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THE INTERIM REPORT

OF THE

STANDING COMMITTEE

ON

COMMUNITY SERVICES

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VIDEO GAMBLING AND GAMING POLICIES IN NOVA SCOTIA

APRIL, 1993

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VIDEO GAMBLING AND GAMING POLICIES IN NOVA SCOTIA

APRIL, 1993

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Nova Scotia

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April 16, 1993

Mr. Rod MacArthur
Chief Clerk of the House
Province House
2nd Floor
Hollis Street
Halifax, Nova Scotia

Dear Mr. MacArthur:

I am pleased to table this report of the Standing Committee on Community Services regarding Video Gambling and Gaming Policies in Nova Scotia.

Yours very truly,

Derrick J. Kimball, MLA
Kings South
Chairman

DJK/ldc

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COMMITTEE MANDATE

The Nova Scotia House of Assembly Standing Committee on Community Services is established for the purpose of considering matters normally assigned to or within the purview of the Ministers and Departments of (i) Health, (ii) Community Services, (iii) Housing, (iv) Consumer Affairs and (5) Municipal Affairs, and matters relating to the Human Rights Commission.

On February 3, 1993, the Standing Committee on Community Services determined to engage in public consultation on the issue of video gambling and gaming policies in the Province of Nova Scotia.

The Standing Committee on Community Services is an all party committee of the House of Assembly. Although the committee is comprised of nine members, the government members on the committee boycotted the hearings and the meetings of the committee on this issue stating that the meetings were unnecessary. Further, the Speaker of the House of Assembly, although acknowledging that he did not have the jurisdiction to interfere with the work of the Committee, cut off funding to the Committee at the request of the Minister of Finance. Opposition members who constituted a majority carried out public hearings at their personal expense.

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SCHEDULE OF HEARINGS:

The House of Assembly's Standing Committee on Community Services determined to look at the issue of video gambling and gaming policies in Nova Scotia on February 3, 1993. A series of public meetings were held commencing February 23, 1993 and concluding on March 16, 1993. These meetings were held at ten locations in the Province: Halifax, Sydney, Port Hawksbury, Antigonish, Westville, Truro, Bridgewater, Wolfville, Amherst and Yarmouth.

The Committee heard a total of seventy individual submissions as well as receiving a number of written briefs or presentations. The Committee and members received correspondence and phone calls from many other Nova Scotians. Some research materials were provided to the Committee. The Committee is indebted to all of those individuals who made oral presentations and provided written materials or submissions to the Committee in the course of the hearings. The Committee commends all those presenting and attending the public meetings for their public spiritedness.

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INTRODUCTION

The Committee, in the course of its work, received a number of submissions, both oral and written dealing with the issues of video gambling and gaming policies in Nova Scotia.

This investigation by the Committee was intended to provide an opportunity for members of the public to speak to the Committee in a public forum and to provide advice to the Committee on what Nova Scotia should do in relation to these matters.

The following is an interim report of the Committee and is not intended to be exhaustive or final in any sense. The following sets forth the substance of some of the submissions made to the Committee with respect to the issues of video gambling and gaming policies in Nova Scotia.

Under the Part entitled Submissions, all of the comments are those made to the Committee and do not necessarily represent the Committee's view or assessment of the allegation contained in the comments. The Part entitled Observations and Recommendations sets forth the Committee's position.

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SECTION I

SUBMISSIONS: WHAT WE HEARD

The Government's handling of this matter has left the implication that corner store operators in Nova Scotia are not honest and that they are law breakers.

Government encouraged people to borrow for expansion and to otherwise rely upon these machines staying in their premises.

The Government has flip-flopped badly on this issue.

Businesses that had these machines removed deserve to be assisted by Government.

There are a lot of questions that need to be answered and Government is not answering.

Gambling is artificially created chance or chance for profit with the gain and winners being at the expense of losers. There should be more restrictions leading to the elimination of video lottery terminals in Nova Scotia.

The video machines should be given to the private sector for operation.

Any policy regarding gambling must take into account the effects of gambling on the desperate, the poor, the young and wider implications for society.

The promotion of gambling by Government as a means of raising money is morally reprehensible.

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It seems the VLTs pay out differently on different days, raising a suggestion that some tampering is occurring.

Government should consider more responsible ways of taxation.

In September, 1992, P.A.C.S.(Provincial Association of corner Stores) met with the Minister of Finance regarding their concerns about the proliferation of video lottery terminals. They made recommendations at that time. The Government did not listen. Spectra, the replacement machines for 649, raises the possibility of sports betting and other gaming / gambling activities in Nova Scotia. Concerns were raised regarding percentage differences for payouts.

The store operators received and relied upon Government assurances that video lottery terminals were here to stay. Then they received eighteen days notice that the machines would be withdrawn permanently.

There was very real confusion as to who the Lottery Commission was. Many believed the Lottery Commission to be a brand new body created by Government in January, 1993. Many believed the new "Gaming Commission" to be a body created independent of Government.

In the Spring of 1991, the Government made a mistake. In January, 1993, Government made another mistake. Two wrongs do not make a right.

Gambling is addictive. Problem gambling is the preferable term. Using the analogy to alcohol, four individuals are affected for each alcoholic. If there is a problem gambler, four people will be affected by that gambler's problem. Studies show that 3%-7% of the population will become addicted to gambling if exposed.

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As a social problem, gambling affects men and women equally. It is suggested that 4%-5% are susceptible. One percent are at high risk. Prevention must address accessability. The issue of video gambling is a moral issue and a neighbourhood issue. Treatment is commendable but to allow treatment while we continue to allow video gambling machines is like giving a bottle of whisky to an alcoholic along with a bus ticket to the next meeting of Alcoholics Anonymous.

Lotteries and their hand-maiden, the gambling machine, have been accurately described as taxation for suckers, and we are affronted that our Government was taking this unfortunate adventure in tax gathering.

Gambling is an illness. It is progressive in nature. Gambling is a classless disease.

Grey-area machines are prevalent in Cape Breton. They are not illegal. It is only machines that actually pay out that are illegal.

Atlantic Lotto shoved the video lottery terminals down our throats. Atlantic Lotto wanted the gambling machines by the cash registers. They wanted everyone to put in two or three. They were accessible to children. Atlantic Lottery officials were intimidating, bullying and excessively persuasive.

Advertising by Atlantic Lotto is bad and should not be permitted.

Gambling is a lack of impulse control.

The sale of lottery tickets and 649 are loss leaders for corner store operators. They actually lose money on these sales. But to not offer these products is to give your competition increased customer traffic.

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Gambling is controlled by the Government so if you have a problem there is no one to whom to complain.

The Province has made a mockery of the judicial system suggesting that they cannot enforce the criminal law. Government took the position that gambling was here to stay and they could do little about it other than get into the business. The corner store operators were given video lottery terminal machines with little or no instructions as to their use, as to abuse, as to restrictions on play or hours or anything else.

Government has mislead the public. They indicated there was to be a freeze. They made people believe there was to be a freeze on the numbers of machines and that Government would lose $40-$50 million dollars in revenue. In fact, Government is continuing to put more machines in bars and taverns. There may be a serious problem with cross addiction by putting video lottery terminals only in liquor licensed establishments.

