

## FROM SEA TO SEA

Having delivered an in-depth US gaming market study in 2012, G3 kicks off the New Year with a comprehensive look at the Canadian market that covers each of the 10 provinces in rich detail.

The gaming industry in Canada is worth around \$15.1bn and has more than tripled in size over the last 15 years and today supports more than 128,000 full time jobs and around 283,000 indirect jobs.

It generates \$12.5bn in labour force income and \$8.7bn annually to fund government programmes and is actually the highest earning sector in the Canadian entertainment industry.

The biggest income generator is the casino industry with an \$8.3bn share followed by the lottery with \$3.9bn, VLTs with \$2.7bn, bingo with \$601m and pari-mutuel betting with \$429m.

Meanwhile the division between provinces in terms of gaming income is led by Ontario 35.8% and followed by Quebec 18.8%, Alberta 16.4%, British Columbia 13.5%, Manitoba 4.8%, Saskatchewan 4.8%, Nova Scotia 2.6%, New Brunswick 1.6%, Newfoundland and Labrador 1.4% and finally Prince Edward Island with the smallest share of 0.3%.

Although recent growth has not been as rapid, primarily due to industry maturity and the economic crisis, the Canadian Gaming Association believes there is still great potential for the future. Several provinces such as British Columbia, Alberta, Saskatchewan, Manitoba and Prince Edward Island, even saw double digit revenue increases this year.

President and CEO of the CGA, Bill Rutsey said: "Future growth will be tied into both the creation of new products for specific demographics and the strength of the overall economy. While this assessment points to overall stabilisation, given the willingness of operators to respond to the market demands and changing consumer tastes, I'm confident that Canadians will

continue to enjoy the full range of entertainment options that the industry can provide."

The Criminal Code of Canada is the legal foundation for all gaming in Canada and was enacted back in 1892. It states that most forms of gambling are illegal except for pari-mutuel racetrack betting and games of chance giving each province the control of determining the frequency of these activities.

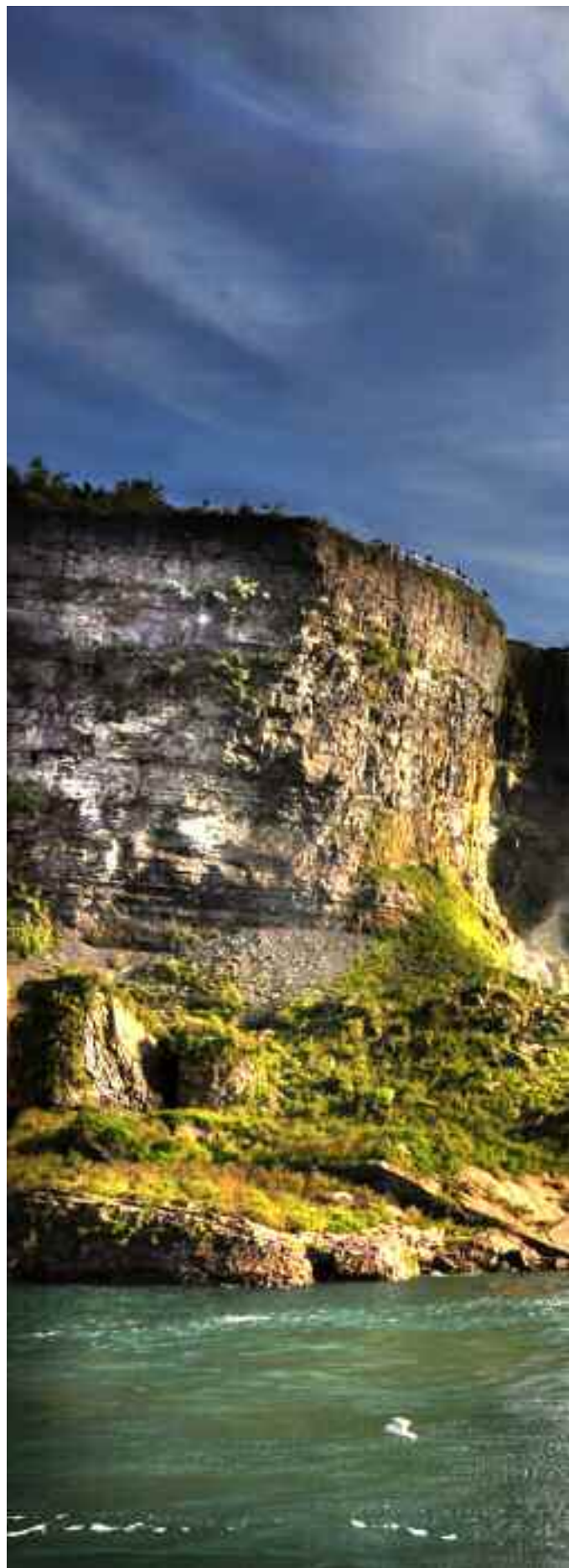
In 1910 an amendment was added and this included more specific and limited exceptions which enabled a) the government of a province to conduct and manage a lottery scheme in that province and b) a charitable or religious organisation to obtain a licence which is issued by the Lieutenant Governor in Council of a province if the proceeds are used for charitable or religious purposes.

In 1969 a further amendment authorised lotteries and sweepstakes whilst provinces were given the authority to licence and operate lotteries and casinos. In 1979 the lotteries came exclusively under provincial authority.

### Coming home second

Canada is a north American country made up of 10 provinces and three territories, which are then often grouped into four main regions – Western Canada, Central Canada, Atlantic Canada and Northern Canada. It is the world's second largest country by total area (after Russia) and has the world's longest land border with the US.

It extends from the North Atlantic Ocean in the east to the North Pacific Ocean on the west and from the Arctic Ocean in the north to its land border in the south. The land is slightly larger than the US and it shares a 8,893 km border with the US including 2,477 km with Alaska.







Canada has around 31,700 large lakes and eight distinct forest regions whilst the highest point is Mount Logan at 5,959 metres.

There are 10 provinces - Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island, Quebec and Saskatchewan. Plus there are three territories - Northwest Territories, Nunavut and Yukon.

For thousands of years this land was inhabited by various Aboriginal people and the name Canada comes from the St Lawrence Iroquoian word Kanata which means 'village' or 'settlement'. It is said this word was used by the indigenous inhabitants to direct French explorer Jacques Cartier to the village of Stadacona and he later used this word for the entire region.

In the late 15th century the British and French Colonial expeditions explored the lands and later settled here on the Atlantic coast. France however ceded almost all its colonies in North America to Britain in 1763 after the Seven Years War and the area was split into two British colonies - Upper Canada and Lower Canada.

Then in 1867 with the union of three British North American colonies the Canadian Confederation proclaimed Canada as a federal dominion which was initially made up of four provinces - Ontario, Quebec, Nova Scotia and New Brunswick - and later assumed control of further territories.

The Great Depression of the early 1930s brought great economic hardship to Canada whilst many elements of the welfare state were introduced in the 1940s and 1950s. However post war saw Canada boom with economic growth which led to the emergence of a new Canadian identity, official bilingualism plus a series of social democratic programmes introduced such as Medicare, pension plans and student loans.

The most densely populated part of the country is Quebec City and some 80 per cent of the population live in urban areas concentrated in Quebec City-Windsor Corridor, the British Columbian Lower Mainland and the Calgary-Edmonton Corridor in Alberta. Around four fifths of the population live within 150km of the US border.

Canada has one of the highest per capita immigration rates in the world which is driven by economic policy and family reunification and was aiming for 240-265,000 new permanent residents in 2012.



New immigrants mainly settle in Toronto and Vancouver.

Today, Canada is a federal state with a population of around 34 million which has developed in parallel with the US on an economic and technological level. It has an advanced economy and is the world's 11th largest economy and relies heavily upon its natural resources and international trade, particularly with the US.

In the past century Canada has seen its manufacturing, mining and service sectors grow and transform the country from a largely rural economy to an

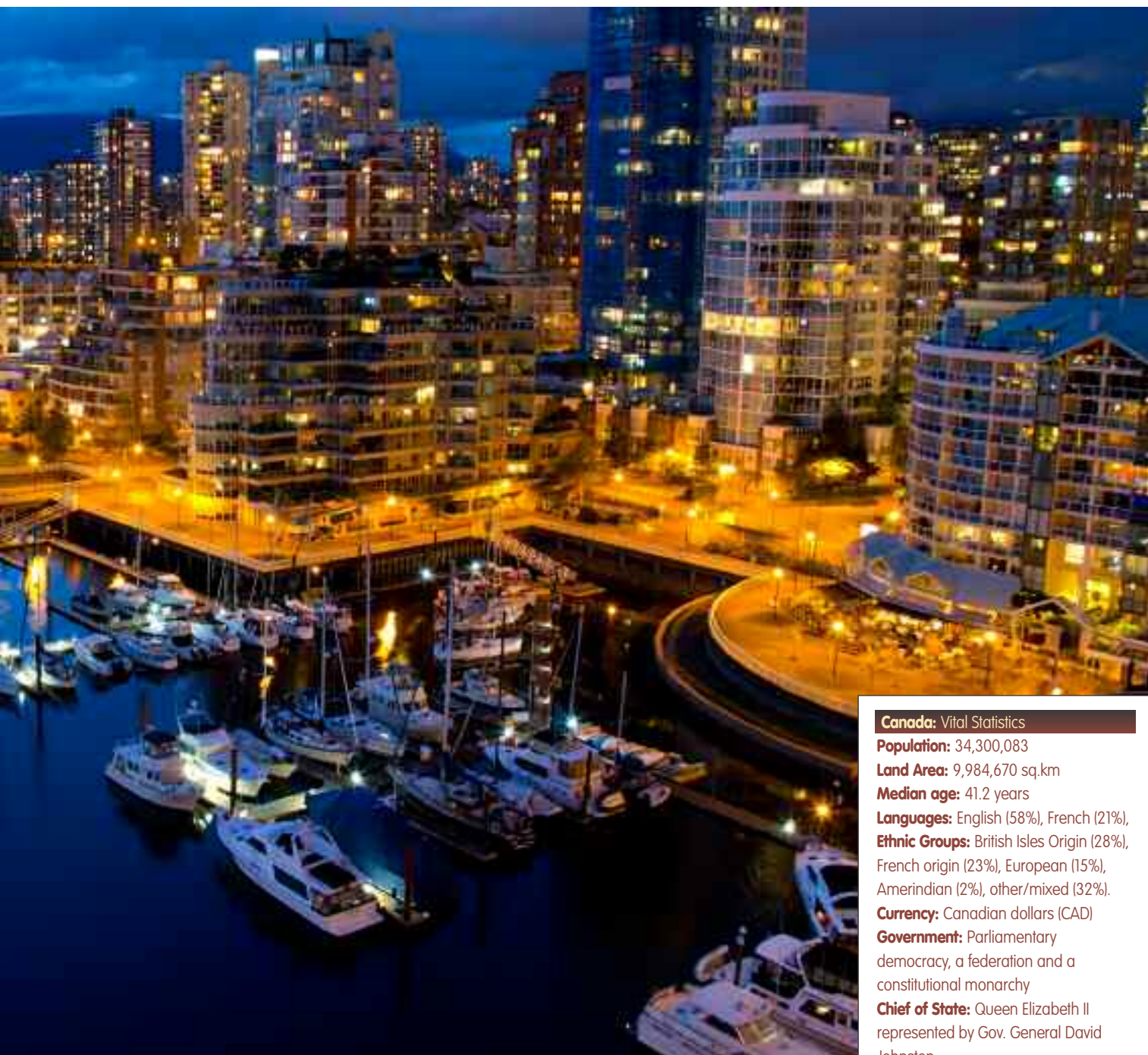
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industrial one. The service industry today employs around three quarters of the workforce.

The country is one of a few developed nations that are net exporters of energy. Atlantic Canada has vast offshore deposits of natural gas and Alberta also has oil and gas resources whilst the Athabasca oil sands have given Canada the world's second largest proven oil reserves. Other agricultural supplies include wheat, canola and grains whilst Canada is also a producer of zinc and uranium, gold, nickel and aluminium.

Canada's per capita income is the ninth





#### Canada: Vital Statistics

**Population:** 34,300,083

**Land Area:** 9,984,670 sq.km

**Median age:** 41.2 years

**Languages:** English (58%), French (21%),

**Ethnic Groups:** British Isles Origin (28%),

French origin (23%), European (15%),

Amerindian (2%), other/mixed (32%).

**Currency:** Canadian dollars (CAD)

**Government:** Parliamentary democracy, a federation and a constitutional monarchy

**Chief of State:** Queen Elizabeth II represented by Gov. General David Johnston

**Head of Government:** Prime Minister Stephen Joseph Harper (since 2006)

**Elections:** Monarchy is hereditary. Governor General appointed by Monarch for five year term. Following elections the leader of the majority party generally designated prime minister by the governor general.

highest in the world whilst nominal GDP in 2011 was \$1.74 trillion. The global recession has had a significant impact however and led to high unemployment which reached 8.6 per cent and today there are 1.4 million unemployed and federal debts totalled \$566.7bn in 2010/11. It now faces the challenge of meeting demands for quality improvements in health care, education, social services and economic competitiveness.

However Canada's recovery is getting a vote of confidence from economists and the Royal Bank of Canada's latest report shows a 2.6 per cent gain in GDP overall for 2012 and 2013. Canada's banks have

in fact emerged from the crisis among the strongest in the world and the country achieved marginal growth in 2010 and 2011 with aims to balance the budget by 2015.

Meanwhile tourism in 2010 was responsible for \$73.4bn in revenues which represents around two per cent of Canada's overall GDP which to put it in real terms is as much as the agriculture, forestry and fishing sectors combined.

Around 594,000 jobs in Canada are related to tourism and the sector has been growing by an average of four per cent each year for the last 20 years with

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around 880 million in 2009 and 1.6 billion tourists expected by 2020. There have been significant investments into the tourism sector including some \$530m back in 2008 for product development, infrastructure and marketing.

# ALBERTA TRUE GAMING SPIRIT

A VLT replacement programme combined with a diverse gaming offer means that Alberta punches above its weight

Alberta is the most populous of Canada's three prairie provinces with a population of 3.6 million and is named after Princess Louise Caroline Alberta (fourth daughter of Victoria who was Queen of Canada until 1901).

Alberta is the fourth largest province in Canada and is a landlocked region located in western Canada and shares a boundary with British Columbia to the west and Saskatchewan to the east, Northwest Territories to the north and the US state of Montana to the south.

The capital of Alberta is Edmonton which is in the heart of the province and is also the supply and service hub for Canada's oil sand and other resource industries. Around 300 kilometres south is Calgary, which is the largest city and a major distribution and transportation hub. Population for both these cities exceeds one million.

The Edmonton-Calgary Corridor is one of the most urbanised and densest in the province and one of the fastest growing regions in Canada. Alberta's economy is one of the strongest in the country and is supported by a petroleum industry and then agriculture and technology. The province is a large producer of crude oil and natural gas. It has made a recovery from the recession and has an average annual growth rate of 3.4 per cent. Unemployment is around 5.5 per cent.

Tourism plays a huge part and in 2010 almost 23 million visited Alberta. Outdoor attractions like hiking, skiing and camping are big pulls and the state relies heavily on Southern Ontario tourists.

### GAMING SECTOR

The gaming sector is governed by the Alberta Gaming and Liquor Commission which is a government agent consisting of a seven member board and a corporation which was formed in 1981.

Gaming activities in Alberta are divided into two models – charitable gaming which includes bingo, casinos, raffles,

pull tickets and provincial gaming – VLTs, slot machines, ticket lotteries and electronic bingo. The sector is governed by the Gaming and Liquor Act which was established in 1996.

Revenue from the gaming sector is returned to the state through licensed charities and to the Alberta Lottery Fund. The Lottery Fund receives a share of net revenues from the VLTs, slots and ticket lotteries and these revenues total more than \$1.5bn each year and support community based initiatives.

In 1938 an amendment was added to the Criminal Code of Canada to permit charitable bingo operations and in the 1960s casino gaming was introduced to annual summer fairs in Alberta.

There were very few changes up until 1970 and in that year the authority to licence and regulate gaming was transferred from the federal government to the various provinces who could authorise lotteries and then other types of gaming such as bingo, casinos, pull tickets and raffles.

The first charitable casino in Alberta was opened for one week at Edmonton's Klondike Days annual fair in 1967. By 1974 some 158 casino event licences were issued in the province and total drop in that year was \$4.4m.

