



GAMBLING RESEARCH REVEALS

The Alberta Gaming Research Institute is a consortium of the Universities of Alberta, Calgary, and Lethbridge. Its primary purpose is to support and promote research into gaming and gambling in the province.*

OUR MISSION

To significantly improve Albertans' knowledge of how gambling affects society



Highlights of the Institute's 7th Annual Institute Conference— Gambling in society: A question of balance

by Rhys Stevens

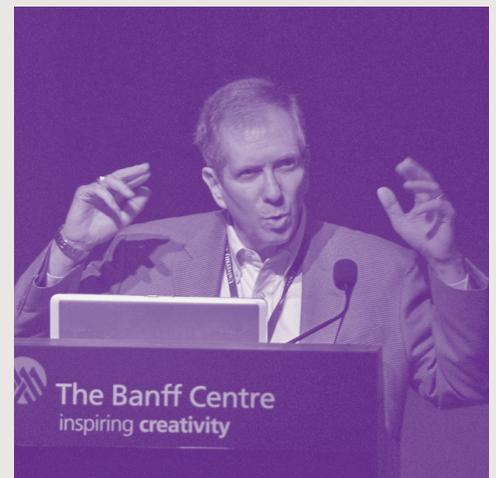
The Institute's 7th annual conference on gambling research was held at the Banff Centre in beautiful Banff, Alberta on April 4th and 5th. Over the course of two days, a host of Canadian and international experts presented topics related to the conference theme of "Gambling in Society: A Question of Balance." Attendees were exposed to a range of interesting and thought-provoking research material primarily related to gambling and public policy.

Summaries of presentations included in this newsletter are highlights from those presented at the conference. Presentations themselves are available from the completed conference 2008 program web page on the Institute web site.

KEYNOTE ADDRESS: *The Chase thirty years on: Reflections on the changing gambling scene* – Dr. Henry Lesieur

In his keynote address, Dr. Lesieur reflected on his earliest interactions with the problem gamblers he met while working alongside them as a gas station attendant in Rhode Island. The station owner and other employees often frequented the nearby horseracing track and experienced financial difficulties as a result. It was these seminal experiences that put Lesieur on a path toward pursuing a doctoral thesis related to the experience of the problem gambler. His PhD thesis was eventually published as a book entitled *The Chase* which became a foundational work in the field.

During his presentation, Lesieur provided a guided overview of what he considered to be the most significant events and eras related to problem gambling research. He noted that gambling in one form or another has been popular since ancient times but little



Dr. Henry Lesieur



Ms. Kim Carter

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evidence exists indicating that this type of gambling was considered problematic. He also discussed recent progressions in our understanding of problem gambling that have taken place over the past thirty years. Once considered a sign of moral weakness, explanations have evolved in ways that now provide clinicians and treatment personnel with a more informed understanding of how to best assist problem gambling clients.

International perspectives on the role of gambling in society

Comparing gambling with other extractive industries – Dr. Peter Adams

In his presentation, Dr. Peter Adams, author of the recently published book, *Gambling, Freedom and Democracy* (2008), chronicled events surrounding the expansion of commercial gambling in New Zealand. The expansion that took place in New Zealand involved systemic changes that had social, economic and political repercussions. As these three dimensions were inter-connected, changes in one created strong “reverberations” in the other two areas. Adams noted that such reverberations are very similar to those felt in natural ecosystems when they are exploited by commercial extractive industries. In an example presented by Adams, he said that a forest is easily able to sustain the impact of a person chopping down a tree with an axe. However, when that same individual uses a chainsaw to cut down all the trees, a forest cannot regenerate. In relating his example to gambling in New Zealand, Adams likened slot machines to chainsaws as they are a superior technology that enables the unprecedented “extraction” of gambling revenues.

Another focus of Adams’ presentation was a concept he described as “moral jeopardy.” He suggested that gambling-related profits shared with charities and governments tend to “build relationships, connections and expectations in various ways.” Adams said that there are several types of risks—ethical, reputational, governance, and rela-

tionship—when organizations accept gambling profits. Specific steps or “safeguards” can be taken, however, to reduce those risks. In concluding, Adams strongly recommended devising gambling safeguards to avert future compromises of democratic roles and the degradation of democratic systems.

