



Legislative Assembly of Alberta

The 27th Legislature
Fourth Session

Standing Committee
on
Public Accounts

Alberta Gaming and Liquor Commission

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Fourth Session**

Standing Committee on Public Accounts

MacDonald, Hugh, Edmonton-Gold Bar (AL), Chair
Goudreau, Hector G., Dunvegan-Central Peace (PC), Deputy Chair

Allred, Ken, St. Albert (PC)
Benito, Carl, Edmonton-Mill Woods (PC)
Calahasen, Pearl, Lesser Slave Lake (PC)
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Rodney, Dave, Calgary-Lougheed (PC)
Sandhu, Peter, Edmonton-Manning (PC)
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Barry Gross	Executive Director, Regulatory
Gill Hermanns	Chief Financial Officer and Executive Director, Corporate Services
Gerry McLennan	Chief Executive Officer
Kent Verlik	Executive Director, Corporate Strategy and Social Responsibility

Office of the Auditor General Participants

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8:30 a.m. Wednesday, November 30, 2011

[Mr. MacDonald in the chair]

The Chair: Good morning, everyone. I would like to call this Standing Committee on Public Accounts to order, please. My name is Hugh MacDonald from Edmonton-Gold Bar. On behalf of the entire committee I would like to welcome those in attendance this morning.

Please note that the meeting is recorded by *Hansard* and that the audio is streamed live on the Internet.

We'll quickly go around the table and introduce ourselves, starting with the vice-chair, please.

Mr. Goudreau: Good morning. Hector Goudreau, MLA, Dunvegan-Central Peace.

Dr. Massolin: Good morning. Philip Massolin, committee research co-ordinator, Legislative Assembly Office.

Ms Calahasen: Pearl Calahasen, Lesser Slave Lake.

Mr. Vandermeer: Tony Vandermeer, MLA for Edmonton-Beverly-Clareview.

Mr. Fawcett: Kyle Fawcett, MLA, Calgary-North Hill.

Mr. Kang: Good morning, everyone. Darshan Kang, MLA, Calgary-McCall.

Mr. Chase: Good morning. Harry Chase, Calgary-Varsity. The addicted Albertans commission has a lot of money and misery to account for this morning. Without shooting the messenger, I hope to send a strong message.

Mr. Verlik: Good morning. Kent Verlik, executive director of corporate strategy and social responsibility, Alberta Gaming and Liquor Commission.

Mr. Gross: Good morning. Barry Gross. I'm the executive director of the regulatory division of the Alberta Gaming and Liquor Commission.

Mr. McLennan: Gerry McLennan, chief executive officer.

Mr. Hermanns: Gill Hermanns, chief financial officer.

Ms Grimble: Muriel Grimble, the executive director of gaming products and services.

Mr. Ryan: Good morning. I'm Ed Ryan, Assistant Auditor General.

Mr. Rajoo: Ram Rajoo, principal, office of the Auditor General.

Mr. Saher: Merwan Saher, Auditor General.

Mr. Sandhu: Good morning. Peter Sandhu, MLA, Edmonton-Manning.

Mr. Allred: Good morning. Ken Allred, St. Albert.

Mrs. Forsyth: Good morning. I'm Heather Forsyth, Calgary-Fish Creek.

Ms Bianchi: Good morning. Giovana Bianchi, committee clerk, Legislative Assembly Office.

The Chair: Thank you.

The agenda that was circulated: could I have someone approve that, please? Mr. Sandhu. Thank you. Moved by Mr. Sandhu that the agenda for the November 30, 2011, meeting be approved as distributed. All in favour? Thank you very much.

Now the approval of the minutes from the November 23, 2011, meeting. Ms Calahasen. Thank you. Moved by Pearl Calahasen that the minutes for the November 23, 2011, Standing Committee on Public Accounts meeting be approved as distributed. All in favour? Thank you very much.

This comes to our next item on the agenda, of course, and that's our meeting with the officials this morning from the Alberta Gaming and Liquor Commission. We appreciate your co-operation and your diligence in responding to requests that were made prior to this meeting starting, and I would just like to say, sir, thank you very much.

Now, we are dealing with the Auditor General's report this morning from April 2011 and, of course, the one that was issued here recently, this month; the annual report of the government of Alberta 2010-11, which includes the consolidated financial statements of the government of Alberta; Measuring Up, the progress report; the business plan; and the Alberta Gaming and Liquor Commission annual report for 2010-11.

I will again remind everyone of the briefing material that was prepared by the LAO research staff. Thank you for that again.

Mr. McLennan, the chief executive officer, on behalf of your organization please make a brief opening comment if you would like. Proceed, sir.

Mr. McLennan: Thank you, Chair. I do have some comments. Good morning, everyone. I'm also joined today by our board chairperson, the hon. Marguerite Trussler, at the back as well as Jody Korchinski, who is our director of communications.

The Alberta Gaming and Liquor Commission is a Crown corporation, a commercial enterprise, and an agent of the government of Alberta. We are governed by a seven-member, part-time board that is responsible for developing policy, conducting hearings, and making licensing and registration decisions. The AGLC now reports to the Minister of Finance.

For the '10-11 fiscal year the AGLC information was reported to the Solicitor General and Minister of Public Security. The AGLC operates a liquor retail model, a charitable gaming model, and a provincial gaming model. Under each of these there is a complementary flow of funds, and every activity is conducted under the core principles of integrity and social responsibility.

I would like to provide you with some more detail on each model, starting with liquor. Alberta has a liquor model in which the private sector determines which products are available for sale in our province, the retail price of the product, and the number of retail locations. In '10-11 Albertans continued to enjoy a huge choice, with nearly 16,000 different liquor products available through 1,300 private retail liquor stores. Over \$2 billion worth of liquor was sold to licensees in the past fiscal year. After paying suppliers, taxes, duties, and recycling costs, over \$683 million was provided to general revenue.

To ensure provincial liquor activities are conducted with integrity, the AGLC conducted more than 34,000 inspections in licensed premises across Alberta. That works out to over 93 inspections per day. They check licensees for compliance in a number of different areas, including proof of age, selling to minors, serving intoxicated persons, and serving after hours. Inspectors found almost 97 per cent of licensees were complying with legislation, regulations, and policies.

The second model is a charitable gaming model. Each charitable or religious organization applies for and receives licences to allow them to conduct casino table games, bingos, raffles, and pull tickets. The AGLC assesses eligibility and monitors the use of proceeds of these groups to ensure compliance with our legislation. Charities are also paid a commission from slot machines and electronic bingo. This model provides opportunities for charitable groups to benefit directly from gaming activities. Nonprofit groups across the province earn millions of dollars to support their programs and activities by conducting and managing these activities. Last fiscal nearly 14,000 charities earned more than \$300 million to support community-based programs.

The third and final model under the AGLC operates as provincial gaming. AGLC conducts and manages ticket lotteries and all electronic gaming devices as required by the Criminal Code of Canada. These activities are delivered in facilities owned by the private sector. AGLC receives revenue from slot machines, ticket lotteries, video lottery terminals, and electronic bingo. We ensure prizes are paid and remit payments to the federal government. Commissions are paid to retailers and operators for each type of gaming.

Then after paying out commissions for operators and charities, federal payments, and other government-related operating costs, over \$1.4 billion was transferred to the Alberta lottery fund. This money provides thousands of volunteer, public, and community-based initiatives across the province every year, including upgrading community facilities, libraries and museums, and supporting sports and athletic events, agricultural societies, and arts and culture groups.

As I mentioned earlier, all AGLC activities are conducted with integrity and social responsibility. One area that continues to be a top priority of our organization is improving safety in and around licensed premises. In '10-11 the commission partnered with the city of Edmonton and the Edmonton Police Service to launch a pilot of Best Bar None. It's an accreditation and awards program that has already proven successful in the United Kingdom. Best Bar None promotes responsible management and operation of licensed premises. Of the 63 venues that applied this year, 38 received the accreditation.