In September, 1992, store owners told Government that there were too many terminals being put into the market place. The Lottery Commission told them that the numbers were being monitored on a daily basis and the market was not saturated at that point.

Once the Government and Atlantic Lottery Corporation took control they failed to regulate these machines properly. The grey machines have been better regulated by the private operators than the Atlantic Lottery Corporation machines.

Corner store operators are a more responsible group of business people and operate more responsible locations for such machines than do the liquor licensed establishments.

Government created the need for gambling by introducing the machines. They have not got rid of the problem.

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This move has been very hypocritical by Government. There was to be a freeze on machines according to the Government on January 20, 1993. But taverns and bars have been receiving more machines since January 20, 1993.

The children are now allowed in liquor licensed establishments. The parents and children now use the video lottery terminals in taverns.

The Provincial Government employees who recommended the purchase of video lottery terminals from a particular private company, are now employed by that company. This should be investigated.

Government has been engaged in crisis management.

The Atlantic Lottery Corporation is a one-sided business. The Atlantic Lottery Corporation gives nothing to us, they do nothing for us.

The store owners were never told by the Atlantic Lottery Corporation until a couple of months ago that they could not sell their products to anyone under nineteen.

Gambling was not prevalent or frequent before the Government got involved.

The past history of gambling shows that there was infrequency, distance and lack of accessability. Government has changed all that now. Government has increased the opportunity, accessability and made it socially acceptable.

When Government introduced video gambling, there were no rules. Even municipal bylaws were superseded by the Government. The municipalities were no longer allowed to control the number or hours of use of these machines. Municipalities should be permitted to have

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bylaws in this regard. Store operators and small business owners pay attention to municipal bylaws. They pay more attention to municipal bylaws then the Government does.

There should be a limitation on bets.

The Province has no cohesive or coherent plan. It is a deficit driven plan.

Some corner store operators made renovations to their premises and expended money on the basis of these machines. The Atlantic Lottery Corporation told them that the machines were to run for as long as the store was open.

The Atlantic Lottery Corporation employees were rude and domineering in their relationship with corner store operators.

The Premier conducted no studies, asked no one's opinion; other options were not explored.

Video lottery terminals should not be in taverns. They have not solved the problem at all by leaving these machines in liquor licensed establishments.

Why would anyone invest any money in Nova Scotia the way the government decides issues. There is no security. This is no way to run a Government or a Province.

The store owners need to be compensated or get the machines back. Someone has to answer for this.

Removing the machines from the corner stores has not solved a thing. It has created a greater problem.

The grey machines are starting to flood the Province.

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Government should not be running these machines, private enterprise should be doing it.

We were guaranteed the machines were here to stay.

For solutions, they should restrict the hours.

Municipalities should receive a percentage of the profits to deal with social problems in their own areas.

Municipal units are now going to face serious zoning problems because of applications being brought in order to bring businesses within a zone that can support a liquor license.

Sixteen years ago when Atlantic Lotto Corporation started introducing tickets, revenue was said to be dedicated for sports. This is not true.

This is a cash cow for Government.

With one quarter of children born out of wedlock, crime is rampant, criminals are being coddled, we will see the effects of all this in ten years.

There is a serious contradiction here with Government being in the business and also trying to treat the effects of the business they are in.

Government has no intention of giving this up.

There is an ethical question here. Is gambling something that society can afford to nurture?

Whatever the problem is, gambling is not the answer. Limit the number of machines to each operator.

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There should not be any video lottery terminals in the Province except the ones to be located in a single casino. A few people may became addicted as a result of these machines. It is not fair that the majority should suffer just because of a few.

Video lottery terminals are gone from corner stores and as the result lottery ticket sales are up.

We were never advised we did anything wrong. Never had a customer complained about these machines.

Grey machines have been around all along and they are coming back.

If these machines are to not to be put into corner stores then they shouldn't be anywhere.

There should be restrictions regarding the operation of these machines: They should be in a separate room; the hours and days of operation should be fixed, e.g. no Sundays, shutdown at 11:00 or 12:00 p.m.; limit the payout; up the till to $100.00 -- anything over that amount would have to be redeemed at a bank or through Moncton.

No one really knows the story on the grey machines. Can you have them or not, are they legal or not?

Originally, if you were an outlet for the Atlantic Lottery Corporation, you got tickets. If your tickets and sales were $5,000.00 per month for a minimum of three months then you were entitled to a 649 machine. When they introduced the video lottery terminals in May, 1991, you were only eligible for a video lottery terminal if you had a 649 machine. There was some organization to it. You earned the right to have a video lottery terminal. But then they got greedy and they began to give them to everyone.

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Everyone could qualify, any convenience store, any laundromat, anyone could be a convenience store. Some of them were in people's basements. Didn't anyone inspect the premises?

Under age players was not a problem. Enforcement was not a problem either. There was no money in 649, there is no money in the tickets.

It is either in or out. You shouldn't have them in one location and not in another.

If there was a outright ban on the machines then maybe they should be in casinos.

Gambling is addictive as is drinking.

This is not the business of Government. Government should not be encouraging addictions.

If anything, Government should not be in the business. Let private enterprise do it.

This kind of gambling (video lottery terminals) has created a great deal of damage -- a great deal of harm to individuals and families. There is a negative impact on people who can't afford it. They damage themselves and others.

Where do you draw the line between rights of individuals (business or personal) and social conscience. You must develop a consensus.

We are sending out the wrong message: The way to enjoy life is through a minimum of effort. It is the work ethic versus luck. This is the message we get through lotteries in general. We are not encouraging ingenuity, education or work.

The revenue cannot offset the social costs.

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A real concern is regarding controlled gambling. With gambling though you get other industries.

It is easier to keep the genie in the bottle then to put him back in. A serious mistake was made.

In one sense, Government has worsened the situation by leaving these machines in drinking establishments.

This whole affair raises real issues of the proper role of Government.

There is a view that we should allow the people the consequences of their actions even when their actions are bad actions. The store owners were set up and knocked down. Nonetheless, these machines should be removed from all locations.

A Government is representative of a society. It should clarify goals and then lead.

We are failing because we are not making our citizens reflect, consider and enhance our society.

Grey machines are now flooding the market. They are going everywhere. They can't keep up with the demand.

They should have given everyone six months notice and taken them out of everywhere. But the cut is better on the grey machines. It is 60/40 or 50/50.

Five machines, the maximum now allowed, can net an operator up to $150,000.00 per year.

The retail operators experienced high pressure sales from the Atlantic Lottery Corporation.

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The gross sales on 649 was the same volume as the video lottery terminals -- maybe greater. But the percentage is smaller.

Government has acted consistently here. On the moral question. They have acted consistently shabbily -- shabbily to victims -- shabbily to store owners. Government created a market and fed an addiction. Now the grey machines are necessary.

A lot of stores cannot survive now because of what has happened.

Break and enters of corner stores have skyrocketed.

For solutions, lower the amount of the bet, lower the amount of the payout.

Why not split the take with local charities.

Pull out all the machines and start anew. Everyone gets one machine.

When video lottery terminals were in full swing in the community, bingos and other type raffles were down.

Society is not helped by having any form of gambling sanctioned.

