

Legislative  
Assembly  
of Ontario



Assemblée  
législative  
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# STANDING COMMITTEE ON GOVERNMENT AGENCIES

## REPORT ON AGENCIES, BOARDS AND COMMISSIONS

THE ONTARIO LOTTERY AND GAMING CORPORATION

2<sup>nd</sup> Session, 38<sup>th</sup> Parliament  
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Legislative  
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The Honourable Mike Brown, MPP,  
Speaker of the Legislative Assembly.

Sir,

Your Standing Committee on Government Agencies has the honour to present its Report and commends it to the House.

Julia Munro, MPP,  
Chair.

Queen's Park  
December 2006

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Carrie Hull  
Research Officer

Larry Johnston  
Research Officer

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## **INTRODUCTION**

Under Standing Order 106(e) the Standing Committee on Government Agencies is given the mandate to review the operation of all agencies, boards and commissions (ABCs) to which the Lieutenant Governor in Council makes some or all of the appointments, and all corporations to which the Crown in right of Ontario is a majority shareholder. The Committee is empowered to make recommendations on such matters as the redundancy of ABCs, their accountability, whether they should be sunsetted and whether their mandate and roles should be revised.

In accordance with its terms of reference, the Committee reviewed the Ontario Lottery and Gaming Corporation on 6 September 2006.

Appearing before the Committee from the Ontario Lottery and Gaming Corporation (OLGC) were Mr. Michael Gough, Chair of the Board of Directors, and Mr. Duncan Brown, Chief Executive Officer.

Stakeholders addressing the Committee were the Canadian Gaming Association (CGA), represented by Mr. Bill Rutsey, President and CEO; Dr. Robert Williams, coordinator of the Alberta Gaming Research Institute; and the Ontario Problem Gambling Research Centre (OPGRC), represented by Mr. Robert Simpson, CEO.

The Committee wishes to express its appreciation to all the witnesses who appeared before it during its public hearings on this agency.

This report presents the Committee's findings on the OLGC. The Committee urges the Minister responsible for the OLGC to give serious and thoughtful consideration to the Committee's recommendations.

## **ONTARIO LOTTERY AND GAMING CORPORATION OVERVIEW<sup>1</sup>**

In 1975, the Ontario government established the Ontario Lottery Corporation with a mandate “to develop, undertake, organize, conduct and manage lottery schemes” on behalf of the Province. In 1993, the Ontario Casino Corporation was created to own any commercial casinos established by the Province and to represent the government in negotiations with the private firms selected to operate them. The Ontario Lottery and Gaming Corporation (OLGC) was created by the merger of the Ontario Casino and Ontario Lottery Corporations under the authority of the *Ontario Lottery and Gaming Corporation Act, 1999*. Classified as an operational enterprise, the new Corporation assumed the duties and functions of the two predecessor agencies effective April 1, 2000. The OLGC has also overseen the development of the Province’s charity casino sector and its slot machines at racetracks gaming initiative. The OLGC currently reports to the Ministry of Public Infrastructure Renewal.

### **Operational Overview**

#### *Lottery Games*

The OLGC’s original business and still its most profitable division is composed of its various lottery games. As of March 2005, the division offered 14 on-line games, three sports games, 79 instant games, and three bingo games.

#### *Commercial Casinos*

The OLGC owns four commercial casinos: Casino Windsor (opened 1998); Casino Rama (opened 1996); Casino Niagara (opened 1996); and the Niagara Fallsview Casino Resort (opened 2004). Managed by private operators under contract to the OLGC and marketed as resort casinos, these facilities offer more than 10,000 gaming machines and 330 table games. Three properties have a hotel on site, and all offer a range of non-gaming attractions and activities.

#### *Charity Casinos*

The OLGC owns and operates five charity gaming clubs or casinos, located in Brantford (opened 1999), Gananoque (opened 2002), Point Edward (opened 2000), Sault Ste. Marie (opened 1999), and Thunder Bay (opened 2000). The OLGC also owns the slot machine operation at the Great Blue Heron Charity Casino near Port Perry (owned and operated by the

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<sup>1</sup> A more detailed overview of the OLGC, prepared for the Committee prior to its review of the agency, is appended to this report (Appendix B).

Mississaugas of Scugog Island First Nation). In total, the charity casinos offer more than 2,700 gaming machines and almost 150 table games.

### *Slot Machines at Racetracks*

In December 1998, the OLG opened its first slot machine facility at Windsor Raceway. At present it operates 17 slot-at-racetrack facilities, with another approved for Quinte Exhibition & Raceway in Belleville (anticipated to open April 1, 2007). Racetrack slots have become OLG's second most profitable business division, and measuring profit as a proportion of revenue, may be *the* most lucrative division. These facilities make available more than 9,300 gaming machines to the public – they do not offer table games.

## Financial Data

Table 1 provides segmented information about OLG's revenues and expenses for the most recently reported fiscal year (2004-05).

**TABLE 1: FINANCIAL INFORMATION 2005**

(\$ thousands)				2005
Segmented Activity	Lotteries	Commercial Casinos	Charity Casinos & Racetrack Slots*	Total
<b>Revenues:</b>				
Lotteries	2,333,934	-	-	2,333,934
Slots	-	1,176,316	1,927,407	3,103,723
Tables	-	423,837	62,914	486,751
Non-gaming	-	215,265	33,267	248,892
	2,333,934	1,815,778	2,023,588	6,173,300
Promotional allowances	-	242,877	76,368	319,245
	<b>2,333,934</b>	<b>1,572,901</b>	<b>1,947,220</b>	<b>5,854,055</b>
<b>Operating Expenses:</b>				
	1,652,525	1,446,188	1,028,740	4,127,453
	<b>681,409</b>	<b>126,713</b>	<b>918,480</b>	<b>1,726,602</b>
Interest and other income	3,986	(3,002)	12,381	13,365
Net Income (Profit):	<b>685,395</b>	<b>123,711</b>	<b>930,861</b>	<b>1,739,967</b>

Source: OLG Annual Report 2004-05

## Distribution of OLG Net Revenues

Under Section 14 of the *Ontario Lottery and Gaming Corporation Act, 1999*, OLG's net revenue is paid into the Consolidated Revenue Fund for appropriation by the Legislature for the following purposes:

- (a) for the promotion and development of physical fitness, sports, recreational and cultural activities and facilities therefor;
- (b) for the activities of the Ontario Trillium Foundation;

- (c) for the protection of the environment;
- (d) for the provision of health care, including the operation of hospitals and the provision of programs for problem gambling;
- (e) for the activities and objectives of charitable organizations and non-profit corporations; and
- (f) for the funding of community activities and programs.

Any funds not appropriated for the purposes outlined above are to be applied "to the operation of hospitals."

Table 2 indicates the distribution of OLGC net revenues, as presented in the government's *Budget Papers*, since the 2001-02 fiscal year.

**TABLE 2: DISTRIBUTION OF OLGC NET REVENUES**

(\$millions)	2001-02	2002-03	2003-04	2004-05 (Interim)	2005-06 (Interim)	2006-07 (Plan)
<b>Net Revenue from Lotteries, Charity Casinos and Slots-at-Racetracks</b>						
Hospitals	1,380	1,466	1,499	1,505	1,498	1,437
Trillium Foundation	100	100	100	95	100	100
Problem Gambling Strategy	21	29	21	36	36	36
Ontario Amateur Athletes	-	-	-	-	3	13
<b>Net Revenue from Commercial Casinos</b>						
General Government Priorities	725	680	480	334	316	157
<b>Other Supports</b>						
Agriculture (Horse-racing)	258	299	308	301	296	315
Municipalities	58	73	75	75	73	76

Source: Ministry of Finance, *Budget Papers*

### Cash Flow to the Province

In addition to its profit, the OLGC remits 'win tax' to the Province in an amount equal to 20% of gaming revenue from commercial casinos and the Great Blue Heron Charity Casino Slot Machine Facilities – this amount is recorded as an operating expense. As a cash flow to the Province, the win tax is off-set by the payment to Ontario's First Nations of the equivalent of Casino Rama's net income.

According to the OLGC's *Four Year Plan (05-08)*, the net Cash Flow to the Province in 2005 was \$1.96 billion, or 31.9% of Revenue. The Corporation's projections for the next four years are shown in Table 2.

**TABLE 2: FOUR-YEAR PLAN PROJECTIONS**

	2005 Actual	2006 Forecast	2007 Budget	2008 Plan	2009 Projection
Net Profit to Province as % of Revenue	31.9%	30.6%	27.5%	28.3%	28.3%
Cash Flow to Province (\$millions)	1,964.0	1,676.2	1,368.2	1,495.8	1,937.6

Source: OLGC *Four Year Plan (05-08)*, p. 33.

## Structure and Organization of the Corporation

Under s. 5 of the *Ontario Lottery and Gaming Corporation Act, 1999*, the Corporation is managed by its board of directors, which constitutes the members of the Corporation. The Lieutenant Governor in Council (i.e., the cabinet) appoints no less than five members, and designates one member as chair and another as vice-chair. There is no limit in legislation on the term of appointment, although most appointments are for three years. All positions on the Board are part-time. Among the Board's responsibilities are approving an annual budget, as well as certain in-year adjustments to that budget.