Also, individuals who sell or serve alcohol must also know how to reduce problems associated with underage drinking and over-consumption. The ProServe program is mandatory in educating industry workers about their duty of care. In '10-11 over 37,000 individuals received their ProServe certification. Security staff must also take mandatory training. In '10-11 over 4,200 individuals completed that training.

On the responsible gambling side of the business mandatory training programs are in place for anyone who works around VLTs, casinos, and racing entertainment centres. Over 6,500 individuals were trained in those areas last year. In '10-11 the Gaming and Liquor Commission was amended to make it illegal for anyone to enter a racing entertainment centre once they had signed a self-exclusion program. That's to help individuals with their gambling problems, to keep them away from these types of facilities.

On the performance measures side, to ensure our work continues to meet Albertans' expectations, we ask them directly through our annual performance measures. In '10-11 the results show 95 per cent of Albertans are satisfied that liquor is provided in a responsible manner. Also, 93 per cent of Albertans are satisfied that the legal gaming activity they participated in was provided fairly and in a responsible manner. With all our performance measures AGLC will continue to monitor these

results to ensure Albertans continue to be satisfied with liquor and gaming in Alberta.

Overall, '10-11 was another successful year for us as we continue to ensure that Alberta's liquor and gaming industries are well regulated and well managed to benefit Albertans. This will continue to be done with the highest commitment to social responsibility practices in the future.

Thank you.

8:40

The Chair: Thank you very much.

Mr. Saher, do you have anything to add at this point?

Mr. Saher: Thank you, Mr. Chairman. Mr. Ryan will just make a brief comment.

Mr. Ryan: Mr. Chair, my comments will be brief. Over the past few years our focus at AGLC has been on evaluating the design and operating effectiveness of the information technology controls that we use for our financial statement audits.

On page 133 of our November 2011 report we report on the commission's good progress and implementation of resolving IT control issues that we highlighted in our October 2010 public report. Our most recent audit work found that AGLC has implemented and is following its policy to regularly perform independent security assessments of its high-risk systems and networks. There are currently no publicly reported outstanding recommendations to AGLC.

In the next audit cycle we will continue to assess the commission's progress in developing an overall information technology risk and control framework to identify and mitigate IT risks and improve controls over information technology.

Mr. Chairman, that concludes my opening comments. We'd be pleased to answer any questions that the committee may have.

The Chair: Thank you very much.

We will proceed quickly to questions, but the chair would like to note that in April 1955 the Public Accounts Committee of the Legislative Assembly of Alberta met with the Provincial Auditor at the time and also the chairman of the Liquor Control Board, as it was known then.

Mrs. Forsyth: Thanks for sharing that.

The Chair: You're very welcome.

Mr. Goudreau: Totally different people.

The Chair: For sure.

Mr. Chase, please, to start, and Mr. Allred is after Mr. Chase.

Mr. Chase: Thank you, Mr. Chair. I must admit that I was only eight years old at the time, so I wasn't present at the meeting.

On page 33 of the annual report the AGLC lists the number of slot machines and casinos in Calgary, Edmonton, and under Other. My first question: can you explain the incredible increases over a five-year period in the number of slot machines in Calgary – an increase of 1,155 machines; under Other, 1,318 – compared to the increase in Edmonton of 573 machines? There are an awful lot of one-armed bandits going out into the province.

Mr. McLennan: Yes, I can respond to that. If need be, Muriel Grimble will follow up.

In the last five years we've added a number of new casinos to the province. Each new casino in a metro area is opened with in the neighbourhood of 500 to 600 slot machines. These slot

machines are put in based on our analysis of play. Also, we do not install additional slot machines in facilities unless there is the play by the patron to substantiate the cost to us to put the machines in.

We monitor this very closely. In the past year there has been very little movement with regard to additional slot machines, but it's all based on play by the consumer.

Mr. Chase: Thank you.

My supplemental: under Other, that other category, which cities are receiving the majority of these new slot machines? My guess would be that Fort McMurray would be right up there.

Mr. McLennan: Actually, the facility that Fort McMurray has right now is at max. They can't take any additional slot machines. The additional slot machines in the last number of years have been because of new casino facilities at Camrose, Stoney Nakoda First Nation as well as Cold Lake First Nation. That's where the additional machines have gone.

As I mentioned earlier, there haven't been a significant number of add-ons in facilities. It was the new facilities that were added in the last few years.

Mr. Chase: Thank you.

The Chair: Thank you.

Before we proceed to Mr. Allred, the chair would like to welcome Ms Woo-Paw to the meeting this morning. Good morning.

Mr. Allred please, followed by Mr. Kang.

Mr. Allred: Well, thank you, Mr. Chair. I have a number of questions mostly because I don't know an awful lot about gaming. I know a little bit about liquor. We've been learning an awful lot about liquor with the impaired driving legislation in the last couple of weeks. I guess I do understand that VLTs and slot machines, or gaming terminals, as you call them, are essentially the same machines, but the difference is that slot machines are confined to casinos whereas VLTs are located in bars and racetracks. I also believe there may be some subtle differences in how the profits are distributed to various organizations. But, essentially, from a mechanical perspective VLTs and slot machines are both electronic gaming machines, or EGMs, as you call them.

In reviewing the revenue figures in the 2010-11 statement of operations on page 52, it shows the total revenue figures for the year as \$22,810,268,000. Given that the population of Alberta was approximately 3.75 million, that works out to over \$6,000 for every man, woman, and child in Alberta spent on gaming machines. Assuming that only 75 per cent of the population is over 18 and based on the estimate – and I get this from the 2011 study *Gambling in Alberta: History, Current Status, and Socioeconomic Impacts* – that only 21 per cent of the adult population plays EGMs, this works out to almost \$40,000 per gambler. I find this hard to believe. Could you please comment and provide me with some kind of figure for the average amount each gambler spends per year?

Mr. McLennan: Yes. Kent Verlik, the executive director of social responsibility, can.

Mr. Verlik: When you look at those revenue figures, that includes the amount of play that the player is recycling in terms of credits that they won while they played. Quite often players will turn, if you will, almost six times the amount that they lose and just play. So every time they put in, you know, \$20 and play, they'll earn credits as they play, and they'll recycle those credits. That's why

the revenue figures are as high as they are. The actual revenue that comes to the Alberta Gaming and Liquor Commission after our prizes are paid out is substantially less. Only approximately 8 per cent of that revenue figure is actually what's retained by the AGLC in revenue.

Mr. Allred: Okay. Going back to page 52 again and just looking at the figures for VLTs only, you show a revenue figure of \$7.365 billion – billion – and prizes and cost of product of \$6.8 billion. This works out to a profit of about \$585 million. As I understand it, you're saying that VLT players put \$7.365 billion into the machines and got back \$6.8 billion, which sounds like a lot of money to me still.

Now, because I found these figures so hard to believe, I went back through some of the old annual reports of the AGLC, and I note that in 1999 – and I believe there's a handout – and sticking with the figures for VLTs for the sake of simplicity, that revenue was \$1.9 billion, and prizes were \$1.3 billion for a profit of \$606 million. However, in the 2000 annual report the figures for 1999 are restated as revenues of \$7.4 billion and prizes of \$6.7 billion, which still produced a profit of \$606 million. Can you please explain to me why the revenue and prize numbers have been restated and why they have increased by approximately \$5.4 billion?

Mr. Hermanns: I'll respond to that question. We restated the financial statements since there was a change in presentation from just reporting on the net win to reporting on the net credits played. That's what the change is. It was the net win after prizes that we reported initially in 1999. When we switched in 2000, we changed our financial presentation and started to show the total credits played, so the gross credits before prizes.

Mr. Allred: Okay. I'll come back to that in a moment.

The Chair: Okay.

Mr. Allred: Do you want me to continue?

The Chair: If you could. You're asking a very important question, sir.