The principle of expecting to get rich from nothing is a fallacious approach to life. We should not be encouraging this. The largest group of users can least afford it.

Gambling includes card parties, bingo and poker machines, tickets. How far do you go? Many cannot afford this and look to Government for assistance.

Do away with horse racing, bingo, carnivals, just plain betting? It would be hard to do.

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They should have left them in the stores for two years. The novelty would have worn off.

There should have been consultation with other provinces before we made this move -- inter-provincial consultation.

This is a grab by Government for money. A portion should be set aside for addictions or for individual losses. Government has an obligation to the person.

Some people eat too much, drink too much, play bingo too much, so we have regulations.

The grey machines are here. They are not licensed, they are not regulated and the money is not going to the Government.

No one gets rich off video lottery. The maximum payout is $500.00.

Many other jurisdictions have them so why not us?

Dedicate the revenue to medicare.

Look at licensing a fixed number of machines. Don't license any more than a certain number. Government cannot dictate what people do with their money.

Government lost control of the issue and then gave up control.

Problem gamblers are still playing these machines, only now they are the grey machines.

These machines will always be here and so will the compulsive gambler.

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If corner stores can't have these machines then neither should taverns or bars. If you put them back in the corner stores then we better have better rules.

In New Brunswick and P.E.I. the machines are regulated by the Atlantic Lottery Corporation but they are owned and placed by private operators. Some private store operators are waiting to see what the Government does. They will not allow them to bring back the Government video lottery terminals and they will put in the grey machines.

The corner store was a good environment for our customers. Many of these people would not want to go to the taverns to play the machines. The Atlantic Lottery Commission threatened to call Revenue Canada or have the police check out our grey machines. They said the Liquor Board would be calling about the liquor license.

Employees of Consumer Affairs and the Atlantic Lottery Corporation said that the grey machines were illegal but could not provide proof. What right did they have to do this? Atlantic Lottery Corporation officials visited in May, 1991, Consumer Affairs visited three or four months later. Then in April of 1992 the RCMP seized machines but did not charge anyone. In August, a second group of machines were seized and charges were laid at that time. Eleven to twelve businesses were raided in the Yarmouth area.

One Atlantic Lottery Corporation employee is alleged to have told a proprietor, "don't take your machines from the mafia, take them from us" in reference to one of the private owners of lottery machines.

One owner of machines sent machines to Consumer Affairs for approval but Consumer Affairs rejected the machine. It was suggested that the Atlantic Lottery Corporation employees were present at the time the machines were rejected by Consumer Affairs.

People with grey machines were intimidated by Atlantic Lottery Corporation employees.

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People who did not have grey machines but had other Atlantic Lottery products were pressured into taking video lottery terminals even when they did not want to. One suggested that the 649 machine would be taken away if they did not take a video lottery terminal.

Nearly every corner store in Dartmouth (90%) has grey area machines. Within one and a half months this will be true in Halifax. At the moment only Yarmouth, Digby and Shelburne do not have grey machines.

Prior to May, 1991, Nova Scotia had 3,500 grey machines. New Brunswick had 7,000 grey area machines before they went with the Atlantic Lottery Corporation. After May, 1991, there were only about 600 grey machines in the Nova Scotia.

The Atlantic Lotto Corporation used to release monthly figures on sales. They stopped doing this. It became Government policy not to release figures.

Maybe smart cards can be used to limit the amount of total bets.

In New Brunswick, the Atlantic Lottery Corporation regulates it, the Atlantic Lottery Corporation approves the machines and the machines are hooked up electronically to Moncton. There are about 3,800 machines but they are owned by private owners who place them in the stores. The store owner, the operator and the Government split the proceeds 35%, 35% and 30%. The payout on these machines is about 84%.

The Government wanted to get rich overnight. They did get rich but they lost their business in the process.

The grey machines take quarters and loonies. The maximum bet is $2.50. The maximum payout is $1,000.00.

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The Quebec Court of Appeal says that these machines are illegal but nonetheless there are 28,000 grey machines in the province.

The Nova Scotia Government bought 2,000 machines from one manufacturer that Australia refused to buy from because of links to organized crime. The closest casino to Nova Scotia currently is the one going into Montreal.

A casino in Nova Scotia won't make any money.

Casinos owned by governments don't work. They end up being sold to private operators. If you have video lottery terminals in stores and or taverns, a casino won't work.

Casinos operated by natives on our reservations will not be a problem because they are not properly located.

An average of 75 grey machines per week are going out to the corner stores.

Atlantic Lotto Corporation was too aggressive. Over a thousand small businesses throughout the Province got machines.

The Government endorsed gambling but abruptly terminated its contract with store owners. Education, not banishment is the answer.

Public right versus public choice -- that is the issue.

After the pull-out of video lottery machines, some stores saw business decline 30% - 50%. This has led to curtailing hours and laying off employees.

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Between Digby and Shelburne there are 150 operators adversely affected by this Government's decision.

Atantic Lotto Corporation wanted the machines up front in the open and would not allow retailers to put the machines out of sight. The RCMP never investigated underage gambling yet they seized grey machines. They should get a greater return on ticket sales in 649.

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SECTION II

OBSERVATIONS AND RECOMMENDATIONS

I OBSERVATIONS

1.1 PREAMBLE

The committee looked at several broad issues. First, gaming policy in Nova Scotia - what is it? What should it be? Gambling exists now and has existed in various forms since our earliest history. Should it be extended? Should government operate it? Should government regulate it? Should government be involved at all or should it be a private matter only?

What do we know about gambling, about the negative consequences? Are there any? If so, what are they? To what extent will they affect us?

How much thought or planning has gone into these questions in Nova Scotia? Do we have any studies? Do we need them? Have we looked at other jurisdictions? Can they provide us with information and the benefits of their experience?

Are there parallels to be drawn with other activities? Is gambling an amusement or a pastime? Is it a harmless pastime or is it harmful? Are there useful parallels between gambling and drug/ alcohol use? Is it a vice? Is it an activity?

Is it a source of potential revenues for government? If so, is it taxation? Is it fair? Is it regressive?

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Do we know what it is we are getting into? Should government decide all these questions or should the people? Is the issue a mere question of government regulation or is it of a more fundamental nature requiring a consensus from our society?

Is there an ethical/moral side to the issue?

Are the people of one mind on the issue or are we divided? Can an informed decision be made at the present time by anyone?

The Committee feels that if we can answer these questions we will be able to chart our course.

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1.2 THE CONTEXT

Prior to May, 1991, the gambling scene in Nova Scotia consisted of lottery tickets and the 649 machine, "racing, charitable bingos and a couple of private bingos that were grandfathered". In addition there were a number of what they called 'grey machines' in the Province, largely in Cape Breton, that operated in a quasi-illegal state. These machines do not issue a receipt or a piece of paper from which you are paid but rather accumulate points on the machine and if this is the arrangement in the particular bar in which they are located, the house pays off. Then the machine is reset to zero.

Technically these machines can be played for amusement only. Their participation level depends on whether the house is paying off or not.