In 1975 the first non profit casino venue was set up by the Kinsmen Club in Edmonton and was quickly followed by further casinos in Edmonton and Calgary. Slot machines however were not introduced into casinos until 1996 and at this time 225 slots were permitted in the permanent casino facilities in Alberta with a maximum limit of 25 slots for Edmonton and Calgary casinos and 10 for facilities in other locations.

Initially they were standard three reel games with a 25c play and \$1000 maximum payout. In 1997 the law changed and the number of slots permitted was doubled.



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Up until 1980 only short term casino events were permitted and this changed to permit permanent casinos. The province's first permanent privately operated casino opened in Calgary in 1980 followed by a second in Edmonton by Casino ABS. In 1996 when the Gaming and Liquor Act was introduced poker was also permitted.

Today there are currently 24 casinos (19 traditional and five First Nations) across 13 towns and most are privately owned facilities. The AGLC has two distinct licences one for a traditional casino facility and a second for First Nations casinos.

Of the 24 casinos there are seven in





There are over 13,000 slots, 476 table games and 196 poker tables in the casinos. AGLC policy states that large casinos can have a maximum of 50 tables and 12 poker tables and small casinos can have a maximum of 16 tables and six poker tables.

Calgary and five in Edmonton with one or two casinos in other regions. The five First Nation Casinos in Alberta are: Stoney Nakoda Casino in Morley, Eagle River Casino and Travel Plaza in Whitecourt, Grey Eagle Casino in Calgary, Casino Dene in Cold Lake and River Cree Resort and Casino in Enoch.

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In February 2012 the AGLC approved a three year moratorium on casino facilities

and the board will not be considering any new casino applications during this period.

In 2001 the Alberta government introduced the First Nations Gaming Policy based on the charitable gaming model. First Nation casinos can be located on reserve land and regulated by the AGLC under the same conditions as other casinos.

In 2010/11 the net operating results for Alberta amounted to \$2.1bn of which over \$1.4bn went to the Alberta Lottery Fund from gaming operations and \$683m went to the General Revenue Fund from liquor and licensing operations.

## Alberta: Vital Statistics

**Capital:** Edmonton

**Population:** 3.6 million

**Land Area:** 661,848sq.km

**Lt. Governor:** Don Eithell

**Premier:** Alison Redford (PC)

**GDP:** \$286.6bn

**Casinos:** 24

**Slots:** 13,278

**Table Games:** 476

**Poker Tables:** 196

**Bingo Halls:** 29

**RECs:** 3

**VLTs:** 5,982

**VLT Revenue:** \$492m

**VLT Retailers:** 1,000

**VGERS:** 75

**Slots:** 835

**Total Gaming Revenue:** \$2.6bn

**Online Gaming:** N/A

**Regulator:** Alberta Gaming and Liquor Commission - [www.aglc.gov.ab](http://www.aglc.gov.ab)

Of this revenue some \$492m came from the VLT sector, \$809m from slot machines, \$8m from bingo and \$319m from ticket lotteries.

Gaming in Alberta consists of Charitable Gaming which covers bingo, casino, pull ticket and raffles and Provincial Gaming which covers VLTs, slot machines, ticket lotteries and electronic bingo.

## CHARITABLE GAMING

These gaming activities are open for eligible charities or religious groups who apply for the licence to operate a gaming activity and this can be a permanent facility or during a special occasion. Thousands do so each year and raise funds for their various causes. Last year the gaming revenue totalled about a quarter of a billion dollars.

Groups conducting a casino event receive the proceeds from the table games and pay a service fee to the operator. The charities also receive a portion from revenues from slots, electronic bingo and keno.

Almost \$300m was earned by charitable gaming licensees in 2010/11, of which casinos have the largest chunk with \$231m. Last year some 3,524 charitable casino licences were issued.

To qualify for a casino licence a group must have delivered a charitable program in Alberta for a minimum of 24 months at the time of application. Usually the events are two days long in a casino facility within a designated region within the province.

- Licence fees for a casino (usually a two day event) are \$15 per table game per day. A licence for bingo is \$30 per event per group, a licence for pull tickets (usually two years) is \$10 per unit whilst there are no licence fees for raffle tickets.

- The AGLC will determine the number of slot machines provided to a casino facility to a maximum of 1,100 slots.

- Percentage payout for slots is between 92 and 93% average.

- The maximum number of table games is either a) 1-15 games: for 15 games or less – a maximum of 15 games plus six poker games or b) 15+ games: for 16 games or more the location is permitted up to 50 games and 12 poker games.

- Lease games will not exceed 10 per cent of total slot machines in a casino facility.

- Slot machines pay:  
15% of net proceeds to licensed charity

15% commission to casino facility operator

30% to Alberta Lottery Fund

40% to Alberta Lottery Fund for the First Nations Development Fund.

- Tables games pay: 50% of net proceeds for Edmonton and Calgary casinos.

65% for St Albans' casinos.

75% for other provincial casinos.

- Poker licensed groups retain a minimum of 25 per cent of poker net sales throughout the province.

- Casinos are allowed to operate table games for a maximum of 14 consecutive hours between 10am and 2am.

- Slots can be operated for up to 17 consecutive hours from 10am to 3am.

- Casinos can operate seven days a week but must close on Christmas Day.

- Minimum age requirement is 18 years.

- Size of casino must be a minimum of 1,858 sq.m for 16+ games or 697sq.m for 1-15 games.

### PROVINCIAL GAMING

This covers all electronic gaming devices such as slot machines, VLTs, electronic bingo. These activities are provided through independent retailers, private operators and bingo associations under







agreements with the AGLC. Some \$1.4bn in net proceeds was received in 2010/11 from this sector with funds going to the Lottery Fund.

There are a total of 13,278 slots in Alberta of which 4,381 are in Edmonton Casinos, 4,584 are in Calgary casinos and 3,478 in casinos in the rest of the state. A further 835 are in Racing Entertainment Centres (RECs). Total net revenue for slots last year was \$809m.

Meanwhile all VLTs are located in age restricted liquor licensed venues either VLT retailers or Video Gaming Entertainment Centres (VGERs) of which there are 1,000 in Alberta. VLT retailers can have between two and 10 VLTs whilst gaming centres can have up to 25 VLTs.

The AGLC pays a 15% commission to VLT retailers for the service provided and all remaining income is directed to the Alberta Lottery Fund.

The total number of VLTs remains capped at 6,000 and net revenue last year amounted to \$492m. Since 2001 the number of VLT locations has reduced by over 18 per cent even though the number of VLTs out there in the market has remained fairly consistent.

The estimated budget for this year is \$796m from slots, \$494m from VLTs and \$309m from ticket lotteries

Meanwhile the AGLC rejected an idea for online gaming last year after the idea was formulated. The province looked at the possibility of starting up an internet gambling website and met with other provinces about forming a national online gaming site.

Whilst other provinces like British Columbia are moving ahead with their own sites, Alberta has decided against the option saying problem gamblers need to be protected first. It was estimated that 36-39 per cent of gaming revenue is generated by people with a gambling problem in Alberta.

Last year the Alberta Gaming and Liquor Commission began its VLT replacement programme and WMS Industries, Aristocrat and Spielo International won a portion of this replacement. WMS presented its products for the Alberta and Manitoba markets at G2E in October.

Spielo signed a multi year contract in November 2011 to supply a significant number of the 2,750 VLTs required in total. Meanwhile Spielo International's INTELLIGEN central system is now live in Quebec, Alberta and Manitoba which means across the three jurisdictions

multiple manufacturers' machines are connected to the system.

Robin Drummond, VP and General Manager of Public Gaming for Spielo said: "Canada has gone through a major replacement cycle with five major VLT jurisdictions all requesting bids for machines and systems. Spielo has won 11 out of the 11 contracts we've bid on, increasing our Canadian market share in both central systems and in the VLT business despite the increased competition of new providers to the market.

"With INTELLIGEN all the machines are communicating to the central system using the Game to System (G2S) open standard protocol which means Canada has the largest concentration of G2S enabled technology in the world. This linkage will ensure the VLTs using INTELLIGEN can use our latest features and applications, ranging from responsible gaming to remote game refreshments to progressives.

"By the time all replacement VLTs are installed in 2013 an expected 34,000 machines will be using INTELLIGEN. Spielo is excited to be a leader in implementing this technology."

### RACING ENTERTAINMENT CENTRES

The first organised horse race in Alberta took place in 1905. By the 1920s betting on horse races was active in Alberta and amendments in 1925 formally exempted major fairs from some of the prohibitions against gambling.

In 1996 the government established orse Racing Alberta as an independent non profit organisation to govern and promote horse racing in the state. Today there are three Racing Entertainment Centres (RECs) and Alberta has a 24 per cent share of the total racing sector in Canada.

Revenue from REC slot machines is disbursed to the horse breeding and race industry. The three facilities are Evergreen Park in Grande Prairie, Northlands Park in Edmonton and Rocky Mountain Turf Club in Lethbridge.

The first horse racing simulcast was run at Calgary's Trout Springs in 1989. In 1991 VLTs were tested at summer fairs in Edmonton and Calgary and these are finally introduced a year later. In 2004 the VLT Replacement Project was completed which saw 6,000 VLTs replaced with updated machines.

The racing sector pays 15% commission from its net revenue from slots to the racing entertainment centre and 85% to



#### Alberta: Operator profile

**Operator:** Casino ABS

**Alberta Casinos:** Casino Edmonton, Casino Yellowhead, Casino Calgary and Casino Lethbridge.

**Information:** CASINO CALGARY – This is the only casino in Northeast Calgary so a popular destination for residents. There are eight poker tables, 852 slots, 10 VLTs, 27 table games and off track betting seven days a week.

CASINO EDMONTON – This is the only casino on the south side of the North Saskatchewan River and known as the 'friendlies' casino. There are 850 slots, 10 VLTs, 22 table games and 12 poker tables.

CASINO LETHBRIDGE – This is the company's youngest casino and it has an eclectic 'cowboy' chic image and is 44,000sq.ft. There are 427 slots, 10 VLTs, 14 table games and six poker tables.

CASINO YELLOWHEAD – This is the largest casino in Western Canada and has a theme of Hollywood Western and 75,000sq.ft in size. There are 773 slots, 10 VLTs, 27 table games and 12 poker tables.

**Background:** Casino ABS operates four casinos in Alberta and is Canada's oldest and largest casino operator in Alberta. The company was founded by the late Heinz Oldach who began his career as a carnival ride operator. In 1981 he opened the first permanent casino in Edmonton and changed the company name to Casino ABS.

the Lottery Fund. Total revenue from the horse racing sector amounted to \$149m of which \$44m came from RECs the largest chunk of \$33.3m from Northlands Park, \$5.9m from Rocky Mountain and \$4.6m from Evergreen Park.

The Horse Racing Association receives 51.66% of slot revenue under a 2002 Government of Alberta agreement. In 2011 this came to \$22.7m and \$14.7m went to the Alberta Lottery Fund whilst RECs retained 15% or \$6.6m.





## BRITISH COLUMBIA SPLENDID ISOLATION

Progressive and liberal, the BCLC has developed robust responsibility programmes while expanding its gaming footprint

British Columbia is the most westerly province in Canada and its name was originally chosen by Queen Victoria back in 1858. It became the sixth Canadian province in 1871.

The region has strong cultural and personal ties to the Canadian Prairies and Ontario as well as to the West Coast of the US and to Alaska and Yukon. It is also a component of the Pacific Northwest.

The province has a population of 4.4 million and borders the Pacific Ocean on the west and Alaska in the northwest, Yukon and the Northwest Territories in the north, Alberta in the east and US states Washington, Idaho and Montana in the south. Its capital, Victoria, is the 15th largest metropolitan region in Canada however the largest city is Vancouver. Half of all British Columbians live in the Metro Vancouver area

British Columbia is renowned for its spectacular scenery which is the backdrop for a booming outdoor and eco-tourism industry. Some 75 per cent of the province is mountainous, 60 per cent is

forested and only five per cent is arable. There are 14 designations of parks and protected areas and 141 ecological reserves. The province's economy is centred on the forestry industry but also mining plays a huge part whilst its film industry, known as Hollywood North, provides the third largest feature film production location in North America.

British Columbia has a pattern of boom and bust in terms of economics and politics. Tourism in British Columbia generates around \$14bn in revenue and there are around 15 million visitors to the province

### THE GAMING SECTOR

British Columbians can gamble in the following activities – provincial and national lotteries, horse racing via the five horse tracks and 22 Tele-theatres, 17 casinos, 17 Community Gaming Centres, 10 bingo halls and PlayNow.com online gaming.

The gaming industry is worth \$2.7bn per year and the sector employs 26,000 people directly and indirectly with over 9,100 licensed gaming events held last

The Gaming Policy and Enforcement Branch regulates all gaming in British Columbia including the British Columbia Lottery Corporation which then manages lotteries, casinos and bingo halls, plus gaming service providers and British Columbia's horse racing industry.

year. In 2011/12 commercial gaming grossed \$2.7bn (\$1bn from lottery and \$1.6 from casinos and CGCs) compared to \$2.6bn the previous year. After prize payouts the net win was \$2bn whilst net income after expenditure amounted to \$1.19bn.

This revenue then supports local communities, the horse racing industry, Gaming Policy and Enforcement Branch (GPEB) operations and government programmes and through the community gaming grant programme the GPEB distributed \$135m to around 5,000 non profit organisations last year.

Local governments which host casinos receive 10 per cent of net gaming and last year the GPEB paid \$82.3m in grants to 29 host local governments.

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The history of the lottery corporation began in the early 1970s when initially Manitoba, Saskatchewan, Alberta and British Columbia formed a partnership to conduct lotteries in Western Canada and sales began in British Columbia in August 1974.

In 1985 after 10 years of co-operative selling under the umbrella of the Western Canada Lottery Foundation, British Columbia opened its own lottery called British Columbia Lottery Corporation (BCLC).

In 1997 the casino operations model was developed when BCLC was given the responsibility to conduct and manage slot machines in the province.

The first 191 slot machines were activated in October 1997 at the Great Canadian Casino Newton in Surrey and during that year some 850 slots were also then installed by the corporation at six different casino locations – Billy Barker, Kelowna, Mandarin Centre, Royal Towers, Treasure Cove and Vernon. By the end of 1998 the total slot revenue for these seven casinos amounted to \$40.7m.

The casino sector provides almost 60 per cent of gambling revenues. Net income goes to the province to support programs, services and grants in the community whilst local governments who host a casino receive 10 per cent of the gambling net income. In 2011 more than \$1bn was generated by the BCLC gambling activities, which was paid into health care, education and community group services.

A year later in 1998 the BCLC also became responsible for table gaming in casinos in British Columbia and by the end of 1999 there were 17 casinos with a total slot revenue of \$146m whilst table gaming saw total revenues of \$161m. By the end of 1999 there were also 16 community casinos in operation including eight with slot machines. By 2011/12 the situation looked like this:

### CASINOS

The BCLC basically manages and operates commercial gaming on behalf of the Government of British Columbia. This includes the slots, table games and other gaming facilities which are available in the 17 casinos in the province, plus 17 community gaming centres (often branded Chances) and 10 commercial bingo halls located in 29 communities across the province.

The BCLC provides all the games and equipment and oversees the operation of the casinos. Private Service Providers (PSP) can then build, provide and operate facilities on BCLC's behalf which means they finance the facility and pay the capital costs of development.

Currently the BCLC has agreements in place with more than 20 PSPs.

Meanwhile, PSPs can apply for a grant via the Facility Development Commission which helps set up the casino and developed the first casino model in 1997, however the service providers can only apply for the FDC after they have funded the project initially.

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Around 56% of net revenue from full service casino gaming is returned to the province which is higher than most other provinces in Canada, except Alberta (65%). Total casino revenue for 2011/12 was \$1.35bn compared to \$1.33 the previous year.