Mr. Allred: I think it is.

You know, these figures disturb me. Based on the 1999 figures in the 2000 annual report the profit stated as a percentage of revenue works out to be 8 per cent, which is the figure you quote in all of your literature. If, however, you take the 1999 figures as reported in the 1999 annual report, the profit works out to be 31 per cent. That's almost four times as much. What is the actual profit percentage that AGLC makes on VLTs and on slot machines, the real numbers?

8:50

Ms Grimble: I think it does tie to Kent's analogy there, where the game actually has what we would call a theoretical payout. All the games would be set at a 92 per cent payout range. Basically, over millions of plays you would find that your payout would be 92 per cent, which is the 8 per cent hold. What happens, though, is that players don't play the perfect game. They don't take all of their winnings after every play. What they do is take the credits when they win, and they recycle those credits.

So the cash that they take back, which is our net sales, would reflect that 30 per cent. The game they're playing is played at 92 per cent. The behaviour side of it, how they play out their credits, the cash they actually take home would be 70 per cent. I'm not sure if that helps explain that.

The Chair: We're going to proceed. The chair would like to thank the hon. member for providing all members with information going back for a comparison over a decade. We appreciate it.

Mr. Allred: Back on the list?

The Chair: Yes, you're back on the list, sir.

Mr. Kang, please, followed by Ms Calahasen.

Mr. Kang: Thank you, Mr. Chair. The Alberta Gaming and Liquor Commission oversees 24 charitable casino facilities and three racing entertainment centres, RECs, page 7 of the report, but only manages 17 responsible gaming information centres, RGICs. My first question is: why is there not one RGIC in every casino and REC?

Mr. McLennan: I can respond to that. We have a number of smaller casino facilities where there's not the amount of players in there to substantiate one REC person being dedicated to that facility. So what we do is that we share people. They move back and forth. The ultimate goal down the road would be to have one REC rep in each casino and REC, and that will be coming in future years, but for now we're managing it responsibly to ensure that there is the interest in the program. So that's the reason why we only have the 17 at this time.

Mr. Kang: Thank you, sir.

My supplemental is – I'll just add this one onto it – do you know how many years down the road you will be achieving that, and why aren't there any reports on activities and achievements of these centres?

Mr. McLennan: I would think, again depending on budget constraints, that we'd like to have those facilities manned within the next five years.

With regard to the results there are some very positive results, and I'll ask Kent to give the committee an update of the results of the REC reps.

Mr. Verlik: Our responsible gaming information centre representatives have somewhere between 600 and 800 interactions with patrons each month. These interactions are opportunities for them to educate them about responsible play, how to set limits for themselves. Often it's to talk to them about their gambling behaviour as well. Because they're in these casinos, they get to know the regular patrons, and they form relationships with them over time. They're there as a gateway to treatment for those that require it when that happens.

We've had excellent results. There are numerous anecdotal stories that we get from our RGIC reps about the impact that they've had on people's lives every day, and we've given presentations to our board in respect to that. If you're looking for specific statistics, we could provide that as well if you like.

Mr. Kang: That would be helpful.

The Chair: Thank you very much. If you could do that through the clerk to all members, we would be very grateful.

Ms Calahasen, please, followed by Mr. Chase.

Ms Calahasen: Thank you very much. All VLTs were replaced in 2003, which cost approximately \$105 million. My understanding is that you are going to be replacing them again. Will these new machines be slowed down to much less than the 500 to 600 spins per hour?

Mr. McLennan: First of all, I'll comment on the replacement of the VLTs, and then I'll ask Kent to just talk about the social responsibility initiatives. The machines that were installed in 2004, the lifespan of those machines is seven years. The machines that we have in place now must be replaced because we are having difficulty finding parts for them. Also, the players are asking for new games on the machines. There is far more technology now than there was in the past. Not only are the machines being replaced, but the games management system that's a part of it as well as the telecommunication system are being replaced.

With regard to the social responsibility initiatives, we will have the same functions that we do now on the VLTs. We are looking at other alternatives. Kent, I'll just ask you to comment on that, please.

Mr. Verlik: The functions that we have today. There are scrolling messages that provide the Alberta Health Services helpline number to patrons; there are pop-up reminders letting them know how long that they've been playing; there is cash in addition to credits listed so that players understand that they're playing with real dollars and not just credits; and there are clocks. Those features will all remain on the new VLTs. In addition, we're looking to allow players to configure their own time on the terminal; in other words, set their limit for themselves on the terminal. We're hoping to expand some of these features over time, once the terminals are out and some new responsible gaming features can be developed.

Ms Calahasen: On page 44 of your annual report you state that one of the goals is to "encourage the development of healthy, sustainable gambling environments that minimize gambling related harm." Could you tell me, then, talking about social responsibility: what is the AGLC doing and how are you measuring to follow through on that goal?

Mr. Verlik: Well, the AGLC is committed to ensuring gaming sustainability in Alberta. In order to achieve that vision, the AGLC upgrades its gaming products and networks to provide an entertaining quality experience for players that also offers the latest in responsible gambling features. In addition, the AGLC works with partners like Alberta Health Services to ensure that information is available to players about services for people wanting help with their gambling. This information is disseminated in a variety of ways, including television, radio, and print advertising. Other resources are distributed within the gaming facilities, brochures and self-help cards where they can test their risk for problem gambling.

As well, as was discussed earlier, Alberta has 17 responsible gaming information centres dedicated to providing gambling patrons with access to information and tips on responsible gambling behaviours. RGICs are staffed by consultants who assist facility staff with the identification and monitoring of problem gamblers and provide referrals to counselling information and assistance.

The Chair: Thank you very much.

Mr. Chase, please, followed by Mr. Allred.

Mr. Chase: Thank you. General revenue from liquor, gambling, and lotteries has surpassed the money formerly raised from conventional oil and gas. Alberta's biggest addict is the provincial government. AADAC previously received only 5 per cent of the revenue generated from liquor and gambling for addiction prevention and treatment. Following up on Ms Calahasen's questions, goal 5 of the performance measures of the AGLC is to encourage the development of healthy, sustainable gambling

environments that minimize gambling related harm. I believe this statement to be an unachievable oxymoron. First question: what percentage of Albertans are actually participating in prevention and treatment programs?

Mr. Verlik: I think Alberta Health Services would probably be the right organization to ask for those particular statistics. Our role is really to provide referrals to Alberta Health Services for those people that are seeking help with their gambling behaviour.

Mr. Chase: Thank you. It's probably the people who aren't seeking help that are the most vulnerable.

Second question: can you provide the costs these Albertans face using these same prevention and treatment programs, and what part of these costs are supported by the AGLC? I formerly indicated that approximately 5 per cent of the gambling revenue generated went back into treatment programs.

Mr. McLennan: As Kent has mentioned, we don't offer treatment programs. That's through Alberta Health. With regard to our budget for social responsibility it's about 3 and a half million dollars for different programs that we offer for the liquor and gaming side of the business. In addition, through the Alberta lottery fund, the Alberta Gaming Research Institute is provided \$1.5 million a year for research into gaming-related issues. They have been very helpful in some of the research that they have done and that they've provided us, that helps us make policy decisions.

9:00

Mr. Chase: My question had to do with percentages. Was that \$1.5 billion or \$1.5 million?

Mr. McLennan: One point five million dollars.

Mr. Chase: Okay. So approximately \$1.5 million out of a \$22 billion profit that is realized for the government goes back into treatment?

Mr. McLennan: No. This goes into the programs and research treatment. Again, Mr. Chase, that would have to be referred to Alberta Health to determine how much they spend on treatment.

Mr. Chase: Thank you.

The Chair: Thank you.

Mr. Allred, please, followed by Mrs. Forsyth.

