

GAMING IN GENERAL

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A. Introduction

This section gives a general background to gaming in the province.

A summary of the legislation, regulations and policies that affect gaming in general are described in this section.¹ A more detailed explanation of the legislation and regulations are provided in the appendix “Legislative Requirements and Considerations.”

As well, the views of Albertans and stakeholders regarding gaming or the regulation and administration of gaming are provided. This section concludes with recommendations aimed at addressing the various general gaming issues identified during the licensing policy review process.

Recommendations that address issues related to specific gaming activities appear elsewhere in this report.

¹ During the Gaming Licensing Policy Review, the Commission reviewed and made recommendations to amend the *Gaming and Liquor Act* (Alberta) and *Gaming and Liquor Regulation* (Alberta). This legislative review process was conducted separately from the licensing policy review. Its aim was to ensure that legislative provisions are consistent with the regulatory and enforcement requirements and expectations of the Government of Alberta.

B. Background

Brief Historical Overview

The fundamental legislation related to gambling, the *Criminal Code* (Canada), was enacted in 1892. It codified the criminal common law and miscellaneous criminal law statutes. The legislation declared most forms of gambling to be illegal except for pari-mutuel racetrack betting (in which winnings are divided proportionally to the amounts individually wagered) and games of chance. The frequency of those activities was to be determined by each province. Games of chance during this period tended to be confined to major fairs and exhibitions.

By the 1920s, betting on horse races was active in Alberta. Amendments in 1925 formally exempted major fairs from some of the prohibitions against gambling.

In 1938, an amendment to the code permitted charities and religious groups to operate bingo on an occasional basis.

Casinos were introduced to annual summer fairs in Alberta in the 1960s. Only the federal government operated ticket lotteries or sweepstakes prior to 1970.

Between 1892 and 1970, the *Criminal Code* (Canada) provisions for gaming remained relatively unchanged. The most sweeping amendments to the *Criminal Code* regarding gaming occurred in 1970. In that year, authority to license and regulate gaming was transferred from the federal government to the provinces and the provinces could authorize provincial lotteries alone or in conjunction with one another.

The 1970s

The Province of Alberta's involvement with gaming activities began in 1970, after the *Criminal Code* was amended to authorize provincial lotteries. The first provincial lotteries were sweepstakes introduced by Edmonton Northlands and the Calgary Stampede in 1970. The two groups eventually formed the Alberta Division of the Western Canada Lottery Foundation (later Corporation). The Foundation was a partnership among the four western provinces to conduct and manage lotteries in western Canada. The Alberta Division was this province's provincial marketing organization for the Foundation.

The province also began to license eligible charitable groups to conduct and manage gaming activities in the 1970s, based on the provisions of the *Criminal Code*. Those activities included bingos, casinos, pull ticket sales and raffles. As required by the *Criminal Code*, the proceeds from these activities were only to be used for charitable or religious purposes. At first, local police services were responsible for licensing charitable groups. That role was transferred to the provincial government in 1973.

The province's first non-profit casino venue was established by the Kinsmen Club in Edmonton in 1975.

The Interprovincial Lottery Corporation was formed in 1975, allowing lotteries to occur across the country involving the respective member lottery organizations. The Western Canada Lottery Foundation became a member.

The Gaming Control Branch replaced the Lotteries Licensing Unit in 1976. It operated with three sections: Licensing, Audit and Investigations.

In 1979, under an agreement between the province and the federal government, the federal government agreed to withdraw from lotteries in Canada in return for payment of \$24 million annually, indexed for inflation. The provinces, including Alberta, took over lotteries. The federal government withdrew entirely from regulating gaming activities except for pari-mutuel betting on horse races, which it continues to regulate.

The 1980s

In 1981, the Alberta Gaming Commission was formed and assumed responsibility for issuing gaming licences and for developing gaming policy. The Gaming Control Branch retained responsibility for licensed gaming enforcement including licence application review, audit and investigations. The Branch provided technical advice to the Commission on gaming matters and made recommendations to the Commission on eligibility of groups for licences.

The first permanent privately-operated charitable casino was established in Calgary in 1980, the second one in Edmonton in 1982.

Ticket lotteries evolved during the 1980s and included larger prizes. The popular Lotto 6/49 game was introduced.

Commercial-style bingo halls, introduced in 1979, gained popularity in the early 1980s. Soon, bingo began to generate more proceeds than casino or pull tickets. Sales from raffles were declining in the 1980s.

In 1985, the *Criminal Code* was amended and granted exclusive authority to the provinces to operate mechanical or electronic gaming devices.

The Alberta provincial government established the Lottery Fund in 1989. Alberta's net revenue from lotteries was deposited into the Lottery Fund.

The 1990s

The 1990s experienced a notable growth in the types of gaming and introduced electronic gaming. Video lottery terminals (VLTs) were tested and introduced to the province in 1991. Within two years VLTs generated more proceeds than the well-established ticket lottery program of the province.

Proceeds from charitable gaming appeared to be declining while the Lottery Fund was growing substantially. Some stakeholders involved with charitable gaming believed players of charitable gaming activities were being drawn away by VLTs.

Problem gambling awareness grew with increased research and public focus. Alberta Lotteries and Gaming commissioned the province's first report into the prevalence of gambling and problem gambling in the province in 1994.

The public began to question where lottery dollars were going. The Lotteries Review Committee was formed and held hearings in 1995 to address the allocation of lottery dollars, and also the impact of VLTs (for details see “C. Current Policies” of this section).

In response to a recommendation of the Lotteries Review Committee, the government announced it would honour the outcome of plebiscites in communities whose residents wanted VLTs removed from their communities.

In July 1995, the Alberta Gaming and Liquor Commission amalgamated all liquor and gaming regulatory, enforcement and marketing agencies; including the Alberta Gaming Commission, the Gaming Control Branch, Alberta Lotteries and Gaming and the Alberta Liquor Control Board. In July 1996, the Alberta Gaming and Liquor Commission would be formally established in the *Gaming and Liquor Act*.

Slot machines were first introduced into summer fair casinos and then, beginning in 1996, installed into permanent casino facilities and racing entertainment facilities.

The *Gaming and Liquor Act* was introduced in 1996, the first provincial statute to specifically deal with gaming activities (in addition to liquor activities).

Between February 1997 and October 1998, VLT plebiscites were held in communities across Alberta. The vast majority of municipalities voted to retain VLTs, although in a number of cases by narrow margins.

A second major public consultation occurred through the Lotteries and Gaming Summit '98, which has influenced the province's general approaches to lotteries and gaming activities. The summit, held in Medicine Hat in April 1998, discussed and addressed a number of issues regarding lotteries and gaming in the province.

The province's second report regarding the prevalence of gambling and problem gambling in the province was issued by AADAC in 1998. It replicated the 1994 study (to determine changes or trends in the intervening four years).

In 1998, the Bingo Review Committee was appointed to conduct a comprehensive review of the bingo industry, the first in more than 20 years. The Committee's report with findings and recommendations was submitted to the Commission in September 1999.

The Ministry of Gaming was formed in 1999, the first ministry in Canada dedicated to gaming activities.

The Gaming Licensing Policy Review was announced in December 1999. The Minister of Gaming directed that, during the review, the Alberta Gaming and Liquor Commission suspend consideration of requests to license or approve new casinos, casino expansions or re-locations, new games and new gaming environments.

Summary

Gaming has evolved in Canada from "...an activity socially tolerated only within narrow restraints to a broadly accepted leisure-time activity" (The Canadian Encyclopedia). Moreover, gaming has experienced dramatic changes throughout the world in the past 10 years. This coincides with the introduction of new technologies, which have permeated all aspects of life and commerce.

In Alberta, there continues to be strong demand by charitable gaming stakeholders to introduce or use electronic gaming technologies in their gaming activities. That includes electronic bingo and the introduction of new types of electronic games such as five-minute keno. The demand has been influenced largely by the belief new technologies are the wave of the future, shown by the demand for them by players. Electronic gaming devices must, under provisions of the *Criminal Code*, be conducted and managed by the provincial government.

The charitable demand and market preferences for charitable gaming activities and provincial lotteries, measured by the comparative revenues and proceeds generated among them, has changed over the past 30 years. For example, in the 1970s pull or break-open tickets and casinos generated most of the revenue among charitable gaming activities. In the early 1980s, when commercial-style bingo (association bingo) was introduced, bingo generated more revenue than any other charitable gaming activity. Soon after VLTs were introduced in the early 1990s, revenue from VLTs surpassed that of ticket lotteries. In the mid 1990s, casinos began to generate more proceeds than bingo as slot machines were introduced into casinos. Slot revenues also quickly surpassed that of ticket lotteries. Sales from bingo, pull tickets, ticket lotteries and raffles have all experienced declines.² These gaming activities, as with any mature products or services in the marketplace, have their own life cycles based in part on their customer base, the force of changing demographics and the introduction of new competing gaming activities and technologies, among other factors.

During the past three decades, the proceeds from charitable gaming and provincial lotteries have helped support many thousands of charitable, not-for-profit, public and community-based initiatives throughout the province. They have made significant contributions to the standard of living in the province. Charitable gaming proceeds are earned directly by eligible charities for use in approved charitable or religious purposes. Proceeds from provincial lotteries are placed in the Alberta Lottery Fund. Disbursements from the Alberta Lottery Fund are authorized annually by the provincial legislature and administered by the Commission.

There also has been growing awareness of the potential and real problems associated with gaming. As research has become more available within the last seven years, greater attention has been paid to creating awareness among players of the potential negative affect of gaming on their lives. In response to a recommendation of the Lotteries and Gaming Summit '98 for research in areas such as the social and economic impacts of gaming activities, the government established the Alberta Gaming Research Institute. In addition, the government expressed its commitment to ensure adequate funding of AADAC problem gambling programs and initiatives. The research institute and AADAC programs are funded by the Alberta Lottery Fund.

² Since then, raffle ticket sales have rebounded, particularly with the introduction of large-scale raffles that offer total prize packages worth millions of dollars.

C. Current Policies

Legislation and Regulations

The current policies for gaming in the province are based upon the provisions of the *Criminal Code* (Canada), the *Gaming and Liquor Act* (Alberta) and the *Liquor and Gaming Regulation* (Alberta). Those provisions are discussed in more detail in the appendix entitled “Legislative Requirements and Considerations.”