Investigating gambling improprieties

British Columbia Ombudsman Report—Ms. Kim Carter

As the Ombudsman for the Province of British Columbia (B.C.), Ms. Kim Carter described her primary role as investigating complaints and overseeing administrative procedures. One recent investigation came about as a result of a Freedom of Information and Protection of Privacy Act (FOIP) request by the Vancouver Sun newspaper regarding retailer lottery wins. This request was initially handled internally by the B.C.’s own gaming regulatory agency. In December, 2006, however, the Ombudsman’s office itself took over a more involved lotteries-wide inquiry after the initial internal investigation was deemed unsatisfactory.

Carter commented that the public took a great deal of interest in the Ombudsman’s investigation and added that, “People who play lotteries care about the fairness of the process and they care about their prize money at all levels and amount.” The specific focus of B.C. Ombudsman’s lottery investigation was on retailer ticket validation and prize payout procedures. Her office received full cooperation from British Columbia Lottery Corporation and Gaming Policy & Enforcement Branch staff during the investigation. According to Carter, “It became evident that, while we were doing the investigation, that there weren’t any effective checks.” She likened one lax security measure to “a watchdog that slept quite a bit.” Key recommendations made in the B.C. Ombudsman’s report have resulted in both operational and attitudinal changes in the B.C. lottery system.

Ontario Ombudsman Report – Mr. André Marin

Mr. André Marin, Ombudsman for the Province of Ontario, announced his involvement in an investigation of the Ontario Lottery and Gaming Corporation (OLG) the day after the October 2006 airing of an investigative documentary on retailer wins by CBC-TV's *The Fifth Estate* program. The "Luck of the Draw" episode profiled Mr. Bob Edmonds, 71, who was cheated out of a \$250,000 lottery jackpot by a dishonest retailer who subsequently claimed his winning ticket. According to Marin, "One of the areas often overlooked about lotteries is that they are the backbone of revenues for hospitals, charities and other good causes. Putting the fairness of the lottery in doubt is threatening to them."

The investigation launched by Marin's team unearthed a series of conflicts of interest between OLG and its retail sales force partners that he characterized as "incestuous relationships." In his final report, the Ombudsman produced a list of recommendations which were implemented and which are still being monitored for continued compliance. In concluding his presentation, Marin pointed out that, "[Lotteries] have a monopoly so there are no competitors there to keep them honest... but they ultimately exist as creatures of government." It is, then, their responsibility to uphold their duty as public servants and protect the interests of the public.

Accountability & consumer protection issues in gambling regulation

Improving customer protection practices in the gambling industry – Dr. Kurt Eggert

In his conference address, Dr. Eggert indicated that consumer protection initiatives are conspicuously absent in the gambling landscape by comparison to such areas as consumer finance and loans. He noted that gambling also presents unique challenges

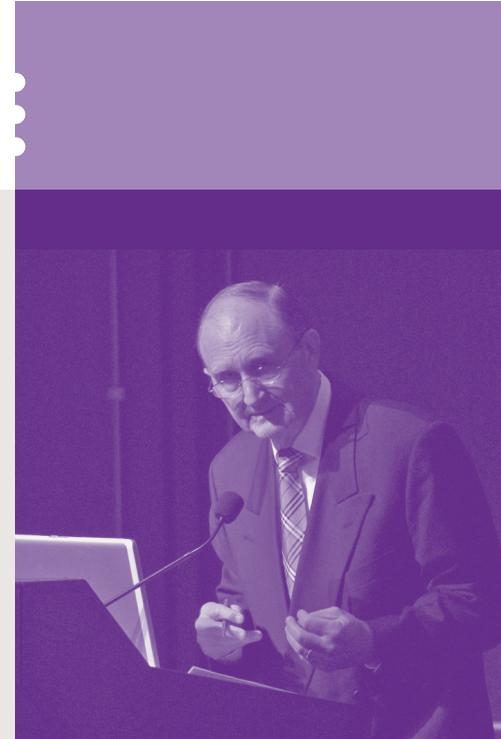
for researchers attempting to scientifically determine best practices in harm minimization. It is for these reasons that he recommends an approach for the protection of gambling customers that uses aspects of consumer protection and harm minimization. In combination, this dual approach ensures that gamblers have the information they need to make informed decisions, have information presented to them in an understandable way, and are less likely to be coerced into participating in unfair practices.