### British Columbia: Vital Statistics

**Capital:** Victoria  
**Population:** 4.4 million  
**Land Area:** 944,735 sq.km  
**Lt. Governor:** Steven Point  
**Premier:** Christy Clark (Liberal Party)  
**GDP:** \$191bn  
**Casinos:** 17  
**Casino Slots:** 9,727  
**Table Games:** 459  
**Casino Revenue:** \$1.3bn  
**Racetracks:** 5  
**Tele-theatres:** 22  
**CGCs:** 17  
**Slots in CGCs:** 2,103  
**CGC Revenue:** \$289m  
**Bingo Halls:** 10  
**Bingo Seats:** 8,481  
**Lottery Retailers:** 4,000  
**Total Gaming Revenue:** \$2.1bn  
**Online Gaming:** PlayNow.com (revenue \$66m)  
**Regulator:** Gaming Policy and Enforcement Branch - [www.pssg.gov.bc.ca](http://www.pssg.gov.bc.ca)

The 17 casinos are: Billy Barker Casino, Boulevard Casino, Cascades Casino, Royal Towers, Casino of the Rockies, Edgewater Casino, Grand Casino, Royal Diamond Casino, Fraser Downs, Grand Villa, Burnaby Casino, Hastings Park, Kamloops, Kelowna, Nanaimo, Penticton, River Rock Casino, Starlight Casino, Royal City Star Casino, Treasure Cove Casino, Casino Hollywood, Vernon, View Royal and Mayfair.

The PSPs have the following regulations:

- Casino Service Providers are paid an operating commission based on a net win of 25% for slots and 40% for table games. A further three per cent is paid to the Facility Development Commission.
- Service providers receive a commission based on net gambling revenue for either casino, CGC or bingo hall.
- Local governments which host a casino also receive 10 per cent of the net income generated from the slot machines.
- Licence application fees are Class A Casino Service Provider - \$100,000 per gaming facility

Class B Casino Service Provider - \$50,000 per gaming facility

In September the BCLC submitted a proposal to the city of Surrey to relocate the CGC in Newton to a new site in South Surrey and also develop a casino hotel and conference centre. This would include 25 gaming tables and up to 600 slots, four star hotel with 190 rooms, 27,000sq.ft conference centre and bars, lounges and parking. Service provider Gateway Casinos would develop and operate the facility.

Class C Casino Service Provider - \$25,000 per gaming facility

Interestingly the casino sector runs a Patron Gaming Fund which gives customers the option to keep funds in a controlled account for casino gaming and is aimed at high dollar volume regular players. It was piloted in five Lower Mainland casinos in 2010.

Clients can deposit funds via transfer with a minimum deposit of \$10,000. The pilot scheme was successful and the GPEB is now looking at how to make the program more accessible to patrons who request it.

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The area of Surrey has great potential for such a venue due to location and its

status as one of the fastest growing cities in British Columbia.

Kim Steinbert, Senior Communications Officer at BCLC said: "The combination of the existing Fraser Downs Racetrack and Casino and the new proposed facility will better serve the market for gambling entertainment as each will offer a unique mix of entertainment and amenities that will appeal to players in and around Surrey.

"The South Surrey casino is still now in the planning stages and has not yet been approved by the city of Surrey."

### BINGO AND CGCs

The BCLC assumed the management of commercial bingo gaming in 2003 and at the time bingo facilities were not very well managed or maintained and revenues had been in decline since the late 1990s.

The BCLC developed the Community Gaming Centres model in 2004 with the aim of developing a new model to maintain player's interest and the CGCs combine gaming and entertainment options and they can operate bingo





### BCLC CASINO REVENUE 2011/12

CASINO	SERVICE PROVIDER	SLOT REVENUE	NO. OF SLOTS	TABLE REVENUE	NO. OF TABLES
Billy Barker Casino	585 Holdings	\$8.6m	138	\$40,000	3*
Boulevard Casino	Great Canadian Casinos	\$104m	1,001	\$39.4m	64
Cascades Casino	Gateway Casinos Ltd	\$90m	815	\$18.4m	27
Casino of the Rockies	SEM Resort Ltd	\$13.6m	228	\$867,000	11
Edgewater Casino	Edgewater Casino	\$59.9m	550	\$53.6m	57
Fraser Downs Racetrack	Orangeville Raceway	\$46.1m	469	\$5.7m	22
Grand Villa Casino	Gateway Casinos Ltd	\$118m	1,001	\$59.2m	48
Hastings Racecourse	Hasting Entertainment	\$21.9m	596	-	-
Kamloops Casino	Lake City Casinos	\$30.8m	301	\$2.2m	6
Kelowna Casino	Lake City Casinos	\$33.2m	518	\$3.9m	15
Nanaimo Casino	Great Canadian Casinos	\$40.3m	407	\$3.3m	6
Penticton Casino	Lake City Casinos	\$27.5m	293	\$1.6m	9
River Rock Casino Resort	Great Canadian Casinos	\$130.9m	1,006	\$170m	112
Starlight Casino	Gateway Casinos	\$75.2m	857	\$35.4m	57
Treasure Cove Casino	Treasure Cove Casino	\$44.4m	540	\$1.9m	9
Vernon Casino	Lake City Casinos	\$34.1m	405	-	-
View Royal Casino	Great Canadian Casinos	\$67.6m	602	\$7.6m	13
<b>TOTAL</b>	<b>17 casinos</b>	<b>\$947.6m</b>	<b>9,727</b>	<b>\$403m</b>	<b>459</b>

\* Table games (excluding poker) were removed from Billy Barker Casino in May 2011.

## THE BCLC DEVELOPED THE CGC MODEL IN 2003 WITH THE AIM OF DEVELOPING A NEW MODEL TO MAINTAIN PLAYER INTEREST.

community gaming centres also receive 10 per cent of the net income generated from the slot machines.

- Casino Service Providers in CGCs are paid an operating commission based on net win of 25% for slots new win. A further three per cent is paid to the Facility Development Commission.
- Licence application fees are Class A bingo service providers - \$2,000 per gaming facility

Class B bingo service providers - \$1,000 per gaming facility

Slot machines in British Columbia are only permitted in legal gaming venues such as casinos, CGCs and race tracks. The province does not permit slot machines or VLTs in pubs and bars. Limited products such as Racetrax and Keno are permitted in bars alongside charity raffles, bingo events and small scale Texas Hold em Poker.

CGC Service providers - \$10,000 per gaming facility.

In 2011/12 the bingo and CGCs saw total revenues of \$289m of which \$193m came from slots and \$95.9m came from bingo. There are 2,103 slots in the CGCs and a total of 8,481 bingo seats across the 10 bingo halls and CGCs.

Main operators include Gateway Casinos and Entertainment Ltd, Great Canadian Entertainment Centres Ltd, Playtime Community Gaming Centres and Boardwalk Gaming.

Slot machines in British Columbia are only permitted in legal gaming venues such as casinos, CGCs and race tracks. The province does not permit slot machines or VLTs in pubs and bars. Limited products such as Racetrax and Keno are permitted in bars alongside charity raffles, bingo events and small scale Texas Hold em Poker.

Great Canadian Casinos Corporation operates three CGCs, plus four casinos, two racetrack facilities and a tele-theatre in British Columbia.

games, lottery products, slots, electronic table games and Tele-theatres. Today there are 17 CGCs and the majority are operated under the Chances brand.

The 17 CGCs are: Chances Abbotsford; Chance Campbell River, Chances Castlegar, Chances Courtenay, Chances Cowichan, Chances Dawson Creek, Chances Fort St John, Chances Kamloops, Chances Kelowna, Playtime Gaming Langley, Chances Maple Ridge, Chances Mission, Chance RimRock, Chances Prince Rupert, Chances Squamish, Chances Terrace and Chances Signal Point.

All CGCs service providers have Operational Service Agreements with the BCLC and receive the standard bingo commission which is:

- Bingo halls receive 60% of bingo revenue net of prizes on the first \$20,000 per week; 40% on the next \$60,000 per week and 25% on anything greater than \$80,000 per week. They also pay 5% of revenue net of prizes to the FDC.
- Local governments which host a



### HORSE RACING

Horse Racing in British Columbia is regulated by the Racing Division of the Gaming Policy and Enforcement Branch which provides rules and management of racing events and licence participants.

There are five race tracks in the province and 2,900 licensed owners, jockeys, drivers, trainers and grooms who are involved in this industry and participate in the 168 race days (or 1,597 races) conducted last year. The British Columbia racing industry is responsible for 12 per cent of the total Canadian racing sector.

The four thoroughbred tracks are Sagebrush Downs in Kamloops, Sunflower Downs in Princeton, Hastings Racecourse in Vancouver and Kin Park in Vernon with one standardbred track at Fraser Downs Racetrack in Surrey.

Recently the Great Canadian Gaming Corporation received a two year extension to its operating agreement for its Hastings Racecourse property from the city of Vancouver. The extension means the licence will run until 2014. Hastings has been in operation at its current location for over 123 years.

Meanwhile there are 22 Tele-theatre sites across the province which then present simulcast satellite broadcasts of horse races run on local, national and international tracks.

Wagering at the five race tracks in the province amounted to \$182m last year and of this amount around 75 per cent is wagered on simulcast races and the remaining on live races. The sector employs around 7-8,000 people and the overall economic impact from this industry was \$350m. The GPEB gave a \$10m grant to revitalise the horse racing industry last year.

However the industry has been declining over the last decade and in 2009 the ministry was asked to revitalise the sector and established the BC Horse Racing Industry Revitalisation Initiative which has seen several changes to improve the sector including new revenue initiatives, improving player interest and cost efficiency in operations.

The licence application fee for horse racing operators is \$5,000 per gaming facility and \$1,000 for tele-theatre operators. Taxes are: a) 2.5% of the amount bet anywhere other than in a triactor pool or b) 4.5% of the amount bet in a triactor pool.

Horse racing in BC is funded through 18 per cent commission on pari-mutuel wagering and 15.5% commission on net

Recently the Great Canadian Gaming Corporation received a two year extension to its operating agreement for its Hastings Racecourse property from the city of Vancouver. The extension means the licence will run until 2014. Hastings has been in operation at its current location for over 123 years.

In 1985 the province formed its own entity to operate lotteries via the BCLC and every year awards more than \$49m in prizes. Today they offer national games such as Lotto Max and 6/49 plus provincial games such as BC49, Poker Lotto, SportsFunder 50/50 and Extra. They also have Scratch and Win and Pull Tab games and quick play games such as Keno and Pacific Hold em Poker.



slot revenues. Last year the horse racing industry saw revenues of \$44.41m.

### LOTO AND ONLINE GAMING

Lotteries began in British Columbia in 1969 when the Criminal Code of Canada was amended to authorise such games and at first the province formed a partnership with other provinces in Western Canada to sell lottery products.

In 1985 the province formed its own entity to operate lotteries via the BCLC and every year awards more than \$49m in prizes. Today they offer national games such as Lotto Max and 6/49 plus provincial games such as BC49, Poker Lotto, SportsFunder 50/50 and Extra. They also have Scratch and Win and Pull Tab games and quick play games such as Keno and Pacific Hold em Poker.

There are 4,000 lottery retailers across the province located in retail stores, petrol stations, lottery kiosks, bars and pubs. Products are also available via the online gambling website Playnow.com.

In 2010 the BCLC became the first to offer

provincially legal and regulated online casino games in North America which is only available to BC residents aged 19 years or over.

Its website Playnow.com which offered lottery games was expanded to include casino games, blackjack, roulette, baccarat, craps and poker, plus bingo, slots and games. In the event the federal government amends the Criminal code to allow single event sports betting then the PlayNow.com has the flexibility to adapt to this.

After launching with casino games this was then followed in an agreement with Loto Quebec in February 2011 when they began offering peer to peer poker on a shared network.

The province apparently wants to recover the estimated \$100m British Columbian residents spend elsewhere on online gaming. In 2009 the province generated \$34m from its online gambling operations. Last year PlayNow.com generated \$66m in revenue and posted 53 per cent growth driven by eCasino and eLottery.



In April 2012 the BCLC partnered with Manitoba Lotteries to provide online gambling to Manitobans and this is the first step in a new line of business for BCLC who is now looking at partnering other jurisdictions in Canada and beyond.

There are some 190,000 British Columbians currently registered on the site playing over 100 available games. Peer-to-peer poker, which is shared across BC and other Canadian jurisdictions via its Canadian Poker Network, is also available. There were lots of discussions concerning e-poker and an Internal Compliance and Risk Management Division was set up to monitor the activity and launch of epoker gaming.

Players must be 19 years and over and be a permanent resident of British Columbia and physically located in BC at the time of registration. They must have a current Canadian VISA or Mastercard and there must be sufficient funds in the account to complete a purchase and players cannot deposit.

Players can withdraw funds at any time

### THE BCLC OPERATES A SELF EXCLUSION PROGRAMME TO ENABLE PEOPLE TO PROHIBIT THEMSELVES FROM CASINOS.

unless the amount is over \$100,000 which will be paid by cheque and in person.

The BCLC also operates a self exclusion programme to enable people to prohibit themselves from entering casinos, CGCs or the Playnow.com website and this can be run for a period of up to six months or one, two or three years. This can be extended but not reduced and registrants are offered referral to counselling and support services.

Paddy Power will provide odds services for the PlayNow.com Sports in tandem with OpenBet who provide the

There are some 190,000 British Columbians currently registered on the site playing over 100 available games. Peer-to-peer poker, which is shared across BC and other Canadian jurisdictions via its Canadian Poker Network, is also available. There were lots of discussions concerning e-poker and an Internal Compliance and Risk Management Division was set up to monitor the activity and launch of epoker gaming.



#### British Columbia: Operator profile

**Operator:** Gateway Casinos & Entertainment Ltd

**BC Casinos:** 7 casinos, 2 CGCs and a bingo hall

**Information:** GRAND VILLA CASINO in Burnaby is the crown jewel with two floors of gaming with 1,000 slots, 48 gaming tables and 12 poker tables.

STARLIGHT CASINO in New Westminster is right near Vancouver Airport and features slots, 32 table games and nine poker tables.

CASCADES CASINO in Langley is just minutes from the US border and includes 800 slots, table games and poker room.

LAKE CITY VERNON has 400 slots, table games and poker.

LAKE CITY KAMLOOPS is 14,000sq.ft and has slots, table games and poker.

LAKE CITY KELOWNA is located at the Grand Okanagan Lakefront Resort and Conference Centre and recently underwent an expansion and now has 500 slots, table games and five poker tables in 30,000sq.ft gaming room.

LAKE CITY PENTICTON is the company's only designated 'destination' casino and is situated at the Penticton Lakeside Resort and Conference Centre.

CHANCES CGC MISSION is located in the heart of Fraser Valley near the US border. This CGC offers slots, bingo, instant win games, lottery games and off track betting.

CHANCES CGC Squamish is on the Sea to Sky Highway and offers slots, bingo, electronic table games and off track betting.

NEWTON BINGO, Surrey is located in one of the heritage sites in Surrey.

**Background:** Gateway is one of the largest casino and entertainment companies in Western Canada and has grown from two facilities with 150 employees in 1992 to 12 facilities and 3,500 employees in the last 20 years. Apart from the 10 facilities above Gateway operates two Alberta casinos.



sportsbook software. OpenBet has worked closely with BCLC since they launched their initial online gaming site when the casino game was delivered on OpenBet's platform.

Paddy Power is able to deliver up to the second market and price information which OpenBet's LiveServ and LiveOdds will publish directly to the user's browser in real time. A similar arrangement between Paddy Power and OpenBet was deployed with French betting organisation PMU when it regulated online gaming a couple of years ago.

Rhonda Garvey, VP of eGaming BCLC said: "Working with OpenBet and Paddy Power provides us with the expertise to deliver the very best sports betting products for our players and one that very few companies in the world have the expertise to deliver. Our players now have access to a much wider variety of sports on a site that is safe, secure and regulated."

OpenBet now supplies gaming solutions for three of the five provincial lotteries in Canada – BCLC, Atlantic Lottery and Loto-Quebec. The company's sports betting platform is now also used for ALC's Pro.Line sports wagers through retail and online platforms.

David Loveday, CEO of OpenBet said: "The gaming world has changed a lot over the years and operators are no longer looking for someone to simply deliver an online offering. Canada is paving the way for how online gambling is going to be implemented in regulated markets going forward. They are looking for reliable partners who can develop an offering that is adaptable to the ever changing landscape we work in."

"OpenBet has demonstrated its ability to partner with leading lottery providers such as BCLC, Loto Quebec and the Atlantic Lottery, to create innovative solutions that can adapt and evolve to customer needs and provide the assurance of complete compliance needed in highly regulated markets."

OpenBet has played a pivotal part in the development of the Canadian online gambling market. We provide the underlying platform and backend support to three of the provincial lotteries in the country that have developed an online presence to extend the reach of their existing gambling offering.