The *Criminal Code* provides the foundation for all gaming activities. This law “starts with the philosophy that all gambling is illegal unless specifically exempted through legislation in the Criminal Code” (Judge Peter Griffiths, 1992). For purposes of the Gaming Licensing Policy Review, the key *Criminal Code* exemptions are the provisions of Section 207(1) that permit the provincial government to:

- (a) conduct and manage “lottery schemes” such as ticket lotteries and electronic gaming devices (the Code permits only provincial governments to conduct and manage electronic gaming devices such as video lottery terminals, slot machines and dice games);
- (b) issue licences to eligible charitable and religious organizations to conduct and manage “lottery schemes” such as bingo, casino table games, raffles and pull tickets, but only if the proceeds are to be used for charitable or religious purposes; and
- (c) prescribe terms and conditions related to the conduct, management and operation of a lottery scheme under the licences that it issues.

The *Gaming and Liquor Act* establishes the Alberta Gaming and Liquor Commission as the gaming authority of the province on behalf of the provincial government. The Commission is responsible to conduct and manage provincial lotteries such as ticket lotteries and electronic gaming devices and to administer and regulate charitable gaming activities such as bingo, casinos, raffles and pull tickets.

The *Gaming and Liquor Regulation* establishes the various types of gaming licences that may be issued by the Commission.

Influence of Public Consultations on Gaming Policies

Two major public consultations on gaming and lotteries in the province have influenced the administration and regulation of gaming, as well as numerous policies of specific gaming activities. The two consultations were the Lotteries Review Committee of 1995 and Lotteries and Gaming Summit of 1998.

Lotteries Review Committee

The Lotteries Review Committee, established by Premier Klein in 1994, consulted with Albertans about future directions for lotteries and gaming.

The Lotteries Review Committee, comprised of MLAs and chaired by Judy Gordon - MLA Lacombe Stettler, issued a report entitled *New Directions for Lotteries and Gaming* in August 1995. The report contained findings and recommendations. The objectives of the recommendations were:

...to maintain a well-regulated and streamlined system, to return substantial benefits to communities, to respond to concerns with VLTs and to ensure that lotteries revenues continue to be used for the benefit of Albertans.

The committee arrived at a number of guiding principles to assist in developing recommendations and with future decisions about lottery funding. The principles are as follows:

- Projects approved for lottery funding should contribute positively to the quality of life in Alberta.
- The primary recipients of lottery funding should be charitable, non-profit organizations which benefit the community or the general public directly. Programs receiving lottery grants should benefit the whole province, not just the special interests of the individuals or organizations involved.
- Lottery funding should not be used to support essential ongoing programs. If a program is essential, it should be funded from the general revenues of government.
- Lottery funds should be reinvested back in the community to support volunteer organizations and improve the community's quality of life.
- The process for allocating lottery funds and the decisions which are made should be open and visible.
- A streamlined, simplified and efficient process for allocating lottery funds should be put in place to remove overlaps and duplication and improve accountability.
- Clear guidelines should be put in place to ensure that the allocation process is fair and unbiased.
- Future directions in lotteries must provide a balance between the need for revenues to support valuable community and volunteer initiatives and any further expansion of gaming in Alberta.

The government accepted, or accepted in principle, many of the recommendations made by the Lotteries Review Committee. Many of the key recommendations dealt with the administration of the Lottery Fund and the allocation of funds from it (for example, that lottery funds not be used for essential, ongoing programs of government). Other recommendations included using a portion of lottery fund proceeds to pay down the provincial debt rather than be directed to general revenues, to establish local community lottery boards to allocate funds to community priorities and to purchase technology for education and health.

Other recommendations dealt with addressing the impact of VLTs on community organizations. For example, one was to cap the number of VLTs in Alberta at 6,000 and another to honour the outcome of any municipal plebiscites regarding VLTs. The cap or maximum limit has remained in effect since 1995.

In response to the outcomes of municipal VLT plebiscites held across the province between February 1997 and October 1998, the provincial government passed Bill 36, *The Gaming and Liquor Amendment Act* (1999), which requires the Commission to remove VLTs from communities that voted to have them removed. The Commission has been prevented from removing VLTs from most of the municipalities that voted to remove them pending the outcome of the legal challenges, initiated by VLT retailers, which are currently before the courts.

These recommendations were adopted by the government. Others that dealt with specific gaming activities were also adopted, as discussed in this report in the sections that deal with the respective, specific gaming activities.

Lotteries and Gaming Summit '98

The Lotteries and Gaming Summit '98 was in response to Premier Klein's announcement to have an open and public forum on all aspects of gaming. The announcement fulfilled a recommendation of the Lotteries Review Committee in 1995 that "...the impact of the changes [in gaming] should be monitored on an ongoing basis and that the recommendations [of the report] should be reviewed in three years to assess whether further changes are needed."

The summit's tasks were to assess the public's perception of the status of gaming in Alberta and to arrive at recommendations for future lotteries and gaming activity.

Although there were extensive discussions on many aspects of lotteries and gaming during the summit, eight core recommendations were made during the summit process. Those eight core recommendations were adopted, or adopted in principle, by the government. They are as follows:

1. That the provincial government dedicate more resources to gaming research in areas like the prevention and treatment of problem gambling, the social impacts of lotteries and gaming, native gaming issues, and emerging gaming activities.
2. That gambling in all forms be restricted to people 18 years of age or older.
3. That the charitable model for operating casinos and bingo be maintained.
4. That gaming and lottery profits not be directed to the province's General Revenue Fund.
5. That all gaming and lottery profits collected by the province be directed to supporting charitable or non-profit community initiatives.
6. That the amount and public visibility of gambling addiction prevention and treatment programs be increased.
7. That lottery and gaming regulators and the provincial government improve accountability and disclosure of gaming activity in the province. This would include keeping citizens better informed of the amount, type, cost (social and financial), and benefits of gaming activity in the province.
8. That the Guiding Principles for lotteries and gaming in Alberta adopted by the provincial government be updated, upgraded, accepted, and adhered to.

The report of the summit noted: “While some people at the Summit and others through written submissions advocated banning gambling altogether (or at least certain types of games like VLTs), the majority believed lotteries and gaming have a place in Alberta if the public has ongoing input into the industry’s operation and management.”

Also noted was that: “As the participants [of the summit] became more educated about the issues surrounding lotteries and gaming, they saw a need for timely, proactive and well thought out government policy. They identified that a quick fix, band-aid solutions approach could well exacerbate problems in the longer run.”

Guiding Principles - Gaming in General

A number of guiding principles have been adopted by the Commission which apply to all gaming activities, both charitable gaming activities and provincial lotteries. They include the following:

- **The integrity of gaming activities will be ensured.**
- **Gaming policies will reflect a commitment to social responsibility.**
- **Gaming policies are to benefit from sound research and consultation with the public and stakeholders.**
- **The collection and use of gaming revenue will be open and accountable.**
- **There will be standards of quality for gaming activities to: protect the integrity of gaming activities, provide gaming entertainment value to consumers and help to keep gaming dollars in the province.**
- **The guiding principles will be subject to review, to ensure they reflect Albertans’ wishes.**

These guiding principles are dispersed in various documents, including the business plans of the Commission and the Ministry of Gaming (see the appendix “Business Plan”). References to specific guiding principles are in the annual *Charitable Gaming in Alberta* review document of the Commission, in the annual reports of both the Commission and the Ministry and the Commission’s website. The first recommendation that follows in this section addresses these guiding principles in further detail.

Guiding Principles for Charitable Gaming Activities

Policies have been adopted by the Commission which apply exclusively to charitable gaming activities. They include the following:

- **The province is committed to maintaining the charitable gaming model, which allows qualified charitable groups to conduct and manage bingo, casinos, raffles and pull tickets.**

Explanation - This is in response to the third recommendation of the Lotteries and Gaming Summit '98, "That the charitable model for operating casinos and bingos be maintained." The charitable model, although primarily comprising revenues from casinos and bingos, also includes raffles and pull tickets. See page 3-3 for further information about the charitable gaming model.

- **The financial return to charities from gaming activities will be maximized for the benefit of charitable and religious groups, the programs or activities they deliver and the communities in which those programs or activities are undertaken.**

Explanation - The fundamental purpose for charitable gaming activities is to support, through the proceeds raised, charitable or religious purposes. This is required by the *Criminal Code*. The private sector, including private suppliers, operators and retailers, complements this purpose by helping to ensure the efficient delivery of gaming services so charities may obtain reasonable returns. The policies of the Commission also ensure the costs for the services and space provided by private operators or retailers for gaming activities are fair and reasonable.

- **There should be fair and equitable access to charitable gaming licences by qualified groups.**

Explanation - The Commission's licensing policies, processes and procedures are designed to ensure access to charitable gaming licences (for the activities identified in the previous point) is fair and equitable to those charities that meet the eligibility requirements.

As stated previously, each gaming activity is accompanied by its distinct policies established by the Commission. Those policies are addressed under the respective sections of this report (for example, "Casinos," "Video Lotteries," "Bingo," etc.). The specific policies reflect the distinct methods of delivering each of the various gaming activities, the demand by charities to conduct the activities and the way in which proceeds are obtained.

Guiding Principles for Provincial Lotteries

The guiding principles that apply specifically to provincial lotteries (ticket lotteries, slot machines and VLTs) are the following:

- **All proceeds from provincial lotteries are placed in the Alberta Lottery Fund and used to support specific charitable, not-for-profit, public and community-based initiatives and projects.**

Explanation - All proceeds from provincial lotteries are placed in the Alberta Lottery Fund and designated for specific public and community-based initiatives by the provincial legislature rather than deposited in the General Revenue Fund. This is in response to the fourth and fifth recommendations of the Lotteries and Gaming Summit '98, as follows: "That gaming and lottery profits not be directed to the province's General Revenue Fund" and "That all gaming and lottery profits collected by the province be directed to supporting charitable or non-profit community initiatives."

It should be noted that charitable gaming proceeds earned by the charities that conduct and manage those licensed gaming activities are paid directly to those charities and are not placed in the Alberta Lottery Fund.

- **There will be full public disclosure of all activities related to the Alberta Lottery Fund.**

Explanation - The Commission is responsible for the administration of the Alberta Lottery Fund, including collection of revenues and disbursement of revenues according to an appropriation act of the provincial government. As such, the amounts and distribution of the proceeds are fully accounted for through the budget process of the government.

- **The Commission will be a responsible steward of the assets entrusted to it on behalf of the provincial government.**

Explanation - The Commission conducts and manages provincial lotteries. In so doing, it must be a responsible steward of those assets used to generate proceeds to the Alberta Lottery Fund, such as electronic gaming devices, as well as all other assets that are entrusted to the Commission. The assets must therefore be maintained effectively and efficiently, and return the greatest possible benefit for Albertans.

