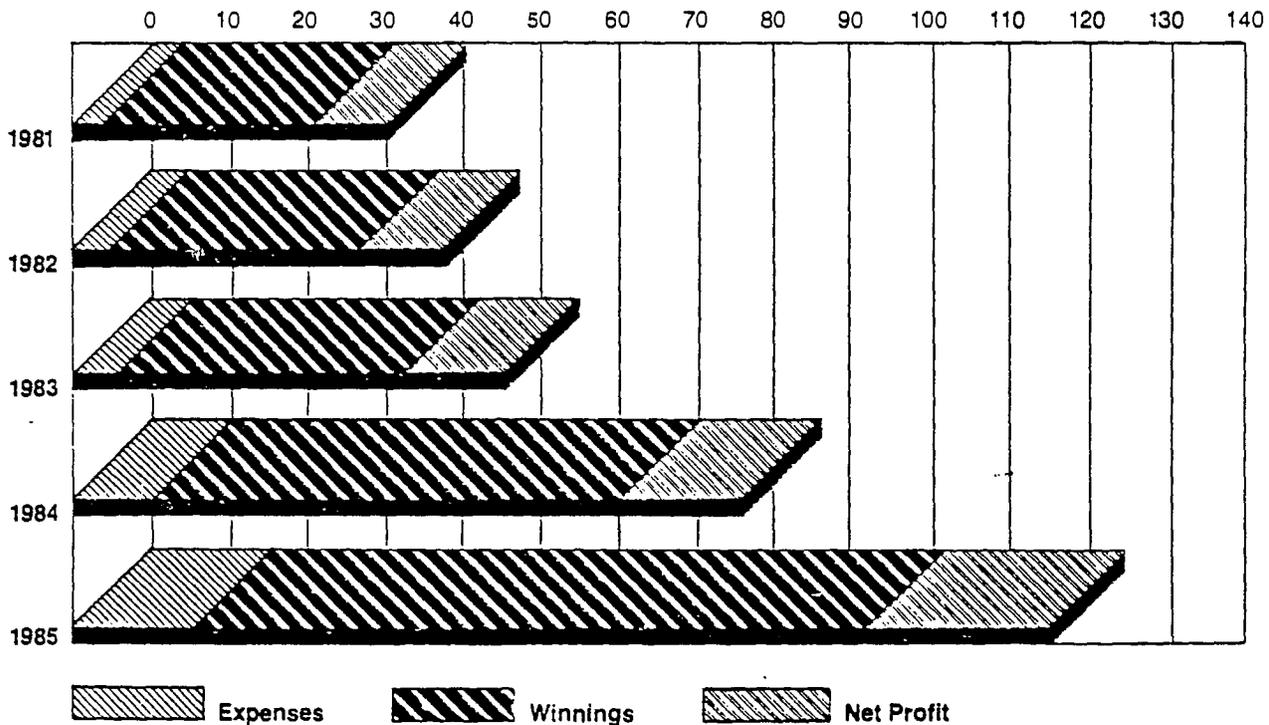


Figure 5

Licenced Bingos 1983-1985

	Licences	Events	\$ Licence Fees*	\$ Total Gross	\$ Prizes/Winnings	%	\$ Expenses	%	\$ Net Profit	%
1983										
Edmonton	398	7,838	—	27,613,210	19,071,433	69.1	3,060,598	11.1	5,481,179	19.8
Calgary	120	6,009	—	7,813,792	6,171,185	79.0	643,571	8.2	999,036	12.8
Others	1,018	18,496	—	18,863,546	12,698,391	67.2	1,710,891	9.1	4,474,264	23.7
TOTAL	1,536	32,345	—	54,310,548	37,941,009	69.8	5,415,060	10.0	10,954,479	20.2
1984										
Edmonton	607	9,122	100	41,344,544	28,756,417	69.6	5,136,748	12.4	7,451,379	18.0
Calgary	179	8,119	—	20,636,464	15,221,287	73.8	3,056,894	14.8	2,358,283	11.4
Others	1,072	19,917	—	24,545,000	16,739,779	68.2	2,292,097	9.3	5,513,124	22.5
TOTAL	1,858	37,158	100	86,526,008	60,717,483	70.2	10,485,739	12.1	15,322,786	17.7
1985										
Edmonton	618	9,717	—	53,620,030	37,956,324	70.8	6,792,028	12.7	8,871,678	16.5
Calgary	204	7,939	—	31,013,918	22,163,173	71.4	4,360,592	14.1	4,490,153	14.5
Others	1,179	22,064	—	37,909,141	26,472,285	69.8	4,038,819	10.7	7,398,037	19.5
TOTAL	2,001	39,720	—	122,543,089	86,591,782	70.7	15,191,439	12.4	20,759,866	16.9

*For agricultural fairs and exhibition boards only

Bingos (1981-1985)
millions of \$

apparent between 1984 and 1985 where the total gross revenue and net profit increased by 41.6 percent and 35.5 percent respectively. Figure 5 also shows that there is a decrease in the percent of revenues allocated for charitable purposes. This is attributable to higher administrative costs and larger prize payouts.

4. Raffle Revenues

As Figure 6 demonstrates, total gross revenues from raffles have increased from approximately \$11 million in 1981 to \$17.7 million in 1985. Between 1984 and 1985, however, the total gross revenue and net profit declined slightly. In 1985, total gross revenue was \$17.7 million, while net profit was \$7.6 million, a decline of 1.1 percent and 3.1 percent respectively.

5. Casino Revenues

As Figure 7 demonstrates, from 1981 to 1985 total gross revenue from casino operations grew from approximately \$78 million to \$102.2 million. Moreover, casino revenues and profits continue to experience significant growth, as evidenced by the increase in revenue and profits between 1984 and 1985 of 11 percent and 19.2 percent respectively.

6. Pull-Ticket Revenues

Figure 8 shows that the total gross revenue from pull-ticket sales has grown from less than \$70 million in 1981 to over \$100 million in 1985. Between 1984 and 1985, gross revenues and net profits increased by 7.8 percent and 7.7 percent respectively. This increase is attributable to growth in pull-ticket operations outside the two largest urban centres of Calgary and Edmonton.

Figure 6

Licenced Raffles 1983-1985

	Licences	Events	\$ Licence Fees*	\$ Total Gross	\$ Prizes/Winnings	%	\$ Expenses	%	\$ Net Profit	%
1983										
Edmonton	491	1,292	7,600	3,972,974	1,619,193	40.8	517,256	13.0	1,836,525	46.2
Calgary	307	1,433	10,600	3,464,510	1,373,640	39.6	646,394	18.7	1,444,476	41.7
Others	2,479	5,421	5,150	9,688,268	4,395,325	45.4	1,025,139	10.6	4,267,804	44.0
TOTAL	3,277	8,146	23,350	17,125,752	7,388,158	43.1	2,188,789	12.8	7,548,805	44.1
1984										
Edmonton	521	1,251	7,700	4,980,820	2,284,280	45.9	763,856	15.3	1,932,684	38.8
Calgary	364	2,801	10,600	3,634,598	1,347,580	37.1	743,317	20.4	1,543,701	42.5
Others	2,528	5,755	2,250	9,322,673	4,045,089	43.4	870,040	9.3	4,407,544	47.3
TOTAL	3,413	9,807	20,550	17,938,091	7,676,949	42.8	2,377,213	13.2	7,883,929	44.0
1985										
Edmonton	490	1,040	7,600	4,530,778	2,130,057	47.0	710,463	15.7	1,690,258	37.3
Calgary	355	2,343	11,000	3,496,335	1,203,955	34.4	741,800	21.2	1,550,580	44.4
Others	2,552	6,715	1,400	9,711,033	4,415,372	45.5	899,821	9.2	4,395,840	45.3
TOTAL	3,397	10,098	20,000	17,738,146	7,749,384	43.7	2,352,084	13.3	7,636,678	43.0

*For agricultural fairs and exhibition boards only.

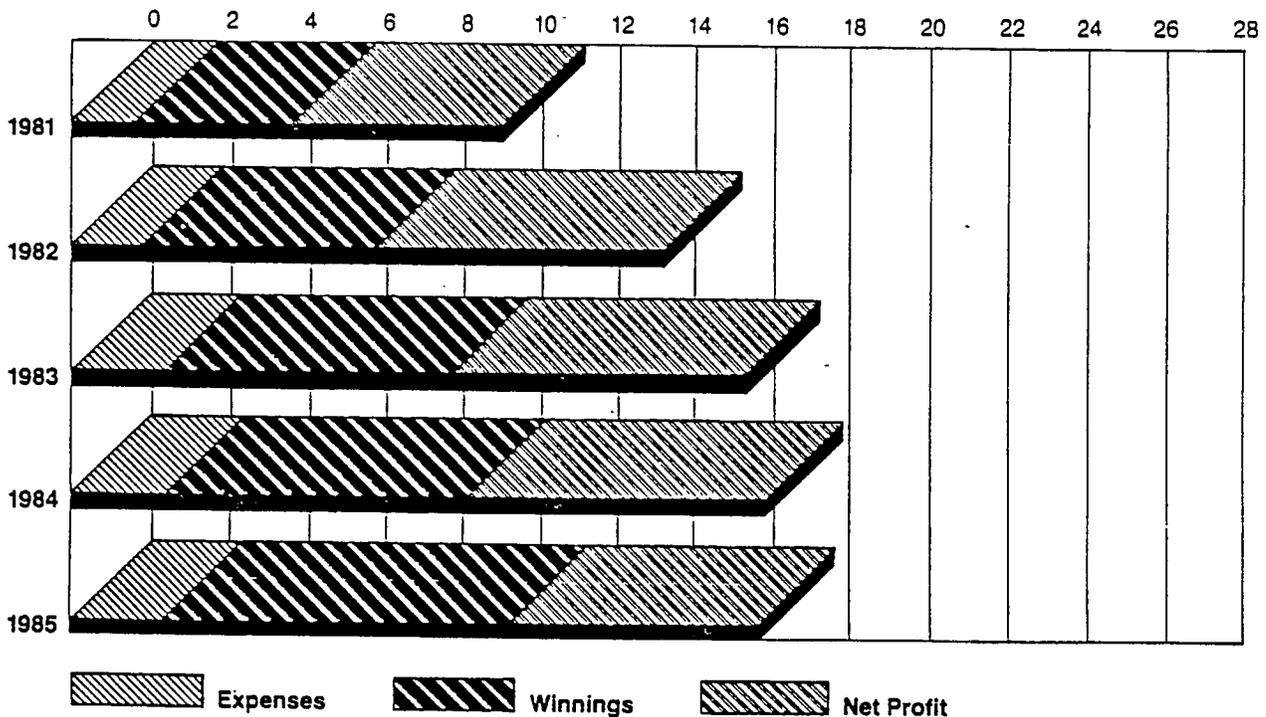
Raffles (1981-1985)
millions of \$

Figure 7

Licenced Casinos 1983-1985

	Licences	Events	\$ Licence Fees	\$ Total Gross*	\$ Prizes/Winnings	%	\$ Expenses	%	\$ Net Profit	%
1983										
Edmonton	193	390	143,230	39,918,711	30,804,662	77.2	3,564,946	8.9	5,549,103	13.9
Calgary	187	381	142,100	41,233,183	32,486,057	78.8	4,213,022	10.2	4,534,104	11.0
Others	164	315	45,210	6,016,330	4,460,284	74.1	976,923	16.2	579,123	9.7
TOTAL	544	1,086	330,540	87,168,224	67,751,003	77.7	8,754,891	10.1	10,662,330	12.2
1984										
Edmonton	196	396	145,650	41,138,480	32,016,640	77.8	3,665,553	8.9	5,456,287	13.2
Calgary	194	395	152,150	43,973,586	34,873,889	79.3	4,520,315	10.3	4,579,382	10.4
Others	162	317	50,130	6,992,393	5,263,900	75.3	1,065,473	15.2	663,020	9.5
TOTAL	552	1,108	347,930	92,104,459	72,154,429	78.3	9,251,341	10.1	10,698,689	11.6
1985										
Edmonton	193	392	144,570	45,154,450	35,041,155	77.6	3,742,636	8.3	6,370,659	14.1
Calgary	194	394	153,750	48,463,121	38,217,173	78.9	4,611,219	9.5	5,634,729	11.6
Others	188	368	58,510	8,648,744	6,573,574	76.0	1,321,806	15.3	753,364	8.7
TOTAL	575	1,154	356,830	102,266,315	79,831,902	78.1	9,675,661	9.4	12,758,752	12.5

*For casinos, gross equals drop — the total of money spent to purchase chips.

Casinos (1981-1985)
millions of \$

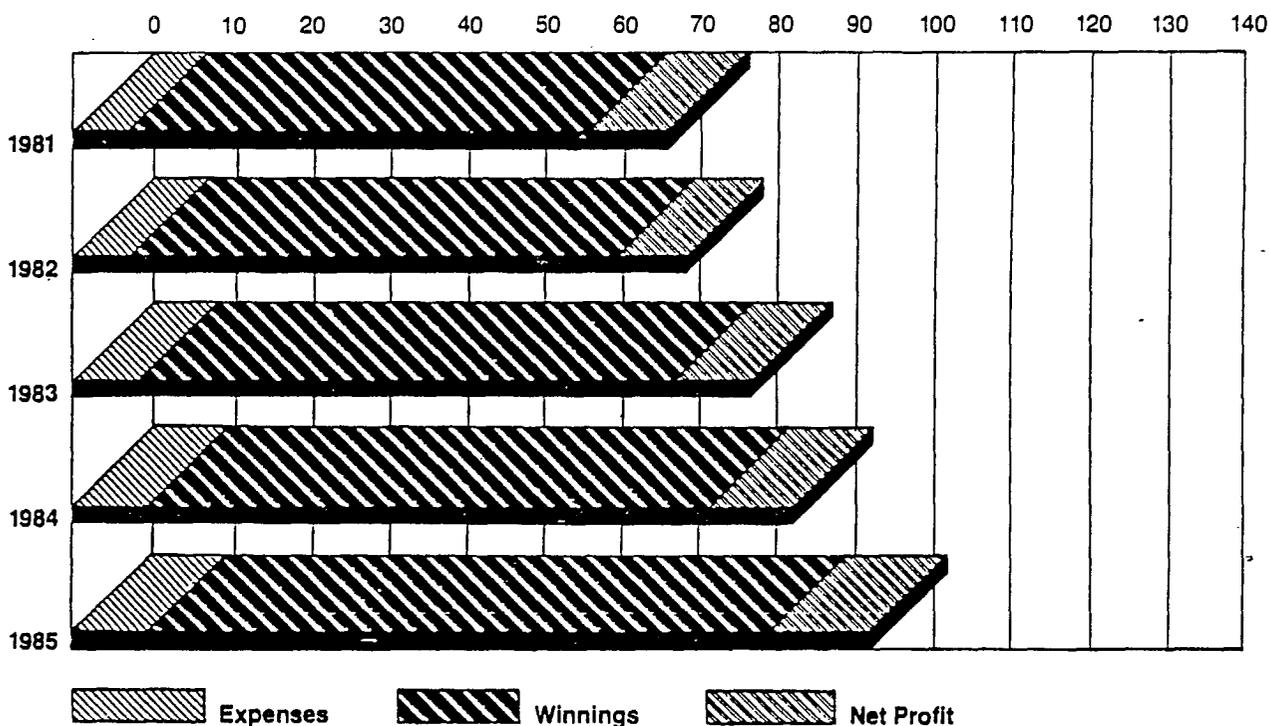
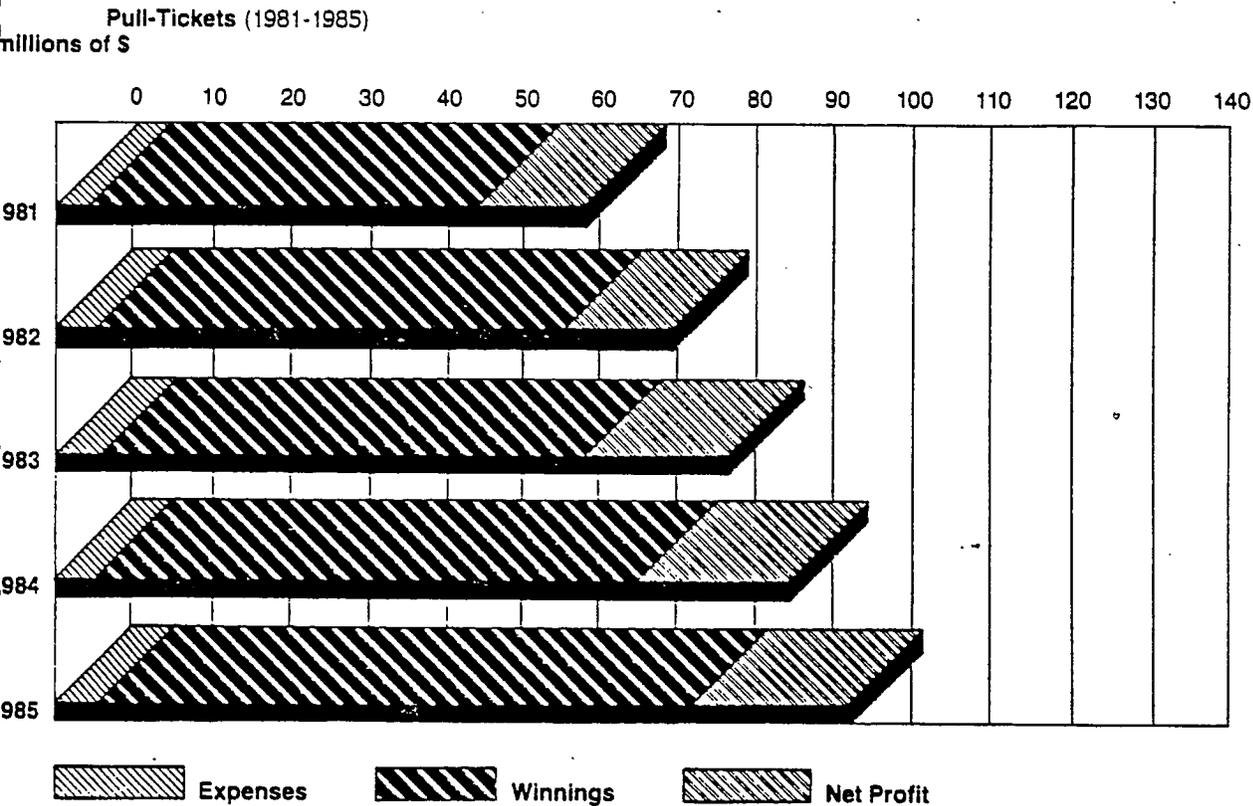


Figure 8

Licensed Pull-Tickets 1983-1985

	Licences	Events	\$ Licence Fees	\$ Total Gross	\$ Prizes/Winnings	%	\$ Expenses	%	\$ Net Profit	%
1983										
Edmonton	21		114,128	11,603,853	8,662,040	74.6	719,024	6.2	2,222,789	19.2
Calgary	126		329,605	33,232,886	24,421,999	73.5	1,950,938	5.9	6,859,949	20.6
Others	322		414,528	41,120,341	30,511,784	74.2	2,499,937	6.1	8,108,620	19.7
TOTAL	469	—	858,261	85,957,080	63,595,823	74.0	5,169,899	6.0	17,191,358	20.0
1984										
Edmonton	37		126,668	12,627,507	9,420,490	74.6	785,749	6.2	2,421,268	19.2
Calgary	134		324,294	32,352,378	23,713,875	73.3	1,925,757	6.0	6,712,746	20.7
Others	409		495,533	49,227,080	36,591,698	74.3	2,970,122	6.1	9,665,260	19.6
TOTAL	580	—	946,495	94,206,965	69,726,063	74.0	5,681,628	6.0	18,799,274	20.0
1985										
Edmonton	32		134,158	13,384,032	9,986,688	74.6	816,105	6.1	2,581,239	19.3
Calgary	143		339,415	33,653,160	24,799,329	73.7	1,994,070	5.9	6,859,761	20.4
Others	496		549,819	54,525,778	40,407,618	74.1	3,314,608	6.1	10,803,552	19.8
TOTAL	671	—	1,023,392	101,562,970	75,193,635	74.0	6,124,783	6.0	20,244,552	20.0



TRUE LOTTERIES

As the Province of Alberta is a member of the Western Canada Lottery Corporation, its true lotteries are managed and conducted by the Lottery Corporation. Western Express and Lotto West lottery games are conducted solely by the Lottery Corporation, while the Provincial, Super Lotto and Lotto 6/49 are conducted in co-operation with the Interprovincial Lottery Corporation. Instant Games are not available in Alberta. ²

In fiscal 1984-85, the Lottery Corporation recorded ticket sales of \$483.5 million, of which \$166.5 million was distributed in profits to the member provinces and territories. Alberta's share amounted to \$42.4 million, up from \$30.3 million in fiscal 1983-84.

The province uses its lottery revenues to fund cultural and recreational foundations and organizations. In fiscal year 1984-85, the province also provided start-up funding to the Wild Rose Foundation to help non-profit societies unable to obtain other forms of funding. During the same year, the International Year of Youth Projects, the Calgary Exhibition and Stampede Limited and the Edmonton Northlands also received monies to continue capital projects (Western Canada Lottery Foundation, 1985).

² Instant Games have been available in Alberta since 1986.

CONCERNS AND FUTURE TRENDS

There are several issues that gaming decision-makers in Alberta will face in the coming years. These include: the development of world-class casinos, a possible conflict of interest resulting from the movement of law enforcement gaming specialists into the casino industry, the demand for sports pool picks, the continued increase in bingos, the growing dependence on gaming revenues, gambling on Indian reserves, and carnival gaming.

1. World-Class Casinos

The term "world-class casinos" refers to the large European style casino operations such as those in Monte Carlo. At present, casinos in Alberta emphasize the gambling aspect of the event with relatively little attention being paid to the ambience of the casino itself. Some interested parties have advocated the establishment of more luxurious casinos that would cater to tourists and those concerned with the social aspects of gambling. It has been suggested that such casinos would not have an adverse effect on current casinos and would in fact generate additional monies for charity (Rondeau, 1985).

Although a number of private individuals and municipal politicians have advocated such operations, there remain a number of unresolved problems. These include:

1. although the Criminal Code and provincial policy with respect to gaming do not prevent upgrading, expansion would be necessary to cover the increased costs. This would contravene provincial policy on the absolute size of casinos;
2. games which involve dice such as "craps" are prohibited by the Criminal Code. The absence of such dice games would reduce the international appeal of Canadian casinos;
3. table betting limits may be too low to appeal to more affluent patrons;

4. regulations dealing with alcohol and hours of operation may be compromised in order to attract gamblers; and
5. there is some debate as to how the profits should be split among the charities. Some municipal politicians have suggested that proceeds might be used to establish urban parklands or an art centre (Standing Policy Committee on Intergovernmental Affairs, 1984). On the other hand, the Gaming Commission believes that only religious and charitable groups should benefit from gaming, and gaming revenues should not be pooled into the more general funds of municipalities. The Gaming Commission does believe, however, that the upgrading of a casino facility to world-class status may be possible.

Another trend in casino gaming in Alberta is the establishment of permanent revenue-sharing casinos sponsored by a group of charities. At present, proposals have been submitted by amalgamated charitable groups in Edmonton and Calgary. In Edmonton, 170 charities united to request a permanent casino at the City's convention centre. As of February 1987, the Gaming Commission had not reached a decision on these proposals. ³

2. Law Enforcement and the Casino Industry

The movement of former law enforcement officers into the casino industry is another potential area of concern. It is a continuing and significant trend in Alberta, as well as in other parts of the country, because in many cases police gaming specialists are the people most familiar with the intricacies of casino operations and enforcement. While it may not involve a conflict of interest, it does involve a loss of law enforcement expertise.

In some instances the expertise moves into a regulatory function at another level of government, but in other instances

³ The Alberta Gaming Commission, in its 1986 Annual Review, did not accept the concept of "world-class" casinos.

the expertise moves to the industry itself. This expertise becomes an extremely valuable commodity in an expanding casino marketplace. It should be noted that Alberta has not implemented conflict of interest restrictions such as those in New Jersey that bar enforcement or political personnel from leaving their respective organizations to immediately enter casino management (Beare and Hampton, 1984).

3. Sports Pool Picks

There is a growing number of requests to licence sports pools where players would be able to choose their "picks." At present, Alberta licences only those sports pools where ticket buyers do not know their choice. It is argued that a no-choice betting system discourages the deliberate manipulation of the outcome of sporting events for the advantage of a certain group. Despite the demand of this type of betting arrangement, the Gaming Commission does not plan to change its policy in the near future. ⁴

4. Increase in Bingo

With regard to future trends pertaining to specific types of gaming, it is expected that bingos will continue to be a popular fund-raising vehicle and that more groups will combine to form bingo associations. Indeed, the sheer number of bingo licence requests is viewed by Gaming Commission staff as problematic in terms of administration (Villa-Arce, 1986).

While Alberta exercises extensive control over its casino operations, bingos are less carefully regulated. Bingo hall owners have organized groups of charities into "associations" which collectively share the licencing and revenue (Robinson, 1987). Alberta has introduced expense limits, a regulated prize

⁴ The Commission is now studying the possibility of having sports betting in Alberta.

board, and a prohibition against pyramid jackpots which apply only the bingo associations and not to the small community bingos. These restrictions are intended to provide the Gaming Commission with greater control over bingo in the province.

5. Gambling on Indian Reserves

Several police investigations have been conducted into illegal bingo operations on Alberta Indian reserves. Preliminary reaction by representatives of the Alberta Attorney General's Department is to continue a policy of strict enforcement.

6. Carnival Gaming

While this report will not address carnival gaming in each province, carnival activity in Alberta is particularly significant. The annual exhibitions held at Calgary and Edmonton are larger than most events in North America. Conklin Shows operate in both Calgary and Edmonton and have recently introduced carnival games which would normally be seen only in a casino setting (Robinson, 1987). The aim is to compete effectively with the casinos operating on the grounds of the fair.

From a law enforcement perspective, the carnival games of concern are roulette and SIC-BO, which have been adapted to qualify for the wheel of fortune exemption for carnival operators under Section 189(3) of the Criminal Code. In the case of roulette, the customer can buy an unlimited quantity of gaming chips, and betting limits are identical to limits offered in casinos, that is, five dollars on inside bets and one hundred dollars on outside bets. The combination of inside and outside bets can amount to payouts in excess of \$1,330 after one spin of the wheel. With regard to SIC-BO, one specific bet of twenty dollars can result in a payout of \$3,000. Potential payouts of this magnitude require that such games be carefully regulated by highly skilled law enforcement officers.

7. Dependence on Gaming Revenues

The long term effect of gaming on charitable fund raising is also a concern. Over time, religious and charitable groups become increasingly dependent on the revenues generated by gaming. Moreover, government funding bodies, once relieved of the burden of funding community organizations, may be resistant to changes in gaming regulations that are seen to strengthen regulations. The economic realities of widespread charity gaming may override a concern for any social costs associated with the activity.

Some Alberta media reports suggest that reliance on gaming revenues decreases the number of more community-oriented fund-raising activities such as bake sales and car washes. Such reports have also suggested that the elimination of these more direct and participatory forms of fund raising will over time cause people to disassociate the reason for the gaming event -- to raise money for a worthy cause -- from the activity itself.

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PART ONE: LEGALIZED GAMING IN WESTERN CANADA

CHAPTER THREE: SASKATCHEWAN

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INTRODUCTION

Like the other Western provinces, Saskatchewan has experienced a steady growth in gaming over the last decade. This growth has raised concerns about the adequacy of existing regulatory controls to properly manage the industry and to ensure that needy charities rather than private entrepreneurs receive the benefits from gaming activities in the province.

These concerns led in 1985 to the creation of a province-wide inquiry into bingo operations, and Saskatchewan is currently in the process of reshaping its regulatory system to better control its expanding gaming industry.

HISTORICAL PERSPECTIVE

1. The Period 1970 to 1977

Charity gaming was carried out on an informal and unlicensed basis in Saskatchewan until 1970, at which time the Department of the Attorney General was made responsible for the regulation of gaming. During the early 1970s, gaming remained small scale and community based.

In 1974, Saskatchewan became a founding partner in the Western Canada Lottery Foundation (now the Western Canada Lottery Corporation). Prior to 1974, privately run lotteries were conducted by Sask Sport Inc., a non-profit federation of sport governing bodies, and the Regina Exhibition Board (Canada Council, 1981). With the creation of the Lottery Foundation, Sask Sport became the sole agency licensed to conduct major lotteries in the province. It was also made responsible for the distribution of lottery proceeds through a provincial granting agency called the Sask Trust for Sport, Culture and Recreation.

2. The Period 1977 to 1985

By the late 1970s, gaming in Saskatchewan had grown both in variety and volume. As a result, in 1977 the regulatory responsibility for gaming was transferred from the Department of the Attorney General to the newly created Licensing and Investigation Branch of the Department of Consumer and Commercial Affairs, where it remains to the present day.

The first commercial bingo hall in Saskatchewan opened in 1982, while break-open tickets were introduced in 1983. Due to changes in Section 190 of the Criminal Code, casinos also became

a legally recognized form of raising money for charitable and religious purposes.

After the licensing of the first commercial bingo hall in 1982, the number of bingo events increased dramatically. During fiscal year 1980-81, provincially licenced bingos numbered a mere 75, but by 1984-85 the number of bingos had grown to 1,906, demonstrating that bingos had emerged as the primary gaming activity in the province.

Concern about the operation of commercial bingos and their impact on traditional charitable bingos continued, however, and on March 21, 1985 a province-wide moratorium on bingos was announced. In May the Minister of Consumer and Commercial Affairs called for a public inquiry into the operation of commercial bingos in the province. The Inquiry, headed by Norman McConnachie, submitted its Report of the Saskatchewan Commercial Bingo Inquiry in February 1986. The findings and recommendations of the Inquiry can be found in the Concerns and Future Trends Section of this chapter.

GAMING OPERATIONS

Four types of charity gaming are permitted in the province of Saskatchewan: bingos, raffles, casinos and break-open tickets. It should be noted that there are relatively few casino events in Saskatchewan, and thus casino operations are not dealt with extensively in this report.

Saskatchewan has a decentralized lottery licencing system whereby any gaming event with a total prize value below \$1,000 can be licenced by the municipality in which the event is to be held. Any gaming event with a prize value over \$1,000 must be licenced by the Licensing and Investigation Branch of the Department of Consumer and Commercial Affairs.

The licence fee for bingos, raffles and break-open ticket events is two percent of the retail value of the prizes awarded. There is a minimum ten dollar licence fee.

Sponsoring organizations are required to provide a financial statement as soon as possible after the gaming event (Saskatchewan Consumer and Commercial Affairs, 1985).

1. Bingos

Bingo events are a popular form of gaming in Saskatchewan and are held both in small community halls and in large privately-owned bingo halls that are leased by the sponsoring charitable or religious organization. As commercial halls often offer more than one form of gaming at a bingo event, provincial regulations specify that other gaming events scheduled at the same time as a bingo must receive a separate licence.

There is a \$25,000 limit on bingo prizes during any twenty-four hour event. Bingo events with prizes totalling more than \$25,000 must receive authorization through an Order-in-Council (McConnachie, 1986). All prizes must be declared and awarded (Saskatchewan Department of Consumer and Commercial Affairs, 1985).

With respect to remunerations, the regulations state that no one other than the caller is permitted to be paid for managing, conducting or working at a bingo event. In addition, all federal, provincial and municipal regulations must be followed, and house rules must be posted in a visible area.

Guidelines regarding the distribution of bingo revenues permit sixty percent of the revenue to be directed to prizes and twenty percent to be distributed to the sponsoring charity (McConnachie, 1986).

2. Raffles

Provincial regulations require that the sponsoring organization provide the Licensing and Investigation Branch with detailed information on a proposed raffle event. An application for a raffle licence must specify where and when the raffle will take place, the value of the prize, the number of draws, the number of tickets to be printed and the name of the printer (Saskatchewan Department of Consumer and Commercial Affairs, 1985).

Provincial regulations also specify that all tickets must be counterfoils, with each part of the ticket numbered. Ticket sellers may not receive remuneration, although they may be given two free tickets for every ten tickets sold. Prizes to persons who sell the most tickets are not permitted.

Sponsoring organizations are required to keep a record of receipts and disbursements pertaining to their raffles, and upon request to make such records available to the Lottery Licensing and Investigation Branch (Saskatchewan Department of Consumer and Commercial Affairs, 1985).

3. Casinos

The gaming policy in Saskatchewan dictates that only a fair or an exhibition board can be licenced to operate a casino. In 1985, the Regina and Saskatchewan Exhibition Boards were licenced to operate approximately 130 casino days. By 1987 there were approximately 200 casino days, with proposals for an increase in days being submitted by the Regina, Moose Jaw and Saskatoon fair boards (Robinson, 1987). Such casinos are large operations that generated approximately \$100,000 a day. Casinos usually consist of 120 blackjack tables, five roulette wheels, one crap table, and several Crown and Anchor wheels.

As of 1985, there were, however, no formal gaming regulations and no professional games management companies registered in Saskatchewan. Fair boards at Lloydminster and Prince Albert contract with professional operators from Alberta, but all other boards employ amateur games staff and contract their banking functions in-house.

4. Break-Open Tickets

This form of gaming is also referred to as pull-tickets or Nevadas. Licences for such tickets are normally granted to clubs, bingo halls and non-profit organizations. Since 1984, hotels have also been licenced to sell tickets if the proceeds are directed to the University Hospital in Saskatoon or the Science Centre in Regina.

According to regulations, each charitable applicant must specify where and when the break-open tickets will be sold. Applicants must also provide the name of the bank and the account in which the revenues are to be held.

Sponsoring groups can obtain tickets only from a distributor approved by the Registrar of the Licensing and Investigation Branch. All tickets must be purchased with cash, and all winners must receive cash for their winning ticket. Salespersons cannot purchase tickets while they are selling.

Regulations specify that the sponsoring organization must designate a person responsible for the maintenance of all records pertaining to the raffle. These precautions are designed to create greater accountability on the part of the sponsoring organization and to facilitate monitoring by the Lottery Licensing Section.

REGULATORY STRUCTURE AND ADMINISTRATIVE PROCEDURES

Gaming events with total prize values over \$1,000 must be licenced by the Licensing and Investigation Branch of the Department of Consumer and Commercial Affairs. Municipalities have the authority to licence gaming events in their jurisdictions when such events have a prize value of less than \$1,000.

1. Licensing and Investigation Branch

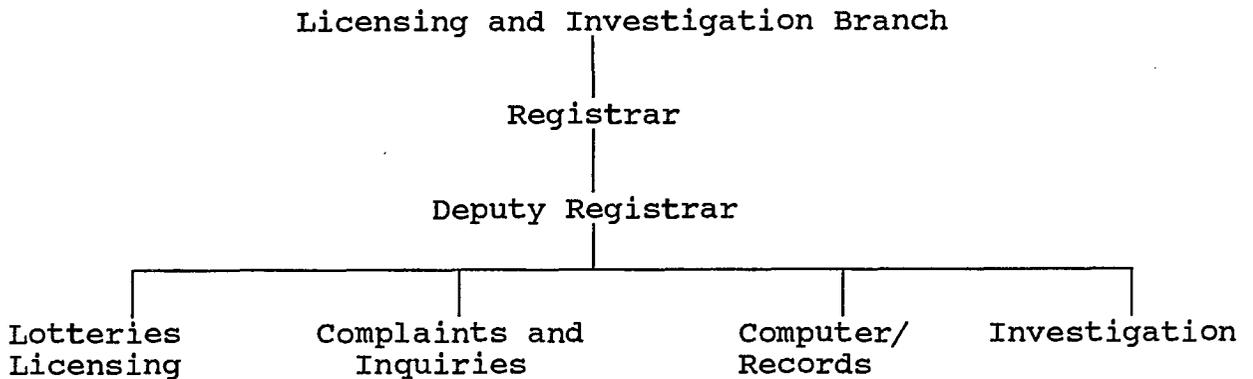
The Licensing and Investigation Branch is responsible for the administration of the Criminal Code and the Lottery Licensing Amendment Provisions, 1984. Its duties include the regulation of private gaming in the province, the issuance of licences, the enforcement of legislation, and the answering of all inquiries.

The Licensing and Investigation Branch has two full-time staff. These employees are assisted by the part-time services of approximately four other employees, who also perform other duties in the Department of Consumer and Commercial Affairs. For example, the Registrar of the Licensing and Investigation Branch is also responsible for other duties in the Department (Anderson, 1986).

As shown in Figure 1, the Branch is divided into four sections: Lotteries Licensing, Complaints and Inquiries, Computer/Records, and Investigation.

FIGURE 1

STRUCTURE OF LICENSING AND INVESTIGATION BRANCH

**A. Lotteries Licensing Section**

The Lotteries Licensing Section is the largest of the Branch's four sections. Its responsibilities include:

1. granting licences to charitable organizations or organizations with a charitable object or purpose;
2. where necessary, modifying the terms and conditions of licences;
3. where necessary, cancelling or revoking licences;
4. approving distributors of break-open tickets; and
5. reviewing records and tickets related to gaming events (Saskatchewan Consumer and Commercial Affairs, 1985).

2. Complaints and Inquiries Section

The Complaints and Inquiries Section handles a large number of queries related to gaming regulation. In 1984-85, this Section received 32,554 inquiries and complaints, up from 28,523 in 1982-83.

3. Computer/Records Section

The Computer/Records Section stores all the information pertinent to the Licensing and Investigation Branch. This

information includes licence applications and financial statements related to specific gaming events.

4. Investigation Section

The Investigation Section handles all gaming-related investigations conducted by the Department (McConnachie, 1986).

GAMING: FACTS AND FIGURES

Before 1985, the reporting of revenues generated from gaming was poorly controlled, and thus large amounts of revenue went unreported. In fiscal 1985-86, however, the province instituted new and more accurate reporting requirements, and this change accounts for the dramatic increase in gaming figures for fiscal year 1985-86 (Robinson, 1986).

1. Licences and Gross Revenues - Municipalities

Table 1 shows the number of licences and gross revenue for bingos and raffles licenced by municipalities during the period 1981-82 and 1985-86. It should be noted that municipalities licence gaming events where the value of the prizes are less than \$1,000.

TABLE 1
MUNICIPAL LICENCES AND GROSS REVENUES

	Bingos		Raffles	
	No.Licences	Gross Revenue	No.Licences	Gross Revenue
1981-82	446	\$6,670,239	1,160	\$1,105,785
1982-83	293	4,720,270	900	907,758
1983-84	334	3,986,014	972	991,652
1984-85	411	3,123,853	944	1,096,750
1985-86	778	2,036,430	805	3,140,537

Source: Department of Consumer and Commercial Affairs

As Table 1 demonstrates, the number of municipal raffle licences has decreased steadily, while municipal bingo licences almost doubled between 1984-85 and 1985-86. The doubling of bingo licences, however, is likely an artifact of the change in reporting procedures. This table also shows that gross revenues from the smaller community bingos have decreased dramatically, as these operations have been superceded by the larger commercial bingo hall events. Table 1 also indicates that gross revenues for raffles took a downward turn after 1981-82, but gradually increased to surpass bingos by \$1,104,107 in 1985-86.

2. Licences and Gross Revenues - Provincial Licensing and Investigation Branch

A. Licences

Table 2 summarizes the licencing activity by the Licensing and Investigation Branch of the Department of Consumer and Commercial Affairs for the years 1981-82 to 1985-86. The Branch licences gaming events in which the value of the prizes exceeds \$1,000.

TABLE 2

LICENCES ISSUED BY LICENSING AND INVESTIGATION BRANCH

	Bingos	Raffles	Casinos	Break-Open Tickets
1981-82	103	569	23	*
1982-83	268	630	27	818
1983-84	953	673	28	1,514
1984-85	1,906	683	34	2,569
1985-86	2,383	678	37	2,633

* Break-open tickets were not permitted prior to 1983.

Source: Department of Consumer and Commercial Affairs

As Table 2 illustrates, the number of large bingo operations has increased substantially since 1981-82, while raffle licences show a slight increase over the same time period. The number of casino licences has also increased steadily, but casinos remain a comparatively infrequent gaming event.

In addition, Table 2 shows that break-open tickets are a growing gaming activity. The number of licences has increased substantially from 818 licences in 1982-83 to 2,633 in 1985-86. In 1985-86, 57,960 break-open ticket events were held. Departmental figures show that gross spending on break-open tickets increased from \$65,011 in 1982-83 to \$33.8 million in 1984-85.

B. Gross Revenues

Table 3 details how the gross revenues generated during 1985-86 were allocated to prizes, expenses and profits to charity.

Table 3

ALLOCATION OF GAMING REVENUES - 1985-86

	Gross Revenue	Prizes	Expenses	Charity
Bingo	\$ 54,829,944	\$ 39,225,764	\$10,876,608	\$ 4,727,572
Raffle	8,485,453	3,266,121	1,072,414	4,146,918
Casino	11,956,441	9,261,781	1,231,818	1,462,842
Break-Open Tickets	68,511,665	49,237,164	5,337,831	13,936,670
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL	\$143,783,503	\$100,990,830	\$18,518,671	\$24,274,002

Source: Department of Consumer and Commercial Affairs

Table 3 illustrates that break-open tickets generate the most revenue, hand out the largest amount of prizes and give the most amount of money to charity. Bingos also generate a substantial amount of money, but pay out most of its gross revenues in prizes. Raffles, on the other hand, generate the

least amount of money, but allocate the largest percentage of its gross revenue to charity. By 1987, casino gross revenue was approximately \$12 to \$14 million per year, but most of this revenue was unsubstantiated by audit.

The pie charts that follow portray the percent of the total revenue that was allocated to prizes, expenses and charity profits for 1985-86. Figure 2 shows the allocation for all gaming events in the province, while Figures 3 through 6 show the prize, expense and charity percentages for bingos, raffles, casinos and break-open tickets respectively.

Table 4 summarizes gaming activity in the province for the years 1981-82 to 1985-86 from both municipal and departmental licensing.

Figure 2

SASKATCHEWAN REVENUE 1985/1986

DEPART. OF CONSUMER AND CON. AFFAIRS

GROSS REVENUE - \$143,783,503

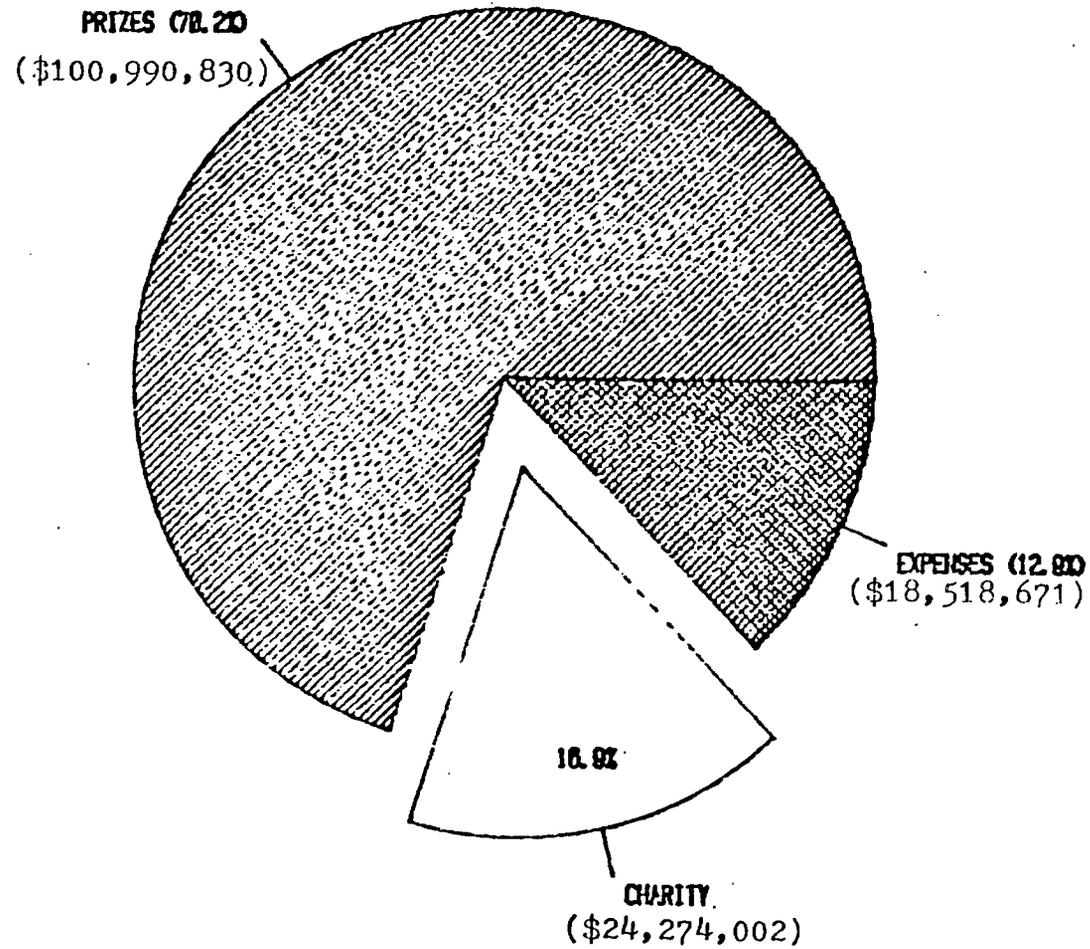


Figure 3

SASKATCHEWAN BINGO REVENUE 1985/1986

DEPART. OF CONSUMER AND COM. AFFAIRS

GROSS REVENUE - \$54,829,944

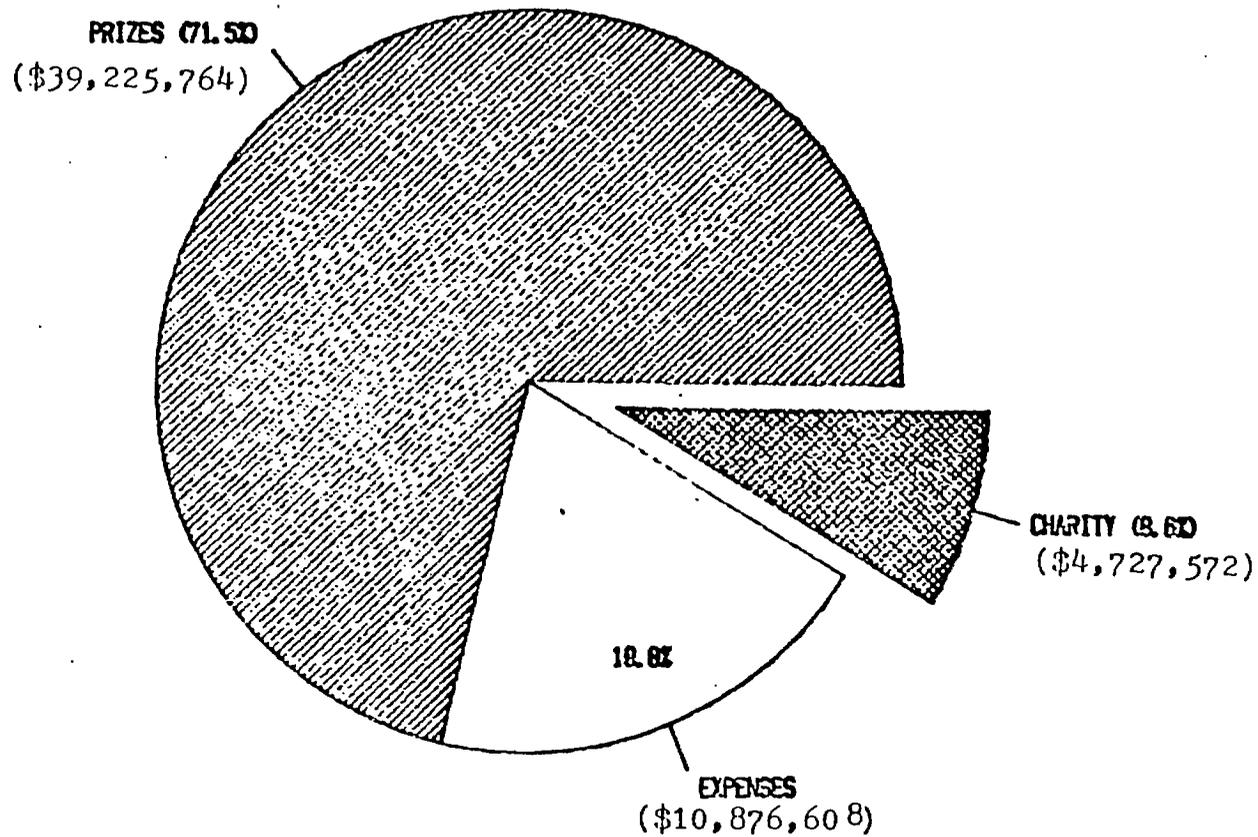


Figure 4

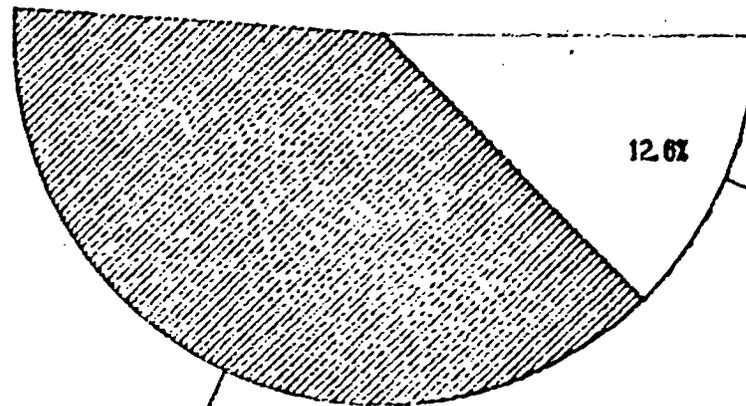
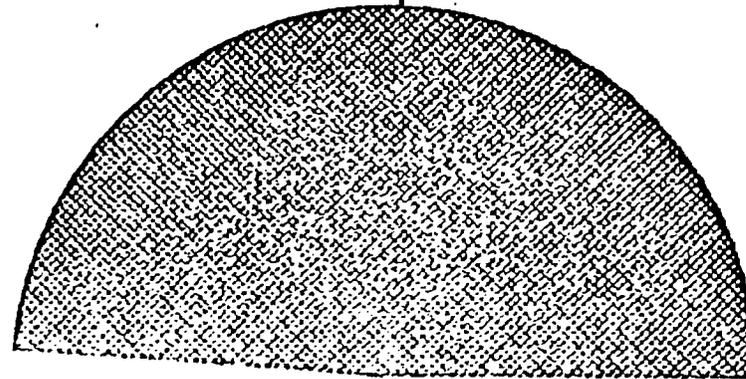
SASKATCHEWAN RAFFLE REVENUE 1985/1986

DEPART. OF CONSUMER AND COM. AFFAIRS

CHARITY (48.8%)

(\$4,146,918)

GROSS REVENUE -
\$8,485,453



PRIZES (32.5%)
(\$3,266,121)

EXPENSES
(\$1,072,414)