In May, 1991, the Government made a decision to enter the video gambling arena. At the time, government cited concerns with rampant illegal video gambling terminals, the lack of control and the need to legalize the regime so that there could be regulations to protect the public. Commensurate with the introduction of Government machines, the enforcement and crack down on grey area machines was beefed up. Initially Government machines only went into retail locations where 649 machines existed. However, as revenues began to rise, the Atlantic Lotto Corporation proceeded to introduce more machines and look at non-649 locations. Pretty soon these machines were being introduced to bars, taverns, laundromats and bowling alleys and all convenience stores. As evidence of their lucrative payoff to a proprietor became known, convenience stores began to pop-up in all sorts of interesting locations. You could get a rack of chips and put one in your basement in some locations.

Initially, the Government published revenue figures and numbers of machines on a monthly basis but apparently stopped doing so after a period of time. Seizures of grey area machines were made in the spring of 1992 and several prosecutions were begun. Owners of the grey machines began actions against the Government as well. More and more

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machines began to be put out by Government who allegedly spent $25 million dollars purchasing these machines. In 1992 alone, the number of machines in the Province of Nova Scotia sanctioned by the Government tripled. Revenues also rose dramatically. pointing to an annualized return to government of $50 million and another $25 million to the store owners. In December 1992, Nova Scotians, in a Province of under nine hundred thousand people, were pumping $5 million dollars per week into these machines.

The situation reached the point where corner store operators who had video lottery terminal's asked for and obtained a meeting with the Minister of Finance in September of 1992 to suggest limitations on the numbers of machines and to look for guidance with respect to other rules. They were told by the Minister of Finance that the saturation point had not been reached with the machines, that the situation was being monitored daily and that the machines would continue to increase in number until the saturation point was reached. As time went on, many stories became widespread of victims, tremendous loss and family breakup. Municipal units in the Province began to speak out and pass resolutions condemning video gambling, condemning Government's involvement in it, asking Government to restrict it, eliminate it or to otherwise intervene. Organized labour called for a ban. Church groups and the Nova Scotia Teachers Union spoke out against it.

Finally on January 20th, the Premier announced that the lottery machines would be removed from non-liquor licensed establishments - a total of approximately 2,400, leaving approximately 1,100 in liquor licensed establishments. Government indicated that it would suffer a loss of about $40 million dollars per year. The Government also announced a half a million dollars per year in monies for treatment. Government appointed an "independent Lottery Commission" to study gaming issues and make recommendations to Government on this issue. In fact, what the Government did was to make new appointments to the Nova Scotia Lottery Commission which is a Commission mandated by law to promote gambling in Nova Scotia. The Commission is not independent, it reports to the Minister of Finance through a reporting process that is not public.

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The Government will not lose $40 million dollars a year in revenue as the Premier suggested, because the Government, since the January 20th announcement, has continued to place more machines into liquor licensed establishments. Further, despite a vow by the Premier to crack down on illegal machines, the fact is that the Government has totally alienated corner store operators, the state of the law in Nova Scotia regarding grey area machines is in a state of flux and Nova Scotia is now being flooded with grey machines. There is little or no enforcement, no seizures by police and apparently no explicit legal means to do so.

Since the Government banned the machines in non-liquor licensed establishments, a number of corner store operators have refused to give up the machines. As many as one thousand machines still sit in these stores. Corner store operators are extremely upset with Government. They feel that they have been branded as not law abiding. The fact is they became addicted to the revenues. Many of them have become financially compromised. There have been business failures and significant layoffs. They are now suing the Province.

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1.3 GENERAL COMMENTARY

In Nova Scotia the video gambling issue has been an example of a total abdication of planning, of policy and of common sense.

To say that Government must be involved because it would not be regulated or controlled is to suggest that Government cannot control illegal gambling activities. Some may be difficult to control. The private card game. The private clubs. But video gambling machines are big pieces of equipment and unlike drugs they can't be flushed down the toilet or thrown out the window at the first sign of possible apprehension.

We have some fundamental ethical questions that need to be asked. We have to decide what it is we want to go on in our society. No one is suggesting that all vices are absolutely controllable, they are not. There may be some argument as to what is the vice, what is the virtue. Gambling is a meaningless economic activity. It adds nothing to the economy. It contributes nothing to those who participate in it. To the extent that it is amusement, it could be amusement without a payoff in which event it would amuse only and would not likely addict. In this particular case, the only justification for gambling is financial. For government it is an easy tax, but it is an unconscionable tax because it is a tax that will be bought only at a significant if unknown real human and financial cost. It is a disproportionate tax because it taxes most heavily and most significantly those who cannot control themselves. It is a regressive tax.

This is a cash grab by Government. It is motivated by a desperate need for revenues and no regard, thought or study has been devoted to the negative possible impacts of this. No thought has been given to the fact that it is a regressive tax. No thought has been given to the addictive nature of gambling and in Nova Scotia there is a particular lack of interest in consulting or engaging in a process of dialogue to determine what the population really wants.

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Regarding video lottery terminals (VLT's), there is considerable anecdotal evidence of the damage this particular form of gambling does. There seems to be a growing awareness that this may be the most addictive form of gambling in existence. This is fast track gambling. It is thought to be worse than casinos. It is very attractive to the problem gambler. It involves instant gratification. There is no waiting. In our computer age it will be most attractive to young people. There are no studies of impact or effects of video gambling on populations in this country to date. The particular difficulty in dealing with a gambling addiction involves, of all addictions, an unprecedented denial level. It is a completely hidden vice. There are no symptoms. There are no overt signs. There is nothing to give you away until it is too late.

Gambling scholars have estimated that compulsive gambling generates social costs of about $56,000 per average addict excluding trial and incarceration costs.

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1.4 ADDICTIVE/COMPULSIVE/PROBLEM GAMBLING

Even as this Committee was conducting hearings and preparing this report, the purpose of which is to determine what regime of gambling, if any, Nova Scotians want, a new lottery is announced -- Auto Plus Lottery, a product of Atlantic Lotto, introduced by very splashy and colourful advertising campaign. At the same time, the Province and the City of Halifax are reportedly engaged in discussions related to the establishment of a casino.

The fact is that Nova Scotians do not know very much about the damaging effects of wide spread gambling. We have not had that kind of experience in this province. What we know is anecdotal. But more people are becoming informed as a result of studies and the observations of events in other jurisdictions and we can determine what the future would be for Nova Scotians if a wide spread regime of gambling existed.

A report prepared for Alberta Lotteries and Gaming titled "Compulsive Gambling: General Issues, Treatments, and Policy Considerations" (Garry J. Smith, University of Alberta, February, 1992.) contains interesting and useful information.

> Generally speaking, there is little public awareness of compulsive gambling due to the subtle nature of the disorder. Since you can't smell lottery tickets on someone's breath or see poker chip stains on their fingers, the phenomenon tends to be concealed. Yet up to 3% of those who gamble may become afflicted by compulsive behaviour. Inevitably, as gambling opportunities expand, so too will the incidence of compulsive gambling behaviour. Inevitably, as gambling opportunities expand, so too will the incidence of compulsive gambling behaviour. The powerful but largely undisclosed effects of compulsive gambling have yet to register with the public and tend not to be given full consideration wherever gaming opportunities are expanded.