Mr. Allred: Well, thank you, Mr. Chair. Following up on my previous questions, I find these newer figures very deceptive, where the AGLC is leading the public to believe that there's a 92 per cent payout rate, yet the payout rate is really only 69 per cent. Now, that 69 per cent figure seems to be confirmed by the 2004 report VLT Gambling in Alberta: A Preliminary Analysis, where it stated that "consistently, over the years Alberta VLT payout rates have been about 70% – which means that 70% of VLT wagers are returned to players and 30% retained as profit."

Now, I note that there also appears to have been similar changes related to casino gaming and electronic racing terminals between '97 and '98. My question is: why was this change in accounting made in '97, '98, and again in 2000?

Mr. Hermanns: That's a good question. The Auditor General posed it to us this year as part of their audit, and we're doing some research because none of us were around when that decision was made. So we're researching it, and once we have the answer, we'll

provide it to the committee, we're hoping within the next couple of weeks. We're trying to contact some people who were CFOs at that time to try to figure out what decision was made. Also, the Auditor General is looking through their files for that time frame to see if they have a note on it as well. So the Auditor General is looking through their archived reports on us.

The Chair: Thank you.

Your second question, please.

Mr. Allred: I certainly look forward to that report.

I believe what the public really needs and deserves is basic information that they can understand such as cash in, cash out. Can you provide the committee with the amount of money that was actually put in both slot machines and VLTs for all of the years from 1994 to 2011 and the money that was actually paid out, broken down as real hard cash; in other words, cash in, cash out for those years?

Mr. McLennan: Yes. We could provide that information. It would take us time to go through the annual reports and provide it, but we will provide that information to the committee. The years again, Mr. Allred, that you'd like?

Mr. Allred: From '94 to the present.

Mr. McLennan: So cash in, cash out.

Mr. Allred: Right. Real numbers.

The Chair: Thank you. We'd appreciate that.

Also, Mr. Hermanns, your information: we would like that through the clerk to all members, please.

Mr. Hermanns: Okay. Right.

The Chair: I appreciate your co-operation.

Mr. Goudreau: If I may, we need to remind members that we are dealing with the 2010-11 reports, so we have to be reasonable in our requests here. There is no doubt that it's good to get information to compare and to be able to make an analysis, but we have to be, you know, careful in that way.

The Chair: Mr. Goudreau, Mr. Allred has done his homework. He has been gracious enough to provide us with the background information. His questions, certainly in the chair's view, are not out of line.

Mr. Goudreau: Sure.

The Chair: We are going to proceed to Mrs. Forsyth now, followed by Mr. Sandhu.

Mrs. Forsyth: Well, I just want to make a quick comment on what Mr. Goudreau said. It's his own government member that's asking a question, so I would think it's a good question because it's coming on behalf of the government.

Thanks. I appreciate your being here. I have an easy question to start off with, and then I'm going to go a little harder on some other questions. My first question is really quite easy. I'd like you to tell me the difference between a Crown corporation versus a Crown commercial enterprise, which you are. I don't know the difference, to be very honest with you.

Mr. McLennan: A good question and not an easy question as you said it would be. Under our legislation under the act that's the way

we are defined. We are a commercial body because of the business that we conduct with VLTs and slot machines and ticket lottery. So we are a revenue-producing agency. That's the only response I've got.

I'll just ask my cohorts if anyone else would have a comment. No?

The Chair: Mr. Saher, did you have something to add?

Mr. Saher: I think I could help with the definition of a commercial enterprise. A commercial enterprise is simply one that does not rely on the general revenue fund, on the funds of the province, to carry out its business. Clearly, AGLC is not relying on money coming into its operations from the government in order to do its business. Therefore, it's viewed as commercial. Another would be ATB Financial, for example.

The Chair: Now, I should know the answer to this, and I don't. I apologize. Are you captured, Mr. McLennan, under the Lobbyists Act?

Mr. McLennan: Sorry?

The Chair: The Lobbyists Act.

Mr. McLennan: No, we're not.

The Chair: No, you're not. Okay.

Please proceed to your second question.

Mrs. Forsyth: Thank you. Actually, I have a request from my colleague from Fort McMurray-Wood Buffalo. They have a huge casino in that area, a very profitable casino. I would ask that you provide us what they're making from that casino, if you can, please, through the chair.

Mr. McLennan: Because it's a private company, we can't provide the information as to their profit. What we can provide is the profit that we as AGLC make from the use of slot machines in that facility and from the table games in that facility.

Mrs. Forsyth: Okay. So, you know what? I have to admit . . .

The Chair: If I could perhaps be of some assistance here. On page 33 of your annual report you give a breakdown of the number of slot machines in casinos: Edmonton, Calgary, and other. So, hon. member . . .

Mrs. Forsyth: We want the other.

The Chair: You want the other. You want the financial information around the other.

Mrs. Forsyth: Yes, please.

The Chair: The other would be, I assume, the rest of the province.

Mrs. Forsyth: Yes. Well, if you can give Edmonton and Calgary, then I'm asking for one of the others, and that's Fort McMurray.

Mr. McLennan: Okay. As I mentioned, we can provide you with the information on cash in, cash out, the money that goes into the lottery fund from the slot machines. We can also advise the percentage of revenue that the operator got from commission for the slot machines. We can provide what the charity got from the slot machines as well as what the charity and the operator got from table games.

With regard to other aspects of that operation, food and beverage, et cetera, that is a private operator, and that information I cannot provide this committee.

Mrs. Forsyth: I'll accept what you're going to offer to begin with because I don't think I need to know how much everybody ate when they were gambling, to be frank with you.

The Chair: Okay. That's it. That's two questions. That was actually more than two questions.

Mr. Sandhu, who's been very, very patient, followed by Mr. Kang.

Mr. Sandhu: Okay, Mr. Chair. What percentage of AGLC alcohol profits come from problem drinkers and problem bingo players, gamblers?

Mr. Verlik: We don't have any research on the proportion of revenue that would come from problem drinkers, but as was indicated in the briefing note, there has been some research done on the proportion of gambling revenue that comes from problem gamblers. I believe that at the time the research was done, they estimated that approximately 50 per cent of all gambling revenues came from problem gamblers.

The Chair: That's it?

Mr. Sandhu: Yes.

The Chair: Thank you very much.

Mr. Kang, please, followed by Mr. Fawcett.

Mr. Kang: Thank you, Mr. Chair. The AGLC has been working for many years now with Alberta Health and Wellness to develop and implement the Alberta alcohol strategy. That's on page 20. My first question is: can the commission provide a copy of the five-year plan developed this year in partnership with AHW?

9:10

Mr. Verlik: The Alberta alcohol strategy is on the websites of both the Alberta Gaming and Liquor Commission and Alberta Health Services. We can certainly provide you a copy of the strategy.

Mr. Kang: Thank you, sir.

My supplemental is: when is this new plan anticipated to be implemented, and can you provide us with the details of the work completed so far?

Mr. Verlik: The Alberta alcohol strategy was codeveloped with the Alberta Gaming and Liquor Commission, Alberta Health Services, and Alberta Health and Wellness. Work started on the strategy initially in 2008; we prepared a draft strategy at that time. Then we spent time working with 16 other government ministries at the time to go through the strategy and take a look at what types of action plans would be required. That's been completed.

I think that, you know, the strategy is still in its early days, and it's a strategy that is really a co-ordinating strategy that will just require all the partnering organizations to use existing revenues within their budgets to effect the initiatives that are identified in the strategy rather than a new funding agreement being required.

The Chair: Thank you.

Mr. Fawcett, please, followed by Mr. Chase.

Mr. Fawcett: Thank you, Chair. My question is in reference to page 28 of the annual report, where it talks about licences in

effect. There is a 2010-11 total of 8,387 licences in effect. They're in various classes. The question that I have is: of those licences that are in effect, do we know how many were applied for and if there were any that were turned away and for what reasons?