Figure 5

SASKATCHEWAN CASINO REVENUE 1985/1986

DEPART. OF CONSUMER AND COM. AFFAIRS

GROSS REVENUE - \$11,956,441

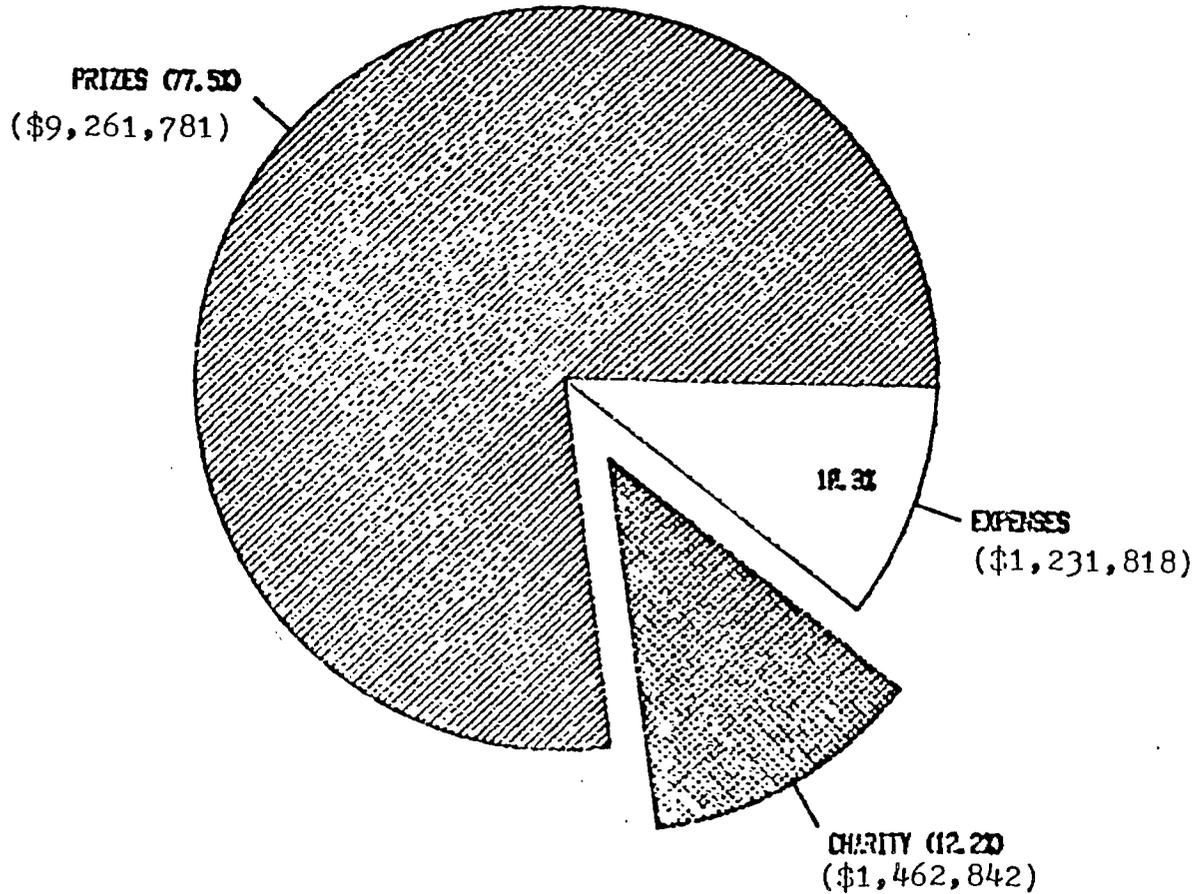


Figure 6

SASKATCHEWAN B'OPEN TICKET REVENUE '85/6

DEPART. OF CONSUMER AND COM. AFFAIRS

GROSS REVENUE - \$68,511,665

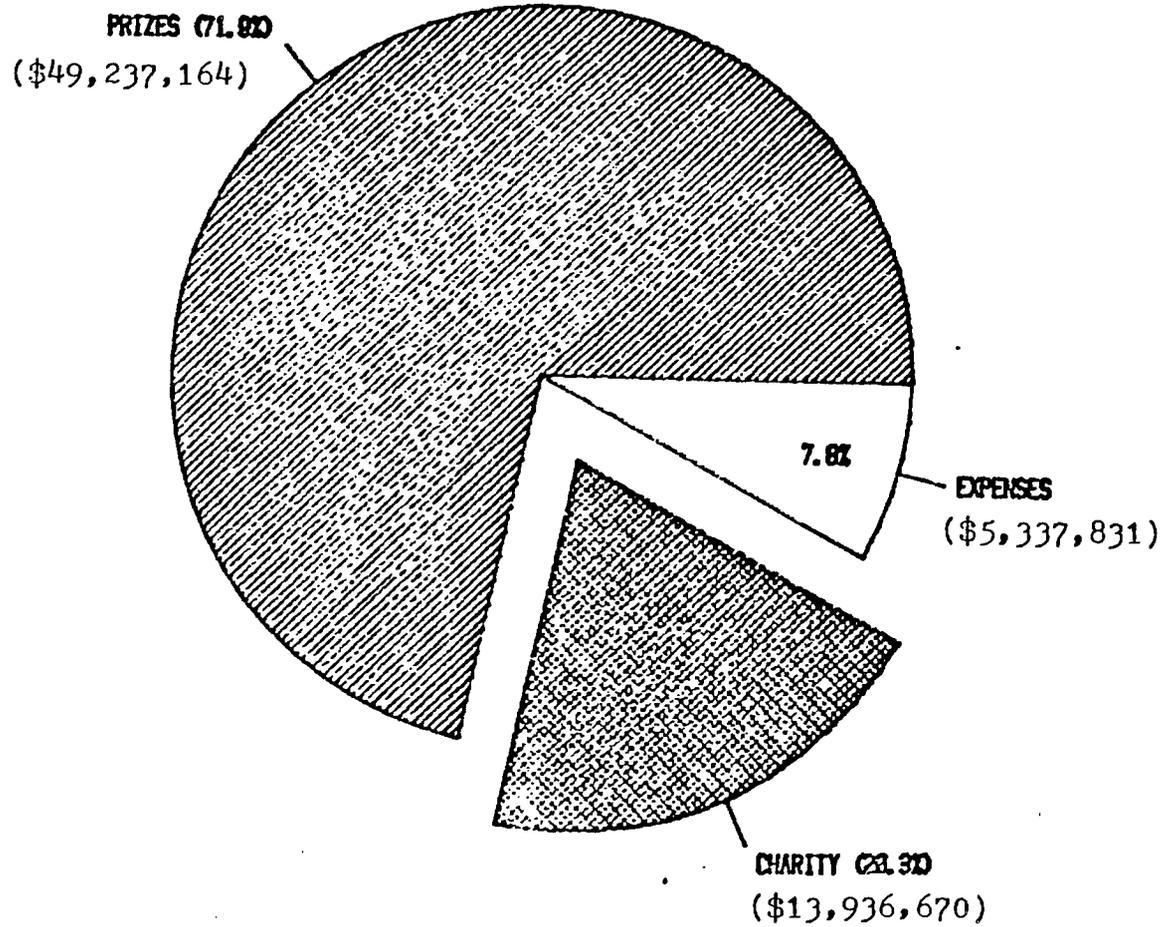


Table 4
 LOTTERY LICENSING ACTIVITY

Fiscal Year		Licenses Issued	Events/Days	No. Completed	DEPARTMENT				Charity	Lotteries Outstanding	MUNICIPAL		Total Spending	Prov. Gross Spending (Bingos, Raffles & Casino)	
					Gross Spending	Prizes	%	Expenses			%	Municipal Licenses Issued			No.
81/82	Bingo	103	1,050	84	2,199,744	1,111,447	51	485,067	22	603,230	27	69	Bingo 446	6,670,239	\$ 8,869,983
	Raffle	569	3,487	496	8,440,349	3,987,275	47	804,857	10	3,648,217	43	381	Raffle 1,160	1,105,785	9,546,134
	Casino	23	102	22	5,471,098	3,990,393	73	659,557	12	821,148	15	11	-	-	5,471,098
	Total	695	4,639	602	16,111,191	9,089,115	56	1,949,481	12	5,072,595	32	461	Total 1,606	7,776,024	\$23,887,215
82/83	Bingo	268	1,735	214	4,599,167	2,585,802	56	858,965	19	1,154,400	25	123	Bingo 293	4,720,270	9,319,437
	Raffle	630	4,798	602	8,961,230	4,597,839	31	1,123,970	13	3,239,421	36	409	Raffle 900	907,758	9,868,988
	Casino	27	123	27	6,712,240	4,907,240	73	780,140	12	1,024,860	15	11	-	-	6,712,240
	B'Open	818	82	37	65,011	45,512	70	4,306	7	15,193	23	781	-	-	65,011
	Total	1743	6,748	880	20,337,648	12,136,393	60	2,767,381	13	5,433,874	27	1,324	Total 1,193	5,628,028	\$25,965,676
83/84	Bingo	953	3,391	665	11,965,045	7,393,539	62	2,543,900	21	2,027,606	17	411	Bingo 334	3,986,014	15,951,059
	Raffle	673	4,111	609	7,125,389	2,993,135	42	770,814	11	3,361,440	47	473	Raffle 972	991,652	8,117,041
	Casino	28	132	30	7,521,927	5,607,772	75	864,648	11	1,049,507	14	9	-	-	7,521,927
	B'Open	1514	19,214	834	16,296,525	11,825,883	73	1,197,456	7	3,273,186	20	1461	-	-	16,296,525
	Total	3168	26,848	2138	42,908,886	27,820,329	65	5,376,818	12	9,711,739	23	2354	Total 1306	4,977,666	47,886,552
84/85	Bingo	1906	7,039	1239	30,365,588	19,676,325	65	6,730,822	22	3,958,441	13	1078	Bingo 411	3,123,853	33,489,441
	Raffle	683	3,641	599	8,183,400	3,580,096	44	1,222,613	15	3,380,691	41	557	Raffle 944	1,096,750	9,280,150
	Casino	34	134	31	9,562,852	7,325,040	77	1,051,130	11	1,186,682	12	12	-	-	9,562,852
	B'Open	2569	34,099	1120	33,819,169	24,241,755	72	2,540,207	07	7,037,207	21	2910	-	-	33,819,169
	Total	5192	44,913	2989	81,931,009	54,823,216	67	11,544,772	14	15,563,021	19	4557	Total 1355	4,220,603	86,151,612
85/86	Bingo	2383	12,116	2068	54,829,944	39,225,764	71	10,876,608	20	4,727,572	9	1393	Bingo 778	2,036,430	56,866,374
	Raffle	678	3,877	619	8,485,453	3,266,121	38	1,072,414	13	4,146,918	49	616	Raffle 805	3,140,537	11,625,990
	Casino	37	157	34	11,956,441	9,261,781	78	1,231,818	10	1,462,842	12	15	-	-	11,956,441
	B'Open	2633	57,960	3387	68,511,665	49,237,164	72	5,337,831	8	13,936,670	20	2156	-	-	68,511,665
	Total	5731	74,110	6108	143,783,503	100,990,830	70	18,518,671	13	24,274,002	17	4180	Total 1583	5,176,967	148,960,470

TRUE LOTTERIES

As Saskatchewan is a member of the Western Canada Lottery Corporation, its true lotteries are managed and conducted by the Lottery Corporation. Western Express, Lotto West and Instant lottery games are conducted solely by the Lottery Corporation, while the Provincial, Super Loto and Lotto 6/49 are conducted in co-operation with the Interprovincial Lottery Corporation.

The Saskatchewan Division of the Western Canada Lottery Corporation is operated by Sask Sport, a non-profit federation of provincial sport governing bodies. Sask Sport is licenced by the province to operate the major lotteries and to supervise the distribution of lottery proceeds through the Sask Trust for Sport, Culture and Recreation, commonly referred to as Sask Trust.

Sask Trust is a granting agency which funds provincial, regional and community activities. It has three divisions: Sport, Cultural and Arts, and Recreation. Each division meets four times a year and is composed of up to six experts who assess applications and allocate funds for events and organizations in their respective areas. The Sport Division distributes half of the total gross revenue from lottery sales in the province; the Cultural and Arts Division distributes forty percent, while the Recreation Division distributes the remaining ten percent (Canada Council, 1981).

In fiscal 1984-85, the Lottery Corporation recorded ticket sales of \$483.5 million, of which \$166.5 million was distributed in profits to the member provinces and territories. Saskatchewan's share amounted to \$16 million, up from \$11 million in fiscal 1983-84.

From fiscal 1982-83 to 1985-86, the net proceeds to Sask Trust grew from \$2.9 million to \$9.6 million.

CONCERNS AND FUTURE TRENDS

1. Report of the Saskatchewan Commercial Bingo Inquiry

In May 1985 the Minister of Consumer and Commercial Affairs called for a public inquiry into the operation of commercial bingos in the province of Saskatchewan. The Inquiry, authorized under The Public Inquiries Act of Saskatchewan, was headed by Norman McConnachie. It studied over 500 submissions from across the province and heard more than 200 verbal presentations. The impetus for the Inquiry arose from concerns about (1) the impact of large commercial operations on traditional community bingos; (2) whether the distribution of funds among prizes, expenses and charity was equitable, and (3) reports that the distribution of funds was poorly controlled.

The Inquiry submitted its final report in February 1986. As bingo is a growth industry in several provinces, this Inquiry will be discussed in some detail.

The Inquiry first turned its attention to the social and economic costs of large, readily accessible bingo operations on families and the community at large. It concluded that the unhampered expansion of bingo was causing unacceptable social costs. It found that seventy-five percent of bingo players could be classed as "regulars," that is, they spend twenty dollars or more and played bingo four or more times a week. When asked why they played, these regular bingo patrons cited reasons such as bingo kept them occupied, out of trouble, away from the bars and helped them calm their anxieties. Some witnesses told the Inquiry, however, that "one social problem should not be created in order to cure another." According to some submissions, avid bingo players often played at the expense of their children and their home. Mothers spent family allowance cheques on bingo, and children were left alone while their parents went to bingo in the town. Moreover, some submissions held the view that while the

majority of players were low-income earners, the charities funded were mainly of benefit to middle or upper income people.

In economic terms, the Inquiry found that bingos had a mixed effect. While some businesses near large bingos gained from the increase in traffic generated by such operations, other local businesses suffered when their customers went into debt as a result of excessive spending at bingos. The Inquiry also learned that the growth in bingo had changed the distribution of gaming revenues. For instance, the revenues from horse racing had declined sharply with the increase in bingo revenues.

The Inquiry's major conclusions and recommendations regarding the operation and regulation of bingo in Saskatchewan are summarized below.

A. The proportion of gross bingo revenues going to charity should be increased.

The Inquiry found that since 1982 the percentage of gross spending in bingo halls allocated to charities has steadily decreased. This decrease was the result of larger prizes due to competition between commercial bingo halls and smaller community halls. Table 5 displays this trend.

Table 5
Percentage Distribution of Bingo Revenues

	Prizes	Expenses	Sponsoring Charity
1980-81	50	23	27
1981-82	51	22	27
1982-83	56	19	25
1983-84	62	20	17
1984-85	65	22	13
1985-86	70	21	9

Source: Report of the Saskatchewan Commercial Bingo Inquiry

The Inquiry heard submissions that the increase in prize values, coupled with the practice of discounting bingo papers, sometimes resulted in the sponsoring organization losing money on a bingo event.

Recommendations:

To increase the percentage of bingo proceeds to the sponsoring organization, the Inquiry recommended that limits be placed on the value of bingo prizes. Specifically, the Inquiry recommended that:

- the maximum prize for an individual game should not exceed \$1,000;
- prize limits of \$3,000 per session should be established. This amount should include door prizes, promotional prizes and all other non-cash prizes. Bingos with prize payouts over \$3,000 should be restricted and authorized by Order-in-Council only if it is of clear benefit to the community;
- the practices of accumulating prizes and discounting bingo papers should be eliminated;
- the fixed limit of twenty percent for expenses should be deleted from the licencing provisions; and
- the gaming authority should review all licence applications to determine that the plan for income and expenses will result in an appropriate distribution of revenue.

B. Funds should go only to purposes which are demonstrably charitable.

The Inquiry discovered that the definition of "charitable" had become so wide that almost any group could receive a licence to sponsor a bingo event.

Recommendations:

To ensure that only true charitable organizations could benefit from the profits of a bingo event, the Inquiry made the following recommendations:

- a licensee must be registered under The Non-Profit Corporations Act as a charitable organization and have been in existence for one year prior to a licence application. The organization's charitable purpose must fall within one of seven clearly defined categories;
- bingo proceeds must be used for a specific project and not placed in a general revenue fund. Unless authorized, the proceeds must also be used within the province;
- all organizations must submit a detailed proposal and budget for the expenditure of bingo funds when they submit their licence application; and
- political parties, unions, and adult sport and recreation organizations should not be granted bingo licences.

C. The efficiency and accountability of the transfer of funds from bingo players to charity should be improved.

Although the Lottery Licensing Amendment Provisions (1984) clearly intended that the sponsoring organizations were to manage and direct the licenced bingo events, the Inquiry found that, in practice, the bingo hall operators exercised considerable control over many aspects of the bingos. As the report noted, "the operator (had) been allowed to control the event through the selection of sponsors, the scheduling of events, the absence of negotiation in the setting of a contract, the setting of prize boards, the advertising and promoting, the control of bingo paper, and the control of trust accounts" (McConnachie, 1986).

Moreover, the Inquiry found that bingo hall operators charged a fee to the sponsoring organization and were, therefore, receiving a share of the bingo revenues.

Recommendations:

The Inquiry recommended a number of actions to place the management and conduct of bingo operations back into the hands of the sponsoring organizations. These recommendations include:

- bingo associations should be mandatory in all halls used primarily for bingo (four or more events per week). Such associations would allow charitable and religious groups to join together for the purposes of leasing facilities, establishing a common bingo program (such as prize values and rules of play), scheduling events, and maintaining proper financial controls;
- bingo associations should be subject to regulation by the licencing authorities. They must submit a budget and an organizational plan to the licencing authority before commencing operation;
- associations should be encouraged to negotiate a flat rate monthly rent, and there should be no payments to bingo hall owners on the basis of a percentage of gross revenues; and
- all bingos, irrespective of frequency and prize limits, should be licenced and regulated by a provincial licencing authority.

D. Controls should be implemented so that small community and traditional bingos will, once again, become viable.

The government and the licencing authority should review and respond to the ongoing concerns of local governments and interest groups on the impact of bingo.

The Inquiry found that the small community bingos were unable to offer the number of events and the amount of prize money given by the large bingo operations that rented commercial bingo halls. It was also learned that some licences were being given for bingos on Sunday, even though the local government had restricted Sunday bingos.

Recommendations:

In addition to the recommendations already cited regarding the lowering of prize values, the Inquiry made a number of recommendations to revitalize small community bingo operations:

- the licencing authority should honour the wishes of local governments which pass bylaws to limit the hours or days of operation;
- no bingo licences should be issued for Sunday, with the exception of halls where bingos are held infrequently (no more than two bingos per week); and
- bingos must begin and end between the hours of 12 noon to 12 midnight.

E. The bingo hall should become less of a gambling parlour and more of a place of entertainment; there should also be a lessening of the incentives which entice players to spend such large sums during a bingo event.

The Inquiry learned that the sale of break-open tickets (Nevadas) had become a popular and common feature of bingo events. Sale of break-open tickets created additional excitement, and they generated substantial amounts of money, usually more than the bingo. The Inquiry was told that sometimes break-open tickets were the only source of revenue at a bingo event. Several submissions to the Inquiry also pointed out that break-open tickets were both a regressive and addictive form of gaming. It was found that anywhere between fifteen to fifty dollars per person was spent on break-open tickets on a single night. Moreover, the Inquiry noted that there was a possibility of slippage of funds on the sale of break-open tickets, as there was little audit control.

Recommendations:

To end the abuse surrounding the sale of break-open tickets at bingos, without further decreasing the amount of revenue generated for charitable purposes, the Inquiry recommended that:

- the sale of break-open (Nevada) tickets be banned in all bingo halls; and
 - the gaming authority monitor bingos closely to ensure that the sponsors are receiving sufficient revenues, and, if this is not the case, the gaming authority should consider raising the cap (limit) placed on the prize board to allow reasonable revenues for the charitable organization.
- F. More controls should be exerted on bingo to ensure regulations (provisions) are observed so that crime or undesirable spin-off effects do not result.

The Inquiry was told by written submissions that there was a lack of consistent policies on the licencing of all types of gaming and that the Department of Consumer and Commercial Affairs lacked both sufficient staff and regulations to handle the dramatic increase in licenced gaming in the province.

Recommendations:

To strengthen the regulatory control system in the province, the Inquiry recommended:

- a gaming authority, responsible to a minister of government, should be established, and this authority should take over the responsibility for gaming from the Licensing and Investigation Branch of the Department of Consumer and Commercial Affairs;
- power should be granted to the gaming authority to administer all legislation relating to bingos, break-open tickets, casinos and raffles;
- the gaming authority should be composed of two branches: one responsible for licencing, the other for investigation. The licencing branch should review all applications for gaming licences, hear appeals, and act as a policy, planning and public information arm for the gaming authority. The investigation branch should examine any gaming irregularities and audit the gaming activities of sponsoring groups; and

- funding for this gaming authority should come from a two percent levy on prizes.

As the Inquiry concluded, "gaming, and more specifically bingo, is a multi-million dollar activity in Saskatchewan which will result in corruption if it is not closely regulated."

As a result of the recommendations of the Bingo Inquiry, the Licensing and Investigation Branch is undergoing major changes. Each recommendation of the Inquiry has been carefully considered by the Department of Consumer and Commercial Affairs, and the public has been invited to participate in a dialogue with the province to improve the regulation of gaming. New regulations are in the making; more staff is being requested and a new format for the licencing authority is being considered. In line with the recommendations of the Inquiry, an independent gaming commission has been established by the government to regulate gaming in the province. Many changes are not yet finalized, but are of vital importance, as most observers believe that gaming in the province has grown beyond the control of the existing regulatory structure (Anderson, 1986).

As of 1987, a number of concerns related to the Inquiry recommendations still existed:

- bingo hall owners continue to maintain "operator" roles which extend beyond that of a landlord;
- private interests still benefit from funds which the Inquiry recommended should go more directly to charities;
- strong political lobbying has prevented the acceptance of a recommended ceiling on expenses charged by hall owners; and
- huge bingo facilities, with pyramiding jackpots of amounts totalling \$100,000, have almost eliminated traditional community-oriented bingo events (Robinson, 1987).

2. Lack of Control over Break-Open Tickets

Break-open tickets are believed to be poorly controlled in Saskatchewan. There is a concern that the Licensing and Investigation Branch lacks sufficient personnel to monitor this gaming activity. Moreover, there is concern that the Branch have approved printers who have made a poor quality break-open ticket, which can be easily tampered with by sellers. It should be noted that no one could be charged with duplicating the ticket itself, as there is no legislation on the subject (Robinson, 1986). The province has attempted to address this problem by printing a legal logo on the tickets, so that a person could be charged with duplicating the logo. The authorized tickets are limited by the Licensing and Investigation Branch, and a higher commission is subsequently charged by the unlicensed or "outlaw" distributors. These factors encourage the sale of unauthorized tickets.

3. Control over Casinos

Casino gaming is expanding, and there is discussion concerning the establishment of a permanent casino. In view of the current growth rate and the anticipated expansion of gaming activities, some observers fear that casino events are too loosely controlled and that there are an insufficient number of gaming inspectors. The dealing, banking and accounting procedures for casino events are also considered to be inadequate. A 1984 study notes that the efforts of police and politicians to institute better controls have had only limited success (Criminal Intelligence Service of Ontario, 1984).

4. Increased Criminal Activity near Arcades

There is a concern in the province that the increase in the number of arcades and slot machines is generating greater criminal activity. A study published in the RCMP Gazette shows that within a ten block radius of an arcade, crimes such as theft, break and enter, assaults and robberies increase by 100 to

1,000 percent (RCMP Gazette, 1983). This concern about increased criminal activity near arcades has been heightened by two precedent setting cases that found that local governments have the authority to licence or refuse to licence bingo halls, but they do not have the authority to limit the number of particular kinds of businesses such as arcades (Prince Albert's Lion Club v. the City of Prince Albert, 1984 and La Ronge Bingo Castle v. City of La Ronge, August 1985). Based on these decisions, local governments would appear to have little control over the number and location of arcades in their jurisdictions.

Saskatchewan's system of regulating legal gaming activity is in the process of change. The provincial government has announced the creation of an independent gaming commission, but as of 1987 the position of chairperson had not been filled and the organization of the Commission had not been established. An independent gaming commission will no doubt strengthen the province's ability to control its expanding gaming industry.

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PART ONE: LEGALIZED GAMING IN WESTERN CANADA

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INTRODUCTION

Manitoba's position on legalized gaming is that such activity should promote the financial well-being of charities and that private gain from the conduct and management of legal gaming should be carefully restricted. To reach this objective, Manitoba has adopted the most centralized and interventionist approach to the regulation and control of legalized gaming of any province in Canada. A provincial Crown Corporation, the Manitoba Lotteries Foundation, has direct control of commercial bingo halls, the distribution of Bingo paper, the management and conduct of all casino events, the printing and distribution of

Nevada/break-open tickets, and the marketing of all interprovincial lottery products. Under this "control by operation" model, the Crown Corporation attempts to keep legal gaming issues at arm's length from the day-to-day operation of government and politics, thus trying to minimize the effects of lobbying by powerful interest groups.

HISTORICAL PERSPECTIVE

Legal gaming was first introduced in Manitoba in 1970. Between then and 1983, there has been a series of legislative and regulatory reforms as well as several studies on the problems of the effective control and regulation of legal gaming. When these studies and the various attempts at regulatory reform are examined in their social, political and institutional contexts, they reveal that the most recent reforms are part of a evolutionary rather than a dramatic process of change in policy and programs.

The history of gaming in Manitoba can be divided into five periods: 1970 to 1978; the Manitoba Lotteries Review Committee - Haig Report (1979); 1980 to 1982; Private Operators in Lotteries Inquiry - Jewers Report (1982), and Post-1982.

1. The Period 1970 to 1978

Lotteries and gaming activities were of little significance in Manitoba prior to 1970. Clubs, sport teams, and charitable and religious organizations held local raffles from time to time, but such activities were neither licenced nor reported (Haig, 1979).

A. Lotteries

Following the amendment of Section 190 of the Criminal Code in 1970, Manitoba became one of the first provinces to both conduct its own lotteries and to licence charitable and religious

organizations and agricultural fairs to hold lottery events. These activities were made possible through the enactment of the Manitoba Centennial Lottery Act in January 1970, which created the Manitoba Centennial Corporation. This act allowed the Corporation to manage and conduct its own lottery for one year, the Manitoba centennial year of 1970. The time-limited nature of this legislation was a clear indication that the province did not have long-term plans with regard to lotteries.

The success of the Centennial Lottery in raising revenues for community projects soon changed the government's perspective, and in 1971 the province enacted The Lotteries Act. Unlike its predecessor, this act had no time limit. In addition to enabling the province to conduct its own lotteries, The Lotteries Act also created the administrative machinery to licence charitable and religious organizations to conduct and manage their own gaming events, such as raffles, bingos, casinos and private lotteries pursuant to Section 190 of the Criminal Code.

Under the provisions of The Lotteries Act, two administrative bodies were created: the Manitoba Lotteries Commission and the Manitoba Lotteries Licensing Board. The Commission was given the mandate to organize, conduct and manage up to four lottery schemes per year. The Licensing Board, operating as an arm of the Department of the Attorney General, was charged with licencing private lottery schemes with a total prize value greater than \$3,000. This was in line with Section 190 of the Criminal Code. Lotteries with a total prize value of less than \$3,000 could be licenced by local municipal officials.

Between 1971 and 1973 the Manitoba Lotteries Commission operated a sweepstake-style lottery. Since the other provinces had not yet entered the lottery market in a major way, the sales of these lottery tickets were high, both within Manitoba and in the neighbouring provinces (Haig, 1979). By the end of 1973,

however, Alberta, Saskatchewan, Ontario and the Federal Government were preparing their own lottery schemes.

By 1974, it became apparent that competition from other provinces would significantly restrict the extra-provincial market for Manitoba lottery tickets. With this in mind, Manitoba began discussions with the other Western provinces regarding the establishment of an interprovincial lottery corporation. As a result, in July 1974, the four Western provinces created the Western Canada Lottery Foundation (now known as the Western Canada Lottery Corporation). The formation of the Lottery Foundation was the first step to organizing a combined lottery market with a predictable revenue level.

Under the terms of the agreement, each province agreed to licence no more than one \$250,000 total cash prize lottery per year for each half million of population. There was no restriction on the licencing of lotteries with cash prize values of \$100,000 or less. The Lottery Foundation would conduct large prize value lotteries across the four Western provinces and, based on pre-established criteria, give to each province its share of the lottery revenues.

A non-profit corporation, Western Lottery - Manitoba Distributor Incorporated, was created at this time to wholesale Lottery Foundation tickets and other lottery products. The corporation was jointly operated by the Manitoba Arts Council, the Fitness and Amateur Sport Advisory Council, and the United Way. This organization was established in response to concerns that private lottery distributors, acting as agents for charities and community groups selling provincial lottery tickets, were obtaining large commissions and salaries through the wholesaling of tickets.

Under the new commission structure, community groups could no longer wholesale tickets or earn commissions on wholesaling. Moreover, the total sales commission available to community organizations was reduced to ten percent - down from the forty-five to forty-seven percent received under the previous arrangement. In the past, these groups received the bulk of their lottery funding by ticket wholesaling, but under the new system the majority of their lottery revenues would come in the form of cash grants from the government's lottery fund. The province believed that these changes would bring about a more responsible and accountable method for funding community organizations and a more equitable distribution of lottery funds (Haig, 1979).

Not surprisingly, these reforms angered powerful charities, community groups and professional lottery ticket wholesalers who had previously enjoyed substantial revenues from wholesaling lottery tickets. To address their concerns, the province allowed these groups to form a corporation to market their own quarterly lottery. An umbrella organization representing many non-profit community organizations throughout Manitoba was therefore established. Called Total Community Involvement (TCI), this lottery corporation was subject to the same ten percent retail commission limit. Furthermore, TCI was required to ensure that the gross revenue from each two dollar ticket was divided as follows: one dollar for the corporation, forty cents to the prize fund, thirty cents to administration, ten cents for licence fees, and twenty cents to a reserve trust account. Tickets would be sold to participating community groups for one dollar; they in turn could sell these tickets to the retailers for \$1.80, who would charge the public two dollars per ticket.

This period illustrates the immense political and lobbying pressure that revolves around legalized gaming revenues. The government and its ministers faced considerable political pressure from charities, community groups and lottery entreprene-

urs who benefitted financially from the pre-reform system of lottery ticket distribution.

The Manitoba experience is similar to that of other jurisdictions such as New Jersey and Nevada (Beare and Hampton, 1984). In all these places, governments were subject to intense pressure for their attempts to impose controls either on gaming activities or on the flow of large sums of money to various interest groups.

B. Other Gaming Activity

By the close of this period, other forms of gaming had also increased substantially. Table 1 demonstrates this trend.

Table 1
GAMING ACTIVITY: 1971 TO 1978

	1971	1975	1978
Bingos	26	138	171
Raffles (with prize values greater than \$3,000)	22	42	57
Lotteries (includes break-opens, calcuttas and private lotteries)	28	61	120
	—	—	—
TOTAL	76	241	348

Source: Manitoba Lotteries Review Committee, 1979.

With regard to casinos, from 1971 to 1977, only two organizations conducted casinos. One casino was conducted each summer as part of the Red River Exhibition, and one was conducted each winter as part of the Festival du Voyageur. Otherwise, only wheel of fortune gaming events were permitted, with betting limits of fifty cents. In 1971, 36 wheel of fortune events were licenced; 76 events were licenced in 1976. In 1977, wheel of fortune events ceased to be licenced, and in their place the Lotteries Licensing Board permitted five casino nights per year.

Following this change, the Licensing Board was flooded with applications from charitable organizations seeking licences to conduct casino events. In August 1978, this deluge of casino licence requests led the government to call a moratorium on casino events. Prior to the freeze, nine casino licences were granted (Falk, 1984).

This increase in gaming activity was matched by a growing concern that legal gaming activities had outstripped the capacity of officials to properly review licence applications and to enforce the existing regulations. In response to these concerns, in 1978 the government established its first major review commission on gaming in the province, the Manitoba Lotteries Review Committee - otherwise known as the Haig Report.

2. Manitoba Lotteries Review Committee: Haig Report (1979)

The Manitoba Lotteries Review Committee was a one-person review commission headed by G. T. Haig, Q.C. The Committee's mandate was to assess the proper role of lotteries and gaming in general in the province of Manitoba.

In January 1979, the Committee submitted a report with thirty-six recommendations that were based on the following conclusions:

- the Lotteries Licensing Board had insufficient staff to carefully examine and approve all applications, reports and returns, and to attend lottery events to ensure that the games were being conducted honestly, fairly and according to the terms of the licence;
- the police departments lacked personnel and gaming expertise, and were unwilling to take responsibility for compliance with licencing terms and conditions. In most instances, the police responded only to specific complaints of wrongdoing;
- charities were not receiving the bulk of the profits, and employees of charitable organizations were known to be pocketing much of the revenue; and

- the public was not informed of the government's principles concerning lottery funds, that is, that charitable organizations or community groups, not private entrepreneurs, should receive the benefits of gaming (Haig, 1979).

Based on the above conclusions, Commissioner Haig presented a wide range of recommendations including a number of specific changes in reporting and administrative procedures. In order to detect frauds or misappropriation of funds, charities should be required to complete standard accounting reports for each licenced event. Moreover, the charities should be required to have standardized written contracts with persons employed by them to distribute and retail lottery tickets. These contracts should set out maximum earnings within prescribed limits. The sponsoring organizations should also be informed through a clear set of guidelines and criteria as to what types of community projects would qualify for lottery funding.

To minimize dishonesty and cheating at bingo events, the Haig Report recommended that the licencing procedures and controls should be extended and made more stringent. Standard bingo operating procedures should be developed and required as a condition of licencing. Charities should also be required to file financial statements for each licenced bingo event. Moreover, to ensure that the charity is not paying unreasonable amounts of money to third parties for the use of facilities and equipment, each applicant should be required to report details regarding hall and equipment rental, employment of games staff, and the cash security for the prizes or prize money offered.

The Haig Report noted that there was a lack of specific controls and standards with regard to the quality and distribution of break-open tickets. Haig pointed out that poor quality tickets lend themselves to abuse, as winning tickets can be identified by close examination under strong light or by other

easily available means. The Report recommended that the Lotteries Licensing Board ensure that all break-open tickets are manufactured according to high-quality standards.

In addition, Haig pointed out that even with high-quality tickets, there is ample opportunity for fraud in the wholesaling and retailing of break-open tickets. To address this problem, the report recommended the creation of a government board which would become the sole distributor of break-open tickets. Haig also recommended that break-open tickets be sold through vending machines rather than over-the-counter. This last recommendation was later rejected, as legal opinion suggested that such devices would be considered slot machines and thus contrary to Sections 180(3) and 185(1) of the Criminal Code.

The Haig Report found that there were two major areas of concern with respect to casinos: (1) the structure of the regulatory system and (2) the criteria for evaluating licence applications. The Haig Report addressed these concerns by recommending more stringent licencing requirements and better financial controls for casino events. Moreover, Haig's analysis led him to conclude that the province was not prepared to regulate a large number of casino events. He recommended, therefore, that the number of casinos be limited. He also recommended that other forms of fund raising should be explored before an applicant is granted a casino licence. Other recommendations were that no casino game should start before the acquisition of a licence, and that the final decision to licence a casino should rest with the licencing agency.

To ensure that the sponsoring organizations receive an equitable share of the gross revenue, Haig recommended that all casino equipment should be owned only by one or two organizations, and the renting of equipment should be subject to written

terms and conditions authorized by the licencing authorities. No credit or cashing of cheques should be permitted.

In addition, the Haig Report made several recommendations with respect to casino employees. All casino employees must be approved and licenced by the licencing authorities and the local police. Every licensee must appoint a general manager who is responsible for compliance with all the licence rules. Furthermore, every licenced group should employ one qualified casino banker to supervise the cashier, and one independent games manager to supervise the games from a separate and secure space.

Those interest groups who opposed the government's earlier lottery commission reforms successfully lobbied Commissioner Haig to recommend that charitable groups be permitted to utilize private lottery promoters on a commission basis in the sale of government lottery products.

The Haig Report concluded that while lottery ticket promoters were carrying out their responsibilities reasonably well, there were some areas for concern. For example, Haig noted that there was no limit on how much a promoter could earn, and recommended that promoters should be paid either a limited percentage of the gross revenues or a set fee. To control the incomes of these private promoters, the government made provisions for the Licensing Board to approve all contracts between charitable groups and private lottery promoters. The report also pointed out that the thirty day termination clause in the promoters' contracts did not allow the charitable organization sufficient time to make other arrangements. Moreover, the charitable organization had no protection should the promoter convince the retailers to sell to another organization. Haig recommended that all contracts should be fair and should safeguard the interests of both the promoter and the charitable

organization. Contract approvals should have a time limit so that any reviews and adjustments can be undertaken.

Haig made several recommendations with regard to the private lottery corporation, Total Community Involvement (TCI). He discovered, for example, that sales performance had become a principal criterion for distribution rights. As this was not the original intention of the lottery corporation, the Haig Report recommended that TCI should clarify its position and publish a written statement on its organizational approach to distribution.

It was also recommended that a study be undertaken to determine ways in which the TCI and the Western Lottery - Manitoba Distributor Incorporated could avoid duplication of functions. Haig recommended that TCI and Western Lottery combine to form one government-sponsored distribution system. To further streamline the approach, he recommended that TCI hire its own promoters instead of having individual TCI agencies employ their own promoters.

3. The Period 1980-1982

A. Post-Haig Reforms

During this period, several of the recommendations of the Haig Report were accepted and put into operation. The overall results of these reforms was a larger and somewhat more expert licencing board, and tighter and more extensive regulation of legal gaming activities.

Haig's major recommendation to create an independent regulatory agency was not followed, however. Instead, in 1980, a general manager was hired to oversee both the Licensing Board and the Lotteries Commission. The Board also received additional personnel in the form of one inspector and one accountant/auditor. Moreover, in October 1980, the names of the Lotteries Licensing Board and the Lotteries Commission were

changed to the Lotteries and Gaming Licensing Board and the Lotteries and Gaming Control Commission respectively.

Nearly all of Haig's recommendations regarding casino operations were put into effect in the form of terms and conditions to a casino licence. The report's recommendation that there be a limit of ninety casino days per year was also implemented (Falk, 1984).

B. Increased Gaming Activity and Problems

During this period, the demand for legal gaming activities once again increased substantially. By 1982, licences for all types of gaming events had increased to 1,861, up from 615 in 1978. For example, bingo licences increased from 171 in 1978 to 271 in 1981, while over the same time period the number of raffle licences increased from 57 to 194. Ten casinos were licenced in 1978, 33 in 1982 and the same number in 1983; however, between 1982 and 1983 the number of applications grew from 96 to 170.

Even more impressive was the growth in break-open ticket licences. In 1977, the first year break-open ticket licences were placed in a separate category, 79 events were licenced. By 1980, 599 such events were licenced, while next year 1,075 licences were granted. This growth did not indicate all the break-open ticket activity, as Licensing Board investigators and the police had evidence that during this period unlicensed break-open schemes were operating quite openly in the province (Falk, 1984).

This unprecedented growth in gaming activity was further accelerated in 1981 when the first commercial bingo hall commenced business and operated thirty-nine licenced bingos on behalf of various charities in that year.

The commercial bingo hall concept permitted an entrepreneur to outfit a large hall specifically for bingo games, and lease the hall each night to a licenced charity. For a set fee, the commercial hall operator supplied all services, from advertising to the provision of bingo cards and equipment. At the end of the night, the licenced charity received the gross profit minus the rental charges and other expenses deducted by the hall operator.

The Licensing Board determined that it did not have the authority to licence particular premises for bingo, and that it was restricted to licencing charities and community groups to conduct bingo events. To prevent the commercial operators from accruing large profits at the expense of the licenced charity, special terms and conditions were added to licences for bingo events using commercial halls. It soon became obvious, however, that the hall operators were readily able to circumvent these terms and conditions, and by the beginning of 1982 commercial bingo halls already constituted a major problem.

During this period, the sale of unregistered and therefore illegal break-open tickets also emerged as a area of concern. Organizations that were not licensed to sell break-open tickets were getting them from black market wholesalers, who in turn made significant sums of money.

The over-the-counter sale of break-open tickets continued to present other problems during this period, however. Unscrupulous vendors would use their insider knowledge of the number of winners and the prizes already paid out to make purchases of the remaining tickets in a draw. Vendors were also found to have defaced tickets so as to determine the big prize winners.

C. Manitoba Lotteries Foundation Act of 1983

As a result of the growing number of problems with regard to gaming, the province passed the Manitoba Lotteries Foundation Act of 1983 which created a new gaming control agency, the Manitoba Lotteries Foundation. With the creation of this new Crown corporation, both the Lotteries and Gaming Control Commission and the Lotteries and Gaming Licensing Board were abolished. Under the provisions of the legislation, the Lotteries Foundation had the power to conduct and manage all casinos, lotteries, break-open ticket schemes and bingos for the government, issue licences and prescribe the terms and conditions of the licences. The Lotteries Foundation was given the power to operate or manage a licenced lottery scheme either on its own or at the request of the licenced charitable or community organization.

The impetus behind the Lotteries Foundation's creation was the desire to improve control of gaming operations in Manitoba and to maximize the return to community organizations from the operation of gaming activities. The government was also concerned about the involvement of private operators and the undesirable element in the gaming business. Incidents of arson, assaults and fire bombings involving two private casino operators in Winnipeg reinforced this concern.

4. The Private Operators in Lotteries Inquiry: The Jewers Report (1982)

In spring of 1982, to address the many concerns surrounding legalized gaming, the province commissioned yet another study of legal gaming activities. This study was headed by Mr. Justice Gerald O. Jewers and was given the mandate to examine the financial dealings of private gaming operators, the contractual arrangements between them and licenced charities, possible breaches of the Criminal Code and the Lotteries and Gaming Act, and any other related matters. The Inquiry submitted its report in the summer of 1983.

Contemporaneous with the Jewers Inquiry, the Manitoba Lotteries Foundation undertook internal studies of its own on privately-operated gaming activities. The province was thus to have the benefit of two views of gaming control and regulation. The contents of both the Jewers Inquiry and the Lotteries Foundation studies are discussed together in this section.

At the time of the Jewers Inquiry, Section 190 of the Criminal Code allowed provinces and charitable and religious organizations, under the authority of a licence issued by the province, to conduct and manage a lottery. Judge Jewers' analysis rested on three principles derived from Section 190:

1. lottery proceeds must be used for public, charitable or religious objects, and not for private gain;
2. it is the duty of licencing authorities to ensure that lottery proceeds are used for purposes intended, and that the share of the proceeds paid to private entrepreneurs should be kept to a reasonable return; and
3. licencing authorities must ensure that lottery games are conducted honestly and efficiently, and give good social and entertainment value to the public.

Proceeding from these basic principles, Judge Jewers focussed on the activities and the role of private entrepreneurs in three main areas: (1) commercial bingo halls, (2) casino games, and (3) the distribution and sale of government-sponsored lottery tickets.

A. Commercial Bingos

Licencing officials had several concerns regarding the operation of commercial bingo halls. First, they were concerned that commercial bingo hall operators, and not the licenced charities, were operating and controlling the bingo games held on their premises. Under the law, this arrangement meant that the owners and operators of the hall were committing an offence under

Section 185 of the Criminal Code, that is, "keeping a common gaming house." Indeed, such charges had been brought against one bingo hall operator by Winnipeg police in 1982.

The second concern was that a large portion of bingo profits was going to the commercial bingo hall entrepreneurs. Moreover, it was believed that these individuals were not complying with the existing regulations and controls.

The general findings of the Jewers Inquiry with regard to commercial bingo operations may be summarized as follows:

1. there is a need for the type of services provided by commercial bingo halls, as many charitable organizations do not own or have access to community halls;
2. the existing regulatory system is not adequate to control commercial bingo operations. As a result, too much of the revenues are going to hall operators; and
3. the accounting and reporting systems are inadequate. There were several instances of non-compliance with existing regulations and occasional overestimation of expenses. For example, some operators claimed inflated expenses to reduce their profit figures.

The Jewers Inquiry noted that existing regulations were ignored or circumvented. Moreover, the Inquiry did not believe that instituting bingo licence terms and conditions would effectively regulate the bargaining power of commercial hall operators had over their client charities. It was also regarded as impractical to restrict the lucrative profits of the operators through regulations alone. There were simply too many ways for the commercial operators to under-report income, or work out elaborate pay-back schemes with the client charities (Bye, 1984).

Based on these findings, the Jewers Report made specific recommendations to improve the regulation of commercial bingo operations. The report recommended that, as a prerequisite to a

licence, commercial bingo operators must comply with a body of rules and regulations. Commercial hall operators should be required to maintain proper accounting systems and internal controls, and provide the licencing authority with audited financial statements on a regular basis. In this way, the licencing authority would know the profit and revenue levels and could regulate prices and fees accordingly.

The Inquiry also recommended that the licensing authority should develop specific guidelines to prevent abuses by the commercial hall operators. These recommendations include:

- in order to guard against unreasonable markups, there must be control over the sale of bingo equipment and supplies by hall operators. Operators should be required to provide the licencing authority with the amounts charged for rental fees and supplies;
- the types of premises which hall operators lease should be subject to control in terms of size, construction, comfort and convenience;
- guidelines should be prepared to determine a fair level of compensation to commercial hall operators;
- the number of commercial halls should be limited to maintain the viability of smaller community and charity bingos;
- the use of commercial bingo halls should be controlled and allocated by the licencing authority to ensure that there is an equitable sharing of available bingo dates; and
- the licencing authority should have the right to inspect the premises and equipment of the operator and audit the accounts at any time.

The internal gaming studies by the Manitoba Lotteries Foundation also discussed problem areas with regard to commercial bingo halls. The studies, which looked more closely at the financial records of the commercial halls than the Jewers Inquiry

had, noted that the commercial halls recorded very high operating expenses which were charged against the profits accruing to charitable organizations using the halls. While in non-commercial bingo halls, 13.63 percent of bingo gross revenues covered expenses, in the commercial hall 37.8 percent of gross revenues was required to cover expenses. Much of the additional expense resulted from the high rental price of the commercial halls and the high mark-ups charged by the hall operators for bingo supplies and equipment. Table 2 shows a comparison of expenses for commercial and non-commercial bingo halls.

Table 2

BINGO EXPENSES AS A PERCENTAGE OF GROSS REVENUE

	Non-Commercial Halls	Commercial Halls
Advertising	1.0%	4.0%
Facilities (rent)	7.0%	17.0%
Wages	3.0%	.5%
Supplies	1.5%	15.0%
Other Expenses	1.0%	2.0%

Source: Manitoba Lotteries Foundation Report, 1983.

The studies concluded that nearly all of the additional expenses associated with commercial bingo halls were going to the hall operators as profit.

Moreover, Foundation officials later discovered that private operators were deliberately understating profit levels (Bye, 1984). In one instance, a commercial hall operator showed net profits of \$10,000 from canteen sales for the fiscal year of 1982. When the Foundation took control of the establishment in 1984, the net profits on canteen sales were approximately \$80,000.

Finally, the internal gaming studies expressed the concern of Foundation officials that hall operators exercised too much

control over the bingo events and the sponsoring organizations. This control stemmed from the hall operators' ability to determine who would use their facilities, on what dates, and to a large extent on what terms (Manitoba Lotteries Foundation, 1983).

B. Casinos

Several casino gaming issues were of concern to the government when it commissioned the Jewers Inquiry. These included: the rapid growth in casino gaming; the entrance of criminal elements in the casino supply industry, and the lack of control over casino banking, accounting and management firms.

By 1982, casinos had become a popular and large-scale activity in Manitoba. For example, in 1980, nine Winnipeg casinos and ten rural casinos generated \$2.1 million in gross revenues. The next year, the thirteen Winnipeg casinos and ten rural casinos produced \$3.1 million (or a million dollars more) in gross revenues. By 1982, the gross revenue for both urban and rural casino events jumped to \$12.4 million (Manitoba Lotteries Foundation, 1982). The number of requests for casino licences had outstripped the capacity of the Manitoba Lotteries Foundation, and the intense lobbying which accompanied these licence requests had become a political problem (Manness, 1984).

Three violent incidents involving the casino supply industry between 1981 and 1983 led the police and government officials to also be concerned about possible infiltration of the industry by criminal elements. In one such incident, the car of a principal of a casino service company was fire-bombed (Peckover, 1984). There was also a concern that private entrepreneurs in equipment, management, consulting and banking were exercising too much control over casino events (Manness, 1984). Charitable organizations were dependent on the services of these firms as few, if any, licenced organization had volunteers with the expertise to plan, staff and manage a casino event. No controls existed,

however, on the revenue earned by casino companies from their contracts with licenced charities. Moreover, the officers and staff of these firms were not subject to any competency requirements or vetting procedures. Yet, as the Jewers Inquiry discovered, where volunteer staff in the casino bank did not fully understand their responsibilities, a breakdown of banking and accounting controls often resulted.

In response to these issues, the Jewers Inquiry advocated expanded and more stringent regulations. The report recommended that the Manitoba Lotteries Foundation:

- investigate, vet and licence all gaming, banking and accounting personnel;
- control the contracts between licenced charities and casino entrepreneurs to ensure that the conditions and the prices charged are fair; and
- inspect all management contract proposals made by casino management companies to a licenced charity to ensure that the charity is fully informed.

The Inquiry also identified two other issues of concern in casino banking and accounting. The Inquiry noted that since the two private accounting agencies used different accounting and banking systems, Lotteries Foundation staff had difficulty in conducting quick examinations and audits of casino events. The report also pointed out that while gaming management functions were theoretically independent of the banking and accounting functions, in practice this separation was difficult to maintain. A professional games manager, it was noted, could easily influence a volunteer bank manager.

C. Lotteries

The Jewers Inquiry found the vetting of the lottery promoters' contracts was ineffectual. Moreover, the use of private promoters led to a duplication of administrative expenses where

promoters competed with lottery commission agents for the right to supply the same ticket retailers. The Inquiry recommended that the contracts of private promoters be regulated more strictly.

5. Post-1982: Creation of a Crown Corporation

Following the release of the Jewers Report in mid-1983 and the completion of the Manitoba Lotteries Foundation internal studies, the government deliberated for some time on how it should act on the recommendations to impose more controls on legal gaming activities. By the spring of 1984, following inconclusive legal proceedings over the Lotteries Foundation's right to place greater restrictions on commercial bingo halls, the government acted.

In January 1984 the government introduced reforms in the conduct and control of legal gaming. Concerns had been expressed over bingo hall personnel, the security of casino equipment, and the genuineness of several varieties of break-open tickets on the market (Winnipeg Free Press, 1983). Operation of gaming activities such as casinos and bingos, and the marketing of break-open tickets by a Crown Corporation was seen as superior to increased regulations and inspections.

There were three major reasons behind these reforms:

- (1) to place gaming issues beyond the everyday workings of government and politics;
- (2) to improve the regulation of legalized gaming; and
- (3) to prevent corruption and infiltration by organized criminals.

The primary reason for the decision to provide gaming services through a Crown corporation was to ensure ongoing control and security by government.

A second reason for the government's initiatives was the ineffectiveness of its previous regulatory schemes in controlling legal gaming. The increasingly extensive and stringent licencing, investigation and vetting procedures were designed to ensure that the majority of legal gaming funds went to the sponsoring charitable organizations. Despite these efforts, however, private entrepreneurs had continued to find ways to increase these revenues at the expense of the licenced charities.

The government's third reason for its reforms was a concern with corruption and the potential for infiltration by organized crime. It was apparent in early 1983 that the three gaming inspectors employed by the Lotteries and Gaming Control Commission were overwhelmed by the number of licenced gaming events. Commission officials estimated that at least four to six more inspectors were required if inspections and investigations were to keep pace with licenced events and public complaints (Winnipeg Free Press, 1983).

Under Regulation 28/84, the government instituted powerful and centralized control structures, strict licencing requirements, detailed accounting, auditing and on-site inspection procedures, and an investigation and clearance system for important gaming personnel. The Lotteries Foundation assumed direct control over the more financially lucrative gaming schemes. It became the sole operator of casinos, the sole distributor of lottery tickets and the sole licencer of bingos in Manitoba. In June, the Lotteries Foundation became the distributor of break-open tickets and assumed the operations of three Winnipeg bingo halls.

GAMING OPERATIONS

Manitoba allows a variety of gaming activities: bingos, raffles, casinos, break-open tickets, wheels of fortune, calcuttas as well as games of chance at exhibitions and agricultural

fairs. Bingos, casinos and break-open tickets will be discussed in detail in this section.

The Manitoba Lotteries Foundation licences all gaming events in the province, with the exception of raffles offering total prizes less than \$3,000. These raffle events can be licenced by the municipality in which the gaming event is to take place or by the Manitoba Lotteries Foundation.

Each licence provides that the licenced organization must keep accounts of expenditures and proceeds from the gaming event, and that the accounts and documents must be made available for inspection by authorized Foundation personnel. Such personnel must have direct and unencumbered access to inquire into the nature, management and conduct of proceedings for which the licence was granted. Each licence also provides that the licensee must produce and relinquish upon demand of the Foundation's personnel all agreements, books of account, records and other documents pertaining to the gaming event for the purpose of investigation.

1. Bingos

The Foundation's internal gaming studies had disclosed some significant problems with bingo operations. In 1984, a skimming operation was detected, and five checkers were fired. The scheme involved collusion to declare twice as many winners than actually collected. Up until 1984, reusable bingo cards were utilized in almost all bingo events. Such cards can be sold and used repeatedly at the same bingo event without any reliable method to account for the number of times a card is sold and the total revenues collected per bingo card. As a result, the unrecorded resale of bingo cards constitutes a real opportunity for the skimming of bingo revenues (Manitoba Lotteries Foundation, 1983). The Foundation proposed that reusable bingo cards should be replaced by bingo paper that is used for one bingo game

only. It was felt that bingo paper could be more carefully monitored because the revenue generated by bingo game participation should balance with the number of bingo papers sold. In this way, an accounting record is created.

Mandatory use of bingo paper is, however, problematic. In community bingo situations, a charity or community group may have modest revenues invested in bingo cards, and therefore may be unwilling to comply with a bingo paper requirement. Moreover, in many cases the more loyal patrons of community bingos have sentimental or "good luck" attachments to particular bingo cards and may resent any rules prohibiting reusable bingo cards. Finally, the patrons of community bingos and the sponsoring charities may resent such direct interference by the Foundation in what they consider their own affairs (Bye, 1984). These pressures illustrate the powerful political and social forces that impinge on legal gaming and its control.

In June 1984 the Lotteries Foundation assumed responsibility for three bingo halls in Winnipeg.¹ Since that time, all bingo materials, including bingo papers, have been sold by the Foundation.