According to Eggert, "In consumer protection, we often rely on informational remedies which involve giving good information to the consumer at the right time... in a simple enough way that avoids information overload. With respect to slot machine gambling, the most important thing to disclose is the true average cost of playing a machine." In order to actually provide this information to gamblers, Eggert recommended disclosing the cost of each game by means of a display that includes *both* the hold percentage of a slot machine and its hold amount. By contrast, Eggert said that anything designed to give consumers wrong information such as "near misses" on slot machines fails with respect to consumer protection.

Accountability and social responsibility in the regulation of gambling in Ontario – Dr. Garry Smith & Mr. Daniel Rubenstein

In this presentation, co-presenters Dr. Garry Smith and Mr. Daniel Rubenstein discussed their research investigation on gambling accountability that was funded by the Ontario Problem Gambling Research Centre (OPGRC). The goal of the study was to provide guidelines for concerned citizens to hold governments to account regarding the regulation of gambling.

Dr. Smith pointed out that, though gambling in Canada has now become a \$14-billion industry, evidence presented at this conference and elsewhere suggested to him that rigorous government oversight is still only



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Dr. Peter Adams

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a work in progress. “Gambling and other vices such as prostitution and pornography are all morally-contested industries, and they should exist under a public structure that inspires public trust,” said Smith. Likewise, Rubenstein stated that commercial gambling differed substantially from other public goods. He added that, “There’s a higher accountability bar for a morally-contested industry [like gambling] than for others.”

Smith discussed several related “troublesome truths” that pertained to governmental involvement in the provision of gambling. These included the fact that gambling itself is not an essential service; gambling is a form of entertainment unlike others; gambling expansion was never justified through empirical research, and; gambling revenues are significantly derived from vulnerable populations according to recent research studies. Dr. Smith cautioned that, “When government agencies begin to act as a corporation, they become fixated on revenues and prone to become addictive systems.” In order to remedy such “accountability gaps,” Rubenstein recommended more open and public disclosure of information. He suggested that improving accountability fundamentally improves the nature of bureaucracy.

Problem gambling legal liability concerns

Consumer protection law: The legal siege on deceptive gaming – Mr. Roger Horbay

Mr. Horbay began his presentation by relating a story about the announcement of a racetrack slots facility in Elora, Ontario. He noted that this announcement happened to coincide with the day he made an offer to purchase a home in the community. According to Horbay, “Two years after the opening of the racetrack facility, just about everyone in town said they knew a problem gambler... prior to the track there were apparently none. The specific problems

seem to relate to the slots at the tracks... not the ponies.” Horbay contended that these slot machines were inherently deceptive. He cited several examples of how “virtual reel mapping” (i.e., the uneven “weighting” of symbols on modern slot machines) is misleading to gamblers as it intentionally creates what are known as “near misses.” He drew parallels between the near misses created by these “unbalanced virtual reels” and cheating that could occur by using a stacked deck of playing cards.

Horbay also provided details about an ongoing legal case in Newfoundland and Labrador (NL) that was filed against the Atlantic Lottery Corporation. The lead plaintiff in the case is the estate of deceased problem gambler Susan Piercey. According to Horbay, a key question at issue in the court proceedings is whether or not there was some evidence for deception. Though the outcome of the Piercey case is far from certain, a possibility exists that the presiding judge could order an injunction to shut down VLTs across the province. Regardless, Horbay predicted that it was only a matter of time before similar class action suits are heard in the provinces of British Columbia and Ontario over deceptive consumer practices inherent in EGMs.

Program responses to mitigate gambling provider’s liability exposure – Mr. Rob Simpson

In his presentation on “Managing Liability Risk,” Mr. Rob Simpson noted that there have been several legal studies examining the likely outcome of a court case over whether gambling providers owe a “duty of care” to gamblers. According to Simpson, a conclusive answer to this theoretical question will only be produced by a future court judgment that sets a legal precedent. “Until that time,” said Simpson, “[As a gambler regulator] what should you do? When would you buy your first fire extinguisher? Before or after you have a fire?”