## DISCUSSION AND RECOMMENDATIONS

### Opening Remarks

Officials of the OLGC were invited to appear before the Committee and to begin their dialogue with Members by making some brief opening remarks.

OLGC Chair Michael Gough provided a brief overview of the Corporation, noting that it has become one of the largest and most successful gaming companies in North America. The OLGC has over 20,000 employees at 33 locations as well as almost 11,000 lottery retailers. Gross revenue generated stands at more than \$6 billion annually, with a return to the Province of almost \$2 billion in non-tax revenues. OLGC net revenues support the operation of Ontario hospitals and health care programs, Ontario Trillium Foundation charities, and responsible gaming initiatives.

A significant generator of economic activity and a major employer in many of its host communities, the OLGC shared almost \$70 million in slot revenue with municipal partners in 2005-06. Almost \$300 million was paid to racetrack operators, horse owners and the agricultural community in Ontario to support horse owners and race operators.

In addition to the 2% of slots revenue that is dedicated to funding research and treatment of problem gambling (through the Ministry of Health and

Long-Term Care), the Corporation spends another \$7 million a year on its own responsible gambling campaigns. Responsible gaming remains a key priority for the OLGC, which has developed a code of conduct, and implemented it throughout the entire organization.

Mr. Gough and Corporation CEO Duncan Brown offered other comments and observations in discussion with Committee Members around a number of specific issues.

### Corporate Identity

Recently, the OLGC decided to “re-brand” by adopting a new logo and changing the Corporation’s public (i.e., marketing) name to OLG.



Ontario Lottery and  
Gaming Corporation  
Société des loteries et  
des jeux de l'Ontario

(old)



(new)

Asked about the basis for this decision, the OLGC explained that research had indicated that less than 10% of the population could identify all of the Corporation’s lines of business. Most commonly, people identify the Corporation with lottery tickets and do not understand its role in owning casinos or owning and operating charity casinos and racetrack slots.

Officials suggested that this creates two problems:

- questions about the possible integrity of operations if people do not appreciate that government is behind the province’s gaming enterprise; and
- difficulty in effectively delivering the Corporation’s responsible gaming message.

The decision was made to engage in a corporate (re-)branding exercise which would effect the name change, and use a new logo to incorporate a common identity on all sites and products. Officials suggested that this would address the two issues identified above, as well as rally the Corporation’s employees behind a “common cause.” In addition, the Committee was told that this exercise would allow for more effective marketing expenditures.

Asked about how the elimination of the final “C” from the Corporation’s public name would benefit taxpayers, officials replied first, that the exercise

is about creating a brand that will represent trust, integrity and effective gaming operations; and second, that the opportunity to achieve cost efficiencies by going from over 20 different brands to one is real and meaningful. The Corporation indicated it will expense between \$4 million and \$6 million on the re-branding initiative this year.

The OLGC has marketing contracts with a number of agencies. Asked about the increase in the Bensimon Bryne contract from \$38,000 a month to \$78,500 a month, officials stated the increase was based on the scope of work and competitive pressures. This contract was for brand “extensions” and “improvements” with respect to existing product lines, and did not deal with the corporate branding initiative.

Officials were unable to enlighten the Committee on why the new OLG logo is in English only [the Corporation’s French name – Société des lotteries et des jeux de l’Ontario – appeared on the previous logo], but indicated they would revisit this. In a letter dated 14 September 2006, OLGC Chair Michael Gough indicated that “OLG is in fact a bilingual logo similar to the logo used by LCBO. The company’s legal name remains Ontario Lottery and Gaming Corporation and the translation, Société des lotteries et des jeux de l’Ontario, is used in our French communities.”

The Committee therefore recommends that:

1. **The OLGC explore ways to include the French translation of its legal name in branding exercises of its new public corporate identity.**

### **Internet Gaming**

The OLGC indicated that it understands and respects the government’s decision, announced in January 2005 as part of its broader gaming strategy, that the Province (and therefore the Corporation) would not become involved in Internet gaming. Asked about the impact of Internet gaming, officials suggested that currently, Internet gaming does not represent a significant economic impact on the OLGC, but rather poses a reputational risk. The absence of protection for consumers, the dangers of credit card fraud, and the possibility of its use for the purposes of money-laundering by criminal interests, all have the potential to spill over negatively and taint public perceptions of the legitimate gaming activities of the OLGC.

According to OLGC officials, various approaches have been taken worldwide on this issue, ranging from attempts to prohibit internet gaming, to licensing and regulating it. The Corporation expressed its hope that

Ottawa and the enforcement community would examine the public policy and criminal enforcement challenges posed by Internet gambling.

The Committee therefore recommends that:

2. **Representatives of the OLGC meet with officials at both levels of government, provincial and federal, including members of the law enforcement community, to examine possible approaches to policing Internet gaming.**

The CGA expressed its support for Bill 60, the *Consumer Protection Amendment Act (Internet Gaming Advertising), 2006*, a Private Members' Bill introduced by Mr. Leal, and currently standing referred to the Standing Committee on Justice Policy. According to the explanatory note, this legislation would "prohibit the advertising of website addresses of Internet gaming businesses unless the person doing the advertising believes in good faith that the Internet gaming business has been properly authorized to operate and is in fact being operated in accordance with Ontario and Canadian law."

The Committee has noted that government Bill 152, currently before the Legislature, makes amendments to the Consumer Protection Act, 2003 that are consistent with the principal measures proposed in Bill 60.

### **Responsible Gaming / Problem Gambling**

In November 2004, the Ontario Problem Gambling Research Centre (OPGRC), which is funded by the Ministry of Health and Long-Term Care out of gaming revenues, released a study of the gambling population in Ontario. Two of the study's findings were widely reported:

- an estimate of the rate of moderate and severe problem gambling in Ontario adults in 2003 at 4.8%; and
- data tentatively indicating that 35% of Ontario gaming revenue is derived from moderate and severe problem gamblers, with even higher proportions for gaming machines and horse racing.<sup>2</sup>

The OPGRC study also highlighted the dilemma that problem gambling presents to the government:

An argument can be made that [because of its harmful impact on those susceptible to problem gambling]

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<sup>2</sup> Ontario Problem Gambling Research Centre, *The Demographics of Ontario Gaming Revenue*, "Executive Summary", web site at <http://www.gamblingresearch.org/printdoc.sz?cid=198>, accessed 25 August 2006.

government-sponsored gambling is therefore contrary to the interests of the general populace and contrary to the purpose of government. However, an argument can also be made that the economic benefits of gaming in Ontario may offset the social and economic costs.<sup>3</sup>

The OPGRC suggested that government needs to make a “maximum effort to minimize its [government-sponsored gaming’s] negative impact. ... Ontario does more in this regard than most jurisdictions. However, the present results indicate that considerably more needs to be done.”<sup>4</sup>

#### *Provincial Problem Gaming Strategy*

The second part of the gaming strategy announced by Minister Cordiano in January 2005 (see Appendix B) was directed at problem gambling. In addition to asking former OLGC Chair Stanley Sadinsky to recommend further enhancements to the problem gambling strategy, the government committed to new measures to enhance responsible gaming, including providing better access to problem gambling counsellors, investing \$4 million over two years in a public awareness campaign, and educating and training retailers and employees. The Sadinsky report (released in September 2005) contained 72 recommendations, largely concerned with the Province’s problem-gambling /responsible gaming strategy.

#### *Responsible Gaming Initiatives*

The Corporation has identified responsible gambling as a fundamental responsibility. Its recent measures have included developing and adopting a code of conduct, providing training – developed in concert with the Centre for Addiction and Mental Health (CAMH) - for all 8,000 OLGC employees, and entering into MOUs with resource agencies such as CAMH, the OPGRC, and the Ontario Gambling Hotline. As described by OLGC officials, the training program appears to exclude employees at the four commercial casinos, who constitute the equivalent of approximately 12,000 full-time positions.

The Committee therefore recommends that:

- 3. The OLGC continue to work with operators of its commercial casinos to explore ways to provide the same responsible gaming/problem gambling training to their employees, as appropriate, that the OLGC has provided to its employees.**

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<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

The OLGC's Code of Conduct contains a corporate commitment to responsible gambling, addresses the resources the Corporation will dedicate to this initiative, including the development of education and information programs, and commits to maintaining a responsible gaming environment. This is achieved by not allowing minors into gaming sites and not allowing gaming activity to be viewed by passers-by or the gaming area to be accessed by casual traffic, which is somewhat unique within the North American gaming industry. This also includes training front-line employees to recognize and assist patrons who may be experiencing difficulties.