The Foundation prices are substantially below the 100 percent to 150 percent mark-up charged by the former commercial operators, thus resulting in considerably greater profits for the sponsoring charities. The Foundation also operates canteen services at its bingo halls, the profits from which are returned to the sponsoring charities in the halls. Previously these revenues went directly to the hall operators (Bye 1984).

Hall rental fees are standardized, and the Foundation exercises control over the salaries of its bingo hall employees.

¹ One of these bingo halls was closed on December 31, 1985.

Such procedures make it possible for Foundation auditors to identify any financial irregularities. These financial reporting and auditing procedures led to the exposure of bingo fraud in one of the commercial halls in the weeks immediately following the Foundation take-over. The employees responsible for the fraud were identified, dismissed and charged in criminal court (Bye, 1984).

The revenues to charitable organizations have been doubled since the Manitoba Lotteries Foundation took over the operation of the commercially-run halls.

2. Casinos

One of the fundamental changes introduced in the government's new gaming policy is that the Foundation now manages, operates and staffs all Winnipeg casinos. The Foundation also manages and operates casinos in rural areas, but does not provide all the gaming personnel.

A. Winnipeg Casinos

Casino events in Winnipeg take place at a permanent casino owned and operated by the Foundation. This permanent casino was established in September 1985.

To ensure greater casino security and allow surveillance of individual games and dealers, each gaming table at the Winnipeg casino building is monitored by closed-circuit television. The casino facility includes a permanent count or banking room which is physically separated from the games area. The count room is equipped with three automated money counting machines. All money counts are performed by passing sorted bills through each of the machines. The only manual operation in the count process is the sorting of different denominations of bills (Sheppard, 1984).

The licencing procedures for the Winnipeg casino are complex, as the government apportions the ninety available casino days among the umbrella charitable organizations who in turn divide their share of casino profits among their member charities. As of 1987, the casino operated 90 days per annum. The Winnipeg casino operates four games. These games along with their betting limits are presented in Table 3.

Table 3
Casino Games and Betting Limits

<u>Game</u>	<u>Betting Limits</u>
Blackjack	\$2-\$25, \$5-\$50, \$10-\$100, \$25-\$200
Roulette	\$0.50-\$5 inside and \$200 outside
SIC-BO	\$1-\$25 Proposition Bet \$1-\$200 Even Money & Front Line Bets
Baccarat	\$10-\$100
Pai Gow	1 Table - \$10 min; 1 Table \$25 mim.
Pai Gow Poker	2 Tables - \$10 min; 1 Table \$25 mim.
Red Dog	\$5-\$200
Money Wheel	1 - \$0.50-\$25

Source: Robinson, R. RCMP Gaming Specialist, Personal Communications, 1987.

The rationale for removing Winnipeg casino events from the licencing realm was to avoid the intense political lobbying by individual charities seeking casino licences.

In the period between 1980 and 1983, this lobbying was widespread, as Winnipeg casinos were generally very profitable. Revenue increased dramatically after 1983, which would appear to indicate better management. As a result, the Licensing Board was inundated with applications for casino dates. In 1982, 96 organizations applied for Winnipeg casino licences, and 33 were granted. In 1983, 170 organizations applied, and 33 were granted. In an effort to gain a licence, some powerful charities resorted to intense lobbying of Cabinet ministers, members of the

Legislature and Licensing Board officials. The Winnipeg casino licencing issue soon became a large political problem, which the government believed made it impossible for the Foundation to perform its licencing and gaming control functions properly (Manitoba Lotteries Foundation, 1983).

Lobbying still exists under the new allocation system; however, much of it now takes place among the members of the umbrella charitable organizations, not at the provincial government or Lotteries Foundation level. For example, the Manitoba Sports Federation is allocated eight Winnipeg casino days. The sport groups and athletic organizations now lobby within the Sports Federation structure for their share of the casino profits, whereas formerly they would have each applied and lobbied for individual casino licences.

B. Rural Casinos

All the staff for rural casinos are provided by the Foundation. The sponsoring organization is required to supply sufficient volunteer workers as required. Casino equipment is supplied by the Foundation.

In the case of rural casinos, a single charitable organization, or a group of such organizations, must apply to the Manitoba Lotteries Foundation for a licence. In 1987, there were 120 rural casino events. The Foundation uses several criteria in deciding whether to grant a licence:

- in communities within commuting distance of Winnipeg, dates proposed for casinos must not be in conflict with Winnipeg casino dates;
- one casino event with a maximum of five days' duration is allowed in each calendar year in rural municipalities, towns and villages outside Winnipeg. The City of Brandon is an exception;

- in the judgement of the Foundation, the casino event must have a high probability of making a profit; and
- all premises in which a casino is to be conducted must meet Foundation security standards. The casino area, count room, cashier's cage and chip bank must be separate and operate independent of each other (Manitoba Lotteries Foundation, Rural Casino Policy Statement, 1984).

Rural casinos in Manitoba are seen to be more problematic than the Winnipeg casino, since the same level of security cannot be applied to the gaming. There is an additional problem in that the smaller, more isolated casinos are not profitable for the Lotteries Foundation to operate. As of 1988, no conclusions have been reached on this issue.

C. Casino Security System

The Foundation has instituted new registration and vetting requirements for all casino employees. Criminal record investigations and character background inquiries are conducted on all employees and an individual with a criminal record involving dishonesty or drugs in the previous five years is considered unacceptable for employment in casinos. Competency tests have also been designed, and all dealers and games operators are required to demonstrate their ability to conduct particular casino games (Sheppard, 1984).

The Foundation employs two independent and trained casino managers per casino whose sole responsibility is the games supervision. Two casino investigators are on duty for each casino shift. The casino investigator has expertise in gaming equipment testing and casino security techniques; the investigator also oversees chip and money counts. These employees are permanent Foundation staff (Sheppard, 1984).

The final element of the Foundation's casino security program is a detailed accounting system. Casino accounting personnel maintain a daily balance of cashier receipts and drop box receipts, with an allowance for street chips, that is, chips that are brought in from a previous evening.

The financial records are forwarded to the Foundation's Audit Division where they are checked and audited by other accounting and audit personnel. Under this arrangement, any attempt at internal fraud or skimming leaves an accounting trail which can be noticed at one of the audit levels (Sheppard, 1984).

4. Break-Open/Nevada Tickets

The primary method for the regulation and control of break-open tickets is through strict licencing procedures and terms and conditions attached to the licence. These tickets are printed and distributed under scrutiny of the Lotteries Foundation.

According to regulations, all tickets must be sold under the authority of a Foundation licence, and must bear the Foundation's logo or mark of approval. Moreover, all tickets must be purchased from the Foundation and must be sold only from the premises specified in the licence.

REGULATORY STRUCTURE AND ADMINISTRATIVE PROCEDURES

1. Manitoba Lotteries Foundation

The objectives of the Manitoba Lotteries Foundation are diverse and, to some extent, potentially conflicting, in that the Foundation is both the operator and regulator of certain gaming activities in the province.

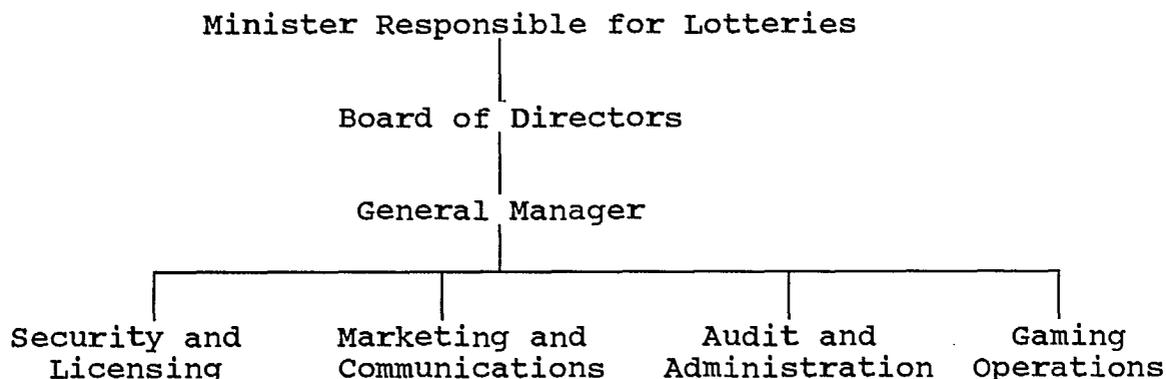
The Foundation's four objectives are:

- (1) to provide all or most of the services involved in the operation of casino events and commercial bingo halls, that is, dealers, games supervisors and managers, banking and accounting managers, and security personnel. The Foundation also provides the related services of promoting and distributing lottery products such as break-open and lottery tickets;
- (2) to licence and vet applications to conduct gaming events. In some cases, investigations are conducted;
- (3) to examine the financial records of gambling events to ensure the accuracy and propriety of the records. Inspectors also attend gaming events to ensure that the conduct of the events are in compliance with the law; and
- (4) to develop and guide the implementation of gaming policy by advising the government what initiatives are possible and appropriate (Manness, 1984).

The development, evaluation and enforcement of legal gaming policy is the responsibility of the Foundation's ten member Board of Directors who are appointed by the provincial government. The Board consists of a chairperson, a vice-chairperson and eight members.

The Foundation has a staff in excess of 110 people and is divided into four divisions: Security and Licensing, Marketing and Communications, Audit and Administration, and Gaming Operations. Each division is headed by a director who reports to the General Manager. Figure 1 presents the organizational structure of the Manitoba Lotteries Foundation.

Figure 1
STRUCTURE OF THE MANITOBA LOTTERIES FOUNDATION



A. Security and Licensing Division

This division is responsible for four functions: licencing, investigations and inspections, Licensee audits, and casino operations.

Licensing Section

This section is staffed by a licencing manager, a licensing reviewer and two clerks. All bingo events, calcuttas, lotteries and raffles must be licenced by this section.

Investigations and Audit Section

This section has the power of inspection and enforcement. Its staff of accountants and auditors examines the financial records of gaming events to ensure that the conduct of the events are in compliance with the law. This section also conducts security investigations into the background and past conduct of all Foundation personnel; it also investigates organizations applying for a licence to ensure that they hold a charitable status. For inspection purposes, the province has been divided into zones.

A special casino investigation group is associated with this section, but the casino investigators report directly to the Director of Security and Licensing. The five casino investigators are trained in all areas of casino security, and in the detection of casino fraud and corruption schemes. Many of the individuals employed in the chief investigator, casino investigator and inspector positions have been recruited from the RCMP or are former officers of the Winnipeg Police Vice Squad (Enns, 1984).

Property Management

This section maintains and services the casino and bingo equipment owned and operated by the Foundation. It also manages and maintains the security of the Foundation's bingo halls and permanent casino site.

Casino Operations

This section provides the staff for casino events in the province. With the assistance of special casino investigators from the Investigations and Inspections Section, this section also ensures that the casino events are in compliance with casino security regulations.

In September 1984, the Foundation appointed Mr. Ron Shepard, a former gaming specialist with the RCMP and the Alberta Gaming Control Commission, to the position of Provincial Casino Manager. Other individuals were hired to fill full-time positions of assistant casino manager, casino staff co-ordinator, count room supervisor, banker and games manager. Persons who have acquired considerable casino training and expertise in Alberta have been recruited to fill these positions.

The Foundation found that it initially underestimated the number of complaints regarding improper conduct of lottery events. In the month of November 1984, for example, the inspectors were fully occupied in investigating and responding to public complaints and, therefore, had no opportunity to conduct

random inspections. During that month, twenty-eight public complaints were received, of which the inspectors were able to deal with twenty (Enns, 1984). More personnel appears to be required. In the future, it is expected that many cases will be referred by the Audit and Administration Division after standard audit and accounting checks reveal that further investigation is warranted.

B. Marketing and Communications Division

This division markets and distributes Western Canada and Interprovincial lottery tickets in the same manner as its predecessor organizations did during the 1970s (the Manitoba Lotteries Commission) and early 1980s (the Manitoba Lotteries and Gaming Control Commission). Private lottery entrepreneurs are not allowed to distribute or wholesale lottery tickets. This arrangement restores the lottery marketing reforms first initiated in 1974-75, but later abandoned during 1977-81 following the Haig Inquiry recommendations. Direct distribution and wholesaling of lottery tickets by the Foundation is seen as the only method to market lottery tickets while exercising control over marketing practices to ensure that the majority of lottery ticket profits accrue to charitable organizations.

C. Audit and Administration Division

This division performs standard audit and accounting duties for the Foundation which serve as a check on fraud. It also stores all accounting records from the licenced charities. In addition to its audit and accounting duties related to gaming events, this division is also responsible for the Foundation's financial and administrative matters, including control over the salaries of the Foundation employees.

D. Gaming Operations Division

This division is responsible for the operation and manage-

ment of casinos, bingo halls and break-open tickets sales throughout the province.

GAMING: FACTS AND FIGURES

1. Licences

Table 4 presents a three-year comparison of active licences from the Manitoba Lotteries Foundation.

Table 4
MANITOBA LOTTERIES FOUNDATION
Active Licences

	1983-84 ^a (15 months)	1984-85 (12 months)	1985-86 (12 months)
Bingos ^b	461	661	614
Break-Open Tickets ^c	985	713	704
Raffles	190	206	270
Casinos	40	-	-
Wheels of Fortune	78	62	44
Calcuttas	82	46	47
Midways	6	8	7
Exhibitions	-	1	-
Agricultural Fairs	2	-	1
Monte Carlo Casinos	-	1	7
Totals	<u>1,844</u>	<u>1,698</u>	<u>1,694</u>

^a During 1983 the licencing period was shifted from a calendar year to a fiscal year; therefore, 1983 figures represent fifteen months of activity.

^b Organizations had previously been licenced to operate in the three large bingo halls in Winnipeg. On June 1, 1984 the Manitoba Lotteries Foundation assumed the operation of the halls and licences for these activities are no longer required.

^c The break-open licences do not include hotels which sell break-open tickets on behalf of Manitoba Medical Research.

Source: Manitoba Lotteries Foundation, Annual Report 1985-86.

2. Gross Revenues and Profits

Figure 2 presents the percentage of the total gaming revenue for fiscal year 1984-85 attributed to lotteries, break-open tickets, bingos, casinos, and break-open tickets sold at bingo

Legalized Gambling Revenue in Manitoba

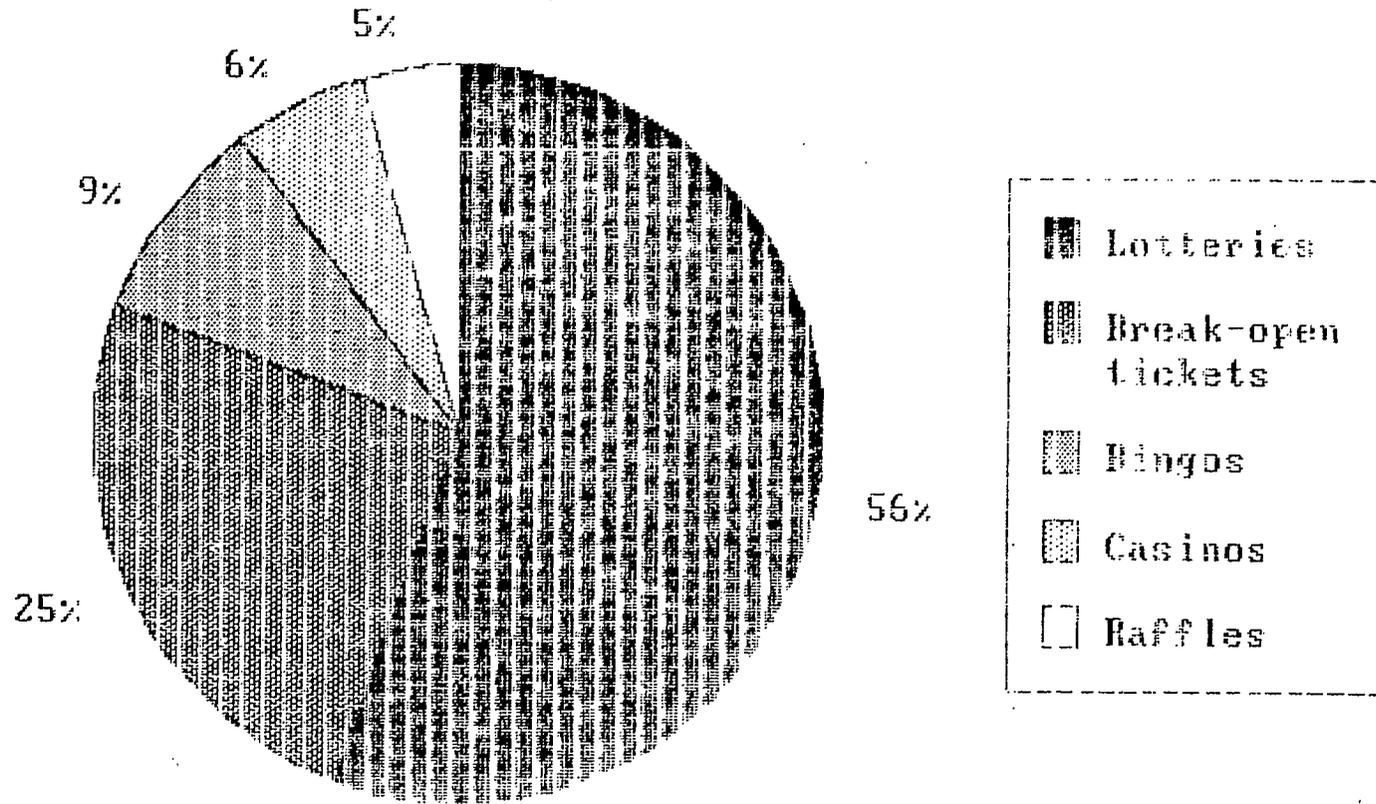


Figure 2

Source: Manitoba Lottery Foundation Annual Report
1984/85

events. As can be seen, the sale of lottery tickets accounts for over sixty percent of gaming revenues.

Table 5 presents projected proceeds for licenced bingo, break-open ticket and raffle events for the years 1984-85 and 1985-86.

Table 5
PROJECTED PROCEEDS OF LICENCED ACTIVITIES

	Licenced Activity and (Number of Licences)		
	Bingos (614)	Break-Opens (704)	Raffles (270)
Revenue	\$29,070,000	\$46,848,000	\$ 6,469,000
Prizes	20,991,000	30,451,000	3,096,000
Expenses	3,535,000	6,589,000	741,000
Profits	4,544,000	9,808,000	2,632,000

^a Projections based on 38 percent of financial reports reviewed.

	Licenced Activity and (Number of Licences)		
	Bingos (661)	Break-Opens (713)	Raffles (206)
Revenue	\$28,085,000	\$52,765,000	\$ 4,258,400
Prizes	20,463,000	34,726,000	2,022,000
Expenses	4,086,000	8,106,000	561,000
Profits	3,536,000	9,933,000	1,675,400

^b Projections based on 75 percent of financial reports reviewed.

Source: Manitoba Lotteries Foundation Annual Report, 1985-86.

As Table 5 demonstrates, profits from bingos and raffles increased substantially from 1984-85 to 1985-86. The Foundation attributes the increase in bingo profits to the accounting efficiency of its publicly operated bingo halls, while the growth in raffle profits was likely the result of an increased number of gaming events. The number of break-open ticket events remained relatively stable during this period.

Casino revenues also rose dramatically between fiscal years 1984-85 and 1985-86. As Table 6 demonstrates, net revenues increased by 94 percent during this period.

Table 6
CASINO REVENUES AND EXPENSES

	1984-85	1985-86
Gross revenues plus interest	\$3,640,670	\$7,418,251
Expenses (includes salaries, rentals, security, supplies, advertising, depreciation and other costs)	1,275,552	2,821,258
	<hr/>	<hr/>
Net revenues	\$2,365,118	\$4,596,993

TRUE LOTTERIES

Manitoba is a founding member of the Western Canada Lottery Corporation. The Corporation is responsible for the conduct and management of lottery games in the province. Western Express, Lotto West, the 10th Anniversary Gala Draw and the Instant lottery games (Provincial Flowers and Pioneers of the West) are conducted solely by the Corporation. The Corporation participates in the conduct of the Provincial, Super Loto and Lotto 6/49 lotteries through the Interprovincial Lottery Corporation.

The Manitoba Division of the Western Canada Lottery Corporation is operated by the Manitoba Lotteries Foundation. The Marketing and Communications Section of the Manitoba Lotteries Foundation is responsible for the marketing and distribution of true lottery tickets.

In fiscal year 1984-85, the Western Canada Lottery

Corporation recorded ticket sales of \$483.5 million, of which \$166.5 million was distributed in profits to the member provinces and associated territories. Manitoba's share amounted to \$21.9 million, up from \$11 million in fiscal year 1983-84.

Table 7 presents the lottery sales at retail for the years 1983-84, 1984-85 and 1985-86.

TABLE 7
MANITOBA LOTTERIES FOUNDATION
Lotteries Sales at Retail

	1983-84	1984-85	1985-86
Western Express	\$11,190,205	\$ 6,510,715	\$ 5,569,979
Provincial	6,221,715	5,186,490	5,678,005
Super Loto	7,866,420	6,584,170	7,909,010
Instant	6,209,990	14,750,247	16,000,000
Lotto 6/49	13,987,855	27,970,205	46,477,515
Lotto West	-	3,933,014	5,826,741
Anniversary	-	887,900	-
	<hr/>	<hr/>	<hr/>
TOTAL	\$45,476,185	\$65,822,741	\$87,461,250

Sources: Manitoba Lotteries Foundation Annual Reports 1984-85 and 1985-86.

In fiscal year 1985-86, lottery sales of \$87.5 million generated a net sales revenue of \$30.6 million (Manitoba Lotteries Foundation Annual Report, 1985-86).

The province allocates lottery and gaming revenues to a wide range of community groups through seven umbrella organizations and the programs of two provincial government departments. These seven umbrella organizations cover the fields of heritage, sports, the arts, community service, multiculturalism, community education and medical research. The projects and programs of

community-based groups are funded with lottery and gaming revenues.

Table 8 shows the distribution of lottery and gaming revenues to each umbrella organization, the United Way of Winnipeg, the Department of Health and the Department of Culture, Heritage and Recreation for the fiscal year 1984-85.

Table 8
MANITOBA LOTTERIES FOUNDATION
Distribution of Gaming Revenues - 1984-85

Manitoba Arts Council	\$ 546,580
Manitoba Community Education Association	885,879
Manitoba Community Services Council	472,975
Manitoba Heritage Federation	225,860
Manitoba Intercultural Council	106,117
Manitoba Medical Research	1,664,941
Special Events Groups	720,395
United Way of Winnipeg	1,590,821
Department of Culture, Heritage and Recreation	2,631,314
Department of Health	2,777,975
<hr/>	
TOTAL	\$11,622,857

Source: Manitoba Lotteries Foundation Annual Report, 1984-85.

CONCERNS AND FUTURE TRENDS

Manitoba's system of regulating gaming events has changed considerably over the last two decades. A number of studies have highlighted the problem areas and led to the province assuming a direct role in the conduct of bingo and casino events. For the present, the province's hands-on approach to the operation of gaming seems to be meeting Manitoba's stated philosophical position of putting more gaming revenue into the coffers of charitable organizations, and less into the hands of private entrepreneurs. Moreover, Manitoba's direct role in gaming

operations lends itself to an ease of expansion and innovation not equaled elsewhere in Canada (Robinson, 1987). For example, the Winnipeg casino games of SIC-BO and baccarat are rarely seen in other parts of the country. In addition, the province is moving toward increasing the number of casino days, the variety of games and the betting limits.

Two areas of continuing concern are the control of break-open ticket vendors and gaming on Indian reserves in Manitoba. These are discussed below.

1. Control of Break-Open Ticket Vendors

Foundation officials believe that because they now directly control the wholesale distribution of break-open tickets, the quality of the tickets has improved, and the sale of unlicensed tickets has diminished markedly. Under the current regime of controls, however, Foundation officials believe that they have not been able to adequately address problems created by unscrupulous vendors.

From a control perspective, two marketing reforms have been considered. First, all break-open tickets could be sold from vending machines. The procedure would deny unscrupulous vendors the opportunity to scrutinize their stock of break-open tickets and separate winning and losing tickets. It should be noted that there was a question as to the legality of vending machines (that is, slot machines) prior to the passage of Bill C-81 in December 1985.

The second measure would be to wholesale break-open tickets in the same fashion as Foundation lottery tickets are sold. The retailer would be required to purchase the break-open tickets from the Foundation at a price equal to the retail value of the tickets minus the vendor's profit percentage. The Foundation would later reimburse the retailer for any winnings paid out. If

this procedure were followed, the Foundation would be able to ascertain what each vendor's margins were and would be able to exercise some control over the vendor's profit level and retail practices (Bye, 1984).

These suggested marketing reforms are problematic in one important respect, however. The imposition of more stringent control methods of break-open tickets would likely lead to widespread and intense protests and complaints from the charitable organizations which market them (Bye, 1984). As illustrated earlier, where significant profits can be achieved with relative ease, the groups with an interest in those profits can and will bring considerable political pressure to bear to support their cause (Beare and Hampton, 1984).

2. Gaming on Indian Reserves

Gaming on Indian reserves in Manitoba is extensive and includes all of the main forms of gaming: bingos, casinos, break-open tickets and slot machines. The largest money-maker, however, appears to be the distribution and sale of break-open/Nevada tickets, known as "paper-slots." Whereas licenced break-open tickets are scrutinized by the Lotteries Foundation, Manitoba Indian gaming operators purchase illegal break-opens. Illegal gross sales on Indian reserves are estimated to be between \$30 and \$40 million per annum. Lotteries Foundation and law enforcement officials are concerned that these profits may be used to advance other illegal gaming activities and provide a easy entry to organized criminals.

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PART TWO: LEGALIZED GAMING IN THE TERRITORIES

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INTRODUCTION

While its population is small, the Northwest Territories, like the other parts of Canada, generates substantial revenues from legalized gaming. The Territories controls gaming by means of terms and conditions attached to the licence, and is not directly involved in the operation of gaming events.

The Territories has divided legalized gaming into the two categories of public and private, and each category is controlled by a different organization. The licencing of private gaming events such as bingos, raffles, casinos and pull-tickets is the responsibility of the Consumer Services Division of the Department of Justice and Public Services. Public gaming, that is, true lotteries, is controlled by the Western Canada Lottery Corporation.

HISTORICAL PERSPECTIVE

In 1976 the Northwest Territories incorporated the Sports North Federation to market and distribute lottery tickets. The creation of Sport North became necessary, as the government needed more staff to handle the growing amount of lottery services. The sports community was selected for this job, as it was already organized and experienced in providing gaming services (Sport North Federation, 1986). Saskatchewan has a similar arrangement with its sport federation, Sask Sport.

GAMING OPERATIONS

The Consumer Services Division of the Department of Justice and Public Services licences all gaming events in the Territories. Four types of gaming are permitted: bingos, raffles, casinos and Nevada (pull) tickets.

All applications for gaming events must be sent to the Consumers Services Division in Yellowknife at least one month before the proposed gaming event.

Only charitable or religious organizations can apply for a gaming licence. An organization is considered charitable if it provides a benefit to a significant portion of the population; is open for membership to the general public; and is run substantially by volunteers. A profit-making enterprise is not considered a charitable organization.

Territorial regulations allow for a small number of exceptions to the charitable organization licence restriction. Educational organizations are permitted to conduct gaming events under two licencing conditions. The principal of the educational institution must give written approval, and the proceeds must be used for sport, recreational or cultural purposes. Agricultural fairs, exhibitions and operators of concessions leased by a fair or exhibition board may also receive licences.

In addition, Territorial regulations permit gaming events in conjunction with bazaars if the value of each prize is one hundred dollars or less, and no more than fifty cents is required to obtain a chance to win.

Every licensee must submit a statement of account within thirty days of the gaming event. Monthly statements of account are required for licences which allow a series of gaming events. The licensee is required to retain all pertinent tickets, receipts, forms and documents for one year, and must make these materials available for inspection on the request of the licencing authority.

In addition, every licence issued by the Territorial government contains the following terms and conditions:

- (1) the licence is not transferrable, and all proposed prizes must be awarded;
- (2) proceeds must be kept separate from other funds and must be disbursed to the purpose stated on the application form;
- (3) except in the case of raffles or Nevada ticket events, no liquor can be served, sold or consumed in the gaming area. Liquor cannot be offered as a prize;
- (4) all gaming rules must be approved, and the rules and licence must be posted in a visible location; and
- (5) no one can receive compensation for managing, planning, conducting or assisting with a gaming event. No one conducting the event can participate as a player.

The Territories has also established limits on the number of the gaming events that a person or organization can sponsor.

Within a six month period, no person or organization can be issued more than five licences, and no more than three of those licences can be series licences, that is, licences for more than one event.

With respect to prizes, the gaming regulations state that no event can offer prizes with a value exceeding \$30,000 without the approval of the licencing authority. Under a licence for a series of gaming events where the prizes are valued over \$100,000, the licensee must submit an independently audited financial report within ninety days of the licence expiration. Prizes of firearms cannot be released until the winner has obtained a Firearms Acquisition Certificate in accordance with the provisions of the Criminal Code.

Territorial regulations also specify how the proceeds of a gaming event may be distributed. Charitable groups may apply the proceeds of a gaming event to a community facility if the facility is open to the public. Service clubs may apply fifty percent of the net proceeds to its building fund or for the repair and renovation of the club building or equipment. Gaming proceeds may not be used for social events or activities, other than those for children or senior citizens (Department of Justice and Public Services, 1986).

1. Bingos

When applying for a licence, the sponsoring organization must state the location, date and operating hours of the bingo event as well as the price of admission. The application must contain a list of all games to be played and the prizes to be awarded. Applications for a series licence where the jackpot amounts can be carried over must also list the amount of the opening and subsequent increases in the jackpot and the number of calls. The maximum jackpot and the maximum increases in the

number of calls must also be stated. Regulations specify that the jackpot must be awarded by the expiry of the licence.

The Territories limit the number of bingo events that can be sponsored by an organization. Licence regulations permit only one bingo per week, whether the licence is for a single event or a series of bingos. As a series licence is valid for up to six months, no organization can be licenced for more than twenty-six bingo events at a time.

Licence fees for bingo events range from five to twenty-five dollars, depending on the total value of the prizes. For single bingo event licences, a fee of five dollars is charged when the total value of the prizes is less than \$1,000; ten dollars is charged when the prizes are valued at \$1,000 but less than \$5,000; and there is a fifteen dollar fee when the value of the prizes is \$5,000 or greater. With regard to series licences, a fee of ten dollars is charged when the prizes are less than \$1,000 in total value; fifteen dollars is charged when the prizes are valued at \$1,000 but less than \$5,000; and there is a twenty-five dollar fee when the total value of the prizes is \$5,000 or more.

Territorial regulations also state that administrative expenses must not be more than ten percent of the gross proceeds of the bingo, excluding the rental of the bingo premises. Organizations who use their own premises for a bingo event may not charge rent or include rental charges in their expenses. Moreover, the sponsoring organization cannot delegate the responsibility for the conduct and management of the bingo to another organization or person.

Upon the request of the sponsoring organization, age restrictions for persons attending or participating in the bingo

event may be established. These age restrictions must be posted in a visible area on the bingo premises.

Bingo regulations allow for two exceptions to the general licencing rules. First, at a bingo event the caller may be paid an honorarium for services in the operation of the bingo. Second, volunteer bingo workers may play bingo before or after they have performed all their bingo duties.

2. Raffles

The application for a raffle licence must indicate the location, date and time of the draw(s) as well as the ticket price and the number of tickets to be printed. The number and value of the prizes must also be stated. A draft or sample copy of each type of ticket must accompany the licence application. The printed tickets must contain the above information as well as the name of the sponsoring organization, ticket number (if any) and the lottery licence number.

Licence fees for raffle events vary according to the nature of the licence and the value of the prizes. A licence for a single raffle event with a total prize value of less than \$1,000 is five dollars. Ten dollars is the licence fee for single raffle events with prizes between \$1,000 and \$4,999. Single raffle events with prizes totalling \$5,000 or more have a licence fee of fifteen dollars.

A licence for a series of raffles can be issued for a period of up to six months. Series licences where the total value of the prizes for each raffle is less than \$1,000 have a licence fee of ten dollars. Raffles with prize values between \$1,000 and \$4,999 have a licence fee of fifteen dollars. A licence fee of twenty-five dollars is charged for raffles with prizes of \$5,000 or more.

Territorial regulations specify that administrative expenses for conducting a raffle must not exceed ten percent of the gross proceeds of the gaming event.

Unless the licence specifically states otherwise, the maximum ticket sales for a raffle are limited to \$50,000. The final draw for a single raffle must be held within six months of the start of ticket sales, and the prize winners must be notified within twenty-four hours after the draw and receive their prizes not later than three days following the draw.

Raffle regulations allow for one exception to the general licencing rules. Persons assisting in the operation of a raffle may purchase tickets from other members of the sponsoring organization.

3. Casinos

Applications for a casino licence must specify the location, date and operating hours for the casino. The types and number of games in the casino must also be stated as well as the minimum and maximum bet limits. The method of payout on bets is also required information.

Licence fees are five dollars for each table or wheel game at a casino event.

Territorial regulations limit the number of casino events. Only one casino licence can be issued to an applicant in any six month period, and a licence is only valid for a maximum of three consecutive days. Moreover, only one casino is licenced in a community at any one time. Casino gaming may not take place between midnight on Saturday and 1:30 p.m. on Sunday.

If a casino is held in conjunction with another event, it must take place in an area that is physically separated from the

other activities. No person under nineteen years of age is permitted in the casino area. The minimum and maximum bet limits as well as the rules of play for each game must be posted in a conspicuous place in the casino area.

A minimum of twenty-five percent of the gross proceeds must be set aside for the approved charitable or religious purpose. If a casino is held on the premises of the sponsoring group, a rental fee cannot be included in the administrative expenses.

4. Nevada (Pull) Tickets

Licencing regulations permit the sale of Nevada (pull) tickets during a bingo, casino or other activity. Separate licences are required for the sale of Nevada tickets. An application for a licence must state the location, frequency and hours of the ticket sales. The estimated number of tickets to be sold during the licence period must also be provided.

Nevada tickets must be sold from a booth within the sponsoring organization's premises, and no person under sixteen years of age may purchase or sell tickets. According to licence regulations, vendors cannot purchase Nevada tickets while they are selling the tickets, and no cheques or credit may be used for ticket purchases (Northwest Territories, 1981).

Licence fees for the sale of Nevada tickets vary with the length of the sale. Where Nevada tickets are sold for one day only, the licence fee is five dollars. When the sale is conducted over more than one day, the licence fee is twenty-five dollars. A licence for a series of Nevada ticket sales cannot be granted for a period longer than six months. Only one licence is issued to an organization at any one time, and the sponsoring organization cannot delegate the responsibility for the sale to another person or group.

Territorial regulations also limit the allowable expenses. Administrative expenses may not exceed ten percent of the gross proceeds after deducting the cost of prizes and tickets.

REGULATORY STRUCTURE AND ADMINISTRATIVE PROCEDURES

Two separate organizations regulate legalized gaming in the Northwest Territories. All private gaming is licenced by the Consumer Services Division of the Department of Justice and Public Services, while the Sport North Federation conducts true lotteries on behalf of the Western Canada Lottery Corporation. The Territories is an associate member of the Western Canada Lottery Corporation.

1. Consumer Services Division, Department of Justice and Public Services

The Consumer Services Division of the Department of Justice and Public Services licences all private gaming events in the Territories. Its licencing activity is one of many responsibilities.

2. Sport North Federation

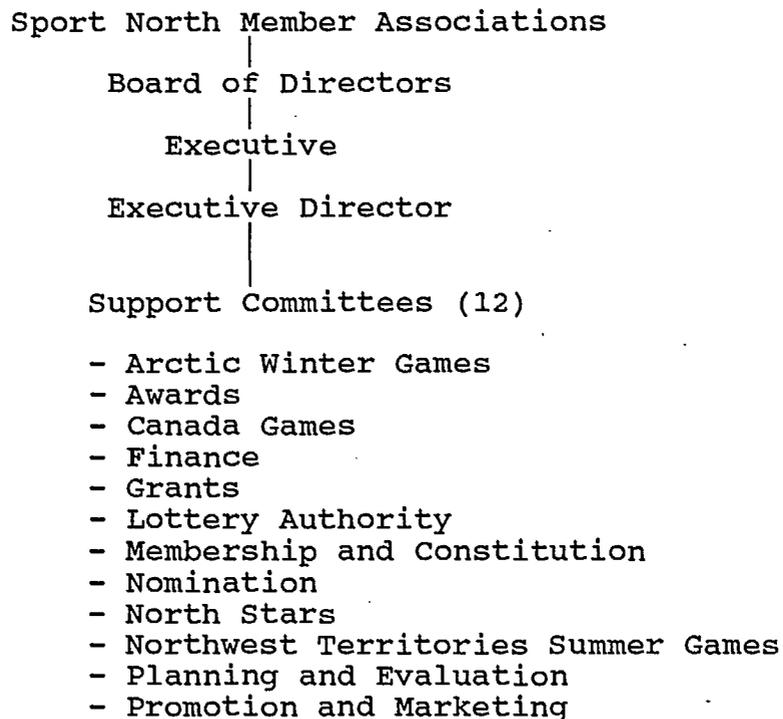
Sport North Federation has two major responsibilities. First, it is responsible for providing services to organized sports throughout the Territories. In this area, the Federation works closely with the Sport and Recreation Division of the Department of Municipal and Community Affairs. Second, through its Lottery Authority Committee, the Federation is responsible for the management of the five Western Canada Lottery Corporation lotteries within the Territories.

A ten member Board of Directors is responsible for the overall management of the Federation. The Executive consists of a President and four Vice-Presidents who are each responsible for a different program area: Internal Operations, Programs, Planning, and Games. The Executive carries out the directions of

the Federation members and the Board of Directors. It also acts as the public voice of the Federation (Sport North Federation, 1986).

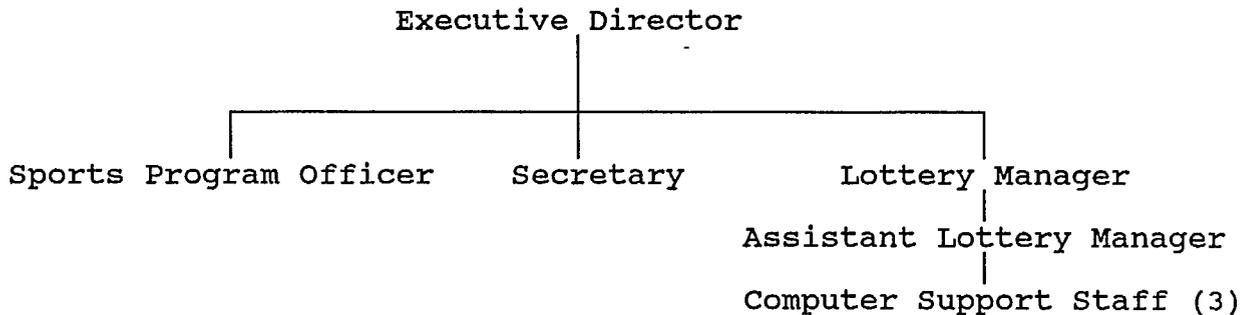
Figure 1 presents the organizational structure of the Sport North Federation.

Figure 1
STRUCTURE OF SPORT NORTH FEDERATION



As Figure 1 shows, the Lottery Authority is one of twelve support committees in the Federation. The Lottery Authority Committee consists of six members, and Figure 2 presents the organizational structure of the Lottery Authority.

Figure 2
STRUCTURE OF THE LOTTERY AUTHORITY COMMITTEE



GAMING: FACTS AND FIGURES

1. Licences

During the year 1985, a total of 921 gaming licences were issued, resulting in 900 different gaming events. Table 1 summarizes the licences issued in 1985.

Table 1
LICENCES ISSUED - 1985

Bingos	344
Raffles	231
Casinos	38
Nevada (Pull) Tickets	287
Cancelled events	21
TOTAL	921

2. Gross Revenues

During 1985, gross revenues for gaming events in the Territories amounted to \$12.8 million. Figure 3 charts the percentage of the gross revenues generated by the four forms of gaming. As Figure 3 illustrates, Nevada (pull) tickets account for over fifty percent of the total revenue generated by gaming.

3. Expenses

Expenses fall into three categories: prizes, hall rentals and administration.

Prizes

Table 2 summarizes the gross revenue, prize allocation, and percentage of revenues handed out in prizes for the year 1985. This table illustrates that while Nevada ticket sales account for the largest amount of revenue, it also pays out the highest percentage of prizes. Also of interest is that casinos hand out the smallest percentage of revenues in prizes.

Table 2
SUMMARY OF GROSS REVENUES AND PRIZES - 1985

	Gross	Prizes	Percentage
Bingos	\$ 4,272,776.18	\$2,808,175.09	65.7
Raffles	894,663.39	547,660.90	61.2
Casinos	49,434.23	1,915.55	3.9
Nevada(Pull) Tickets	7,519,730.58	5,677,160.72	75.5
GRAND TOTALS	<u>\$12,736,604.38</u>	<u>\$9,034,912.27</u>	<u>70.9</u>

Hall Rentals and Administration

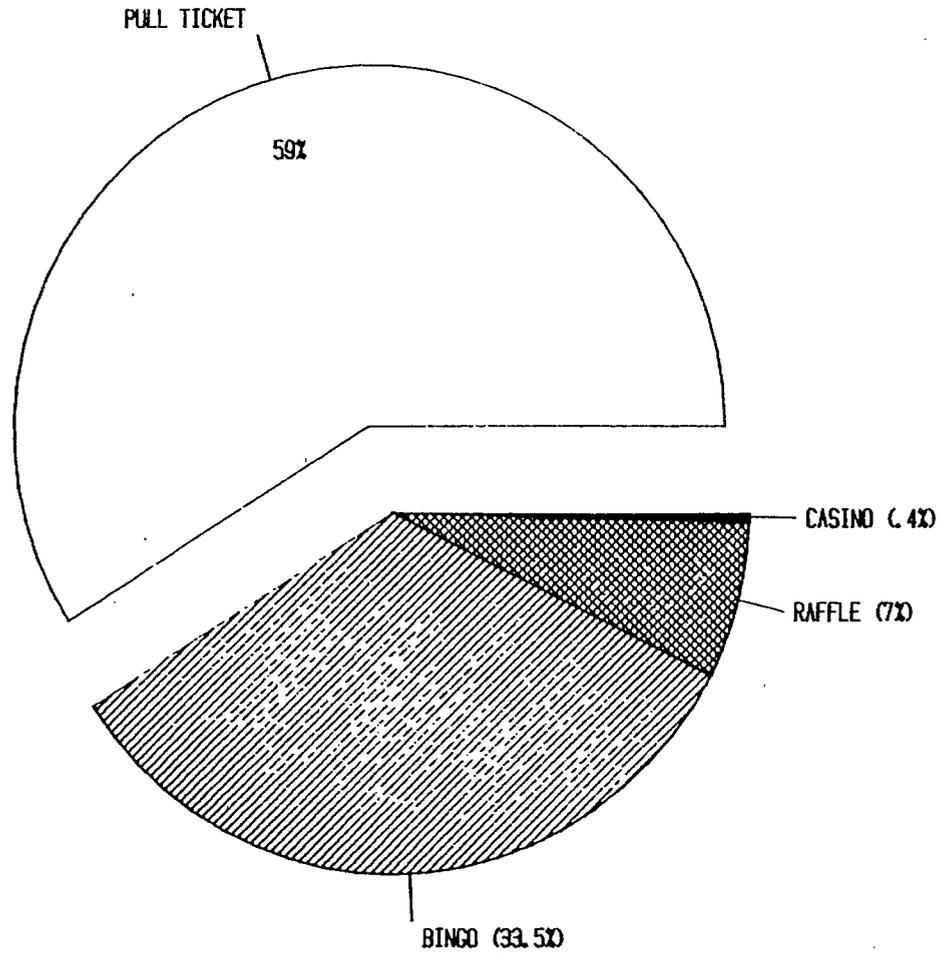
During 1985, \$203,893.34 was spent on hall rentals. This figure represents approximately two percent of the gross revenue. It should be noted that Nevada ticket events do not have this fee.

Administration fees accounted for three percent of gross revenues in 1985. The total figure was \$440,552.23.

Figure 3

NORTHWEST TERRITORIES REVENUE

REVENUE BY GAMING EVENT 1985



4. Net Profit

Table 3 lists the net profit by gaming event for the year 1985. The net profit represents the gross revenue minus the expenses of prizes, hall rentals and administration.

Table 3
NET PROFIT AND PERCENTAGE OF GROSS REVENUE - 1985

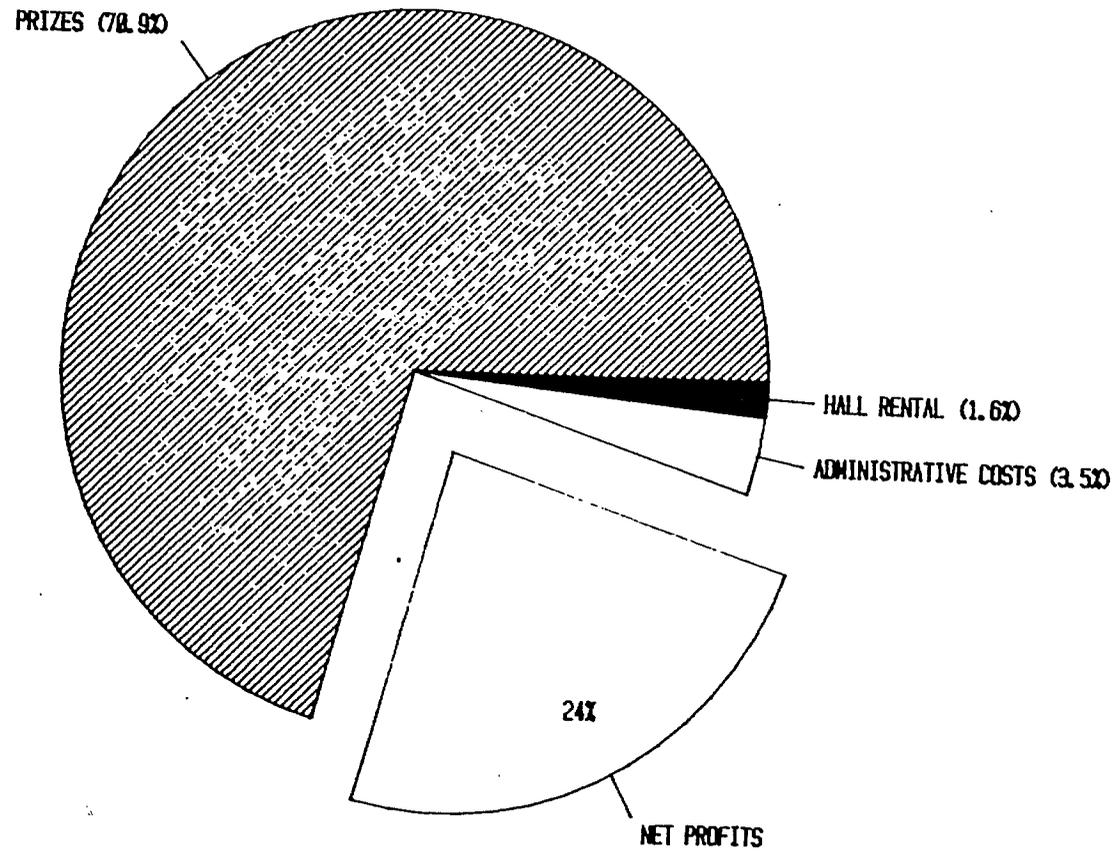
	Net Profit	Percentage of Gross Revenue
Bingos	\$1,136,337.93	27
Raffles	313,400.35	35
Casinos	28,301.61	57
Nevada (Pull) Tickets	1,579,206.66	21
	<hr/>	
GRAND TOTAL	\$3,057,246.55	24

Figure 4 shows in pie chart form the percentage of gross revenues that was allocated to prizes, profits, administrative costs and hall rentals in 1985. It demonstrates that more than seventy percent of the revenue generated at gaming events is handed out in prizes, and that less than twenty-five percent of the revenue results in profit to the sponsoring organization.

Figure 4

NORTHWEST TERRITORIES REVENUE

ALLOCATION OF REVENUE 1985



TRUE LOTTERIES

The Northwest Territories is an associate member of the Western Canada Lottery Corporation. The Sports North Federation was incorporated in 1976 to market and distribute Lottery Foundation tickets. The Lottery Authority of the Sport North Federation operates the major lotteries in the Territories and supervises the distribution of lottery proceeds. The creation of Sport North became necessary, as more staff was needed to handle the growing number of lottery services. The sports community was chosen for this task, as it already was organized and experienced in providing gaming services (Sport North Federation, 1986).

Western Express and Instant lottery games are conducted solely by the Lottery Corporation while the Provincial, Super Loto and Lotto 6/49 are conducted in co-operation with the Interprovincial Lottery Corporation.

In fiscal year 1984-85, the Lottery Corporation recorded ticket sales of \$483.5 million, of which \$166.5 million was distributed in profits to its member provinces and territories. The Northwest Territories' share amounted to \$553,435, up from \$354,232 in fiscal year 1983-84. After expenses, the Sport North Lottery Authority had a net profit of some \$362,000, up from approximately \$207,000 in 1983-84 (Sport North Federation, 1985).

Fifty percent of the proceeds of lottery sales are directed to Sport North programs to help finance the Arctic Winter Games, territorial competitions, player development, North Star Special Sports and the Annual General Meeting and Awards. The other fifty percent is divided equally between the distributors and the retailers of the lottery tickets.

CONCERNS AND FUTURE TRENDS

Circumstances unique to the Northwest Territories make uniform control of legalized gaming difficult. Geographic and climatic conditions make on-site monitoring of licenced gaming activities impossible, since all government personnel are located in Yellowknife. Licencing officials are currently considering updating licencing policy and financial controls.

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PART TWO: LEGALIZED GAMING IN THE TERRITORIES

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INTRODUCTION

Charity gaming in the Yukon is regulated by the Consumer, Corporate and Labour Affairs Branch of the Ministry of Justice. Licencing gaming is only one component of the Branch's overall administrative responsibilities. The Branch's other duties include the administration of consumer-related matters such as the Yukon's landlord-tenant legislation.

In general, it can be said that despite the Yukon's small population of approximately 28,000 and the lack of a full-time regulatory agency, the Yukon Territory has devised and implemented a comparatively sophisticated licencing system.

HISTORICAL PERSPECTIVE

The Yukon Territory has a long history of gaming activity. During the Klondike Gold Rush days of the 1890s, many gaming halls were established in Dawson City, the original capital of the Yukon. These halls offered a wide variety of games of chance, including ace-away, blackjack, dice games, faro, keno, poker and roulette (Dornian, 1986).

The Yukon formally joined the Dominion of Canada in 1898, and with the passing of the Gold Rush the Yukon sought to proscribe the once-condoned gaming activities in accord with the Criminal Code. Over seventy years later, in 1972, however, the government permitted the re-creation of Diamond Tooth Gerties, one of the legendary gambling halls of the Gold Rush era. Distinctive compared to gaming establishments elsewhere in Canada, Diamond Tooth Gerties was re-opened in Dawson City for the purpose of promoting tourism.

In recent times, government and law enforcement authorities in the Yukon, not unlike jurisdictions elsewhere in Canada, have authorized charitable organizations to conduct casino gaming, bingos and raffles as a means of generating revenues. Most of these activities occur in Dawson City and Whitehorse. In the mid-1970s, however, in response to the proliferating number of community-based organizations conducting such gaming events, the government sought to exercise a firmer degree of control.

In 1976, through Order-in-Council 1976/45, the Yukon established the Lotteries and Games of Chance Regulations. It was not until 1979, however, that the then Consumer and Corporate Affairs Branch formally began to licence charitable and religious organizations. Influenced by developments pertaining to gaming regulation in the Province of Alberta, the Yukon began to issue licences to charitable and religious organizations in accordance with Section 190 of the Criminal Code.

Over the years, a series of amendments were made to the original Order-in-Council. At the end of 1985, the current regulations were contained in Order-in-Council 1984/61.

GAMING OPERATIONS

The Yukon permits four forms of gaming within its jurisdiction: bingos, raffles, casinos and sports pools. The Territory also licences Diamond Tooth Gerties, a re-creation of a Gold Rush gaming establishment in Dawson City. The sale of Nevada tickets is not permitted in the Yukon.

Bingo and casino operations in the Yukon remain relatively small, in part due to the Yukon's lower population density. Also, the Yukon's smaller market demand for gaming has not generated private sector interests to manage and conduct gaming activities on behalf of licenced charitable organizations. Charity gaming in the Yukon has not been "professionalized," that is, regulations specify that gaming events must be conducted exclusively by unpaid volunteer personnel. The exception to this rule is Diamond Tooth Gerties.

Charitable organizations seeking to conduct a gaming event must apply to the Consumer, Corporate and Labour Affairs Branch in writing a minimum of four weeks prior to the date of the proposed gaming event. The organizations must outline the details of the event, including the purpose to which the proceeds will be used.