Simpson introduced two program responses being used in Ontario to address per-

ceived informational “imbalances” between gamblers and gambling providers. Both programs were developed collaboratively by the Ontario Problem Gambling Research Centre and the Ontario Lottery and Gaming Corporation. The first solution involved segmenting data from Ontario’s “Winner’s Circle” loyalty program and contacting members who were deemed at risk of developing a gambling problem. A second tool involved the use of an animated video that provides gamblers with strategies for not exceeding their spending limits. The animation does this by correcting commonly-held misconceptions about the probability of winning at slot machine gambling. Simpson said that, “Preliminary testing of the video’s effectiveness found only 2% of viewers immediately went over their spending limits compared to more than 30% with the control group.”

Sociological and anthropological perspectives on gambling in society

Social responsibility matters: Historical and anthropological perspectives on culpability and gambling – Dr. Bo Bernhard

Dr. Bo Bernhard described a project that involved an analysis of nineteenth and early twentieth-century sermons about gambling which were obtained from historical archives in the United States. In describing passages from these texts, Bernhard took conference participants back in time via a series of re-created historical video vignettes. In each, actor Reese Middleton richly illustrated how the institution of religion played an important societal role in protecting congregations against the evils of gambling.

According to Bernhard, “These [ministers] were the earlier ‘experts’ on problem gambling and had all sorts of clout and reach... that went beyond the audience of the congregation itself.” He described how the “finger-pointing” used in each sermon was

very specific to the problem gamblers themselves. In addition, even greater scorn was heaped upon those who provided gambling opportunities. In relating these attitudes of yesteryear to the present, Bernhard felt that organized religion still wielded considerable influence in many jurisdictions. He concluded by saying that people working in field of gambling research should be aware that these historical attitudes still resonate today and serve as a complement to the bio-psycho-social model of gambling.

Escape mechanism: The video gambling zone – Dr. Natasha Dow Schüll

In her presentation on machine gambling in Las Vegas, Dr. Dow Schüll vividly described the life of a female gambler infatuated with video poker who was interviewed as part an anthropological research investigation. “After her move to Las Vegas, [Patsy] zoned in to these screens and literally disappeared. Ten years later, her life revolved around machines... even the way she ate... she only dined with her husband and daughter at casinos. She dreamed of the machines. Her time, social exchanges and activities were all geared around gambling. Her whole being was directed back into that zone... it was a machine life.”

According to Dow Schüll, out-of-control behaviours exhibited by machine gamblers like Patsy can be characterized as a form of escape. She noted that, “For these gamblers, winning isn’t the aim. They’re not playing for money, they’re playing for credit so that they can continue to play. Even winning for them interrupts the tempo of play.” In looking to the future, Dow Schüll suggested that traditional problem gambling treatment and policy strategies should be reconsidered to address the motivations that drive these seemingly irrational machine gamblers. After all, she added, “Gambling addicts aren’t really after enjoyment... they’re after escape.”

“Gambling addicts aren’t really after enjoyment... they’re after escape.”

– Dr. Natasha Dow Schüll

“The unique environment that has developed over the past twelve or thirteen years now means that First Nations must develop their own programs based on the revenue they have generated.”

– Dr. Yale Belanger

Social, economic and political factors associated with gambling regulation

A review of assessing the socio-economic impact of gambling—Dr. Harold Wynne

In his presentation, Dr. Harold Wynne provided an overview of socio-economic impact studies of gambling that had taken place in Canada and internationally. Wynne noted that federal and provincial government in Canada has required resource industries such as the energy industry in Alberta to prove that their planned developments will not create “demonstrable harm” to the natural environment. Similarly, he suggested that impact assessments of planned casinos should also be required as these developments create potential problem gambling environments for people.

In his review of studies from the U.S., Canada, U.K., Australia, and New Zealand, Wynne found that a variety of methodologies were used to evaluate the socio-economic impact of gambling. He pointed out that, while many of these studies had been well done, none were without limitations. Wynne added that, “Frameworks now guide most current socio-economic research studies, but the *particular* framework that is used will impact the final result.” In addition, the quality of the data used in the framework itself was emphasized by Wynne as being of critical importance for producing relevant analyses. In concluding, Wynne left conference attendees to considering the question, “Why should we not attempt to mitigate the social impact?”