"The work we are doing with BCLC, Loto Quebec and Atlantic Lottery is groundbreaking in that territory and in each case it has been our ability to provide a truly flexible approach that has



In 2010/11 in the charitable gaming sector there were 340 Class A licences issued and Class A gaming events earned \$19.5m whilst there were 4,400 Class B licences which earned \$8.9m gross revenue.

delivered a successful solution that fits all the strict criteria that is required to offer a secure and enjoyable gambling solution for their customers."

### CHARITABLE GAMING

In 2010/11 in the charitable gaming sector there were 340 Class A licences issued and Class A gaming events earned \$19.5m whilst there were 4,400 Class B licences which earned \$8.9m gross revenue. There were eight Class C licences issued and these events earned around \$2.6m and some 4,381 Class D licences which earned \$2.8m.

Charitable gaming organisations earned

around \$36m through licensed gaming activities whilst community organising received \$171m in gaming revenue.

- Licences for charitable gaming are granted for either Class A (more than \$20,000 in gross revenue), Class B (\$20,000 or less), Class C (for a gaming event to be held in conjunction with an approved fair or exhibition) or Class D (\$5,000 or less)
- Under Class A and B the following types of gaming events can be conducted – Ticket raffles, independent bingos, Wheels of Fortune, Social occasion casinos, poker tournaments.



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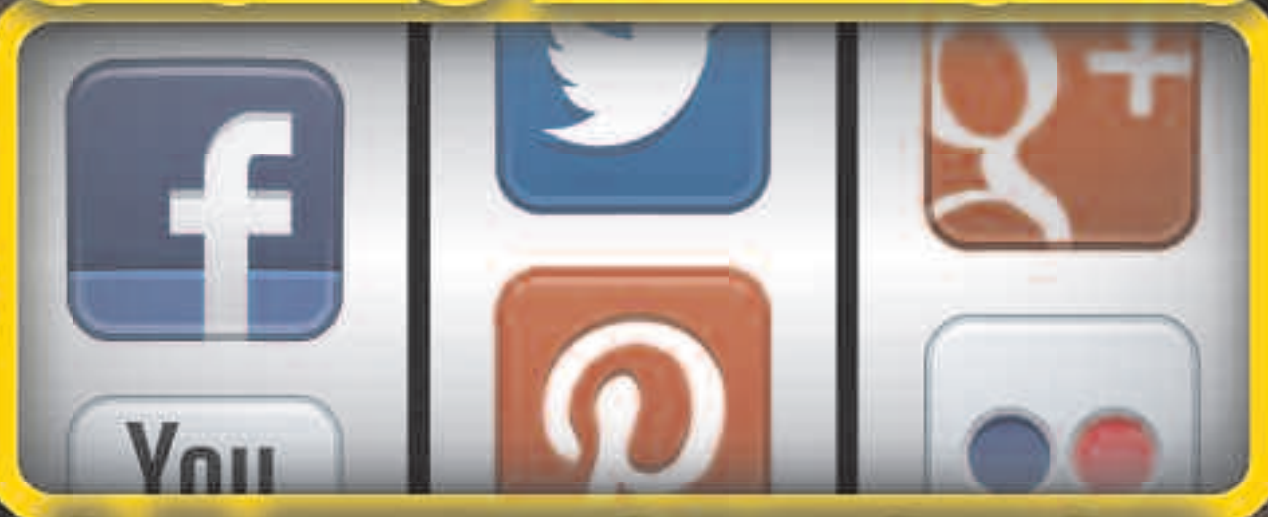
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# MANITOBA A GLORIOUS FUTURE

Another province refreshing its stock of video lottery terminals, Manitoba is one of the few to truly adopt online gaming

Manitoba is located in the heart of Canada and is named after a place now called The Narrows which is in the centre of Lake Manitoba.

Fur traders first arrived in this province in the late 17th century and Manitoba became a province in 1870. Today it is a prairie province and its capital and largest city Winnipeg is home to 60 per cent of the population.

The province is bordered between Ontario to the east and Saskatchewan to the west and the territories of Nunavut and Northwest Territories in the north and the US states of North Dakota and Minnesota in the south. Its only connection with a coastline is the Hudson Bay border.

However Manitoba has over 110,000 lakes which cover around 15 per cent of its surface area whilst agriculture plays a huge part in its economy which is based largely on natural resources.

Apart from agriculture the province relies heavily on tourism, energy, oil, mining and forestry. Around 12 per cent of Canadian farmland is in Manitoba with cattle farming the most popular whilst the province is the nation's largest producer of sunflower seed and dry beans.

Manufacturing accounts for 12 per cent of GDP and Manitoba is home to Canada's largest firms for furniture, doors, windows and cabinetry.

The province's economy posted the second strongest growth in the country this year and has seen a growth of 2.9 per cent. Unemployment is around 5.4 per cent.

Meanwhile polar bear and Beluga whale watching is a huge tourist pull and Manitoba is the only province with an Arctic deep water seaport.

Tourism is a \$1.26bn industry and represents around 2.9 per cent of the province's GDP with some 8.6 million visitors annually.

### MANITOBA LOTTERIES

Gambling began in Manitoba in the 1970s when the lottery began. Today it is controlled by the Manitoba Lotteries Corporation which owns the province's two casinos and VLT network and also distributes and sells tickets for the lotteries which are operated by the Western Canada Lottery Corporation (WCLC) and the Interprovincial Lottery Corporation (ILC). It is also the exclusive supplier of breakopen tickets and bingo paper in Manitoba.

The Western Canada Lottery Corporation was established in 1974 and is a partnership of three Prairie Provinces – Manitoba, Saskatchewan and Alberta with the three territories participating as associate members.

WCLC is responsible for providing lottery products and central gaming system for the Prairie Provinces.

The ILC is an umbrella organisation created by all 10 provinces to operate lottery games on a national basis and coordinate the draws and prize funding for two national games Lotto 6/49 and Lotto Max. There are some 865 lottery outlets across Manitoba which offer anything from breakopen tickets to lottery tickets and products include Lotto 6/49, Lotto Max, Extra, Scratch n Win, Pick 3, Keno, Pro-Line, Props and Pools and Double Play. Lottery revenue for 2012 was \$2.8m and Manitoba Lotteries' share of the profit of BCLC was \$67.7m.

Manitoba Lotteries total revenues (including WCLC) reached \$569m last year with a net income of \$338m. This was compared to \$562m and \$321m respectively the year previously. Meanwhile total gaming revenue reached \$702m with a net income of \$410m.

Through these operations the revenues are directed back into the province to support health and education programmes. In 2011/12 Manitoba Lotteries provided over \$342m for such causes plus \$5.9m to NPOs and \$4.3m to



The Lotteries and Gaming Control Act was passed in Manitoba in 1980 and replaced the Manitoba Lotteries Act as well as establishing the Manitoba Lotteries and Gaming Licensing Board.

responsible gaming programmes.

Meanwhile local governments receive annual grants from VLT revenues and in 2010/11 this amounted to \$16.5m which was 10 per cent of VLT revenues.

A further 25 per cent of VLT revenues was redirected into local economic development projects and this amounted to \$47.3m. The company generates some 4,000 jobs in the province.

The Lotteries and Gaming Control Act was passed in Manitoba in 1980 and replaced the Manitoba Lotteries Act as well as establishing the Manitoba Lotteries and Gaming Licensing Board.

Meanwhile the Manitoba Lotteries and the Manitoba Liquor and Lotteries Corporation merged earlier this year to streamline the business and save costs and will undergo an organisational reshuffle this year.



The MLCC was established in 1923 to administer the Liquor Control Act including the general control, management and supervision of all liquor stores.

The Manitoba Gaming Control Commission is responsible for regulating the gaming industry and covers all sectors from charitable events to First Nation casino operators, Manitoba Lotteries Corporation, VLT equipment and lottery retailers.

Last year some 1,785 charitable licences were active by some 1,130 charities which generated revenues of \$77.9m.

### CASINOS

There are a total of four casinos in Manitoba. Manitoba Lotteries operates two casinos in the city of Winnipeg called Club Regent Casino and also McPhillips Station Casino. Total casino revenue for 2012 was \$236m with a net income of \$88.6m.

The casinos generated around \$35m in gross

There are a total of four casinos in Manitoba. Manitoba Lotteries operates two casinos in the city of Winnipeg called Club Regent Casino and also McPhillips Station Casino. Total casino revenue for 2012 was \$236m with a net income of \$88.6m.

economic activity for communities this year and last year the two casinos introduced several product enhancements including a progressive jackpot system for table games, widescreen televisions and upgrades to the electronic roulette. Bingo is available at the two casinos.

Club Regent Casino is located in Regent Avenue West in the capital city and is open from Monday to Saturday 10am to 3am from 12pm until 3am on a Sunday. The casino offers 182,000 sq.ft gaming area plus several bars and lounges and a 150,000 litre walk through salt water aquarium. There are over 920 slots with 650 penny and 2c games or those with up to \$100 price of play. There are also 29 table games such as blackjack, Texas Hold 'em, pai gow poker, Let it Ride, baccarat, roulette, high stakes Poker, Omaha Poker and keno.

McPhillips Station Casino is located in McPhillips Street and offers 178,000 sq.ft

### Manitoba: Vital Statistics

**Capital:** Winnipeg  
**Population:** 1.2 million  
**Land Area:** 649,950 sq.km  
**Lt. Governor:** Philip S Lee  
**Premier:** Grey Selinger (NDP)  
**GDP:** \$54.2bn  
**Casinos:** 4  
**Casino Slots:** 2,561  
**Table Games:** 135  
**Casino Revenue:** \$258m  
**VLTs:** 5,655  
**VLT Venues:** 522  
**VLT Revenue:** \$329m  
**Lottery Retailers:** 865  
**Lottery Revenue:** \$2.8m  
**Racetracks:** 17  
**Total Gaming Revenue:** \$702m  
**Bingo Halls:** 2  
**Online Gaming:** [www.PlayNow.com](http://www.PlayNow.com)  
 Online gaming revenue:  
 \$1.5m (expected end 2013)  
**Regulator:** Manitoba Gaming Control  
 Commission - [www.mgcc.mb.ca](http://www.mgcc.mb.ca)

of casino floor space in a themed turn of the century railway station and grand hotel style. There are bars, lounges and a sports bar and the casino is open 10am-3am Monday to Saturday and from 12 noon on Sunday.

There are 869 slots with more than 200 penny and 2c games plus table games and bingo.

The casino slots were updated last year to accept Canada's new polymer bank notes and this year will be further upgraded to automatically calculate cash inserted. The Club Card programme was also installed to allow players to accumulate points which runs with an online Club Card Rewards catalogue launched last year.

Meanwhile McPhillips Station Casino will begin development this year on the construction of a neighbouring hotel being built by Canad Inns. The hotel is due to be completed by 2014. A new Entertainment Centre was also built at Club Regent Casino last year.

Meanwhile in 2000 the Manitoba government gave all provincial First Nations the opportunity to submit casino proposals and there were five potential first nation casino developments.

A year later the Aseneskak Casino LLP and Brokenhead River Resort signed an agreement with Manitoba Lotteries for a First Nation casino project.



In February 2002 the Aseneskak Casino opened followed by the South Beach Casino in May 2005. Then in 2011 Spirit Sands Casino signed an agreement to open near Carberry and is being developed and managed by Hemisphere Gaming from Minnesota. The casino is expected to open late 2013 and should have 450 slots and 12 table games.

The First Nations are supported by the MGCC with finance and management practices and staff train and advise staff.

Aseneskak Casino is owned by a consortium of six First Nations and houses 172 slots and table games. It is located on the Opaskwayak Cree Nation and is 20,000 sq.ft in size. All profits from this casino are divided between the six nations and the Tribal Council with a percentage going to other First Nations.

South Beach Casino is owned by a consortium of seven First Nations and is 40,000 sq.ft in size and is open Monday to Saturday 10am to 3am and Sundays from 12 noon. It has 600 slots including 500 penny slots and table games. It is fashioned in an Art-deco style and the hotel has 10 grand suites, five junior suites, eight luxury guest rooms and 70 rooms.

### VLTS

This section is managed by a Morris based company called Video Lotto which is responsible for the operation and maintenance of the VLTs in Manitoba. The VLTs are located at Manitoba Liquor Control Commission (MLCC) licensed establishments such as bars and cocktail lounges, veteran organisations, First Nation communities, Assiniboia Downs racetrack and the MTS Centre.

VLTs were introduced into rural Manitoba in 1991 and then into Winnipeg two years later. They can be operated between 9am and 2.15am Monday to Saturday and from 12 noon to 2.15am on Sundays.

Machines accept 15c, \$1, \$2, \$5, \$10 or \$20 currency and are 5c or 25c denomination and players can wager from 5c to \$1.25 depending on the game. Average prize payout is 92.9 per cent.

VLTs contribute over 55.9 per cent of Manitoba net income and provided annual total commissions of \$108.9m to VLT site holders which included \$46.4m to First Nations, \$31.9m to city shareholders, \$24m to rural shareholders and \$6.6m to Manitoba Jockey Club. VLT revenue for 2012 was \$329m and a net income of \$189m.

In 2011/12 Manitoba Lotteries underwent



VLTs contribute over 55.9 per cent of Manitoba net income and provided annual total commissions of \$108.9m to VLT site holders which included \$46.4m to First Nations, \$31.9m to city shareholders, \$24m to rural shareholders and \$6.6m to Manitoba Jockey Club. VLT revenue for 2012 was \$329m and a net income of \$189m.

a programme of moving VLTs from low performing sites to higher performing sites however revenues still declined due to old obsolete equipment last updated in 2004. These are now due to be replaced in 2012/13 and three VLT vendors were chosen including IGT, Spielo International and WMS. IGT will provide a minimum of 3,000 VLTs under the replacement programme and has long been a partner with Manitoba Lotteries as it was the first gaming manufacturer to supply VLTs to the province.

IGT will supply its GL20 lottery terminals which have been specifically designed to comply with industry specifications and G2S protocols. A number of popular IGT titles will feature including Lucky Larry's Lobstermania and Give Times Pay plus a library of new games.

In addition Spielo International signed a five year contract in September last year to provide its INTELLIGEN central system to Manitoba Lotteries and also new VLT terminals.

Spielo International will provide around 2,000 prodiGiVu terminals and associated games. Each VLT will be loaded initially with eight games and the company will provide two game refreshments of two games each in 2013 and 2014.

Winston Hodgins, President and CEO of Manitoba Lotteries said: "Manitoba Lotteries is interested in diversifying the VLT mix in our province in order to provide Manitobans with the best games in the market."

Last year Manitoba Lotteries signed an agreement with the Manitoba Jockey Club to house VLTs at the Assiniboia Downs racetrack which it operates. Under this agreement Manitoba Lotteries receives 10 per cent of the net win.

The Manitoba Horse Racing Commission governs this sector and was set up in 1965 to regulate horse racing and the operation of all race tracks in Manitoba. At the moment the commission regulates the Assiniboia Downs track and 16 rural tracks such as Wawanessa, Deloraine,



Holland, Glenboro, Portage la Prairie, Miami, Minnedosa and Rosburn.

Assiniboia Downs was opened in 1958 in Winnipeg and has 140 VLTs at the site.

Revenues continue to decline at the tracks and total wagering for 2011 amounted to \$27.9m compared to \$31.5m back in 2008. Of this amount simulcast wagering saw the majority of wagers with €\$23.4m whilst live racing amounted to \$4.5m.

### ONLINE

Manitoba will partner with British Columbia Lottery Corporation to introduce a Manitoba online gambling site based on BCLC's established platform PlayNow.com. This will enable the province to play on a site which offers a wide variety of games.

At the moment Manitoba offers retail lottery tickets and sports betting but will this year launch casino and poker games.

Both partners are expected to benefit from the economy of a larger player base for

Manitoba will partner with British Columbia Lottery Corporation to introduce a Manitoba online gambling site based on BCLC's established platform PlayNow.com. This will enable the province to play on a site which offers a wide variety of games.

games particularly poker. In Manitoba alone it is estimated that \$37m leaves the province per year on unregulated illegal sites.

Minister responsible for Manitoba Lotteries, Steve Ashton said: "Manitobans will now be able to play on a site where they can have confidence in game integrity, personal information security and that offers a comprehensive set of responsible play tools, information and support."