#### *Assessment of OLGC's Responsible Gaming Initiatives*

Dr. Robert Williams, a researcher at the School of Health Sciences at the University of Lethbridge, and co-author of the report *The Demographics of Ontario Gaming Revenue* (prepared for the Ontario Problem Gambling Research Centre), praised the OLGC for providing a diverse and high quality product to the citizens of Ontario and for the quality of its commercial operation of gaming. He also suggested, however, that the OLGC provides "only partial fulfilment of the mandate to provide gambling in a socially responsible way." His assessment of the OLGC's responsible gaming initiatives included the following points:

- **Incorporation of responsible gaming messages into all products.** These public service messages "almost never have any impact." In addition, he noted, OLGC delivers "gambling" not "gaming."
- **Voluntary self-exclusion programs.** Due to lack of enforcement, these programs are largely ineffective. Penalties for breach of contract are rarely imposed, and it's nearly impossible for security guards to memorize the thousand of pictures of those who have signed up.
- **Hosting problem gambling helplines.** Evidence suggests this works and is a good measure.
- **Providing clocks in restrooms.** Why not on the actual casino floor? In any event, there is no empirical evidence this would be effective.
- **Staff training on signs and symptoms of problem-gambling.**
  - Training usually consists of one session and does not tell staff much they do not know already – up to 25% of casino staff may be problem gamblers themselves.
  - Front-line staff are usually not permitted to directly approach patrons, only to refer an issue to their supervisor.
- **On-site treatment counsellors at casinos.** Potentially a good idea, but in terms of empirical evidence, the jury is still out on this.

- **2% allocation of gross revenues to prevention, treatment and research.** The Corporation spends 13 times as much on promoting its products.

In addition, Dr. Williams offered a number of recommendations for the OLG:

- Include some individuals with backgrounds in social sciences in OLG top management.
- Reconsider OLG's adoption of the Vegas model of commercial casino operation in favour of a more socially conscientious European model.
- Rectify the general lack of knowledge about problem gambling.
- Provide greater structural independence between the regulation of gambling and the provision of gambling; the government is in a significant conflict of interest when it is both the provider and the regulator.
- Eliminate or severely restrict the most dangerous form of gambling: gambling machines; this is where the majority of problem gamblers have their primary difficulty.
- Implement effective casino self-exclusion policies; require ID to enter gambling facilities as is done in Illinois and most European countries.
- Use data from player reward programs to intervene with people with excessive expenditures. Consider eliminating the player reward program altogether.
- Don't allow problem gamblers to be employed as service providers.
- Eliminate customer credit at casinos and ATMs from gambling facilities.

Without background in the social sciences, Dr. Williams suggested, the OLG might be prevented from gaining a complete understanding of the research on identification and treatment of problem gamblers, knowledge that should inform the Corporation's fulfilment of its commitment to social responsibility.

The Committee therefore recommends that:

4. **Opportunities continue to be provided for senior OLG management (and its Board members) to become familiar with social scientific research techniques and methodology relevant to the diagnosis and treatment of addictive behaviours.**

Asked about the practicality of requiring patrons to show ID upon entry to a facility, the OLG suggested it was not practical, and expressed a preference for the initiative it is developing with the OPGRC (discussed below).

The Committee therefore recommends that:

- 5. The OLG investigate the experience of other jurisdictions (such as Illinois and some European countries) in requiring gambling patrons to produce ID upon entering a facility.**

Committee members asked Dr. Williams for evidence that there is a significant proportion of problem gamblers among front-line casino staff. The primary study he cited was a Masters-level thesis conducted by his student, a former gaming facility employee, whose research included interviews with casino employees. He also explained the inferential basis for his conclusions relating to gaming in Ontario, in other words, consistent evidence of something occurring in other similar environments may be used to draw conclusions about what happens here.

The Committee therefore recommends that:

- 6. The OLG investigate the possibility of screening all front-line service providers in casinos and slots-at-racetracks to identify and offer counselling to problem gamblers.**
- 7. The OLG investigate the possibility of making screening for problem gambling a part of any hiring process for front-line service providers at OLG facilities.**

#### *Prevention versus Treatment*

The emphasis of the responsible gaming messaging is on creating good gaming habits, on encouraging responsibility, rather than on intervention and treatment of those whose behaviour has become addictive, or irresponsible. When asked if the OLG monitors activity on the casino floor to identify possible problem gamblers and offer help, officials spoke about their commitment to responsible gaming and other measures the Corporation has taken, including the code of conduct and employee training. The Corporation is piloting, in Windsor and Niagara Falls, consumer information centres which make information available on-site about where people can get help and how. The success of these kiosks, staffed by employees of the Responsible Gambling Council, will be assessed over the next 12 to 24 months. In this context, officials noted that

OLGC employees are trained to observe signs and to suggest whether or not a patron might like to take a break and get some help. As OLGC officials noted, “our core competency is about operating gaming enterprises. It’s not about counselling and referral services. But we recognize that that expertise exists.”

Among those with that expertise, are the Centre for Addiction and Mental Health (CAMH), the Ontario Problem Gambling Research Centre (OPGRC), and the Ontario Gambling Hotline.

The Committee therefore recommends that:

8. **The OLGC continue to work with partners in the addiction research and treatment community to make available on-site information and study the results of the current pilot project on counselling services at all its gaming facilities.**

#### *The Extent of Problem Gambling*

The Ontario Problem Gambling Research Centre was established in 2000 as an arm’s-length agency of the Ontario government, a status which “acknowledges that government, as the major beneficiary of gambling revenue, may be perceived as inherently in conflict of interest.”

OPGRC’s mandate is to fund research with four outcomes:

- describing the nature and extent of gambling and problem gambling in Ontario;
- identifying the correlates and causes of problem gambling;
- determining the most effective measures to prevent problem gambling; and
- assessing the efficacy of current and innovative treatment approaches.

CEO Robert Simpson told the Committee that two independent reviews (one by the federal Canadian Institutes of Health Research, and one commissioned by the Ministry of Health and Long-Term Care) have confirmed that the Centre’s policies and procedures meet the highest standards of scientific research. In November 2004, the OPGRC released a study of the gambling population in Ontario entitled *The Demographics of Ontario Gaming Revenue* conducted by Dr. Robert Williams and Dr. Robert Wood of the University of Lethbridge. As noted, the two principal (and widely reported) results of this study were estimates that the incidence of Ontario gamblers at moderate-to-severe risk of problem gambling was

4.8%, and that the proportion of gaming revenue accounted for by this group was about 35%.

Mr. Simpson told the Committee that the OPGRC stands behind Dr. Williams' study on problem gambling: "it has been peer reviewed and you can take it to the bank." At another point in the hearing he stated that "I will defend to the hilt the Williams study." Elaborating on earlier data, Mr. Simpson suggested that while the total number of adult gamblers in Ontario dropped between 2001 and 2005 from 7.3 million to just about 6 million, the prevalence rate among those who gamble for moderate-to-severe gambling problems rose from 4.6% to 5.5%. This equates, in absolute terms, to 330,000 estimated moderate to severe problem gamblers in 2005 (down from 340,000 in 2001).

OLGC officials, the CGA, and some Committee members expressed scepticism about the results of the Williams and Wood study and Dr. Williams' analysis. Citing a national survey of 1,000 individuals conducted by PMG Consulting, the CGA suggested that 90% of individuals going to a gaming facility have a budget and always, or almost always, stick to it. OLGC officials were more specific, noting that 90% of gaming patrons come with a budget, and that 90% of these individuals remain within their budget. The CGA suggested that 1% of the population has a severe problem ("depending on how you measure it") and another 2% to 4% have moderate problems, "which leaves 95% of the people who have no problem at all." In other words, the CGA's estimate of those with moderate to severe risk of problem gambling is 3% to 5%, not inconsistent with Dr. Williams' finding in 2003 of 4.8%.

In addition, industry representatives also rejected Dr. Williams' estimate of the portion of revenue that could be attributed to problem gamblers (35%), alluding instead to a study conducted in Chicago that found "that the 2% of people they consider to have problems contributed 4% to casino gaming revenues." This implies that problem gamblers would wager only a little more than twice what other patrons might bet. Dr. Williams' estimate that those with moderate-to-severe gambling problems account for 35% of gaming revenues (just over \$2 billion of a total 2005 gross gaming revenue of \$5.9 billion), averages out to about \$6,300 (or \$500 per month) for each moderate-to-severe problem gambler.

The long-term harm that problem gamblers cause to themselves and others is also a significant social cost.

The Committee therefore recommends that:

9. **The OLGC and its partners continue with the OPGRC to work to eliminate problem gambling, and explore options for adopting such a policy.**

#### *Funding for Problem Gambling*

In October 1999, then Chair of Management Board, Chris Hodgson announced the formula the government would use to allocate gross revenues from slot machines, including 2% to fund the Ministry of Health's Problem Gambling Strategy. This policy came into effect for the 1999-00 fiscal year, and has remained in place since. In recent years, the amount this formula generates has been around \$34-36 million. Of this amount, approximately \$4 million funds the work of the OPGRC. OLGC officials indicated that the Corporation spends a further \$7 million per year on its own responsible gambling programs.

#### *Relationship between OLGC and OPGRC*

According to the OLGC, great efforts are made to assist the OPGRC and its researchers in finding the best practical applications of research and best practices that can be applied. Mr. Simpson confirmed that after previously less than satisfactory relationships with the OLGC, a more productive partnership has lately been in place. The Centre has provided advice to the Corporation on its responsible gaming message, analysis of the weaknesses of the current self-exclusion program and possible solutions, and conceptual orientation and text for current prevention advertising. The MOU reached between the Centre and the Corporation in 2005 will enable the Centre to access OLGC information for its research, and establishes a communications protocol for the respective CEOs to resolve any difficulties experienced. A joint harm reduction initiative is being developed which will allow the Centre to use OLGC data to "identify high-frequency gamblers and test an intervention intended to cause them to self-reflect and, as appropriate, self-refer to a controlled gambling treatment program." This initiative, consistent with the recommendation by Dr. Williams (noted above) to use the player reward program to identify individuals at risk for problem gambling, has yet to be approved by the OLGC board.