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While compulsive gambling is hidden to some extent because it does not involve the use of a substance, scholarly research has noted its similarity to other addictive behaviours. Compulsive gamblers, like alcoholics and drug addicts, have a preoccupation with gambling activities; they gamble longer than intended and with more money than intended. There is also the equivalent of "tolerance", as when gamblers say that after they have bet with hundreds or thousands, two dollar bets lost their significance. Compulsive gamblers also suffer withdrawal symptoms in recovery programs. While it is true that compulsive gambling is like other addictions, the main difference is that it does not by its nature directly attack the body. It is, however, equally capable of ruining lives and wreaking havoc with relationships.

Compulsive gambling is a chronic and progressive failure to resist impulses to gamble and gambling behaviour that compromises, disrupts, or damages personal, family, or vocational pursuits.

Compulsive gamblers do not suffer in isolation, since their addiction creates a ripple effect that impinges on the lives of family members, friends, and employers. Besides fracturing relationships, compulsive gambling is also connected with criminal activities such as theft, embezzlement, loan sharking, tax evasion, and so forth. Moreover, compulsive gamblers tend to be more unproductive in their jobs and a drain on the social welfare system.

The majority of compulsive gamblers are addicted to legalized forms of gambling. It varies by social demographics, but the game preferences of compulsive gamblers are casino games, horse racing, lotteries, sports betting, bingo, and stocks and commodities. Video lottery terminals are not widespread yet, but they are thought to be one of the more addictive forms of gambling.

As legal gambling expands, the incidence of juvenile gambling increases. The enforcement of gambling ag limits tends to be ineffective, except in casinos where security personnel can usually spot underage gamblers.

The judicial process is tending to view compulsive gambling as a disease. This means the gamblers are not held totally accountable for their actions and that gambling operators are viewed as having some responsibility to protect compulsive gamblers from themselves.

There are no inpatient treatment centres for compulsive gamblers in Canada and very few health professionals who have the expertise to provide therapy to compulsive gamblers.

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> The recovery rate for Gamblers Anonymous members in Alberta is extremely low (estimated at 5%). With professional treatment and support network involvement (e.g. Gamblers Anonymous), the recovery rate could be increased as much as ten-fold.

Three terms are used interchangeably in gambling literature; compulsive gambling, pathological gambling, and problem gambling. Compulsive gambling is the most commonly used term and the one employed by Gamblers Anonymous. Some gambling scholars believe that compulsive gambling is labelled incorrectly because the behaviour differs from other compulsions in that most compulsive gamblers, at least in the initial stages, love to gamble. The American Psychiatric Association uses the term "pathological" gambling to describe a disorder of impulse control. "Problem gambling" is the term used most frequently in recent literature to describe any form of gambling behaviour that negatively affects family, personal, or vocational pursuits. Problem gambling is a more all-encompassing term that includes, but is not restricted to, compulsive or pathological gambling. Reflecting this change in thinking is the recent renaming of the National Council on Compulsive Gambling to the National Council on Problem Gambling.

> Some compulsive gamblers are as young as 16 and there are some in their 70's, but there are not many found at these extremes. The majority are between the ages of 20 and 50, with the average around 35 years of age.
>
> The majority have a background of traditional family life and a history of consistent achievement in school and work. Very few have had a problem with the law prior to the onset of their compulsive gambling.
>
> Compulsive gamblers come from all walks of life but the majority are concentrated in the lower middle, and middle class.

There are different phases of compulsive gambling. The *winning phase*, the *losing phase*, the *desperation phase*, the *giving up phase*. The following excerpts are of interest:

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The *losing phase* - before the gambler was betting to win; now the gambler is engaged in the frenetic pursuit of lost money. The gambler has lost the feeling of self-respect and invincibility and won't regain it until the lost money is recovered. The gambling is now driven by depression, anguish, and the overwhelming urge to quell these feelings. Symptoms of this stage include gambling along, betting more heavily and more frequently, lying about gambling, delaying paying bills, spending more time away from the family, and borrowing from friends and family. Eventually there is a crunch: borrowing is impossible. Faced with imprisonment (for fraud, forgery, tax evasion, etc.), physical harm from creditors, loss of job, or divorce, the gambler goes to the family and partially confesses. The result is often a "bailout". Family members or friends pay debts and extract a promise to cut down or stop gambling. This promise is not kept. Back on even terms and believing one can get away with anything, the gambler intensifies the betting and loses control altogether.

There is a lack of concern for others as attention is increasingly taken up with various scams for getting money. The gambler becomes irritable and quick tempered (and sometimes abusive to family members). The gambler sleeps and eats poorly and life holds little pleasure. In the end, the compulsive gambler is gambling desperately. There are fears of the law, creditors, spouse, and others. Thoughts of suicide are common and many make suicide attempts.

A study comparing compulsive gamblers to social gamblers found that compulsive gambler distinct from the social gambler in a number of categories.

	Compulsive Gamblers	Social Gamblers
- Did your gambling cause serious problems for your spouse	75%	0%
- Have you defaulted on debts or other financial responsibilities	63%	4%
- Did you make a suicide attempt	20%	4%
- Did you pass bad cheques	68%	5%
- Lost job due to absenteeism in order to pursue gambling	23%	2%
- Borrowed money from illegal sources (loan sharks)	47%	8%
- Got a bailout (gambling debts paid by parents or friends)	70%	2%
- Bragged you were winning money gambling while you were actually losing	75%	5%
- Your big win was equal to 3 to 12 months salary	68%	0%
- Borrowing patterns at legal institutions was continuous and progressive in amounts and frequency	68%	0%

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The Committee was advised that video gambling machines, may be the most addictive of any form of gambling. Professor Smith in his report suggests that "compulsive gambler experts do, however, suspect that video gambling machines may offer gambling in its purest form. Richard Rosenthal, commenting on video gambling machines, says:

> There are fewer components and less room for the secondary rituals and fantasies associated with horse racing or poker. For the video machines players, there's an immediate stimulus-response. It is very addictive and the trend is toward developing faster and faster games. Can you imagine what will happen when kids brought up in video arcades discover the casinos? The newer machines pay off in credits rather than coins. You win time instead of money and in effect play in order to keep on playing.
>
> The development of compulsive gambling has been compared to that of a cancer. Starting slowly and quietly, it gives no indication of its presence. The early signs pertain to personality and temperament and if detected at all, indicate no more than a generalized emotional problem -- nothing specific to gambling. As time goes by, telltale symptoms begin to appear that would, if recognized, signal a warning that a serious problem is developing. To the layperson, however, these may appear as minor abberations that are still not enough to cause undue alarm. The behaviour is conventional enough to tolerate and rationalize. Thus unchecked, the disorder grows until it finally bursts out into the open. At this point, the problem ripples and impinges on those closely involved with the compulsive gambler -- spouse, children, relatives, friends, and co-workers.
>
> There is definitely a double standard in how society views female gamblers as compared with male gamblers. Whereas excessive gambling for males may be mildly frowned on or even tolerated, for women the same behaviour is seen as wicked and depraved. Knowing this, female compulsive gamblers do everything they can to hide their problem, not only from their husbands but from everyone else.
>
> The children of compulsive gamblers are caught in a process which reflects extremes in behaviour by their parents. At times the gambler dotes on them, then ignores them. The children respond by feeling lonely, hurt, angry, guilty, and neglected. In their teen years, they are likely to run away, use drugs, become depressed and experience psychosomatic illnesses. Several studies have also found that children of compulsive gamblers are more prone than children in nationally normed samples to be suicidal, victims of parental violence, and to have gambling problems themselves.