The BCLC has operated regulated online gaming for British Columbia since 2004 and began offering online casino games in 2010 and in 2011 with Loto Quebec began offering peer to peer poker on a shared network.

OpenBet who has already partnered with BCLC to provide its online gambling and betting software plus Loto-Quebec and Atlantic Lottery Corporation, is expecting to launch their new online casino and poker games in Manitoba in 2013.

## MANITOBBANS WILL PLAY ON A SITE WHERE THEY CAN HAVE CONFIDENCE IN GAME INTEGRITY, PERSONAL INFORMATION SECURITY AND THAT OFFERS A COMPREHENSIVE SET OF PLAY TOOLS.

David Loveday, CEO of OpenBet said: "This strengthens our position as the platform of choice in the Canadian provinces. Supporting the BCLC in the launch of a fully integrated online gaming offering for the province of Manitoba demonstrates the flexibility of our platform and our ability to work closely with our partners to ensure a successful offering.

"Developments in North America are exciting and we are confident that OpenBet has the expertise and experience to deliver the underlying technical infrastructure and support for gaming operators in new jurisdictions as they open."

Manitoba Lotteries expect online gaming to be operational in the first quarter of 2013 and to bring in \$1.5m net income in



### British Columbia: Operator profile

**Operator:** Manitoba Lotteries

**Manitoba Casinos:** Club Regent Casino and McPhillips Station Casino in Winnipeg

**Information:** Club Regent Casino offers 182,000 sq.ft gaming area and has over 900 slots with 650 penny and 2c games and 29 table games and bingo. There is also a 150,000 litre walk through salt water aquarium. McPhillips Station Casino is 178,000 sq.ft in size with over 800 slots including more than 200 penny and 2c games plus table games and bingo.

**Background:** The Manitoba Lotteries began construction on the two casinos in 1992 to replace the two Winnipeg based bingo halls which existed at the time – Bonanza Bingo and Pot o'Gold Bingo. They opened the following year which coincided with a moratorium on the expansion of VLTs and casino sites in the province. The Crystal Casino which existed at the time closed in 1999.

its first year increasing to about \$17m by 2019. The revenue will be reinvested into Manitoba communities.

It is said five per cent of this net income will be committed to responsible gambling initiatives and a further 15 per cent will go to Aboriginal Sport and Recreational Activities.

Lorne Kletke, Communications Office at Manitoba Lotteries said: "Manitoba Lotteries is a Crown corporation responsible for conducting and managing gambling in Manitoba and offers several benefits that may be lacking in the existing online gaming grey market. These include gambling integrity that ensures fair games and payout; safety measures such as age verification; security measures such as personal data protection; responsible gambling measures that minimise the risk of harm that can be caused by gambling; revenue returned to the province to support government programmes in health care, education, community and social services and economic development."



## NEW BRUNSWICK A HOPEFUL OUTCOME

As with each of the provinces in Canada, gaming in New Brunswick is intrinsically linked with liquor, charities and video lottery terminals, harness racing and casinos

This province is the largest of Canada's three Maritime provinces and is the only province in the federation that is considered bilingual using both French and English languages.

It was also one of the first provinces along with Ontario, Quebec and Nova Scotia to join together to form the Dominion of Canada back in 1867.

Located in the east of Canada, New Brunswick shares several boundaries with waterways including Chaleur Bay, the Gulf of Saint Lawrence, Northumberland Strait and the Bay of Fundy. Land borders include Quebec's Gaspé Peninsula and the narrow Isthmus of Chignecto which connect the provinces to Nova Scotia peninsula whilst in the west it meets the US state of Maine.

Northern New Brunswick is dominated by the Appalachian Mountains and 80 per cent of land is forested whilst the lowlands are mainly in the east and central areas. The urban areas have modern service based economies which are dominated primarily by health care, educational, retail, finance and insurance sectors whilst the rural economy is known for its forestry, mining and fishing industries.

Both fishing and agriculture have seen a decline although mineral production has increased dramatically after the discovery of extensive base metal ore deposits in the 1950s.

Although Fredericton is the capital, Saint John is the historical city and popular cruise ship port whilst Moncton is the fastest growing metropolitan area in the province. The province is divided into five scenic drives whilst other attractions include museums and wildlife parks.

The port of Saint John received 65 cruise ships and welcomed 184,790 passengers last year which has returned to 2009 levels after a peak in 2010.

New Brunswick is one of the most internet connected jurisdictions in the world with broadband access in all of its schools and institutions and more than 90 per cent of homes and business.

in May 2008 the Gaming Control Act was introduced to provide a new governance structure for gaming. Under the Act the Lotteries Commission was transformed into two entities 1) It established the NBLGC as a crown corporation responsible for the management of all provincial gaming and 2) transferred the regulatory function of the former commission to a new authority – The Gaming Control Branch created under the Department of Public Safety - which would regulate the sector.

The Information and Communications Technology sector is now the second largest sector in the province with around 700 companies involved in this industry generating revenues of \$2.1bn annually.

Tourism is critical to New Brunswick and some 34,700 employees work in the tourism sector which represents nine per cent of the labour force. There were 2.9 million visitors to the province in 2010 which contributed around \$1.1bn in tourism related spending whilst the total impact of visitor spending on provincial GDP is estimated to be \$738m some 3.5 per cent of the GDP.

### GAMING MARKET

Gaming in New Brunswick began in 1976 when the New Brunswick Lottery Act established the lotteries commission which was able to organise and conduct lottery scheme on behalf of the government.

In 2007 the government launched its new

## NEW BRUNSWICK IS ONE OF THE MOST INTERNET CONNECTED JURISDICTIONS IN THE WORLD WITH BROADBAND ACCESS IN ALL INSTITUTIONS.

responsible gaming policy which looked at the reformation of the video lottery programme, new gaming initiatives, enhancement of charitable gaming guidelines and the authorisation of casino gaming in the province.

The Responsible Management, Responsible Play in a Responsible Environment was a strategic approach to change gaming activities offered as there had been little change since the early 1990s when VLTs were initially introduced.

This needed a modernisation of the legislation and so in May 2008 the





Gaming Control Act was introduced to provide a new governance structure for gaming. Under the Act the Lotteries Commission was transformed into two entities 1) It established the NBLGC as a crown corporation responsible for the management of all provincial gaming and 2) transferred the regulatory function of the former commission to a new authority – The Gaming Control Branch created under the Department of Public Safety - which would regulate the sector.

The New Brunswick Lotteries and Gaming Corporation (NBLGC) which was previously the Lotteries Commission, was established in June 2008. It is a crown corporation governed by the Gaming Control Act and responsible for organising and managing provincial lottery schemes on behalf of the province under the Minister of Finance.

The NBLGC manages the service provider agreement for the operation of a casino in the province which is operated by Sonco and also acts as the province's shareholder in the Atlantic Lottery Corporation which operates the VLT sector.

New Brunswick received around \$138m in gaming revenue in 2010/11 and this came from VLTs (\$91.1m), traditional lotteries (\$30.7m), casino gaming (\$15.9m) and registration fees (\$0.6m).

The NBLGC received net profits of the

### **THE GOVERNMENT LAUNCHED THE NEW RESPONSIBLE GAMING POLICY WHICH LOOKED AT REFORMATION OF THE VIDEO LOTTERY PROGRAMME.**

ALC and 50 per cent of gross revenue from the casino. Last year NBLGC's share from ALC amounted to \$121m.

Of the revenue some \$14.7m was given to First Nations, \$681,000 to the horse racing sector and \$1.2m to sports and art trust funds.

Today there are five types of gaming permitted in New Brunswick – Lotteries, Charitable Gaming, Harness Racing, Video Lottery and casino gaming.

#### **CASINO**

New Brunswick and Newfoundland and Labrador were at one time the only

#### **New Brunswick: Vital Statistics**

**Capital:** Fredericton

**Population:** 751,171

**Land Area:** 72,908 sq.km

**Lt. Governor:** Graydon Nicholas

**Premier:** David Alward (PC)

**GDP:** \$33.4bn

**Casinos:** 1

**Casino Slots:** 555

**Table Games:** 20

**Poker Tables:** 8

**Casino Revenue:** \$15.9m

**Racetracks:** 3

**VLTs:** 1,995

**VLT Venues:** 300 (max)

**VLT Revenue:** \$91.1m

**Lottery Revenue:** \$30.7m

**Total Gaming Revenue:** \$138m

**Online Gaming:** N/A

**Regulator:** Gaming Control Branch.

[www.gnb.ca](http://www.gnb.ca)

provinces which did not have a casino or a racino. Over the years there was a lot of interest and requests to establish one or more casinos or gaming centres at racetracks. So under the Responsible Gaming Policy the plan to establish a casino was born.

Casino New Brunswick is located in the city of Moncton just off the Trans Canada Highway on Mountain Road. The casino has 550 slots and 20 table games and is operated by Sonco Gaming New Brunswick Limited Partnership who was selected through a Request for Proposal process.

The casino opened in part in 2010 after the RFP was issued in 2007 initially. In 2008 Sonco was selected and construction began in October 2008 at a cost of \$90m. The licence lasts for 20 years and the objective of the casino initiative was to introduce a high quality casino complex anchored by a destination casino.

The casino spans some 24,000 sq.ft and is a Las Vegas style with reel and video TITO slots from 1c to \$5 play, table games including blackjack, baccarat, roulette, craps, Texas Hold 'em and Let it Ride and a private poker room. There is also a multi purpose entertainment and convention centre plus a 126 room hotel and spa and fitness facilities. The casino saw 845,662 visitors in 2010/11.

The casino has a minimum gaming age of 19 years. Meanwhile registration or for renewal of the casino operator is \$50,000 annually, registration or renewal of a gaming supplier is between \$250 and \$10,000 depending on value and



registration for casino employees is \$400 per year. Pay out is minimum 88%.

The casino saw gross gaming revenues last year of \$15.8m of which 46 per cent is allocated to Sonco, 50 per cent is retained by the NBLGC and three per cent is deposited to the casino Capital Reserve which is a fund established under the service provider agreement for subsequent development, improvement or refurbishment at the casino.

Sonco Gaming was founded in 1995 and is an operator and developer of gaming properties. Sonco was the developer and project manager of two similar sized projects in Ontario – the Great Blue Heron charity casino (where it is a partner of the operating company) and in Calgary, Alberta with the Grey Eagle Casino and Bingo where it is also the operator. The company has 14 years experience in the Canadian gaming industry.

### VLT

The lottery in New Brunswick is operated by Atlantic Lottery Corporation and Interprovincial Lottery Corporation. The lottery in New Brunswick offers a number of games from National draw games, regional draw, sports games, scratch and win, breakopen games, interactive games and ibingo.

## THE MAJORITY OF THE PROVINCE FAVOURED A GOVERNMENT RUN REGULATED PROGRAMME AND IN 2002 THE ALC BECAME THE SOLE OPERATOR OF VLTs

VLTs in New Brunswick have been operated by the Atlantic Lottery Corporation (ALC) since 1990. The ALC is a crown corporation owned by the four Atlantic provinces – New Brunswick, Nova Scotia, Newfoundland and Prince Edward Island.

The ALC was founded in 1976 and at the time offered just one game. Since this time it has returned more than \$7.4bn in profit back to the communities. Originally VLTs were permitted in a variety of locations in New Brunswick but by 2000 only sites with a liquor licence were eligible to operate them

In 2001 a referendum was held and the majority of the province favoured a government run regulated programme



The ALC was founded in 1976 and at the time offered just one game. Since this time it has returned more than \$7.4bn in profit back to the communities. Originally VLTs were permitted in a variety of locations in New Brunswick but by 2000 only sites with a liquor licence were eligible to operate them

and so in 2002 the ALC became the sole operator of VLTs. Site holders had to enter into a contract with ALC and originally a restaurant could have up to two VLTs whilst a bar could have up to five. There was no licence or fee for equipment.

In 2007 under the responsible gambling policy the sector underwent several changes which were completed by April 2010. Changes to the VLT programme included:

- A restriction of VLTs to age controlled environments and since 2009 VLTs were no longer permitted in restaurants.
- A 50 per cent reduction in the number of VLT sites in New Brunswick. This reduced the number from 625 sites to a maximum of 300 sites.
- A 25 per cent reduction in the number of VLTs in New Brunswick. This reduced the number from 2,650 to a maximum of 2,000
- There are two classes of VLT sites:

Category I – 15-25 VLTs per site

Category II – up to 10 VLTs per site

- There are no more than 20 Category I sites permitted in the province and a maximum of four of these 20 sites permitted in the casino market area (80km radius)
- The site holder commission was reduced to: Category I – 15% commission (previously 22%)

Category II – 20% commission (previously 22%)

- The implementation of an annual registration fee of \$200 per terminal per year.
- Implementation of responsible gaming requirements into the VLT programme to include staff training on problem gambling
- Development and incorporation of business and performance standards for the VLT programme such as seating



capacity, minimum size of site etc.

- Royal Canadian Legions having VLTs prior to the programme reform retained their VLTs.

The number of VLTs was reduced in a bid to control the sector. The fee for initial registration of a VLT site for Category I is \$3,200 with an annual fee thereafter of \$3,000. For Category II it is \$1,200 to register and \$1,000 thereafter annually.

The VLTs operate under the same maximum \$2.50 bet and \$500 maximum payout rules as Newfoundland with a 93-95% payout and responsible gambling features.

As of March 2011 the province had gaming revenue sharing agreements with nine First Nations. Under these agreements 95 per cent of the net revenue from VLTs located on-reserve is shared with the tribe. In 2010/11 total ALC lottery sales in New Brunswick came to \$315 of which VLT was responsible for 42%. New Brunswick's share of ALC's net profit was \$121m.

Pari-mutuel betting on horse racing in Canada dates back to the early 1830s and is regulated by the Canadian Pari-Mutuel Agency and the NBLGC is not directly involved in this sector. The Maritime Provinces Harness Racing Commission (MPHRC) was established in 1994 and has jurisdiction to govern and regulate the industry in the Maritime provinces – New Brunswick, Newfoundland and Labrador, Nova Scotia and Prince Edward Island.

ALC currently operates 1,995 VLTs in 300 venues in New Brunswick and saw net revenues for 2011/12 of \$133.8m.

### CHARITABLE GAMING

This sector is an important one for many of New Brunswick's charities and non profit organisations and a provincial licensing programme for charitable gaming was introduced back in 1980.

These charities must obtain a licence or permit to conduct an event such as bingo, raffle, breakopen tickets or Monte Carlo events. Permits are issued for games with a prize value of \$500 or less.

The sector has experienced many challenges including the increased competition for the entertainment dollar and declining volunteer participation.

Under the responsible gaming policy there was an implementation to strengthen the regulatory framework to make the sector more effective and there was also the introduction of a programme for licensing charitable poker tournaments from 2008.

### HORSE RACING

Pari-mutuel betting on horse racing in Canada dates back to the early 1830s and is regulated by the Canadian Pari-Mutuel Agency and the NBLGC is not directly involved in this sector.

The Maritime Provinces Harness Racing Commission (MPHRC) was established in 1994 and has jurisdiction to govern and regulate the industry in the Maritime provinces – New Brunswick, Newfoundland and Labrador, Nova Scotia and Prince Edward Island.

Today harness racing is held at three race tracks in New Brunswick – Fredericton Raceway, Exhibition Park Raceway in Saint John and Woodstock Driving Club.

- Fredericton Raceway is 176 years old and part of a massive exhibition ground. Today there is a half mile track and stabling for 130 horses and seating for 1,400 people in total, restaurants, exhibition centre. The track also has simulcast three nights a week whilst live racing runs from May to September
- Exhibition Park Raceway has been in the community for 120 years and was once known as Moosepath Park. The site hosts all year round entertainment and twice weekly bingo. Harness racing began in 2009 with simulcast held daily.
- Woodstock Driving Club is a half mile race track called Connell Park Raceway.

In August 2009 the NBLGC signed an agreement with the Horse Racing New



### New Brunswick: Operator profile

**Operator:** Sonco

**New Brunswick Casino:** Casino New Brunswick

**Information:** This is the only casino in the province which is located in Moncton next to Magnetic Hill. It is 24,000 sq.ft and has 550 slots and eight table games and five poker games plus games in the high limit room. The casino has a multi purpose entertainment and convention centre and 126 room hotel and spa and fitness facilities. The casino opened on May 4 2010. Casino GGR was \$15.8m last year.