The Branch's consumer relations officers assess each application on its own merit and seek to determine: (1) if the organization is charitable in nature and (2) if the proposed use of the proceeds meets the definition of "charitable object or purpose" as stipulated in Section 190 of the Criminal Code.

The sponsoring organization must exist primarily for public service or community benefit. An organization and its objectives are considered in the context of its community setting. Its activities should be of public benefit and available to a significant section of the community. Membership in the organization must be voluntary, and members must carry out their duties without compensation. Moreover, the organization's activities must not lead to the development of commercial products or services which would directly benefit the members.

The Yukon has a schedule of licence fees for charitable gaming events. The schedule was established by Order-in-Council 1984/61. The non-refundable licence fees must accompany the application for licencing.

Eligible groups can use funds only for the following charitable and religious purposes:

- purchase or rental of equipment, furnishings and supplies that relate to the charitable or religious objectives of the organization;
- travel, accommodation and meal costs directly related to the organization's charitable or religious objectives;
- capital, rental and operational costs of providing a facility for community services or benefit. This includes land, buildings, permanently affixed equipment and associated furnishings, but excludes equipment or furnishings intended for revenue-generating food or beverage operations;
- where an organization operates facilities for the social and recreational activities of its membership yet provides reasonable access to the general community, the percentage of gaming proceeds specified on the licence may be used for the above expenses, with the balance applied to other charitable or religious purposes;

- costs of providing specific educational programs or supports, providing recreational activities for senior citizen groups, or providing relief for individuals or families in personal distress or who are victims of physical disaster; and
- donations to other approved charitable or religious organizations, including those located outside the Yukon.

The Yukon also imposes additional reporting requirements regarding the use of proceeds:

- the net proceeds must be disbursed for the approved purpose within a reasonable time following the conclusion of the licenced gaming event;
- separate bank accounts must be established for the deposit of all receipts and from which all disbursements must be made by cheque. Bingo and raffle events with under \$5,000 gross revenues are excluded from this requirement;
- only those expenses required for the conduct and management of the licenced event may be paid from gaming revenue;
- gaming proceeds not required immediately to meet the approved objectives may be invested in short-term deposit notes. Any accrued interest becomes part of the accountable gaming proceeds; and
- written financial reports must be submitted at the conclusion of each gaming event or at the expiration of a licenced period. Failure to file such reports or to comply with the other terms and conditions may affect eligibility for future licences.

In addition, the Yukon has established terms and conditions specific to each form of gaming activity.

1. Bingos

According to territorial regulations, bingos must be held within the organization's own city, town or community. Notwithstanding this regulation, bingos in the Yukon tend to be held in the sponsoring organization's own facility. This stands in

contrast to some other jurisdictions where bingo facilities are often privately owned and made available to charitable organizations on a rental basis for the exclusive purpose of conducting bingo events.

Licences may be issued for a single event or for a continuous series of events, to a maximum period of twelve months. Licences are issued to only one organization; umbrella licences covering a number of groups are not permitted.

Sponsors of bingos with projected revenues under \$5,000 are charged a five dollar licence fee. Organizations sponsoring bingos with projected revenues over \$5,000 are charged a licence fee of twenty-five dollars.

With the exception of media bingos, that is, bingos conducted by radio or television, overhead costs must not exceed ten percent of gross revenues. The rental of premises is not included in this restriction. In those situations where facilities are rented, however, the rent cannot be calculated on a percentage of the revenue nor be based on attendance.

The regulations also state that bingo events which generate revenues in excess of \$5,000 must deposit their proceeds in a separate bank account, and disbursements from this account must be exclusively by cheque. These processes attempt to ensure that adequate records will be available.

2. Raffles

Various forms of raffles are permitted in the Yukon. In addition to the regular ticket raffle where all participants pay the same price for the chance to have their ticket drawn, the Yukon licences "pay-what-you-pull" raffle schemes. In this game, the amount any player pays to participate is determined by chance. That is, participants select raffle tickets from

booklets of pre-printed tickets which vary from nil to two dollars in price. The price of each ticket is obscured until the purchaser selects the ticket.

Similar to the fee schedule for bingo, sponsors of raffles with projected revenues under \$5,000 are charged a five dollar licence fee. Organizations sponsoring raffles with projected revenues over \$5,000 are charged a licence fee of twenty-five dollars. Territorial regulations specify that raffle tickets may not be sold or advertised outside the Yukon.

According to Yukon regulations, the prizes described in the application for a raffle must be awarded, and prizes worth more than \$5,000 must be guaranteed by the sponsoring organization.

With respect to expenses, only those related to the management and conduct of the raffle are allowable deductions from the gaming revenue. No compensation may be made for the sale of raffle tickets, other than a commission to another participating charitable or religious organization.

3. Casinos

Charity organizations in the Yukon are permitted to operate only two kinds of casino games: blackjack and wheel of fortune. The sponsoring organization is charged a licence fee of twenty-five dollars.

According to territorial regulations, casinos must be held within the organization's own city, town or community. The organization is also required to supply sufficient personnel to staff the administrative and financial control positions in the casino for its entire duration.

As in the case of bingos, most casino events in the Yukon (excepting Diamond Tooth Gerties) are held in the licenced

organization's own premises. Such events are conducted in the spirit of a Monte Carlo or Las Vegas night. A licensed organization rents equipment from a private supplier for the duration of its licenced period and operates the casino using volunteers from its membership. The rental fees for equipment or facilities cannot be based on a percentage of the gaming revenues.

The regulations specify that a sponsor cannot charge an entry fee to the casino. Credit is not permitted, and all chip or token transactions must be conducted at the casino bank. Dealers are not allowed to receive cash at the gaming tables.

4. Diamond Tooth Gerties

Diamond Tooth Gerties was re-created in Dawson City in 1972 for the primary purpose of stimulating tourism. This casino is operated under a special licencing arrangement, whereby the Klondike Visitors Association (K.V.A.) is granted a seasonal licence which usually extends from mid-May through September, spanning approximately 110 six-hour shifts. The licence is issued directly by the Territorial Minister of Justice pursuant to Section 190 of the Criminal Code, and is subject to the terms and conditions established under Order-in-Council 1983/92.

Conducted as a commercial casino gaming operation, Diamond Tooth Gerties offers live entertainment featuring three nightly floor shows of cancan dancers and music from the late 1800s and early 1900s. Alcoholic beverages are served at the gaming tables. Casino pit staff can also offer complimentary beverages to preferred players and other visitors. While cheque cashing is permitted for known guests, credit privileges are not allowed.

The licence permits the games of blackjack, roulette, wheel of fortune and a unique game known as Texas Hold-Em poker to be conducted seven days a week during the evening hours. A licence fee of five dollars per gaming table per day is charged.

The licence for Diamond Tooth Gerties permits:

- twenty blackjack tables with a minimum bet of two dollars and a maximum bet of fifty dollars;
- two roulette wheels with an inside betting range of one to five dollars, and an outside range of one to fifty dollars;
- two wheels of fortune with a betting range of fifty cents to ten dollars; and
- one poker table with a time charge of five dollar per player per hour and a half.

With respect to the Texas Hold-Em poker table, no rake or house percentage is taken from the game. Betting limits for the poker table are established at the beginning of each evening and clearly posted at the table. Three raises are permitted, each no more than ten dollars. Blind bets of one to five dollars are permitted, depending on the established limit for that evening. Blind bet limits must also be clearly posted.

The Klondike Visitors Association is responsible for hiring a professional casino manager who oversees the gaming operations. The casino manager is also responsible for the hiring and training of a professional staff of dealers and croupiers. Staff have been trained for several years by Mr. Phil Downey, a gaming expert from Nevada. Mr. Downey has lectured at the Canadian Police College on gaming.

In keeping with the provisions of the Criminal Code, the Executive Council of the Yukon has licenced the Klondike Visitors Association as a charitable organization. Revenues generated by Diamond Tooth Gerties are used by the Klondike Visitors Association for specific objectives. According to its constitution, the Klondike Visitors Association has the following objectives:

- to promote visitor interests in Dawson City and the Klondike;

- to revive and maintain the unique history and character of Dawson City through the operation of attractions pertinent to and/or entertainment reminiscent of the Klondike Gold Rush Era;
- to enrich the social and cultural fabric of Dawson City by sponsoring, for the benefit of visitors and residents alike, special events recalling Dawson City's historic past and present;
- to promote, maintain and foster pride in the beauty and esthetics of Dawson City and the Klondike region; and
- to promote employment primarily for Dawson City and Klondike residents through the hiring of staff for such attractions (Corporate, Consumer and Labour Affairs, 1985).

Diamond Tooth Gerties is often praised as an important tourist attraction in Dawson City, but it has not been proven that tourists are drawn to either the Yukon or Dawson City for the express purpose of gaming. It would appear that gaming at Diamond Tooth Gerties is, at best, an ancillary tourist attraction.

5. Sports Pools

Sports pools are gaming events where the results are contingent on the outcome of a sporting event. The simplest sports pool schemes are based on the outcome of a single sports event; the Grey Cup Pool is the most common of this type of sports pool. In this pool, participants pay an amount for the opportunity to write their names in one or more boxes or squares on a board to which scores are later randomly assigned. The outcome of the sports pool depends on the score of the sporting event. The winner of the pool is the individual with the correct final score. Consolation prizes may be offered for quarter scores or for the reverse of the final score.

More complex sports pools are based on the outcome of an entire sporting season. Participating in such season pool schemes usually requires extensive and current knowledge of the particular sport and/or league. For example, sports pools based on the National Hockey League season enable participants to pay an amount of money in order to select or draft a team of individual players from the league. The outcome of the pool is based on the total number of points scored by the selected team of individual players. A cash prize is given to the participant drafting the team with the highest number of accumulated points at the end of the season (Engler, 1987).

Sports pools are licenced in the Yukon as a raffle lottery scheme, and thus the licencing and reporting requirements for raffles apply also to sports pools.

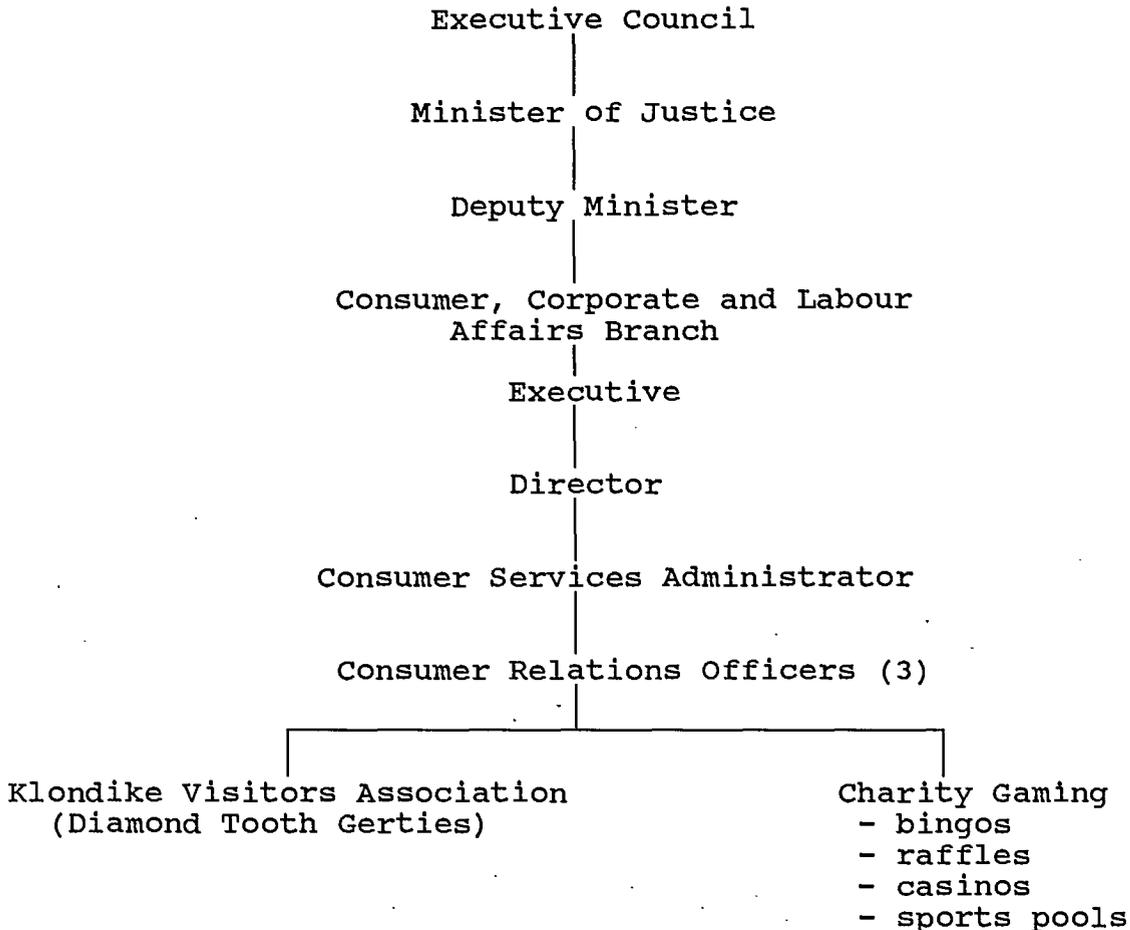
REGULATORY STRUCTURE AND ADMINISTRATIVE PROCEDURES

Two organizations regulate legalized gaming in the Yukon Territory. All private gaming is controlled through the Consumer, Corporate and Labour Affairs Branch of the Ministry of Justice. Like the Northwest Territories, the Yukon is an associate member of the Western Canada Lottery Corporation. The Yukon Lottery Commission oversees the conduct of the Lottery Foundation lotteries in the Territory.

1. Consumer, Corporate and Labour Affairs Branch

In addition to its other duties in consumer, corporate and labour areas, this Branch is responsible for the licencing and regulation of gaming in the Territory. The Branch reports through a deputy minister to the Minister of Justice for the Yukon. Figure 1 presents an organizational chart of the Branch.

Figure 1
 STRUCTURE OF THE CONSUMER, CORPORATE
 AND LABOUR AFFAIRS BRANCH



The Consumer, Corporate and Labour Affairs Branch maintains a staff of three consumer relations officers who have a number of duties relating to gaming and non-gaming matters. With respect to their gaming responsibilities, the consumer relations officers screen incoming applications and approve routine licencing for eligible organizations. In addition, the consumer relations officers have inspectorial responsibilities which require auditing submitted financial reports, following up on public complaints as well as paying periodic visits to locations where gaming events are being conducted.

Applications which are felt to be of dubious eligibility are referred to the consumer services administrator for further consideration. The administrator reviews the application and the stated use of proceeds to further determine eligibility before forwarding the questionable application with a recommendation to the Branch Director for adjudication.

Applicants denied licencing are informed in writing of the reasons for the denial. They are also advised that they may request an appeal if they feel the licence was denied without good reason. Appeal hearings entail an informal meeting between the organization's executive, the Director and Branch staff to discuss the reasons for denial. Before reaching a decision in a particularly problematic case, a legal opinion may be sought from the solicitors at the Ministry of Justice.

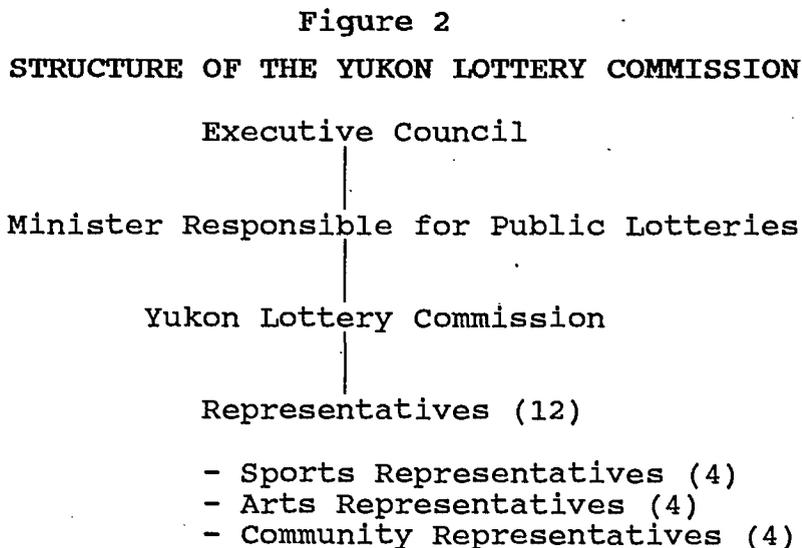
If and when irregularities become apparent, Branch officers have the authority to insist that licenced organizations submit independently audited statements of their business records. Where major problems exist, the Branch may also suspend the organization's current licence, or deny or impose strict terms and conditions on future licences. Where fraud or some other breach of criminal law is suspected, the Branch seeks the intervention of the RCMP. Such circumstances are reportedly extremely rare.

2. Yukon Lottery Commission

The Yukon Lottery Commission is the official marketing authority and distributor of Western Canada Lottery Corporation lottery tickets in the Yukon. It is also responsible for the distribution of lottery profits in the Territory. The Commission reports to the Minister Responsible for Public Lotteries.

The Yukon Lottery Commission has a contractual agreement with the Yukon Arts Council and the Yukon Sports Federation for the marketing of the lottery tickets. The Commission charges these organizations a fee for the right to market lottery tickets in the Territory. The revenue generated by these fees is used to ensure the Commission's financial independence and to provide grants to sport, arts and recreation groups in the Yukon (Yukon Lottery Commission, 1984-85).

Figure 2 illustrates the organizational structure of the Yukon Lottery Commission.



The representatives are appointed to the Lottery Commission by the Minister Responsible for Public Lotteries. The Public Lotteries Act reduced the number of representatives on the Lottery Commission from sixteen to twelve.

GAMING: FACTS AND FIGURES

1. Licences

Prior to 1984, records were not maintained on the number of licences issued by gaming activity. The total number of licences issued were recorded, however, and Table 1 presents this information.

Table 1

LICENCES ISSUED FOR YEARS 1979 TO 1983

1979	-	171
1980	-	201
1981	-	209
1982	-	203
1983	-	219

In 1984, the Corporate, Consumer and Labour Affairs Branch instituted a new information system in which licences were recorded by type of gaming activity. Table 2 lists the licencing activity for 1984 and 1985.

Table 2

LICENCES ISSUED FOR YEARS 1984 AND 1985

	1984	1985
Bingos	14	24
Raffles	158	120
Casinos	18	17
Sports Pools	16	12
TOTAL	<u>206</u>	<u>173</u>

The Yukon began collecting licence fees during the fiscal year 1984-85. In that year, the Territory collected \$8,862 in licence fees. The fees came from two sources: charity events (\$1,685) and Diamond Tooth Gerties (\$7,177).

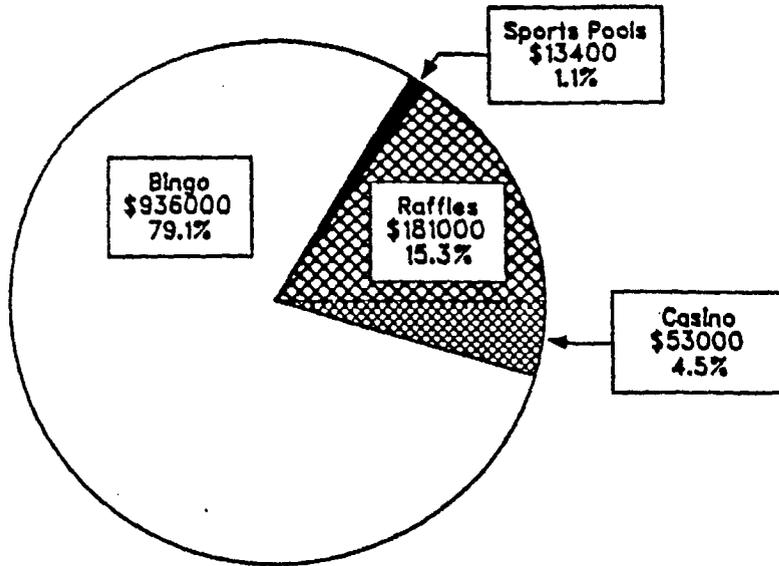
2. Gross Revenues

Gross revenues for gaming activities in the Yukon for 1984-85 amounted to \$1,042,000, down from \$1,183,000 in 1983-84. As Figure 3 illustrates, bingo generated \$623,400 or nearly sixty percent of the total gross revenue for 1984-85. Raffles accounted for \$355,600 or thirty-four percent; casinos for \$39,000 or nearly four percent, and sports pools for \$24,400 or two percent.

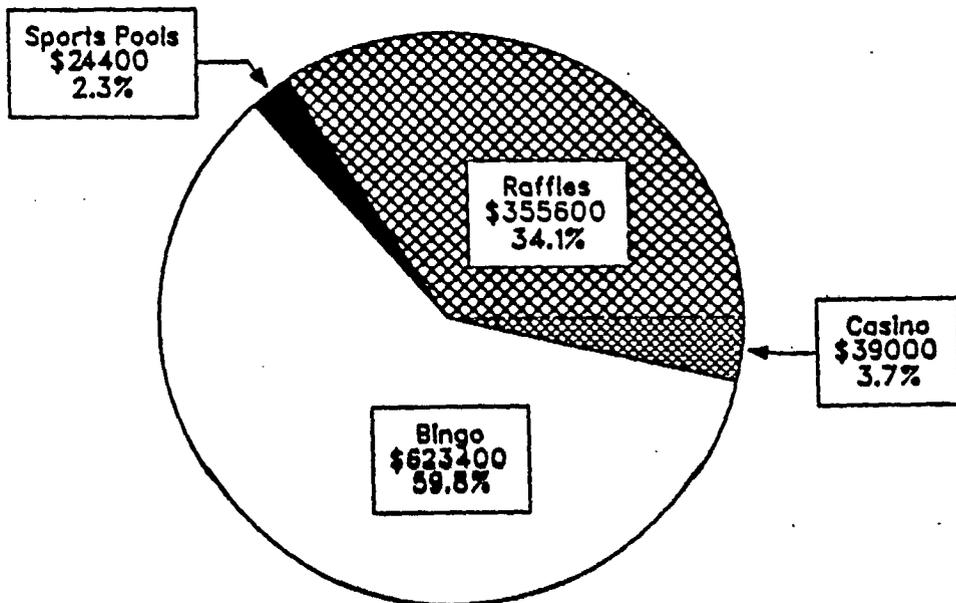
Figure 3
GROSS REVENUES BY GAME, 1984 & 1985:

(Excluding Diamond Tooth Gerties)

1984: \$1,183,000; 206 Licenses Issued



1985: \$1,042,000; 173 Licenses Issued



It is interesting to note that between 1983-84 and 1984-85, the percentage of gross revenues generated by bingos decreased from approximately eighty to sixty percent, while the percentage of gross revenues attributed to raffles doubled from fifteen to thirty.

3. Diamond Tooth Gerties

In 1985 Diamond Tooth Gerties created employment for thirty casino and seven bar staff. The total casino staff payroll amounted to \$215,300, while the bar staff payroll reached \$49,200.

A total of 25,706 people visited Diamond Tooth Gerties in 1985. Beverage sales (alcoholic and non-alcoholic) generated by these visitors amounted to approximately \$239,200. Diamond Tooth Gerties further contributed to the Yukon economy by expending approximately \$65,000 on liquor and bar supplies. The casino operation purchased another \$9,300 worth of supplies.

Table 3 presents the gross and net revenues by gaming activity for Diamond Tooth Gerties for 1985.

Table 3
DIAMOND TOOTH GERTIES
REVENUES - 1985

	Gross Revenue	Net Revenue
Blackjack (20)	\$754,286	\$277,756
Roulette (2)	190,810	72,985
Wheel of Fortune (2)	23,714	22,244
Poker (time charges)	-	17,036
TOTAL REVENUES	<u>\$968,810</u>	<u>\$390,021</u>

TRUE LOTTERIES

The Yukon Territory is an associate member of the Western Canada Lottery Corporation, and its true lotteries are managed and conducted either by the Lottery Corporation or in co-operation with the Interprovincial Lottery Corporation. Western Express, Lotto West, the 10th Anniversary Gala Draw and Instant lottery games are conducted solely by the Lottery Corporation, while the Provincial, Super Loto and Lotto 6/49 are conducted in co-operation with the Interprovincial Lottery Corporation.

Table 4 lists the ticket sales by product for the fiscal years 1983-84 and 1984-85. As Table 4 shows, the gross revenues increased by 59% during 1984-85. This increase was based on the greater ticket sales of Instant and Lotto 6/49 games. The popularity of these two games led to a decrease in sales of Western Express, the Provincial and Super Loto tickets.

Table 4
TRUE LOTTERY SALES

	Cost	1984-85	1983-84	Difference
Western Express	\$ 1	\$ 136,240	\$199,510	(63,270)
Provincial	5	184,200	204,530	(20,330)
Super Loto	10	308,590	357,530	(48,940)
Instant Games	1	560,000	60,000	500,000
Lotto 6/49	1	138,952	32,858	106,094
Lotto West	1	10,300	-	10,300
Anniversary Draw	10	21,500	-	21,500
		<hr/>	<hr/>	
TOTAL		\$1,359,782	\$854,428	

In fiscal year 1984-85, the Western Canada Lottery Corporation recorded total ticket sales of \$483.5 million, of which \$166.5 million was distributed in profits to its member provinces and territories. The Yukon's share amounted to \$282,903, up from \$180,239 in 1983-84. This figure represents the profit after expenses. The expenses for the Yukon Lotteries

Commission for the years 1984-84 and 1985-85 were approximately \$137,000 and \$241,000 respectively.

The Yukon Lottery Commission distributes lottery proceeds to many community organizations involved in sports, arts, culture and recreation. In fiscal year 1984-85, this amounted to \$279,327.22. From this figure, \$133,660.24 was given as grants to specific projects and \$37,639.30 was given in discretionary grants to communities.

CONCERNS AND FUTURE TRENDS

According to staff members of the Corporate, Consumer and Labour Affairs Branch, there are no major problems pertaining to charity gaming in the Yukon. The problems which are acknowledged are generally of an administrative nature. These are described below.

1. Minor Administrative Infractions

On some occasions, charitable organizations seeking licencing approval often do not allow sufficient time between their initial application and the intended date of the gaming event for the proper processing of their application. Moreover, at the conclusion of the licenced event, some organizations are less than punctual in completing the required financial statements. In such cases, rather than take formal steps to ensure compliance with regulations, Branch staff prefer to rely on informal persuasion to ensure that charitable organizations fulfill their licencing and reporting obligations. Overall security at charity-operated casinos may in fact be less stringent than at Diamond Tooth Gerties, which is conducted under licence by the Klondike Visitors Association.

2. Loose Definition of Charitable Organization

In the past, the Yukon tended to be lenient in licencing organizations to conduct gaming events, which led to a concern that the Yukon was licencing organizations which were not charitable. In more recent years, however, the Corporate, Consumer and Labour Affairs Branch has made a conscientious effort to adhere strictly to eligibility guidelines to ensure that it was not violating the Criminal Code by issuing improper licences. Nonetheless, some concerns have persisted regarding the propriety of the charitable organization designation for the Klondike Visitors Association (Corporate, Consumer and Labour Affairs Branch, 1985).

3. Expansion of Gold Rush Casinos

From time to time, consideration has been given to the idea of making Diamond Tooth Gerties a year-round operation. Interest has also been expressed in the establishment of a similar gaming facility in or near Whitehorse. At the present time, uncertainty exists as to the economic viability of two such casino ventures.

4. Direct Government Control versus An Arm's Length Policy

In the past, the Yukon has given brief consideration to the Manitoba model of direct governmental control of gaming activities. Under such a model, the Yukon would assume control of all gaming, including Diamond Tooth Gerties, and establish an umbrella funding scheme for charitable organizations.

In 1987, however, the Yukon enacted a Lottery Licencing Act which will establish an independent licencing commission with the authority to issue and revoke gaming licences. The Act, yet to be proclaimed, will codify both lottery regulations and licencing terms and conditions for charity gaming. Additionally, the commission will have the mandate of reviewing Yukon gaming policy and offering policy recommendations to the Yukon Executive Council. The move to establish an independent commission is

indicative of the Yukon's wish to establish an arm's length relationship with gaming and gaming policy.

Given the relatively small population and the correspondingly low number of community and charitable organizations, there is a lesser demand in the Yukon for charity gaming licences. Even so, the Yukon has developed and implemented extensive and effective regulatory controls. The creation of an independent licencing commission will further strengthen this system.

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PART THREE: LEGALIZED GAMING IN CENTRAL CANADA**CHAPTER SEVEN: ONTARIO**

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INTRODUCTION

Like the other parts of Canada, legalized gaming in Ontario is flourishing, and with this increased activity has emerged the problem of maintaining adequate control of a growing number of gaming events. At present, the province is undergoing a major upgrading of its operating procedures and its licencing and reporting requirements to better address the greater demands of gaming in the province.

HISTORICAL PERSPECTIVE

The responsibility for the control of legalized gaming in Ontario was given to the Lotteries Branch of the Ministry of Consumer and Commercial Relations. In Ontario, the authority to

licence is uniquely shared with the municipalities, who may also licence certain specified types of gaming with specific prize ceilings.

In February 1975, the Ontario Lottery Corporation was created to develop and operate true lotteries within the province. The rationale behind its creation was to direct lottery proceeds to worthwhile projects which might otherwise not benefit from government funding. Section nine of the Act stated that all net profits must be paid into the Consolidated Revenue Fund.

During its first year, the Lottery Corporation operated one province-wide lottery, Wintario. The Provincial was added in 1976, and Lottario in 1978. Super Loto joined the list of lottery games in 1980, while Lotto 6/49 began to be marketed in 1982. Fiscal year 1984-85 was the first full year of operation for the Instant game.

By the mid-1980s, private gaming in Ontario had grown substantially, while the regulatory structure of the Lotteries Branch had remained relatively unchanged. In 1985, the province created a Task Force to review the resources and operating procedures of the Lotteries Branch. The Branch also underwent a re-organization of its resources and automated its operating systems. The recommendations of the Task Force are currently under review, and the province anticipates improved regulation and control of gaming activities.

During this same period, the province also turned its attention to improving the operation of true lotteries by making two amendments to the Ontario Lottery Corporation Act in 1986. The first amendment removed the limitations on the use of lottery proceeds, while the second amendment prohibited the sale, distribution or advertisement of lottery tickets by persons not authorized by the Ontario Lottery Corporation. This second

amendment also prohibited the sale of lottery tickets at a price other than the face value, as well as banned the resale of lottery tickets outside the province.

GAMING OPERATIONS

Bingos, raffles, casinos and Nevada ticket sales are licenced in Ontario. The province also allows gaming events at agricultural fairs.

1. Bingos

Provincial regulations specify a number of requirements with regard to the management and conduct of bingo events. The sponsoring organization must provide a financial guarantee for the prize money in the form of an irrevocable commercial letter of credit from a bank or trust company.

The terms and conditions of the licence also state that copies of all advertising and publicity material must be forwarded to the Lotteries Branch for approval prior to publication.

Moreover, the regulations direct that twenty percent of the gross revenues must be used for the stated charitable or religious purposes.

2. Raffles

In addition to listing the name and address of the sponsoring organization, each raffle ticket must contain the following information:

- the location, date and time of each draw, including information on and the cut-off dates for early-bird draws;
- the number and nature of the prizes plus the amount of all cash prizes;

- the number of the ticket, the price of the ticket, and the total number of tickets printed;
- the name of the printer;
- the charitable purpose for which the raffle is being conducted; and
- the licence number including the issuing authority.

Regulations also specify that each advertisement must contain the same information that is printed on the ticket. Moreover, the sponsoring organization must guarantee the prize money by means of a commercial letter of credit from a bank or trust company. A complete list of prize winners and the amounts paid must be forwarded to the Lotteries Branch as soon as possible after the gaming event.

REGULATORY STRUCTURE AND ADMINISTRATIVE PROCEDURES

Legalized gaming in Ontario is controlled by two organizations. All private gaming is directly or indirectly controlled by the Lotteries Branch of the Ministry of Consumer and Commercial Relations, while true lotteries are the responsibility of the Ontario Lottery Corporation.

1. Lotteries Branch

The responsibility for the licencing and investigation of possible violations connected with private gaming rests with the Lotteries Branch of the Ministry of Consumer and Commercial Relations. Like Saskatchewan, however, the Ontario licencing system is decentralized in that large-scale gaming operations are licenced by the Lotteries Branch, while smaller gaming events are licenced by the municipality in which the event will take place. The final authority over licencing rests with the Lotteries Branch, however, as the Branch may intervene and overrule

municipal decisions (Paradis, 1986). This arrangement allows the Lotteries Branch to maintain total control of large-scale operations and indirect control over smaller gaming events.

The authority to supervise and control legalized gaming stems from Section 190 of the Criminal Code and the Ontario Order-in-Council 274/1970.

A. Municipal Licences

Over eight hundred municipalities participate in the municipal licence system, and more than eighty percent (ninety per cent in 1987) of all licences granted are given by the municipalities.

A municipal council, through a lottery licencing officer, may issue licences to local charitable and religious organizations and groups to manage and conduct gaming events. These municipal licences are restricted to bingos with total prizes valued at not more than \$3,500, and raffles and other gaming events whose prizes do not exceed \$5,000 in value. The municipalities charge a fee for issuing licences and retain all fees collected.

The Lotteries Branch has placed a number of terms and conditions upon the licencing power of the municipalities. For example, the policies and rules of a municipality with regard to gaming may be more, but not less, restrictive than those of the Lotteries Branch. The municipalities must forward copies of the licences they have issued to the Branch for review. Moreover, in those instances where a gaming event extends over more than one jurisdiction, the Lotteries Branch may request that approval in writing be obtained from each of the affected municipalities.

B. Provincial Licences

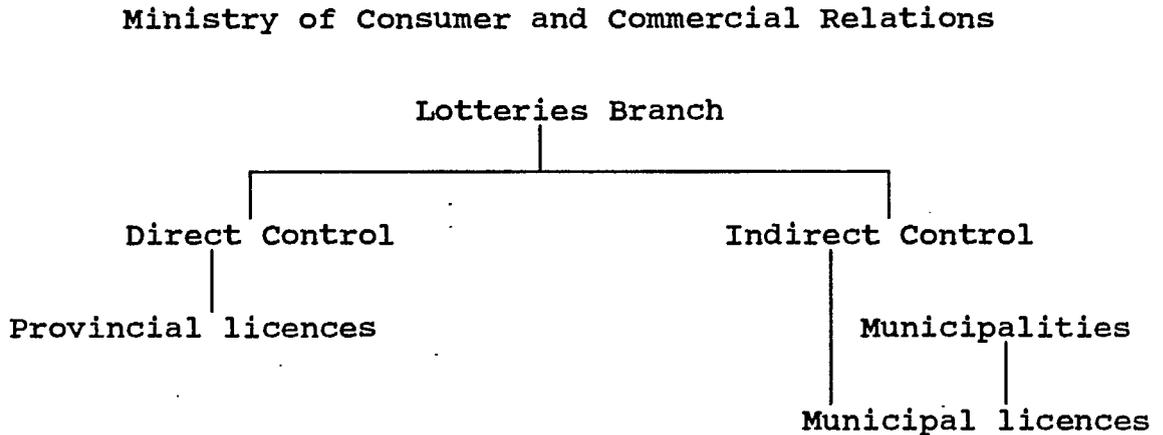
Any legalized gaming event whose total prizes are valued over the municipal limits must be licenced by the Lotteries Branch. Large-scale gaming operations must meet a number of general terms and conditions. For example, the licenced organization must be the sole agency for the management and conduct of the gaming event. In addition, at the completion of the gaming event, the licensee is required to reconfirm the charitable or religious purposes for which the proceeds of the event are to be used.

The procedures for processing applications for provincial licences are similar to those for a municipal licence:

- (1) process the application as if it were an application for a municipal licence up to the point of issuing the licence;
- (2) a letter is issued authorizing the organization to operate in the municipality if, in fact, the gaming event is considered to be in the best interests of the community;
- (3) request that the applicant submit a cheque payable to the Treasurer of Ontario to cover the licence fee (calculated on the basis of two percent of the total prizes);
- (4) where the total prize structure exceeds \$10,000 in cash, goods or merchandise, the applicant must include a financial guarantee for the total prize amount. This guarantee must be in the form of an irrevocable commercial letter of credit issued by a chartered bank or trust company;
- (5) forward the completed application form with the municipal letter of permission and the licence fee to the Ministry of Consumer and Commercial Relations; and
- (6) a provincial licence will be forwarded to the local officials and in turn to the applicant.

Figure 1 presents the structure of gaming control through the Lotteries Branch of the Ministry of Consumer and Commercial Relations.

Figure 1
STRUCTURE OF GAMING CONTROL



2. Ontario Lottery Corporation

Ontario was the third Canadian jurisdiction to introduce government-operated lotteries. Prior to the introduction of true lotteries, a task force was created to study how best to achieve a successful government marketing operation while maintaining public accountability. The task force concluded that a Crown agency would guarantee accountability plus operational flexibility (Public Gaming Magazine, 1985).

The Lottery Corporation is responsible to the Minister of Tourism and Recreation. In 1985, it had a nine member Board of Directors, who were selected by the government to achieve a province-wide perspective on the needs of Ontario residents. The Corporation had five divisions, an Internal Audit Department, and a staff of 221.

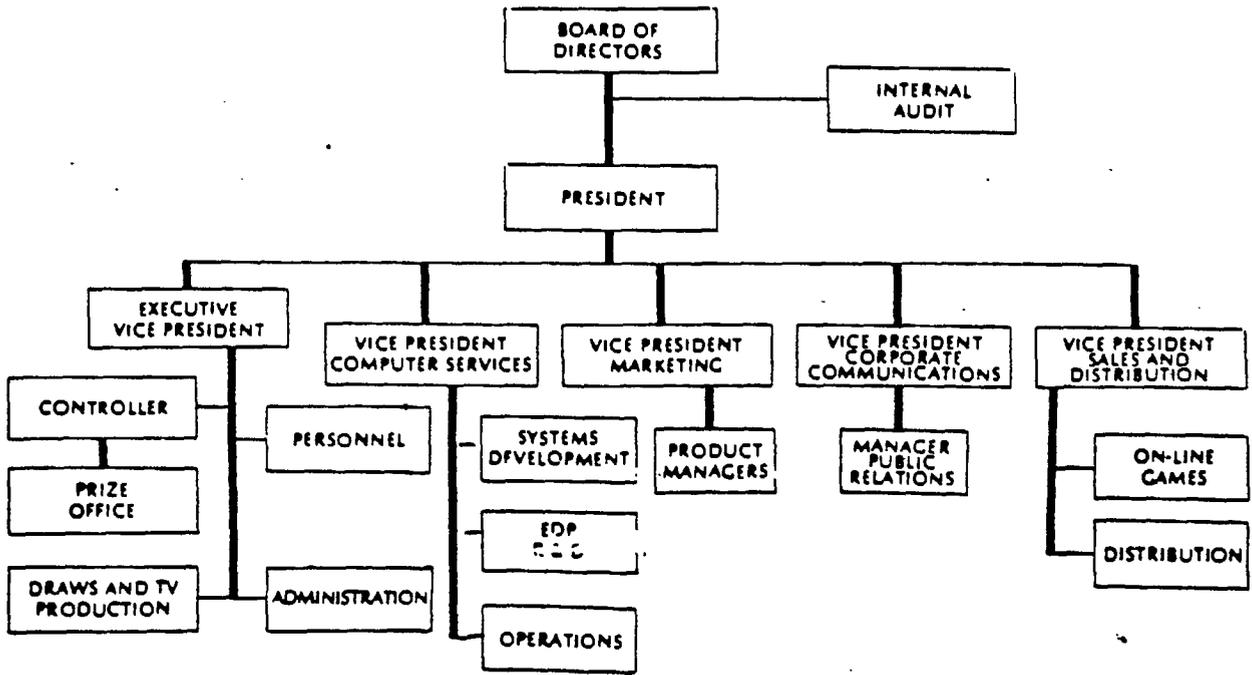
The purpose of the Ontario Lottery Corporation is to develop and operate a variety of true lotteries. The Corporation is also

responsible for establishing and maintaining a lottery distribution network. As of July 1982, the Corporation had forty-seven profit-making commercial distributors. These distributors make use of a network of approximately 14,000 commercial retailers, including trust companies, smoke-shops and other general retail outlets.

Figure 2 presents the organizational structure of the Ontario Lottery Corporation.

Figure 2

ONTARIO LOTTERY CORPORATION



Source: Public Gaming Magazine, June 1, 1985.

A. Operations Division

This division is responsible for the financial, administrative and personnel aspects of the Corporation. It is also responsible for the distribution of prizes through the Prize Office. The organization of weekly televised Wintario and Lottario draws are also the responsibility of this division.

B. Computer Services

This Division provides the computer support for the day-to-day functioning of the Corporation's two on-line games: Lottario and Lotto 6/49. It also serves the computer-related administrative needs of its three departments: Systems Development, Operations, and EDP and Research and Development. These services include general ledger accounting, sales analysis, prize redemptions, communications monitoring, and assessment of future software and hardware requirements. This division underwent expansion during the fiscal year 1984-85.

C. Marketing Division

This division directs the advertising support for the lottery games. It is also responsible for the development of new games and the monitoring of existing lottery games.

D. Corporate Communications

This division handles mail and telephone inquiries, media communications, and the production of most consumer literature (Public Gaming Magazine, 1985).

E. Sales and Distribution

This division operates through a network of forty-seven independent distributors. It monitors daily sales and provides advice and expertise for 14,000 ticket sellers across the province. The division is also responsible for the On-Line Department which serves and trains the 2,700 retailers who operate the computer terminals for Lottario and Lotto 6/49.

F. Internal Audit Department

This department reports directly to the Board of Directors. It ensures that all internal systems are operated in accordance with established Corporation procedures.

GAMING: FACTS AND FIGURES

1. Licences

During the fiscal year 1985-86, the Lotteries Branch of the Ministry of Consumer and Commercial Relations issued 3,008 licences. The total amount of licence fees collected for 1985-86 amounted to \$1,136,668.83, compared to 847,238.23 for 1984-85. Table 1 summarizes the licencing activity in the province for 1985-86. It should be noted that the gaming licenced by the municipalities is not included in these figures.

Table 1

LICENCING ACTIVITY - 1985-86

	Number of Licences	Number of Events	Licence Fees Collected
Bingos	1,129	7,661	\$ 798,965.71
Unorganized Bingos ^a	84	506	60,880.00
Media Bingos	55	1,162	12,025.36
Raffles	440	534	198,291.33
Unorganized Raffles	132	250	4,166.70
Monte Carlo Casinos	1,082	1,438	45,349.00
Agricultural Fairs	6	-	510.00
Nevada Tickets	53	572 ^b	8,413.12
Events in lieu of Nevada tickets	11	434 ^c	6,437.00
Events in lieu of Raffle tickets	16	16	1,630.61
TOTAL	3,008	12,573	\$1,136,668.83

^a Events held in areas where there is no municipality.

These events are licenced by the province.

^b Sales involved a total of 572 boxes of tickets.

^c Sales involved a total of 434 boxes of tickets.

Source: Ministry of Consumer and Corporate Relations, 1985-86.

It should be noted that bingos accounted for the largest number of licences issued, while the growing popularity of Monte Carlo casinos led to such events receiving the second largest number of licences in 1985-86.

By 1987 there were approximately 60,000 licences granted and of these only 5,000 to 6,000 were provincial; the remaining 54,000 to 55,000 were municipal licences. However, the ten percent of the licences issued by the province generated an estimated forty percent of the revenue.

2. Gross Sales and Revenues

During the fiscal year 1985-86, legalized gaming in Ontario generated approximately \$500 million, of which \$320 million was spent on bingos. The amount of bingo revenues increased by \$20 million over the figures for 1984-85. This increase in bingo revenues is most likely due to greater number of bingo events, an expanding market and automated gaming techniques (Paradis, 1986).

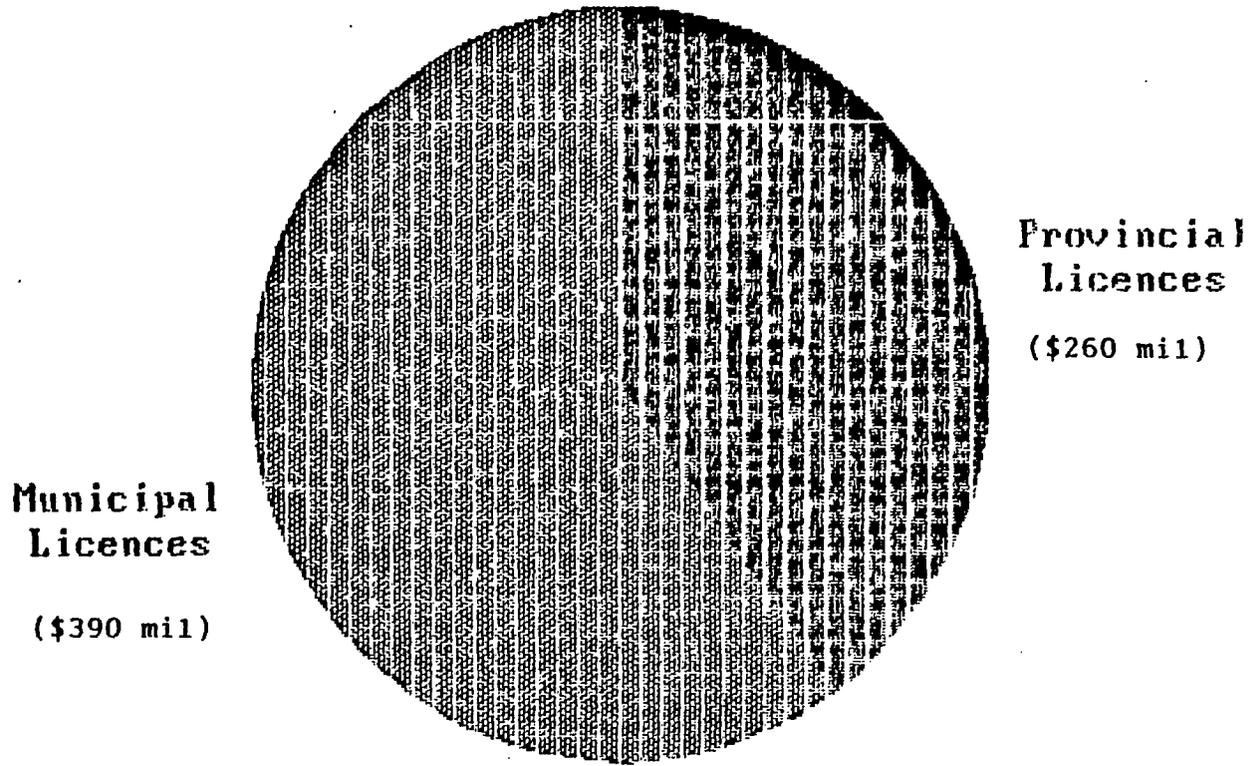
By 1987 the estimated gross revenue figure had risen to \$650 million. Table 2 presents a breakdown of the 1986-87 gross revenue figure.

Table 2
GROSS REVENUE - 1986-87

	(000's)
Bingos	\$350,000
Raffles	100,000
Nevada Tickets	100,000
Monte Carlos	100,000
TOTAL	<u>\$650,000</u>

As shown in Figure 3, \$390 million (sixty percent) of the revenue is derived from municipal licences and \$260 million (forty percent) from provincial licences (Brown, 1988).

Figure 3
Est. Gross Revenue 1997



**Municipal
Licences**
(\$390 mil)

**Provincial
Licences**
(\$260 mil)

3. Prizes

The total values of prizes allotted by the Province in 1985-86 amounted to \$52,651,163.20. Table 3 presents the breakdown of prize values by gaming event.

Table 3
PRIZE VALUES - 1985-86

Bingos	\$39,644,585.25
Unorganized Bingos	1,526,169.50
Media Bingos	623,321.00
Raffles	9,756,956.14
Unorganized Raffles	198,546.31
Nevada Tickets	405,492.00
Events in lieu of Nevada tickets	417,030.00
Events in lieu of Raffles	79,063.00
TOTAL	<u>\$52,651,163.20</u>

TRUE LOTTERIES

The Ontario Lottery Commission operates six lottery games. The Provincial, Super Loto and Lotto 6/49 are joint undertakings with the Interprovincial Lottery Corporation. Wintario, Lottario and Instant games are operated solely by the Ontario Lottery Commission.

Proceeds from Wintario and Lottario are directed to physical fitness, sport, cultural and recreational activities in the province. Profits from Lotto 6/49, the Provincial and Super Loto are given to health, environmentally-related health research, and hospital construction and equipment. This money is distributed through the provincial ministries of health, labour, environment, education, and community and social services. The Trillium Foundation also distributes lottery proceeds to province-wide social service organizations (Ontario Lottery Commission, 1986).

There has been a relatively steady increase in lottery ticket sales since the incorporation of the Ontario Lottery Commission in 1975. Table 4 presents a breakdown of revenues for the years 1975 to 1985.

For the fiscal year 1984-85, lottery games generated \$812 million in gross sales - up more than \$150 million from the previous year. The pie charts in Figures 4 and 5 show a breakdown of the gross revenues for the years 1983-84 and 1984-85.