The Committee therefore recommends that:

10. **The OLGC Board be encouraged to support the joint harm reduction initiative being developed with the OPGRC to identify**

**high frequency gamblers and test an intervention designed to encourage self-referral to a treatment program.**

Mr. Simpson offered his personal assessment that the Corporation is “making the transition toward taking effective action to reduce the unintended and regrettable harm that accompanies the provision of gambling.” To assist the OLGC in making this transition, Mr. Simpson recommended that the government reduce the pressures on OLGC to maximize its revenues, and adopt instead, a revenue optimization model which more appropriately balances revenue and harm. This is similar to Dr. Williams’ recommendation to turn away from a Las Vegas model in the direction of what he believes to be socially conscientious European practices. It is important, Mr. Simpson suggested, to examine all practices in order to make an informed decision.

*Gambling Machines*

Some stakeholders with an interest in problem gambling noted that slot machines are the most addictive and problematic activity for problem gamblers. (Others suggest that video lottery terminals (VLTs), gaming machines available in bars and restaurants in many provinces, are the most problematic given their ease of access. VLTs are not available in Ontario.) Slot machines account for the largest share of the Corporation’s revenue. The Committee asked about the distribution of slot machines at the Corporation’s facilities, noting the larger proportion of revenue from slots at charity casinos and racetracks (\$1.93 billion) than at the commercial casinos (\$1.18 billion). Officials answered that the Corporation has more locations in the charity casinos and racetrack slot facilities, and suggested that these contain 10,000 – 11,000 machines as opposed to 7,000 – 8,000 in the large casinos. However, OLGC’s published sources (*Annual Report 2005* and OLGC web site) indicate a more even distribution, with 12,058 slot machines in charity casino and racetrack slot facilities at the end of March 31, 2005, and 11,000 machines in the four commercial casinos.

The Committee heard that by regulation, slots must return a minimum of 85%, but in fact, return an average of “about 92%.” When it was suggested that people are likely to take whatever winnings they receive and play again (what is known in the industry as “churning”), the OLGC response was that “the more the people like to play the machines and the longer they’re there returning some of those winnings, that’s great.” Casinos in the U.S. are commonly required to provide information to the public about the payout rates on their electronic gambling machines, often by denomination. However, some operators use the advertisement of payout rates to attract customers, not because they are required to. The OLGC has been criticized in the past for not providing this type of information.

The Committee therefore recommends that:

11. **The OLGC be required to provide upon request in each gaming facility, information about the payout rates of its electronic gaming machines.**

It is documented that some problem gambling behaviours may be enhanced by myths about electronic gambling machines (i.e., “things even up in the long run,” “hit and run or playing until it pays out is a good strategy,” “slot machines pay out when they are hot,” etc.).<sup>5</sup> It should also be noted that the OLGC undertook a radio advertising campaign last year to help dispel some of these myths about slot machines.

The Committee therefore recommends that:

12. **The OLGC explore the value of posting in each slots facility, information about the more commonly held myths about electronic gaming machines.**

Officials stated that no gimmicks are used to keep people playing slots, but re-iterated the corporate strategy to provide a great entertainment experience and good value. Most of the revenue, they indicated, is generated by the lower denomination machines. Interestingly, one of the OLG’s strategic goals for Fiscal 2007 is to accelerate the TITO (Ticket-In Ticket-Out) initiative across the province. The OLG’s *Four Year Plan 2005 – 2008* describes TITO-enabled machines as offering players “a better gaming experience, as they don’t have to wait for manual coin refills, handle large buckets of coins, or wait long times for jackpot payoffs.” What is not noted is that TITO may increase the ease with which some patrons may churn away all of their winnings, and reduces some elements (such as manual coin refills, waiting for payoffs, etc.) that might allow some patrons to “take a break.” On the other hand, TITO also increases safety for patrons and reduces operating costs. (It is interesting to note that a higher proportion of gaming patrons are smokers than the general population; as a result of the *Smoke Free Ontario* legislation, more patrons are taking breaks to leave the premises and smoke.)

Mr. Rutsey of the Canadian Gaming Association told the Committee that there is a decreasing interest worldwide in older gaming products and that gaming’s growth areas are in social, entertainment-based activities that

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<sup>5</sup> See Nigel Turner and Roger Horbay, “How do slot machines and other electronic gambling machines actually work?” *Journal of Gambling Issues*, Issue 11 July 2004. Mr. Turner is a research scientist at the Centre for Addiction and Mental Health (CAMH); Mr. Horbay is a problem gambling consultant for treatment agencies and the gaming industry.

include more interactivity, more skill-based games, and games that groups of friends can play.

The Committee therefore recommends that:

13. **The OLGC be encouraged to explore opportunities for reducing its dependence on slot machine revenues by seeking alternative forms of gaming entertainment.**

In response to questioning, Mr. Simpson noted that no jurisdiction in North America is doing more than Ontario in the area of responsible gaming, but also that a number of innovative programs are under way in Australia, and that with respect to VLTs, a most controversial form of electronic gaming that is available in local bars and restaurants, Nova Scotia has moved to the revenue optimization model. However, in the view of its industry partners (i.e., the CGA), the OLGC is a world leader in the study, research, and treatment of problem gambling.

The Committee therefore recommends that:

14. **The OLGC be commended for the leading position it has taken in promoting responsible gaming, but also be encouraged to continue to learn from the experience and best practices in other jurisdictions.**

**Other Issues Discussed [see Appendix A]**

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## **SUMMARY OF RECOMMENDATIONS**

The Committee recommends that:

1. **The OLGC explore ways to include the French translation of its legal name in branding exercises of its new public corporate identity.**
2. **Representatives of the OLGC meet with officials at both levels of government, provincial and federal, including members of the law enforcement community, to examine possible approaches to policing Internet gaming.**
3. **The OLGC continue to work with operators of its commercial casinos to explore ways to provide the same responsible gaming/problem gambling training to their employees, as appropriate, that the OLGC has provided to its employees.**
4. **Opportunities continue to be provided for senior OLGC management (and its Board members) to become familiar with social scientific research techniques and methodology relevant to the diagnosis and treatment of addictive behaviours.**
5. **The OLGC investigate the experience of other jurisdictions (such as Illinois and some European countries) in requiring gambling patrons to produce ID upon entering a facility.**
6. **The OLGC investigate the possibility of screening all front-line service providers in casinos and slots-at-racetracks to identify and offer counselling to problem gamblers.**
7. **The OLGC investigate the possibility of making screening for problem gambling a part of any hiring process for front-line service providers at OLGC facilities.**
8. **The OLGC continue to work with partners in the addiction research and treatment community to make available on-site information and study the results of the current pilot project on counselling services at all its gaming facilities.**
9. **The OLGC and its partners continue with the OPGRC to work to eliminate problem gambling, and explore options for adopting such a policy.**

10. **The OLGC Board be encouraged to support the joint harm reduction initiative being developed with the OPGRC to identify high frequency gamblers and test an intervention designed to encourage self-referral to a treatment program.**
11. **The OLGC be required to provide upon request in each gaming facility, information about the payout rates of its electronic gaming machines.**
12. **The OLGC explore the value of posting in each slots facility, information about the more commonly held myths about electronic gaming machines.**
13. **The OLGC be encouraged to explore opportunities for reducing its dependence on slot machine revenues by seeking alternative forms of gaming entertainment.**
14. **The OLGC be commended for the leading position it has taken in promoting responsible gaming, but also be encouraged to continue to learn from the experience and best practices in other jurisdictions.**

## **APPENDIX A:**

### **Other Issues**

#### *Bingo Industry*

The OLGC has recently launched four pilot projects in an attempt to revitalize the charity bingo sector, which has felt the impact of the OLGC's expanded operations in the past decade or so, and more recently, of the *Smoke-Free Ontario Act*. The OLGC is using its statutory monopoly on electronic gaming technology in the province to assist local charities, municipalities and hall operators by providing a superior entertainment experience to the traditional bingo customer. The new arrangement allows OLGC's partners to continue in their usual roles (the hall owner provides a facility and staffing, the municipality assesses eligibility of organizations and the use of proceeds, and the charities remain the beneficiaries), but transfers the criminal law liability for "conducting and managing" to the Corporation.

#### *Economic Impact*

The Committee was presented with a number of facts about the economic impact of the OLGC:

- it is the number one employer in three communities in which it has facilities;
- it ranks in the top five employers in five additional communities;
- in 16 host communities it is in the top 20 employers;
- its commissions are the second-largest source of income for convenience store owners; and
- if the OLGC were a private sector organization, it would rank in the top 50 in the country.

According to industry representatives, the gaming industry in Canada has a \$14 billion top line, of which \$7 billion goes to fund government programs and services.