D. Summary of Findings – Public Views, Stakeholder Consultations

The Gaming Licensing Policy Review process included obtaining the views and perspectives of the Alberta public, both players and non-players, and stakeholders. This summary of findings presents a snapshot of those views and perspectives regarding gaming in general and gaming policies.

The findings are divided as follows:

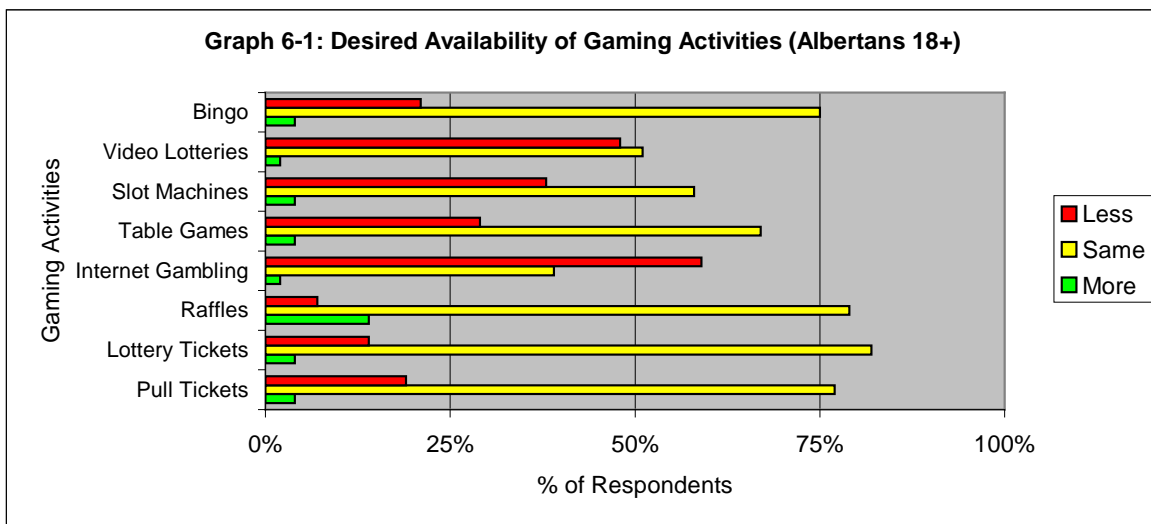
- *Public* - The views and attitudes of adult Albertans about gaming activities in the province.
- *Stakeholders* - The views and perspectives of stakeholders. Stakeholders are either directly involved in the gaming industry, or indirectly involved through the services they provide or through some related experience or interest. Most stakeholders have knowledge of at least some of the gaming licensing policies currently in effect. Others will be fully aware of those licensing policies, in particular as they may apply to the gaming activity with which they are directly involved.

Public

In May 2000, during the Gaming Licensing Policy Review, the views and perspectives of adult Albertans were sought through public opinion research.

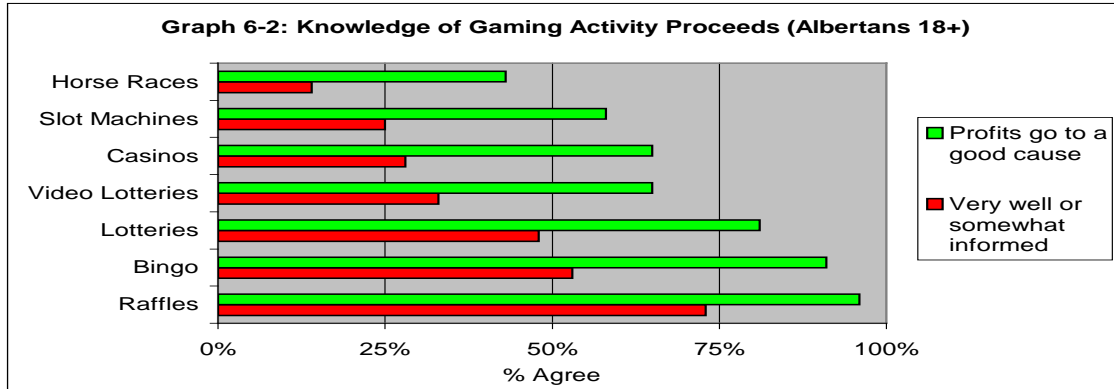
When asked about the issues facing people in Alberta, only 1% of respondents mentioned gaming or gambling as the most important issue. This compares to 67% who mentioned healthcare, 24% education and 12% taxes. Nevertheless, when asked about gaming Albertans did express a range of opinions.

While Albertans are concerned about the potential problems, most (79%) somewhat or completely agree it is up to each individual to be responsible for their own gambling behaviour.



Also, most Albertans have also indicated the current availability of gaming activities should remain the same. Significantly fewer Albertans felt the availability of gaming activities should be reduced or increased.

Generally, Albertans indicated they are unaware of how gaming proceeds are used, but believe proceeds go to good causes. The highest awareness of the use of proceeds were mentioned for raffles and bingo. Less awareness was indicated for electronic gaming and horse racing.



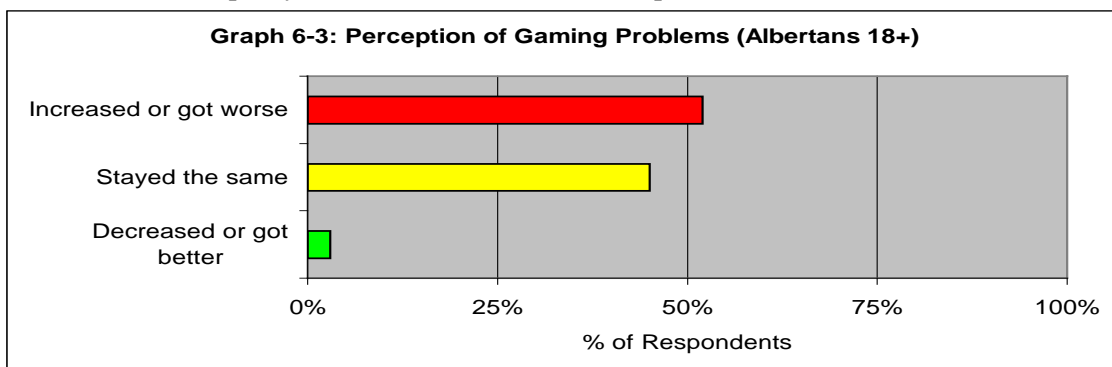
Many Albertans believe more money should be spent to inform Albertans about the use of lottery proceeds. Less than 20% could recall having seen or heard anything about where gaming proceeds go. Of those who indicated they did not know where the proceeds go from gaming activities, about half think the proceeds go to government and 33% to charities.

Most indicated proceeds should be directed to charities (35%), health care (29%), education and schools (23%), community organizations (21%), community facility enhancement (15%), sports and recreation (14%), among others.

A large percentage of Albertans believe funds should support charitable activities. Many are not aware of how proceeds from many gaming activities are being used, nor are they aware of which organizations operate the gaming activities. Opinions varied as to who should be doing so.

The ideal features in gaming facilities for a large majority of respondents are security and a clean, modern environment. Other features also rated highly were spacious surroundings, convenient parking, easily identifiable staff and non-smoking sections.

About half of Albertans believe problems associated with gambling in the province have increased over the past year and about half believe the problems have remained the same.

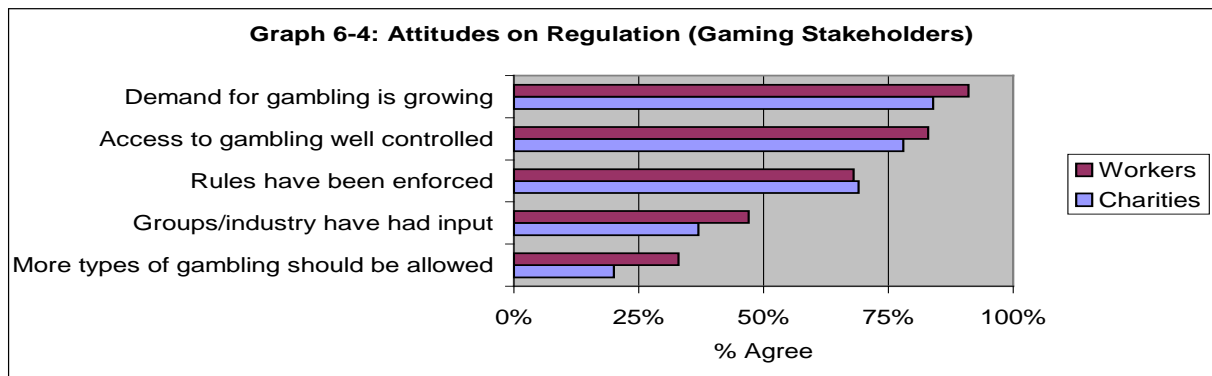


Stakeholders

Stakeholders were consulted in September and October, 2000, during the Gaming Licensing Policy Review. The consultations included interviews with representatives of stakeholder groups. A representative survey of charities in the province and gaming workers was also conducted.

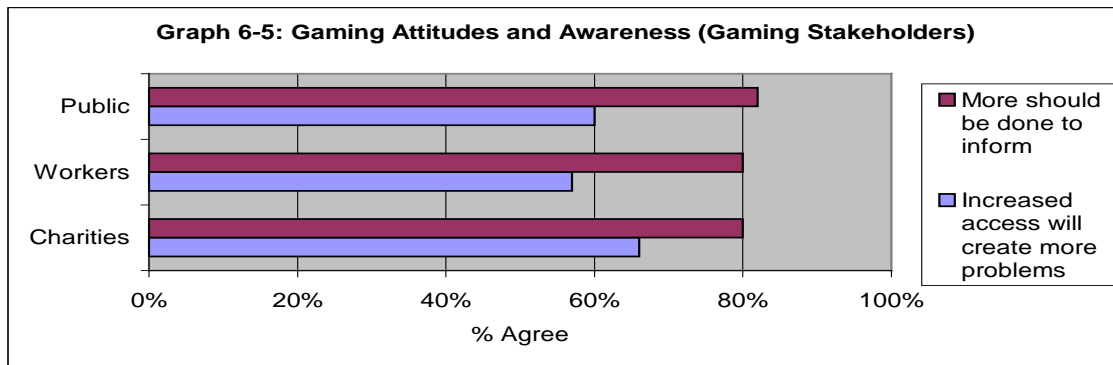
Industry Stakeholders

Both charities and gaming workers believe demand for gaming in the province is growing and the access to gaming is well controlled and regulated. A majority also feel the rules have been enforced consistently. Fewer than half of the charities and workers surveyed believe they or the industry have had input into gaming policies. And only one third of workers, and 20% of charities, believe more types of gaming should be allowed in Alberta.