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Compulsive gambling causes employers to suffer financial losses through crime, absenteeism, and squandering of company time. Detecting compulsive gamblers on the job can be difficult, because they are careful about covering their tracks and evading discovery and confrontation. As their urge to gamble increases, however, they become more desperate and leave more clues about their gambling activities.

Research studies indicate that about two-thirds of compulsive gamblers in treatment and those attending Gamblers Anonymous meetings have engaged in financially motivated crimes in order to gamble or to pay gambling debts. The most common criminal behaviours associated with compulsive gambling include cheque forgery, embezzlement, employee theft, larceny, armed robbery, bookmaking, fencing stolen goods, loan fraud, selling drugs, and tax evasion.

The most celebrated case involved Canadian Brian Molony who, in the mid-80's embezzled over $11 million dollars from his employer (a Toronto branch of the Canadian Imperial Bank of Commerce) to support a wild gambling habit. Molony dissipated the money in less than two years, betting with Toronto bookies, at Toronto race tracks, and on binges in Atlantic City and Las Vegas casinos.

The legal profession is in a quandary as to how to deal with compulsive gambling. The solution to the problem depends on whether or not compulsive gambling is seen as a disease. Until recently, compulsive gambling simply did not exist -- at least not as a separate, definable problem that could be argued in a court of law.

In 1980, "pathological gambling" was added to the list of official mental diseases or disorders by the American Psychiatric Association. The mental health practitioners explicitly state that their intention was only to create a diagnostic tool, but this has created a conflict and confusion in legal circles. This is because diagnosis can work both ways: an attorney can argue that his client, diagnosed as a pathological gambler, is merely exhibiting the symptoms of a disease.

It is noteworthy that as society engages in more and different types of activity, liability for negligent or inappropriate behaviour also is expanding.

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If the disease model of compulsive gambling becomes widely recognized by the criminal justice system, it could open the floodgates to legal action against gambling operations such as casinos, race tracks, and lotteries on the grounds that they have a responsibility for the damages suffered by compulsive gamblers.

The consequences of Molony's gambling spree were catastrophic for Caesar's Palace operation in Atlantic City. The New Jersey Division of Gaming Enforcement suspended the casino's operation for twenty-four hours on Saturday, November 30, 1985. Caesar's Palace, however, was ordered to pay employees their normal salaries, benefits, and gratuities. The closure, on Thanksgiving weekend, cost Caesar's Palace an estimated $1 million in lost profit.

Although there are different statistics offered as to the level of addiction that might be achieved in any population, the Canadian Foundation of Gambling uses a broad figure of 3-7%. Prevalent studies in Connecticut have shown a 6.1% compulsive gambling rate. The highest of any state surveyed.

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1.5 NON-LIQUOR LICENSED ESTABLISHMENTS

Non-liquor licensed establishments in which video lottery terminals were located include corner stores, laundromats and bowling alleys. It is this group of establishments that had video lottery terminals on their premises and had them removed by the Government on February 8, 1993.

They were encouraged by officials of Atlantic Lotto Corporation to engage in the business of operating video lottery terminals on their premises. Many of them accepted these particular machines after being "sold" on the product. They were universally told, if they were told anything in this regard, that video lottery terminals were here to stay and they could depend on video lottery terminals as a revenue source. They were given no reasons to believe that the machines would be removed by Government or by Atlantic Lotto officials. Indeed, the Premier of the Province was known to say that gambling was here to stay. The Minister of Finance made similar reassuring comments.

These operators/owners of convenience stores and other locations were given eighteen days notice of the removal of these machines from their premises. Many have suffered financial hardship as a result of reliance on these revenues. For others, that financial hardship extends to the burden of assuming the cost of renovations and other financial outlays incurred in reliance upon these revenues.

Some people have suggested that these operators had a good run, that Government and the people of this Province have no obligation to them and that they should be required to bear the cost of their losses themselves. There is merit to this argument. However, Government has a duty to treat its employees and those it does business with fairly. What happened here was not fair. Such a set of circumstances would be akin to awarding a pay increase to

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employees and then unilaterally, without consultation, and with very little notice, removing that pay increase. These individuals were in business with Government. They were entitled to be consulted and they were entitled to receive some appropriate notice period.

With the vast revenues being enjoyed by the Province even today from these machines, there are sufficient resources to pay compensation to these store owners in cases where real loss can be shown.

An independent commissioner or arbitrator could be appointed to assess the appropriateness of individual claims.

Lottery ticket sales and 649 revenues for these operators are "loss leaders". The retailers receive 5% of sales. This is one reason why the video lottery terminals became such an attractive option. The revenue split was considerably different than that for the lottery tickets. Based on an average split of one-third to the operator, two-thirds to Government and based on a pay out versus retention of earnings of 65/35, the operators experienced something close to 12% of total earnings on the video lottery terminals. No rationale for this differential in return to the retailer was even put forward to the Committee.

It is recommended that the profit margin on ticket sales of 649 and other Atlantic Lotto products be carefully examined to determine the appropriate level of return and adjust the level of returns if necessary.

The corner store industry is in decline because of financial difficulties that this industry has been experiencing lately. The corner store operators have been more vulnerable to the effects and reliance on revenues from video lottery terminals.

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There is growing concern regarding the number of grey machines now being placed in non licensed businesses across the province. Although, real numbers are not readily available, the Committee is convinced that within a few months, the province will be at the pre February 1992 level if we are not already there. Indeed, there is little reason to believe that we will not exceed those numbers, particulary where the government has proceeded to place more VLTs in licensed establishments as well, despite suggestions to the contrary.

This is occurring in an atmosphere of some bitterness and sense of betrayal. As well, businesses that have grown to rely on these revenues as a result of government involvement now feel it necessary to take these grey machines. There is little reason to suspect, from what the committee has seen that the public is in any greater danger from the grey machines than they were from the government machines. Indeed, there may be a good argument for suggesting that the grey machines will have less damaging effects because they are less prominent. Nonetheless, damage is occurring from both types of machine and it is not at all satisfactory to have widespread uncertainty as to the legality of this type of situation. The matter needs to be addressed.

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1.6 THE NOVA SCOTIA LOTTERY COMMISSION / ATLANTIC LOTTO CORPORATION AND OTHER GOVERNMENT AGENCIES

On a number of occasions the Committee heard complaints that the Government was both the regulator and the operator of the video lottery terminals. Where there are problems, To whom can you complain? This is a very serious issue which requires careful examination. As a matter of principle, there is clearly something wrong with such an arrangement. Couple such a regime with the suggestion of Atlantic Lotto "high pressure" sales tactics and the impression created is of a protection racket. Furthermore, it is improper that the Minister of Finance be the minister responsible for the Lottery Commission. There is a clear conflict of interest. The Minister concerned with collecting revenues for the Province should not be in charge of the Commission that regulates the gambling business.

The role of the Lottery Commission itself needs to be carefully scrutinized. That Commission, now filled by seven year term appointments, has a particular mandate by law. It is narrow and specific. The full name of the Act reads: An Act to Authorize the Province to Undertake, Organize, Conduct and Manage Lottery Schemes.