**Background:** In 2008 Sonco Gaming New Brunswick Limited Partnership was selected via a RPF process by the NBLGC. The casino cost \$90m to build by Sonco who is also behind two similar projects in Ontario – Great Blue Heron and in Alberta – Grey Eagle Casino. Sonco has 14 years involvement in the Canadian gaming sector and 40 years in real estate and investment knowledge. Sonco was founded in 1995.

Brunswick Incorporated (HRNB) to provide annual general funding up to an amount of \$1m each year earned by the operation of allocation of VLTs. Last year the NBLGC paid \$681,000. This agreement expires in 2014.

### ONLINE GAMING

The provinces of Nova Scotia, Prince Edward Island and Newfoundland all refused to embrace legalised online gaming. As Quebec and British Columbia did accept however, New Brunswick is now keeping its options open.

Back in 2011 the ALC was ready to expand its online gaming operations should the New Brunswick government approve the move. The ALC already operates its own online gaming site for lottery products. The regulatory changes were drafted. Although New Brunswick has internet games such as bingo there are no casino type games permitted.



## NOVA SCOTIA BEST DEFENCE

The Great Canadian Gaming Corporation follows  
it's own unique Gameplan - quite literally

Nova Scotia is one of the three Maritime provinces and is the most populous of the four in Atlantic Canada and is located exactly halfway between the Equator and the North Pole.

It is the second smallest province in the country and the mainland is surrounded by the Atlantic Ocean whilst the region is also made up of some 3,800 coastal islands including Cape Breton Island which is a large island to the northeast. It is also the second most densely populated province with around 921,000 inhabitants.

The name comes from the Latin New Scotland and the province is often described as Canada's Ocean Playground as it is surrounded by three major bodies of water plus a land border with New Brunswick.

Economically the province has struggled over the last decade and at one time the fishery industry was a thriving part of the economy. This however suffered a decline in the late 20th century and the collapse of cod stocks saw the closure of this sector whilst other industries such as coal mining and steel were hit hard too.

Since the early 1990s offshore oil and gas have played an increasingly important role alongside the agriculture sector. Nova Scotia's defence and aerospace industries also contributes significantly and its film industry, manufacturing and Information and Communication Technology industries are also growing.

The unemployment rate reached 8.9 per cent in 2012 although there is growth in the private sector and retail sector. Real GDP is around \$36.3bn.

Meanwhile tourism supports around 40,000 jobs and there are around 250,000 cruise ship passengers from around the world flocking into the Port of Halifax each year. The tourism industry contributes around \$1.3m to the economy annually. In 2011 Nova Scotia saw 2.1 million visitors.

The gaming industry in Nova Scotia is regulated by the provincial government via the Nova Scotia Gaming Corporation (NSGC) and governed by the Gaming Control Act. The role of the NSGC is to ensure the industry is socially responsible and generate profits to help pay for services and infrastructure. In 2011/12 a total of \$152.8m was paid to the province.

The Atlantic Lottery Corporation is the operator of the lottery, sports betting and VLT sector whilst Great Canadian Gaming Corporation is the operator of Nova Scotia's two casinos.



### THE GAMING INDUSTRY

The gaming industry in Nova Scotia is regulated by the provincial government via the Nova Scotia Gaming Corporation (NSGC) and governed by the Gaming Control Act. The role of the NSGC is to ensure the industry is socially responsible and generate profits to help pay for services and infrastructure. In 2011/12 a total of \$152.8m was paid to the province.

The Alcohol and Gaming Division (AGD) of Service Nova Scotia and Municipal Relations regulates and monitors the industry. This is a separate entity and independent to the NSGC.

Originally the Nova Scotia Gaming Control Commission was set up in 1995 and governed the sector. In 1997 it underwent a merger and was renamed the Nova Scotia Alcohol and Gaming Division. Licensing and registration now goes through the AGD which covers charitable gaming licences for bingo, ticket lotteries, liquor establishments, video outlets, casinos and VLTs.

The Atlantic Lottery Corporation is the operator of the lottery, sports betting and VLT sector whilst Great Canadian Gaming Corporation is the operator of Nova Scotia's two casinos.

In 2011/12 the people of Nova Scotia wagered around \$1.42bn on gambling with some \$1.08bn being dished out in prizes. Of this \$152.8m in revenue was

generated for government programmes and services. The sector employs 668 people.

Meanwhile the NSGC revenues for 2011/12 were \$427.7m with a net income of \$137.7m. Of this ticket lottery saw revenues of \$207.3m; VLTs saw revenues of \$137.2m and casinos \$82.9m.

### CASINOS

Casino Nova Scotia in Halifax and Casino Nova Scotia in Sydney are operated by the Great Canadian Gaming Corporation.

The Great Canadian Gaming Corporation was founded in 1982 by Ross McLeod and began by operating temporary Monte Carlo style charity casinos in British Columbia. It opened its first permanent location in 1987 in Vancouver.

In 2001 when the law changed the company then opened two new casinos in British Columbia – the View Royal Casino and the Coquitlam Casino (later renamed the Boulevard Casino). It went on to open the River Rock Casino Resort in British Columbia and racetracks in Vancouver and Ontario.

Today GCGC operates a total of 17 gaming locations in Canada and the USA - nine gaming facilities in British Columbia, two racetrack facilities in Ontario, two casinos in Nova Scotia and four casinos in the US.

In 2005 Great Canadian Gaming



### VLT FIVE YEAR FINANCIAL HIGHLIGHTS

YEAR	REVENUES	RETAILER COMMISSIONS	OTHER EXPENSES	NET INCOME
2007-8	\$140.7m	\$28.9m	\$16.9m	\$94.9m
2008-9	\$147m	\$30m	\$16.3m	\$100.7m
2009-10	\$145.1m	\$28.3m	\$17.3m	\$99.5m
2010-11	\$140m	\$25.8m	\$24.5m	\$89.7m
2011-12	\$137.2m	\$24.9m	\$20.8m	\$91.5m

Corporation took over the operation of the two casinos in Nova Scotia 10 years after they opened. With the new ownership came several changes including a \$22m Capital Improvement Plan which saw expanded entertainment and food facilities, a new poker room in Halifax, new slot machines and a TITO system, new digital surveillance and live entertainment at Halifax.

GCGC is a service supplier to NSGC and earns a commission based upon its casino revenues of which a portion is retained by the NSGC.

Gaming revenues for the two Nova Scotia casinos reached \$39.6m in 2011. Revenues in the fourth quarter of 2011 decreased by seven per cent compared to the same period the previous year mainly due to a decrease in slot coin in.

Meanwhile GCGC saw total group revenues in 2011 of \$388.2m and EBITDA of \$137.8m. Of the revenues slot machines provided the biggest share of 41 per cent followed by the group's table games with 28 per cent and racetracks

with five per cent. River Rock Casino Resort provided the biggest revenue share with 36 per cent followed by the Boulevard Casino with 15 per cent. The two Nova Scotia Casinos provided 11 per cent of the group revenues.

Casino Regulations include:

- Casinos are open to those aged 19 years and over.
- Fees are payable with the application for registration and required annually. They include:
  1. \$121,767 for the casino operator;
  2. 3.63 per cent of gross annual sales to each casino for casino gaming-related suppliers.
  - A security investigation fee is paid by the casino operator for each application as a gaming assistant. This includes:
    1. \$121.77 for gaming assistants who are food/beverage servers.

In 2005 Great Canadian Gaming Corporation took over the operation of the two casinos in Nova Scotia 10 years after they opened.

### Nova Scotia: Vital Statistics

**Capital:** Halifax  
**Population:** 921,727  
**Land Area:** 55,283 sq.km  
**Lt. Governor:** John James Grant  
**Premier:** Darrell Dexter (NDP)  
**GDP:**  
**Casinos:** 2  
**Casino Slots:** 874  
**Table Games:** 43  
**Casino Revenues:** \$82.9m  
**VLTs:** 2,211  
**VLTs in First Nations:** 585  
**Charity Gaming Revenue:** \$15.7m  
**VLT Retailers:** 337 (bars/restaurants)  
**VLT Revenue:** \$137.2m  
**Lottery Retailers:** 1,074  
**Ticket Lottery Revenue:** \$207.3m  
**Racetracks:** 3  
**Total Gaming Revenue:** \$427.7m  
**Online Gaming:** N/A  
**Regulator:** Alcohol and Gaming Division - [www.gov.ns.ca](http://www.gov.ns.ca)

2. \$547.95 for all other gaming assistants.

- The corporation shall pay to the General Fund 20 per cent of the revenue received by the casino after paying winnings to players.
- Games permitted are roulette, baccarat, punto banco, chemin de fer, minibaccarat, blackjack, slots, keno, video poker, video keno, video blackjack, pai gow, pai gow poker, big six, poker and its variations, super pan 9, sic bo (without dice), Caribbean stud poker, red dog and craps (without dice).
- Slots shall have an average minimum payout of 86 per cent

Casino Nova Scotia, Halifax – Halifax is a city of 396,000 population and the downtown area houses the business zone including the Metro Centre, hotels, World Trade Convention Centre and the casino. The casino is located on the Halifax Waterfront which opened in 2000 and is open seven days a week and until 4am in the week and 24 hours a day during weekends. Minimum age is 19 years. The casino has 575 slots from manufacturers such as Bally, Williams, IGT, Aristocrat, Spielo International, Konami, Shuffle Master and Atronic. They take 1c up to \$100 play and TITO was adopted in 2005. There are also a total of 32 tables including poker, roulette tables, baccarat and blackjack tables. The casino houses two restaurants, entertainment facilities and meeting facilities.



Casino Nova Scotia, Sydney – This casino is located on Cape Breton Island which has lured visitors for thousands of years. The island offers a host of historical sites and cultural events and is perfect for whale watching and scuba diving. It is open until 3am Monday to Wednesday and 24 hours for the rest of the week and has a restaurant and lounge. It has 299 slots and 11 table games.

### VLTs

The Atlantic Lottery Corporation acts as the NSGC's agent in operating both ticket and video lottery programmes in the province.

The NSGC has been offering ticket lotteries since 1976 and the products are operated by the Atlantic Lottery Corporation. Tickets include national draw games such as Lotto 6/49 and Lotto Max, plus regional draw games like Bucko, Salsa Bingo, Keno Lottery, Twist and Tag, Scratch and Win games and breakopen tickets plus sports games like Pro.Line.

Instant tickets are sold for \$1 to \$7 and \$10 to \$20 and there are more than 1,000 lottery retailers in Nova Scotia. They are currently paid a base commission of five per cent on sales of all lottery tickets (excluding breakopen tickets where they are paid 12.5 per cent) and the ALC regularly provides incentive programmes which reward retailers who achieve targeted sales increases.

In 2011/12 ticket lotteries saw annual revenues of just over \$207m with a net income of \$35.8m.

In 1991, VLTs were legalised and initially they were permitted in corner shops, laundrettes and other neighbourhood businesses. In 1993 the government restricted them to age and liquor controlled establishments and between 1993 and 1998 the number of VLTs and their revenues grew steadily.

In 1998 the Video Lottery Terminal Moratorium Act was introduced which limited the number of VLTs to this province to 3,234 (excluding VLTs on First Nation sites) and this is still in effect today.

In 2000 Nova Scotia then became the first jurisdiction in North America to introduce four features on VLTs designed to provide reality checks to encourage responsible gaming behaviour. These newer VLTs were replaced from May 2001.

In 2005 an extensive research project was undertaken on a Responsible Gaming Device which was attached to VLTs and required the player to insert a card to



In 1991, VLTs were legalised and initially they were permitted in corner shops, laundrettes and other neighbourhood businesses. In 1993 the government restricted them to age and liquor controlled establishments and between 1993 and 1998 the number of VLTs and their revenues grew steadily.

play. Over 50 VLTs were tested which allowed players to track their VLT play in terms of money spend and time spent on the machines.

The findings were promising and showed responsible gaming features were working and the NSGC decided to see if these features could be available on all VLTs in Nova Scotia.

Since 2005 under Nova Scotia's First Gambling Strategy the VLT hours of operation were also reduced with a shut off time for all machines now at midnight regardless of opening times of the establishment. Meanwhile 800 VLTs were removed from retail locations on November 1 2005 with a further 200 machines later removed. This reduced the number by around 30 per cent taking it from 3,234 to 2,234.

In 2006 the games were slowed by 30 per cent and the 'stop' button feature was disabled on all Nova Scotia VLTs.

In 2007 the ALC released a RFP on behalf of NSGC inviting technology suppliers to propose new technology solutions for an IPCS.

Canadian company Techlink was chosen and the implementation of the IPCS system now called Gameplan was completed with a province wide rollout in the summer of 2010.

Gameplan is a card based responsible gambling tool which means through the use of RGD players had access to five information tools – history information on money spent and time played, play activity information, ability to set a spend limit, ability to set a play time limit and the ability to stop play immediately for 24, 48 or 72 hours.

There are two components to the system – one is the stand alone enrolment device which is installed in the VLT establishment and the second is the player interface incorporated into each VLT.

When the player enrolls a unique player account number is generated from the information the player provides and then players can either obtain an ID card by scanning in a government issued ID card or by 'light enrolment' which requires no ID.

All VLTs, including those in First Nation sites, were activated with Gameplan and as from April 2012 the NSGC implemented a mandatory enrolment of the system for all players in Nova Scotia.

Deborah Macpherson, Executive Assistant to the President and CEO at Techlink said: "The year 2005 was a milestone year for not only the Canadian gaming market, but the entire gaming industry. In collaboration with Nova Scotia Gaming Corporation and ALC, our player card



technology, Gameplan, was introduced on VLTs in Nova Scotia.

“After extensive research validation, the product was rolled out province wide and is now installed on every VLT in Nova Scotia. Today, this technology remains the only proven technology available on VLTs that affords players the tools to tracking their wins and spends and sets limits.

“Gameplan’s first module was the responsible gaming tools and the system now includes other elements such as loyalty, advertising, marketing and promotions, game analytics and player analytics.”

Last year, in March 2011 the province released its Responsible Gaming Strategy which builds on the 2005 strategy by continuing with the moratorium of additional VLTs and also introduced a gradual reduction through natural attrition. The plan is to slow the speed of play on VLTs even further and alter the maximum bet whilst including warning labels on VLTs.

Today there are a total of 2,211 VLTs in 337 retail establishments plus bars, legions and licensed establishments.

The annual fee for each approved VLT is \$102 whilst maximum payout is \$1,000 and percentage payout is on average 92-95 per cent. Minimum age is 19 years old. The most popular games are Magic

Merlin, Lucky Larry Lobster Mania and 7’s Wild.

Nova Scotia’s VLT operators receive a gross commission rate of 25 per cent for VLT receipts up to \$400,000 and 15 per cent for receipts over \$400,000. Their net commission, after paying HST and a contribution to gambling awareness programmes, is 21.5 per cent and 12.9 per cent respectively.

The VLTs on First Nations are administered by the Office of Aboriginal Affairs and to date there are 585 VLTs on First Nation sites. VLT revenue net sales in 2011/12 (excluding First Nations) reached \$137.2m with net income of \$91.5m.

### OTHER GAMING

Regarding online gaming the Atlantic Lottery Corporation has operated its own online gaming site alc.ca for the four Atlantic provinces since August 2004 where players can access lottery games, iBingo, pick n click and wagering on Pro.Line sports.

A study in 2007 found 1.6 per cent of Nova Scotia adults had tried online gaming. In October 2010 the government announced it would not expand its online game offerings to include poker or casino style games and more recently as part of the 2011 Responsible Gaming Strategy the government decided it would “refrain from establishing or participating in

The VLTs on First Nations are administered by the Office of Aboriginal Affairs and to date there are 585 VLTs on First Nation sites. VLT revenue net sales in 2011/12 (excluding First Nations) reached \$137.2m with net income of \$91.5m.



### Nova Scotia: Operator profile

**Operator:** Great Canadian Gaming Corporation

**Nova Scotia Casinos:** Halifax and Sydney

**Information:** HALIFAX CASINO operates 575 slots and 32 gaming tables, two restaurants and entertainment and meeting facilities. It was opened in 2006.

SYDNEY CASINO operates 299 slots and 11 tables and has one restaurant and a lounge. It was opened in 2006.