Mr. McLennan: I don't have the information in front of me as to how many were applied for. With regard to whether any were turned away, we get phone calls regularly from people that would like to get into the liquor business. First of all, the requirement is that they have to meet their municipal regulations with regard to development approval, meeting fire, health, and those types of initiatives. Once they get that, they meet with us. We have different physical requirements for both on-premise and retail liquor stores. Basically, once they sit down with us and go through the process, they either determine to abandon their request for a liquor licence, or they go ahead.

Do we get many that actually hit my desk or Barry Gross's desk that are denied? We get very few of those.

Mr. Fawcett: My follow-up question is going to pages 38 and 39 of the annual report. Under goal 1, which is to maintain the integrity of Alberta's liquor industry, it talks about the number of inspections that you've done, which is, on average, 93 inspections a day.

Then it talks about the number of licensees – this is at the top of page 39 – as compared to those that have received penalties, which in 2010-11 was 220. Are you able to determine from that – obviously, you can't inspect every licensed premise every day or every time, you know. I guess the 220 are only the people that you've caught. Are you able to extrapolate from that sort of what the average, everyday compliance is with all of our rules and regulations? Do we know that 80 per cent, even if they're not getting inspected, are complying with all the rules as set out by their licence?

Mr. McLennan: Right. What I'll do is ask Barry to respond to that and, first of all, ask him to explain to the committee our inspection process, what licensed premises we deal with, and then to respond to the specific question.

Mr. Gross: Thank you. The inspection program that we've implemented right now has been modified over the years. Our concern, of course, is not every licensed premises. You're correct when you say that we don't visit every licensed premises in the province. We are really risk-based. We focus our efforts on the premises where we feel that potentially the problems may happen and violations of the legislation may occur.

When you take a look at the breakdown of it, based on the number of inspections, as I said, we are out there, you know, inspectors working, pretty well 24 hours a day, 365 days a year. When we put the reports in, we use that as the basis for the compliance. We look at the years. This last year we had an almost 97 per cent compliance rate amongst the liquor licensees. That's been fairly consistent over the last five or six years. Just based on the number of complaints we receive, the number of violations that we have, we feel that is very comprehensive and indicative of the licensees and how they are operating.

The Chair: Thank you.

Mr. Chase, please, followed by Mr. Vandermeer.

Mr. Chase: Thank you. For many years now the AGLC has administered the voluntary self-exclusion program, that's referenced on page 21 of the annual report. How many Albertans are currently registered in this self-exclusion program?

Mr. Verlik: There are just over 1,500 people that are active on the program at any one particular time.

Mr. Chase: Thank you.

Since the change to include the new policy to make it illegal for an individual to enter a casino or a racing entertainment centre, REC, once he or she has signed a self-exclusion agreement, how many Albertans have been charged with a crime in relation to the voluntary self-exclusion program?

Mr. Verlik: I'd have to confirm those numbers, but I believe that in the fiscal period that we are talking about there were approximately 50 charges that resulted in penalties being assessed and paid. I can give you a detailed account of that for that period that we're talking about.

Mr. Chase: Thank you very much.

The Chair: Thank you.

Mr. Vandermeer, please, followed by Mr. Mason.

Mr. Vandermeer: Thank you. According to the Atlantic Lottery Corporation Video Lottery Responsible Gaming Features Research report conducted in 2002 it was reported that, based on Nova Scotia's new machines, when combined results for time and money spent were examined, it became clear that there was an overall increase in the amount of money spent per minute: 16.4 per cent. You were released of your money faster with the new machines. Now, when you're spending more money on new machines, are these machines faster than the older machines?

Ms Grimble: You're talking about the machines we're going to be putting in, or the machines that we have today?

Mr. Vandermeer: The ones that you have today.

Ms Grimble: Are they faster than the ones in Atlantic Canada?

Mr. Vandermeer: No. That you're putting in, from older machines. The reason I asked the question was that in 1998 a motion was passed by the Legislature that the machines should be slowed down.

Ms Grimble: The machines that we have today we have not. I mean, the game designs are very similar to what they have been since almost 1991, so we haven't really purposely taken any specific number of seconds off of a spin for the machines that we have today.

Mr. Vandermeer: So you haven't slowed them down?

Ms Grimble: We have not slowed them down.

Mr. Vandermeer: The reason that I asked this question is, like, you say you give 92 per cent back. So if I walk in with \$100 – right? – you give me 92 per cent back. I put the \$92 back in; you give me \$84 back – right? – until the \$100 is gone. The reason I asked that is: are you giving me an hour to play my \$100 or an hour and a half?

Ms Grimble: Well, I guess that's a good question. Every player has a different way of playing and a different expectation of the play and the games that they choose to play. Some people, for example, might play a keno game that maybe is a little bit slower than maybe a card game or a five-line game. So there is a difference in speeds based on the types of games, and players make the decisions on which games they want to play and which

games that they like. That's basically the model. We have a couple of games, really, in the video lottery space that are the most popular games.

Mr. Vandermeer: Thank you.

The Chair: Thank you.

Mr. Mason, please, followed by Ms Woo-Paw.

9:20

Mr. Mason: Thank you very much, Mr. Chairman. Your second goal of promoting a culture of moderation to reduce alcohol-related harms has been in the news lately with respect to reports that the AGLC and the police have been meeting to talk about alcohol availability in neighbourhoods where that creates significant problems. As I represent some of those neighbourhoods, I'd like to know what steps you're taking in order to ensure that alcohol availability is not contributing to social problems in those communities.

Mr. McLennan: Yes. We've had preliminary discussions with the Edmonton Police Service with regard to hours of service of retail liquor stores in certain areas as well as different products that are being offered in liquor stores that could encourage overconsumption by some of the consumers. With regard to hours of operation in the inner city of Edmonton, since we privatized in 1993, retail liquor stores must close by midnight. Also, with regard to the products, we are looking at products that have a higher alcohol content to determine if they are causing issues in some of the areas. We are looking at this. We will be having further meetings with the police. They are doing more research with regard to exactly what the problem areas are.

One of the issues that we will have is that we probably have three or four hundred liquor stores in Edmonton. If you close down one area and say that the liquor stores have to close at 10 o'clock, they can go three blocks into another area where the liquor stores are open until midnight or 2 o'clock in the morning. So how effective would that be? Before we impose these restrictions on our retailers, we have to be satisfied that there is a possibility that what was intended will result. We are looking at more research along those ends.

Mr. Mason: You just mentioned – and maybe you just misspoke, and I'm using up my supplemental for it – that if you close them in one area, they might move to another area where the liquor stores are open until 1 or 2 in the morning. But you just finished saying that all liquor stores have to close at 12, so can you explain that for me?

Mr. McLennan: No. What I said is that liquor stores in the inner city have to close by 12 o'clock. Other stores within Edmonton are allowed to remain open until 2 a.m. So what I was referencing is that if we work with the city of Edmonton and we go to one specific area and say that those liquor stores have to close down at 10 o'clock, someone could go three or four or five blocks to an area where the stores are open until either midnight or until 2 o'clock in the morning.

Mr. Mason: Did it ever occur to you that if somebody wants to buy liquor between midnight and 2 in the morning, maybe they probably shouldn't?

Mr. McLennan: You know, we have a lot of people that work shift work and get off work at midnight, and they certainly have to have access to liquor if they're going home. We're giving them that access.

The Chair: Thank you.

Ms Woo-Paw, please, followed by Mrs. Forsyth.

Ms Woo-Paw: Thank you, Mr. Chair. I know that a number of members have asked questions along this line, but I still would like to pursue this a little bit further. It's around problem gambling. I understand that the AGRI has employed a fairly comprehensive tool to assess problem gambling, the problem and pathological gambling measure, and I understand that it has identified that the overall prevalence of problem gambling in Alberta is relatively low. However, there is also recognition that the percentage of the Alberta population affected is increasing and will probably continue to increase. Also, there is recognition that the personal, family, societal, and public costs of problem gambling are very high. The cost, the public cost, is estimated at a range between \$10 million to \$12 million a year, and about 55 Albertans die each year related to problem gambling. Of course, there are impacts on the families and the children of those individuals as well.