The mandate then of the Nova Scotia Lottery Commission is to promote gambling in this Province. Gambling may be, in certain forms at least, an activity that has always been with us and may always be with us. But to have a Commission of Government promoting this activity is a significant policy statement. Apart from that, this raises questions as to who should regulate the promoter. It is somewhat inconceivable to imagine that the Nova Scotia Lottery Commission is the appropriate body to either set policy, advise on policy or be expected to act in any kind of regulatory fashion in contradiction of its own mandate which is to manage, run, promote, organize and undertake lottery schemes.

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There appears to be variable law enforcement. In Yarmouth, the machines have been seized and operators charged. In Cape Breton and other areas, it appears that seizures and or charges have not been as prevalent or have been nonexistent. Clearly there is the perception of unfairness, that the law is not being evenly applied. The reality may not be much different.

There is a general feeling of dissatisfaction regarding the way store owners were treated by a number of Atlantic Lottery Corporation employees. They importuned, threatened and oversold in their efforts to convince store owners to accept VLT's. In some cases they were pushy and rude. It was not an equal relationship. It is unacceptable behaviour.

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SECTION II

RECOMMENDATIONS

As a result of the testimony and other information provided, the Committee has come to some conclusions.

The current government of Nova Scotia initiated widespread institutionalized gambling in this province without proper consultation with the people. No one knows whether the government wants to promote its continuation and expansion. Government hasn't said. Yet, VLTs are continuing to appear in great numbers.

The Nova Scotia Lottery Commission has a special mandate to promote gambling. As the primary promoter for gambling in the Province, the NSLC is not well suited to an objective or impartial assessment, as mandated by the Premier in the appointment of the new commission, either on an initial basis or on an ongoing basis, with respect to gaming policies generally or specific gaming issues.

In view of allegations made by various presenters, there should be a thorough investigation (and consequential public report) of the Atlantic Lottery Corporation and the Nova Scotia Lottery Commission with a report to be filed with the Public Accounts Committee of the Legislature. Who do they do business with? What tendering and other business practices are in place? How have the VLTs been operated? Has there been interference with pay outs and percentages? Have employees of this government or these bodies been in conflict of interest situations?

Spectra is the new replacement machine for the 649 machines being introduced now to Atlantic Lottery Corporation retailers in Nova Scotia. It is an ominous development because Spectra has the capability of handling not only 649 but sports betting, off track

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betting and other potential forms of gambling. Has this form of gambling been authorized? If so, by who? If not, what kind of regulatory controls permit the introduction of this machine to the province?

The Committee is informed that a report was prepared for the Nova Scotia Lottery Commission regarding VLTs prior to their introduction in May, 1991. We understand the report is being withheld pursuant to the Freedom of Information Act? It is incumbent on the government to make public this report or any other reports in the possession of the Lottery Commission.

Government indicated that it would lose $40 million annually as a result of removing video lottery terminals from non-licensed establishments. Yet it continues to put out more video lottery terminals and to approve licenses for premises regulated under the Liquor Control Act. How can this be? What is the government's policy? How many video lottery terminals have been placed to date? We believe there should be a moratorium immediately on the introduction of new machines. The government should reveal to taxpayers what the current numbers of VLTs are and what the actual and projected revenues will be.

The legality of the situation is cloudy and uncertain. It is not in the public interest to see this continue.

The Committee has determined in the course of its hearings and public consultation that there is a great deal of division in this province on the issue of video gambling and gaming policies generally. Some people are absolutely against any extension of gambling in the Province and want to see its retrenchment. Other individuals think that gambling is an appropriate form of entertainment and should be encouraged as a form of economic activity, a form of entertainment and a source of Government revenues. Others adopt a more fatalistic approach, view the matter as a fait d'accompli and as undesirable as gambling may be, feel that it is here to stay and it is a question only of how we regulate it.

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It is known that there is significant social damage as a result of gambling in its various forms. Any extension of gambling will increase that social damage. Unfortunately, Nova Scotians do not have sufficient experience with an extensive gambling regime to know the extent or the nature of the damage that will be experienced. We can be certain however that there will be damage. Expert evidence before the Committee indicates that between 3% and 7% of the population will be addicted. An analogy to alcoholism would tend to indicate that for every addict or problem gambler, there will be four individuals affected. This would tend to indicate that between 12% and 28% of the population in Nova Scotia could be adversely affected by a wide spread gambling regime.

The alcohol model is useful to examine. The earlier and longer the exposure, the more possibility that problem drinking will occur. Social drinking can become problem drinking. Alcohol is also a factor in how the government has decided to deal with VLTs by only allowing them in licensed premises. This has raised the additional problem of cross addiction. Permanent exposure to gambling is dangerous to a significant segment of our population. The longer this matter is left unresolved, the more damage will occur. It is not fair either for these individuals who allow the operation of Atlantic Lottery Corporation machines or grey machines on their premises to have this matter remain unresolved for too long.

The issues of gambling and problem gambling from the point of view of negative social consequences relate to the issue of individual financial damage. Any public policy in relation to gambling must recognize that such damage will occur. Further, such a policy will increase and maximize the potential total damage to the population as direct consequences of accessability and availability of gambling opportunities. The fewer gambling opportunities that are immediately available, the lower the risk of damage. The less accessible gambling opportunities are by reason of distance or other restrictions, the less damage will occur.

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The more restrictions that are put on gaming hours, operations, bet amounts and pay outs, the less damage will occur.

It is extremely difficult in a province where certain forms of gambling are not only entrenched but are widely socially acceptable, eg; bingo and raffles, to imagine a total retrenchment of gambling. At the same time, it is recognized that an opportunity does exist to halt the spread of gambling, restrict it by regulation and to minimize damage to a significant degree.

Government must act now before permanent long term addiction occurs and is maximized in our population. Government must act now before operators, licensed and non licensed, government sanctioned and otherwise, become financially addicted to the revenues. Government must act now before government itself becomes financially addicted to revenues to help balance budgets and pay for programs.

It would be useful to state some first principles at this point.

1. We know significant damage will occur and will increase with increased access to and availability of gambling.

2. Government should not be promoting such damaging activity without a clear mandate from the public. If government believes that this is the appropriate policy objective, then a mandate should be obtained from the people. Without such a mandate, government must remove the machines, ban their use and require compliance. The government must engage in an open and public process of consultation followed by subsequent debate in the House of Assembly.

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3. No such mandate was obtained by the government prior to May, 1991, and the introduction of video lottery terminals. No mandate has been obtained by government for casinos or sports betting or any other expansion of gambling in Nova Scotia.

4. Because of the real and extensive damage that accompanies any gambling regime and the alleged abuses of the regulatory process that have occurred, all gambling in Nova Scotia should be governed by legislation including the regulatory regime.

5. Any expansion of gambling in Nova Scotia should only occur if government brings forward specific legislation subject to complete public exposure, debate and public input through the legislative process.

6. The video lottery terminals introduced by this government appear to be a particularly addictive form of gambling because they can be placed virtually anywhere and will spread the compulsion faster, are cheaper than other forms of gambling and have high payouts.

7. Under present circumstances, a broadened regime of gambling in Nova Scotia is not in the interests of Nova Scotians. It will create extensive social damage.