Table 4

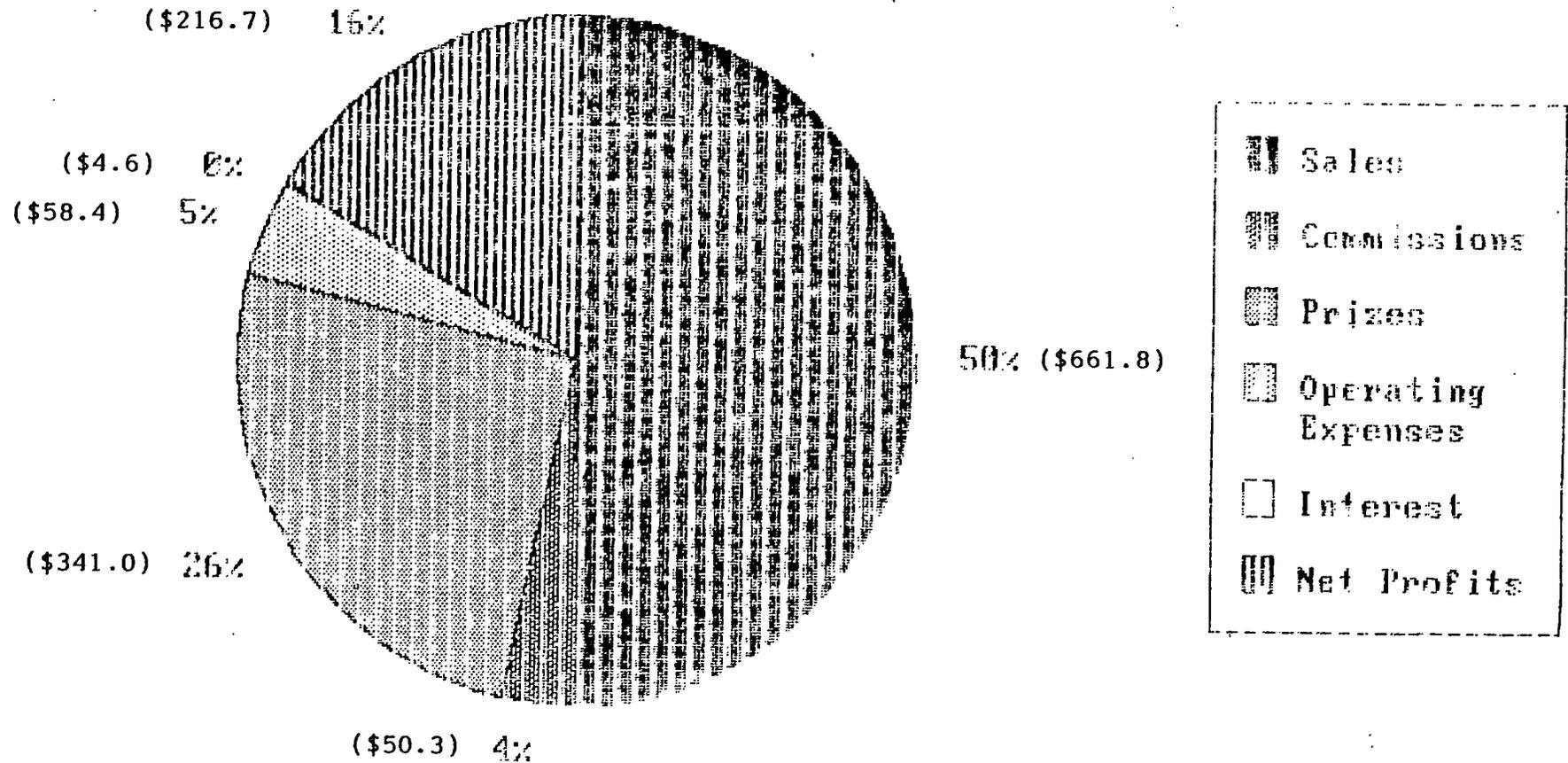
FINANCIAL STATEMENT ONTARIO LOTTERY CORPORATION

(\$million)	1975-6	1976-7	1977-8	1978-9	1979-80	1980-1	1981-2	1982-3	1983-4	1984-5
SALES	97.1	218.8	240.4	235.1	323.8	490.3	506.9	550.1	661.8	812.0
COMMISSION	12.5	22.4	24.2	22.5	28.3	41.2	41.4	41.4	50.3	60.6
PRIZES	36.1	95.5	108.3	123.9	182.7	270.3	271.9	294.4	341.0	415.5
TOTAL OPERATING EXPENSES	6.0	10.1	11.4	14.5	22.2	36.7	45.0	54.4	58.4	91.7
INTEREST	.8	2.0	1.9	2.5	4.3	6.7	8.9	6.4	4.6	5.5
NET PROFITS	43.3	92.8	98.4	62.6*	02.8*	148.8	157.5	163.5	216.7	249.6

*after extraordinary expenses

Figure 4

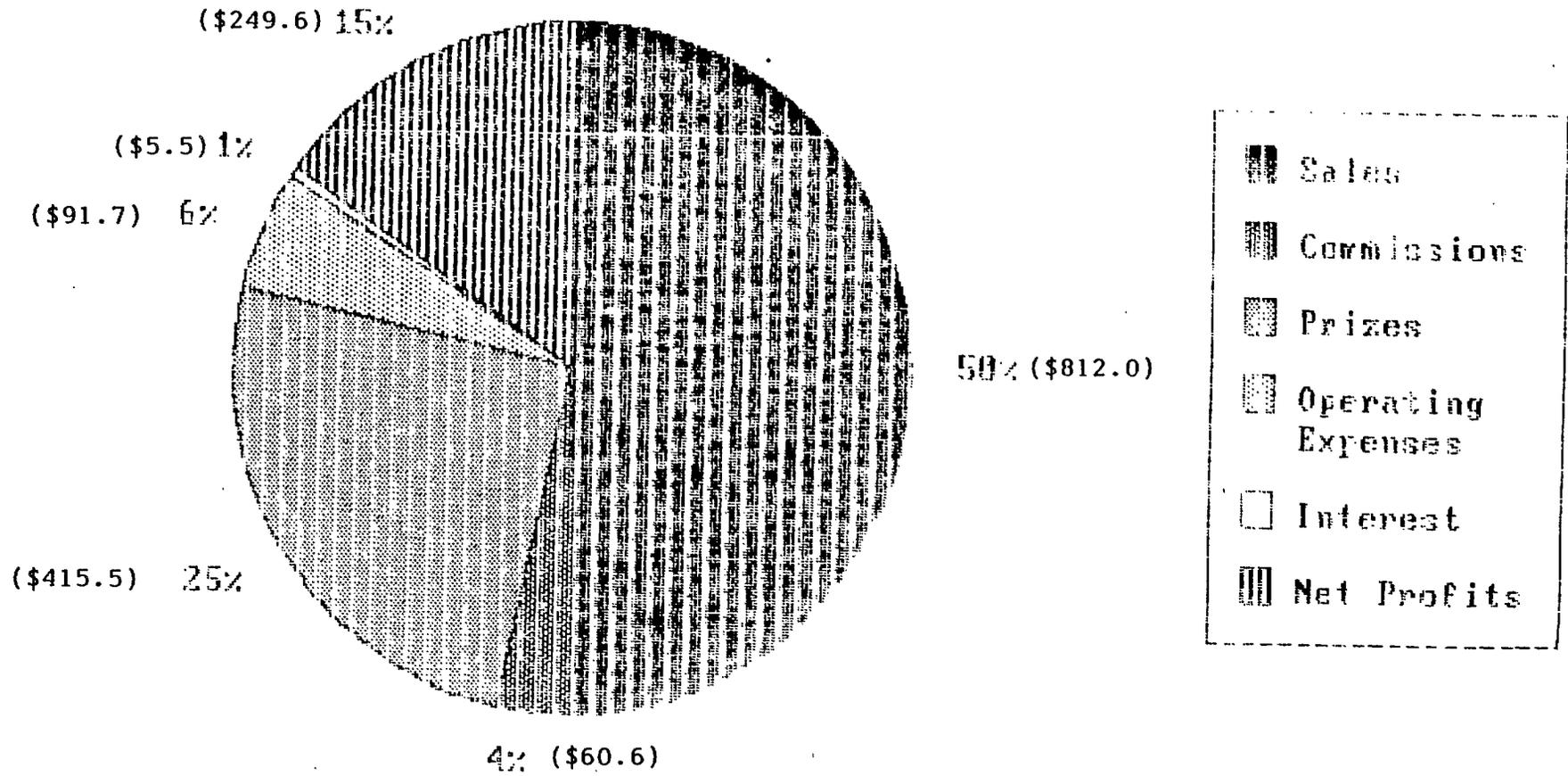
OLC Financial Statement 1983/84



Source: Ontario Lottery Corporation (\$million)

Figure 5

OLC Financial Statement, 1984/85



Source: Ontario Lottery Corporation (\$million)

The gross sales figure of \$812 million in 1984-85 translated in net proceeds of \$249.6 million. Table 5 presents a breakdown of the net profits by lottery game for 1984-85.

Table 5

NET PROCEEDS - 1984-85

Wintario	\$ 28,618,000
Lottario	66,900,000
Instant	26,819,000
Provincial	15,745,000
Super Loto	12,880,000
Lotto 6/49	98,615,000
TOTAL	<u>\$249,577,000</u>

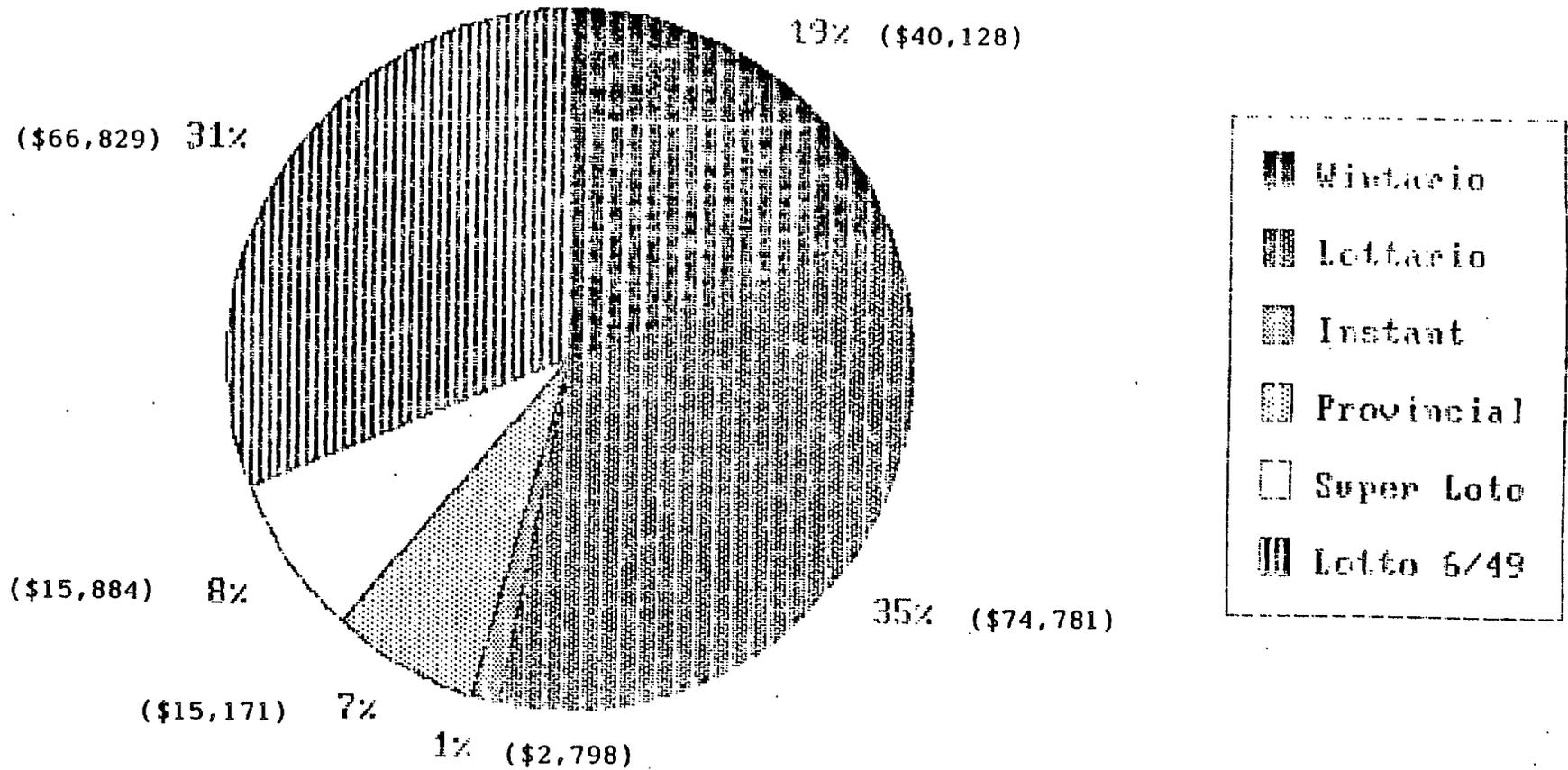
Source: Ontario Lottery Corporation Annual Report, 1984-85.

Instant and Lotto 6/49 games showed increases over 1983-84 of \$24,021,000 and \$31,786,000 respectively. The sale of Wintario, Lottario, the Provincial and Super Loto tickets all decreased as a result of this competition.

Figures 6 and 7 show in pie chart form the net profits by game for the fiscal years 1983-84 and 1984-85. They illustrate how Lotto 6/49 has superceded Lottario as the most popular lottery game.

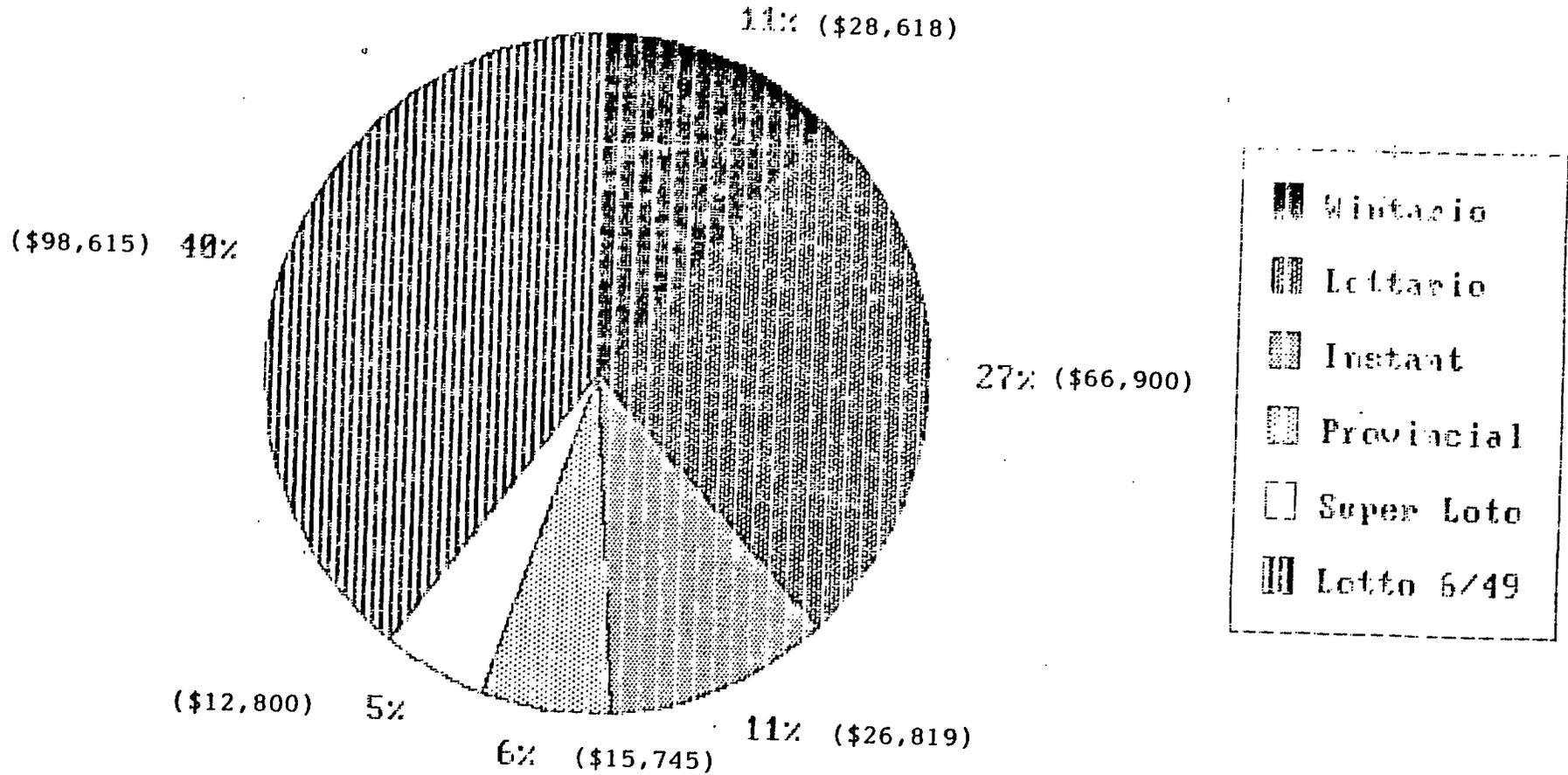
Figure 6

OCL Net Proceeds 1983-84



Source: Ontario Lottery Corporation (\$million)

Figure 7
 OLC Net Proceeds 1984/85



Source: Ontario Lottery Corporation (\$million)

CONCERNS AND FUTURE TRENDS

While there have been a number of attempts to improve the regulation and control of gaming in Ontario, the Task Force established in 1985 was the first wide-ranging assessment of gaming control operations in the province. This three member committee was given the mandate to investigate and research the practical aspects of charitable fund raising in Ontario and to report their findings on the problems, abuses, current regulations, licencing practices and other factors which could effect the functioning of charitable organizations.

Some areas of special concern are:

1. Lack of Authority to Sanction

The Lotteries Branch of the Ministry of Consumer and Commercial Relations lacks the authority to impose fines or take other punitive measures against licencees who have violated the licencing rules and regulations. Branch officials perceive this lack of power to sanction as a critical weakness in the system (Speight, 1984).

2. No Bifurcation of Functions

Legalized gaming operations in the province are extensive and increasing, and there is a fear that the government's regulatory response may be inadequate to control criminal infiltration. Specifically, the Lotteries Branch is responsible for both the issuing of licences and the investigation of gaming events. This lack of bifurcation of powers may open gaming in Ontario to corruption (CISO Report, 1984).

3. Lack of Inspection Personnel

The Lotteries Branch has been further handicapped by insufficient personnel to carry out its inspection and audit responsibilities. As of 1984, the Branch had no audit team and

only two staff members to carry out on-site inspections in the province. If an audit was deemed necessary, a consulting auditor was hired to perform a specific audit. There were no spontaneous investigations.

Likewise, although the Lotteries Branch is responsible for the monitoring of licencing activity by the municipalities, in fact investigations and requests for information about municipal operations were infrequent. It has also been noted that annual financial reports and completed copies of the licences were not routinely sent to the Lotteries Branch.

A five person unit has since been approved to carry out more frequent inspections and to co-ordinate efforts with provincial enforcement agencies (Auditor General of Ontario, 1986).

4. Control over Bingo Events

In the past, the Lotteries Board has experienced difficulty with regard to monitoring both the receipt and disbursement of bingo revenues. The Branch's reporting requirements made it difficult to determine the number of bingo cards sold and the revenues generated. Neither the Lotteries Branch nor the municipalities undertook follow-ups to ensure that gaming profits were in fact given to a charitable or religious purpose. Moreover, the Branch routinely issued waivers to charitable organizations exempting them from the requirement that twenty percent of gross revenues must be directed to charitable purposes.

On Wednesday, December 4, 1985, Mr. Howard Morton of the Ontario Ministry of the Attorney General plus a number of representatives of the Criminal Intelligence Service of Ontario addressed the Senate Standing Committee on Legal and Constitutional Affairs to voice opposition to Bill C-81. A resolution by the Canadian Association of Chiefs of Police was also presented

at that time. Their concern was that any law which expanded legalized gaming would result in increased levels of organized crime and street crime. Moreover, the revenue potential of these activities would result in political and economic pressures for expanded gaming. The police in Ontario feared that the province would be tempted to move quickly to licence activities without adequate concern for law enforcement requirements. While Ontario has not moved into additional forms of gaming activity, concerns remain.

In 1987 a second CISO Gambling Committee Report was produced, and most of the 1985 issues were raised again. This document has remained confidential; however, general areas were identified as being particularly dangerous. These include:

- the lack of uniformity resulting from a system whereby over 800 municipalities are allowed to licence certain gaming activities;
- the absence of an adequate audit capability for most gaming events, provincial as well as municipal;
- the absence of government controlled bingo paper and Nevada tickets; and
- ambiguity regarding which organizations qualify for charitable status (Benge, 1988).

The Ministry of Consumer and Commercial Relations has begun to address these issues in order to exert better control over the gaming industry in Ontario.

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PART THREE: LEGALIZED GAMING IN CENTRAL CANADA

CHAPTER EIGHT: QUEBEC

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INTRODUCTION

At present, the Province of Quebec is in a transitional stage with regard to legalized gaming. During the last few years, the province has considered the establishment of permanent casinos geared to the tourist industry; however, these discussions have halted. Two studies related to the extension of legalized gaming within Quebec have made the province aware of

the many difficult questions surrounding the creation of such gaming facilities.

HISTORICAL PERSPECTIVE

1. The Period 1968 to 1977

In 1968, Montreal introduced a successful lottery scheme to generate revenue for the municipality. Quebec courts soon put an end to this lottery, however, as they ruled it to be illegal under the existing provisions of the Criminal Code.

Both the Régie de loteries et courses du Québec and the Loto-Québec (officially known as Société des loteries et courses du Québec) were created in 1969 by the Loi sur les loteries et courses du Québec (L.R.Q. 1969, c.28). One year later, in 1970, Quebec became the first province to introduce its own lottery scheme (Haig, 1979).

2. The Period 1978 to 1984

This period was dominated by heated debates concerning the extent to which Quebec should enter the gaming industry. The proposed introduction of casinos sparked a still unresolved controversy over this gaming activity. Federal-provincial tension was also created over the legitimacy of the Quebec government introducing the Hockey-Sélect lottery. These issues are described below.

A. Casinos: The Final Report - 1978

In 1978, Loto-Québec commissioned a study on the expansion of the casino industry to determine whether casinos could help bolster Quebec's flagging tourist industry. It was directed to gather information on the experiences of other countries and relate this information to the Quebec situation (Société des loteries et courses du Québec, 1978).

Findings

The report offered two models for casino gaming based on the American and the European approaches.

Under the American model, the study team observed that casinos become the central and dominating focus of the area, with all other economic activity arising from gaming. Atlantic City, New Jersey is an example of this approach. Although this model is considered excellent for tourism directly to the casino and increasing revenue, the report noted that it also engendered more illegal activity.

A variant of the American model, the "Las Vegas Night" option, was also considered. Characterized by a less fashionable atmosphere, fewer extraneous services, lower wages to gaming staff, and a lower-income clientele, this option did not offer the prospect of promoting tourism and was therefore not considered a viable option for Quebec.

Under the European model, the report noted that the operation of casinos is mixed with other economic activities within a given area, so that casinos are simply another feature of a tourist area, but not the central focus.

Characteristically, the European casinos include elegance, stringent and effective regulations, and lower supervision costs. The report also noted that these casinos play an important role in the economy of their regions. They also appeared to have lower social costs, and did not seem to generate illegal activities.

Conclusions

The report's conclusions can be summarized as follows:

- casinos in themselves do not generate large amounts of revenue;¹
- the options which maximize government revenues and economic impact also take the greater socio-economic toll. For example, the greater the number of casinos, the more security problems;
- casinos integrated into resort facilities have a positive and significant impact on tourism. Casinos would increase the number of foreign tourists, the length of their stay, and the amount of money they spend. The report also projected that casinos would result in more Quebecers remaining in the province for their holidays;
- casinos do not compete with their illegal counterparts;
- both the American and European approach to casino operations would assist in the financing of social and cultural activities in the surrounding area; and
- the expansion of gaming creates moral concerns. Some of the fears are that the availability of gaming stimulates greater use and may weaken gaming control mechanisms; that urban and lower-income groups may be disproportionately affected by increased access to gaming, and that corruption in the form of alcoholism and drug use may increase.

Recommendations

Should Quebec choose to establish casinos, the report made the following recommendations:

- the main function or goal of Quebec casinos should be to promote and sustain the tourist industry. Casino developments should take into account government plans regarding integrated tourist centres;

¹ It should be noted that this finding was based on the early experiences of Atlantic City. Later analyses showed that casinos did, in fact, produce substantial revenues.

- casino gaming and related activities should be geographically concentrated in only a few areas. This will maximize their economic impact and facilitate supervision;
- gaming activities should be located on the outskirts of urban centres, so as to decentralize tourist activity and to minimize the negative social effects usually connected with gaming;
- in order to ensure continued activity throughout the year, gaming establishments should be integrated into resort areas. This approach, seen in Europe and South Lake Tahoe, poses fewer supervision problems and generates less illegal peripheral activity;
- casinos should attempt to attract non-resident clientele, and participation by residents should not be explicitly encouraged;
- the games offered at the casinos should be familiar to North Americans, but offer some originality;
- the government should play an important part in establishing casinos in the province, so as to facilitate supervision of the gaming activities and to benefit from the revenues; and
- a regulatory system should be created before any gaming facility is established. Formal studies and recommendations to the relevant decision-making bodies should be undertaken (Société des loteries et courses du Québec, 1978).

The debate over the establishment of casinos in the province continued for a number of years after the Casino Report of 1978. Finally, in the spring of 1982, the provincial government made a commitment to review and decide the casino issue. The government argued that casinos would bring in much needed revenue to the province's economically depressed regions, while the opposition noted that where casinos are the main attraction, other businesses in the area suffer.

Media reports offered extensive coverage of the casino debate. A leading Atlantic City merchant claimed that six years after the opening of the first casino in March 1982, there were fewer commercial establishments in Atlantic City's downtown area (Rogoss, 1982). In the same report, it was noted that after looking at Atlantic City's problems, New York City decided against casinos, as they were convinced that the negative aspects of casinos outweighed the benefits. They pointed to such figures as the 170 percent increase in crime in Atlantic City after the opening of the casinos. In 1982 alone, incidents of larceny went up 297 percent, and assaults went up 111 percent. Moreover, New York City officials believed that the municipal costs outweighed the revenues, as the revenues went to the state not to the city. Additionally, promises that senior citizens would receive most of the tax benefits had not been fulfilled (Rogoss, 1982).

The results of the provincial debate and the media reports led the government on October 22, 1982 to decide against introducing casinos in Quebec (Marcoux, 1982).

B. Police Report - 1985

A second study on gaming in Quebec was undertaken by Jean Pontbriand for the Montreal Police Department in anticipation of the creation of three slot machine salons by Loto-Québec in July 1985. The salons were to be located within hotels in areas of Montreal around Ste. Catherine, Ste. Antoine, and Guy and St. Laurent Streets. These salons were viewed as experiments, and if they succeeded, twenty more were planned. The main objective of this gaming experiment was to increase tourism; thus, the salons were to take the form of entertainment areas with a restaurant and a bar.

The slot machine salons never opened, but this report brought forward many concerns and issues that underlie gaming in general in the Montreal community. Although one may question the

validity of a report based on studies in Atlantic City, the report nevertheless raises legitimate concerns.

i) Fear of Organized Crime

Infiltration by organized crime into the operation of slot machine salons was one of the major concerns expressed in the report. It was revealed that organized crime groups had followed the development of this project and had already purchased land in areas suitable for such operations. It was also felt that the violent tactics used by organized crime groups to acquire territory and businesses would soon result in the take-over of the slot machine salons. Atlantic City was cited as an example of how gaming establishments can be infiltrated by organized criminals. Other concerns were an expected increase in major crimes such as murder, assault and arms sales as well as an increase in corruption among police officers and judges.

The report also noted that the new clientele of the slot machine salons would likely generate an increased demand for prostitution and drugs. The report noted that while organized crime groups were not currently involved in prostitution, they would infiltrate the prostitution trade surrounding the better facilities if it became profitable.

ii) Fear of General Increase in Crime

The report also dealt with concerns about a general increase in crime. Within the first year of having established over fifteen slot machine salons, the report predicted a seventy percent increase in general crime. This increase would arise from small thefts such as pickpocketing and the robbing of pharmacies and corner stores by individuals seeking money for gaming at the slot machine salons.

iii) Communication and Transportation Problems

According to the report, slot machine salons were expected to generate 400,000 additional telephone calls annually. This represented an increase of twenty-five percent. As the Quebec telephone system was already considered to be used to its maximum between noon and midnight, the report predicted that an overload of the province's communication system was likely. The report also expressed the concern that traffic congestion and accidents would increase in those areas where slot machine salons were proposed.

iv) Overload of the Judicial System

At the time of the Police Report, Montreal courts were four months behind schedule in court appearances and six months behind in processing cases. The report noted that as ninety percent of all accused persons plead guilty and thus do not enter the judicial system, this backlog in judicial proceedings arises from only ten percent of the all criminal cases. The expected increase in criminality surrounding the establishment of slot machine salons would only exacerbate delays in judicial proceedings. The report also noted that in Atlantic City, ninety-five percent of criminals come from outside the city. A repeat of this scenario in Montreal would further overburden the judicial process.

v) Overload of Policing System

The report concluded that there were insufficient police resources to handle the expected increase in crime arising from the introduction of slot machine salons. Additional monies would be needed for both more personnel and more equipment.

vi) Social Impact

The report expressed concern about the social impact of increased criminality on the youth and the image of Montreal. In

addition, there was a concern that slot machines would soon become available in grocery stores, shopping malls, pharmacies or even churches.

Recommendations

The recommendations of the Police Report can be summarized as follows:

- the control and regulatory system for slot salons should be developed and implemented before the salons are established. It was argued that this approach would minimize the involvement of organized criminal groups. The report noted that a New York State study suggested it would take five years to prepare an adequate control and regulatory system for slot machines;
- both the police and the courts should be given additional resources to handle the expected increase in crime; and
- the gaming and organized crime specialists in the Montreal Police Department should become more knowledgeable about the tactics and operations of organized criminal groups.

It is interesting to note that both the Casino Report and the Police Report recommended that a system of control be created prior to the establishment of any gaming facility. At the present time, the provincial government is waiting for legislation before proceeding further to implement its casino or slot machine salon plans (Pontbriand, 1984-85).

C. Hockey-Sélect Lottery Dispute

While the casino debate dominated this period in the history of gaming in Quebec, another controversy developed between the provincial and Federal governments with the introduction of Quebec's Hockey-Sélect lottery in 1982. Quebec's lottery superseded the Federal's plan to create a hockey gaming scheme to raise money for the 1988 Winter Olympics. The Federal government

argued that Hockey-Sélect was a sports pool and such gaming activity was illegal under the Criminal Code. The Quebec Supreme Court denied the Federal government's request for an injunction to ban Hockey-Sélect (Marcoux, 1982).

The dispute was settled in December 1985 with the enactment of new federal amendments to the Criminal Code which then permitted the Quebec government to lawfully operate this lottery.

GAMING OPERATIONS

The Régie licences a wide range of gaming activities, including bingos, raffles, horse racing, publicity contests, and amusement devices. Break-open/Nevada tickets are not allowed in the Province of Quebec. Cash casino operations are not permitted on a regular basis; however, casino licences have been granted for periods of time from five to twelve days to organizations operating in conjunction with annual agricultural fairs and exhibitions (Pregitzer, 1987). The licencing agency authorizes private casino management companies to operate and direct these casino operations.

A publicity contest consists of a lottery, contest, game or plan sponsored by a commercial interest. The Régie collects fees from such games only when the value of the prizes offered exceed one hundred dollars (Société des loteries et courses du Québec 1984-85).

REGULATORY STRUCTURE AND ADMINISTRATIVE PROCEDURES

There is no central authority for gaming in Quebec, as there are three separate agencies, each with different areas of responsibility:

- the Régie de loteries et courses du Québec, reporting to the Department of Revenue;
- the Société des loteries et courses du Québec (Loto-Québec), reporting to the Department of Finance; and
- the provincial Quebec Police Force, reporting to the Attorney General's Office.

1. Régie de loteries et courses du Québec

The Régie de loteries et courses du Québec was created by the 1969 Loi sur les loteries et courses du Québec (L.R.Q. 1969, c.28) and was made responsible for the regulation and licencing of gaming events by charitable and religious organizations. Amendments in 1979 and 1980 expanded the Régie's responsibilities to include the licencing and regulation of lotteries for non-profit organizations, amusement games and devices, and horse races. Further modifications to the legislation were made in 1984-85 (Société des loteries et courses du Québec 1984-85).

The Régie, therefore, is a regulatory board responsible for allocating gaming licences to charitable, religious and other non-profit organizations. Its official mandate is to supervise and control all aspects of races, stock-farming, racehorses, horse training, publicity contests, lottery schemes for non-profit organizations, and amusement games and apparatus. The Régie is also expected to conduct research to determine what forms of gaming are in the public interest, and it has the power of search, inquiry and seizure.

The Régie's Board of Directors consists of five full-time government-appointed members who are appointed for three year

terms. The President of the Board is appointed for a term not to exceed five years. The Board sat 106 times during the fiscal year 1984-85. Between sessions, the Board studies material prepared by Régie staff regarding lottery applications, publicity contests and other gaming activities.

As of March 31, 1985, the Régie had a staff of sixty-two, which can be categorized as follows: Board of Directors, 7; Secretariat, 13; Special Inquiries, 6; Racing Division, 8; and Lottery Services, 28.

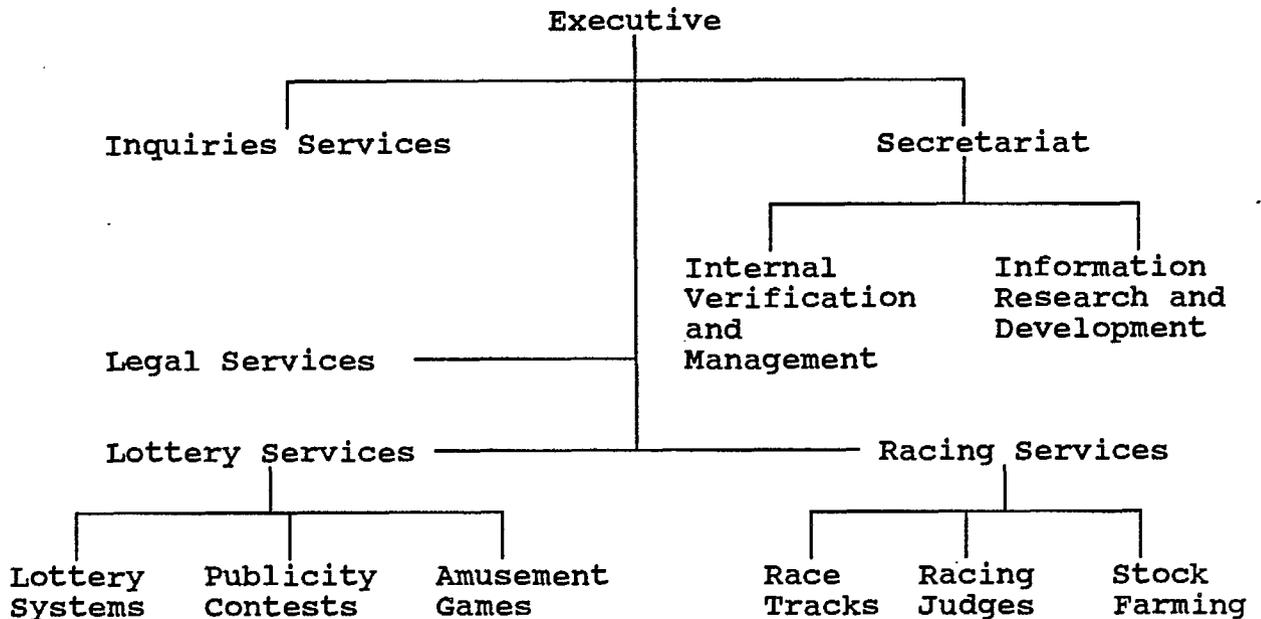
During the 1984-85 fiscal year, the Régie also hired contract personnel totalling 25 part-time judges, 8 full-time judges, 8 veterinarians and 7 paddock judges. The paddock judges serve as supervisors at various race courses. There are also 45 part-time employees who worked a total of 2,917 days in 1984-85, either to replace staff or to work during a gaming program at race courses in Montreal, Quebec, Trois-Rivieres, Jonquiere or Aylmer.

The Régie is divided into five departments: the Secretariat, Inquiries Services, Lottery Services, Racing Services² and Legal Services.

Figure 1 presents an organizational chart of the Régie.

² All racing was taken away from the Régie April 1, 1988 and was taken over by the Racing Commission under the authority of the Agriculture Minister.

Figure 1
ORGANIZATIONAL STRUCTURE OF REGIE



A. Secretariat

This department has two divisions: the Internal Verification and Management Division and the Information, Research and Development Division. The Secretariat manages the personnel and material resources of the Régie. It arranges conferences, edits and publishes official orders and documents, and ensures collaboration on projects concerning the revisions of the law, rules and regulations of the Régie.

B. Inquiries Services

This department performs summary verifications to ensure conformity to the rules and regulations, and prepares reports on any infractions or infringement of laws. This department is also responsible for ensuring that the decisions of the racing judges are upheld. It can recommend further inquiries.

In 1984-85, the department received 136 inquiries concerning such matters as legal infractions, presumed fraud, undeclared

gaming and publicity, and administrative errors in licencing and allocating prizes. During 1984-85, 91 inquiries were completed. It should be noted that the Régie's 1984-85 annual report cited insufficient staff as the reason for the low number of completed inquiries. Some 219 reports on legal infractions in lotteries, races, publicity contests and amusement games were received. There were 482 allegations, and the Régie handed down 537 sentences.

C. Lottery Services

The principal responsibilities of this department are to licence lottery schemes and amusement games, and to prepare reports on publicity contests.

The department consists of three divisions: Lottery Systems, Publicity Contests, and Amusement Games. The Lottery Systems Division is responsible for all lotteries sponsored by charitable or religious organizations, while the Publicity Contests Division licences the operation of commercially sponsored contests. The Amusement Games Division is responsible for administering and licencing games.

D. Racing Services (prior to April, 1988)

This department is responsible for:

- controlling and supervising horse races, breeding farms, and training farms as well as the personnel who work in the horse racing industry;
- issuing licences and ensuring compliance with the appropriate rules and regulations;
- co-ordinating the work of race judges, horse paddock judges and veterinarians;
- registering stallions (stud-horses) and auditing related expenses; and
- compiling statistics concerning the growth and development of racing services.

This department is divided into three divisions: Race Tracks, Racing Judges and Stock Farming. The Race Track Division is responsible for all licenced activities concerning horse races, horse training, and horse care and maintenance, while the Racing Judges Division delegates its authority concerning the application of racing and harness racing regulations to the racing judges. Three judges act as supervisors at every race where there is betting. The Division has eight full-time judges and fifteen part-time judges. The Stock Farming Division has jurisdiction over the breeding of race horses in Quebec. It provides for the registration of stallions and for the certification of winning horses at special races.

E. Legal Services

The Legal Department is responsible for all legal matters and provides legal opinions regarding conflicts in legislation and the legitimacy of complaints. It also represents the Régie at harness race appeals as well as drafts new rules and regulations in the areas of lotteries and races.

2. Société des loteries et courses du Québec (Loto-Québec)

Loto-Québec came into being on January 1, 1970, and now operates under the 1978 legislation, Loi constituant le Société des loteries et courses du Québec (Canada Council, 1982).

Loto-Québec is a Crown corporation belonging to the Quebec Department of Finance. Its official mandate is to conduct and administer the province's true lottery games and to collect the profits and distribute them to the provincial and federal governments. This money is then used to sponsor non-profit, amateur sport and cultural activities in the province. Loto-Québec is also responsible for acting as an advisor on horse racing. Upon the government's request, Loto-Québec can also hold races and promote the breeding of racehorses (Société des loteries et courses du Québec 1984-85. As of 1988, this mandate

was taken from Lot-Quebec and given to the Horse Racing Commission.).

Loto-Québec is managed by a seven member Board of Directors who are appointed by the Quebec Minister of Finance. The members are appointed for terms of two years, and these terms are renewable. The Chairman of the Board is appointed for a term not to exceed five years. Board members must live in Quebec, but do not need to be employees of Loto-Québec.

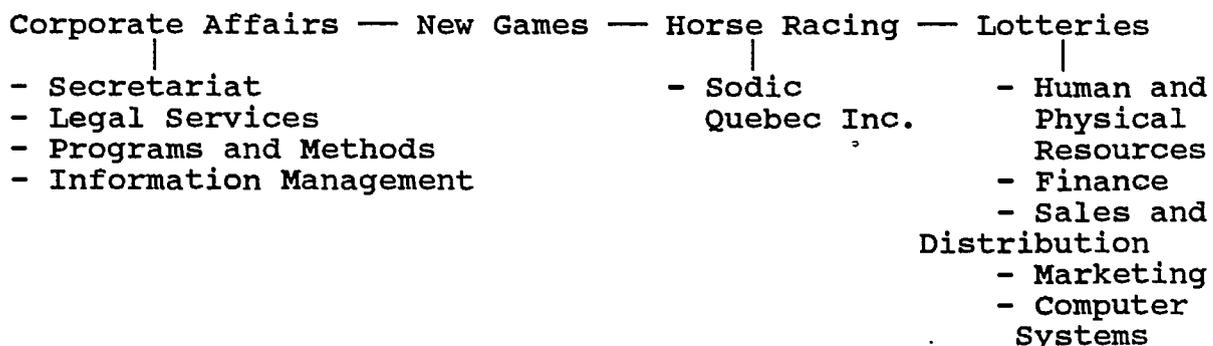
The Board is responsible for establishing general standards and policies for Loto-Québec in accordance with provincial bylaws and regulations. All policy matters must receive the approval of the Board before they are forwarded to the provincial government (Leduc, 1986). The Board is also responsible for the preparation of the consolidated financial statements for the Minister's review. During the fiscal year ending March 31, 1985, the Board of Directors held eleven meetings.

As of March 31, 1985, Loto-Québec had a staff of 701 which can be categorized as follows: management, 69; professionals, 192; administrative agents, 26; technicians, 81; office staff, 247; representatives, 75 and labourers, 11.

Loto-Québec is divided into four vice-presidencies: Corporate Affairs, New Games, Horse Racing, and Lotteries. Figure 2 presents the organization structure of Loto-Québec.

Figure 2

LOTO-QUEBEC



A. Corporate Affairs

The Vice-Presidency of Corporate Affairs has four departments: the Secretariat, Legal Services, Programs and Methods, and Information Management.

The Secretariat handles all matters related to the corporate affairs of Loto-Québec. It maintains all corporate contracts and government papers, writes memorandums and reports on corporate matters, and arranges meetings with subsidiary companies. In addition, the Secretariat ensures that Loto-Québec is informed of matters relevant to the lottery industry. This department also provides a secretariat service to the Board of Directors (Leduc, 1986). The Legal Services Department is responsible for Loto-Québec's legal affairs. It also conducts research into legal matters relating to games of chance. The Program and Methods Department provides the managerial support services to Loto-Québec. It has four sectors: quality control; organization and methods; program evaluation, and risk management. The Information Management Department conducts studies on the implementation of management information systems at Loto-Québec. It contains a Document Centre with a computerized reference system and an access system for retrieving bibliographical data and gaining access to external databanks.

B. New Games

This vice-presidency studies and reports on gaming of potential interest to Quebec residents. It also researches other gaming related matters such as distribution methods and the marketing of Loto-Québec's game management expertise to foreign markets. In fiscal year 1984-85. this vice-presidency completed a study on video lottery parlours.

C. Horse Racing

Until 1988, with the creation of the Horse Racing Commission the Horse Racing vice-presidency was managed by a Loto-Québec

subsidiary, Sodic Québec Inc. Its mandate was to promote and develop the horse breeding industry in Quebec. Sodic Québec also had the responsibility for encouraging the horse racing industry to implement needed changes and modifications. An Advisory Committee provided Sodic Québec with recommendations in the area of horse racing. A five year plan of operation had been developed by this division.

D. Lotteries

The Lotteries vice-presidency is responsible for the management of the lottery games and consists of five directorates: Human and Material Resources; Finance; Sales and Distribution; Marketing, and Computer Systems.

The Human and Material Resources Directorate manages the personnel and material resources at Loto-Québec. It is also responsible for health and safety in the workplace, and has a part-time physician on staff. The Finance Directorate operates a computerized control system for fixed assets and prize disbursements. It collects sales receipts, records all revenues, handles supplier invoices, and issues cheques. This directorate also reviews the existing security measures for lottery draws. The Sales and Distribution Directorate is responsible for Loto-Québec's decentralized sales organization. The retail sales network consists of 12,641 merchants who hold commercial trade permits. Table 1 presents a breakdown of Loto-Québec's retail sales network by category of business, while Table 2 presents a regional breakdown of the sales network.

Table 1

RETAIL SALES NETWORK BY CATEGORY OF BUSINESS

Tobacco and convenience stores	36.0%
Food stores	30.0%
Financial institutions	9.0%
Other service outlets	10.0%
Travelling salespersons	6.0%
Other commercial outlets	3.5%
Pharmacies	4.0%
Kiosks	1.5%
TOTAL	<u>100.0%</u>

Table 2

RETAIL SALES NETWORK BY REGION

Laval	2,254
Montreal West	1,588
Quebec City	1,845
Trois-Rivieres	994
Sherbrooke	1,193
Chicoutimi	732
Rimouski	593
Montreal East	1,734
Montreal South	1,435
Lotomatique ^a	273
TOTAL	<u>12,641</u>

^a subscription system for lotteries which offers buyers any mix of tickets for any number of weeks.

Source: Société des loteries et courses du Québec
Fifteenth Annual Report, 1984-1985.

The Marketing Directorate, with the assistance of outside advertising agencies, handles Loto-Québec's advertising campaigns. It also arranges the sponsorship of festivals that promote Quebec culture and is responsible for the conduct of the televised lottery draws, and for the regular distribution of lottery results and publicity material. The Computer Systems Directorate is responsible for the sales from Lotomatique (Société des loteries et courses du Québec 1984-85).

3. Provincial Quebec Police Force

The Quebec Police Force is responsible for the enforcement of all provincial laws, including gaming. It should be noted that the Montreal Police Department also has limited authority in this area, and on occasion RCMP gaming specialists are brought in for consultation.

GAMING: FACTS AND FIGURES**1. Licences and Licence Fees**

During fiscal year 1984-85, the Régie issued 6,660 licences. Table 3 lists the total number of licences by categories.

Table 3
LICENCES ISSUED - 1984-85

Bingos	2,353
Raffles	2,507
Publicity Games	1,641
Various Games	152
Professional Organizations	7
TOTAL	<u>6,660</u>

Source: Régie de loteries et courses du Québec,
Rapport annuel, 1984-85.

Table 4 presents the net revenue collected by the Régie for 1984-85.

Table 4
NET REVENUE - 1984-85

Bingos	\$ 831,200
Raffles	1,040,300
Other systems	251,900
Amusement games	8,750,300
Publicity contests	2,086.800
TOTAL	<u>\$12,960.500</u>

Source: Régie de loteries et courses du Québec,
Rapport annuel, 1984-85.

The Régie also earns interest on the monies generated by gaming activities. For example, in 1984-85, the Régie earned approximately \$137,700.00 interest on monies from bingos, draws, professional organizers, amusement games and publicity contests.

Table 5 presents a comparison of the combined net revenue and interest to the Régie for the years 1983-84 and 1984-85.

Table 5
NET REVENUE AND INTEREST - 1983-84 AND 1984-85

	1983-84	1984-85	Difference	Percent
Lottery systems	\$ 1,942,513	\$ 2,134,176	\$ 191,663	9.8
Amusement games	7,584,114	8,850,228	1,266,114	14.3
Publicity contests	2,075,567	2,113,818	38,251	1.8
Races	346,235	478,568	132,333	38.2
Others (fines, confiscations)	58,755	46,372	(-12,383)	(-21.8)
TOTALS	<u>\$12,007,184</u>	<u>\$13,623,162</u>	<u>\$1,615,978</u>	<u>8.5</u>

Source: Régie de loteries et courses du Québec, Rapport annuel, 1984-85.

2. Other Licencing and Monitoring Activity

A. Publicity Contests

There were 2,953 publicity contests in the Province of Quebec during 1984-85. A total of \$41 million was given out in prizes, leaving a net profit including interest to the Régie of \$2,113,818. The Régie collected a total of \$147,800 in application fees. During 1984-85, the Régie received 202 complaints with regard to publicity contests, and 129 were resolved by the Lottery Services Division. The balance of the complaints (73) were sent to the Board of Directors for consideration, where 47 were resolved in favour of the contest organizer and 12 in favour of the plaintiff. Fourteen had not yet been heard at the end of the 1984-85 fiscal year.

B. Amusement Games

During 1984-85, the Régie received 1,642 licence request and issued 1,641 licences to run amusement games. Some 43 were

commercial licences, and 1,598 were permanent licences to run 39,008 games. These games brought in a net revenue to the Régie of approximately \$8,850,300 in 1984-85.

C. Horse Racing

During 1984-85, the Régie issued 12,286 licences for harness racing. An additional forty licences were also issued; twenty for other activities at race tracks and twenty for other activities at harness race tracks. The racing judges supervised 724 racing programs at five race courses during 1984-85.

3. Revenues

A. Bingos

Bingo events are the largest gaming activities in the province, with approximately \$2 million of licencing revenue collected by the municipalities. This figure represents one percent of the total prize value, where prize totals exceed \$2,500. Table 6 presents the revenues generated by bingos during the fiscal year 1984-85.

Table 6

BINGOS - REVENUES 1984-85

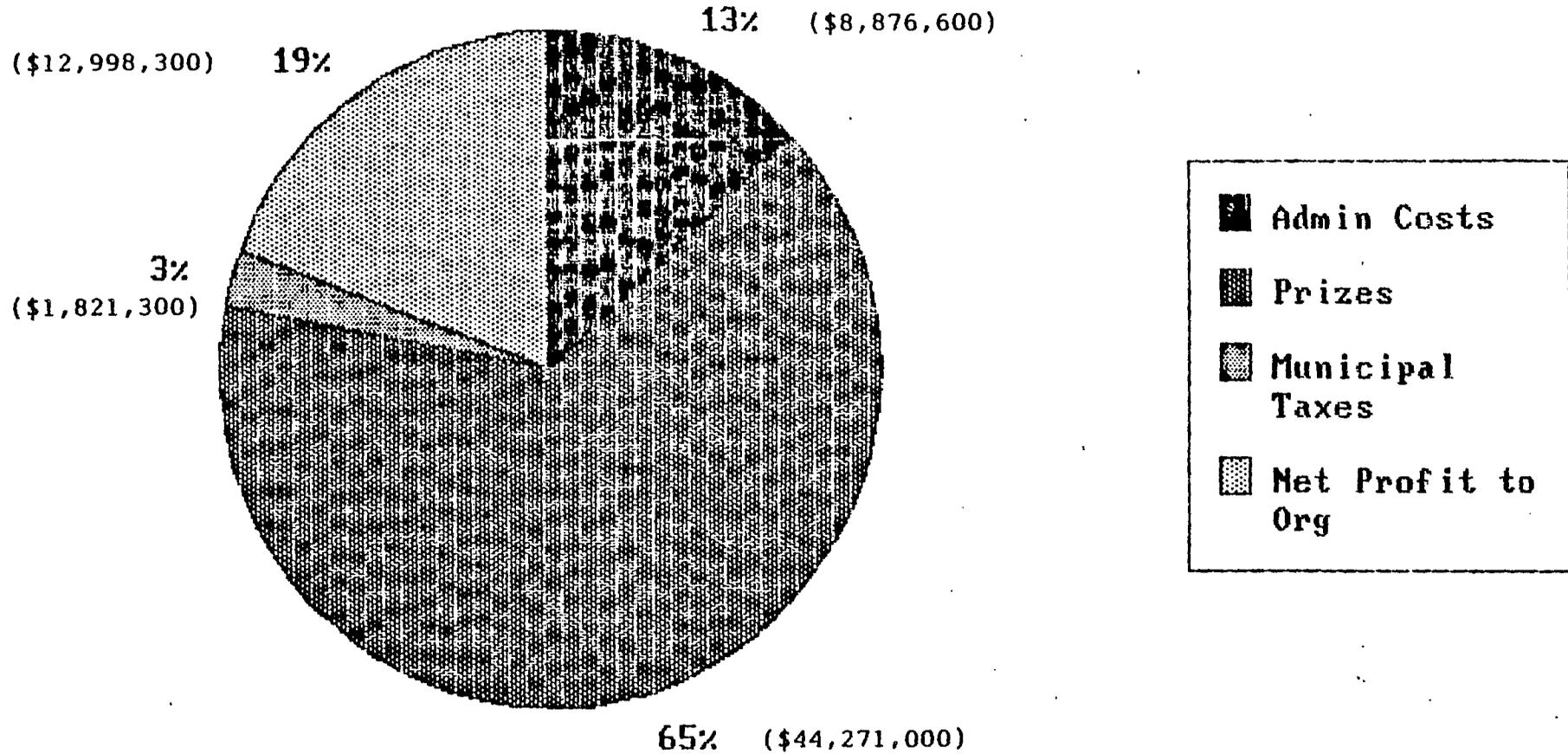
Gross profit to sponsoring organization	\$67,967,200
Administrative costs	8,876,600
Prizes	44,271,000
Municipal taxes (licencing revenue)	1,821,300
Net profit to sponsoring organization	\$12,998,300

Source: Régie de loteries et courses du Québec, Rapport annuel, 1984-85.

As shown in Figure 3, sixty-five percent of the gross profit from bingos was allocated to prizes, while profits, administrative costs and municipal taxes amounted to nineteen, thirteen and three percent respectively.

Figure 3

Quebec Bingo Revenues, 1984/85



Source: Régie de loteries et course du Québec,
Rapport annuel, 1984/85.

B. Raffles

Total ticket sales in 1984-85 were \$52,015,000. Table 7 presents a breakdown of the revenues generated by raffle tickets for the year 1984-85. These figures were taken from 1,936 reports on draws in Quebec. It should be noted that the actual number of reported raffles were 2,507.

Table 7
RAFFLES - REVENUES FOR 1984-85

Gross profit to sponsoring organizations	\$22,777,600

Prizes	7,890,800
Administration costs	2,449,900

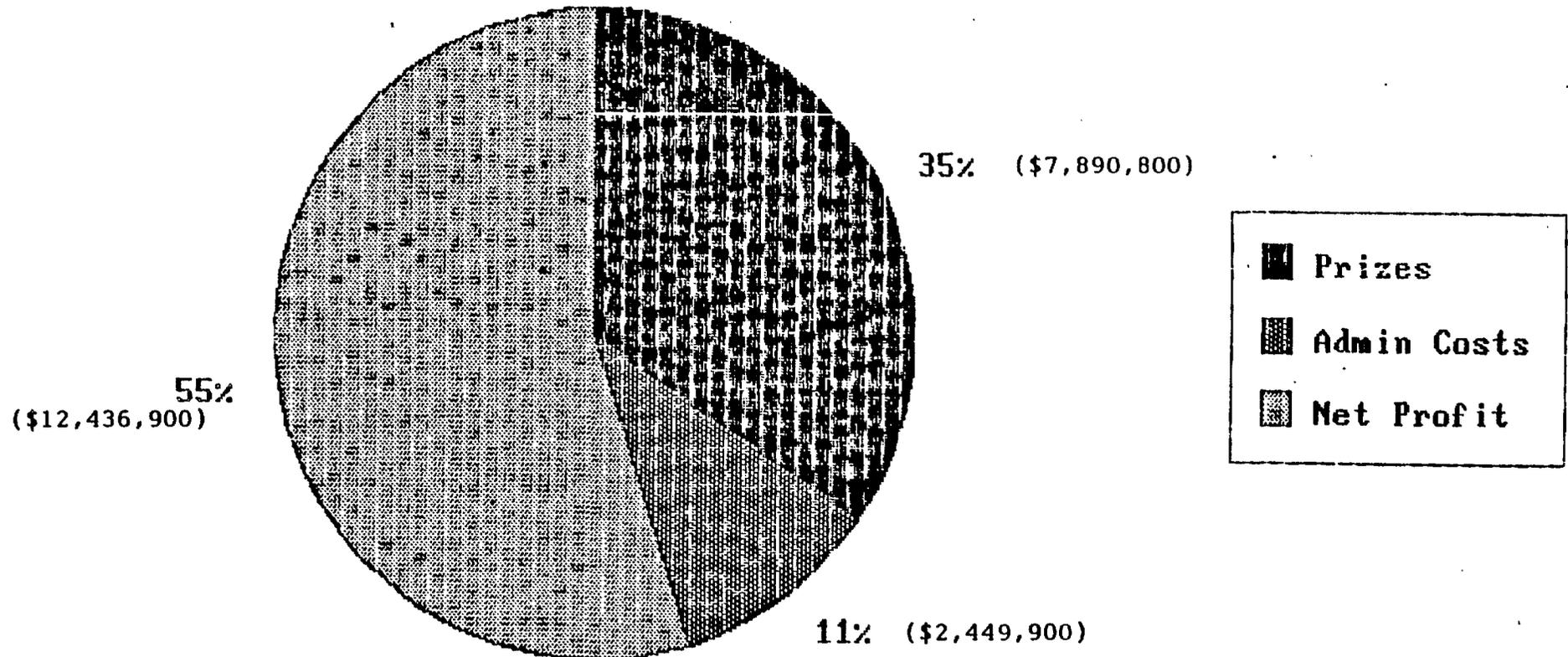
Net profit to sponsoring organizations	\$12,436,900

Source: Régie de loteries et courses du Québec,
Rapport annuel, 1984-85.