More than half of charities and gaming workers (in casinos and bingos) believe increasing accessibility of gaming activities will create more problems than it is worth. They believe more should be done to inform Albertans about proceeds, consistent with the views of Albertans in general.

Of existing gaming activities, the highest response by charities and workers to decrease the availability of a gaming activity was directed at VLTs (about 50% of charities and gaming workers indicated VLTs should be less available, consistent with the percentage of Albertans who feel the same way).



A number of stakeholders felt the eligibility of charities for gaming licences in general should be carefully reviewed, suggesting some groups that deserve a charitable gaming licence are unable to obtain one. A view was also expressed that some less deserving groups continue to be issued charitable gaming licences at the expense of other more deserving charitable organizations.

A bingo industry representative indicated the challenges facing the Commission are credibility and consistency and there needs to be a definite plan rather than ad hoc development of the bingo industry. The representative believed there has not been fairness when considering the number of new casinos, VLTs and slots the Commission has approved (the maximum limit of VLTs operating in the province is 6,000, a limit that has been in effect since 1995). By comparison, it was pointed out by the bingo industry representative only satellite bingo, loonie pots and some progressives games (in which prizes accumulate until they are won) have been introduced to bingo halls.

Another bingo association representative felt bingo is overly controlled and regulated. The representative felt the bingo industry is competing with casinos who are drawing bingo players. It was felt bingo halls are entertainment centres and should be allowed to offer players a diversity of games with fewer restrictions and regulations should not be designed to protect weak bingo associations.

A bingo industry association representative felt any decision the Commission makes in one gaming activity has impacts on others.

A hotel industry representative that VLT revenues should be included in the charitable gaming stream (government's revenues from VLTs are placed in the Alberta Lottery Fund), so the public has a better idea of how the revenues are being used and benefiting the community. Moreover, there would be a more positive response in the community if the proceeds went directly to community groups. It was felt more could be done to communicate how the Commission and industry are addressing the issue of problem gambling. The hotel industry representative supports having ongoing communications between the industry and the Commission on gaming matters.

A horse racing industry representative felt an integrated gaming strategy is needed to address cannibalization, that is, the representative believes the racing industry has been negatively affected by the introduction of slots and VLTs (recognizing that racing entertainment centres have slots). It is felt an overall gaming strategy that includes horse racing would be beneficial and any further expansion in the gaming industry will hurt horse racing in the province.

A major exhibition representative indicated agricultural associations were pioneers in the gaming industry of the province. The representative believes challenges for the Commission include ensuring charities get equitable access to revenue, dealing with the growth of slots and VLTs, capitalizing on the growth potential of electronic games and helping to revitalize the horse racing industry. The exhibition serves the public and therefore should receive consideration for more slot machines in its racing entertainment centre.

A representative of another major exhibition felt an issue is accurately defining who a charity is. Without a way to measure the performance of charities, it was felt some charities do little work of proven value yet are obtaining the same amount of funding as groups doing great work. It was felt the Commission's biggest challenge is keeping everyone in the industry happy.

The representative indicated they want more consistency from the Commission in various areas, including consulting with stakeholders, communicating changes to policies in advance and enforcing or applying existing gaming policies.

An agricultural society representative indicated the marketplace will determine the limit to growth and, as long as people have disposable income, they will keep playing; placing caps on gaming activities will not stop them.

A representative of a gaming industry association raised the question of the role of industry and government in setting gaming industry standards, citing a U.S. state association that sets its own standards. It was felt the market should decide whether there is a capacity for more gaming facilities in the province and more information about the benefits of gaming should be communicated to the public.

Some gaming operators indicated it is important for rules to be consistently applied. They want some assurances of certain rules and limits to be in place, to have a game plan for the industry. It was felt there is room for carefully planned expansion of facilities and games under existing rules. They felt the Commission was doing a good job in regulating the industry.

Municipalities and Police Services

A representative of a municipal association felt it is important to maintain the credibility and integrity of the charitable model of gaming. The representative favours more equitable access of rural communities and small municipalities to the proceeds from gaming.

The representative of an urban centre indicated there was room for gaming facility expansion in the city. Questions were raised about how to measure the impact on charitable gaming activities, such as bingo, due to VLTs and casinos (casinos are another form of charitable gaming). It was felt maintaining the security of growing gaming activities is important, and the stringent approval process for new casinos should be made more visible to the public.

A representative of another urban centre indicated ongoing consultations regarding gaming are important and valuable. It was felt the Commission generally was doing a good job of balancing growth and social responsibility. More information was needed about the extent of gambling problems in municipal jurisdictions.

Another municipal representative felt the charitable model of gaming is strongly supported. It was felt having VLT revenues go directly to charities, as is the case with proceeds from charitable gaming activities, would garner more support for VLT gaming. The municipal representative expressed the view money should be spent identifying and treating gambling problems through AADAC. More should be done to educate Albertans about the benefits of gaming. It was also felt First Nations casinos should have the same rules as other casinos, a view expressed by other municipal representatives during the consultations.

The representative of an urban municipality felt more should be done to address problem gambling and the negative impacts of gaming which has grown significantly in the past decade. It was questioned whether gaming provided net benefits or costs. The representative believed gaming was not sustainable in the longer term in regard to adding value to the province.

Representatives of various police services would like a better handle on the impact or cost of gaming in the province. One police service representative felt striking the right balance between social responsibility and growth means having information and a full cost benefit analysis, which would probably take years to obtain.

Police service representatives generally indicated they did not have resources to focus on gaming-related criminal activity and would be open to joint operations with the Commission to cooperatively address crime. A representative of one police service was concerned an expansion of casino gaming will result in more indirectly related criminal activities and violent crime. Another representative indicated more resources are needed to address policy and prevention programs related to gaming.

Services Agencies and Public Advocacy Groups

A public advocacy group representative feels public consultation is needed prior to any expansion of gaming. It was felt more money should be spent on education and treatment related to problem gambling, as well as advertising to inform Albertans why they should or should not gamble, focusing on responsible gambling behaviour. The representative felt the Commission is doing a good job in balancing public and special interests, but also believes an organization generating significant revenue from gaming is bound to be biased in its regulatory role. It was felt the charitable model of gaming, distinct to Alberta, emphasizes the integrity of gaming in the entire industry. The direct involvement of volunteers and charities helps keep the system transparent.

A problem gambling treatment agency representative felt more money should be spent to fund education, prevention and treatment programs for problem gambling. The agency's role is to promote an individual's sense of responsibility in gaming activities. That means making resources available so information may be provided to people, telling them they have options to make a personal choice in changing their own behaviour. It was felt ongoing stakeholder consultation respecting gaming activities is important. The representative believed an integrated approach to problem gambling treatment is important and should include issues or problems related to First Nations as on-reserve casinos may be developed. It was accepted new games may be introduced to the province because consumers like change, but there are concerns about who will be targeted. The representative cited a gaming program in another province that appears to target young people and would not want that to happen in Alberta.

A compulsive gambling organization felt more funding should be provided for problem gambling detection and treatment. A representative felt VLTs should be removed from bars and lounges and placed in casinos to restrict access to gaming. The representative indicated they have a hard time getting their message out when so much advertising is done to promote lotteries. The issue for them is the funding to do their work. The representative felt when gambling hurts people, a stand should be taken to address it. It was felt money was too readily accessible through cash machines to gamble in VLT locations and casinos. The representative said the government should await the outcome of research into the social and economic costs of gaming before going ahead with expansion.

Summary

Each stakeholder group has its own distinct set of concerns, issues and priorities respecting gaming in the province. Despite the diverse opinions that were expressed, common themes emerged across all stakeholder groups. These views were instrumental in the development of general gaming licensing policy recommendations.

A few of the common themes among stakeholders was more should be done to communicate the use of proceeds from gaming activities to Albertans, as well as providing information about what is being done to address problem gambling. Many felt more data was needed about the extent of potential problems from gaming in the province. A better job could be done to consult and communicate with stakeholders.

The general view among stakeholders is the gaming industry is well controlled and regulated. The key aspects of the province's charitable gaming model are widely supported. Fair, equitable and consistent policies are important to stakeholders, as is a level playing field.

Stakeholders' issues and views regarding specific gaming activities were important in developing recommendations to address those issues.

E. Primary Issues and Recommendations

The recommendations that follow address primary issues identified during the Gaming Licensing Policy Review that affect all gaming activities or a number of gaming activities.

Recommendations that apply to specific gaming activities appear in the appropriate sections of this report (for example, under “Casino,” “Video Lotteries,” “Bingo,” etc.).

GUIDING PRINCIPLES

Guiding principles refers to an overall policy direction the Alberta Gaming and Liquor Commission may follow in administering and regulating gaming activities in the province.

POLICY POSITION:

1. Gaming activities will be conducted and managed in accordance with the Guiding Principles for Gaming.

Various guiding principles have been adopted by the Alberta Gaming and Liquor Commission and the Ministry of Gaming and are used to guide the development of specific gaming policies. These guiding principles have been in response mainly to the Lotteries and Gaming Summit '98 recommendations.

GENERAL RECOMMENDATION - 1

- **Formally adopt a consolidated set of Guiding Principles for Gaming in Alberta.**

Comment - The guiding principles for gaming are presently dispersed in various documents of the Alberta Gaming and Liquor Commission and the Ministry of Gaming, for example, in the business plans of the Ministry and Commission, the annual reports of both the Ministry and Commission and in the Commission's annual charitable gaming reports. These incorporate the guiding principles as recommended at the Lotteries and Gaming Summit '98. Having the guiding principles in one document will improve accountability of the Commission and the transparency of gaming policy development.

The recommended Guiding Principles for Gaming in Alberta are listed below:

1. The integrity of gaming will be ensured.

Explanation:

- Gaming activities must comply with the *Criminal Code*, the basis for gaming legislation and regulation in Alberta and across the country, and with the province's *Gaming and Liquor Act* and *Gaming and Liquor Regulation*.
- The Commission seeks to ensure, as a part of its mandate, the integrity of gaming is maintained through ongoing reviews of gaming activities, the licensing process and enforcement of policies, procedures and terms and conditions related to gaming.

- The integrity of gaming refers to the requirement that everyone who participates in gaming activities has a fair chance to win. Such integrity is essential to gain public confidence and trust in the conduct and management of gaming activities.
- The Commission will collaborate with other enforcement agencies to prevent criminal involvement in gaming and to provide safe environments for gaming in the province.
- Electronic gaming devices will be strictly controlled by the Commission to comply with the *Criminal Code*. All electronic gaming devices will be tested by an independent gaming laboratory. Such devices in the province will be carefully monitored, for example, through the use of a central computer monitoring system. Electronic gaming devices will be managed by the Commission to ensure their integrity.