Given that we have these comprehensive tools and given that we have recognition of the need for a co-ordinated approach amongst different ministries, which have been in place for over three years, and the recognition that we have to balance providing choice and social responsibility, I'd like to know why it is that in terms of measuring our work, we are staying at awareness. In the performance measure while we measure awareness, there is no indication whether problem gamblers and other Albertans are actually being meaningfully assisted to address problem gambling. With all of that in place, are we moving beyond awareness and actually measuring whether people are meaningfully and effectively helped to address problem gambling?

The Chair: Is there a question? Get to your question, please.

Ms Woo-Paw: Are we moving beyond awareness and measuring behaviour change and institutional actions?

Mr. Verlik: The quick answer is: yes, absolutely. Certainly, in the last year, which is what we're talking about, that was a measure that's in place.

Ms Woo-Paw: The measure was on awareness?

Mr. Verlik: Right. Correct.

Since then and in this next upcoming year we're moving to actually measure the proportion annually of Albertans that are gambling responsibly. Of course, the inverse of that would be those that aren't. We're also working very closely as a result of our Alberta problem and responsible gambling strategy, Both Sides of the Coin, that we've developed with Alberta Health Services, to begin to track exactly how many of our referrals are resulting in people presenting for treatment. We want to measure, you know, the effectiveness of our RGICs in that vein, and we also want to know for those that have come for treatment, what ways they've actually come to access it.

Some of these measures, I think, you'll see in our next annual report, certainly the measure about the proportion of Albertans that are gambling responsibly.

Ms Woo-Paw: Thank you.

The Chair: Thank you. Appreciate that.

Mrs. Forsyth, please, followed by Ms Calahasen, please.

Mrs. Forsyth: Thank you, Chair. You know, you learn something every day, quite frankly. I've just learnt – and I was watching the

expressions of my colleagues across from me – about the liquor stores downtown being closed at midnight. I, quite frankly, wasn't aware of that. You talked about the inner city. Does that statement mean that in Calgary also the liquor stores are closed in downtown? There is quite a bit of difference between, you know, Edmonton and Calgary, their sort of downtown locations.

Mr. McLennan: No. At the time of privatization in 1993 the city of Edmonton approached the Liquor Control Board at the time and said that they were concerned that liquor was going to be retailed by the private sector. They weren't certain how the social responsibility side of it – would they be responsible in the sale of liquor? They knew the issues that they had in the inner city of Edmonton, so they asked the board at the time to restrict the hours of sales in the inner city. The ALCB at the time agreed to that. That request was not brought forward by the city of Calgary.

I can tell you that at that time I was employed by the Alberta Liquor Control Board, and one of my duties was to meet with the police agencies and the councils of the different municipalities in the province at the time of privatization just to go over the program, listen to any of the concerns they had, any of the requests they had. The city of Edmonton was the only municipality that requested restricted hours, which we approved.

Mrs. Forsyth: We've talked about the social impact of gambling, and we've talked about the rise of people addicted to gambling. I was going to ask more about the percentage of problem gambling, but I'm going to take it in a different direction because I know there are going to be several other questions that are going to be asked. I'd like to ask the Alberta gaming commission what they're doing about the money laundering that's occurring in the casinos all the time with the drug profits from the gangs and organized crime. I know that there's tons of money laundering done through the casinos, as someone who's worked at the casinos before for a nonprofit, and gangs have been noticed laundering money within the casino. Can you tell me what you're doing on that end kind of socially?

9:30

Mr. McLennan: Right. Barry, and then I'll supplement if need be.

Mr. Gross: Just on the money laundering issue, of course, the AGLC is very concerned about money laundering and illegal activities in casinos. We take gaming integrity very seriously. We have rigorous enforcement and auditing practices in place to prevent money laundering and other criminal activities in our casinos and the racing entertainment centres.

We have a special unit, a gaming investigation team, to help ensure that facility operators are aware of money laundering schemes. The investigators are out visiting premises. We are doing audits of the casinos themselves. Our casino operators are responsible for reporting on the Financial Transactions and Reports Analysis Centre of Canada requirements, the FINTRAC requirements. We do audits on them to make sure that they are complying. In B.C., for example, FINTRAC is done by the government itself, and in Alberta it's done by our casino operators themselves.

To date no provincial facility, casino has been charged or found in violation of the FINTRAC reporting, where they have to report transactions over \$10,000. This is a major concern to us and something that our investigations unit, as I said, is focusing their efforts on continually.

Mr. McLennan: If I could just supplement that.

The Chair: Yes, please, and then we'll move on.

Mr. McLennan: Just to explain, the gaming investigation team is not made up solely of AGLC investigators. We have memorandums of understanding with the Edmonton city police, the Calgary city police, the RCMP, Camrose, Medicine Hat, and Lethbridge as well as the Tsuu T'ina First Nation. What we do is that we second these police officers to us. We pay their expenses, their wages. These people are in our casinos. Our concern, as Barry mentioned and as Mrs. Forsyth has mentioned, is money laundering and other illegal activities. This team concentrates on spending a significant amount of their time in casinos to combat the areas that you've mentioned.

Mrs. Forsyth: Just to wrap up, we know that we have a problem with money laundering. I mean, it was a problem that we were trying to address when I was the Solicitor General. Why is none of that information contained in any of your annual reports and the progress that you're making in regard to this serious issue?

Mr. McLennan: Well, number one, from our perspective in dealing with the city police and the RCMP, we don't have a significant issue with money laundering in our casino facilities. We work with the police. We talk to the police. Those are the items that we're watching for, that casino operators are watching for. Our position is that we do not have a significant issue with money laundering in our casinos.

The Chair: Thank you.

Ms Calahasen, please, followed by Mr. Kang.

Ms Calahasen: Thank you very much. On page 32 of your report you talk about the proceeds to the Alberta lottery fund. I think that it's wonderful to see that sharing across Alberta, and my constituents certainly appreciate that. I believe in choice. Sometimes my constituents really don't have a choice when it comes to gambling. I like the idea also of social responsibility. I want to thank you for making sure that you have that in your goals.

The only component where my constituents have gambled is in the bingo area. When I look at page 33 and I look at what's happening, you have 20 bingo halls that offer electronic bingo. You also have been testing the functionality of the machines, the additional games, et cetera, in Calgary and Medicine Hat bingo halls and have brought in some really good dollars. My question is: if you're increasing 10.8 per cent, \$38.2 million in 2010-2011 compared to \$34.5 million, where are they making the money? Is it in the digi-machines or from Bingo Alberta or the electronic bingo? Where is it specifically that the dollars are coming from?

Ms Grimble: Basically, in the bingo area the digi-game is actually what we would call a shared game. It's part of the paper game, and it's played either on an electronic device or with the paper game. So that still is a base game for the bingo halls. Actually, a lot of the revenues that have come from bingo in the last couple of years are through a game they call bingo balls, which is like a pull tab that ties to the game.

Clearly, there are some challenges in the bingo industry in terms of sustaining their player base, so we've been working with them over the last five years, actually, through an organization called Bingo Alberta to try to look at where bingo needs to go and how we can help them sustain their business. So they've done several things, but we continue to look at other ways that we can help support the business. Clearly, I think the electronic side of it likely

is where the sustainability will be in the long term, and we're just looking at how that could look in the bingo landscape.

Ms Calahasen: When I look on page 33 at the revenues from 2006 to now, it appears that we've made some gains but not that much, yet in 2007-2008 it was the most. Can you tell me why that difference would have been relative to the revenue that would come in?

Ms Grimble: I'm sorry. You were looking at the difference between 2007-08 at \$42 million in revenue to 2009, \$35.7 million?

Ms Calahasen: Yes. Then also in 2010-2011, \$38.209 million. Could you tell me why that would have been the highest and why that differential would be from then to now?