**Background:** The Great Canadian Gaming Corporation was founded in 1982 and began by operating temporary Monte Carlo style charity casinos. Today GCGC operates a total of 17 gaming locations - nine gaming facilities in British Columbia, two racetrack facilities in Ontario, two casinos in Nova Scotia and four casinos in the US. In Nova Scotia the company saw revenues of \$41.9m

expanded internet gambling.”

Meanwhile Live Harness racing began in Nova Scotia in 1765. There are three harness racing tracks offering wagering on live and simulcast races and at theatres throughout the province.

The Truro Raceway is the oldest racetrack in the province plus there is the Inverness Raceway and the Northside Downs Raceway. Truro has been in existence since 1865 and is owned and operated by the Nova Scotia Provincial Exhibition Commission and is open all year round. It is the largest racetrack in the province and stables more than 200 horses.

Inverness began with live racing in 1926 and is leased by a non profit organisation and operates year round. Northside Downs located on the Cape Breton Exhibition Grounds began live racing in 1898 and has seen many ups and downs. The racetrack closed in 1989 and then reopened in 2007. Nova Scotia’s share of the Canadian racing market is only about 1.09 per cent with gross revenues of around \$10m annually.





Walter Bugno, CEO  
SPELO  
INTERNATIONAL

## ONTARIO LOYAL SUPPORT

Major changes are taking place in the Ontario gaming sector as the currently controlled market prepares for privatisation

As home to Canada's most populated city, Toronto, and also the nation's capital, Ottawa, the province of Ontario is the country's most populated and the fourth largest territory.

It sits in central east Canada and is bordered by Manitoba to the west, Hudson Bay and Quebec in the north and in the south by a 2,700 km border with the US and the states of Minnesota, Michigan, New York, Ohio and Pennsylvania.

Although there are no mountains in the province there are uplands plus some 250,000 freshwater lakes, the world's longest freshwater beach and of course Niagara Falls. Its name comes from Lake Ontario derived from a Huron word meaning 'great lake' or 'beautiful water'.

The province is divided into two regions – Northern Ontario and Southern Ontario and the majority of the 12.8 million people live in the south where the arable land is located. The north is sparsely populated.

Ontario began its economic life with natural resources like fur, timber and

minerals although today it is Canada's leading manufacturing province with main products including motor vehicles (30 per cent of international exports), iron, steel, chemicals, paper and machinery whilst its rivers make it rich in hydroelectric energy. Toronto is the centre of Canada's financial and banking services.

The province accounts for 40 per cent of Canada's GDP and in 2011 it was \$638bn. There is a 7.8 per cent unemployment rate. Meanwhile the number of tourists reached around 103 million in 2010 who spent some \$17bn in the province.

### GAMING PRIVATISATION

There are several changes going on in the Ontario gaming sector as the market prepares for privatisation in what has been a controlled industry.

Back in February 1975 the Ontario Provincial government created the Ontario Lottery Corporation and the first lottery game Wintario was launched in April of the same year. Proceeds were given to the Ministry of Culture and Recreation for the promotion of sports, cultural and recreational activities.

The province accounts for 40 per cent of Canada's GDP and in 2011 it was \$638bn. There is a 7.8 per cent unemployment rate. Meanwhile the number of tourists reached around 103 million in 2010 who spent some \$17bn in the province.

In 1994 the Ontario Casino Corporation was formally established.

In 2000 the government merged the Ontario Lottery Corporation and the Ontario Casino Corporation to form the OLG and today this organisation is responsible for 24 gaming sites and the sale of lottery products across the province.

The Ontario Lottery and Gaming Corporation (OLG) is an operational enterprise agency which was created under the Ontario Lottery and Gaming Corporation Act 1999 by the government of Ontario and via the Ministry of Finance.

The sector is governed under the Alcohol and Gaming Commission of Ontario (AGCO) and the Gaming Control Act 1992 which regulates the gaming and lottery sector. There are several lottery games from Lotto Max, Lotto 6/49, Lotto Advance, Poker Lotto, Ontario 49, Encore and others plus instant games. The company also operates Pro-Line the sport lottery, slots and casinos and charitable gaming events.

Last year the OLG generated some \$3.7bn which was given to local and provincial charities, amateur athletic programmes and hospital and health related services.



Some \$110.6m was given in payments to municipalities that host OLG gaming facilities plus \$337.5m to Ontario's horse racing industry.

Since 1975 the OLG has provided \$34bn to the province of Ontario via annual contributions of between \$1.7bn and \$2bn which goes towards various sports and education programmes. Last year some eight million people played the lottery at least once and 2.7 million visited Ontario gaming sites.

There are currently 24 gaming facilities in Ontario which includes four Resort Casinos, five OLG casinos, one tribal casino and 14 slots facilities at racetracks and at these are some 23,000 slot machines and 500 gaming tables in total.

There are five OLG Casinos in Ontario and one Aboriginal Charity Casino (Blue Heron) which although the Great Blue Heron Gaming Company operates this, the OLG owns and maintains authority on the slot facility.

The four Resort Casinos are in Windsor, Niagara Falls, Niagara Fallsview Casino Resort and Rama and these are large facilities that offer more gaming options and higher wagered limits plus facilities such as hotels, entertainment venues and convention areas.

## **SINCE 1975 THE OLG HAS PROVIDED \$34BN TO ONTARIO VIA ANNUAL CONTRIBUTIONS OF BETWEEN \$1.7BN AND \$2BN**

The government retains 20 per cent of gross gaming revenues from the resort casinos and the operator is paid an operating fee which is tied to revenue and operating results. Profits go to the province for charity programmes.

The OLG casinos are owned and operated by OLG and generated \$300m in revenues in 2011. The four resort casinos generated over \$1.2bn in gaming revenues in 2011 and these are run by private sector service providers.

Casino Rama and Great Blue Heron Casinos are both operated by private sector service providers under contracts with OLG and the respective host First Nations. Under the current plan the OLG distributes 1.7 per cent of total revenue to the Ontario First Nations Limited

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Partnership. It is thought these revenues will increase under the modernisation plan. The casinos permit gamblers over the age of 19 years whilst betting limits in OLG casinos and slot halls are slots between 1 cent and \$5 whilst table games are between \$5 up to \$100 and payout is set at a minimum of 85 per cent.

### **• OLG CASINOS**

**BRANTFORD:** Located on the Grand River Brantford is a vibrant city with a population of around 96,000. The casino is open 24/7 and features a spacious new lobby and water feature, restaurant, snack bar. There are 500 slots and 55 table games in a gaming space of 30,000 sq.ft.

**POINT EDWARD:** The village of Point Edward is often dubbed The Point and is located on the shores of the St Clair River. The casino is open seven days but at various times and there are 450 slots and 30 table games. There is a restaurant seating up to 130.

**SAULT STE. MARIE:** This city is on St Marys River and is the third largest city in Northern Ontario and a popular ski resort with a population of 75,000. The casino is open seven days at various hours and is ideally located just minutes from the US border. There are 430 slots and 13 table games plus a restaurant and bar.





**THOUSAND ISLANDS:** The Thousand Islands are an archipelago which straddles the Canadian-US border stretching for about 80 km in the Saint Lawrence River. There are 1,864 islands in various sizes. The casino is located on Highway 2 in Gananoque and is open seven days various hours and is just 10 minutes from the US border. There are 480 slots and 22 table games, restaurant and bar.

**THUNDER BAY:** This city is the most populous municipality in Northwestern Ontario with 108,000 people and takes its name from the immense Thunder Bay at the head of Lake Superior. The casino is open seven days various hours and features 450 slots and 14 table games.

### • CHARITY CASINO

**GREAT BLUE HERON CASINO** is located in Port Perry which is less than an hour northeast of Toronto in the territory of the Mississaugas of Scugog Island First Nation. The casino is 25,000sq.ft and there are 545 TITO enabled slots and 60 table games and is open 24/7. There are two restaurants and two bars.

The casino opened in 1997 and began as an Indian Gaming venue which then turned into an agreement with Casinos Austria International and its local partner Steiner Group and Sonco Gaming who developed and now operate the casino on their behalf. Since it began the tribe have

Municipal governments in racetrack home communities earn around five per cent of the net revenues and the balance goes to the OLG. In 2010 the racing industry in Ontario earned \$333m in commissions of which \$169m went to racetrack operators and \$164m to purses for racing.

donated over \$3m to Scugog Township and various charities.

### • RESORT CASINOS

**CASINO NIGARA** opened its doors in December 1996 and offers non stop 24/7 entertainment at the heart of the Niagara Tourism area. There are 1,500 slots including 350 progressive slots and 40 table games and the largest poker room in Ontario with 12 tables. The gaming area is 95,000 sq.ft and there are also four restaurants, live entertainment and a sport section. The casino is owned by the government via the OLG but operated by a consortium of five companies under the header of the Falls Management Group LP. This company owns two casinos the Casino Niagara and Niagara Fallsview Casino Resort.

**NIAGARA FALLSVIEW CASINO RESORT** is built on a cliff overlooking the world famous Horseshoe Falls and is the largest and most elegant gaming resort facility in Canada. It cost \$1bn to build and opened in June 2004 and is a 20 minute walk from sister casino, Casino Niagara. There are 3,000 slots, 130 tables and a poker room. The resort has a 374 room hotel, spa and fitness centre, shops, restaurants and a theatre. It was the single largest investment made by the government of Ontario to date.

**CASINO RAMA** was opened in July 1996 just north of Toronto near Orillia and is

Ontario's only First Nation's commercial casino and is operated by Penn National Gaming Inc. There are 2,500 slots, 110 table games, 10 restaurants and a 5,000 seat entertainment centre. The gaming area is 90,000sq.ft in size whilst the hotel has 300 rooms. The resort casino is the largest single employer of aboriginal people in Canada and sees around 8,000 visitors per day or close to three million per year.

**CAESARS WINDSOR** is operated by Windsor Casino Limited a consortium which was established in 1993 and the casino opened its doors in May 1994 as an interim casino permanently opening in July 1998. It was Ontario's first Las Vegas style casino and at the time featured 5,000 sq.ft of gaming on three floors. It has since been revamped and in 2008 when Harrah's (one of two equal shareholders) changed its company name to Caesars so too was the casino re-branded and called Caesars Windsor.

Today the size of the gaming floor is 100,000 sq.ft and there are 2,300 slots and 91 tables on two floors of gaming plus World Series of Poker. The hotel is made up of two towers featuring 758 guestrooms with four Diamond status and includes a 10,000 sq.ft natural atrium fitness centre, a 100,000 sq.ft convention centre and a 5,000 seater theatre called The Colosseum which is the largest in the Caesar Entertainment family. The casino sees around four million visitors annually.



## • OLG SLOTS

Ontario is responsible for some 40 per cent of the racing sector in Canada. There are currently 14 OLG slot facilities at racetracks in Ontario. There were 17 earlier this year although three have since ceased operations at Fort Erie, Windsor and Hiawatha racetracks.

Each of these three facilities were adjacent to the US border and with new casinos in Buffalo and Detroit the OLG sites were unable to compete.

The sector employs around 31,000 full time people and of the \$5.7bn total annual economic contribution from the Canadian horse racing sector some 77 per cent (\$4.5bn) comes from the Ontario racing industry, whilst 68 per cent of the races are held in Ontario. Some \$1.04bn was wagered in Ontario on horse racing and in 2010 the industry generated \$2.1bn in expenditures.

Back in April 1998 the government announced a Slots-At-Racetracks programme with the Ontario Horse Racing Industry Association that would see slots introduced at racetracks in the province. The first one to open was Windsor Raceway in December 1998.

This basically enabled the horse racing sector and racetrack host municipality to receive direct funding from OLG through this programme and since its inception in

## FIGURES FROM THE AGCO 2010/2011

CASINO	NO. OF SLOTS	NO. OF TABLES	LOCATION	WHEN OPEN
<b>OLG CASINOS</b>				
Casino Brantford	539	55	Brantford	Nov 1999
Casino Point Edward	480	60	Point Edward	April 2000
Casino Sault Ste. Marie	447	13	Sault Ste. Marie	May 1999
Casino Thousand Island	496	23	Gananoque	June 2002
Casino Thunder Bay	452	14	Thunder Bay	Aug 2000
Great Blue Heron Casino	523	60	Port Perry	May 2000
<b>RESORT CASINOS</b>				
Casino Niagara	1,636	40	Niagara Falls	Dec 1996
Niagara Fallsview Casino	3,121	132	Niagara Falls	June 2004
Casino Rama	2,460	123	Orillia	July 1996
Caesars Windsor	2,330	86	Windsor	May 1994
<b>SLOT FACILITIES</b>				
Ajax Downs	800		Ajax	March 2006
Clinton Raceway	123		Clinton	Aug 2000
Dresden Raceway	116		Dresden	April 2001
Flamboro Downs	782		Dundas	Oct 2000
Georgian Downs	1,000		Barrie	Nov 2001
Grand River Raceway	240		Elora	Dec 2003
Hanover Raceway	131		Hanover	Feb 2001
Kawartha Downs Raceway	450		Peterborough	Nov 1999
Mohawk Raceway	859		Milton	Aug 1999
Rideau Carleton Raceway	1,274		Ottawa	Feb 2000
Sudbury Downs Raceway	370		Sudbury	Nov 1999
Western Fair	750		London	Sept 1999
Woodbine Raceway	2,204		Toronto	March 2000
Woodstock Raceway	185		Woodstock	June 2001

1998 up until March 2012 the programme has provided approximately \$3.7bn in slot revenue to the horse racing industry.

Under the Slots-At-Racetracks Programme there are now slot machines installed at the 14 racetracks in Ontario and the racing industry earns 20 per cent commission on the net revenue which is shared between racetrack operators (10%) to fund the operations for live racing and 10% to purses for racing at each track.

The 14 slot racetracks in Ontario include Standard Bred tracks: Clinton Raceway, Dresden Raceway, Flamboro Raceway, Georgian Downs, Grand River Raceway, Hanover Raceway, Kawartha Downs, Mohawk Racetrack, Rideau Carleton Raceway, Sudbury Downs, Western Fair District and Woodstock Raceway. Meanwhile Ajax Downs is Quarter Horse

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and Woodbine Racetrack is Thorough and Standardbred.

Municipal governments in racetrack home communities earn around five per cent of the net revenues and the balance goes to the OLG. In 2010 the racing industry in Ontario earned \$333m in commissions of which \$169m went to racetrack operators and \$164m to purses for racing.

In September Bally Technologies announced an agreement with the OLG to supply its progressive system technology and award winning slot machines to create a \$1m wide area progressive jackpot (WAP) link.

OLG's link called Mighty Millionaire will initially be offered on 90 games at 19 different gaming venues across the province. Bally was given the contract





after an RFP process to replace the existing jackpot link. Some of Bally's most popular games will be on the new link such as Michael Jackson King of Pop and Betty Boop's Fortune Teller.

Meanwhile Bally recently opened a new Canadian office in Ontario in November in Mississauga near to Toronto airport. The company is also looking at implementing slot and table systems at sites in British Columbia and Saskatchewan.

### MODERNISATION PROGRAMME

All looks set to change in Ontario. Due to the advances in technology and changes in demographics, shopping patterns and a decline in US visitors, the OLG is worried about its long term sustainability and is concerned that the current business model is not serving customers, or the province, as well as it could do.

Since 2000 there has been a significant decline in the number of lottery players

The government is currently looking at ways to rationalise its gambling enterprise and maximise its net revenue from gambling and is now, via the OLG, looking to end the Slots at Racetrack Program which has been in existence since 1998.

and over the last 10 years profits from gaming facilities near the US border have dropped from \$800m in 2001 to just \$100m last year due to gaming facilities now available in more US states.

The changes in technology include the advancement of online gaming. At the moment it is estimated that Ontarians spend around \$400m a year on gambling websites which are unauthorised in Ontario resulting in a loss of revenue. In addition the lottery system is still mainly paper based in an increasingly paper free country and lottery terminals are under-used whilst blue box terminals currently used are becoming outdated.