#### *Revenue Projections*

The Committee was interested in the Corporation's revenue projections, both generally, and for specific facilities.

The OLGC's business plan projections of cash flow to the province show substantial decreases from \$1.96 billion in 2005 to \$1.68 billion in 2006, \$1.37 billion in 2007 and \$1.495 billion in 2008. The projection for 2009 shows an dramatic increase to \$1.94 billion. Officials explained that the

prime variables in this scenario are the Windsor and Niagara commercial (destination resort) casinos. Changes that are being made to facilities and/or to their management are expected to enable the casinos to recover lost market share. Officials indicated that the proportion of American visitors to the Niagara facilities has dropped from 60% to 65% in the past to 50% today; the proportion of U.S. customers in Windsor has remained constant (at 80%), but the overall number of visitors has declined.

#### Windsor Casino

One of the new amenities at Casino Windsor will be a restaurant with a sports theme where Pro-Line products will be available. This follows a similar venture introduced a year ago at Casino Niagara. However, the primary approach to revitalizing the Windsor property is twofold. First, high expectations are placed on the ability of the convention centre to attract visitors who are coming for more than just a day trip (also the type of people more likely to have a passport and have less concern about border crossing issues). Secondly, the new 5,000 seat entertainment centre is projected to confirm, as the experience of Casino Rama has demonstrated, that it is possible to attract patrons by offering quality entertainment in a first class entertainment facility. The OLGC believes that Local 444 of the CAW understands the need of the Windsor facility to be competitive; the current collective agreement runs until the spring of 2008. The new facilities are expected to generate 400 permanent jobs and 7,000 person-years of construction jobs are associated with the expansion. In addition, the new facilities will make it easier for tourism operators and municipal officials to promote Windsor as a tourism destination.

#### Casino Rama

The OLGC was asked about expansion plans for Georgian Downs and about any possible impact on Casino Rama. Officials indicated it is possible that the race-track owner might add non-gaming amenities in order to improve the attraction. Sensitive to the fact that the revenue stream for Casino Rama is dedicated to Ontario's First Nations, the Corporation has been wary of expanding operations or optimizing revenue at properties that might divert revenue from Rama. The new revenue agreement that is still under negotiation with the First Nations is expected to give the Corporation more flexibility to develop all its assets in mutually beneficial ways.

#### Niagara Casinos

The original plan for the casino that opened in 1996 (Casino Niagara) was to operate as an interim facility and close once the construction of a facility with full amenities was complete (Fallsview). Prior to the opening of the

new facility, the decision was made to keep both casinos running. OLGC officials indicated that the operation of two casinos in Niagara continues to be evaluated by the Corporation; this includes recognizing that the economic price paid by the Corporation in having two operations may be offset by the broader economic benefits to the community. The Corporation's preference would be to keep two casinos open, if they are sustainable.

Strategies for Niagara's casinos include making improvements to customer service, and matching whatever services and amenities are being provided by competitors in New York state. Officials spoke about more aggressive marketing to long haul visitors, and about linking the Niagara gaming attractions to the other tourist draws in the area, such as the wineries and golfing opportunities.

Industry representatives noted the trend towards social, entertainment-based activities, and consumer demand for a more complete entertainment experience. The OLGC was applauded for recognizing this trend in its business planning and investments in its resort casino properties.

#### Other Marketing Initiatives

In response to questioning, the OLGC indicated the importance of the branding program to all its strategic directions, including ongoing programs to develop new products, games, and to renew its lottery tickets.

#### *Other Initiatives and Issues*

##### Amber Alert

The OLGC has become involved with the Amber Alert system with its network of 10,000 plus lottery terminal screens. A planned conversion to a high speed digital network will allow actual pictures to be posted across the province in almost real time.

##### Business Optimization

In 2005, the Corporation began a business optimization initiative which has produced more effective strategic procurements, as well as suggestions about gaming sites operations that will provide opportunities to realize efficiencies and qualitative improvements.

##### Governance

Recently, an outside consultant was brought in to review the Corporation's governance practices and found that there were very few changes that

needed to be made. The Committee enquired about the new position of Vice-President of Strategic Relations created in January 2006. Officials indicated that this individual assists the CEO with a number of issues, including confidential business initiatives.

#### Quest for Gold

The first edition of this product generated \$3 million in net profits, a second edition is on sale now, and the Corporation will probably offer a third edition later this year. So far, 850 Ontario athletes have benefited from the program.

#### Support of Charities

The Corporation explained to the Committee that the allocation of \$100 million of net OLGC revenues to the Trillium Foundation is a government decision (as is the case with all of the designations of OLGC revenues to specific programs or stakeholders). The OLGC has nothing to do with the consideration and making of grants under the Trillium program. Instead, OLGC's support for charitable causes is either more direct – such as a \$750,000 donation to the new hospital in Sault Ste. Marie – or provided through the bingo revitalization project (discussed above).

## APPENDIX B:

### THE ONTARIO LOTTERY AND GAMING CORPORATION

The Ontario Lottery and Gaming Corporation (OLGC) was created by the merger of the Ontario Casino Corporation and the Ontario Lottery Corporation under the authority of the *Ontario Lottery and Gaming Corporation Act, 1999*. Classified as an operational enterprise, the new Corporation assumed the duties and functions of the two predecessor agencies effective April 1, 2000. Formerly responsible to the Minister of Economic Development and Trade, the OLGC was one of several government assets transferred in June 2005 to the Ministry of Public Infrastructure Renewal.

#### History and Mandate

In 1975, the Ontario government established the Ontario Lottery Corporation with a mandate “to develop, undertake, organize, conduct and manage lottery schemes” on behalf of the Province (*Ontario Lottery Corporation Act*). Under the *Ontario Casino Corporation Act, 1993*, a Crown corporation was established to manage and conduct the Province’s commercial casino business. The Ontario Casino Corporation owned all commercial casinos established by the Province, and represented the government in any negotiations with the private firms selected to operate them. Since its inception in 2000 to assume the core businesses of the former Lottery and Casino Corporations, the OLGC has also overseen the development of the Province’s charity casino sector, and of its slot machines at racetracks gaming initiative.

#### *Ministerial Review and New Gaming Strategy*

In February 2004, Economic Development Minister Joe Cordiano announced a review to determine the best locations to build new casinos, indicating also the need to ensure that programs to help problem gamblers are sufficient and re-affirming the government’s lack of interest in permitting the introduction of video lottery terminals.

On January 20, 2005, Minister Cordiano announced the Province’s new gaming strategy, with the following elements:

- (1) limits on expanded or new gaming facilities or activities, including:
  - no new commercial or charity casinos;

- no new racetrack slot facilities except for those already slated for Picov (now Ajax) Downs and Quinte Exhibition and Raceway;
  - no video lottery terminals (VLTs) in neighbourhood bars and restaurants;
  - no slots in bingo halls; and
  - no provincial involvement in Internet gaming;
- (2) support for problem gambling; and
- (3) revitalization of existing operations.

The Minister also instructed the OLGC to upgrade and enhance the existing gaming facilities in response to increased competition; to explore options for expanding Casino Windsor's non-gaming facilities; and to launch an "e-bingo pilot project" in an effort to revitalize the charity bingo sector.

#### *Current Operating Philosophy*

According to the OLGC's *Four Year Plan: Fiscal 2005-2008 (FYP(05-08))*, in 2006 the Corporation identified the following key elements as providing the context for its "core operating philosophy for responsible profit management":

- A limited potential for modest growth in provincial gaming markets that will not support the creation of new Casino-style Gaming facilities beyond current (mandated) commitments.
- A recognition that the Corporation's Operational Challenge is no longer growing new markets on the same scale as in the past, but rather sustaining markets.
- A confirmation that the road ahead will present challenging conditions in OLGC's major border regions.
- Modest adjustments on a facility-by-facility basis will ensure the Corporation is maximizing revenues and contribution to local economies, and is consistent with the corporate commitment to social responsibility.<sup>6</sup>

#### **OLGC Operational Overview**

Lotteries, commercial casinos, charity casinos, and slot machines at racetracks constitute the OLGC's four business divisions.<sup>7</sup> Tables 1, 2, and

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<sup>6</sup> Ontario Lottery and Gaming Corporation, *Four Year Plan: Fiscal 2005 – 2008* (Toronto: The Corporation, 2006), p. 24.

<sup>7</sup> Although the most recent Annual Report (2004-05) continues to measure the economic impact of Charity Casinos and the Slots at Racetracks separately, segmented financial statements for the last

3 provide information about the revenues and expenses of OLGC's business divisions for the last three fiscal years. (Results for fiscal 2003 are included because they provide an indication of the distribution of revenues between charity casinos and racetrack slots.)