As shown in Figure 4, the profit on draws to the sponsoring organizations represented fifty-five percent of their gross profit, while the prizes and administrative costs amounted to thirty-five and eleven percent respectively.

Figure 4

Quebec Raffle Revenues, 1984/85



Source: Régie de loteries et courses du Québec,
Rapport Annuel, 1984/85.

TRUE LOTTERIES

Loto-Québec conducts and administers eight lotteries in the province. Instant, Inter Loto, La Quotidienne, Mini Loto and the 6/36 are conducted solely by Loto-Québec, while Lotto 6/49, the Provincial and Super Loto are operated in conjunction with the Interprovincial Lottery Corporation. Loto-Québec also operates Lotomatique, a lottery subscription service which involves many of the lotteries such as Mini-Loto, Super Loto, the Provincial and 6/36. Subscription sales are made through accredited non-profit organizations, and subscribers' winnings are delivered by mail.

In 1980, Loto-Québec conducted a survey of lottery purchasing habits in Quebec. The survey revealed that:

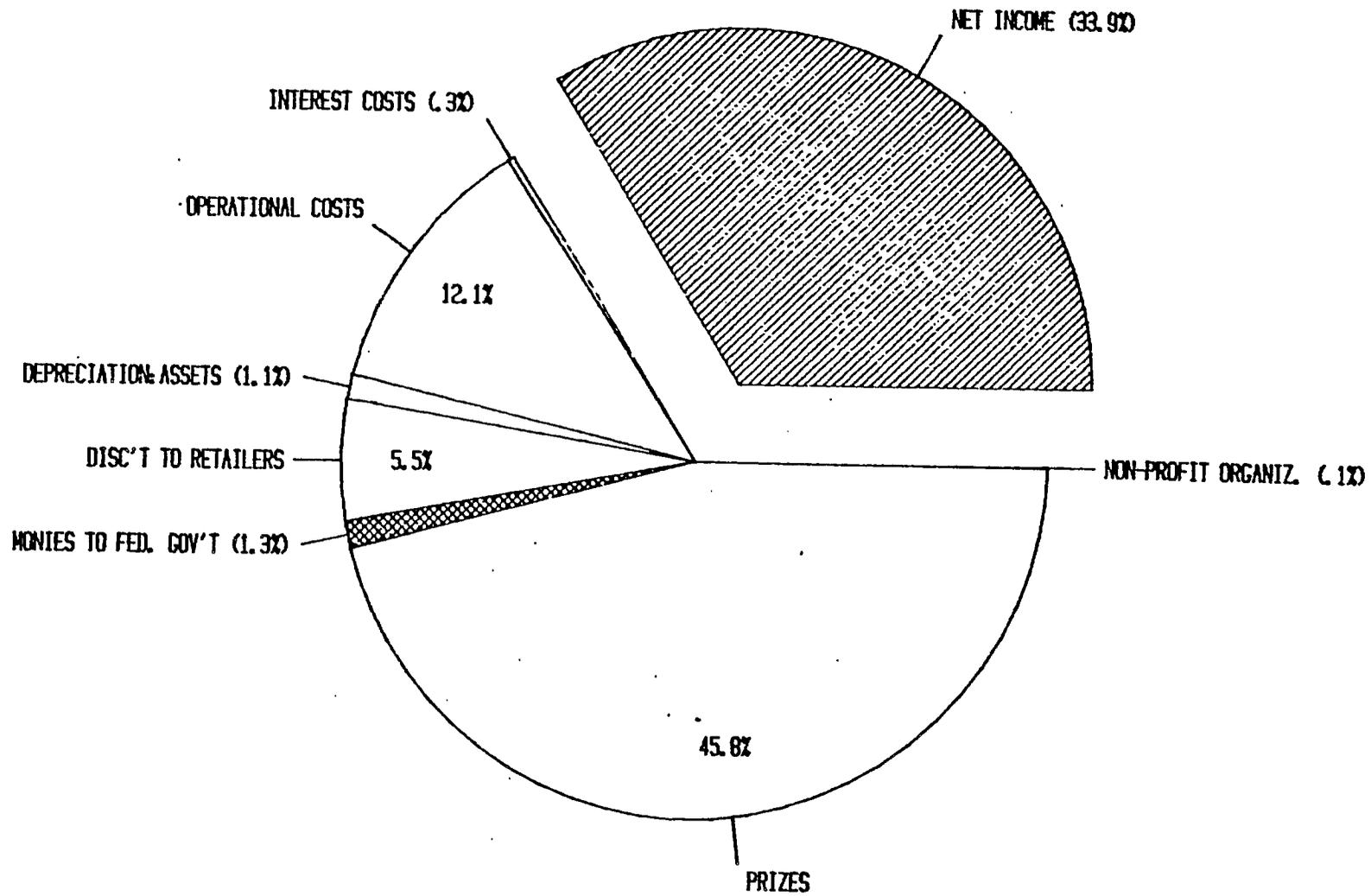
- 75 percent of all Quebecers over 17 years of age purchased at least one lottery ticket during 1980;
- 78 percent of males and 75 percent of all females are lottery buyers;
- over 50 percent are university educated, and over 65 percent earn at least \$30,000 per year; and
- three out of four professionals and managers are lottery buyers.

The Loto-Québec survey also indicated the frequency with which the income group members purchased lottery tickets. Those with incomes between \$19,000 and \$25,000 purchased the most lottery tickets. The second most avid purchasers of lottery tickets were those in the \$25,000 to \$30,000, while those individuals in the \$15,000 to \$19,000 income range were the third biggest consumers of lottery products.

Loto-Québec had gross sales of \$741.1 million in 1984-85, an increase of \$79 million over the previous year. Figure 5 shows the allocation of this revenue.

LOTO-QUEBEC

ALLOCATION OF REVENUE



In the past five years, Loto-Québec sales have increased by nearly \$305 million, which is close to a fourteen percent annual average rate of increase. Since 1970, the Quebec Treasury has received \$1.5 billion, the federal government \$46 million, and the consumer \$2 billion in prizes from the sale of Loto-Québec tickets.

From 1976-77 to 1984-85, the gross sales revenues for Loto-Québec rose from approximately \$183 million to \$741 million. Loto-Québec credits this increase in sales to a change in marketing strategy and distribution system. Lotteries are now marketed on the basis of individual products, and the distribution system now puts the emphasis on wholesalers and agents. This latter change has reduced the cost of distribution from 7.5 percent of gross revenues in 1976-77 to 2.3 percent in 1984-85.

Table 8 displays the sales by product for the years 1983-84 and 1984-85.

Table 8
GROSS SALES BY PRODUCT

	1983-84 (000's)	1984-85 (000's)	Increase
Mini Loto	\$ 81,624	\$ 73,828	9.6
Inter Loto	48,317	43,274	10.4
Provincial	49,477	45,595	7.8
Super Loto	57,644	49,320	14.4
6/36	123,858	108,840	12.1
La Quotidienne	16,164	17,815	10.2
Lotto 6/49	207,719	309,709	49.1
Instant Lotteries	77,354	92,721	19.9
Hockey-Sélect	20	-	-
TOTALS	<u>\$662,177</u>	<u>\$741,102</u>	<u>16.7</u>

Source: Société des loteries et courses du Québec
Fifteenth Annual Report, 1984-1985.

In 1984-85, Loto-Québec directed \$240 million to the Quebec Treasury, \$9.5 million to the Federal Government and \$401,000 in special commissions to non-profit organizations. Comparable figures for 1983-84 were \$205 million, \$9.2 million and \$443,000 respectively. Total prizes amounted to \$342 million, up from \$305 million for 1983-84.

Table 9 illustrates the growth in sales, the costs of sales, the gross income of lotteries and the net income for the five year period between 1980-81 and 1984-85. In 1986, the net revenue to the province was approximately \$400 million.

Table 9
SALES, COSTS AND GROSS INCOME OF LOTTERIES

	(in thousands of dollars)				
	1984-85	1983-84	1982-83	1981-82	1980-81
Sales of lottery tickets	741,102	662,177	541,411	479,652	436,466
Costs of sales					
- prizes paid	342,086	304,682	252,592	224,991	204,302
- discounts to retailers	40,973	37,518	31,207	27,950	25,695
- printing of tickets	17,454	17,306	16,961	17,526	13,944
	<u>400,513</u>	<u>359,506</u>	<u>300,760</u>	<u>270,467</u>	<u>243,941</u>
Gross Income	340,589	302,671	240,651	209,185	192,525
Operating Expenses	77,801	69,891	67,994	50,427	44,427
Payments to Federal Gov't and non-profit organizations	9,869	9,660	9,242	7,827	6,970
NET INCOME	<u>\$252,919</u>	<u>\$223,120</u>	<u>\$163,415</u>	<u>\$150,931</u>	<u>\$141,128</u>

Source: Société des loteries et courses du Québec
Fifteenth Annual Report, 1984-1985.

CONCERNS AND FUTURE TRENDS

1. Ongoing Casino Controversy

While the government awaits the development of more explicit legislation with regard to casinos in Quebec, the controversy over this form of gaming continues. In 1985, from November 14 to 24, the province held a casino event in Montreal in connection with Grey Cup week. It was a successful venture, as the gross profits generated amounted to \$968,000, while the net profit was \$560,000. As there was no provincial legislation dealing with such gaming events, the Quebec Police Force controlled the casino. The equipment and personnel was provided by a private firm.

While this Grey Cup casino was not without problems, it is of interest to compare it with a similar event held during the Quebec winter carnival for the same time period and with the same number of tables. With little or no monitoring of this winter carnival casino, the end result was an estimated \$20,000 net loss (Pregitzer, 1987). After this event, the Quebec Government placed a moratorium on all casino events.

The Régie had no established rules and regulations, and thus the casino organizers were required to draft their own rules and forward them to the Régie for review. Inadequacies with the Régie's accounting system and the lack of a chip control system made financial accountability impossible.

2. Reorganization of Gaming Responsibilities

Quebec has a decentralized gaming control system, in that three separate agencies are responsible for gaming regulation: the Régie, Loto-Québec and the Quebec Police Force. Problems arise as there are no accountability mechanisms in this tripartite structure. Moreover, there is no bifurcation of

powers between the licencing and investigation of gaming activities, and there is no neutral body to monitor the activity of the three agencies.

The introduction of Bill C-81 has led many provinces to re-evaluate their gaming systems, and Quebec is no exception. One suggestion is that Loto-Québec assume all or most of the gaming responsibilities of the Régie. To date, no official plans have been made public.

3. Gaming Personnel

The lack of experienced bingo and casino operators is a concern to the Régie. At present, there are only five such companies in the province. Moreover, the Régie's system of licencing professional gaming operators is based on ability to pay rather than competency. Under the Régie's licencing system, private gaming operators must be registered with the Régie as "professional organizers." The only requirement, however, is that the company pay a fee of two hundred dollars plus a charge of fifty dollars per event.

4. Control over Publicity Contests, Amusement Games and Bingo Events

Régie officials have expressed a number of concerns with regard to publicity contests. The Régie's Board of Directors believes that its responsibility with regard to publicity contests extends only to the collecting of fees, and it does not have the authority to judge the legality of the contest. Under the present system, the rules and regulations for a publicity contest are drafted by the game organizers. The Régie is given a copy of these rules, but it lacks the personnel to ensure that the rules and regulations are followed.

Games of mixed chance and skill are permitted at agricultural fairs, while only games of skill are permitted at amusement

areas. For licencing purposes, the Régie must determine if a game involves only skill. This is done by looking at pictures of the game and talking to the game organizer. No follow-up is made after the licence is granted, and therefore the Régie has no means of ensuring that the games are operating as indicated.

Bingo events present additional problems. Commercial hall owners are still involved in the actual bingo events at some localities, with the licenced charity receiving only a small portion of the proceeds. Likewise, there are no standard accounting formulas for bingo events, nor are there any established criteria with regard to the control of bingo paper.

5. Lack of Criminal Record Investigations

The Régie issues on average some one hundred licences per week, and its regulations stipulate that a licence cannot be granted to someone with a criminal record. As the Régie has no investigative power, however, it is frequently unaware of the past criminal activity of the licence applicant. This can lead to a particularly dangerous situation in sensitive, low accountability positions in the gaming industry.

6. Lack of Control and Continuity at Race Track

The Régie has a number of concerns with regard to the regulation of race track activities. For example, the Régie can suspend race track personnel for such activities as race fixing or reckless driving. A suspension can be lifted, however, if the accused appeals, and it often takes six months before an appeal is heard.

To minimize familiarity with criminal elements at any particular track, the Régie has developed a classification and rotation system for judges, which requires that they move on a regular basis from one track to another. While it may eliminate

some criminal activity, this system is now being criticized because it does not allow judges sufficient time to identify criminal elements at a particular track. Also, it has been pointed out that the rotation system does not allow for continuity of judging.

7. Video Poker Machines

The Régie permits the operation of certain types of slot machines known as video poker machines. These machines have what are called "knock-off meters" which allow the player to cash-in free games in return for a lump sum of money paid by the machine owner/operator. The Régie charges the owners of such slot machines a \$500 fee (\$650 in 1987). It should be noted that the fee for regular video games ranges from \$25 to \$250. While exchanging free games for cash is illegal, the different fee structure recognizes the attractiveness of these "grey-area" video machines.

The regulations with respect to video poker machines are inadequate and poorly worded, thus permitting machine operators to escape prosecution for violations. For example, the operator of a video poker machine is not necessarily the owner and is therefore not legally bound to the regulations and cannot be charged. Moreover, regulations do not include restrictions such as player age or the use of machines while under the influence of drugs and alcohol.

8. Video Lottery Parlours (Slot Machine Parlours)

The Vice Presidency of New Games for Loto-Québec submitted a policy paper on video lottery parlours to the provincial government. The establishment of such gaming facilities was considered during 1986, and a decision was made to postpone their introduction until more study had taken place.

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PART FOUR: LEGALIZED GAMING IN ATLANTIC CANADA

CHAPTER NINE: NEW BRUNSWICK

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INTRODUCTION

New Brunswick has a small but growing gaming industry, and is at present upgrading its systems and staff to meet this increased demand. Provincial officials believe, however, that control over the gaming industry requires interprovincial co-operation, and New Brunswick has initiated discussions with other provinces on this topic.

HISTORICAL PERSPECTIVE

The province established the Lotteries Commission of New Brunswick in 1976 pursuant to Section 190 of the Criminal Code. This agency was established with the sole initial responsibility

of handling the Provinces policy for the Atlantic Lottery Corporation.

In 1976, New Brunswick joined with Nova Scotia, Prince Edward Island, and Newfoundland and Labrador to form the Atlantic Lottery Corporation, a centralized agency for the operation of true lotteries in Atlantic Canada. In 1983 this agency was made responsible for the licensing of non-profit community operated gaming events . Prior to 1983, there was no official body responsible for the licensing of bingo events or lotteries.

GAMING OPERATIONS

New Brunswick offers a limited range of gaming activity. Charitable and religious organizations are permitted to operate bingos, raffles and casino "fun nites." Gaming is also permitted at fairs and exhibitions. Pull-tickets, break-open and instant win tickets are prohibited in New Brunswick. Regularly scheduled ticket lotteries with prizes over two hundred dollars cash are also not permitted.¹

To address the needs of an expanding gaming industry, the Lotteries Commission issued new licencing regulations in June 1984. These new regulations specify that only two categories of organizations may receive a gaming licence: (1) charitable or religious groups, and (2) fairs and exhibitions. Provincial regulations also specify that thirty percent of the gross proceeds of any gaming activity must be spent on the charitable or religious objectives specified in the application. New

¹ As of 1987 some regularly scheduled ticket lotteries with prizes over two hundred dollars cash are permitted.

Brunswick has no prize or ticket price limit (Lotteries Commission, 1985).²

New Brunswick has two levels of licencing. Organizations sponsoring gaming events with a prize value of two hundred dollars or less must obtain a permit from the District Revenue Office of the Department of Finance. Groups operating gaming events with prize values over two hundred dollars must apply for a licence from the Lotteries Commission. There are no fees attached to permits, although the Lotteries Commission does levy a fee of ten dollars for a licence. The fees collected are, therefore, negligible. A previously announced intention to charge a licence fee rate of 1.5 percent of prize value was rescinded in May of 1984. (Pregitzer, 1987).

Applications must be filed one month prior to the intended gaming event with the Lotteries Commission or the District Revenue Office of the Department of Finance. Following the gaming event, all licencees must submit financial reports. Sponsors of single gaming events must submit a report within thirty days of completion of the event. Those organizations who sponsor a series of gaming events are required to submit a yearly financial report. No financial accounting is required where permits have been issued.

1. Bingos

As in many other areas of the country, bingo has become a very popular form of gaming in New Brunswick. Bingos are held both in large privately owned bingo halls and small community centres. The smaller bingos face stiff competition from the

² By 1988 New Brunswick had introduced prize limits of \$15,000 per event for Bingo and \$50,000 per event for raffles.

larger bingo events in leased facilities, and this competition has resulted in higher prizes and reduced profits.

The Lotteries Commission has no inspection capability and is, therefore, dependent upon financial returns as submitted by licencees to determine how much money is spent by the public. The Lotteries Commission takes the position that the bingo community should police itself with little or no interference from the province (Pregitzer, 1987).

New Brunswick has established limits on the number of bingo events an organization can sponsor during a year. Regulations specify that a sponsoring organization cannot hold more than 104 bingo events per year.

As specified above, organizations operating bingo events with prize values over two hundred dollars must centrally apply for a licence from the Lotteries Commission. A bingo licence has a ten dollar fee.

2. Raffles

Unlike bingos, provincial regulations specify no limits on the number of raffles that an organization can sponsor (Lotteries Commission, 1984). It should be noted, however, that prior to 1987 the province did not permit regularly scheduled ticket lotteries with prize values over two hundred dollars.

3. Casinos "Fun Nites"

Cash casino events are not allowed in New Brunswick; however, "fun nites" are permitted. These events involve play money, with merchandise for prizes. Regulations specify that a sponsoring group cannot hold more than two "fun nite" events per year.

Provincial regulations also limit the type and number of casino games. In New Brunswick, only blackjack and wheel of fortune games are permitted at licenced casino events. Moreover, the maximum number of blackjack tables is twenty, and the maximum number of wheel of fortune games is ten. According to provincial regulations, casino games may be played with scrip, tokens or chips.

There have been instances where illegal cash casinos have operated in conjunction with special events, but in these cases the service clubs were warned by the Lotteries Commission and operations were halted (Pregitzer, 1987).

Cash prizes are not permitted at New Brunswick casino events. As well, prizes can only be awarded at a specific time each day, that is, after the "fun nite" gaming has ended.

Casino licences from the Lotteries Commission carry a fee of ten dollars.

4. Fairs and Exhibitions

Like most other provinces, New Brunswick permits gaming at annual agricultural fairs and exhibitions. The Lotteries Commission charges a ten dollar a day fee for the licencing of game events at fairs and exhibitions.

REGULATORY STRUCTURE AND ADMINISTRATIVE PROCEDURES

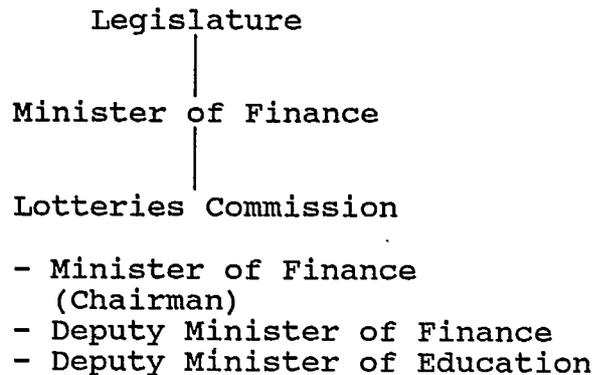
1. Lotteries Commission

The Lotteries Commission is a Crown corporation which reports to the legislature through the Minister of Finance. The Commission has three members: the Deputy Minister of Finance, the Secretary, Board of Management and the Minister of Finance who also serves as Chairman. The deputy minister and the Secretary, Board of Management represent the province at the Atlantic

Lottery Corporation. The Deputy Minister of Finance also serves as the provincial representative to the Interprovincial Lottery Corporation (Steeves, 1986).

Figure 1 presents the organizational structure of gaming control in New Brunswick.

Figure 1
STRUCTURE OF GAMING CONTROL



The Commission has two areas of responsibility. First, it is responsible for developing the provincial lottery policy and representing New Brunswick at the Atlantic Lottery Corporation. The Commission's second responsibility is to administer the licencing system for all privately operated gaming activities (Lotteries Commission, 1984-85).

GAMING: FACTS AND FIGURES

During fiscal year 1985-86, a total of 781 licences and permits were issued by the Lotteries Commission. The Commission collected \$5,990.00 in licence fees.

The total value of licenced gaming for the 1985-86 fiscal year was approximately \$25 million.

TRUE LOTTERIES

The New Brunswick government does not operate lotteries, but the province has been a member of the Atlantic Lottery Corporation since its creation in 1976. The three other members of the Lottery Corporation are Nova Scotia, Prince Edward Island, and Newfoundland and Labrador.

The Atlantic Lottery Corporation conducts six lottery schemes. The Provincial, Super Lotto and Lotto 6/49 are joint undertakings with the Interprovincial Lottery Corporation. Lotto 50, the A-Plus and the Instant are managed solely by the Atlantic Lottery Corporation.

During fiscal year 1985-86, New Brunswick received \$15,322,705 in net profits from the Atlantic Lottery Corporation. This was an increase of 9.7 percent over the previous fiscal year. New Brunswick's share of net profits represented 33.4 percent of the total net profits of the Lottery Corporation - a slight decrease from fiscal year 1984-85. All revenues received from the Atlantic Lottery Corporation are credited to the province's consolidated revenue fund and are not earmarked for specific projects or initiatives.

Table 1 offers a comparison of lottery income and liability for the years 1983-84, 1984-85 and 1985-86.

Table 1

LOTTERIES COMMISSION - STATEMENT OF ACCOUNTS

	1983-84	1984-85	1985-86
Current liability	\$ 745,565	\$ 1,675,170	\$ 1,382,018
Balance beginning of year			
Income for the year	11,508,324	13,967,833	15,322,705
Decrease (increase) in long-term liability in the year	10,084	8,575	(24,738)
Funds available to New Brunswick	12,263,973	15,651,578	16,679,985
Less remittances during the year	10,588,803	14,269,560	15,246,177
Balance at end of year	\$ 1,675,170	\$ 1,382,018	\$ 1,433,808
Long-term liability			
Balance beginning of year	233,275	223,191	214,616
Less increase (decrease) in long-term liability in the year	(10,084)	(8,575)	24,738
Balance at end of year	\$ 233,191	\$ 214,616	\$ 239,354

Sources: Lotteries Commission of New Brunswick. Annual Report, 1984-85 and 1985-86.

During 1985-86, some \$51.09 million in lottery tickets were sold in New Brunswick - up from \$45.54 million in 1984-85. Table 2 presents the percentage breakdown of lottery sales by game for the years 1984-85 and 1985-86.

Table 2

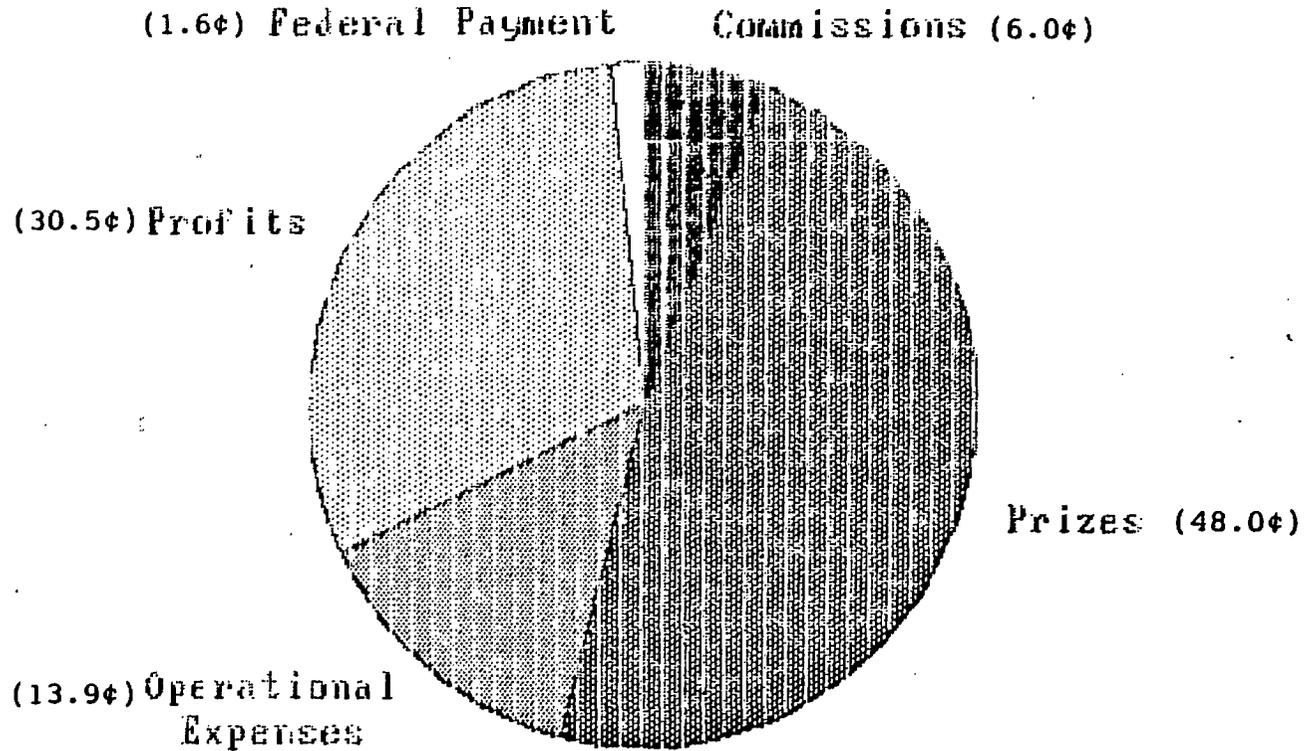
PERCENTAGE OF LOTTERY SALES BY GAME

	1984-85	1985-86
Lotto 6/49	28.6	42.2
Instant	25.8	25.7
A-Plus	21.8	14.3
Lotto 50	8.9	5.3
The Provincial	8.2	6.9
Super Lotto	6.7	5.6
TOTAL	<u>100.0</u>	<u>100.0</u>

Figures 2 and 3 present in pie chart form the allocation of lottery revenues for the years 1984-85 and 1985-86.

Figure 2

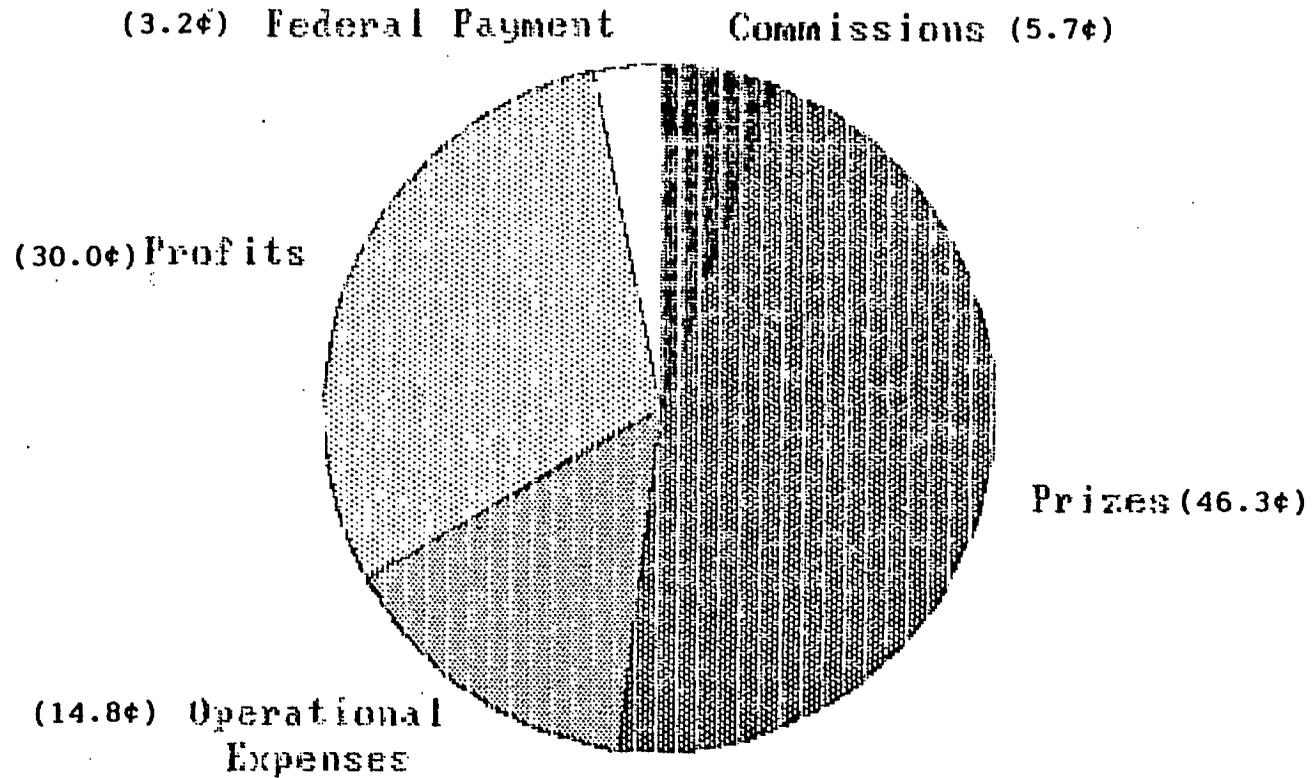
Lottery Dollar, 1984/85



Source: Lotteries Commission of New Brunswick, Annual Report, 1984/85

Figure 3

Lottery Dollar, 1985/86



Source: Lotteries Commission of New Brunswick, Annual Report, 1985/86

CONCERNS AND FUTURE TRENDS

1. Competition between Small and Large Bingos

Like so many other areas of the country, bingos in New Brunswick have become a highly competitive gaming market. To attract a steady clientele, prize amounts are increasing, resulting in lower profits to the sponsoring organizations. Although there are not yet any full time bingo halls, Provincial Officials are still concerned that the large bingo events, often operating in locations leased from private interests, could significantly, reduce the number of small charity bingos. There is also a concern about the relative distribution of profits (Steeves, 1986).

2. Growth in Raffles

New Brunswick has experienced a significant growth in the number of raffle licences, possibly as a result of reduced provincial funding to charitable organizations. Concern has been expressed, however, that the growing number of raffles will lead to a general acceptance and dependence on gaming as the primary vehicle for fund raising. An approach in which gaming is only one of several fund raising mechanisms is thought to offer a more balanced situation.

3. Changes in Gaming at Fairs and Exhibitions

The Criminal Code lends a Special Status to Agricultural Fairs and Exhibitions, the exact nature of which, is not easy to define. The Commission has promoted the view that they too might be subject to Provincial licensing authority - the same as other groups. Favoring an Agricultural Fair over a Lobster Festival or any other Community Fair, was deemed to be inappropriate. In 1986, the Criminal Code was altered to give Fishery Festivals the same status as Agricultural Fairs.

There has been considerable lobbying in the past to allow cash casinos at fairs and exhibitions but the Commission has so far maintained its more restrictive policies.

4. Charitable Carnival Events

New Brunswick permits the licencing of games of chance carnivals by charitable groups at locations other than exhibitions. These events usually take place in parking lots and are conducted by carnival operators. The sponsoring charitable organization receives a percentage of the profits from the carnival operator. There is no inspection of these events, and licences do not specify what games are allowed or who should conduct the games. There is a fear, therefore, illegal and fraudulently operated games occur in these settings.

5. Lack of Gaming Control on Reserves

Until recently, Native people in New Brunswick have operated unlicensed and illegal gaming events on reserves. In the summer of 1986, provincial gaming authorities demanded that the Native people bring their gaming activities in line with provincial regulations. Subsequent negotiations led to agreement on the licencing of future events; however, the operation of illegal gaming events remains unresolved (Steeves, 1986).

6. Introduction of Break-Open Tickets

The province is presently considering the licencing of break-open tickets. If break-open tickets are legalized, provincial officials expects that the staff at the Lotteries Commission will double. The Lotteries Commission has used "omnibus" inspectors in the past and may develop the concept further in the future. These are people who would do lottery inspections as well as other types of on-the-spot of gaming events (Steeves, 1986).

7. Video Poker

Video poker/blackjack machines have become very common in the East, within a short period of time. It is estimated that they already have a gross which exceeds all licensed gaming. Nearly all of this is obtained through illegal use of the machines.

The machines enter the Province as amusement devices but end up being used as slot machines through the use of "knock-off meter" and under the table payouts. Enforcement is very difficult and expensive. Early and vigorous enforcement may slow or block proliferation. For Provinces where they have become established, the task of regulating these machines may be impossible without changes to the Criminal Code.

Video poker is clearly having an impact on other gaming products. They may well be the most significant factor in the gaming sector. It is important that the Provinces develop the legal tools and policies to deal with them effectively.

The expansion in the number and types of gaming events permitted in New Brunswick will no doubt place additional pressures on the Lotteries Commission in terms of licencing and monitoring. Anticipated changes in the size of staff and the computerization of operating procedures will, however, assist the province in meeting the demands of a growing gaming marketplace.

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INTRODUCTION

Nova Scotia joined with New Brunswick, Prince Edward Island, Newfoundland and Labrador to form the Atlantic Lottery Corporation in 1976. In that same year, the province enacted the Nova Scotia Lottery Act which established the Nova Scotia Lottery Commission and gave it responsibility for true lotteries as well as for licencing and regulating private gaming in the province. The Nova Scotia Lottery Commission is, therefore, the central licencing body for gaming in the province.

GAMING OPERATIONS

Nova Scotia permits a variety of gaming, including bingos, raffles and games of chance. It is the only province in Canada to allow privately owned and operated for profit bingo halls as defined in the Public Places of Amusement Section, Section 190(1)(d), of the Criminal Code. Cash casino gaming is not permitted in Nova Scotia.

Licence fees in Nova Scotia are based on two percent of the total value of the prizes. The province exempts charitable groups from paying licence fees for gaming events with a prize valued at \$150 or less, but they must obtain a permit from the Lottery Commission.

Organizations sponsoring a single gaming event are required to submit a financial report within thirty days of completion of the gaming event. For a series of gaming events, a financial report is required seven days after the end of every month.

1. Bingos

There are over 550 licenced bingo operations in Nova Scotia which operate a minimum of three days per week. The province permits daily prize limits of \$15,000 for bingos conducted by licenced charitable organizations. These high daily prize limits have effectively eliminated competition by the smaller bingo operations. The province also allows jackpots to accumulate, which has results in large payouts.

In addition to bingo operations conducted by licenced charities, Nova Scotia has also licenced ten privately owned commercial bingo halls which are operated for profit. These establishments operate with a restricted nightly prize limit per game of one hundred dollars (Pregitzer, 1987).

2. Break-Open Tickets

In 1986, the Nova Scotia Lotteries Commission authorized the sale of one specified form of break-open ticket. The authorized tickets are called "Atlantic Clubs" and are manufactured by Pollard Banknote Company in Winnipeg. The Atlantic Lottery Corporation distributes break-open tickets in New Brunswick.

A box of 2,400 tickets is sold to the charitable group for two hundred dollars. Each ticket is sold for fifty cents, and

there are \$780 in prizes. The charity, therefore, receives a profit of \$220 per box of tickets.

To date, the sale of the legal break-open tickets has been restricted to bingo games, but distribution may widen in order to create additional revenue. The initial two hundred dollar cost to the charity has made these tickets less popular than originally estimated.

3. Casinos

Casino gaming in Nova Scotia is limited to "fun nites" with play money. These evenings usually end with an auction of merchandise prizes.

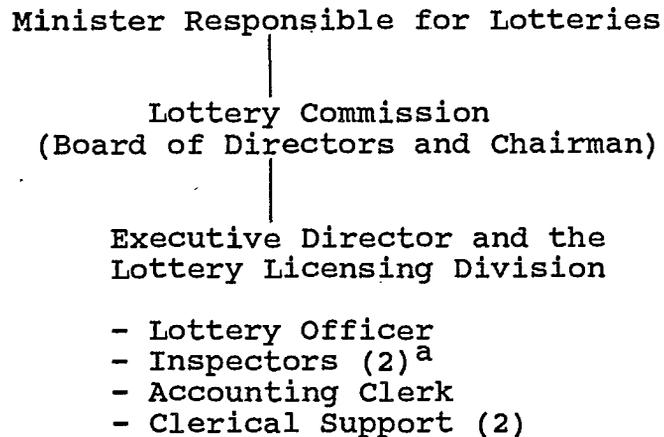
REGULATORY STRUCTURE AND ADMINISTRATIVE PROCEDURES

Private gaming and true lotteries are both under the control of the Nova Scotia Lottery Commission which is a part of the Department of Culture, Recreation and Fitness. As Nova Scotia is a member of the Atlantic Lottery Corporation, true lotteries are managed and conducted by the Lottery Corporation.

1. Nova Scotia Lottery Commission

Figure 1 presents the organizational structure of gaming control in Nova Scotia.

Figure 1
STRUCTURE OF GAMING CONTROL



^a As of 1987, the Lottery Licensing Division had three inspectors, one on a casual basis.

The Nova Scotia Lottery Commission is a separate responsibility that can be assigned by the Premier to any minister. Traditionally, the Minister Responsible for Lotteries has been the Minister for Culture, Recreation and Fitness. At present, however, it is the Minister of Finance.

The Lottery Commission is a five member board, appointed by Cabinet on an "at pleasure" basis. An Executive Director oversees all aspects of the Lottery Commission, including licencing procedures and is responsible for the policy and administrative matters of the Commission. Since 1986 an employee from the Department of Finance has held this position on an acting basis.

The Lottery Licensing Division of the Lottery Commission is responsible for licencing, fee collection, monitoring and

investigation of bingos, raffles and casinos. It has a staff of six, including a lottery officer, two inspectors (plus one casual inspector), two clerical staff and an accounting clerk. The lottery officer is responsible for all gaming licence applications (Kelly, 1986).

GAMING: FACTS AND FIGURES

1. Licences and Permits

During fiscal year 1985-86, the Lottery Licensing Division of the Lottery Commission issued 2,019 licences for gaming events with prizes over \$150 in value. In the previous year, 1,318 licences were issued.

Licence fees for the fiscal year 1985-86 totalled \$1,030,293. This figure is substantially greater than the 1984-85 licence fee figure of \$931,065.

Organizations sponsoring gaming events with prizes valued at \$150 or less do not need a licence; however, they must obtain a permit. During 1985-86, a total of 2,438 permits were issued.

2. Gross Revenues and Profits

The inspection and monitoring of licenced bingos in Nova Scotia is minimal, and thus all revenue and profit figures are estimated. The RCMP estimates that the gaming industry in Nova Scotia generates approximately \$125 million per year.

A large percentage of this total is generated by bingo gaming. The Lottery Commission estimates that bingo revenues total approximately \$100 million annually (Pregitzer, 1987). According to one source in the bingo paper supply business for Atlantic Canada, however, this figure is more likely closer to

\$200 million. Commercial bingo halls distribute bingo paper and in some cases operate the bingo gaming. Hence, true profits are impossible to determine.

TRUE LOTTERIES

Nova Scotia is a twenty-five percent shareholder in the Atlantic Lottery Corporation. The other members of the Lottery Corporation are New Brunswick, Prince Edward Island, and Newfoundland and Labrador. Through the Lottery Corporation, six true lotteries are marketed in Nova Scotia. Lotto 6/49, the Provincial and Super Loto are marketed in co-operation with the Interprovincial Lottery Corporation. A-Plus, Loto 50 and Instant games are conducted exclusively by the Atlantic Lottery Corporation.

In fiscal year 1985-86, the Atlantic Lottery Corporation had total lottery sales of \$152.7 million. Nova Scotia's share of ticket sales represented 44 percent or \$67.1 million.

Nova Scotia received \$20.1 million from the Atlantic Lottery Corporation as its share of profits from ticket sales during 1985-86. During 1984-85, Nova Scotia's share of the profits was \$18.1 million. Table 1 presents a comparison of revenues and expenses for the Lottery Commission for the fiscal years 1984-85 and 1985-86.

Table 1
STATEMENT OF REVENUE AND EXPENSES

	1984-85	1985-86
Revenues		
Income from Atlantic Lottery Corporation	\$18,103,030	\$20,112,244
Income from lottery licences	965,518	1,030,293
Interest on short-term deposits	32,374	41,947
	<u>\$19,100,922</u>	<u>\$21,184,484</u>
Expenses	855,449	694,397
Excess of revenues over expenses	<u>\$18,245,473</u>	<u>\$20,490,087</u>
Less: Income from lottery tickets collected directly by Nova Scotia	971,585	1,030,293
Net revenue due to Nova Scotia	<u>\$17,273,888</u>	<u>\$19,459,794</u>

Source: Nova Scotia Lottery Commission Annual Report, 1985-86.

The Nova Scotia Lottery Commission receives its profits on the sale of lottery tickets on a monthly basis. These monies are placed in the province's consolidated revenue fund (Nova Scotia Lottery Commission, 1977).

Under the bonus commission program during 1985-86, sport, recreation, cultural and exhibition groups received \$424,069 for selling A-Plus and Provincial lottery tickets.

CONCERNS AND FUTURE TRENDS

Provincial licencing authorities believe that while gaming has grown at a steady rate over the last decade, this growth has not exceeded the capacity of the Lottery Commission to handle the licencing and monitoring of gaming events. Authorities see no

major problems with gaming in Nova Scotia; however, some of the minor areas of concern are listed below.

1. Competition from Commercial Operators

As in other areas of the country, small charitable organizations are facing increasing competition from large gaming events that use the facilities and/or equipment of commercial operators. With their bigger prizes and better facilities, such large commercial operations attract more players and thus divert revenues away from the traditional community gaming events (Kelly, 1986).

2. Operational Changes at the Lottery Commission

At present, the province is developing new lottery regulations as well as implementing a new system of accounting. There is also a possibility that the Lottery Licensing Division will receive additional personnel. Revenue figures are only estimates, and an improved auditing system may reveal areas where profits have been inappropriately acquired.

Changes in the province's gaming marketplace, such as the introduction of slot machines and cash casinos, have been discussed, but not actively pursued. The development of new regulations and accounting systems will be required to help Nova Scotia provide the licencing and monitoring services should such changes take place.

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PART FOUR: LEGALIZED GAMING IN ATLANTIC CANADA

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INTRODUCTION

Prince Edward Island does not have a separate agency to control gaming activities. It relies instead on the Consumer Services Division of the Department of Justice to regulate all gaming, both private and public. Three members of the Consumer Services Division devote approximately twenty percent of their time to the licencing of gaming.

HISTORICAL PERSPECTIVE

In 1976, Prince Edward Island joined with New Brunswick, Nova Scotia, and Newfoundland and Labrador to form the Atlantic Lottery Corporation. Under the terms of its incorporation, the Lottery Corporation was to be responsible for the conduct and management of lottery games in its members' jurisdictions.

To address the issue of private gaming in the province, Prince Edward Island enacted legislation in 1984 pursuant to Section 190 of the Criminal Code. This legislation, Terms and Conditions for the Issuance of Licenses for the Conduct and Management of Lottery Schemes, set down eligibility criteria, licence fees, and general terms and conditions for the operation of private gaming in the province.

GAMING OPERATIONS

Prince Edward Island permits bingos, raffles and casino "fun nites." As of June 1987, Instant Win break-open tickets have been authorized for distribution in Legion halls only. The tickets are obtained through the Atlantic Lottery Corporation in Moncton (Pregitzer, 1987). Cash casinos are not allowed on the Island, but "fun nites" with merchandise prizes are permitted.

According to provincial regulations, gaming licences can be granted only to recognized charitable and religious organizations. Charitable or religious status can be obtained either through registration with Revenue Canada, or through acceptance by the provincial Minister of Justice. Licences are not transferrable, and can be cancelled or amended at the Minister's discretion.

Prince Edward Island has a two-tiered licence fee schedule. Gaming events where the prize value is below one thousand dollars are exempt from licence fees. Where the prize value is one thousand dollars or more, the sponsoring organization must pay a licence fee equal to 1.5 percent of the value of the prize(s). Discussions suggest that these fees may soon be raised to two percent of the total prize value and that the present allowable daily prize limit of five thousand dollars may be lowered.

The general terms and conditions for gaming require that no tickets may be sold outside the province.

Financial reports are not mandatory after each gaming event. If requested, however, sponsoring organizations are required to submit a financial report within thirty days following a single event or series of events. Such financial reports must include the following information:

- the total gross receipts;
- the total value of all prizes awarded;
- a breakdown of all expenses; and
- the total amount of net proceeds.

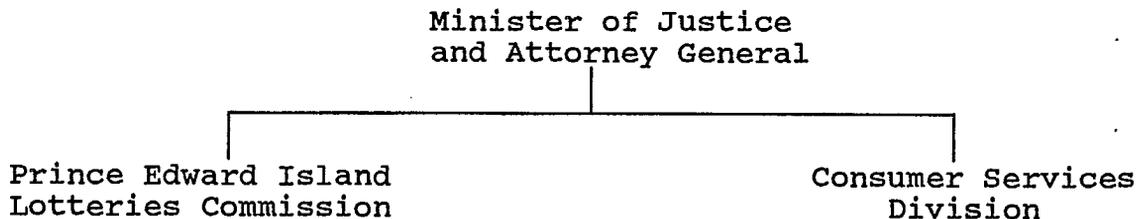
The proceeds from a gaming event must be directed to one of four categories: (1) relief of poverty; (2) education services; (3) the advancement of religion; or (4) any purpose beneficial to the community (Prince Edward Island, 1984). At present, the province has no monitoring or inspection capability; however, a request has been made for one additional staff position to fill this requirement (Pregitzer, 1987).

REGULATORY STRUCTURE AND ADMINISTRATIVE PROCEDURES

Both private and public gaming in Prince Edward Island is under the regulation of the Department of Justice. True lotteries are the responsibility of the Prince Edward Island Lotteries Commission, which is part of the Justice Department. Figure 1 outlines the organizational structure of gaming control in the Department of Justice.

Figure 1

STRUCTURE OF GAMING CONTROL DEPARTMENT OF JUSTICE



1. Department of Justice, Consumer Services Division

This provincial department is responsible for licencing all private gaming events in Prince Edward Island. It should be noted that lottery licencing is only one of several responsibilities of the departmental solicitor and the administrative officer.

The Minister, a delegate, or a peace officer has the authority to investigate any aspect of the gaming event and may examine under oath any person involved with the gaming event.

2. Prince Edward Island Lotteries Commission

The Lotteries Commission was established by the Lotteries Act (L.P.E.I., 1976, Cap.20). This legislation was enacted by the provincial legislature in 1976 (Prince Edward Island Lotteries Commission, 1985).

The Commission consists of four members:

- the Minister Responsible for the Lotteries Commission, who is also the Minister of Finance;
- a Chairman;
- a Vice-Chairman; and
- a Secretary-Treasurer, who is also the Clerk of the provincial Executive Council.

The Vice-Chairman and the Secretary-Treasurer are also the provincial representatives to the Atlantic Lottery Corporation (Prince Edward Island Lotteries Commission, 1985). The Commission members meet approximately four times per year.

The members of the Lotteries Commission are employees of the Department of Justice, and, except for travel expenses, receive no salary or remuneration for their work on the Commission (Prince Edward Island, 1979).

GAMING: FACTS AND FIGURES

In fiscal year 1984-85, the Department of Justice collected approximately \$50,000 in licence fees.

No other figures are available.

TRUE LOTTERIES

Prince Edward Island is a shareholder in the Atlantic Lottery Corporation. The other members of the Lottery Corporation are Nova Scotia, New Brunswick, and Newfoundland and Labrador. Through the Lottery Corporation, Prince Edward Island has six true lotteries. The Provincial, Super Loto and Lotto 6/49 are joint undertakings with the Interprovincial Lottery Corporation. A-Plus, Loto 50 and Instant games are operated solely by the Atlantic Lottery Corporation.

The total sales of lottery tickets through the Atlantic Lottery Corporation for fiscal year 1984-85 were \$135 million, up from \$109 million in 1983-84. Prince Edward Island's share of ticket sales amount to 6.1 percent or \$8.2 million.

Total profits on the sale of lottery tickets for the fiscal year 1985-86 amounted to \$46 million, up from \$41.4 million in 1984-85. For the fiscal year 1983-84, this figure was \$32.8 million. Prince Edward Island's share of the profits for 1985-86 totalled \$2.6 million. In 1984-85, profits totalled \$2.5 million, up from \$1.9 million in 1983-84.

CONCERNS AND FUTURE TRENDS

The Consumer Services Division has acknowledged a need to review the terms and conditions for legalized gaming on Prince Edward Island (Pregitzer, 1987). Commercial bingo hall operators who conduct bingos for the licenced charities are free to determine their own operating expenses as well as charge exorbitant prices to supply the bingo paper. These practices are being studied, and efforts will be made to curtail the activities of bingo hall operators. Likewise, the Consumer Services Division has recognized the need to maintain a monitoring capability for gaming activities in the province.

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INTRODUCTION

Similar to the majority of provinces, Newfoundland and Labrador have experienced a substantial increase in licence applications for private gaming events, and, as a result, new systems and procedures are being considered to better control a growing gaming industry.

HISTORICAL PERSPECTIVE

In 1976, Newfoundland and Labrador joined with Nova Scotia, New Brunswick and Prince Edward Island to form the Atlantic Lottery Corporation, a centralized agency for the operation of true lotteries in Atlantic Canada.

Before 1983, Newfoundland and Labrador had no direct form of control over gaming. The only requirement was that gaming events abide by existing legislation.

In 1983, Newfoundland and Labrador established the Lottery Licencing Branch within the Department of Justice to licence and monitor gaming events sponsored by religious or charitable organizations (Smith, 1986). In 1985, provincial regulations were amended and streamlined in congruence with changes to Section 190 of the Criminal Code.

GAMING OPERATIONS

Newfoundland and Labrador permit a wide range of gaming events: bingos, raffles, casinos, Nevadas, ticket lotteries, cards games, and National Hockey League Time Ticket Schemes.

The Government of Newfoundland and Labrador has a two-tiered licencing system. Raffle and card game events have a prize limit of three hundred dollars. These gaming events plus bingos and ticket lotteries with prize values of three hundred dollars or less require a permit rather than a licence. Such gaming events can be authorized through a permit issued by a peace officer in the jurisdiction where the event will be held. The RCMP and the Royal Newfoundland Constabulary, therefore, have a direct role in lottery licencing, with the local police authorizing the operation of lotteries through the permit system (Pregitzer, 1987).

There are no fees for gaming permits, and no financial reports are required; however, all receipts must be maintained for six months. Bingos and ticket lotteries with prizes over three hundred dollars and all Nevada ticket, casino and National Hockey League Time Ticket events require a licence issued by the

Lotteries Licencing Branch of the Department of Justice
(Department of Justice, 1983).

Neither permits nor licences are transferable. Moreover, for bingo, casino, Nevada ticket or games of chance events, the permit or licence along with the schedule of rules and house rules must be posted in a visible area on the gaming premises.

Licence fees vary with the type of event. Bingo, Nevada ticket, ticket lotteries and hockey time ticket events carry a licence fee of one percent of the total amount of the prize values. The regulations specify that a fee, not to exceed two percent of the prize value, could be charged for licenced schemes. There is a five dollar licence fee for each game or wheel at a games of chance or casino event. A minimum deposit of twenty-five percent of the prize value is payable at the time of application. Licence applications are available from the Lottery Licencing Branch or at local police stations.

Under the general terms and conditions, the Lotteries Licencing Branch may issue a licence to:

- an organization that is considered charitable or religious pursuant to Section 190(1)(c) of the Criminal Code;
- a non-profit organization with a charitable or religious purpose for raising funds;
- an agricultural fair or exhibition, or an operator of a concession leased from an agricultural fair or exhibition board; or
- an organization that is licenced to conduct and manage a gaming scheme in one or more other provinces.

A licence request can be denied if an applicant has previously violated any term or condition under an earlier licence or if the Lotteries Licencing Branch believes that the applicant's proposed gaming event could negatively affect the

integrity of the gaming control system (Department of Justice, 1985).