(KEY SOURCES: *Ministry Business Plan, 2001-04; Commission Business Plan, 2001-04; Commission Annual Report 1999-2000; Ministry Annual Report 1999-2000; Commission's Charitable Gaming in Alberta: 1999-2000 in Review.*)

2. Gaming policies will reflect a commitment to social responsibility.

Explanation:

- The province's gaming policy will achieve a balance between social responsibility and economic benefits to Albertans.
- Gaming authorities will partner with the gaming industry and the Alberta Alcohol and Drug Abuse Commission (AADAC) to encourage responsible gambling among those who decide to participate in this activity.
- The funding of problem gambling prevention, education and treatment programs is a priority of the government and funded through the Alberta Lottery Fund.

(KEY SOURCES: *Ministry Vision, Business Plan 2001-04; Commission Vision and Mission, Commission Business Plan 2001-04; Commission Annual Report 1999-2000.*)

3. The financial return to eligible groups from charitable gaming is to be maximized for the benefit of charitable and religious groups, the programs or activities they deliver and the communities in which those programs or activities are undertaken.

Explanation:

- The government is committed to maintaining the charitable gaming model of the province.
- This model allows eligible charitable and religious groups, licensed by the Commission, to earn proceeds directly from the gaming activities they conduct.
- Charitable gaming activities are casinos, bingos, raffles and pull ticket sales.

- Through appropriate policies, procedures and terms and conditions, the financial return to eligible groups from charitable gaming are to be maximized for the benefit of the charitable and religious groups, the programs and activities they deliver and the communities in which these activities are undertaken. For example:
 - expenses to operate charitable gaming activities will be reviewed by the Commission on a regular or ongoing basis, to ensure such operating expenses are fair and reasonable; and
 - the proceeds from charitable gaming activities must be used for charitable or religious purposes that are approved by the Commission. Charities are required to report their use of proceeds from gaming activities to the Commission.

(KEY SOURCES: *Commission core businesses, goals and key strategies, Business Plan 2001-04; Charitable Gaming in Alberta: 1999-2000 in Review; Commission's Annual Report 1999-2000.*)

4. Gaming policies will be supported by sound research and consultation with the public and stakeholders.

Explanation:

- The Ministry of Gaming supports leading-edge research on gaming issues in Alberta.
- The development of gaming policies will benefit from sound and pertinent research related to the social and economic costs and benefits of gaming activities in Alberta, gaming trends and the prevention and treatment of problem gambling.
 - The Alberta Gaming Research Institute has been formed to conduct the identified research. The institute is a consortia of three universities in the province funded through the Alberta Lottery Fund.
- The gaming practices in other jurisdictions will be monitored and the Ministry will develop and implement benchmarks and best practices.
- Public reviews of the framework for gaming activities or policy direction will be conducted to ensure the activities or direction are consistent with the general wishes of Albertans.
- Consultation with stakeholders, those directly involved in the gaming industry or collateral areas, will be conducted regarding operational or specific licensing or policy-related issues. Among others, stakeholders include members of the charitable sector, the gaming industry, First Nations, problem gambling treatment and service providers, municipalities in the province and police services.

(KEY SOURCES: *Commission Values, Business Plan 2001-04; Ministry's core businesses, goals and key strategies, Business Plan 2001-04; Commission's Annual Report 1999-2000.*)

5. The collection and use of gaming revenue will be open and accountable.

Explanation:

- Albertans are entitled to know how gaming revenue is earned or received by the charitable sector and by the government and how such revenues are used.
- The revenue earned by charities from charitable gaming must be accounted for through financial reports to the Commission.
- The government accounts for the use of Alberta Lottery Fund revenue through the annual budget process of government. Beneficiaries of the revenue must account for the use of dollars received from the Alberta Lottery Fund.

(KEY SOURCES: *Ministry's Mission, Business Plan 2001-04; Commission Mission, Business Plan 2001-04; Ministry's Annual Report 1999-2000; Commission's Annual Report 1999-2000.*)

6. Gaming activities will meet standards of quality to protect the integrity of gaming activities, provide gaming entertainment value to consumers and help to keep gaming dollars in the province.

Explanation:

- Standards of quality in gaming help to ensure gaming activities are conducted with integrity, provide entertainment value to Albertans who choose to gamble and help keep gaming dollars in the province.
- The Commission is committed to reviewing its business practices regarding the licensing of charitable gaming activities to ensure customer satisfaction.
- The quality of gaming is determined in part by consumer research, to ensure gaming activities offered in the province appeal to Albertans who choose to gamble, and through performance standards of gaming activities conducted and managed by the Commission.

(KEY SOURCES: *Commission's Business Plan 2001-04; Commission's Annual Report 1999-2000.*)

7. The guiding principles for gaming will be subject to review, to ensure they reflect Albertans' wishes.

Explanation:

- Albertans are to be consulted with respect to major gaming policy initiatives. These guiding principles for gaming policy development may be amended in keeping with Albertans' wishes or desires.

(KEY SOURCES: *Ministry's Mission, Business Plan 2001-04.*)

GENERAL RECOMMENDATION - 2

- **Develop and implement a communications strategy to inform the public and stakeholders of the guiding principles by which gaming activities are administered and regulated.**

Comment - The Alberta public should be aware of the underlying principles for gaming policy development as a matter of accountability and transparency. Anyone who wishes to do business in the area of gaming in the province should also be aware of them. That includes stakeholders when developing their respective proposals or requesting changes to gaming policies.

B. PUBLIC INTEREST, SOCIAL RESPONSIBILITY

POLICY POSITION:

1. Gaming activities will be delivered in a socially responsible manner.

Albertans expect gaming activities to be delivered in a socially responsible manner.

Regulating gaming allows the Commission not only to preserve the integrity of gaming activities, but also allows it to ensure social responsibility requirements are being met. The Commission has worked closely with the Alberta Alcohol and Drug Abuse Commission (AADAC) to introduce measures or programs to address problem gambling. Among them, licensed gaming facilities and venues with VLTs are required to post information about problem gambling treatment and counseling services. Problem gambling awareness training has been provided to staff of casinos and VLT retailers. The Casino Voluntary Self-Exclusion Program was recently launched (see also the appendix “Social Responsibility”).

GENERAL RECOMMENDATION - 3

- **Require that problem gambling awareness training – developed and delivered by AADAC or other qualified organizations in cooperation with the Commission – be compulsory for staff of licensed gaming facilities, dedicated gaming venues, and VLT retailers.**

Comment - The staff of licensed gaming facilities, venues dedicated to gaming and VLT retailers should be required to receive problem gambling education programs similar to those that have already been developed and provided to staff of casino facilities and at VLT locations. Increasing the level of awareness among gaming workers is an important step in developing solutions to deliver gaming activities in a socially responsible manner.

GENERAL RECOMMENDATION - 4

- **The government must commit to the ongoing funding of problem gambling initiatives.**

Comment - Problem gambling initiatives are funded by the Alberta Lottery Fund. Such initiatives include problem gambling treatment, prevention, education and the promotion of problem gambling services.

Disbursements from the Alberta Lottery Fund are approved by the provincial legislature through the annual government budget process.

GENERAL RECOMMENDATION – 5

- **Use new or existing technology in a manner that supports socially-responsible gaming behaviour within gaming venues.**

Comment - Proven responsible gaming features should be incorporated into new electronic gaming devices purchased by the Commission, including video lottery terminals and slot machines. Such features have been suggested by problem gambling stakeholders and researchers as one way to minimize or reduce the potential harm to problem gamblers who play electronic gaming devices. The Commission would work closely with AADAC in this initiative.

Automatic teller machines (ATMs) should be sufficiently apart or away from the playing area in licensed gaming facilities or other gaming venues. This would result in a clear interruption of play for the player who wishes to obtain cash from the ATM to continue play. Problem gambling information should be prominently displayed at or through the ATM. The policy to prohibit the providing of credit by gaming facility licensees or retailers should continue to apply. Cash call agreements between the retailers and financial institutions should be reviewed to ensure they meet Commission guidelines for not extending credit to gamble. At the same time, it is also recognized most people who do engage in gaming activities do so for entertainment and expect to have reasonable access to amenities and services.

POLICY POSITION:

2. **For accountability and transparency, Albertans must be kept informed about the use of proceeds from gaming activities.**

Albertans believe more should be done to provide information regarding the use of proceeds from gaming activities. Most Albertans have little knowledge or awareness as to the use of proceeds, in particular the use of proceeds from the Alberta Lottery Fund.

GENERAL RECOMMENDATION - 6

- **Develop and implement a communications strategy to increase awareness of the use of Alberta Lottery Fund proceeds.**

Comment - Albertans and stakeholders generally feel more should be done to inform Albertans about where gaming proceeds go, including the proceeds generated by slot machines, ticket lotteries and VLTs. All proceeds to the Alberta Lottery Fund must be allocated to specific charitable, non-profit, public and community-based initiatives. Among other uses, Alberta Lottery Fund proceeds fund the problem gambling programs and services of AADAC.

C. ACCESSIBILITY, AVAILABILITY AND EXPANSION OF LICENSED GAMING FACILITIES AND RACING ENTERTAINMENT CENTRES

The recommendations in this part C. apply to existing and any future licensed gaming facilities. Currently there are two types of licensed gaming facilities in Alberta. They are:

- *The licensed bingo facility* (or bingo association hall) - In which bingo events may be held up to seven days per week. There are 59 bingo association halls throughout Alberta.
- *The licensed casino facility* - A permanent facility in which casino events may be held up to seven days per week. There are 16 casino facilities throughout the province.

The licences for both types of facilities are issued by the Commission pursuant to the *Gaming and Liquor Regulation*. Those licences authorize the operation of a facility in which either a bingo or casino event may be conducted. Both types of facilities are dedicated to the gaming activities for which they have been authorized.

Licensed gaming facilities will also include racing entertainment centres (RECs), dependent on an amendment to the *Gaming and Liquor Regulation*. There are two RECs in the province affiliated with two racetracks. The RECs are intended to help revitalize horse racing in the province as part of the Racing Industry Renewal Initiative. RECs currently operate under an agreement between the race track operator and the Commission.

Thousands of eligible and licensed charities conduct gaming events in licensed gaming facilities each year to raise funds for their approved charitable purposes. Casino facilities and RECs also contribute to the Alberta Lottery Fund through the proceeds generated from the slot machines in those facilities.