The way lottery tickets are sold no longer reflects current shopping patterns and the OLG is now looking at the feasibility of shifting the day to day operations of its lottery network to a regulated private sector operator and to expand its lottery distribution through new channels. This will include new retail outlets and

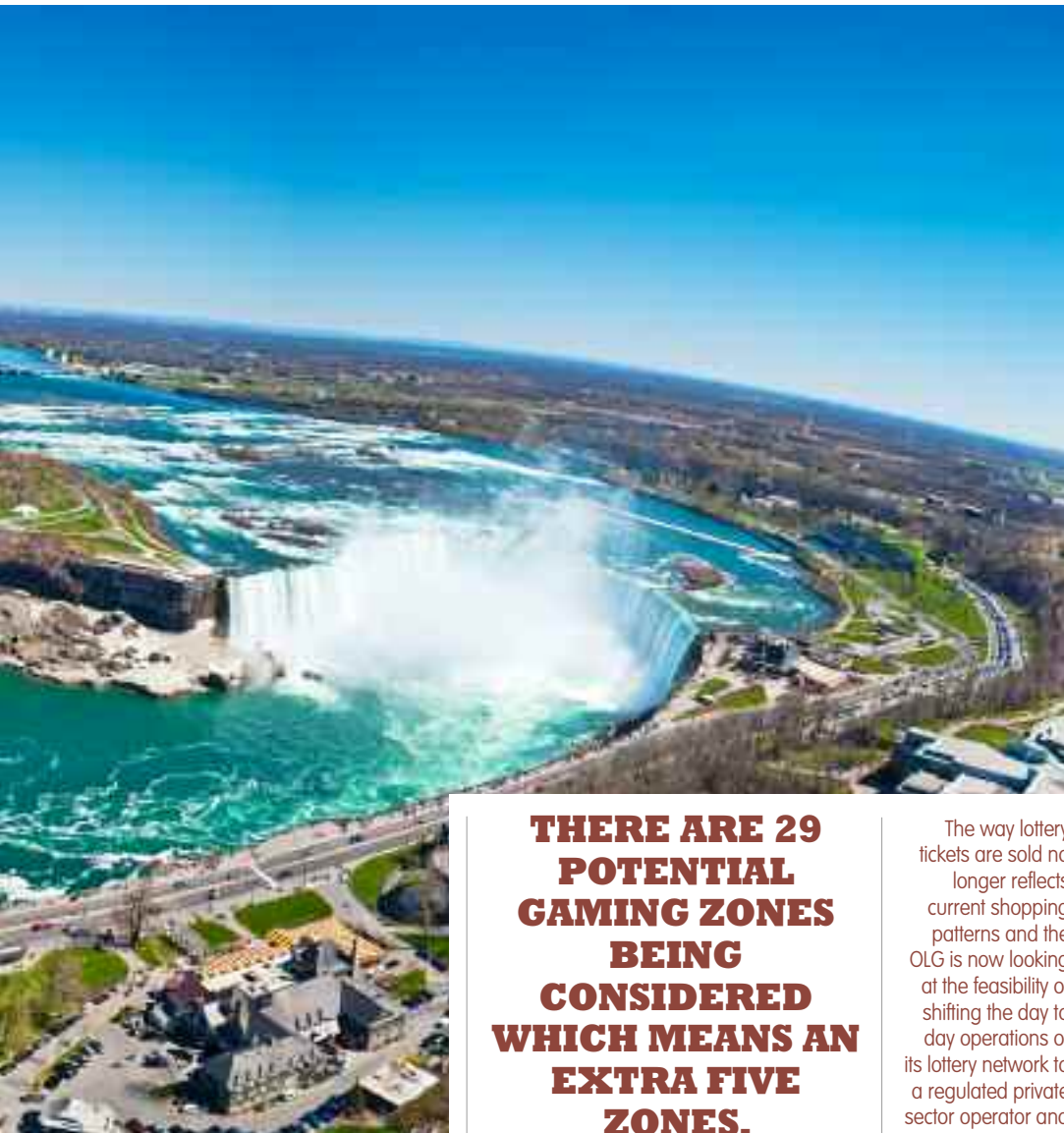
internet and mobile device sales.

The OLG also believes that tying its slot machine business to racetrack sites merely limits the options for new gaming locations whilst the size of the slot sector at racetracks has also reached its plateau and cannot feasibly grow. With 88 per cent of land based gaming revenue coming from slots it is an important market.

So the plan now is for privatisation with three main recommendations:

- To become more customer focused
- To expand regulated private sector delivery of lottery and gaming
- To renew OLG's role to concentrate on the oversight of the lottery and gaming industry.

The idea behind the scheme is to enable service providers to operate gaming



## THERE ARE 29 POTENTIAL GAMING ZONES BEING CONSIDERED WHICH MEANS AN EXTRA FIVE ZONES.

facilities in an OLG defined geographic zone, acquire the capital assets (currently owned by OLG) that are related to gaming sites such as buildings and gaming equipment and also to assume the current operations of OLG's facilities.

There are 29 potential gaming zones being considered which means an extra five zones. Each zone will be permitted to operate a single gaming site which will then have a maximum number of gaming positions and betting limits and list the type and number of games offered. There are eight zones in Central Ontario, 12 zones in Southwestern Ontario, four zones in Eastern Ontario and five zones in Northern Ontario. Although some of these cover existing gaming venues there are five new gaming sites which are:

- C1 - GTA - Toronto area.
- C7 - Collingwood
- E2 - Belleville
- N4 - Kenora
- N5 - North Bay

Under the scheme the OLG predicts that:

- Ontario will see an additional \$4bn in new private sector capital investment in the province with its projections
- Net profit will increase by \$1.3bn annually
- Ontario will be able to offer more innovative and fun games
- Capital costs of expanding or maintaining gaming facilities will no longer be carried by taxpayers
- One new resort casino in the GTA could create 6,000 jobs.
- With the private sector responsible for the operations the OLG can continue its control and oversight work.
- The lottery distribution network can be expanded to accommodate a broader customer base.

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### Ontario: Operator profile

**Operator:** Windsor Casino Ltd

**Ontario Casinos:** Caesars Windsor

**Information:** The casino was Ontario's first Las Vegas style casino and is 100,000 sq.ft and has 2,300 slots and 91 tables plus World Series of Poker.

**Background:** The casino initially opened in 1994 as an interim casino then permanently in 1998. It was revamped in 2008 when Harrah's (one of the two equal shareholders) changed its company name to Caesars. The casino was then rebranded as Caesars Windsor. The site features a 5,000 seater theatre and 100,000 sq.ft convention centre. The casino sees around four million visitors annually. It is Canada's largest casino convention resort and an all in one destination. Caesars Entertainment operates resorts under the Harrah's, Caesars and Horseshoe brands names and also owns the London Clubs International family of casinos and World Series of Poker.

- As overall revenues increase so will funding to host municipalities, problem gambling programmes and Ontario's First Nations.

### THE SITUATION NOW

The government is currently looking at ways to rationalise its gambling enterprise and maximise its net revenue from gambling and is now, via the OLG, looking to end the Slots at Racetrack Program which has been in existence since 1998.

Slot operations at Fort Erie Racetrack, Hiawatha Horse Park and Windsor Raceway ceased in April 2012.

The other 14 racetracks which have slots have been given notice to terminate their existing agreements as of March 2013.

The changes are expected to have a severe impact on the industry and much will now depend on whether the racetracks will continue to operate slots under different financial arrangements.



# Report

## ONTARIO - CANADA

Also it will depend on whether the government will support the horse sector and breeders who have earned their living through this industry.

The government has divided the province into 29 zones and has indicated that there is likely to be one gambling facility in each of these zones. The problem is 16 of Ontario's racetracks are within one of the zones. Each of them now can respond to the government's request for information and proposals offering to locate a gambling facility in the zone.

If a racetrack is chosen to host a gambling facility within a zone the government can then enter into a commercial rental agreement with the racetrack which the industry hopes will then allow the racetrack to continue live racing.

The Ontario Horse Racing Industry Association (OHRIA) says the horse sector will now also look to the government to supplement the purse money which was derived in part from pari-mutuel wagering.

The government has now set up the Horse Racing Industry Transition Panel to look at how the government can help the industry adjust to the changes. The government has also indicated it will provide up to \$50m over a three year period to assist the industry transition to self sufficiency.

The horse racing sector however says as from 2013-14 as the racetrack would be able to offer live racing as income from pari-mutuel wagering plus a commercial rent for the space at the track occupied by the OLG this would be insufficient. Basically they need the revenue from the slot machines.

The OHRIA proposes that the government provides sufficient financial support for the new model for the industry.

An OHRIA spokesman said: "Whether any given racetrack is willing and able to offer live racing in the future may largely depend on whether that racetrack is selected by the government as its gambling location within that racetrack's zone.

"Racetracks are able to respond to the OLG's Request for Information and, if invited, Request for Proposals. It is not our place to suggest the criteria that government will apply in making its selection but in most cases it would be highly desirable and important to include a condition that if a racetrack is selected, it will conduct live racing at an acceptable level.

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**OHRIA  
SPOKESMAN.**



"Of course it is possible for a racetrack that is not selected to continue nonetheless to offer live racing and to rely on pari-mutuel wagering both on track and off track as revenue streams. It may also be possible to assist a racetrack in other ways. However it is considered unlikely that a racetrack will survive by offering live racing without deriving revenue from slots and/or other forms of gambling."

The sector predicts that only seven to 10 racetracks will survive in Ontario after next year. Under the existing Slots at Racetracks Program the purse accounts at all racetracks received a total of approximately \$165m, which together with the horse people's share from pari-mutuel wagering, provides the purses for a total of 1,540 race dates.

The response from the government regarding OHRIA's questions was to create the OMAFRA panel which has been meeting to discuss suggestions from the industry

## ONE OF THE BIG QUESTIONS HANGING OVER THE OLG MODERNISATION PLANS IS THE TOPIC OF A NEW GAMING CENTRE IN THE GTA.

Meanwhile the OLG has released the Request for Information (RFI) for land based gaming and lottery in May and June 2012. The aim of this was to learn from the private sector providers which elements of their business could be improved. The gaming RFI focused on a proposed gaming business model and new gaming zones. The lottery RFI focused on options for providing lottery services across the business. The RFI closed in July and August respectively. The next step is Request for Pre-Qualification (RFPQ) and Request for Proposal (RFP) for both sectors. On the gaming side this will be for service providers to propose the construction of new gaming sites in OLG defined geographic gaming zones. Vendors will be selected in mid 2013.

Included in those affected is the Great Canadian Gaming Corporation which received notice in March 2012 from the OLG announced that it would terminate the site holder agreements with its

"The company is currently studying the implications of this notice. OLG previously announced that they will engage in negotiations on new arrangements for OLG and/or private sector vendors to occupy space at racetrack locations where there is customer interest. As such there may be an opportunity for the company to enter into future negotiations with the OLG regarding the operation of slot machines at the Georgian and Flamboro Downs racetrack locations."

**ROD BAKER,**  
President and CEO,  
GCGC.

At the moment only three municipalities that host no slots or gaming but are in the OLG's expansion zones have welcomed gaming – Peterborough, Belleville and Clarence Rockland on the Ottawa River. Ottawa's Mayor Jim Watson is backing the new casino plans for this region and says currently gamblers spend money at the Casino Lac-Leamy in Gatineau and to open a casino would keep revenue dollars within the municipality.

Georgian Downs and Flamboro Downs locations as from March 2012. There are 1,000 slots in Georgian Downs and almost 800 slots in Flamboro Downs.

Rod Baker, President and CEO of GCGC said: "The company is currently studying the implications of this notice. OLG previously announced that they will engage in negotiations on new arrangements for OLG and/or private sector vendors to occupy space at racetrack locations where there is customer interest. As such there may be an opportunity for the company to enter into future negotiations with the OLG regarding the operation of slot machines at the Georgian and Flamboro Downs racetrack locations.

"During the year ending December 2011 Georgian Downs and Flamboro Downs generated a combined \$34.4m in revenues and \$17.4m in EBITDA."

Meanwhile one of the big questions hanging over the OLG Modernisation plans is the topic of a new gaming entertainment centre in the Greater Toronto Area (GTA). The plan was announced in March of 2012 under the modernisation scheme. OLG said it would build one new casino in the GTA.

One of the prime locations highlighted was Toronto's lakefront. Toronto currently has one gaming property in the region – slots at the Woodbine racetrack and this is apparently one of the busiest gaming floors in all of North America.

The Greater Toronto Area has three gaming facilities and a population of 5.3 million. Gaming revenues for this region amount to \$887m and there are a total of 4,088 slots.

At the moment only three municipalities that host no slots or gaming but are in the OLG's expansion zones have welcomed gaming – Peterborough, Belleville and Clarence Rockland on the Ottawa River.

Ottawa's Mayor Jim Watson is backing the new casino plans for this region and says currently gamblers spend money at the Casino Lac-Leamy in Gatineau and to open a casino would keep revenue dollars within the municipality.

Meanwhile there has also been a significant decline in charitable gaming in Ontario. Ten years ago there were 6,000 charities raising funds at around 230 bingo halls. Today there are 3,000 charities fundraising in 61 halls.

The OLG wants to generate more interest and is now looking at developing new products and technologies to invigorate



### Ontario: Vital Statistics

**Capital:** Toronto  
**Population:** 12.8m  
**Land Area:** 1,076,395 sq.km  
**Lt. Governor:** David Onley  
**Premier:** Dalton McGuinty (Liberal)  
**GDP:** \$638bn  
**Casinos:** 24 (total)  
**Racetrack Casinos:** 14  
**OLG Casinos:** 5  
**Tribal Casino:** 1  
**Resort Casinos:** 4  
**Casino Slots:** 21,000  
**Table Games:** 600  
**Bingo Halls:** 61  
**VLTs:** 2,211  
**VLTs in First Nations:** 585  
**Charity Gaming Revenue:** \$15.7m  
**VLT Retailers:** 337 (bars/restaurants)  
**VLT Revenue:** \$137.2m  
**Lottery Retailers:** 10,000  
**Racetracks:** 17 (14 with slots)  
**Total Gaming Revenue:** \$5.8bn  
**Online Gaming:** OLG iGaming site  
**Regulator:** Alcohol and Gaming Commission of Ontario - [www.agco.on.ca](http://www.agco.on.ca)

the bingo experience and appeal to a wider audience. The plan is to introduce a standardised suite of paper and electronic games to interested bingo halls. At the moment 37 have shown an interest and six pilot sites have been set up to test the products. This will include ePaper bingo, electronic bingo, breakopen ticket dispensers, eSuite games, rapid bingo draw and electronic shutterboard.

The OLG anticipates that this could deliver \$475m to Ontario charities over the next eight years under the revitalisation programme. The pilot centres have already raised almost \$43m (by end of May 2012) for charities.

In August 2010 the Ontario government announced its intention to launch internet gaming in Ontario as a new line of business and to be conducted by the OLG. The AGCO is now responsible for establishing the framework under the Gaming Control Act 1992.

OLG is currently reviewing the RFP submissions although it is expected that the online gaming site will go-live in mid 2013. OLG has already tendered for a vendor to provide an internet gaming solution and this will include a player account management system to be integrated with all types of online games plus a software solution for player registration, financial payment processing



OLG anticipates then its own gaming channel will offer increased player protection, secure transactions and data privacy. It will offer online lottery ticket sales, slots and casino games, poker, bingo, sports betting and other skill based games. Landbased casinos can therefore now offer online gaming.

solution and day to day operational and support services. The OLG is currently reviewing the RFP submissions.

This will be used to launch the iGaming platform by OLG and from this successful applicants can use this platform to operate designated products across digital channels subject to the OLG terms and conditions.

OLG anticipates then its own gaming channel will offer increased player protection, secure transactions and data privacy. It will offer online lottery ticket sales, slots and casino games, poker, bingo, sports betting and other skill based games. Landbased casinos can therefore now offer online gaming.

Mari LeCoche, Director of Strategic Sourcing at OLG said: "Based on current information available it is estimated that after five years in operation OLG iGaming can deliver over \$100m in net profit and a similar amount in spin off economic

activity. OLG is currently undertaking the research necessary to determine the market segmentation which assists in the identification of the iGaming player base.

"There are currently 1,800 off shore internet gaming sites which are not licensed to operate in Ontario, by moving into the iGaming business OLG can repatriate over \$400m in profits to bring economic benefits to Ontario. The OLG iGaming site will employ the best practices and responsible gaming tools to ensure that iGaming is fun but also safe and secure to protect the underage and those who are at risk for problem gambling. iGaming will contribute to the creation of jobs both within OLG and in the private sector."

The federal government meanwhile is looking to amend the Criminal Code to allow single event sports betting and although the bill is not yet law Ontario's OLG for one sees this as beneficial to its customers.