Revenues generated by gaming events must be kept in a separate accounting system to ensure easy review by Lotteries Licencing Branch personnel. Within thirty days of the completion of the gaming event, a financial report must be submitted to the Branch. All records and papers concerning the gaming event must be kept for one year after the licence expiry date.

Newfoundland and Labrador also have terms and conditions specific to certain types of gaming events. These are described below.

1. Bingos

Provincial regulations specify that bingo jackpots may not accumulate in value beyond five thousand dollars, and a minimum of one major jackpot must be paid out in any one licence period. If a subsequent jackpot is not paid out by the end of the licenced period, the jackpot may be carried forward to the next licence period; however, if this is not possible, the jackpot must be used for the charitable or religious purpose approved by the licence.

To cover operating expenses, the licenced organization may claim an administrative fee not to exceed 7.5 percent of the gross bingo receipts.

The total number of events held, and the total number, amounts and payment dates of jackpots must be reported in the organization's financial report.

Radio and/or television bingo is also authorized in Newfoundland and Labrador. The Lotteries Licencing Branch specifies what information must be printed on the bingo cards.

The cards must be consecutively numbered, and the games must take place on the date specified on the cards.

2. Casinos

Cash casino events in Newfoundland and Labrador are permitted to operate the following types of games: blackjack, roulette, and wheels of fortune such as ticket wheels, over-and-under wheels, crown and anchor wheels, and horse race wheels.

Provincial regulations have placed restrictions on the frequency, duration and size of casino events. Specifically, no organization may sponsor more than three casino events in any one year period, and no casino may operate for longer than twelve hours in a day. Moreover, no more than twenty games are permitted at any one casino, unless expressly authorized by the Lotteries Licencing Branch.

Licences will not be granted to an organization with a professional or paid casino promoter, or to a commercially licenced liquor outlet.

With regard to betting, regulations specify that no wager may exceed five dollars, and tokens must be used. Regulations do not permit the cashing of cheques or the granting of credit at casino events (Department of Justice, Schedule "E", 1985).

The licenced organization may claim an administrative fee not to exceed 7.5 percent of the total casino receipts.

3. Nevada Tickets

Regulations specify that Nevada tickets may only be sold by a licenced organization which owns or leases and regularly occupies suitable premises for the sale of such tickets. Nevada

tickets may not be sold in any commercial premises such as a shopping mall, convenience store, pharmacy, service station, restaurant or lottery booth. In conjunction with a licenced bingo, casino, card game or games of chance event, Nevada tickets may be sold in a hotel, motel, lounge, stadium or arena.

Provincial licences must also specify the quantity, price and prize pay-outs for Nevada break-open tickets. Regulations state that the value of the prize per winning ticket may not exceed one hundred dollars. Table 1 presents these specifications (Department of Justice, Schedule "B", 1985).

Table 1
SPECIFICATIONS FOR NEVADA BREAK-OPEN TICKETS

Common Name and Price per Ticket	No. of Tickets per Box	Gross Revenue per Box	No. of Winning Tickets/Box	Prize Per Box
Junior (\$.25)	1668 or 1664	\$417.00 or \$416.00	224	\$284.00
Regular (\$.50)	1668 or 1664	\$834.00 or \$832.00	224	\$600.00
Super (\$.50)	2184	\$1,092.00	224	\$800.00

An administrative fee not to exceed 7.5 percent of gross Nevada ticket receipts may be claimed by the licensee who owns the premises from where the tickets were sold.

4. Ticket Lotteries/Raffles

Provincial regulations specify that the total value of tickets sold for any one event must not exceed twelve times the total retail value of the prizes.

Where the prize value exceeds three hundred dollars, the province has set down a number of terms and conditions. These include:

- the winning number and the names of the winners must be published in a local newspaper;
- a financial report containing the names and addresses of the winners must be forwarded to the Lotteries Licencing Branch; and
- a subsequent draw must be made if the prize is not claimed. If the prize is still unclaimed, the value of the prize must be considered part of the proceeds to the designated charitable or religious purpose.

It should be noted that unclaimed prizes under three hundred dollars must also be included in the net proceeds.

5. Games of Chance

In addition to free-standing casinos, the province also licences what are called games of chance events, which can only be operated in conjunction with other events, such as fairs, exhibitions, garden parties, regattas or carnivals. Games of chance events include ticket wheels, crown and anchor wheels, over-and-under wheels, horse race wheels, and other wheel and games of chance schemes approved by the Lotteries Licencing Branch. Instant win merchandise games are also permitted.

With regard to instant win merchandise games, provincial regulations indicate that there should be no more than 4,000 tickets per game, that tickets be numbered sequentially, and that tickets be sold for either twenty-five or fifty cents each. Moreover, the licensee must display a sign in a public area that shows: the number and type of prizes to be awarded; all winning numbers; the name of the licensee; and the licence number.

The province has also placed restrictions on the duration, size and wager limits for games of chance events. No games of

chance event may operate for a period exceeding twelve hours a day, and the number of wheels per event must not exceed ten. Moreover, no player may wager more than five dollars on any one spin of a wheel.

To cover the cost of operating expenses, the licenced organization may claim an administrative fee not more than 7.5 percent of the total gaming receipts.

The rules concerning what constitutes suitable premises for the operation of games of chance events are the same as those listed for Nevada ticket events.

6. National Hockey League Time Tickets

For a purchase price not to exceed two dollars, individuals can buy a ticket which will specify either the time of each goal scored or the time of each penalty in a National Hockey League (NHL) game. Provincial regulations specify that only televised NHL games can be authorized for this hockey time ticket event. Each hockey time ticket must be in a sealed envelope and no less than 1,190 tickets must be printed for each series of ticket events. Regulations specify that the maximum individual prize must not exceed three hundred dollars.

The licenced organization must ensure that the time ticket contains the following information:

- the licence number;
- the name, address and telephone number of the licensee;
- the nature and value of the prizes;
- the name of the printer;
- the price of the ticket;
- information as to how the purchaser can obtain information on the time of goal scored or penalty time and how to claim a prize; and
- the time in minutes and seconds in which a goal may be scored or penalty given.

The licensee may charge a sales commission of up to twenty percent of the gross receipts of the ticket sale.

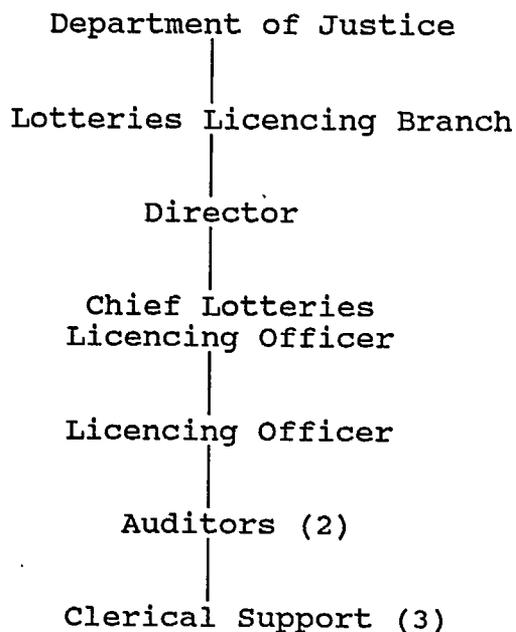
REGULATORY STRUCTURE AND ADMINISTRATIVE PROCEDURES

1. Lottery Licencing Branch, Department of Justice

The Lottery Licencing Branch of the Department of Justice is responsible for the licencing and monitoring of all gaming events sponsored by religious and charitable organizations. It also licences gaming events at agricultural fairs and exhibitions.

Figure 1 presents the organizational structure of the Lotteries Licencing Branch.

Figure 1
STRUCTURE OF GAMING CONTROL



Only the Director, the Chief Lotteries Licencing Officer or an official designated by the minister responsible for the Department of Justice has full signing authority for issuing licences. Appeals of licencing decisions are heard by a review board, and Newfoundland does have an inspection capability.

GAMING: FACTS AND FIGURES

1. Licences and Licence Fees

During fiscal year 1985-86, the Lotteries Licencing Branch issued 1,413 licences, up from 1,204 in 1984-85 and 960 in 1983-84. Table 2 presents a detailed breakdown of the licencing activity for the fiscal year 1983-84.

Table 2
LICENCING ACTIVITY - 1983-84

Applications received	874
Organizations licenced	637
Licences issued	960
Gaming schemes licenced	1,292
Applications rejected	15
Applications cancelled	26
Formal appeals received	5
Appeals withdrawn	3
Permits issued by police	2,566

Source: Department of Justice, Lottery Licencing Branch, March 31, 1984.

The licence fees collected during fiscal year 1985-86 amounted to \$374,739.53. Figures for 1984-85 and 1983-84 were \$321,346.17 and \$148,591.05 respectively.

2. Sales and Revenues

During fiscal year 1985-86, gross revenues from gaming events amounted to \$37.4 million, up from \$30.7 million in 1984-

85. Table 3 presents the breakdown of sales and revenues for the years 1984-85 and 1985-86.

Table 3

SALES AND REVENUES - 1984-85 AND 1985-86

	1984-85	1985-86
Net profits	\$ 7,164,221	\$ 8,647,164
Expenses	3,372,490	3,754,426
Prizes Allocated	20,245,953	25,032,192
TOTAL GROSS	<u>\$30,782,664</u>	<u>\$37,433,782</u>

Source: Department of Justice, Lottery Licencing
Branch, March 31, 1986.

Figures 2 and 3 show in pie chart form the net profits, expenses and prizes for the fiscal years 1984-85 and 1985-86 respectively.

Figure 2

Newfoundland Gaming Revenues, 1984/85

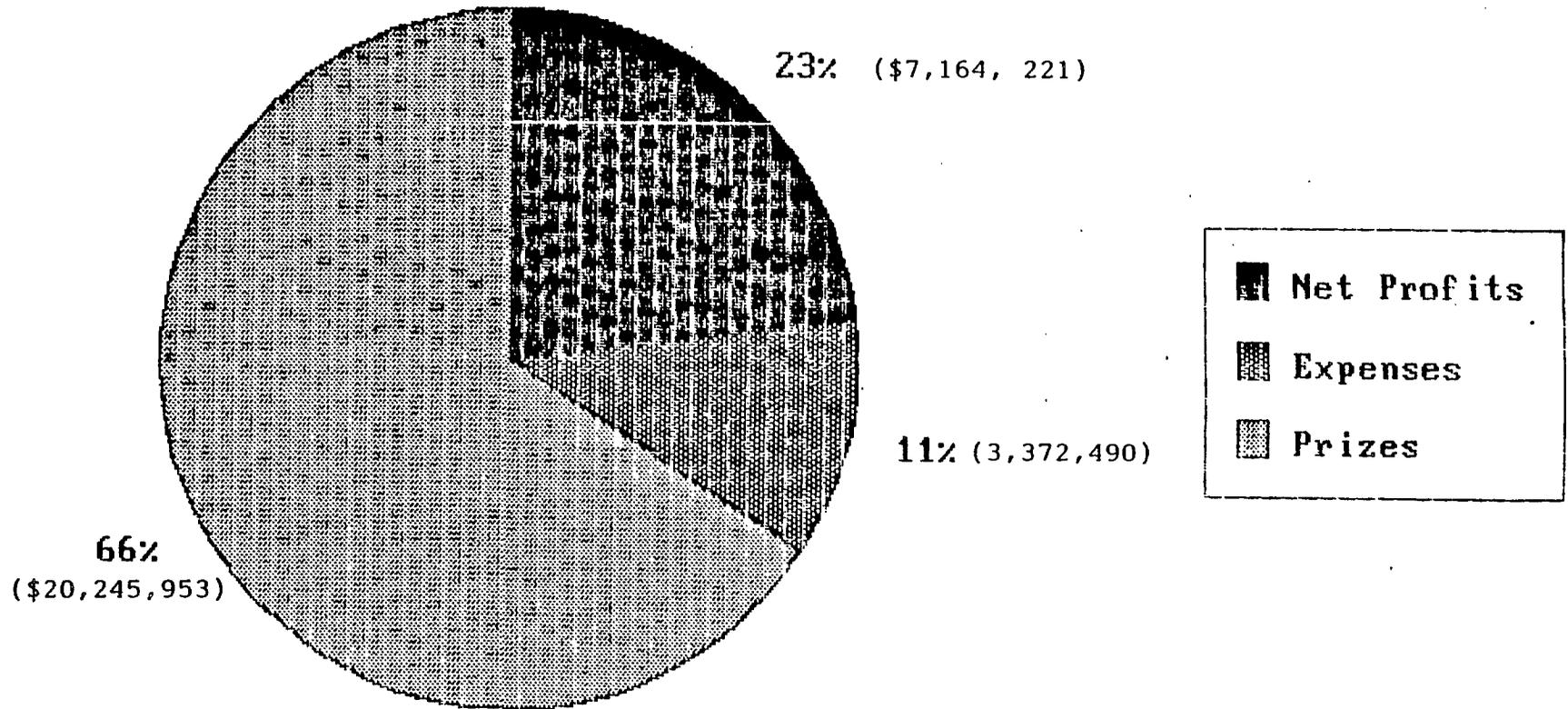
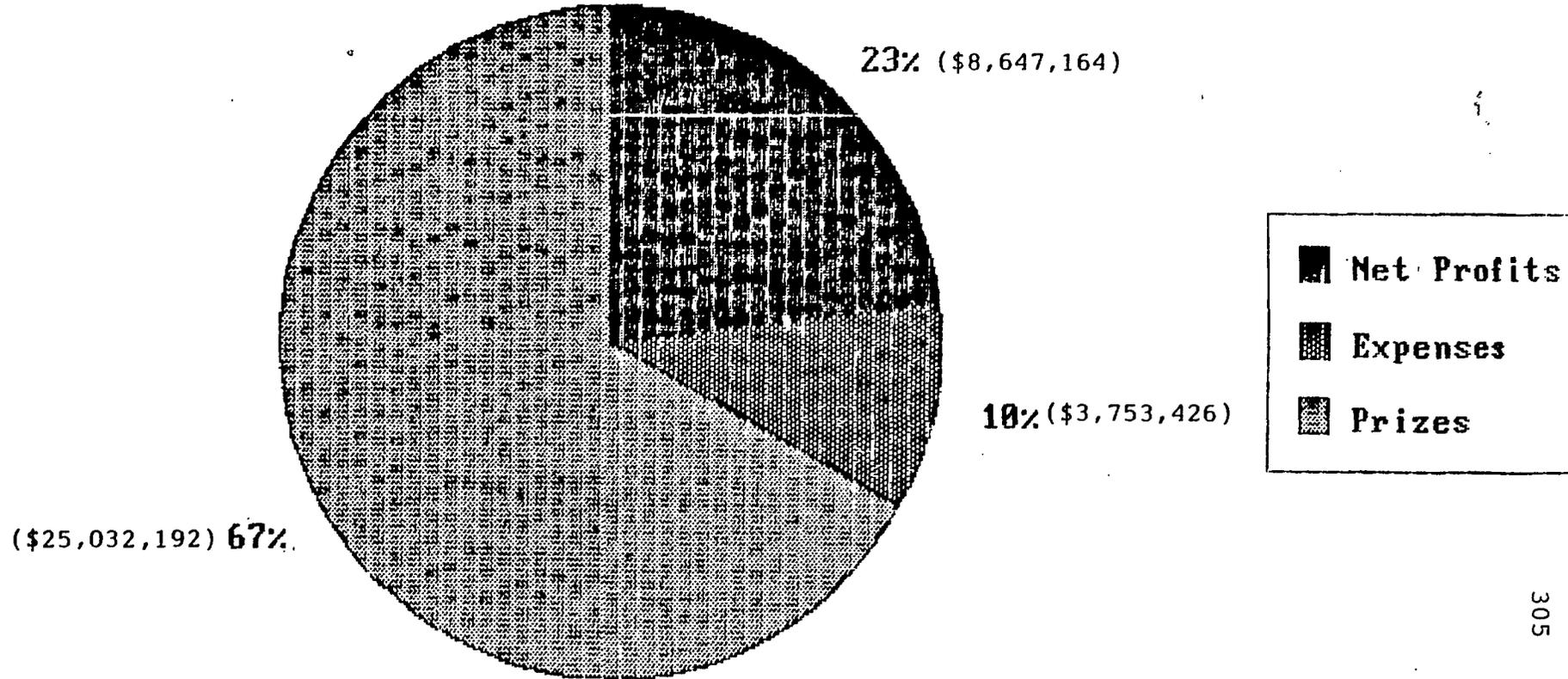


Figure 3

Newfoundland Gaming Revenues, 1985/86



TRUE LOTTERIES

The Government of Newfoundland and Labrador has been a member of the Atlantic Lottery Corporation since its creation in 1976. The three other members of the Lottery Corporation are New Brunswick, Nova Scotia, and Prince Edward Island.

The Atlantic Lottery Corporation conducts six lottery schemes. The Provincial, Super Loto and Lotto 6/49 are joint undertakings with the Interprovincial Lottery Corporation. Loto 50, the A-Plus and the Instant are managed solely by the Atlantic Lottery Corporation.

Total sales for the fiscal year 1984-85 were \$135 million, an increase of 23.7 percent on the \$109.2 million from the previous fiscal year.

During fiscal year 1984-85, Newfoundland and Labrador's share of the sales amounted to \$22,277,000, up from \$14,405,000 in 1983-84. Newfoundland and Labrador's share of the total sales was 16.5 percent in 1984-85. In the preceding year, the province's share of the sales was 13.2 percent.

Total profits for the Atlantic Lottery Corporation for the fiscal year 1984-85 were \$41.4 million, up from \$32.8 million in 1983-84. Newfoundland and Labrador's share of the total profits was \$6,832,000, up from \$4,053,000 in the previous year.

CONCERNS AND FUTURE TRENDS

1. Decreasing Bingo Profits

Provincial officials are concerned about the decrease in bingo profits which is seen to be due to a perceived need for larger prizes in order to compete for bingo players. Officials are currently conducting a review of bingo gaming in the province. This review will entail an analysis of bingo operations across the country to enable the province to develop more profitable operating guidelines for bingo events in Newfoundland and Labrador. A proposal is due in early 1987, and it has been suggested that this proposal will call for a limit on bingo prizes (The Evening Telegram, July 15, 1986).

2. Unregulated Regattas

Regattas are very popular sporting events in Newfoundland and Labrador. These events, which usually involve oar-powered racing boats, are organized and managed by four or five regatta committees across the province. These committees are not controlled by the Lotteries Licencing Branch, but are instead private sector operations. As part of their duties, these committees organize the fifty or more charitable organizations that hold events during the regattas (Smith, 1986). Provincial officials are concerned that such private sector events may not direct a sufficient share of the profits to charitable purposes.

3. Over-regulation

Some private amusement operators believe that Newfoundland has too many restrictions. Operators have publicly complained about Newfoundland's twenty percent municipal entertainment tax, its high fees for equipment inspection and its excessive regulation of permissible games of chance. It is said that some amusement park operators, such as Elliot Amusements, no longer go to Newfoundland because of the high taxes, fees and restrictions.

4. Growth in Gaming Activity

Provincial licencing authorities in Newfoundland and Labrador are receiving increased amounts of licence applications, and to address these needs, the province will be computerizing its licencing and monitoring system (Smith, 1986).

During the early 1980s, slot machines were located in the federally owned Marine Atlantic ferry "Ambrose Shea" operating between North Sydney, Nova Scotia and Argentia, Newfoundland. After a police investigation, these devices were voluntarily removed by Marine Atlantic. There has been some pressure to reinstall these slot machines; however, no action has been taken to date. It should be noted that B.C. Steamship Corporation, a Provincial Crown Corporation, has been operating slot machines on two ferries since May 1987. However, Marine Atlantic is a Federal Crown Corporation and as such does not fall under the new Criminal Code Section 190(4) which allows slot machines if conducted and managed by the province.

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PART FIVE: TRUE LOTTERIES IN CANADA

CHAPTER THIRTEEN: TRUE LOTTERY CORPORATIONS

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INTRODUCTION

True lotteries are publicly-operated games of chance. The profits of true lotteries are spent at the discretion of the recipient province or territory. Some provinces/territories direct their profits to education, the arts, sports, culture and recreation. Other recipients place their lottery proceeds into consolidated revenue funds. As the statistics in this chapter demonstrate, true lotteries, although a relatively new phenomena in Canada, have become immensely successful in generating significant amounts of revenues.

HISTORICAL PERSPECTIVE

Canada's first public lottery took place in Montreal in 1968. The purpose of this lottery was to generate funds to defray the costs of EXPO 67. This lottery was subsequently declared illegal by the Quebec courts, as it contravened the prevailing provisions of the Criminal Code.

In 1970, following revisions to the Criminal Code, Quebec established Loto-Québec, the first provincial lottery marketing agency in Canada. In that same year, Manitoba initiated the Centennial Sweepstakes, using a "names in a drum" ticket system. The purpose of this sweepstakes was to raise funds for centennial year projects. Its success led the province to establish the Manitoba Lotteries Commission in 1971, and the following year the Federal government initiated its own lottery, the Olympic Lottery, to assist in funding the 1976 Olympic Games in Montreal.

By 1974, the four Western provinces, British Columbia, Alberta, Saskatchewan and Manitoba, joined together to create a regional lottery market under the auspices of an umbrella organization, the Western Canada Lottery Foundation (now known as the Western Canada Lottery Corporation). The Yukon Territory and the Northwest Territories were admitted as associate members of the Lottery Corporation in 1975 and 1979 respectively. The following year, Ontario entered the lottery field with the creation of its own provincial lottery agency, the Ontario Lottery Corporation.

The year 1976 saw many important developments in lotteries in Canada. In that year, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador joined together to form a centralized lottery marketing agency called the Atlantic Lottery Corporation. Later in 1976, as a result of an agreement between the Western provinces and Ontario, the Interprovincial Lottery Corporation was created to market the Provincial lottery game.

During the same year, the federal government created a federal lottery corporation, Loto Canada, which held its first draw in December 1976. Three years later, as a result of negotiations between the provincial and federal governments, the federal government agreed to withdraw from the lottery field.

The provinces in turn agreed to pay the federal government \$24 million annually based on 1979 dollars and indexed to inflation. Loto Canada was dismantled the following year.

Notwithstanding the 1979 agreement, the federal government re-entered the lottery field briefly in 1984 with a lottery game called Sports Select. The funds from this lottery were to defray the costs of the 1988 Winter Olympics. The first draw took place in May, but after losses estimated at between \$35 and \$50 million, the game was withdrawn in September 1984.

Following the federal government's return to the lottery market, a new federal-provincial agreement was negotiated in 1985. This agreement guaranteed that lotteries would be administered solely by the provinces. In return, the provinces agreed to (1) continue their payments of an inflation-indexed \$24 million under the existing 1979 agreement, and (2) pay an additional \$100 million over a three year period. This agreement also resulted in changes to Section 190 of the Criminal Code.

The most recent change in the structure of lottery organizations in Canada also took place in 1985, when British Columbia left the Western Canada Lottery Corporation and formed its own provincial lottery agency, the British Columbia Lottery Corporation.

At present, the structure of the lottery market in Canada appears to be stable, and developments are now in the area of new games and new technology.

LOTTERY CORPORATIONS

There are six separate agencies - one national and five regional - which manage the operation of true lotteries in Canada:

1. the Interprovincial Lottery Corporation which oversees the marketing of three nation-wide true lotteries: Lotto 6/49, the Provincial and Super Loto;
2. the British Columbia Lottery Corporation which markets true lotteries in that province;
3. the Western Canada Lottery Corporation which manages the public lotteries for Alberta, Saskatchewan, Manitoba, the Yukon and the Northwest Territories;
4. the Ontario Lottery Corporation which conducts lotteries in Ontario;
5. Loto-Québec which controls public lottery operations for the province; and
6. the Atlantic Lottery Corporation which manages true lotteries for the Eastern provinces of New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador.

Each of these lottery corporations are described in the sections that follow.

1. Interprovincial Lottery Corporation

As a result of an agreement between the Western provinces and Ontario, the Interprovincial Lottery Corporation was created in 1976 to market the Provincial lottery game. Incorporated under the Canada Business Corporations Act, the Corporation is owned jointly by all ten Canadian provinces. The Yukon and the Northwest Territories are associate members.

The Corporation is responsible for co-ordinating the activities of three nation-wide lotteries: the Provincial which began in October 1976; Super Loto which started in January 1980,

and Lotto 6/49 which was initiated in June 1982. Its other responsibility is to ensure the transfer of funds from the provinces to the Federal government pursuant to the 1979 and 1985 federal-provincial lottery agreements.

Each of the four regional lottery authorities is responsible for marketing the three national lotteries within their jurisdiction(s). Proceeds from the sale of tickets within a particular province, minus the province's share of the costs associated with the sales and the prizes, remain in that province. Each provincial lottery authority then deducts expenses to cover its operation and transfers profits as directed by its provincial government.

The Corporation is governed by a twenty-one member Board of Directors appointed by the member provinces. The Board is responsible for policy development and co-ordination. The Corporation has a staff of six employees. The operating expenses of the Corporation are reflected in the statement of operations of its five regional marketing organizations (French, 1988).

The Corporation requires that the regional lottery organizations set aside a proportion of each lottery game for prizes and has established a prize allocation of forty-five percent for Super Loto, the Provincial and Lotto 6/49.

2. British Columbia Lottery Corporation

The British Columbia Lottery Corporation is the newest lottery marketing agency in Canada. Fiscal year 1985-86 was its first full year of operation.

On May 13, 1974, British Columbia joined with Alberta, Saskatchewan and Manitoba to form the Western Canada Lottery Foundation, the first regional lottery marketing agency in Canada. British Columbia remained a member of this regional

lottery agency until April 1985 when it formed its own provincial marketing organization, the British Columbia Lottery Corporation. British Columbia remains an affiliated member of the Western Canada Lottery Corporation, as it still co-operates in the marketing and conduct of a regional lottery, Lotto West. As the figures for 1984-85 indicate (Table 4), British Columbia was selling more tickets than the other provinces combined.

The Corporation has a four member Board of Directors, and, as of March 31, 1986, a staff of approximately three hundred. The Corporation also has a network of over 2,000 retailers who sell lottery tickets.

The Corporation operates six true lotteries in the province. Pacific Express and Instant games are conducted solely by the Corporation, while it participates in the Lotto West game in co-operation with the Western Canada Lottery Corporation. Lotto 6/49, the Provincial and Super Loto are joint undertakings by all provinces acting through the Interprovincial Lottery Corporation. During fiscal year 1986-87, the Corporation plans to introduce a third on-line game, to be called Lotto BC.

The Corporation sets aside a proportion of each lottery game for prizes. The Corporation allots fifty percent of the net sales from Lotto West for prizes, while forty-five percent of net ticket sales are set aside for prizes from the Pacific Express and Instant games. As stated in previous sections, the Interprovincial Lottery Corporation has established a prize allocation of forty-five percent for Super Loto, the Provincial and Lotto 6/49.

Table 1 presents a breakdown of the ticket sales for fiscal year 1985-86 by game.

Table 1
LOTTERY SALES - 1985-86

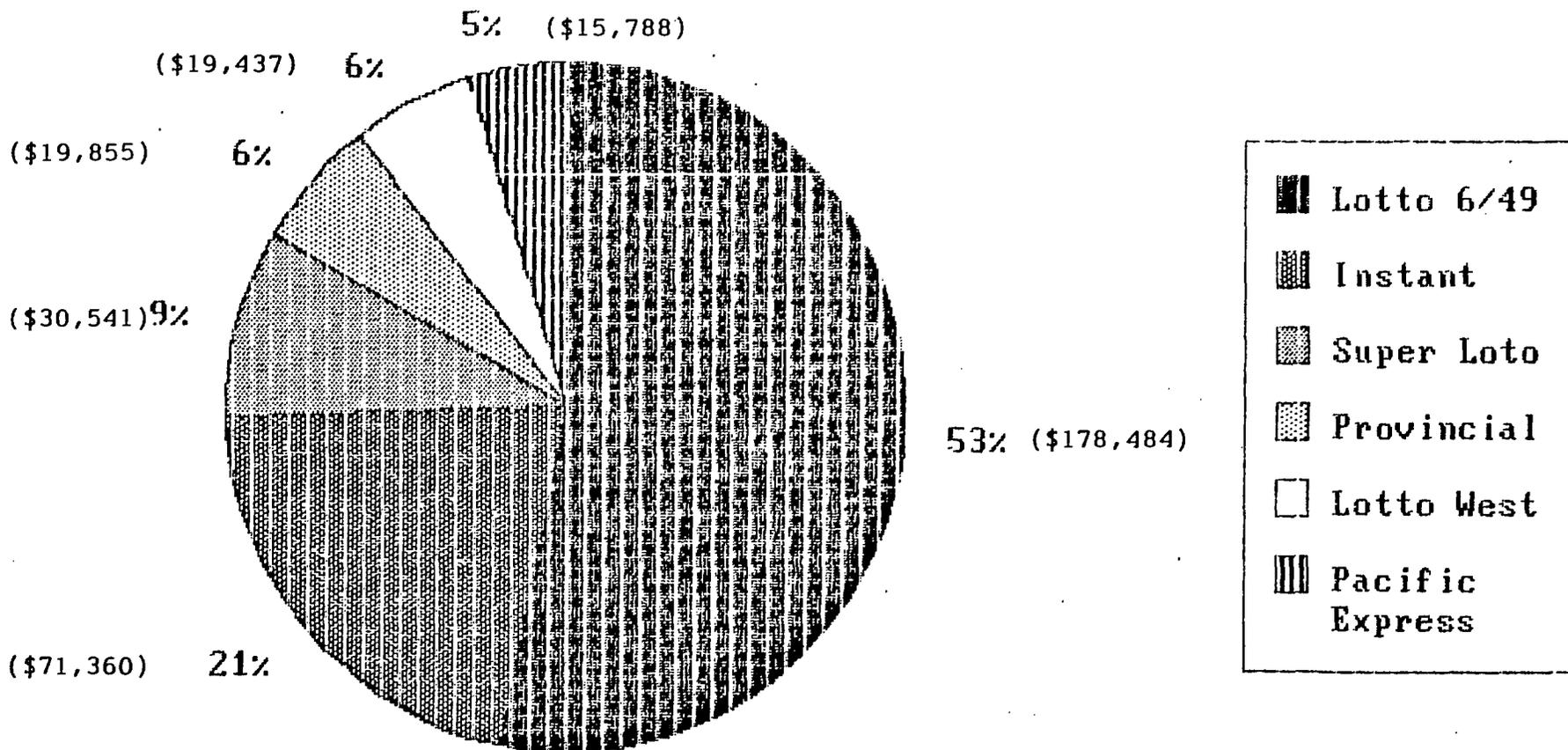
	(in 000`s)
Lotto 6/49	\$178,484
Instant	71,360
Super Loto	30,541
Provincial	19,855
Lotto West	19,437
Pacific Express	15,788
	\$335,465
Less free ticket redemptions	5,404
TOTAL	\$330,061

Source: British Columbia Lottery Corporation, Annual Report, 1985-86.

As shown in Figure 1, Lotto 6/49 represents 53 percent of the total ticket sales. The Instant contributes 21 percent, and the Super Loto 9 percent. The Provincial, Lotto West and Pacific Express account for 6 percent, 6 percent and 5 percent respectively.

During fiscal year 1985-86, the Corporation generated \$330 million in lottery ticket sales. Prizes for the fiscal year 1985-86 totalled \$151 million, while revenue to the province was \$104 million. Table 2 presents the Corporation's statement of income for 1985-86. It should be noted that \$9 million was returned to the Federal government pursuant to the agreement between the Federal government and the provinces. The Corporation paid out \$18.7 million in retailer commissions.

Figure 1
 BC Lottery Sales 1985/86



Source: British Columbia Lottery Corporation,
 Annual Report, 1985/86.

Table 2
STATEMENT OF INCOME - 1985-86

	(000's)
Lottery Sales	\$330,061
Direct Expenses	
Prizes	150,767
Retailer commissions	18,720
	<hr/>
Sales less direct expenses	\$160,574
Operating Expenses	47,368
	<hr/>
Net Income	\$113,206
Distribution of Net Income:	
Government of Canada	9,138
Province of British Columbia	104,068
	<hr/>
	\$113,206

Source: British Columbia Lottery Corporation, Annual Report, 1985-86.

British Columbia provides lottery funds for cultural events, recreation, amateur sports, heritage projects, medical research programs, capital projects and special events such as EXPO'86, the World Transportation Fair held in Vancouver (British Columbia Lottery Corporation, 1985-86).

3. Western Canada Lottery Corporation

The Western Canada Lottery Corporation (formerly the Western Canada Lottery Foundation) was the first regional lottery marketing agency in Canada. Formed in 1974, the Corporation has three full members - Alberta, Saskatchewan, and Manitoba - and

two associate members - the Yukon and the Northwest Territories. One of its founding members, British Columbia, left the Corporation in 1985 when it formed its own provincial lottery corporation. British Columbia remains affiliated with the Corporation, however, as it co-operates in the marketing of Lotto West.

The Corporation had a eight member Board of Directors who are responsible for corporate policy. After British Columbia withdrew, the board was reduced to six members. There were two members from each of the participating provinces. The Corporation also has a network of over 6,000 retailers who sell lottery tickets.

The Corporation is responsible for the conduct and management of six true lotteries in its members' jurisdictions. Western Express, Lotto West and Instant games are conducted solely by the Corporation. Lotto 6/49, the Provincial and Super Loto games are joint undertakings with the Interprovincial Lottery Corporation. In 1984-85, the Corporation also held a special Anniversary Draw to mark the Corporation's tenth year of operation.

Table 3 presents a breakdown of the total ticket sales by game for the fiscal years 1983-84, 1984-85, 1985-86 and 1986-87. The drop in revenue experienced in 1985-86 represents the withdrawal of British Columbia from the Western Canada Lottery Corporation.

Table 3
LOTTERY SALES - 1983-84 to 1986-87

	(000's) 1983-84	(000's) 1984-85	(000's) 1985-86	(000's) 1986-87
Lotto 6/49	\$131,558	\$223,151	\$186,812	\$260,398
Instant	33,535	76,860	29,560	85,413
Super Loto	63,716	56,410	31,216	59,482
Western Express	70,613	44,181	23,759	28,644
Provincial	51,055	43,181	21,798	25,241
Lotto West	-	33,054	24,713	17,502
Anniversary	-	6,361	-	-
TOTALS	<u>\$350,477</u>	<u>\$483,476</u>	<u>\$317,858</u>	<u>\$476,680</u>

Source: Western Canada Lottery Corporation, Annual Reports, 1984-85, 1985-86, 1986-87.

Table 4 presents the Corporation's statement of account for fiscal years 1983-84 and 1984-85. This table also shows the distribution of revenues among the member provinces and territories. During fiscal year 1984-85, the Corporation generated \$484 million in lottery ticket sales. Prizes for the fiscal year 1984-85 totalled \$220 million, while revenue to the member provinces and territories was \$177 million. The Corporation paid out \$30 million in retailer commissions, and \$10.6 million was returned to the federal government pursuant to the agreement between the federal government and the provinces.

Table 4

STATEMENT OF ACCOUNT - 1983-84 AND 1984-85

	(000's) 1983-84	(000's) 1984-85
Lottery Sales	\$350,477	\$483,476
Direct Expenses		
Prizes	156,623	219,747
Retailer commissions	25,963	29,910
Ticket printing	10,709	11,095
	<u>193,295</u>	<u>260,752</u>
Sales less direct expenses	<u>157,182</u>	<u>222,724</u>
Operating Expenses	35,368	52,488
Sales less expenses	<u>121,814</u>	<u>170,236</u>
Interest and other income	4,630	6,939
Net revenue from lottery operations	<u>\$126,444</u>	<u>\$177,175</u>
Payment to federal government	\$ 10,213	10,630
Distributed to governments or appointed organizations in the following areas:		
British Columbia	59,303	85,329
Alberta	30,398	42,497
Saskatchewan	11,035	16,017
Manitoba	14,961	21,866
Yukon	180	283
Northwest Territories	354	553
	<u>\$126,444</u>	<u>\$177,175</u>

Source: Western Canada Lottery Corporation, Annual Report, 1984-85.

Table 5 presents the lottery sales, prizes and income to the provinces over four years ending 1986-87.

Table 5
LOTTERY SALES, PRIZES AND INCOME TO THE PROVINCES
1983-84 TO 1986-87

	(000's) 1983-84	(000's) 1984-85	(000's) 1985-86 ^a	(000's) 1986-87
Lottery Sales	\$350,477	\$483,476	\$317,858	\$476,680
Prizes	156,623	219,747	144,733	218,787
Income to the Provinces:				
British Columbia ^b	59,303	90,738	-	-
Alberta	30,398	45,249	65,002	109,043
Saskatchewan	11,035	17,082	23,802	35,497
Manitoba	14,961	23,270	32,940	42,531
Yukon Territory	180	283	493	835
Northwest Territories	354	553	721	988
	<u>\$126,444</u>	<u>\$177,175</u>	<u>\$122,958</u>	<u>\$188,894</u>

^a Drop in totals for 1985-86 due to withdrawal of British Columbia

^b For 1983-84 each province's share of the \$10,212,964 payment to Federal government is subtracted from the income figure. Total is consistent with other years.

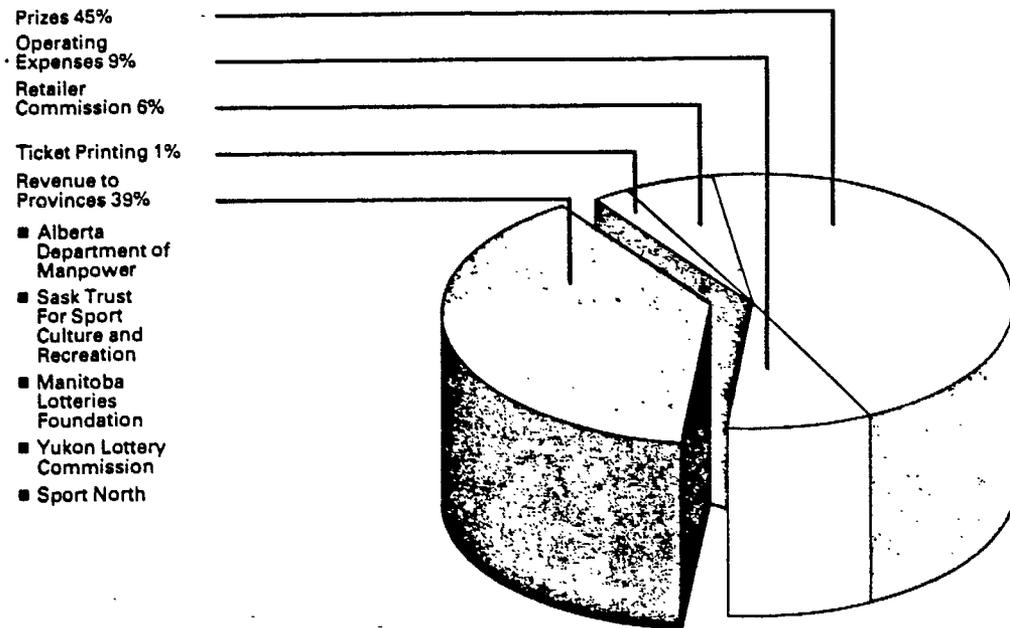
Source: Western Canada Lottery Corporation, Annual Report, 1985-86.

The percentage expenditure breakdown has remained fairly constant over the years. Figure 2 presents these figures for the 1985-86 fiscal year.

Table 6 presents an eleven year summary of the lottery sales, prizes and net revenues for the Corporation.

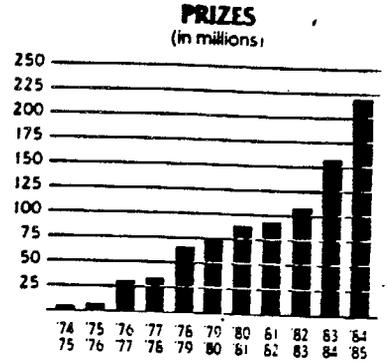
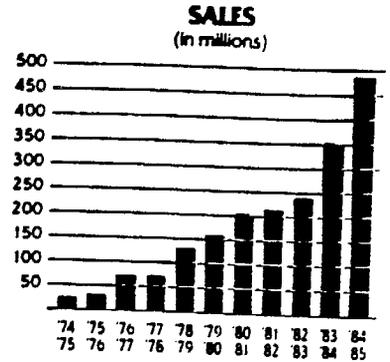
Figure 2 .

Western Canada Lottery Corporation - Expenditure 1985/865



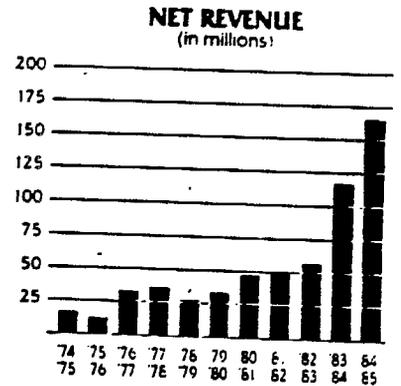
Source: Western Canada Lottery Corporation,
Annual Report, 1985/86

Table 6
Western Canada Lottery Foundation
Eleven Year Financial Summary



WCLF ELEVEN YEAR RECORD

<u>YEAR</u>	<u>SALES</u>	<u>PRIZES</u>	<u>NET REVENUES</u>
1974/75	\$ 22,281,680	\$ 3,333,750	\$ 15,423,078
1975/76	30,103,833	6,509,775	11,897,406
1976/77	71,273,180	30,392,344	32,421,189
1977/78	74,057,750	33,729,893	35,997,734
1978/79	129,826,205	65,486,755	27,256,787
1979/80	156,304,985	74,148,204	32,921,235
1980/81	200,225,310	88,804,680	47,801,630
1981/82	210,567,067	93,738,730	49,959,744
1982/83	237,424,567	107,240,186	57,177,129
1983/84	350,476,858	156,622,625	116,231,119
1984/85	483,475,814	219,747,396	166,545,429
Totals:	\$1,966,017,249	\$879,754,338	\$593,632,480



Source: Western Canada Lottery Foundation, Annual Report, 1984-85

Each member province and territory establishes its own guidelines with respect to the disbursement of lottery revenues. Alberta provides lottery funds to province-wide cultural and recreational foundations and organizations. Through the Wild Rose Foundation, Alberta also provides monies to non-profit societies. In Saskatchewan, lottery revenues are distributed through the Sask Trust for Sport, Culture and Recreation to provincial sport governing bodies, cultural organizations, and recreation associations. Sask Trust also funds local sport, cultural and recreation activities as well as non-profit organizations such as the Western Development Museum and exhibition associations. Manitoba distributes its lottery proceeds to community groups through seven umbrella organizations and the programs of two provincial government departments. Through these umbrella organizations, community-based groups receive funds for projects and programs in the areas of heritage, sports, the arts, community service, multiculturalism, community education and medical research. The Yukon Lottery Commission distributes lottery profits to sport, artistic, cultural and recreational community organizations in the Territory, while in the Northwest Territories, Sport North allocates lottery revenues to the Arctic Winter Games, North Star Special Sports, territorial competitions, and player development.

4. Ontario Lottery Corporation

The Ontario Lottery Corporation was incorporated in 1975 by the Ontario Lottery Corporation Act to manage and operate true lotteries in the province.

The Corporation has a nine member Board of Directors who are responsible for establishing policy and the general corporate direction for the agency. The Corporation is divided into five divisions: Operations, Sales and Distribution, Marketing,

Computer Services, and Corporate Communications. As of March 31, 1985, the Corporation had 221 employees. The Corporation also has a forty-seven member distribution team who deliver lottery tickets to over 14,000 retailers.

Six lottery games are conducted by the Corporation in Ontario. Wintario, Lottario and Instant are conducted solely by the Corporation, while Lotto 6/49, the Provincial and Super Loto are joint undertakings with the Interprovincial Lottery Corporation. Each game has a different prize structure.

During fiscal year 1984-85, the Corporation generated \$812 million in lottery ticket sales. Prizes for the fiscal year 1984-85 totalled \$415.5 million, while net proceeds to the province was \$249.6 million. The Corporation paid out \$60.6 million in commissions, and another \$15.9 million was returned to the Federal government pursuant to the agreement between the Federal government and the provinces.

Table 7 presents the Corporation's statement of account for fiscal years 1983-84 and 1984-85.

Table 7
STATEMENT OF ACCOUNT - 1983-84 AND 1984-85

	(000's) 1983-84	(000's) 1984-85
Lottery Sales	\$661,818	\$811,974
Less retailer commissions	50,318	60,612
	<hr/> \$611,500	<hr/> \$751,362
Less:		
Prizes	341,019	415,538
Operating Expenses	58,354	91,733
	<hr/>	<hr/>
Operating Income	\$212,127	\$244,091
Interest	4,612	5,486
	<hr/>	<hr/>
Net profit/proceeds	\$216,739	\$249,577
	<hr/>	<hr/>

Source: Ontario Lottery Corporation, Annual Report, 1984-85.

Prizes accounted for 51.2 percent of the gross sale figures for 1984-85, while the net profit amounted to 30.7 percent. Operating expenses and commissions accounted for 10.6 percent and 7.5 percent respectively.

Table 8 presents a ten year summary of the operation of the Corporation.

The net profits of the Corporation are paid into the Consolidated Revenue Fund and are distributed through the provincial ministries of health, labour, environment, education and community and social services. The Trillium Foundation also distributes lottery proceeds to provincial social service organizations. Physical fitness, sport, culture, recreation and health care are the major beneficiaries of lottery proceeds in Ontario.

Table 8
Ontario Lottery Corporation - Ten Year Financial Summary

	75/76	76/77	77/78	78/79	79/80	80/81	81/82	82/83	83/84	84/85
Sales	97.1	218.8	240.4	235.1	323.8	490.3	506.9	550.1	661.8	812.0
Commissions	12.5	22.4	24.2	22.5	28.3	41.2	41.4	44.1	50.3	60.6
Prizes	36.1	95.5	108.3	123.9	182.7	270.3	271.9	294.4	341.0	415.5
Operating Expenses	6.0	10.1	11.4	14.5	22.2	36.7	45.0	54.4	58.4	91.7
Interest	.8	2.0	1.9	2.5	4.3	6.7	8.9	6.4	4.6	5.5
Net Profit/ Proceeds	43.3	92.8	98.4	62.6*	92.8	148.8	157.5	163.5	216.7	249.6
Number of Games	1	2	2	3	3	4	4	5	6	6

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*After extraordinary expenses

Source: Ontario Lottery Corporation, Annual Report, 1984/85, p.3

5. Loto-Québec

Loto-Québec, officially known as Société des loteries et courses du Québec, is a provincial Crown corporation which since 1970 has been responsible for the conduct and management of lottery systems in Quebec. Loto-Québec is also responsible for conducting races and promoting the breeding of horses.

Loto-Québec has a seven member Board of Directors who are responsible for the organization's general standards and policies. The Board of Directors are appointed by the provincial Minister of Finance. As of March 31, 1985, Loto-Québec had a staff of 701. It is divided into four departments: Lotteries, New Games, Horse Racing, and Corporate Affairs. Each department is headed by a vice-president.

Lottery tickets in Quebec are distributed by a retail sales network of 12,641 merchants, the majority (66 percent) of whom are food, tobacco and convenience stores. Financial institutions, travelling salespersons and pharmacies account for nine, six and four percent respectively. Kiosks account for 1.5 percent, while the remainder of the distributors (13.5 percent) fall into the category of other service and commercial outlets.

Loto-Québec operates eight lotteries, more than any other marketing agency in the country. Instant, Inter Loto, La Quotidienne, Mini Loto and the 6/36 are conducted solely by Loto-Québec, while Lotto 6/49, the Provincial and Super Loto are operated in conjunction with the Interprovincial Lottery Corporation. Loto-Québec also operates Lotomatique, a lottery subscription service.

Loto-Québec has established guaranteed rates of return in prizes for each of its lotteries. Table 9 summarizes this information.

Table 9

RATE OF RETURN FOR PRIZES

Mini Loto	42.5
Inter Loto	41.5
Loto 6/36	48.0
La Quotidienne	49.0
Instant	48 - 50

Source: Loto-Québec (Société des loteries et courses du Québec) Annual Report, 1984-85.

The Interprovincial Lottery Corporation has established a prize allocation of forty-five percent for Super Loto, the Provincial and Lotto 6/49.

During fiscal year 1984-85, the Corporation generated \$741 million in lottery ticket sales. Prizes for the fiscal year 1984-85 totalled \$342 million, while net proceeds to the province was \$253 million. Loto-Québec distributed \$41 million in commissions, and another \$9.5 million was returned to the Federal government pursuant to the agreement between the Federal government and the provinces.

Prizes accounted for 46.2 percent of the gross sale figures for 1984-85, while the net profit amounted to 33.1 percent. Operating expenses and commissions accounted for 18.4 percent and 2.3 percent respectively.

Table 10 presents the Corporation's statement of account for fiscal years 1983-84 and 1984-85.

Table 10
STATEMENT OF ACCOUNT - 1983-84 AND 1984-85

	(000's) 1983-84	(000's) 1984-85
Lottery Sales	\$662,177	\$741,102
Cost of Sales		
Prizes	304,682	342,086
Discounts to retailers	37,518	40,973
Printing of tickets	17,306	17,454
	<u>359,506</u>	<u>400,513</u>
Gross Income	302,671	340,589
Operating Expenses	69,891	77,801
	<u>232,780</u>	<u>262,788</u>
Income before extraordinary items	232,780	262,788
Payments to federal government	9,217	9,468
Special commissions to non-profit organizations	443	401
NET INCOME	<u>\$223,120</u>	<u>\$252,919</u>

Source: Loto-Québec (Société des loteries et courses du Québec) Annual Report, 1984-85.

Table 11 presents a consolidated statement of account for Loto-Québec for the fiscal years 1980-81 to 1984-85.

Proceeds from lottery ticket sales are placed in the provincial Treasury for distribution through various provincial departments.

Table 11

Loto-Quebec - Five Year Financial Summary

	<u>1985</u> (000\$)	<u>1984</u> (000\$)	<u>1983</u> (000\$)	<u>1982</u> (000\$)	<u>1981</u> (000\$)
SALES — Lottery tickets	<u>741,102</u>	<u>662,177</u>	<u>541,411</u>	<u>479,652</u>	<u>436,466</u>
COST OF SALES					
Prizes paid	342,086	304,682	252,592	224,991	204,302
Discounts to retailers	40,973	37,518	31,207	27,950	25,695
Printing of tickets	17,454	17,306	16,961	17,526	13,944
	<u>400,513</u>	<u>359,506</u>	<u>300,760</u>	<u>270,467</u>	<u>243,941</u>
GROSS INCOME	<u>340,589</u>	<u>302,671</u>	<u>240,651</u>	<u>209,185</u>	<u>192,525</u>
OPERATION COSTS					
Advertising and Communication	16,079	15,020	15,260	13,180	12,533
Distribution and sales	16,759	16,867	16,117	13,783	11,351
Data processing	19,954	16,635	22,262	11,812	9,567
Administration	18,884	14,327	11,113	9,426	8,222
Depreciation of fixed assets	8,256	8,313	5,818	4,664	4,052
	<u>79,932</u>	<u>71,167</u>	<u>70,570</u>	<u>52,865</u>	<u>45,725</u>
Income from interest — net	2,131	1,276	2,576	2,438	1,298
	<u>77,801</u>	<u>69,891</u>	<u>67,994</u>	<u>50,427</u>	<u>44,427</u>
INCOME BEFORE THE FOLLOWING ITEMS	<u>262,788</u>	<u>232,780</u>	<u>172,657</u>	<u>158,758</u>	<u>148,098</u>
Payments to the Government of Canada further to its withdrawal from the conduct of lotteries	9,468	9,217	8,965	7,657	6,746
Special commissions to non- profit organizations	401	443	277	170	224
	<u>9,869</u>	<u>9,660</u>	<u>9,242</u>	<u>7,827</u>	<u>6,970</u>
NET INCOME	<u>252,919</u>	<u>223,120</u>	<u>163,415</u>	<u>150,931</u>	<u>141,128</u>

Source: Loto-Quebec (Société des loteries et course du
Quebec, Annual Report, 1984-85

6. Atlantic Lottery Corporation

The Atlantic Lottery Corporation was created in 1976 as a centralized lottery marketing agency for the provinces of New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador.

The Corporation has a eight member Board of Directors comprised of two representatives from each province. Its function is to establish corporate policy and maximize operational efficiency. The Corporation has three departments: Marketing, Administration and Data Processing. As of March 31, 1985, the Corporation had 192 employees, of which 103 were in the Marketing, 58 in Administration, and 31 in Data Processing. These figures include full-time, part-time and casual employees.

The Corporation also has a network of some 4,100 retailers who sell lottery tickets, over fifty percent of which are supermarket and convenience stores. Nova Scotia has 1,435 retail ticket outlets; New Brunswick, 1,275; Newfoundland and Labrador, 1,200; and Prince Edward Island, 190.