**TABLE 1: FINANCIAL INFORMATION 2005**

(\$ thousands)				2005
Segmented Activity	Lotteries	Commercial Casinos	Charity Casinos & Racetrack Slots*	Total
<b>Revenues:</b>				
Lotteries	2,333,934	-	-	2,333,934
Slots	-	1,176,316	1,927,407	3,103,723
Tables	-	423,837	62,914	486,751
Non-gaming	-	215,265	33,267	248,892
	2,333,934	1,815,778	2,023,588	6,173,300
Promotional allowances	-	242,877	76,368	319,245
	<b>2,333,934</b>	<b>1,572,901</b>	<b>1,947,220</b>	<b>5,854,055</b>
<b>Operating Expenses:</b>				
	1,652,525	1,446,188	1,028,740	4,127,453
	<b>681,409</b>	<b>126,713</b>	<b>918,480</b>	<b>1,726,602</b>
Interest and other income	3,986	(3,002)	12,381	13,365
	<b>685,395</b>	<b>123,711</b>	<b>930,861</b>	<b>1,739,967</b>

Source: OLGC Annual Report 2004-05

**TABLE 2: FINANCIAL INFORMATION 2004**

(\$ thousands)				2004
Segmented Activity	Lotteries	Commercial Casinos	Charity Casinos & Racetrack Slots*	Total
<b>Revenues:</b>				
Lotteries	2,276,530	-	-	2,276,530
Slots	-	1,125,333	1,942,085	3,067,418
Tables	-	408,162	59,210	467,372
Non-gaming	-	172,358	29,617	201,975
	2,276,530	1,705,853	2,030,912	6,013,295
Promotional allowances	-	208,371	74,854	283,225
	<b>2,276,530</b>	<b>1,497,482</b>	<b>1,956,058</b>	<b>5,730,070</b>
<b>Operating Expenses:</b>				
	1,630,341	1,252,213	1,020,474	3,903,028
	<b>646,189</b>	<b>245,269</b>	<b>935,584</b>	<b>1,827,042</b>
Interest and other income	3,831	16,178	10,601	30,610
	<b>650,020</b>	<b>261,447</b>	<b>946,185</b>	<b>1,857,652</b>

Source: OLGC Annual Report 2003-04

two fiscal years have collapsed these divisions into one, and the OLGC's *FYP(05-08)* now simply refers to RTCC – Racetracks and Charity Casinos.

**TABLE 3: FINANCIAL INFORMATION 2003**

(\$ thousands)					2003
Segmented Activity	Lotteries	Commercial Casinos	Charity Casinos	Racetrack Slots	Total
<b>Revenues:</b>					
Lotteries	2,208,776	-	-	-	2,208,776
Slots	-	1,267,415	377,277	1,490,968	3,135,660
Tables	-	435,887	58,332	-	494,219
Non-gaming	-	177,745	24,983	1,183	203,911
	2,208,776	1,881,047	460,592	1,492,151	6,042,566
Promotional allowances	-	152,656	27,232	42,230	280,546
	<b>2,208,776</b>	<b>1,669,963</b>	<b>433,360</b>	<b>1,449,921</b>	<b>5,762,020</b>
<b>Operating Expenses:</b>					
	1,516,045	1,276,590	277,082	731,963	3,801,680
	<b>692,731</b>	<b>393,373</b>	<b>156,278</b>	<b>717,958</b>	<b>1,960,340</b>
Interest and other income	2,817	28,017	3,552	8,463	42,849
	<b>695,548</b>	<b>421,390</b>	<b>159,830</b>	<b>726,421</b>	<b>2,003,189</b>

Source: OLGC Annual Report 2002-03

### Cash Flow to the Province

In addition to its profit, the OLGC remits 'win tax' to the Province in an amount equal to 20% of gaming revenue from commercial casinos and The Great Blue Heron Charity Casino Slot Machine Facilities – this amount is recorded as an operating expense. As a cash flow to the Province, the win tax is off-set by the payment to Ontario's First Nations of the equivalent of Casino Rama's net income (see below).

Table 4 presents a consolidated statement of Cash Flow to the Province from the OLGC for the past five fiscal years (i.e., the net income as shown in Tables 1, 2 and 3, plus win tax amounts, minus Casino Rama net income).

**TABLE 4: CONSOLIDATED STATEMENT OF NET INCOME TO THE PROVINCE OF ONTARIO**

(\$ thousands)	2005	2004	2003	2002	2001
Net Income	1,739,967	1,857,652	2,003,189	1,979,210	1,892,781
plus Win tax	343,439	327,826	359,584	360,667	366,558
minus Casino Rama net income	(106,635)*	(86,762)*	(76,634)*	(111,323)	(105,576)
<b>Cash Flow to the Province of Ontario</b>	<b>1,976,771*</b>	<b>2,098,716*</b>	<b>2,286,139*</b>	<b>2,228,554</b>	<b>2,153,763</b>

Source: OLGC Annual Reports, and calculations(\*) from OLGC data

According to the OLGC's *FYP(05-08)*, the net Cash Flow to the Province in 2005 was \$1.96 billion, or 31.9% of Revenue. The Corporation's projections for the next four years are shown in Table 5.

**TABLE 5: FOUR-YEAR PLAN PROJECTIONS**

	2005 Actual	2006 Forecast	2007 Budget	2008 Plan	2009 Projection
Net Profit to Province As % of Revenue	31.9%	30.6%	27.5%	28.3%	28.3%
Cash Flow to Province (\$millions)	1,964.0 <sup>8</sup>	1,676.2	1,368.2	1,495.8	1,937.6

Source: OLG C FYP(05-08), p. 33.

### Distribution of OLG C Net Revenues

Distribution of the OLG C's net revenues is governed by the conditions of Section 14 of the *Ontario Lottery and Gaming Corporation Act, 1999*.

The net revenue (after payment of prizes, Corporation operating expenses, etc.) from lotteries, charity casinos, and slots-at-racetracks is paid into the Consolidated Revenue Fund for appropriation by the Legislature for the following purposes:

- (a) for the promotion and development of physical fitness, sports, recreational and cultural activities and facilities therefor;
- (b) for the activities of the Ontario Trillium Foundation;
- (c) for the protection of the environment;
- (d) for the provision of health care, including the operation of hospitals and the provision of programs for problem gambling;
- (e) for the activities and objectives of charitable organizations and non-profit corporations; and
- (f) for the funding of community activities and programs.

Any funds not appropriated for the purposes outlined above are to be applied "to the operation of hospitals."

Table 6 indicates the distribution of OLG C net revenues, as presented in the government's *Budget Papers*, since the 2001-02 fiscal year.

<sup>8</sup> This figure differs from the total for 2005 provided in Table 4 because it includes amounts for Amortization/Depreciation, Capital Expenditures, and Principal Payments for Niagara loan not included in the calculations in Table 4.

**TABLE 6: DISTRIBUTION OF OLGC NET REVENUES**

(\$millions)	2006-07 (Plan)	2005-06 (Interim)	2004-05 (Interim)	2003-04	2002-03	2001-02
<b>Net Revenue from Lotteries, Charity Casinos and Slots-at-Racetracks</b>						
Hospitals	1,437	1,498	1,505	1,499	1,466	1,380
Trillium Foundation	100	100	95	100	100	100
Problem Gambling Strategy	36	36	36	21	29	21
Ontario Amateur Athletes	13	3	-	-	-	-
<b>Net Revenue from Commercial Casinos</b>						
General Government Priorities	157	316	334	480	680	725
<b>Other Supports</b>						
Agriculture (Horse-racing)	315	296	301	308	299	258
Municipalities	76	73	75	75	73	58

Source: Ministry of Finance, *Budget Papers*

## **Economic Impact (by expenditure)**

### *Employment*

In 2004-05, the Corporation directly employed 8,375 individuals (5,513 full-time, 2,646 part-time, and 216 contract employees), and the full-time equivalent employment of the private corporations operating the four commercial casinos (as of June 30, 2006) was 9,254. The *FYP(05-08)* indicates that in fiscal 2005, some \$916 million was paid in salaries and benefits to 22,400 employees.

### *Communities Hosting OLGC Facilities*

When the government announced its intention of introducing slots at racetracks in the Province, it indicated that a portion of revenues would be returned directly to the community. Municipalities hosting charity casinos receive 5% of gross slot machine revenue, and municipalities hosting slot facilities at racetracks receive 5% of gross slot machine revenue from the first 450 slot machines, and 2% of gross revenue for any additional machines.

Under the terms of a 1995 agreement with the City of Windsor, the Corporation paid the city \$2.6 million a year for ten years, and will pay it \$3 million a year for another ten years. A similar agreement made with the City of Niagara Falls in 2000 requires the Corporation to pay the city \$2.6 million for ten years, and then \$3 million a year (adjusted for inflation every ten years beginning after the first 20 years of payments) for as long as

the casino is in operation.<sup>9</sup> The Corporation's 2005 contributions in municipal taxes and host community payments totalled \$113 million.

#### *Retailers*

Approximately 10,800 lottery retailers across the province are under contract with the Corporation, receiving 5% or 8% commissions (depending on the product), and 2% or 3% prize redemption fees (also varying by product) – a total of \$116 million in 2005.

#### *Racetrack Operations*

A percentage of the gross slot revenue is shared with participating racetrack operators – an estimated \$301 million from 16 racetrack slot facilities in 2005. This amount represents 20% of the revenue at these facilities, one-half of which is directed to the enhancement of horse racing purses.