The following venues do not require a gaming facility licence:

- *Community halls or other venues in which community (non-association) bingo events are held* - Charities that obtain a bingo event licence from the Commission may hold bingo events up to three days per week in their venues, which do not need to be licensed.
- *Bars and lounges with video lottery terminals (VLTs)* - The retailers who operate VLTs hold a Class A Minors prohibited liquor licence (bars and lounges) and operate the VLTs under a separate agreement with the Commission. The location is licensed for the sale and consumption of liquor on premises and is not a licensed gaming facility. The number of VLTs operating in the province is limited to a maximum of 6,000. Furthermore, the Gaming Licensing Policy Review is recommending that accessibility of VLTs be reduced (see the recommendations in the section "Video Lotteries").

- *Ticket lottery outlets* - These include retailers that operate from convenience stores, drug stores, mall kiosks, etc. and are authorized to sell lottery tickets under an agreement with the Commission and Western Canada Lottery Corporation (WCLC). These venues do not need to be licensed by the Commission.
- *Venues in which the charities are licensed to sell pull tickets* - The eligible charity receives a pull ticket licence from the Commission to sell pull tickets from an acceptable location, typically the venue from which the charity offers its services (for example, a Legion hall).

Views of Albertans

The majority of Albertans, when asked about specific gaming activities, generally feel the availability of gaming activities should remain the same. A smaller number have indicated the level should increase, while others feel there should be less availability.

Albertans also expect the government control the growth of gaming activities, manage gaming activities in a socially responsible manner and ensure the integrity of gaming activities. Albertans support the use of proceeds from gaming activities for charitable, not-for-profit, public and community-based initiatives throughout the province.

Players are key stakeholders who support charitable activities by participating in gaming activities. Those who choose to engage in gaming activities in the province have indicated their preference for safe, clean and modern gaming environments. The Commission has adopted a guiding principle that gaming will be a quality entertainment experience for players, aimed at providing entertainment value to players, as well as at maintaining the integrity of gaming activities and helping to keep gaming dollars in the province.

POLICY POSITION:

1. **Community views will be instrumental in deciding the extent of expansion of licensed gaming facilities permitted within the community.**

The Commission continues to receive requests for the growth or expansion of licensed gaming facilities. Such requests are submitted by charitable organizations, First Nations, private service providers and by those who wish to become involved in the gaming industry in the province.

The term “expansion” as used in this section refers, but is not restricted, to the following concepts:

- ***The approval of a new licensed gaming facility in a community*** - In communities that already have one or more licensed gaming facilities, a new licensed gaming facility refers to the addition of another licensed gaming facility. In communities without a licensed gaming facility, a new licensed gaming facility refers to the introduction of a licensed gaming facility to the community.

As recommended elsewhere in this report, licensed gaming facilities will be required to meet or exceed specific standards. See the respective sections of this

report (the Bingo section of this report recommends standards for bingo association facilities, the Casino Gaming section for those related to casino facilities, and the Slot Machine section for those related to casinos and RECs).

- ***The major relocation of an existing licensed gaming facility*** - A relocation refers to the move of a licensed gaming facility from one location to another. Expansion in this case refers to a major relocation intended to capture a new or different player base or market area. It does not refer to the relocation of a licensed gaming facility in close proximity to the existing location for purpose of attracting essentially the same player base or serving the same market area.

The relocation of an existing licensed gaming facility may be prompted by a number of reasons or circumstances. Among others, the loss or expiry of a lease, obtaining a better lease arrangement or to improve the general gaming environment of the facility. It may involve a move in close proximity to the existing location, a move across town to capture a new or different market area or to another community. The proposed relocation may be to an industrial or commercial area, or one adjacent to a residential area.

- ***An increase in the size of an existing licensing gaming facility*** – An expansion in the size of a facility may be prompted by a variety of reasons. They include, among other reasons, a facility licensee’s desire to better accommodate increased player demand, to improve the appearance and space within the facility and/or to offer more gaming activities to attract more players or otherwise increase the market area of the facility.

GENERAL RECOMMENDATION - 7

- **Approvals for a new licensed gaming facility will involve five major steps, as follows:**

Step One - Initial Assessment

The Commission will initially assess a proponent’s proposal for a new licensed gaming facility to ensure it meets basic criteria related to market demand, benefits to charitable groups, and impact on other charitable gaming activities in the community. If the proposal has merit, the Commission will advise the municipality, or band council in the case of a proposed on-reserve casino, about the proposed facility and the Commission’s review/approval process for new licensed gaming facilities.

Step Two - Community Support

Community support, through expressed consent, is required to initiate the next step in the approval process. Expressed consent would be a resolution of municipal council in support of the new facility or, in the case of a proposed on-reserve casino, a band council resolution in support of the facility.

Step Three - Request for Proposals (RFP)

To obtain the best possible proposal, the Commission will issue a request for proposals (RFP) for a new licensed gaming facility in a community if the requirements of the previous two steps are met. The RFP will be based on transparent, specific and stringent standards and criteria.

Step Four - Investigation

The Commission will conduct an investigation into the proponents and other key persons associated with the best proposal. The investigation is to ensure criminal interests, or those who would be a detriment to the integrity or lawful conduct of gaming, do not become involved with gaming in the province.

Step Five - Licensing

The Board of the Commission will review the proposal and results of the investigation following from Step Four. If all the requirements for a gaming facility are met, including legislative, regulatory, policy and municipal requirements, then a facility licence will be issued to the successful applicant with the Board's approval.

The five recommended steps are explained and described in further detail below, and depicted in "Figure 6-1: Approval Process for New Licensed Gaming Facility."

DETAILS OF THE FIVE RECOMMENDED STEPS FOR NEW LICENSED GAMING FACILITIES:

Step One - Initial Assessment

The Commission will initially assess a proponent's proposal for a new licensed gaming facility to ensure it meets basic criteria related to market demand, benefits to charitable groups, and impact on other charitable gaming activities in the community. If the proposal has merit, the Commission will advise the municipality, or band council in the case of a proposed on-reserve casino, about the proposed facility and the Commission's review/approval process for new licensed gaming facilities.

Comment – The first step requires a proponent to submit a proposal to the Commission. The Commission will conduct an initial assessment of the proposal to ensure the basic criteria, as identified in the recommendation, are met. If the proposal has merit, the Commission will initiate the next step, Community Support.

Step Two - Community Support

Community support, through expressed consent, is required to initiate the next step in the approval process. Expressed consent would be a resolution of municipal council in support of the new facility or, in the case of a proposed on-reserve casino, a band council resolution in support of the facility.

Comment - The Commission's current process of review and approval for new facilities is triggered by the proponent of gaming expansion. The Commission, guided by its policy criteria, responds to the proposal, as does the local authority through its local zoning or development bylaws.

The proposed recommendation gives local communities a more prominent role in determining whether a new facility should be approved. It allows the community to determine whether a new licensed gaming facility is acceptable in its community before any consideration will be given by the Commission to a specific proposal for a new licensed gaming facility. In effect, the consent of the local community becomes the trigger or first step by which the Commission will further consider any proposal for a new facility.

This process also allows the community to consider the merits of a new licensed gaming facility through the information provided regarding the proposed facility.

In this recommendation, the Commission will advise the municipality or band council, as the case may be, about the proposals and steps for approval. Expressed consent is a special resolution of the local municipal council (or First Nation band council in the case of a proposed on-reserve gaming facility). It is expected the expressed consent provided to the Commission would include not only the support of the municipal council for a new facility, but also identify or indicate the level of support for a new licensed gaming facility in the community by residents and charities.

For example, the local council, if satisfied with the information in the proposal, may rely solely on that information when making the decision to provide expressed consent. Furthermore, the local municipal council may wish to ascertain acceptance through any of a variety of additional processes that it deems to be appropriate, in addition to the information provided by the proponent. They may include a telephone survey, public forum, etc.

To summarize, expressed consent includes the expressed support of the local municipal (or band) council for a new licensed gaming facility, information that indicates the level of support of residents and charities and the essential features and concept of the proposal. Without expressed consent, the Commission will not consider a proposal further.

Step Three - Request for Proposals (RFP)

To obtain the best possible proposal, the Commission will issue a request for proposals (RFP) for a new licensed gaming facility in a community if the requirements of the previous two steps are met. The RFP will be based on transparent, specific and stringent standards and criteria.

Comment - In the interest of transparency, accountability and obtaining the best possible proposal, the Commission will issue an RFP for the construction and operation of a new licensed gaming facility in a community.

Proposals for a First Nations on-reserve gaming facility would be exempt from the RFP process because the decision for the development of reserve land for a facility rests with the First Nation. Moreover, the First Nations effectively becomes the proponent for a proposed licensed gaming facility on its reserve land. The expressed consent of the First Nations by way of band council resolution would be required, along with an indication of the level of acceptance of the proposal by members of the First Nation. The remaining steps for a proposed First Nations on-reserve gaming facility will be the same as those for other types of licensed gaming facilities. A proposal for a First Nations on-reserve gaming facility will be required to include the same type of information that is required in the RFP submissions, as described in the following, and would be evaluated accordingly.

Submissions to the RFP will include, but are not limited, to the following:

- ***Information related to the proposed new facility, including its feasibility*** - such information would include a business plan from the proponent that identifies:
 - the proponents and proposed officers, directors, shareholders and other key persons associated with the new facility;
 - physical attributes of the new facility (that is, the proposed dimensions and general site standards, including those related to the general gaming environment within the facility, security features, among other standards);
 - details of the proposed gaming activities to be conducted in the facility;
 - source of funds to finance the proposed facility;
 - financial controls and systems, including organizational structure;
 - feasibility of the facility, including costs, anticipated revenues and the anticipated return to charities;
 - demand from charitable organizations for a new licensed gaming facility in the community, as evidenced by a list of charities committed to holding charitable gaming events at the facility; and
 - demonstrated understanding of and compliance with the relevant federal and provincial legislation, regulation, policies and local bylaws including zoning and development requirements.
- ***Community impact statement*** - the community impact statement would include, but not be limited to:
 - the anticipated impact of the proposed new facility upon other charitable gaming activities in the community;
 - proximity of the facility to other public or community facilities, including schools, churches, etc.;
 - an explanation of how issues related to problem gambling will be addressed, for example, how programs or activities for the delivery of gaming activities will be delivered in a socially responsible manner;
 - the estimated economic impact of the proposed facility on the community, including for example the new jobs created, impact on other businesses in the community; and

- impact of the proposed facility on policing, parking, traffic flow, etc.

All the proposals will be carefully evaluated by the Commission, using due diligence in the evaluation process. The best proposal would undergo an investigation, the next step in the approval process. If none of the submissions is acceptable, all proposals are rejected and the process concludes.