Mr. McLennan: Hon. member, I can help out if you're just looking at the numbers. We've had a reduction in the number of bingo facilities in that period of time. Unfortunately, bingo is certainly not as popular as it once was. We've had halls close. That is the main reason for the reduction overall in the province.

Ms Grimble: But I think the increase in '10-11 is related to some of the shift from paper to electronics.

Ms Calahasen: Okay. Thank you.

The Chair: Thank you very much.

Mr. Kang, please, followed by Mr. Allred.

Mr. Kang: Thank you, Mr. Chair. In 2010 the AGLC developed an accreditation program for VLT retailers, page 20. My first question is: of the 1,000 VLT retailers listed on page 7 for the year 2010-11, how many are accredited under the program?

Mr. McLennan: All VLT retailers' staff must take training. We work very closely with the operators to ensure that the new staff that do come onboard within a certain period of time do take this training. I would say that all the facilities are accredited, and a vast majority of their employees take the training.

I'll just get Kent to elaborate on what the training is that the employees of VLT retailers take.

Mr. Verlik: Employees are able to take this training online. Essentially, the training is really to educate them about how to speak to patrons that might be having some false information about how machines work, et cetera. It's really to train them not to encourage the gambler's fallacy: "If I just keep playing, I'll win," or "There are some machines that are hot." They're trained that if someone says to them, "Hey, which machine is hot today?" they'll say: "Look. There is no such thing as a hot machine. Every play is random." So that's essentially it.

It also educates them about problem gambling: the signs, the symptoms, the risks, the impacts to the individual with problem gambling, and how to approach a patron. Generally, we get them to just use a self-help card, that they can maybe put on the machine, or if they have an opportunity, in what situation it might be right to have some discussion with them. Essentially, it's not to reinforce myths.

Mr. Kang: My supplemental. You probably partly answered that. Is this program fully developed and implemented? Or when do you anticipate to have it fully implemented, and can you provide us with more details about the accreditation requirements?

9:40

Mr. Verlik: You keep saying "accreditation." In our responsible gambling strategy one of the initiatives is to develop an accreditation program for VLT retailers that is similar to the Best Bar None program for licensees on the liquor side. This program is currently in development. We're working with the Responsible Gambling Council in Ontario to jointly develop the standard. It will be a first for the industry. Our hope is that we can roll this program even out nation-wide, but it's still in development. We expect to have a pilot done some time next year, in 2012.

The Chair: Thank you.

Mr. Allred, please, followed by Mr. Chase.

Mr. Allred: Thank you, Mr. Chair. Just for clarification, it's been suggested that since I'm a government member, I'm asking these questions on behalf of the government. I'm not. I'm a private member. We have a huge problem with regard to problem gambling in this province, in this country. I consider this a nonpartisan issue. We had a table officer this year that was a victim of problem gambling, and we need to address this situation.

Moving on to my question, it has often been said that VLTs are the crack cocaine of gambling. Research tells us that electronic gaming machines are programmed with the specific purpose of enticing gamblers to keep playing, with the false hope of winning the big one. For example, I understand that the machines are programmed for near misses that entice the player to keep playing in anticipation of a big jackpot. I also understand that EGMs are programmed to give a predetermined rate of return. Are Alberta's EGMs programmed to give a payout rate of 69 cents for every dollar a patron puts in?

Ms Grimble: I'll start with the payout percentages. As I mentioned earlier, in the video lottery network our payout percentage is 92 per cent, which means that the game is designed to play at that level. Again, we talked about behaviour. It changes in terms of the actual cash out. In the casino environment we have a range of payout percentages depending on the game and the denomination, and it would range from, let's say, 90 per cent to 94 per cent. So the average return for our entire network is just over 92 per cent. In the video lottery network it is 92 per cent. The 69 per cent I think goes back to the discussion of the difference between credits played, credits won, cash played, cash won. I can clearly let you know that the game percentage payout has really not changed over the many years. Actually, the cash out percentage has not changed much over the years. Nothing has changed in that area.

Mr. Allred: Well, unless my numbers are wrong, I think the 92 per cent is bogus; 69 per cent seems to be the true figure.

Nevertheless, in your annual report you speak about gaming activities being "conducted with integrity... in a socially responsible manner" and gaming being provided "fairly and responsibly." One of your values is to be open and transparent. You also speak about promoting sustainability within the gaming industry. Given that in many people's eyes gambling is an unethical means of extracting money from a vulnerable audience and that problem gambling often leads to financial difficulties and bankruptcy, drain on retirement savings, family and social problems, and even suicide – there were about 55 gambling-related suicides in the last year – how does AGLC justify misleading the citizens of Alberta by providing deceptive information on the payout rates?

Mr. McLennan: I could say that we are not misleading the residents of Alberta. Muriel Grimble has been very clear that all our slot machines are programmed to pay out from 90 to 94 per cent; the VLTs, 92 per cent. The chips that are in these machines are all approved by a gaming laboratory that is hired by us and contracted to us to ensure that these machines do pay out what we're saying. The AGLC does not mislead the residents of Alberta on any function that we undertake.

The Chair: Mr. Chase, please, followed by Mr. Fawcett.

Mr. Chase: Thank you, Mr. Chair. I very much appreciate member Ken Allred's emphasizing the nonpartisan composition and purpose of this committee in accounting for and to Albertans.

Of the 44 homicides that have occurred in and around Edmonton this year, over half of the victims and the accused had spent at least some time in city shelters. Approximately one-third of shelter residents suffer from addictions, and another third suffer from various forms of mental illness, which prompts my question. The Alberta Safer Bars Council provides strategic advice as to programs to deter violence in and around licensed premises. My first question: can the AGLC provide a breakdown of reported violence in bars, casinos, and REC facilities?

Mr. McLennan: With regard to violence in and around licensed premises do we know of every disturbance that happens in a licensed premise in this province? No, we don't. The only information that we would have is if our inspectors are in the licensed premises at the time or if the police are called to the licensed premises for disturbances and they report that. But, no, we do not know of every disturbance that happens in the 8,000 licensed premises in this province.

Mr. Chase: Thank you. Desperation, whether alcohol-fuelled or due to addictions, quite often is connected to violence. Having the statistics for the various areas and possibly focusing in on them to prevent violence, I think, would be strategically worth while.

My second question: is there any proof that this council has been successful and that violence in and around licensed premises has decreased?

Mr. McLennan: I could respond, and then I'll ask Kent to supplement. The issue with violence in and around licensed premises is an ongoing concern to the AGLC. We have implemented a number of initiatives, both legislative policy and inspection-wise. With regard to legislation and policy one of the areas that we were concerned about that came to light, that the violence originated from, was that there was no minimum drink costs for unlicensed premises. Some licensees in the province were selling very cheap beer, et cetera, to entice into the premises. Two years ago we brought in policy on minimum drink prices in licensed premises. The licensees tell us that those have been very effective.

Another area that we had issues with was security guard or bouncer training. We realized that was an issue. It came forward from the Safer Bars Council. We implemented mandatory security guard training so these security guards would know how to notice if there was going to be a disturbance, or if it looked like there were going to be hostilities, they could intervene before it occurred. There's that.

The other area, that Barry mentioned, is that we concentrate our enforcement now on licensed premises that have had a history. We are concentrating on those. Kent could probably supplement with other areas that we have.

Another one that comes to mind is that we did pass legislation last year to allow licensees to share information on problem patrons, where they could share their name, their age with other licensed premises so that people could watch for them.

The other area where the government passed legislation was that the police now have the authority under legislation to remove known gang members from licensed premises. If you're known by the police to be associated with a gang, the police can walk in and have you removed.

Kent, other initiatives on the Safer Bars Council?

Mr. Verlik: Well, as was pointed out, the council was formed in 2008. They meet four times a year. It's a broad group of like-minded stakeholders that are committed to improving safety in and around licensed premises. One of the first things that this group did, actually, was to review the Best Bar None program. They have since given their endorsement to that program, which has now been launched in Edmonton. It has enjoyed its second year and is now hoping to come to Calgary in January.