#### *Bingo Industry*

The Corporation is engaged with bingo industry partners in an effort to revitalize the industry, which has been impacted by the opening of casinos and racetrack slots. In 2005, \$5.8 million was paid in commissions, charity payments and other fees to Bingo partners.

#### *Suppliers*

The Corporation's facilities and activities were responsible for an estimated \$600 million in the purchase of goods and services, including merchandize prizes, from almost 5,000 suppliers.

#### *Taxes*

In 2005, \$174 million in OLGC revenues was returned to the federal and provincial governments in taxes.

### **Economic Impact (regional)**

Table 7 presents the OLGC's own calculations of the regional economic impacts of its activities in six regions (details on the boundaries of these regions are provided on pages 12-3 of the *FYP(05-08)*).

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<sup>9</sup> OLG, *Four Year Plan: Fiscal 2005-2008*, p. 9.

**TABLE 7: REGIONAL ECONOMIC IMPACTS**

Region	Adult population share	(\$millions)				Total
		Municipal payments	Payroll	Trillium grants	Horsepeople and racetrack operators	
Northern	6.7%	8.3	41.8 <sup>1</sup>	6.2	8.4	64.7
Eastern	18.5%	16.7	54.5	16.0	34.3	121.5
Central	55.9%	30.0	199.8 <sup>2</sup>	33.6	180.9	444.3
Niagara	2.3%	21.0	232.0	2.9	20.0	275.9
Western	13.2%	13.0	70.2	12.1	33.0	128.3
Southwestern	3.3%	24.2	227.1	4.1	24.9	280.3
<b>Totals</b>	<b>99.9%</b>	<b>113.2</b>	<b>825.4</b>	<b>74.9</b>	<b>301.5</b>	<b>1,315.0</b>

<sup>1</sup>excludes Sault Ste. Marie head office <sup>2</sup>excludes Toronto head office

Source: OLGC *Four-Year Plan Fiscal 2005-2008*, pp. 12-3.

### **Economic Impact (First Nations)**

Casino Rama is located on Mnjikaning First Nations land; accordingly, the Chippewas of Rama receive annual payments from Casino revenues to cover rental payments and property maintenance costs. The Casino has also paid for new community facilities such as a seniors' centre, an arena, and a new sewage treatment plant. Casino Rama employs about 3,400 people, and describes itself as the country's largest employer of aboriginal people, with more than 700 aboriginal employees.

An expansion at Casino Rama, substantially completed during fiscal year 2002-03, was the subject of an agreement between the Corporation and the Chippewas of Mnjikaning, under which principal and interest payments for a term credit facility are being made from the gross revenues of the Casino Rama in quarterly instalments between June 2002 and 2007.

Original plans (under the Rae government) were that Casino Rama would not pay a win tax (20%) to the Province, and all net revenues (profits) would be shared among Ontario's 134 First Nations. The Harris government decided that Casino Rama would pay the win tax, but remaining profits would be shared out among the First Nations.

The Chiefs of Ontario (the Ontario First Nations Limited Partnership – OFNLP), representing the Province's First Nations, have disputed the imposition of the win tax on Casino Rama revenues, filing a lawsuit against the Province in 1998 – this is sometimes referred to as the “20% litigation.” In turn, the Province argued that the Casino Rama agreement does not permit the First Nations to use casino revenues to pay the (\$) millions in legal costs incurred in the “20% litigation.” Former Supreme Court Justice Peter Cory was appointed to arbitrate this dispute in February 2005.

At the same time, since 2001, the Chiefs of Ontario and the Mnjikaning of Rama have been in dispute concerning the formula used to distribute Casino Rama's net revenues. During the first five years of the casino's operation, the Mnjikaning received 35% of profits, the remaining 65% being split among Ontario's other 133 bands. The Mnjikaning argue that the 35% share was meant to be theirs "in perpetuity;" the Chiefs of Ontario argue that all revenues after 2001 should be split equally among all 134 bands. This impasse, sometimes referred to as the "35% litigation," has required the OLGC to retain 35% of the Casino Rama net revenues in escrow awaiting a resolution of the dispute. In February 2005, it was announced that former Premier David Peterson had been appointed to mediate.

On 29 March 2006, the OFNLP announced that it had signed a First Nations Gaming and Revenue Sharing Agreement-in-Principle (AIP) with the Ontario government.<sup>10</sup> The AIP commits the government to negotiate Formal Business Agreements that will extend the current Casino Rama Revenue Agreements for a further five years to 2011, along with an increase in funding to First Nations of \$155 million. After 2011, the AIP provides that First Nations would receive 1.6% of gross revenue from all provincial gaming. The OFNLP has indicated that once it and the Province have settled the Formal Business Agreements, the process of discontinuing the "20% litigation" will begin. The "35% litigation" between the Mnjikaning and the Chiefs of Ontario continues, and the OLGC remains a party because it holds the funds that are in dispute.

## Detailed Look at OLGC's Business Divisions

### *Lottery Games*

The OLGC's original business and still its most profitable division is composed of its various lottery games. Table 8 provides a breakdown of the various types and lottery games and their revenue.

**TABLE 8: LOTTERY SALES AND PRIZES BY GAME (MARCH 31, 2005)**

Product Groupings	Number of Games	Sales (\$ millions)	% of Total Sales	Prizes (\$millions)
On-line games	14	\$ 1,541.0	66.0	771.1
Sports games	3	183.2	7.8	115.6
INSTANT games	79	588.0	25.2	344.3
BINGO gaming	3	21.7	1.0	14.1
<b>Totals</b>	<b>98</b>	<b>\$ 2,333.9</b>	<b>100.0</b>	<b>1,245.1</b>

Source: OLGC Annual Report 2004-05

<sup>10</sup> Ontario First Nations Limited Partnership, "First Nations within Ontario sign New Gaming Agreement with Province," *Press release*, March 29, 2006.

### *Commercial Casinos*

The OLGC currently owns four commercial casinos: Casino Windsor (opened 1998); Casino Rama (opened 1996); Casino Niagara (opened 1996); and the Niagara Fallsview Casino Resort (opened 2004).

#### Casino Windsor

An interim Casino Windsor opened in May 1994 in the Art Gallery of Windsor, on Riverside Drive, on a site overlooking the Detroit River. The \$505 million permanent Casino Windsor opened on a 12-acre site on Riverside Drive in July 1998. The Casino has 100,000 square feet of gaming space, operates more than 100 table games and over 3,000 slot machines, and contains a 21 storey, 389-room hotel, and five dining areas and bars. The Casino employs approximately 4,200 people. The OLGC estimates that the Casino has generated a total of 15,000 direct and indirect jobs in Ontario. It is currently in competition with three interim casinos operating across the river in Detroit, Michigan. In February 2005, a \$400-million expansion of Casino Windsor's non-gaming amenities was announced; including a 5,000-seat entertainment centre, this "Vegas-style" facility is to be completed in 2009.

#### Casino Rama

On 5 December 1994, Minister of Consumer and Commercial Relations Marilyn Churley announced that a location had been chosen for the first commercial casino to be run by a First Nation in Ontario. An independent panel nominated by Ontario chiefs had selected a site on Lake Couchiching near Orillia proposed by the Chippewas of Rama (Mnjikaning) First Nation.

Casino Rama has a gaming space of 192,000 square feet, and operates over 2,400 slot machines and 110 gaming tables. The complex also includes a 300-suite luxury hotel, with spa and health club facilities, a conference centre with 18,000 square feet in 11 meeting rooms, nine restaurants, a lounge with live entertainment, bars and a gift shop. The "Wall of Art" at the entrance features 450 panels produced by local Aboriginal artists. A 5,000-seat entertainment centre opened in 2001.

#### Casino Niagara

In the early 1990s, a study commissioned by the Ontario Casino Corporation reported favourably on the prospects of a casino in Niagara Falls. In a 1994 municipal referendum on the issue, a majority of those voting supported the establishment of a casino.

The (originally interim) Casino Niagara is located in the heart of Niagara Falls' tourist district on the site of a former shopping mall, adjacent to the Canada – U.S. Rainbow Bridge. The Casino offers 100,000 square feet of

gaming, with more than 2,700 slot machines and 135 table games, three restaurants and three bars.

On 18 February 1998, Minister of Economic Development, Trade and Tourism Al Palladini announced that Falls Management Company (FMC), a consortium led by the giant Hyatt hotel chain, was winner of the competition for the contract to build a permanent casino. Opened in June 2004, the Niagara Fallsview Casino Resort is a 2.5 million square foot complex that includes a 200,000 square foot casino with 150 gaming tables and 3,000 slot machines; a 30-storey luxury hotel with 368 rooms and suites; a 15,000 square foot health and fitness spa; 50,000 square feet of meeting/conference space; and an expansive shopping Galleria.

### *Charity Casinos*

In June 1998, the government announced cancellation of its plans to open 44 charity gaming clubs or “mini-casinos” around the province. Instead, the Ontario Lottery Corporation (now the OLG) would control, operate and manage four charity gaming clubs or casinos, located in Point Edward, Thunder Bay, Sault Ste. Marie and Brantford.