Anyone applying for a new gaming facility licence will be carefully evaluated by the Commission to ensure the issuing of the licence is in the best interests of the gaming industry. For example, no person or affiliated group of persons or companies will be allowed to control the gaming industry in Alberta.

Competition is encouraged in the marketplace to introduce efficiencies that reduce the expenses of operation and thus increase the return to charities from charitable gaming or to the Alberta Lottery Fund from provincial lotteries. It allows for businesses to generate a profit from their investment and efforts within the charitable gaming model of the province or in the context of provincial lotteries. However, the fundamental aim of gaming in the province precludes a private, for-profit gaming industry.

Step Four - Investigation

The Commission will conduct an investigation into the proponents and other key persons associated with the best proposal. The investigation is to ensure criminal interests, or those who would be a detriment to the integrity or lawful conduct of gaming, do not become involved with gaming in the province.

Comment - The best proposal (or in the case of a First Nations, the forwarded proposal) would be evaluated and subject to further investigation, including the appropriate background and criminal record checks into the key people associated with the proposed facility. Key persons include officers, directors, shareholders, among others. The source of funds will also be investigated. This step of the approval process is aimed at preventing the involvement of criminal interests, or those who would be a detriment to the integrity or lawful conduct of gaming, in the province's gaming industry. The proposed facility licensee will bear the cost of the investigation.

If the best proposal contains deficiencies or outstanding matters that need to be addressed, the proponent will be asked to supply the required information and the process will proceed pending receipt of the outstanding information.

The Commission will make a recommendation to the Board of the Commission respecting the best proposal that has undergone an investigative review.

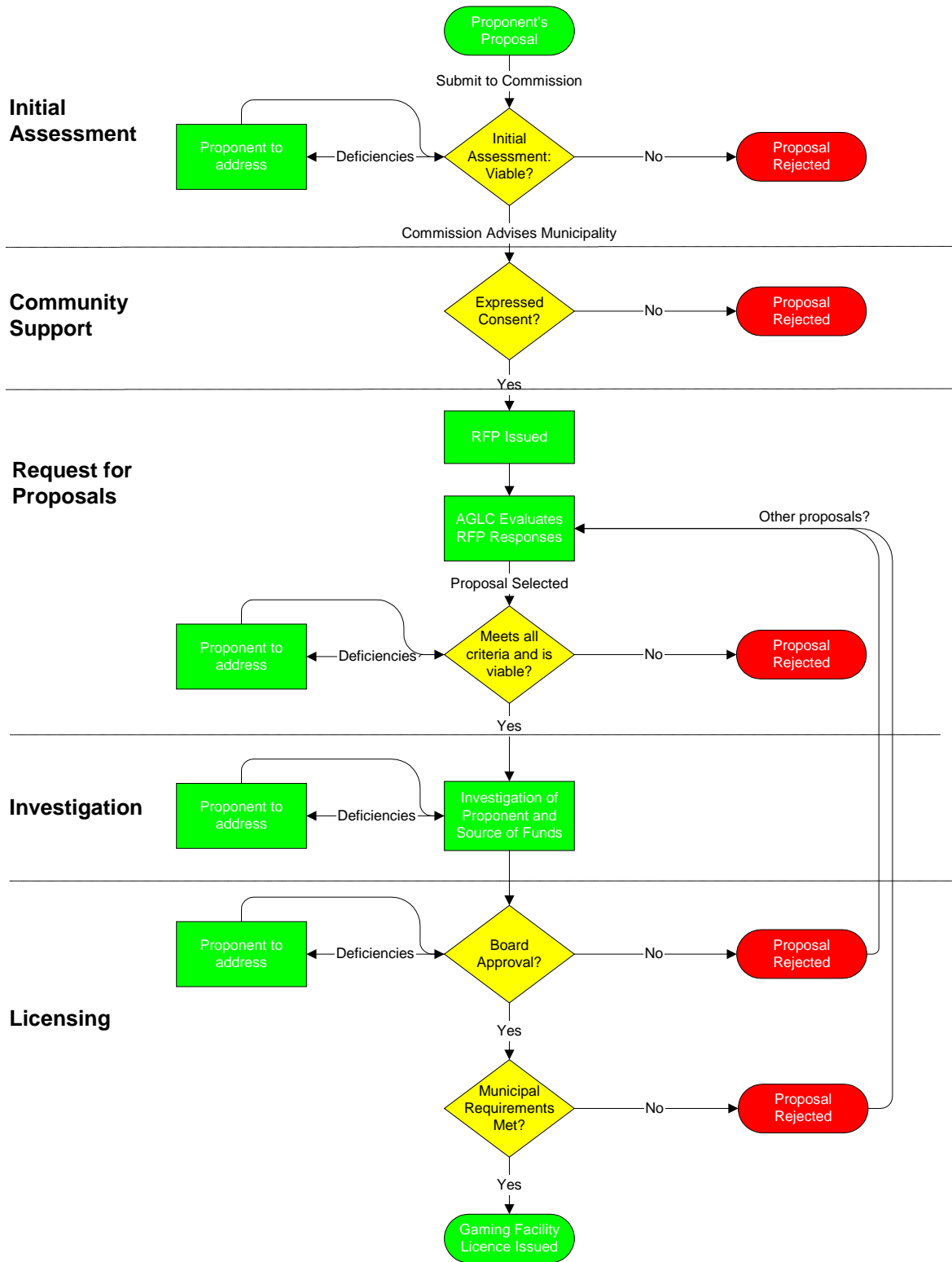
Step Five - Licensing

The Board of the Commission will review the proposal and results of the investigation following from Step Four. If all the requirements for a gaming facility are met, including legislative, regulatory, policy and municipal requirements, then a facility licence will be issued to the successful applicant with the Board's approval.

Comment - If the Board approves the proposal, and the preliminary requirements of the *Gaming and Liquor Act* and *Gaming and Liquor Regulation* are met, the proponent will be provided with details of the final requirements that must be met prior to the issuance of a gaming facility licence. These include meeting municipal requirements. Once the final requirements are met, a gaming facility licence will be issued to the proponent.

If for some reason the proposal is rejected at this step, the Commission will examine the next best proposal that was submitted in response to the RFP. That proposal would then be subject to investigation under the recommended fourth step in the approval process.

Figure 6-1: Approval Process for New Licensed Gaming Facility



GENERAL RECOMMENDATION - 8

- **The approval process of the expansion or major relocation of an existing licensed gaming facility in a community will be subject to the following three major steps:**

Step One – Initial Assessment

The Commission will initially assess the proposal of an existing facility licensee or REC operator for major relocation or expansion of an existing casino, association bingo hall or racing entertainment centre. The assessment is to determine whether the major relocation or expansion meets basic criteria related to market demand, benefits to charitable groups, and impact on other charitable gaming activities in the community. If the proposal has merit, the Commission will advise the local municipality or band council, as the case may be, about the proposed major relocation or expansion and the Commission’s review/approval process related to it.

Comment - The meaning of expansion or relocation of an existing licensed gaming facility is provided under Policy Position 1. “Community views will be instrumental in deciding the extent of expansion of licensed gaming facilities permitted within the community.”

Step One requires that an existing facility licensee or REC operator submit a proposal to the Commission regarding the major relocation or expansion of their licensed gaming facility. The Commission will conduct an initial assessment of the proposal. If the proposal has merit the commission will initiate the next step, Community Support.

Step Two - Community Support

Community support, provided through expressed consent, is required to initiate the next step in the approval process. Expressed consent would be a resolution of municipal council in support of the major relocation or expansion or, in the case of an on-reserve casino, a band council resolution in support of the major relocation or expansion.

Comment - As with new licensed gaming facilities, the Commission’s current process of review and approval for expansion of existing licensed gaming facilities is triggered by the proponent of expansion. The Commission, guided by its policy criteria, responds to the proposal, as does the local authority through its local zoning or development bylaws in the case of proposed relocation or a proposed increase in the size of the facility.

The recommended process gives the local community a more prominent role in determining whether a major relocation or expansion will be approved in their community.

The expressed consent of the community is a resolution of the local municipal council (or in the case of a proposed on-reserve gaming facility, to the First Nation

band council). It is expected the expressed consent provided to the Commission would include not only the support of the municipal council for the proposed expansion, but also identify or indicate the level of support for the major relocation or expansion in the community by residents and charities.

For example, the local council, if satisfied with the information provided in the proposal, may rely solely on that information when making the decision to provide expressed consent. Furthermore, the local municipal council may wish to ascertain acceptance through any of a variety of additional processes it deems to be appropriate, in addition to the information provided by the proponent. They may include a telephone survey, public forum, etc.

In any case, only after such expressed consent is provided to the Commission will the Commission further consider a proposal from the proponent (existing licensee) for expansion or relocation.