Since then what the council has been doing is reviewing best-practice research that we have done and supplied to them on both operator and regulatory best practices. From that we've worked with the council to develop a strategic agenda for the next three years that includes some other initiatives as well, including some patron-responsibility campaigns and other activities that we'll be pleased to report on in subsequent years.

The Chair: Thank you.

Unfortunately, Mr. Chase, we have to move on. We still have a long list of members who are interested in directing questions to the commission. However, we're almost out of time, so I'm going to have to ask members now to please read their questions into the record. If your organization could respond in writing through the clerk to all hon. members, we would be very grateful, Mr. McLennan.

We will start with Mr. Fawcett, and then we will go to Mr. Mason.

9:50

Mr. Fawcett: Thank you, Mr. Chair. First of all, I just want to say that I appreciate you guys coming today. I know that this isn't an easy area to deal with, and some of our challenges go well beyond the scope of what you guys do. I appreciate your being here and being honest with us.

My question is a follow-up to my first question. Of the 220 licensees who received penalties, I was wondering if we can get a breakdown of what those violations were – you know, I have a concern with the number of minors who have access to alcohol – particularly those who have been penalized for serving or selling liquor to underage persons, as well as what the consequences of those violations were: the amounts of fines, penalties, et cetera.

My supplemental question would be a follow-up to the answer that I received for my first question. The 93 inspections per day: there was talk about at-risk inspections or going into premises that are at risk. Can I get some more information about what that is? You know, is a percentage of your inspections random? Or are they targeted to places that get complaints or are a high risk, let's say a liquor store near a school, that type of thing?

The Chair: Thank you very much.

Mr. Mason, please, followed by Ms Woo-Paw.

Mr. Mason: No, that's fine.

The Chair: Ms Woo-Paw, if you could be concise in your question, the chair would appreciate that.

Ms Woo-Paw: Yes. I understand that 50,000 workers have been trained under the smart training program. I'd just like to know the rationale for the realignment and what kind of results were generated as a result of that realignment.

The Chair: Mr. Kang, please, followed by Mr. Sandhu.

Mr. Kang: Thank you, Mr. Chair. One of the regulatory initiatives of the AGLC is to protect ticket lottery players. My first question is: how many complaints from ticket lottery players were recorded and investigated in the year 2010-11? My second one is: how many retailers were found guilty of noncompliance with the ticket retailer compliance program?

The Chair: Thank you very much.
Mr. Sandhu, followed by Mrs. Forsyth, please.

Mr. Sandhu: Thank you, Mr. Chairman. Page 69 of the annual report indicates that gaming revenue increased in the 2010-11 fiscal year compared to the previous year and was higher than the budget. Why did the gaming revenue increase? A supplemental: why is the ticket lottery higher than both the budgeted amount, last year's result?

Mrs. Forsyth: Nothing like getting rapid questions thrown at you. Mine is just in regard to problem gaming. We've seen an increase in problem gambling over the last few years. I want to know if the amount of dollars going to fix the problem in regard to the social issue has risen at the same level.

Mr. Chase: Referencing page 62, note 15, what is the nature of the 11 legal claims accounting for the \$145 million in which AGLC is a defendant? And the second part: who are the third-party defendants listed as "other entities" associated with the AGLC as a defendant in these legal claims?

The Chair: Thank you.
Ms Calahasen, do you have any questions?

Ms Calahasen: Yes, I do. On page 27 of the report you have gross profits of 2010-2011 on liquor of \$689 million, compared to \$724.3 million from the previous year. I'm just wondering why that decrease would have occurred and whether or not it has to do with the changes that are happening with the province in regulatory areas.

The Chair: Thank you.
Mr. Allred, please, followed by Mr. Kang.

Mr. Allred: Thank you, Chair. Two questions. Firstly, over the years there have been numerous studies criticizing electronic gaming machines, such as slowing them down, et cetera, yet no action appears to have been taken to adopt any of these recommendations. Why is that?

The second question. According to the 2002 report on VLT gambling in Alberta the authors noted that in South Carolina after gambling machines were removed in 2000, within 90 days the number of active Gamblers Anonymous groups fell from 32 to 16, and the memberships decreased from 40 down to one or two. Secondly, the most active hotline reported that the number of calls dropped from over 200 per month to almost zero. I guess the

question arises: which came first, problem gamblers or problem machines?

The Chair: Thank you.
Mr. Kang, please.

Mr. Kang: Thank you, Mr. Chair. Since August 5, 2010, eligible charitable groups and religious organizations can apply for raffle licences under \$10,000, page 24. The first one is: seeing how since that date the registration fee has been waived, was there an escalation in application numbers from the previous year, and if yes, how many?

The second one is: can small charitable groups and religious organizations who do not have access to the Internet still apply through an Alberta registry agent and without a fee?

The Chair: Thank you.
Are there any other questions from members at this time?

Ms Calahasen: Thank you very much for coming.

The Chair: Yes. On behalf of the committee, Mr. McLennan and the entire commission, thank you very much for your time this morning. We appreciate it, and we certainly look forward to receiving your written answers in the next couple of weeks.

Mr. McLennan: Right.

The Chair: Thank you.
We have another matter on our agenda to discuss, so you are not being disrespectful if you would want to leave while we conclude our business. I know you're on a tight schedule.

Mr. McLennan: Thank you.

Ms Calahasen: Four minutes, Mr. Chair.

The Chair: Four minutes. Okay. The hon. Member for Lesser Slave Lake tells me that we have four minutes left, so we'd better hurry.

Now, on October 26 the committee determined that the office of the Auditor General would be invited to meet with this committee on December 7. At this point it is not clear whether or not we will be in session on that date. I certainly hope so, but is it the will of the committee to proceed with the meeting if session ends prior to that? So if the session ends this week or Monday or Tuesday, obviously, the meeting on Wednesday that we have scheduled to review the 2011 reports from April and November with the office of the Auditor General will not proceed. But if we are in session, we will proceed.

Mr. Allred: Mr. Chair, is it automatic that it won't proceed, or do we have an option?

The Chair: Well, that's up to the committee.

Mr. Allred: I guess I would assume that the Auditor General has made some preparation for the meeting, and I don't think we should let them down.

The Chair: Okay.

Mr. Goudreau: Some of us have to travel quite a long way.

Ms Calahasen: We do.

Mr. Goudreau: It's about 500 kilometres.

The Chair: But we have the Internet.

Ms Calahasen: If we don't have to be here, I don't think we should be here. If it's over, it's over.

The Chair: We can get connections to any constituency office from this committee room for sure. We do it on other legislative committees. There's no reason why we cannot do it on this one. In fact, we've done it in the past.

Ms Calahasen: Well, why don't you vote?

The Chair: Okay. Mr. Mason, you have a formal motion, which would read that

we meet regardless of whether session is in . . .

Mr. Mason: Just the one meeting. Yes.

The Chair: Yeah.

. . . for one meeting with the office of the Auditor General to review 2011 reports from April and November on Wednesday, December 7, at 8:30 in the morning until 10.

All those in favour? All those against?

Ms Calahasen: I guess I'm the only one travelling.

The Chair: Okay. You can phone in.

So we are going to have a meeting, and I appreciate your patience with us, Mr. Saher. It should be an interesting meeting. There is a lot of information in those two reports. Thank you. We will see you next Wednesday morning at 8:30.

Hon. members, you can make arrangements with the clerk's office to dial in if you're interested. Okay? Thanks a lot.

Formally we will be meeting next Wednesday, December 7, 2011, with the office of the Auditor General at 8:30 right here until 10 o'clock.

If I could now have a motion to adjourn. Mr. Allred, thank you. All in favour? Thank you very much, and have a good week.

[The committee adjourned at 10 a.m.]