This Crown corporation operates six lottery schemes. Loto 50, A-Plus and Instant games are conducted solely by the Corporation, while Lotto 6/49, the Provincial and Super Loto are marketed in collaboration with the Interprovincial Lottery Corporation. Table 12 presents a breakdown of the total sales by type of game for fiscal year 1984-85.

Table 12
SALES BY TYPE OF GAME - 1984-85

	(Millions)	Percent
Instant	\$36.7	27.2
Lotto 6/49	37.0	27.4
A-Plus	29.2	21.6
Provincial	11.3	8.4
Super Loto	10.1	7.5
Loto 50	10.8	8.0

Source: Atlantic Lottery Corporation, Annual Report, 1984-85.

During fiscal year 1984-85, the Corporation generated \$135 million in lottery ticket sales. Prizes for the fiscal year 1984-85 totalled \$65 million, while net proceeds to the province was \$41.4 million. The Corporation paid out a total of \$8.1 million in commissions, and another \$2.3 million was returned to the Federal government pursuant to the 1979 and 1985 agreements between the Federal government and the provinces.

In 1984-85, some 43.7 percent of the ticket sales were generated in Nova Scotia, 33.7 percent in New Brunswick, 16.5 percent in Newfoundland and Labrador, and 6.1 percent in Prince Edward Island.

Table 13 presents the Corporation's statement of account for fiscal years 1983-84 and 1984-85. This table also shows the distribution of revenue among the member provinces.

Table 13

STATEMENT OF ACCOUNT - 1983-84 AND 1984-85

	(000's) 1983-84	(000's) 1984-85
Lottery Sales	\$109,162	\$134,987
Cost of Sales		
Prizes	51,083	65,023
Retailer commissions	7,112	8,143
Printing of tickets	4,076	5,436
	<u>62,271</u>	<u>78,602</u>
Gross Profit	46,891	56,385
Operating Expenses	12,828	14,297
Operating profit	34,063	42,088
Interest and other income	1,003	1,657
Net profit	<u>35,066</u>	<u>43,745</u>
Less: payment to federal government	2,288	2,343
Profit for distribution to Atlantic provinces	<u>\$ 32,778</u>	<u>\$ 41,402</u>
Distribution of profit:		
Lotteries Commission of New Brunswick	\$ 11,508	\$ 13,968
Government of the Province of Newfoundland and Labrador	4,053	6,832
Nova Scotia Lottery Commission	15,260	18,092
Prince Edward Island Lotteries Commission	1,957	2,510
	<u>\$32,778</u>	<u>\$41,402</u>

Source: Atlantic Lottery Corporation, Annual Report, 1984-85.

Table 14 presents a consolidated financial statement for the years 1977 to 1985.

Table 14

ATLANTIC LOTTERY COMPARATIVE FINANCIAL STATEMENT
FROM THE YEAR 1977 TO 1985

	1976-1977	1977-1978	1978-1979	1979-1980	1980-1981	1981-1982	1982-1983	1983-1984	1984-1985
Lottery tickets sales:									
New Brunswick	\$ 4,542,779	\$15,819,340	\$16,071,165	\$15,080,995	\$18,403,045	\$22,747,000	\$26,750,000	\$ 37,853,000	\$ 45,540,000
Newfoundland and Labrador	1,449,810	5,149,544	6,421,970	6,767,293	9,472,765	10,466,000	11,732,000	14,405,000	22,277,000
Nova Scotia	4,804,832	16,754,900	18,525,255	16,746,385	21,451,835	29,394,000	35,320,000	50,497,000	58,987,000
Prince Edward Island	776,250	2,877,855	2,599,095	2,501,535	3,228,875	4,143,000	4,833,000	6,407,000	8,183,000
Total	\$11,573,671	\$40,601,639	\$43,617,485	\$41,096,208	\$52,556,520	\$66,750,000	\$78,635,000	\$109,162,000	\$134,987,000
Less discount on ticket sale	578,684	2,030,082	2,181,073	2,225,006	3,484,606	4,648,000	5,528,000	7,112,000	8,143,000
Net ticket sales	10,994,987	38,571,557	41,436,412	38,871,202	49,071,914	62,102,000	73,107,000	102,050,000	126,844,000
Direct Cost of ticket sales	4,136,661	20,894,584	27,214,080	24,239,986	28,616,297	--	--	--	--
Operating expenses	1,656,969	3,555,514	4,021,811	4,783,743	5,666,829	--	--	--	--
Other income i.e., Bank interest	45,457	249,212	522,130	1,069,008	1,499,088	242,000	1,168,000	1,003,000	1,657,000
NET PROFIT - transferred to the account with the Atlantic Provinces	5,246,814	14,370,671	15,722,651	10,916,481	16,287,876	21,832,000	20,604,000	32,778,000	41,402,000
PAYMENT TO GOVERNMENT OF CANADA (incorporated in direct cost of ticket sales)	\$ --	\$ --	\$ --	\$ 462,600	\$ 1,696,500	\$ 1,832,000	\$ 2,267,000	\$ 2,288,000	\$ 2,343,000

Atlantic Lottery Corporation
(Annual Reports from 1977 to 1985). (See Appendices I & II).

NATIONAL FACTS AND FIGURES

True lotteries are big business in Canada. During fiscal year 1984-85, lottery sales amounted to over \$2.2 billion dollars.

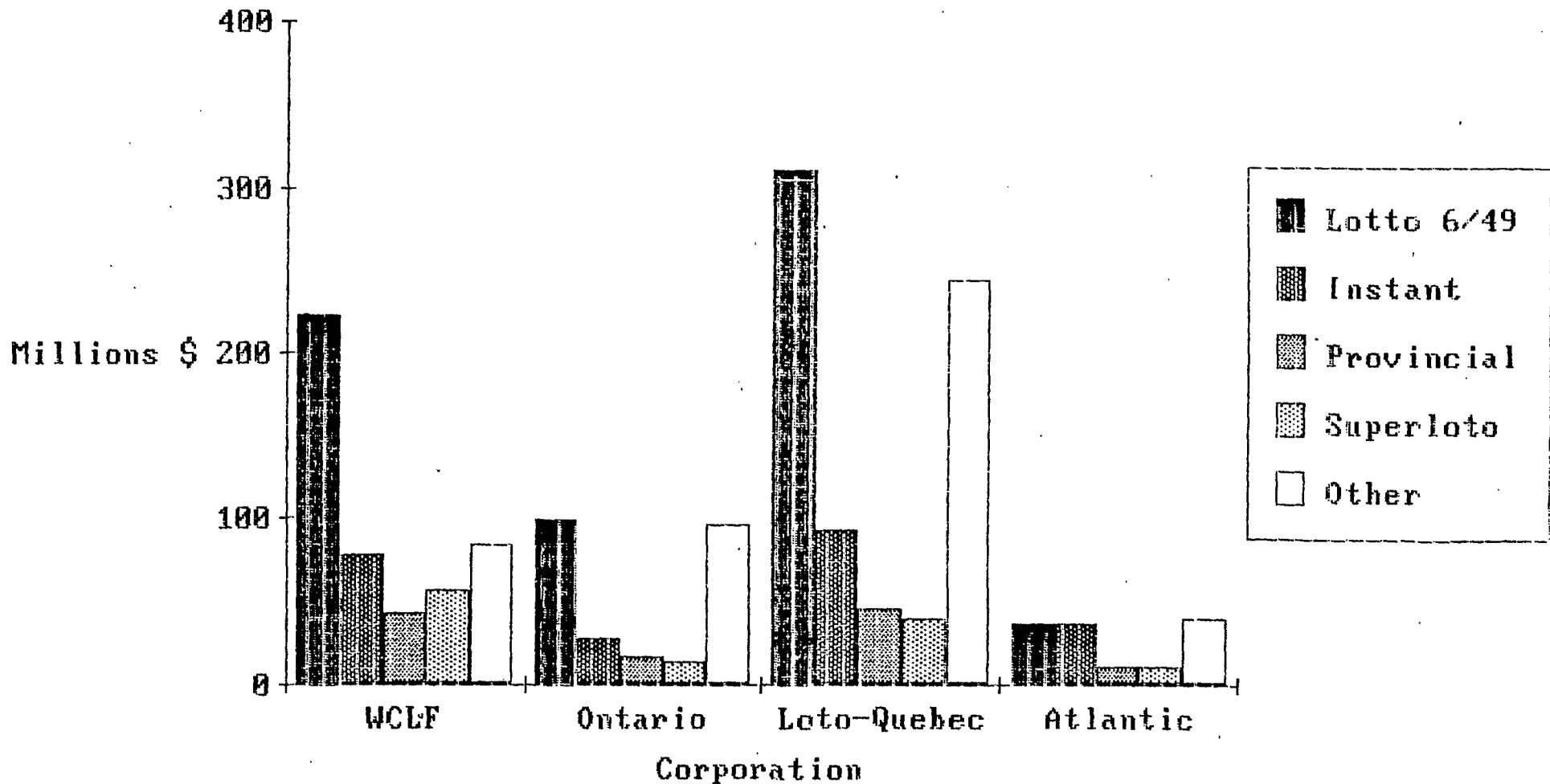
Figure 3 presents a comparison of lottery revenues for 1984-85 for the Western Canada Lottery Corporation, the Ontario Lottery Corporation, Loto-Québec and the Atlantic Lottery Corporation. Across the country, Lotto 6/49 accounted for 41.5 percent of the total sales for 1984-85, while the Instant, Super Loto, and the Provincial lotteries totalled 14.4 percent, 8 percent and 7 percent respectively.

The allocation of lottery revenue is relatively constant across the country. This is demonstrated by the 1984-85 figures shown in Figure 4. Prizes account for between 45 and 51 percent of gross sales, while net revenues amount to between 30 and 35 percent. Operating costs amount to between 11 or 12 percent, and commissions account for between six and seven percent.

Figure 5 shows the relationship between gross revenue and net revenue for 1984-85 for the Western Canada Lottery Corporation, the Ontario Lottery Corporation, Loto-Québec and the Atlantic Lottery Corporation. Again, it demonstrates that there is little difference across the country in the net revenue from the gross sale of lottery tickets. The net profit appears to stay in the range between 30 and 39 percent.

Figure 3

Comparison of Lottery Revenue by Game*



*Note: all figures, excepting Ontario, are gross revenue. Only the net figures for Ontario are presented.

Figure 4

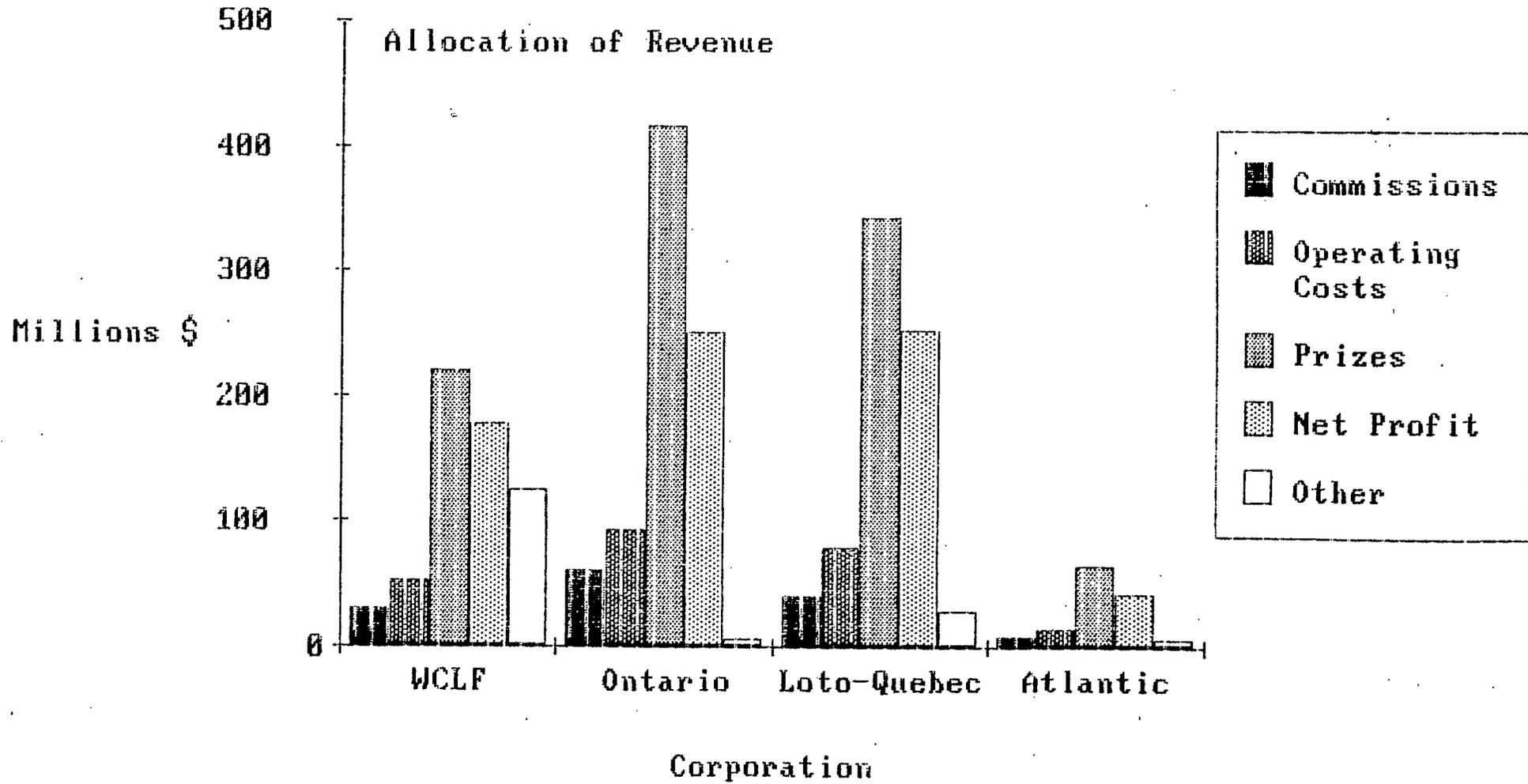
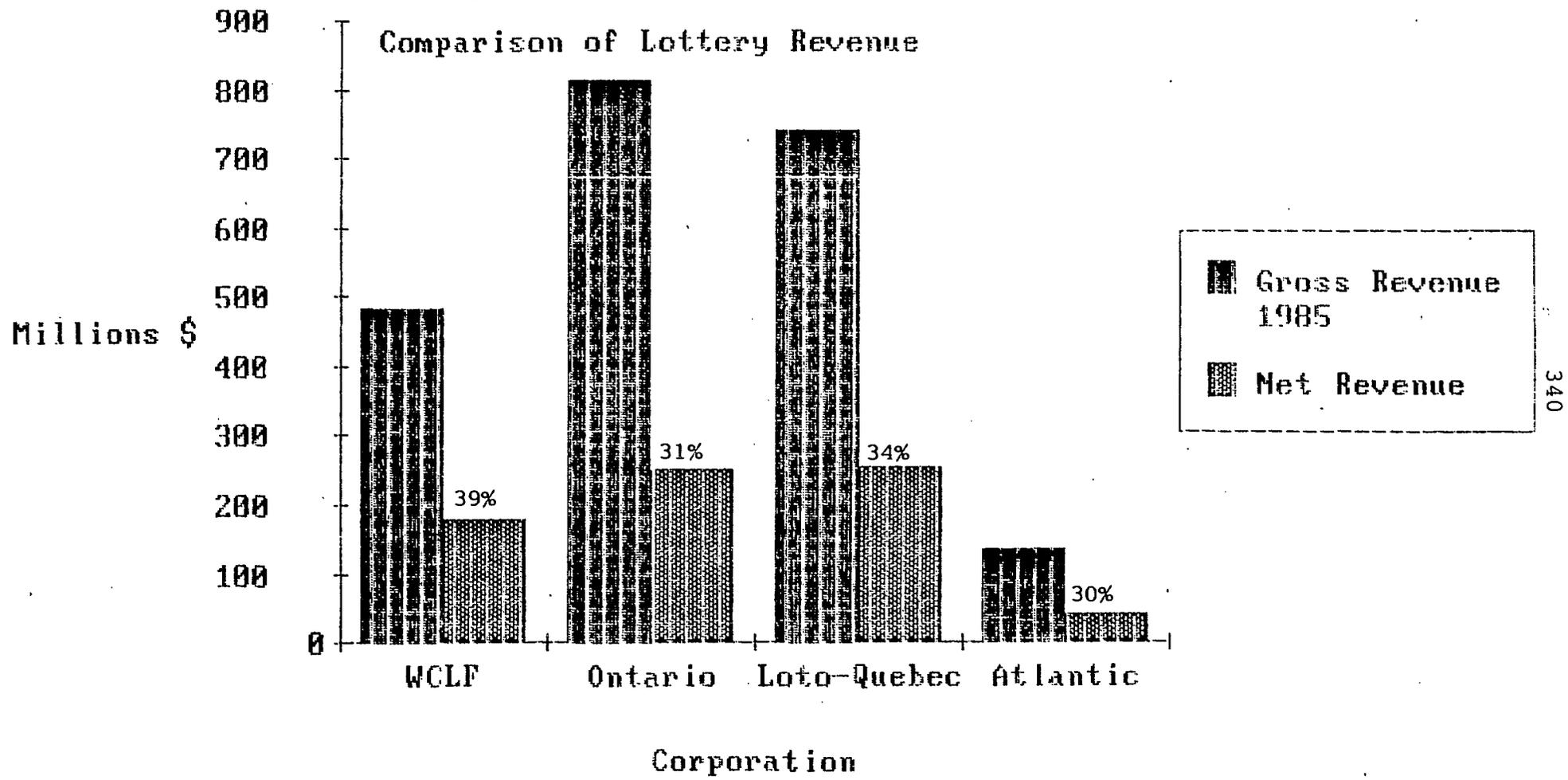


Figure 5



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CONCLUSIONS

In little over a decade, legalized gaming in Canada has become a multi-billion dollar industry. In 1984/85, the estimated gross revenues of licenced, legalized gaming reported to provincial and territorial authorities was \$1.4 billion. True lotteries produced \$2.2 billion in gross revenues. Significant revenues were also generated through gaming events licenced by Canadian municipalities. Legalized gaming has also spawned a complementary infrastructure of profitable private sector gaming management, operations and supply companies.

The intent of Canada's gaming legislation is to generate funds for charitable organizations and public sector interests. Accordingly, stringent regulation and controls over gaming activities are required to ensure that gaming profits reach the intended recipients. The growing competition among charitable, public and private sectors for gaming revenues is emerging as an area of policy concern. Easily obtained funding from gaming is having structural and operational effects on the charitable organizations. The effects of gaming on these organizations and their activities have not been studied and may prove to be as significant as questions of criminal infiltration and addiction.

Research within the United States has shown that governments which attempt, at some point, to restrict or restrain the growth of gaming are often faced with strong lobbying pressures from the potential economic beneficiaries (Eadington, 1982). This study indicates that groups including charities, management companies, and resort areas are exerting pressure across Canada to obtain wider gaming privileges.

Arguments for growth within the gaming industry can be expressed in tangible, quantifiable, and economic terms.

Arguments for constraint address issues of societal costs. The constraint factors are by necessity more qualitative, descriptive, and consequently may be less convincing. Costs associated with compulsive gambling, criminal involvement including frauds and corruption, the regressive nature of gaming tax revenue, and the persistence of illegal gaming must all be weighed against the economic and amusement value obtained from gaming. Policy makers must balance economic benefits with these concerns.

The "church basement" nature of gaming activities such as bingo creates the illusion that gaming is, from a law enforcement perspective, an innocuous activity. This research demonstrates otherwise. Seemingly harmless gaming activities such as bingos, break-open tickets, and raffles are vulnerable to corrupt and fraudulent influences, skimming, and black market activities.

The growth of the casino industry also raises some concern. As earlier Ministry research demonstrated, the casino industry presents specific problems often related to its potential attraction to organized crime. These may include organized criminal control over the ownership of the casino or its supply companies and over unions; the use of casino credit for loan sharking; and the use of casino gaming for money laundering.

Although public lotteries appear to be less susceptible than private operations to criminal infiltration, it should not be assumed that they are immune. Only rigorous control over all aspects of lotteries, from the production of lottery tickets through to the allocation of prize winnings can ensure the integrity of this activity. Several Canadian jurisdictions are undertaking proactive measures to further regulate and control gaming. This research underscores the importance of appropriate safeguards, complemented by checks and balances covering all aspects of gaming operations.

It seems, based on research, that a bifurcated power structure, wherein regulatory and investigatory powers are separate, is the model through which regulation and control of Canada's gaming industry can best be achieved. Appropriate personnel screening mechanisms are needed to reduce criminal infiltration into gaming operations. Financial accountability, at all levels of operation, is necessary to minimize the opportunities for criminal infiltration into the gaming industry. Effective linkages between provincial, territorial and municipal authorities can also help to close loopholes.

The effectiveness of gaming regulatory and control structures rests on the existence of well trained, professional investigatory staff, conversant in all operational aspects of gaming. To achieve adequate accountability, political will and resources must be directed to enforcement. Likewise, Canadian police forces should be encouraged and supported in their efforts to develop state-of-the-art gaming expertise.

The development of police gaming expertise must be combined with an awareness by police managers of the potential for courting and recruiting of these specialized officers by the Provincial Gaming Commissions. Gaming expertise is a valuable commodity and few police departments can compete with the salaries and benefits currently being offered by the regulatory agencies. Maintaining police expertise, in this area, may therefore require the continuous development of gaming expertise among police officers.

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Appendix A Sections 189 and 190
Criminal Code of Canada

(Amended by Bill C-81
 Passed December, 1985)

OFFENCE IN RELATION TO LOTTERIES AND GAMES OF CHANCE—
 "Three-card monte"—Exemption for fairs—Definition of "fair or exhibition"—
 Offence—Lottery sale void—*Bona fide* purchase—Foreign lottery included—
 Saving.

189. (1) Every one is guilty of an indictable offence and is liable to imprisonment for two years who

- (a) makes, prints, advertises or publishes, or causes or procures to be made, printed, advertised, or published, any proposal, scheme or plan for advancing, lending, giving, selling or in any way disposing of any property, by lots, cards, tickets, or any mode of chance whatever;
- (b) sells, barter, exchanges or otherwise disposes of, or causes or procures, or aids or assists in, the sale, barter, exchange or other disposal of, or offers for sale, barter or exchange, any lot, card, ticket or other means or device for advancing, lending, giving, selling or otherwise disposing of any property, by lots, tickets, or any mode of chance whatever;
- (c) knowingly sends, transmits, mails, ships, delivers or allows to be sent, transmitted, mailed, shipped or delivered, or knowingly accepts for carriage or transport or conveys any article that is used or intended for use in carrying out any device, proposal, scheme or plan for advancing, lending, giving, selling or otherwise disposing of any property by any mode of chance whatever;
- (d) conducts or manages any scheme, contrivance or operation of any kind for the purpose of determining who, or the holders of what lots, tickets, numbers or chances, are the winners of any property so proposed to be advanced, loaned, given, sold or disposed of;
- (e) conducts, manages or is a party to any scheme, contrivance or operation of any kind by which any person, upon payment of any sum of money, or the giving of any valuable security, or by obligating himself to pay any sum of money or give any valuable security, shall become entitled under the scheme, contrivance or operation, to receive from the person conducting or managing the scheme, contrivance or operation, or any other person, a larger sum of money or amount of valuable security than the sum or amount paid or given, or to be paid or given, by reason of the

fact that other persons have paid or given, or obligated themselves to pay or give any sum of money or valuable security under the scheme, contrivance or operation;

- (f) disposes of any goods, wares or merchandise by any game of chance or any game of mixed chance and skill in which the contestant or competitor pays money or other valuable consideration;
- (g) induces any person to stake or hazard any money or other valuable property or thing on the result of any dice game, three-card monte, punch board, coin table or on the operation of a wheel of fortune;
- (h) for valuable consideration carries on or plays or offers to carry on or to play, or employs any person to carry on or play in a public place or a place to which the public have access, the game of three-card monte;
- (i) receives bets of any kind on the outcome of a game of three-card monte; or
- (j) being the owner of a place, permits any person to play the game of three-card monte therein.

(2) In this section "three-card monte" means the game commonly known as three-card monte and includes any other game that is similar to it, whether or not the game is played with cards and notwithstanding the number of cards or other things that are used for the purpose of playing.

(3) Paragraphs (1)(f) and (g), in so far as they do not relate to a dice game, three-card monte, punch board or coin table, do not apply to the board of an annual fair or exhibition, or to any operator of a concession leased by that board within its own grounds and operated during the fair or exhibition on those grounds. 1985, c. 52, s. 2.

(3.1) For the purposes of this section, "fair or exhibition" means an event where agricultural or fishing products are presented or where activities relating to agriculture or fishing take place. 1985, c. 52, s. 2.

(4) Every one who buys, takes or receives a lot, ticket or other device mentioned in subsection (1) is guilty of an offence punishable on summary conviction.

(5) Every sale, loan, gift, barter or exchange of any property, by any lottery, ticket, card or other mode of chance depending upon or to be determined by chance or lot, is void, and all property so sold, lent, given, bartered or exchanged, is forfeited to Her Majesty.

(6) Subsection (5) does not affect any right or title to property acquired by any *bona fide* purchaser for valuable consideration without notice.

(7) This section applies to the printing or publishing, or causing to be printed or published, of any advertisement, scheme, proposal or plan of any foreign lottery, and the sale or offer for sale of any ticket, chance or share, in any such lottery, or the advertisement for sale of such ticket, chance or share, and the conducting or managing of any such scheme, contrivance or operation for determining the winners in any such lottery.

(8) This section does not apply to

Section 189—Continued

- (a) the division by lot or chance of any property by joint tenants or tenants in common, or persons having joint interests in any such property;
- (b) the distribution by lot of premiums given as rewards to promote thrift by punctuality in making periodical deposits of weekly savings in any chartered savings bank; or
- (c) bonds, debentures, debenture stock or other securities recallable by drawing of lots and redeemable with interest and providing for payment of premiums upon redemption or otherwise. 1953-54, c. 51, s. 179; 1968-69, c. 38, s. 12.

Subsec. (1)(a). A conviction was upheld where the scheme was that 20 ticket holders would be chosen by chance and then those 20 would compete in a potato-peeling contest to see who would win the 10 cars which were offered as prizes. The Court held that the whole scheme was one of chance determining the result, as "the twenty drawn to enter the contest might well be without any real skill in paring a potato, and the cars would go to the ten least unskilful or inefficient ... or what is also important, if any of the twenty should prove skilful, they were chosen as contestants by chance": *R. v. WALLACE* (1954), 109 C.C.C. 351, 20 C.R. 39 (Alta. S.C. App. Div.). This case was distinguished in *R. v. YOUNG* (1957), 119 C.C.C. 389, 27 C.R. 226 (B.C.C.A.) where it was held that the selection by chance of the persons entitled to participate in the contest of skill did not render the whole scheme a lottery.

The burden is on the Crown to prove that the proposed disposition of property was by mode of chance alone, involving the absence of any genuine skill and if the "skill testing question" constitutes an exercise of skill then the scheme is not a prohibited lottery. Where the police halt the lottery before the draw is held there is no burden on the accused to prove that the intended question would be a genuine test of skill: *R. v. YOUNG* (1978), 45 C.C.C. (2d) 565, [1979] 2 W.W.R. 231 (Alta. S.C. App. Div.).

Subsec. (1)(d). Where the lucky draw and skill-testing scheme was found to simply be a device to attempt to avoid prosecution, a conviction for operating a lottery was affirmed: *R. v. ROBERT SIMPSON (REGINA) LIMITED* (1958), 121 C.C.C. 39 (Sask. C.A.).

A scheme which is one of skill or mixed skill and chance does not contravene this subsection: *ROE v. THE KING* (1949), 94 C.C.C. 273, 8 C.R. 135, [1949] S.C.R. 652.

The Montreal voluntary tax plan was reviewed under appeal in *CITY OF MONTREAL v. A.-G. QUE.*, [1970] 2 C.C.C. 1, 10 D.L.R. (3d) 315 (S.C.C.). The Court, agreeing that the prize offering of silver ingots was a cash prize and that the scheme was based essentially on chance, held (7:0) that the plan was a lottery.

Subsec. (1)(e). Chance and skill are not factors in the offence of conducting a lottery as the offence is committed if a purchaser stands to receive back a larger amount than he contributed because other persons have contributed. Further, the offence was committed even where the accused deposited with the trust company running the contest sufficient funds to pay for the prize even if only one ticket was sold. The deposit of the funds with the trust com-

scheme by which contestants would pay money to enter the contest and such contest clearly contemplated, at its inception and throughout, that the prize would be awarded at the conclusion of the contest by reason of the payments for tickets of all the non-successful contestants: *DREAM HOME CONTESTS (EDMONTON) LTD. v. THE QUEEN, HODGES v. THE QUEEN* (1960), 126 C.C.C. 241, [1960] S.C.R. 414 (5:0). *Folld: R. v. CANUS OF NORTH AMERICA LTD.*, [1965] 1 C.C.C. 91, 43 C.R. 321 (Sask. C.A.).

The legitimacy of a business is not a factor to be considered if a part of its operation is a lottery scheme. Furthermore, the key to this offence is that a participant shall become entitled to receive from others under the scheme an amount larger than his investment, and accordingly it does not matter whether that larger amount was in existence in the scheme before or after he joined it: *R. v. GOLDEN CANADA PRODUCTS* (1973), 15 C.C.C. (2d) 1, 43 D.L.R. (3d) 251 (Alta. C.A.).

The essential element of this offence is the scheme and it is not necessary that money has been paid by the new recruits so long as it is contemplated that it will be payable and that a participant will receive a larger sum than he paid in as a result of the participation of others. It is not a requisite of the scheme that there be a banker: *R. v. MacKENZIE, ENNIS and MEILLEUR* (1982), 66 C.C.C. (2d) 528, 135 D.L.R. (3d) 374, 36 O.R. (2d) 562 (C.A.); *R. v. FEHR et al.* (1983), 4 C.C.C. (3d) 382 (B.C.C.A.).

The Crown is not required to prove that at the time of the alleged offence other people had already paid money so that one of the persons in the scheme had already been paid a sum greater than what he had earlier paid. It is sufficient that the Crown establishes that the scheme whereby that result could obtain was in existence: *R. v. STEAD et al.* (1981), 60 C.C.C. (2d) 397 (Sask. Prov. Ct.).

Where a significant part of the scheme operated in the province it is no defence that part of the scheme, such as the actual payment of the money, also operated in the United States: *R. v. STEAD et al.*, *supra*.

Subsec. (1)(g). A wheel of fortune is a gambling device bearing some resemblance to a revolving wheel with sections indicating chances taken or bets placed: *R. v. ANDREWS and FIVE OTHERS* (1975), 28 C.C.C. (2d) 450, 32 C.R.N.S. 358 (Sask. C.A.).

Subsec. (3). An accused who can bring himself within this subsection is entitled to its protection even on a charge of keeping a common gaming house under s. 185: *R. v. ANDREWS and FIVE OTHERS*, *supra*.

However, this principle does not apply where the games involved are slot machines: *R. v. CROSS* (1978), 40 C.C.C. (2d) 505, [1978] 4 W.W.R. 644 (Alta. S.C. App. Div.).

PERMITTED LOTTERIES—Terms and conditions of licence—Offence—Definition of "lottery scheme"—Exception re pari-mutuel betting.

190. (1) Notwithstanding any of the provisions of this Part relating to gaming and betting, it is lawful

- (a) for the government of a province, either alone or in conjunction with the government of another province, to conduct and manage a lottery scheme in that province, or in that and the other province, in accordance with any law enacted by the legislature of that

- (b) for a charitable or religious organization, pursuant to a licence issued by the Lieutenant Governor in Council of a province or by such other person or authority in the province as may be specified by the Lieutenant Governor in Council thereof, to conduct and manage a lottery scheme in that province if the proceeds from the lottery scheme are used for a charitable or religious object or purpose;
- (c) for the board of a fair or of an exhibition or an operator of a concession leased by that board, to conduct and manage a lottery scheme in a province where the Lieutenant Governor in Council of the province or such other person or authority in the province as may be specified by the Lieutenant Governor in Council thereof has
- (i) designated that fair or exhibition as a fair or exhibition where a lottery scheme may be conducted and managed, and
 - (ii) issued a licence for the conduct and management of a lottery scheme to that board or operator;
- (d) for any person, pursuant to a licence issued by the Lieutenant Governor in Council of a province or by such other person or authority in the province as may be specified by the Lieutenant Governor in Council thereof, to conduct and manage a lottery scheme at a public place of amusement in that province if
- (i) the amount or value of each prize awarded does not exceed five hundred dollars, and
 - (ii) the money or other valuable consideration paid to secure a chance to win a prize does not exceed two dollars;
- (e) for the government of a province to agree with the government of another province that lots, cards or tickets in relation to a lottery scheme that is by any of paragraphs (a) to (d) authorized to be conducted and managed in that other province may be sold in the province;
- (f) for any person, pursuant to a licence issued by the Lieutenant Governor in Council of a province or such other person or authority in the province as may be designated by the Lieutenant Governor in Council thereof, to conduct and manage in the province a lottery scheme that is authorized to be conducted and managed in one or more other provinces where the authority by which the lottery scheme was first authorized to be conducted and managed consents thereto;
- (g) for any person, for the purpose of a lottery scheme that is lawful in a province under any of paragraphs (a) to (f), to do anything in the province, in accordance with the applicable law or licence, that is required for the conduct, management or operation of the lottery scheme or for the person to participate in the scheme; and
- (h) for any person to make or print anywhere in Canada or to cause to be made or printed anywhere in Canada anything relating to gaming and betting that is to be used in a place where it is or would, if certain conditions provided by law are met, be lawful to use such a thing, or to send, transmit, mail, ship, deliver or allow

to be sent, transmitted, mailed, shipped or delivered or to accept for carriage or transport or convey any such thing where the destination thereof is such a place.

(2) Subject to this Act, a licence issued by or under the authority of the Lieutenant Governor in Council of a province as described in paragraph (1)(b), (c), (d) or (f) may contain such terms and conditions relating to the conduct, management and operation of or participation in the lottery scheme to which the licence relates as the Lieutenant Governor in Council of that province, the person or authority in the province designated by him or any law enacted by the legislature of that province may prescribe.

(3) Every one who, for the purposes of a lottery scheme, does anything that is not authorized by or pursuant to a provision of this section

(a) in the case of the conduct, management or operation of that lottery scheme,

(i) is guilty of an indictable offence and liable to imprisonment for a term not exceeding two years, or

(ii) is guilty of an offence punishable on summary conviction; or

(b) in the case of participating in that lottery scheme, is guilty of an offence punishable on summary conviction.

(4) In this section, "lottery scheme" means a game or any proposal, scheme, plan, means, device, contrivance or operation described in any of paragraphs 189(1)(a) to (g) whether or not it involves betting, pool selling or a pool system of betting other than

(a) a dice game, three-card monte, punch board or coin table;

(b) bookmaking, pool selling or the making or recording of bets, including bets made through the agency of a pool or pari-mutuel system, on any race or fight, or on a single sport event or athletic contest; or

(c) for the purposes of paragraphs (1)(b) to (f), a game or proposal, scheme, plan, means, device, contrivance or operation described in any of paragraphs 189(1)(a) to (g) that is operated on or through a computer, video device or slot machine, within the meaning of subsection 180(3).

(5) For greater certainty, nothing in this section shall be construed as authorizing the making or recording of bets on horse races through the agency of a pari-mutuel system other than in accordance with section 188. 1968-69, c. 38, s. 13; 1974-75-76, c. 93, s. 12; 1985, c. 19, s. 31; 1985, c. 52, s. 3.

191. [Repealed. 1985, c. 19, s. 32.]

CHEATING AT PLAY.

192. Every one who, with intent to defraud any person, cheats while playing a game or in holding the stakes for a game or in betting is guilty of an indictable offence and is liable to imprisonment for two years. 1953-54, c. 51, s. 181.

In *McGAREY v. THE QUEEN* (1972), 6 C.C.C. (2d) 525, 26 D.L.R. (3d) 231 (S.C.C.) the booth operator was convicted in the operation of a midway milk bottle toss game where the unsuspecting patron was unaware that the

Sections 189 and 190
Criminal Code of Canada

(1984)

PERMITTED BETTING.

188.1 Notwithstanding any provision of this Part relating to gaming or betting, it is lawful

(a) for the Government of Canada to operate and manage a pool system of betting, and

(b) where the Government of Canada and the governments of any one or more provinces have entered into an agreement or agreements jointly to operate and manage a pool system of betting, for the Government of Canada and the governments of any one or more such provinces jointly to operate and manage a pool system of betting,

on any combination of two or more athletic contests or events, in

to do anything described in any of sections 185 to 187. 1980-81-82-83, c. 161, s. 33.

OFFENCE IN RELATION TO LOTTERIES AND GAMES OF CHANCE—"Three-card monte"—Exemption of agricultural fairs—Offence—Lottery sale void—*Bona fide* purchase—Foreign lottery included—Saving.

189. (1) Every one is guilty of an indictable offence and is liable to imprisonment for two years who

- (a) makes, prints, advertises or publishes, or causes or procures to be made, printed, advertised or published, any proposal, scheme or plan for advancing, lending, giving, selling or in any way disposing of any property, by lots, cards, tickets, or any mode of chance whatever;
- (b) sells, barter, exchanges or otherwise disposes of, or causes or procures, or aids or assists in, the sale, barter, exchange or other disposal of, or offers for sale, barter or exchange, any lot, card, ticket or other means or device for advancing, lending, giving, selling or otherwise disposing of any property, by lots, tickets or any mode of chance whatever;
- (c) knowingly sends, transmits, mails, ships, delivers or allows to be sent, transmitted, mailed, shipped or delivered, or knowingly accepts for carriage or transport or conveys any article that is used or intended for use in carrying out any device, proposal, scheme or plan for advancing, lending, giving, selling or otherwise disposing of any property by any mode of chance whatever;
- (d) conducts or manages any scheme, contrivance or operation of any kind for the purpose of determining who, or the holders of what lots, tickets, numbers or chances, are the winners of any property so proposed to be advanced, loaned, given, sold or disposed of;
- (e) conducts, manages or is a party to any scheme, contrivance or operation of any kind by which any person, upon payment of any sum of money, or the giving of any valuable security, or by obligating himself to pay any sum of money or give any valuable security, shall become entitled under the scheme, contrivance or operation, to receive from the person conducting or managing the scheme, contrivance or operation, or any other person, a larger sum of money or amount of valuable security than the sum or amount paid or given, or to be paid or given, by reason of the fact that other persons have paid or given, or obligated themselves to pay or give any sum of money or valuable security under the scheme, contrivance or operation;
- (f) disposes of any goods, wares or merchandise by any game of chance or any game of mixed chance and skill in which the contestant or competitor pays money or other valuable consideration;

Section 189—continued

three-card monte, punch board, coin table or on the operation of a wheel of fortune;

- (h) for valuable consideration carries on or plays or offers to carry on or to play, or employs any person to carry on or play in a public place or a place to which the public have access, the game of three-card monte;
- (i) receives bets of any kind on the outcome of a game of three-card monte; or
- (j) being the owner of a place, permits any person to play the game of three-card monte therein.

(2) In this section "three-card monte" means the game commonly known as three-card monte and includes any other game that is similar to it, whether or not the game is played with cards and notwithstanding the number of cards or other things that are used for the purpose of playing.

(3) Paragraphs (1) (f) and (g), in so far as they do not relate to a dice game, three-card monte, punch board or coin table, do not apply to an agricultural fair or exhibition, or to any operator of a concession leased by an agricultural fair or exhibition board within its own grounds and operated during the period of the annual fair on those grounds.

(4) Every one who buys, takes or receives a lot, ticket or other device mentioned in subsection (1) is guilty of an offence punishable on summary conviction.

(5) Every sale, loan, gift, barter or exchange of any property, by any lottery, ticket, card or other mode of chance depending upon or to be determined by chance or lot, is void, and all property so sold, lent, given, bartered or exchanged, is forfeited to Her Majesty.

(6) Subsection (5) does not affect any right or title to property acquired by any bona fide purchaser for valuable consideration without notice.

(7) This section applies to the printing or publishing, or causing to be printed or published, of any advertisement, scheme, proposal or plan of any foreign lottery, and the sale or offer for sale of any ticket, chance or share, in any such lottery, or the advertisement for sale of such ticket, chance or share, and the conducting or managing of any such scheme, contrivance or operation for determining the winners in any such lottery.

(8) This section does not apply to

- (a) the division by lot or chance of any property by joint tenants or tenants in common, or persons having joint interests in any such property;
- (b) the distribution by lot of premiums given as rewards to promote thrift by punctuality in making periodical deposits of weekly savings in any chartered savings bank; or

(c) bonds, debentures, debenture stock or other securities callable by drawing of lots and redeemable with interest and providing for payment of premiums upon redemption or otherwise. 1953-54, c. 51, s. 179; 1968-69, c. 38, s. 12.

Subsec. (1) (a). A conviction was upheld where the scheme was that 20 ticket holders would be chosen by chance and then those 20 would compete in a potato-peeling contest to see who would win the 10 cars which were offered as prizes. The Court held that the whole scheme was one of chance determining the result, as "the twenty drawn to enter the contest might well be without any real skill in paring a potato, and the cars would go to the ten least unskillful or inefficient . . . or what is also important, if any of the twenty should prove skillful, they were chosen as contestants by chance": *R. v. WALLACE* (1954), 109 C.C.C. 351, 20 C.R. 39 (Alta. S.C. App. Div.). This case was distinguished in *R. v. YOUNG* (1957), 119 C.C.C. 389, 27 C.R. 226 (B.C.C.A.) where it was held that the selection by chance of the persons entitled to participate in the contest of skill did not render the whole scheme a lottery.

The burden is on the Crown to prove that the proposed disposition of property was by mode of chance alone, involving the absence of any genuine skill and if the "skill testing question" constitutes an exercise of skill then the scheme is not a prohibited lottery. Where the police halt the lottery before the draw is held there is no burden on the accused to prove that the intended question would be a genuine test of skill: *R. v. YOUNG* (1978), 45 C.C.C. (2d) 565, [1979] 2 W.W.R. 231 (Alta. S.C. App. Div.).

Subsec. (1) (d). Where the lucky draw and skill-testing scheme was found to simply be a device to attempt to avoid prosecution, a conviction for operating a lottery was affirmed: *R. v. ROBERT SIMPSON (REGINA) LIMITED* (1958), 121 C.C.C.39 (Sask. C.A.).

A scheme which is one of skill or mixed skill and chance does not contravene this subsection: *ROE v. THE KING* (1949), 94 C.C.C. 273, 8 C.R. 135, [1949] S.C.R. 652.

The Montreal voluntary tax plan was reviewed under appeal in *CITY OF MONTREAL v. A.G. QUE.*, [1970] 2 C.C.C.1, 10 D.L.R. (3d) 315 (S.C.C.). The Court, agreeing that the prize offering of silver ingots was a cash prize and that the scheme was based essentially on chance, held (7:0) that the plan was a lottery.

Subsec. (1) (e). Chance and skill are not factors in the offence of conducting a lottery as the offence is committed if a purchaser stands to receive back a larger amount than he contributed because other persons have contributed. Further, the offence was committed even where the accused deposited with the trust company running the contest sufficient funds to pay for the prize even if only one ticket was sold. The deposit of the funds with the trust company was only made by the accused by reason of the fact that it was part of a scheme by which contestants would pay money to enter the contest and such contest clearly contemplated, at its inception and throughout, that the prize would be awarded at the conclusion of the contest.

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all the non-successful contestants: *DREAM HOME CONTESTS (EDMONTON) LTD. v. THE QUEEN, HODGES v. THE QUEEN* (1960), 126 C.C.C. 241, [1960] S.C.R. 414 (5:0). *Folld: R. v. CANUS OF NORTH AMERICA LTD.*, [1965] 1 C.C.C. 91, 43 C.R. 321 (Sask. C.A.).

The legitimacy of a business is not a factor to be considered if a part of its operation is a lottery scheme. Furthermore, the key to this offence is that a participant shall become entitled to receive from others under the scheme an amount larger than his investment, and accordingly it does not matter whether that larger amount was in existence in the scheme before or after he joined it: *R. v. GOLDEN CANADA PRODUCTS* (1973), 15 C.C.C. (2d) 1, 43 D.L.R. (3d) 251 (Alta. C.A.).

The essential element of this offence is the scheme and it is not necessary that money has been paid by the new recruits so long as it is contemplated that it will be payable and that a participant will receive a larger sum than he paid in as a result of the participation of others. It is not a requisite of the scheme that there be a banker: *R. v. MacKENZIE, ENNIS and MEILLIUR* (1982), 66 C.C.C. (2d) 528, 135 D.L.R. (3d) 374, 36 O.R. (2d) 562 (C.A.); *R. v. FEHR et al.* (1983), 4 C.C.C. (3d) 382 (B.C.C.A.).

The Crown is not required to prove that at the time of the alleged offence other people had already paid money so that one of the persons in the scheme had already been paid a sum greater than what he had earlier paid. It is sufficient that the Crown establishes that the scheme whereby that result could obtain was in existence: *R. v. STEAD et al.* (1981), 60 C.C.C. (2d) 397 (Sask. Prov. Ct.).

Where a significant part of the scheme operated in the province it is no defence that part of the scheme, such as the actual payment of the money, also operated in the United States: *R. v. STEAD et al.*, *supra*.

Subsec. (1) (g). A wheel of fortune is a gambling device bearing some resemblance to a revolving wheel with sections indicating chances taken or bets placed: *R. v. ANDREWS and FIVE OTHERS* (1975), 28 C.C.C. (2d) 450, 32 C.R.N.S. 358 (Sask. C.A.).

Subsec. (3). An accused who can bring himself within this subsection is entitled to its protection even on a charge of keeping a common gaming house under s. 185: *R. v. ANDREWS and FIVE OTHERS*, *supra*.

However, this principle does not apply where the games involved are slot machines: *R. v. CROSS* (1978), 40 C.C.C. (2d) 505, [1978] 4 W.W.R. 644 (Alta. S.C. App. Div.).

PERMITTED LOTTERIES—*Idem*—Terms and conditions of licence—Conducting lottery in province other than province where authorized—Receiving lottery tickets in province other than province where authorized—Printing and shipping of lottery tickets authorized—"Lottery scheme"—Exception re pari-mutuel betting.

190. (1) Notwithstanding any of the provisions of this Part relating to gaming and betting, it is lawful

Governor in Council and for that purpose for any person in accordance with such regulations to do any thing described in any of paragraphs 189(1)(a) to (f) or subsection 189(4); (b) for the government of a province, either alone or in conjunction with the government of another province, to conduct and manage a lottery scheme in that province, or in that and such other province, in accordance with any law enacted by the legislature of that province and for that purpose for any person in accordance with such law to do any thing described in any of paragraphs 189(1)(a) to (f) or subsection 189(4);

(c) for a charitable or religious organization, under the authority of a licence issued by the Lieutenant Governor in Council of a province or by such other person or authority in the province as may be specified by the Lieutenant Governor in Council thereof, to conduct and manage a lottery scheme in that province and for that purpose for any person under the authority of such licence to do any thing described in any of paragraphs 189(1)(a) to (g) or subsection 189(4), otherwise than in relation to a dice game, three-card monte, punch board or coin table, if

(i) the proceeds from the lottery scheme are used for a charitable or religious object or purpose, and

(ii) in the case of a lottery scheme conducted by the charitable or religious organization at a bazaar,

(A) the amount or value of each prize awarded does not exceed one hundred dollars, and

(B) the money or other valuable consideration paid to secure a chance to win a prize does not exceed fifty cents;

(d) for an agricultural fair or exhibition or an operator of a concession leased by an agricultural fair or exhibition board, under the authority of a licence issued by the Lieutenant Governor in Council of a province or by such other person or authority in the province as may be specified by the Lieutenant Governor in Council thereof, to conduct and manage a lottery scheme in that province and for that purpose for any person under the authority of such licence to do any thing described in any of paragraphs 189(1)(a) to (f) or subsection 189(4);

(e) for any person, under the authority of a licence issued by the Lieutenant Governor in Council of a province or by such other person or authority in the province as may be specified by the Lieutenant Governor in Council thereof, to conduct and manage a lottery scheme at a public place of amusement in that province and for that purpose for any person under the authority of such licence to do any thing described in any of paragraphs 189(1)(a) to (g) or subsection 189(4), otherwise than in relation to a dice game, three-card monte, punch board or coin table, if

(i) the amount or value of each prize awarded does not

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- (ii) the money or other valuable consideration paid to secure a chance to win a prize does not exceed fifty cents; and
- (f) for the government of a province to agree with the government of another province that lots, cards or tickets in relation to a lottery scheme that is by any of paragraphs (b) to (e) authorized to be conducted and managed in that other province may be sold in the province and thereafter it is lawful for any person under the authority of such agreement, to do anything described in any of paragraphs 189(1)(a) to (c) or subsection 189(4) in the province. 1974-75-76, c. 93, s. 12(1).

(1.1) The Lieutenant Governor in Council of a province or such other person or authority in the province as may be designated by the Lieutenant Governor in Council thereof may issue a licence for the conduct and management in the province of a lottery scheme that is authorized to be conducted and managed in one or more other provinces where the authority by which the lottery scheme was first authorized to be conducted and managed consents thereto and, notwithstanding any of the provisions of this Part, it is lawful for any person under the authority of such licence to do anything described in any of paragraphs 189(1)(a) to (f) or subsection 189(4) in the province.

(2) Subject to this Act, a licence issued by or under the authority of the Lieutenant Governor in Council of a province as described in paragraph (1)(c), (d) or (e) or subsection (1.1) may contain such terms and conditions relating to the conduct and management of the lottery scheme to which the licence relates as the Lieutenant Governor in Council of that province or the person or authority in the province designated by him may prescribe.

- (3) Every one who, in any province other than a province in which
- (a) a lottery scheme is by any of paragraphs (1)(b) to (e) or subsection (1.1) authorized to be conducted and managed, or
- (b) lots, cards or tickets in relation to a lottery scheme are by paragraph (1)(f) authorized to be sold,

does anything described in paragraphs 189(1)(a) to (f) in a case described in paragraph (a) or in paragraphs 189(1)(a) to (c) in a case described in paragraph (b) for the purpose of that lottery scheme is guilty of an indictable offence and liable to imprisonment for two years.

- (4) Every one who, in any province other than a province in which
- (a) a lottery scheme is by any of paragraphs (1)(b) to (e) or subsection (1.1) authorized to be conducted and managed, or
- (b) lots, cards or tickets in relation to a lottery scheme are by paragraph (1)(f) authorized to be sold,

does anything described in subsection 189(4) for the purpose of that lottery scheme is guilty of an offence punishable on summary conviction.

(4.1) Notwithstanding subsections (3) and (4), it is lawful for any person to make or print anywhere in Canada or to cause or procure to be made or printed anywhere in Canada lots, cards or tickets in relation to a lottery scheme that is by any of paragraphs (1)(b) to (e) authorized to be conducted and managed in any province or to send, transmit, mail, ship, deliver or allow to be sent, transmitted, mailed, shipped or delivered or accept for carriage or transport or convey any such lots, cards or tickets where the destination thereof is a place where, by virtue of any of paragraphs (1)(b) to (f) or subsection (1.1) it is lawful to sell such lots, cards or tickets. 1974-75-76, c. 93, s. 12(2).

(5) In this section "lottery scheme" includes a game.

(6) Nothing in this section shall be construed as authorizing the making or recording of bets made through the agency of a pari-mutuel system, other than in accordance with section 188. 1968-63, c. 38, s. 13.

Subsec. (1) (c). It is not sufficient that the purpose for which the money is being raised is charitable, but in addition the sponsoring organization itself must be a charitable organization: *LaROSE v. FLEUTY* (1971), 5 C.C.C. (2d) 528, 23 D.L.R. (3d) 353 (Alta. S.C.).

GAMBLING IN PUBLIC CONVEYANCES—Arrest without warrant—Posting up section.

191. (1) Every one who obtains or attempts to obtain anything from any person by playing a game in a vehicle, aircraft or vessel used as a public conveyance for passengers is guilty of an indictable offence and is liable to imprisonment for two years.

(2) Every person in charge of a vehicle, aircraft or vessel and any person authorized by him may arrest, without warrant, a person who he has good reason to believe has committed or attempted to commit or is committing or attempting to commit an offence under this section.

(3) Every person who owns or operates a vehicle, aircraft or vessel to which this section applies shall keep posted up, in some conspicuous part thereof, a copy of this section or a notice to the like effect, and in default thereof is guilty of an offence punishable on summary conviction. 1953-54, c. 51, s. 180.

CHEATING AT PLAY.

192. Every one who, with intent to defraud any person, cheats while playing a game or in holding the stakes for a game or in betting is guilty of an indictable offence and is liable to imprisonment for two years. 1953-54, c. 51, s. 181.

In *McGAREY v. THE QUEEN* (1972), 6 C.C.C. (2d) 525, 26 D.L.R. (3d) 231 (S.C.C.) the booth operator was convicted in the operation of a midway milk bottle toss game where the unsuspecting patron was unaware that the bottom bottles of each pyramid were heavily weighted. It was held (5:0) that in this game of mixed chance and skill the booth operator was a player and the surreptitious weighting of the bottom bottles constituted

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