The Sault Ste. Marie and Brantford charity casinos opened in May and November 1999, respectively. The Point Edward and Thunder Bay charity casinos opened in April and August 2000, respectively. Also, a slot machine operation owned by the OLG was added to the Great Blue Heron Charity Casino, an aboriginal casino owned and operated by the Mississaugas of Scugog Island First Nation, near Port Perry. A fifth charity casino, the Thousand Islands Charity Casino, opened in June 2002 in Gananoque.

**TABLE 9: ECONOMIC IMPACT OF CHARITY CASINOS**

Facility	Opening Date	Number of Employees	Annual Payroll (\$ thousands)	Revenue to Municipality* (\$ thousands)	Number of Patrons (thousands)	Number of Slots	Gaming Tables
Brantford	Nov 17, 1999	1,023	39,448	3,966	1,752	452	55
Sault Ste. Marie	May 19, 1999	391	16,083	1,780	990	451	16
Great Blue Heron	May 3, 2000	**	**	**	1,326	452	**
Point Edward	Apr 18, 2000	646	26,207	2,937	1,009	452	39
Thousand Islands	Jun 20, 2002	484	19,704	3,892	1,056	453	22
Thunder Bay	Aug 28, 2000	472	18,705	2,608	1,410	452	15
<b>Totals</b>		<b>3,016</b>	<b>\$ 120,147</b>	<b>\$ 15,183</b>	<b>7,543</b>	<b>2,712</b>	<b>147</b>

Source: OLG Annual Report 2004-05

\* 5% of gross from slot machines at charity casinos

\*\* Great Blue Heron patron figures are based on entire facility. 228 employees of Great Blue Heron Gaming Company work in the slot facility. Estimated payroll is \$11.5 million. As the host community of the slot machines at the Great Blue Heron Charity Casino, the Mississaugas receive 5% of the revenues from the slot machines. While Great Blue Heron Charity Casino offers table games, OLG management and reporting is limited to the slot facility.

### Slot Machines at Racetracks

In April 1998, the government announced cancellation of plans to introduce video lottery terminals at the province's 18 racetracks and at 44 projected mini-casinos. Instead, it would permit slots (i.e., slot machines) at the racetracks and at charity casinos (see above). In December 1998, the OLGC opened its first slot machine facility at Windsor Raceway. At present it operates 17 slot-at-racetrack facilities, with another approved for Quinte Exhibition & Raceway in Belleville (anticipated to open April 1, 2007). Racetrack slots have become the second most profitable business division of OLGC, surpassed only by lottery games; measuring profit as a proportion of revenue, racetrack slots may be *the* most lucrative division.

The slot machines at the racetracks are owned by the OLGC. Track owners and employees must clear security checks administered by the Alcohol and Gaming Commission (AGC) before the OLGC issues licenses to the tracks to operate the slot machines. Under this policy, only racetracks with live racing are eligible to receive the slot machines. The 17 racetracks that have installed slot machines under the framework outlined above are listed in Table 10, with the dates on which they installed slot machines and the number of slot machines available for play.

**TABLE 10: ECONOMIC IMPACT OF RACETRACK SLOTS**

Racetrack	Date slots opened	Annual Payroll (\$ thousands)	Revenue to Tracks (10%) (\$ thousands)	Revenue to Horse People (10%) (\$ thousands)	Revenue to Municipality (\$ thousands)	No. of slot machines
Ajax Downs	March 2006	n.a.	n.a.	n.a.	n.a.	200
Clinton Raceway	August 2000	\$ 3,066	\$ 1,224	\$ 1,224	\$ 612	100
Dresden Raceway	April 2001	3,167	1,040	1,040	520	100
Flamboro Downs	October 2000	13,839	11,939	11,939	4,530	752
Fort Erie Race Track	September 1999	15,928	9,979	9,979	3,114	1,202
Georgian Downs	November 2001	8,297	9,336	9,336	4,668	401
Grand River Raceway	December 2003	5,610	2,971	2,971	1,485	200
Hanover Raceway	February 2001	3,272	1,369	1,369	684	100
Hiawatha Horse Park	May 1999	8,067	3,880	3,880	1,935	452
Kawartha Downs	November 1999	8,285	6,496	6,496	3,248	380
Mohawk Racetrack	August 1999	13,150	15,011	15,011	5,683	768
Rideau-Carleton Raceway	February 2000	14,530	10,680	10,680	3,289	1,250
Sudbury Downs	November 1999	7,014	4,195	4,195	2,098	331
Western Fair Raceway	September 1999	15,277	9,337	9,337	3,548	750
Windsor Raceway	December 1998	12,214	7,538	7,538	2,865	750
Woodbine Racetrack	March 2000	38,664	54,145	54,145	15,110	1,710
Woodstock Raceway	June 2001	3,538	1,593	1,593	796	100
<b>Totals:</b>		<b>\$ 171,918</b>	<b>\$ 150,733</b>	<b>\$ 150,733</b>	<b>\$ 54,185</b>	<b>9,346</b>

Source: OLGC Annual Report 2004-05

According to the OLG, horse racing is the province's third largest agricultural industry, with annual expenditures of more than \$1 billion. The racetrack slots program has supported this industry by dividing 20% of gross slot machine revenue between track owners and their horse people. The Ministry of Finance estimates this support at over \$1.7 billion since 1998, and anticipates a further \$315 million will be distributed in 2006-07.

### Structure and Organization of the Corporation

Under s. 5 of the *Ontario Lottery and Gaming Corporation Act, 1999*, the Corporation is managed by its board of directors, which constitutes the members of the Corporation. The Lieutenant Governor in Council (i.e., the cabinet) appoints no less than five members, and designates one as chair and another as vice-chair. There is no limit in legislation on the term of appointment, although most appointments are for three years.

All positions on the Board are part-time. The Chair receives a per diem of \$350, the Vice-Chair a per diem of \$250, and all other members a per diem of \$200; members are also entitled to reimbursement of reasonable expenses incurred in the performance of their duties. At the time of review, the Board had six members; Table 11 provides details of their appointments.

**TABLE 11: THE BOARD OF DIRECTORS**

Board Member (Location)	Position	Term of Appointment
Michael Gough (Toronto)	Chair	Mar. 1, 2006 – Jun. 6, 2009*
Ronald Fotheringham (Woodview)	Member	Aug. 25, 2004 – Aug. 24, 2007
A. Kristina Liljefors (Ottawa)	Member	Aug. 8, 2005 – Aug. 7, 2008
Marlene McGraw (Brantford)	Member	Feb. 15, 2006 – Feb. 14, 2009
Michelle Samson-Doel (Richmond Hill)	Member	Jul. 5, 2004 – Jul. 4, 2007
Beverly Topping	Member	Jul. 5, 2004 – Jul. 4, 2007

According to information provided by the Corporation, the Board has three committees:

- Audit and Risk Management
- Human Resources and Compensation
- Governance

Including its Committees, the Board met 21 times in fiscal 2005-06, 18 times in fiscal 2004-05 and 22 times in fiscal 2003-04.

Among the Board's responsibilities are approving an annual budget, as well as certain in-year adjustments to that budget.

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**APPENDIX C**  
**DISSENTING OPINION**  
**FROM THE**  
**PROGRESSIVE CONSERVATIVE MEMBERS OF THE COMMITTEE**

### **The Dissenting Opinion of the Official Opposition Party**

The denial of the request to extend the number of hearing days for the Ontario Lottery and Gaming Corporation undermines the spirit and intention of the Standing Committee on Government Agency's terms of reference.

The purpose of the OLGC review was to assess ways of improving the accountability of this Agency and rationalizing its functions. Based on the events that transpired after the Committee Review of the OLGC on September 6, 2006, as reported by the Canadian Broadcasting Corporation and the subsequent investigation by the Ombudsman of Ontario. It was within the mandate of the Committee under paragraph 5 for the OLGC to reattend. The Government majority on November 29, 2006 voted down a motion for the OLGC to reattend the Committee. The public has the right to have the operations of the OLGC stand up to public scrutiny in all respects and the Committee must ensure that its report is based on the most current information. It is unfortunate that the Government members on the Committee used its majority to prevent the most meaningful review of the OLGC to ensure that its accountability to the public is improved.

MPP Joe Tascona, Barrie Simcoe Bradford

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**APPENDIX D**  
**DISSENTING OPINION**  
**FROM THE**  
**NEW DEMOCRATIC PARTY MEMBER OF THE COMMITTEE**

To be included in the report on the Ontario Lottery and Gaming Corporation as a dissenting opinion:

In light of the serious allegations brought against the OLG of possible vendor misconduct and Corporate complicity currently before our Ombudsman and also subject of internal review we would be remiss on the Government Agency Review Committee if we did not call for a re-opening of hearings.

On November 29, 2006 Mr. Tascona, Ms. Scott and myself, Cheri DiNovo voted to re-open hearings. We were voted down by the Government Members, Mr. Gravelle, Mr. Milloy, Mr. Parsons, Ms. Smith and Mr. Wilkinson. I then suggested that a front page or lengthy paragraph insert be included explaining that this was a "snapshot" report based on hearings held before the recent allegations came to light. That too was voted down.

On behalf of all Ontarians who need assurance that the OLG lotteries are administered with due diligence.

Yours Sincerely,

Cheri DiNovo  
MPP Parkdale High Park