Step Three - Licensing or Approval

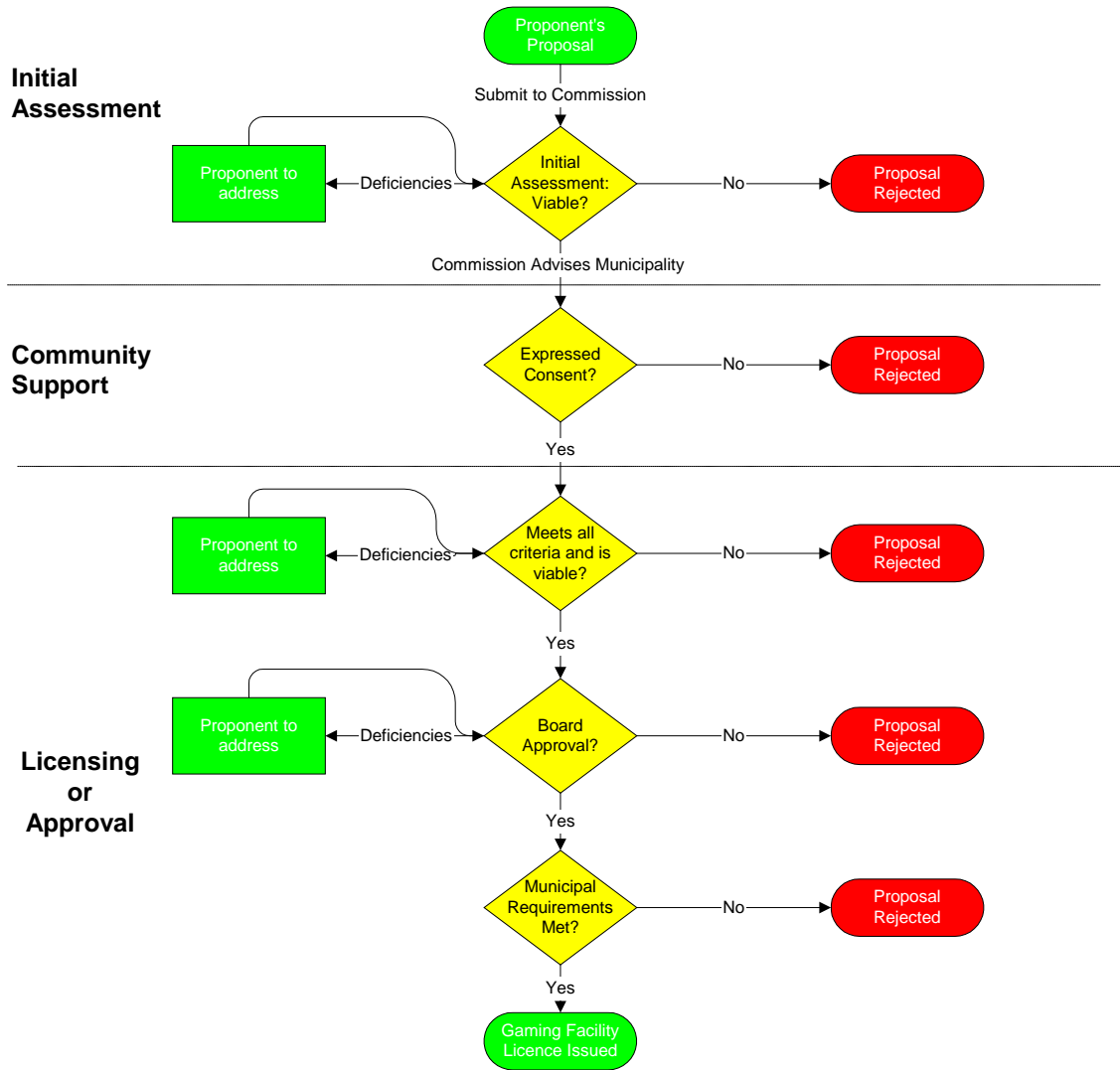
The Board of the Commission will review the expansion or major relocation proposal for the existing facility. The Board will approve the expansion or major relocation if the facility licensee has met all the requirements, including legislative, policy, regulatory and municipal requirements. In the case of an approved major relocation, a new gaming facility licence will be issued to the proponent (existing facility licensee).

Comment - If the proposal for expansion or relocation successfully meets the requirements of the evaluation in step two above, it will be forwarded to the Board of the Commission for its approval. If the Board deems the proposal is for some reason deficient, it will be rejected or at the discretion of the Board, returned to the proponent to address the deficiencies.

If the Board approves the proposal, and the preliminary requirements of the *Gaming and Liquor Act* and *Gaming and Liquor Regulation* are met, a new gaming facility licence will be issued to the proponent (in the case of a relocation) or approval granted (in the case of other expansion of the existing licensed gaming facility).

The three recommended steps are depicted in “Figure 6-2: Approval Process for Licensed Gaming Facility Expansion of Relocations.”

Figure 6-2: Approval Process for Licensed Gaming Facility Expansion or Major Relocation



D. ELIGIBILITY FOR CHARITABLE GAMING LICENCES

A number of stakeholders have raised concerns about the eligibility requirements for charitable gaming licences. For example, some perceive groups continue to receive gaming licences even though they have outlived their original purpose. Other stakeholders feel some charities earn more from licensed charitable gaming activities than they need, while other groups that may benefit more members of the community receive fewer opportunities to raise proceeds from gaming activities.

Issues such as these raise a number of questions. What level of proceeds should charitable groups be allowed to earn from charitable gaming activities? How should the heightened demand by charities for casino or bingo events be addressed through eligibility requirements for casino or bingo licences? What should be the specific allowable uses of proceeds, particularly in areas that create concerns, for example, administration?

POLICY POSITION:

1. The Commission must be consistent when determining whether or not groups are eligible for charitable gaming licences.

The *Criminal Code* and common law guide the Commission in determining which groups are eligible for a gaming licence (see also the appendix, “Legislative Requirements and Considerations”). The *Criminal Code* provides for a provincial government to issue a gaming licence to a charitable or religious group, but only if the proceeds are to be used for charitable or religious purposes. The code does not offer any guidelines as to what constitutes a charity or charitable purpose. For that purpose, the Commission turns to the common law.

Four general categories are often cited to define what is charitable and have been referred to as the Pemsel common law test. They are: relief of poverty, advancement of education, advancement of religion and other purposes beneficial to the community. The last category has posed the most difficulty. What purpose is beneficial to the community? Such a purpose may change with time and changing social needs.

The Commission has three main categories of eligibility for charitable gaming licences, as follows:

- relief of the aged or disadvantaged;
- advancing education and learning; and
- help to the community, which includes:
 - contributions to places of worship and other religious programs;
 - support for competitive amateur athletics;
 - improvements to quality of health;
 - support for medical research; and
 - support for a facility for community use.

Currently, there are more than 8,000 charities licensed to conduct a charitable gaming activity in the province. It has become clear the policy for licence eligibility in some cases lacks clarity, or should be more specific. In such cases, Commission staff must interpret whether the policies allow or do not allow a particular group to obtain a charitable gaming licence.

GENERAL RECOMMENDATION - 9

- **Ensure the policies that define what a charity is for purposes of charitable gaming in Alberta are clear and precise (within the parameters of the *Criminal Code* and common law).**

Comment - The demand for charitable gaming licences makes it imperative stakeholders and the public clearly understand the rules for eligibility. Clearer and more specific eligibility policies will also bring about more consistency in the issuing of gaming licences, thereby ensuring fair access to all qualified charities.

GENERAL RECOMMENDATION - 10

- **Ensure the policies regarding allowed and disallowed uses of charitable gaming proceeds are clear and precise (within the parameters of the *Criminal Code* and common law).**

Comment - This recommendation complements the previous one. The *Criminal Code* provides that a charitable or religious organization may be licensed by a provincial government only if the proceeds are used for a charitable or religious purpose. Clearer and more specific policies will help to bring about more consistency when addressing the many different requests applicants and licensees have for the use of gaming proceeds.

POLICY POSITION:

- 2. All charitable groups should have fair and equitable access to charitable gaming licences.**

Stakeholders feel charities should obtain charitable gaming licences based on the benefit of the service being provided to the community. Some stakeholders believe some groups raise more funds than they need or deserve from gaming activities, in particular casinos or bingos, while other charities that appear to be more deserving or benefit more people in the community receive less than they should.

GENERAL RECOMMENDATION - 11

- **As part of the licence application, require charities to provide a community benefit statement.**

Comment - The community benefit statement would identify, among other things: the type of program delivered by the charity, how the charity's program differs from those of other groups in the community; why the program is important and who benefits from the program. This statement will give a better indication as to how an applicant's services benefit the community.

GENERAL RECOMMENDATION - 12

- **Develop and implement a proactive orientation program for the volunteer executive of charitable organizations interested in obtaining a gaming licence**

Comment - The role of charitable groups is central to the charitable gaming model of the province. For that reason, it is important the volunteer executive of charities understand the eligibility requirements for a gaming licence, how the proceeds may be used in keeping with the provisions of the *Criminal Code*, the *Gaming and Liquor Act* and other key requirements.

The recommended orientation program is intended to help bring about better understanding of the policies related to eligibility and use of proceeds, among other responsibilities, prior to the licensing of charities. With the large number of charities that are licensed each year, an efficient but effective means of delivering the program is required.

E. DIVISION OF REVENUE

Division of revenue refers to the manner in which revenue is divided between prizes, expenses and proceeds. Charitable gaming policies are aimed at ensuring the financial return to charities from their charitable gaming activities are maximized. Similarly, the Commission, in carrying out its obligations as a responsible steward of the assets entrusted to it, must ensure the efficient and effective delivery of provincial lotteries to benefit Albertans through the Alberta Lottery Fund.

GENERAL RECOMMENDATION - 13

- **Review the expenses of service providers on a regular, ongoing basis as required. The review is to ensure the expenses are fair and reasonable—that they reflect the value of service and space provided—and that ultimately the primary beneficiaries are charitable, non-profit, public and community-based initiatives.**

Comment - The primary aim of reviewing expenses on a regular ongoing basis is to ensure the return from charitable gaming activities for charitable, not-for-profit, public and community-based initiatives is being maximized. Services providers are also entitled to a fair and reasonable return for the services they provide. Through its policies, the Commission aims to ensure the fees or commissions received by service providers reflect the value of the service and space provided. If the fees do not correspond to the value of the services and space provided, then they should be adjusted accordingly.

F. MARKET RESEARCH

POLICY POSITION:

1. **Be more aware of and responsive to consumer demands and public attitudes.**

Participants at the Lotteries and Gaming Summit '98 felt research should be conducted into the social impacts of lotteries and gaming and the prevention and treatment of problem gambling. In response, the Alberta Gaming Research Institute has been established by the provincial government to examine social and economic impacts of gaming, among other areas related to gaming. This research will help to guide the general development of gaming policies.

There also has been a lack of sound market research to guide the development of specific gaming policies or gaming activities. Typically, policy decisions regarding gaming activities have been based on empirical evidence, or past experience, and perceptions rather than sound market research. The daily business of controlling and managing the gaming business in the province should be based on sound marketing information.

GENERAL RECOMMENDATION - 14

- **Regularly conduct player/public gaming attitude, perception and market research.**

Comment - Sound market research is a valuable business management tool in developing gaming policies, effectively responding to consumer demand and managing gaming activities in the province. It may also be used to assess the claims of stakeholders related to the gaming market.

G. CONSULTATION AND COMMUNICATIONS

POLICY POSITION:

1. **Be aware of public and stakeholder views, issues and concerns on an ongoing basis.**

The Commission regularly consults with stakeholders throughout the year, often to address specific requests or issues that they may have. The Gaming Licensing Policy Review process has demonstrated the need for more regular consultations with stakeholders, particularly those who may not have been consulted with any frequency in the past. Most stakeholders who were consulted during the review process appreciated the opportunity to provide their perspectives and views. These views provided the Commission with valuable insights to help guide the development of gaming licensing policies.

GENERAL RECOMMENDATION - 15

- **Develop a proactive consultation strategy to effectively consult with stakeholders on a regular basis.**

Comment - Often consultations are to address issues or concerns and therefore are reactive. More efforts should be made to be proactive. For example, during a review of zoning or development for gaming facilities, municipalities would like to have more information from the Commission about the gaming facility and its operators. Currently there is no process to share information on an ongoing basis. These and other situations should be identified and proactively addressed.