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Therefore, the Committee recommends:

1. That the matter of the Nova Scotia Lottery Commission, its legislative mandate, its relationship to Government, its relationship to Atlantic Lotto Corporation and the entire regulatory regime under which it operates, be reviewed to ensure the appropriate safeguards are in place against social damage caused by gambling and to eliminate the opportunities for criminal activity in relation to gambling, as well as maximizing what revenues are obtained for public and charitable purposes.

2. That a Minister other than the Minister of Finance be designated the Minister responsible for the Nova Scotia Lottery Commission.

3. That there be a complete audit of Atlantic Lotto Corporation regarding all aspects of management, policy, accounting, tendering and control with particular reference to the relationship of that corporation with the Nova Scotia Lottery Commission, the Nova Scotia Government, private business (VLT manufacturers) and the citizens of this Province.

4. There has been a unilateral breach by government of its contract and commitments to non-liquor licensed establishments that obtained and promoted government licensed video lottery terminals. The Association of Corner Store Operators and individual store owners have commenced legal action against the government. Legal action is expensive. Compensation should not be settled in the courts where a legitimate claim can be shown. Government has an obligation to honour its commitments and where it cannot do so, must be fair in its business and contractual dealings. A commission or arbitrator should be appointed to settle these claims.

5. The retailer return for some Atlantic Lottery Corporation products (tickets) is only 5% while operators of video lottery terminals receive the equivalent of 12% of the proceeds of sale. The retailer's share of ticket sales has been a matter of complaint as being too low.

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The committee has noted concerns earlier that the government has used financial and other inducements for rapid expansion of VLTs. This issue should be reviewed, the appropriate compensation determined and any rationale for a difference in returns be made public or the differential eliminated.

6. That there be an immediate freeze in place of all government sanctioned VLT's. No new licenses or VLT's should be granted.

7. That appropriate legislative action be taken immediately to amend federal or provincial law to ban all VLT gambling or other devices that have not been licensed by the provincial government.

8. That all billboard, radio, television, and print advertising for Atlantic Lottery Corporation products be banned

9. That no new games, lotteries, betting, or gambling of any sort be sanctioned, promoted or permitted by the Atlantic Lottery Corporation, the Nova Scotia Lottery Commission or anyone else under any circumstances until an affirmative determination has been made by the people of Nova Scotia to expand gambling in the province.

10. That a new Provincial Gambling Act be introduced to the House of Assembly at the earliest opportunity for the purpose of specifying the policy and regulatory regime for existing gambling practices in Nova Scotia.

11. That the work of this committee be continued to make such further recommendations regarding gambling issues to this House as deemed appropriate.

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ACKNOWLEDGMENTS

The Committee would like to acknowledge the help and cooperation of all those who assisted the Committee in its work and in the preparation of this report, a special thank you to those who took the time to meet with the Committee and otherwise offered advice and assistance. In particular, the Committee thanks all those who appeared before the Committee or submitted written presentations. A special thank you is extended to municipal governments in Nova Scotia who provided meeting space to the Committee.

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STATEMENT OF SUBMISSION

All of which is respectfully submitted to the House of Assembly this 16th day of April, 1993.

Derrick J. Kimball, MLA
Chairman

I concur

Dr. James Smith, MLA

I concur

John MacEachern, MLA

I concur

Charles MacArthur, MLA

I concur

Robert Chisholm, MLA

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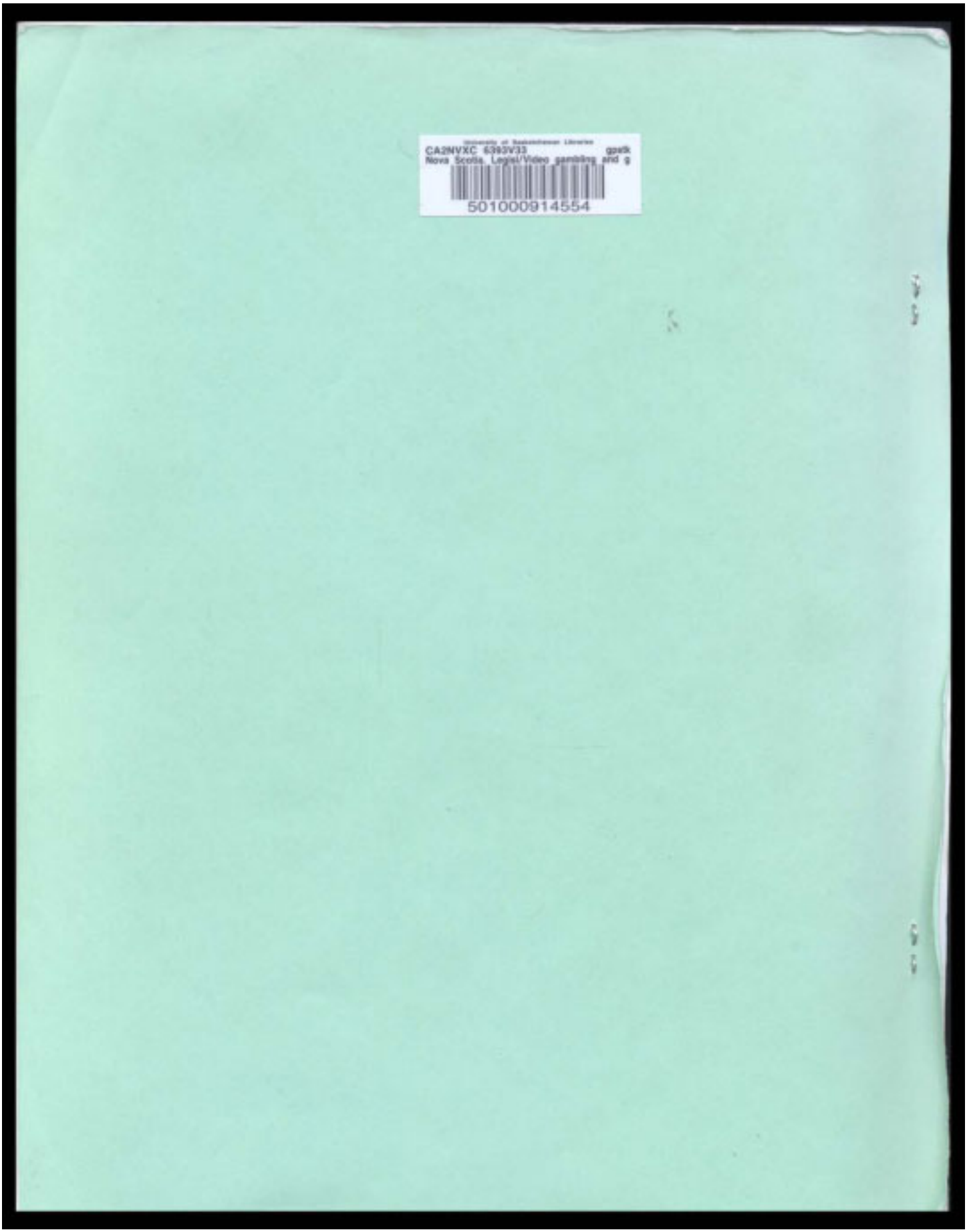
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