First Nations gaming as self-government imperative: Ensuring the health of First Nations problem gamblers – Dr. Yale Belanger

In his presentation, Dr. Belanger said that, “Historically, the federal government of Canada had responsibility for First Nations issues—which meant a fiduciary obligation.” Paradoxically, the government’s financial support had the effect of severely

handicapping the ability of First Nations communities to pursue opportunities for economic development. Belanger indicated that the seeds of change were planted in 1996 with the release of the final report of The Royal Commission on Aboriginal Peoples. It recommended that, for aboriginal self-government to succeed, it was critical to develop a self-reliant economic base for these communities. To do so required a radical departure from the existing “business as usual” scenario. For First Nations groups, casino gambling was recognized as being a potentially lucrative economic development strategy. In turn, profits from gambling would be available to fund self-government objectives.

Belanger noted that the enhanced opportunity for First Nations to pursue revenue-generating mechanisms like casino development also come with greater responsibility. One of these is the duty to protect reserve residents from the dangers of problem gambling. Another cited by Belanger is the responsibility for managing the significant revenues generated by existing First Nations casinos. He said it was vitally important that such management of revenues be handled in a transparent way and allocated to the nation-building activities for which they were originally intended. According to Belanger, “The unique environment that has developed over the past twelve or thirteen years now means that First Nations must develop their own programs based on the revenue they have generated.”

Gambling in the mass media and on the internet

Probing corruption and cover-ups in Canada’s gambling industries: A Media View – Mr. David Seglins

As an investigative journalist for CBC-Radio, Mr. David Seglins provided conference participants with an insider’s account of the nature of relationships between the media, the public and the gaming industry. Seglins’ interest in Canadian gambling

issues began about fifteen years ago during a time of widespread industry expansion. Over the course of that time, he's noticed that neither the media nor the general public have a particularly good understanding of the issues related to gambling. "In fact, he said, "[the media] are often themselves drawn into the hype surrounding it. But, sometimes," he added, "the media does dig a little deeper." By way of example, Seglins provided snippets of radio and television broadcasts that had unearthed the following gambling-related scandals:

- **The Bob Edmonds story**

A documentary from CBC-TV's *The Fifth Estate* "unmasked" several fraudulent retailer lottery wins, cover-ups by lottery officials, and the resulting changes to the lottery system after an investigation by the Ombudsman.

- **The Zues Yaghi story**

A computer programmer discovered an "Easter egg" in Alberta VLTs that allowed for jackpots to be manipulated at will. A lawsuit by the manufacturer against Yaghi is ongoing.

- **Nova Scotia VLTs story**

A computer programmer named Jean-Guy figured out a way to exploit a flaw in the video lottery game software that allowed him to collect jackpots at will. He and his team were apprehended by an alert bartender.

- **Subliminal symbols on Slot Machines**

Slot machines in Ontario produced by Konami Gaming were found to be briefly flashing jackpot symbols on every spin. The manufacturer characterized the problem as a software glitch.

After playing each example, Seglins speculated that there are still many questions that remain unanswered. Asked Seglins, "Is the Bob Edmonds story just the tip of the iceberg? How did this Easter egg problem get into the VLT machines and who else knew about it? How many other hackers are out there doing similar inside tricks like

those in Nova Scotia? Are flashing messages having any effect on slot machine players? Why don't regulators test for it?" Seglins concluded by commenting, that, "The media can cast light into the shadows and, once in a while, can get people to get up and pay attention."

Internet gambling in Canada: Prevalence, patterns and land-based comparisons – Dr. Rob Wood

Cultural sociologist Dr. Robert Wood updated conference attendees on his findings from several large-scale studies of Internet gambling that he was involved with over the past several years. He described his current OPGRC-funded study as using a two-pronged data collection approach using both telephone and online surveys. Both the RDD (Random Digit Dialing) telephone survey (n=8,496) and the online survey (n=12,500) asked participants similar questions related to gambling activities, definitions of gambling, and gambling knowledge and beliefs. The online, self-selected survey was located at www.gamblinginformation.org and made accessible from a gambling information portal called Casino City.

Based on a preliminary analysis of the survey results, Wood stated that, "There were some striking differences between Internet and non-Internet gamblers." For instance, online gamblers tended to be male, younger, less likely to be married, more educated, more likely to be employed, have a higher level of family household income, and a lower proportion of mental health problems. With respect to problem gambling, Wood said that, "Internet gamblers were three to four times more likely to have a problem, at least in this sample." In concluding, Wood speculated that there is still much more demographic information about Internet gamblers that can be gleaned from the available data. Further analysis is to take place over the coming months.

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– David Seglins



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