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Gambling on the Edge in Alberta

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Abstract

Alberta is Canada's gambling hotbed. In this article, the author explores the preoccupation of Albertans with this form of entertainment and discusses recent events related to gambling in this province. These include the divisive community video lottery terminal (VLT) debate, hotel operators lobbying for gambling expansion, the government's role in Internet gambling and the increasing reliance of charities on gambling revenues.

The author concludes by forecasting four "gambling megatrends" based on experiences from this bellwether province:

1. gambling in Canada will continue to expand in the foreseeable future;
2. a high-tech gambling future will include Internet gambling in the home;
3. special "gaming rooms" and "mini-casinos" will appear in hotels and convention centres; and
4. charitable organizations will increasingly depend on gambling revenues for their good works.

Alberta's Gambling Boom

Alberta is Canada's gambling hotbed. Nine out of ten adult Albertans gamble on some form of legally-sanctioned "game" and this province has the distinction of having the widest array of gaming entertainment options available to its citizenry of any jurisdiction in North America. Even the kids are getting into the act as seven out of ten adolescents age 12 to 17 have gambled for money, either on a legal game or informally with family or friends (Wynne, Smith, & Jacobs, 1996).

Further evidence of Albertans' preoccupation with gambling is apparent when one examines the staggering amount that is wagered in this province each year. In the research report *Gambling and the Public Interest* (Smith & Azmier, 1997), the Canada West Foundation reported that the gross amount wagered on all forms of gambling in Alberta rose from \$1.6 billion in 1993 to \$2.7 billion in 1996—a shocking increase of \$1.1 billion, or 70%, in only three years! This translates into every Albertan over 18 spending \$1,344 each year on gambling in 1996. This was the highest per capita wagering total in the country (Saskatchewan was second highest at \$1,183 and British Columbia was the lowest at \$589). No other industry in Alberta or in the rest of the country - not even the banking fraternity, long chided for its revenue generating propensity - has experienced this phenomenal financial growth in the past few years.

This gambling boom has translated into a windfall of revenue flowing to provincial government coffers. In crafting the 1999-2000 budget, the Alberta government projects that lottery revenue will total \$770 million. This lottery revenue comes from video lottery terminals (VLTs), slot machines, and ticket lotteries only and it does not include other gambling revenues, such as licensing fees or income to non-profit organizations derived from horse racing, bingos, raffles, or charitable casino gambling. To place this in perspective, the estimated \$770 million in lottery revenue compares with \$1.1 billion collected annually from school property taxes, \$690 million from health care insurance premiums, \$570 million from fuel taxes, \$452 million from liquor taxes, \$350 million from tobacco taxes, and \$346 million from crude oil royalties. Fully 4.5% of Alberta's estimated budget of \$17 billion is expected to come from lottery revenues and this compares with 37% from combined personal and corporate income taxes and 14% from all natural resource revenues.

Clearly, as well as providing entertainment for the citizenry, gambling has become a major component in Alberta's fiscal policy. In fact in the 1999 spring cabinet shuffle, the Alberta government created the new Ministry of Gaming (www.gaming.gov.ab.ca) to oversee gambling operations throughout the province. "Gaming" now has a permanent, high profile place at the cabinet table alongside

Learning, Health and Wellness, Environment, Community Development, Children's Services and other significant portfolios.

Recent Gambling Happenings in Alberta

It is much easier to describe what is happening on the Alberta gambling scene than why gambling has been so enthusiastically embraced in this province. The latter necessitates an examination of the settlement history, socio-political climate, and economic forces at play in a diverse and bountiful environment - all considerations far beyond the scope of this article. It is, however, instructive to track recent gambling happenings in a province that is so preoccupied with this form of entertainment for two main reasons: first, as a precursor to understanding why gambling is paramount in Alberta and second, as a harbinger of gambling trends that may spread to other Canadian provinces.

The Great VLT War

There are about 6,000 VLTs in over 1,200 sites across Alberta. On October 19, 1998, Albertans in 36 communities voted on whether to keep VLTs in their villages, towns and cities or to ask the province to remove these gambling machines from bars and lounges. In the end, most communities, including the major cities of Edmonton and Calgary, voted to retain VLTs, although in Edmonton the vote margin was very narrow.

This is a watershed event in Alberta and Canada's gambling history as it represents the first time the people have exercised a direct vote on any form of gambling expansion. The proponents of the "yes" (VLT removal) side engaged in a media war with the "no" (VLT retention) advocates and the rhetoric raged for months. Those who are interested in the details of the Great VLT War can find details in the Canada West Foundation (www.cwf.ca) report entitled *Rolling the Dice: Alberta's Experience With Direct Democracy and Video Lottery Terminals* (Azmier, 1998).

In the final analysis, the people of Alberta have spoken. Petitions signed in Edmonton and Calgary that forced the VLT plebiscites garnered nearly a quarter of a million signatures, which is an extremely strong indication that many Albertans insist on having a say in gambling decisions that affect their communities. Based on this highly visible and successful experience with direct democracy, it is very

likely that the people will continue to lobby the Alberta government to be more involved in the gambling policy decision-making process.

Alberta Hotel Operators Lobby for More Gambling - Again

Several weeks ago, the Alberta Hotel Association approached the Alberta government with an idea for a "pilot study" that involves swapping VLTs for coin slot machines in 40 bars and lounges. The hoteliers are proposing giving up the VLTs in 40 establishments in return for 50 coin slots to be placed in new "gaming rooms" to be developed in these selected hotels. Interestingly, although the government has capped VLTs at 6,000 province-wide, there is no similar limit on the number of coin slots permitted (these presently number about 3,000). The hotel association proposes creating a foundation to funnel 15 per cent of the slot machine revenues into medical research with hotel operators getting another 15 per cent and the province getting the final 70 percent.

The specter of hotel operators lobbying government for more gambling business is nothing new in Alberta. In the early 1990s, the hotel lobby was a major factor in the government's decision to conduct the VLT "pilot projects" in Edmonton and Calgary that ultimately resulted in the wide distribution of VLTs in bars and lounges throughout the province.

Once again, the hotel lobby is attempting to influence the Alberta government to expand gambling to the industry's benefit. If approved, the coin slot "pilot project" suggested by the hotel industry will see some 2,000 coin slots rolled out in 40 new gaming rooms, replacing about 300 VLTs in the process. So far, government MLAs who have been quoted in the media do not favour the hotel association proposal. Ironically, both the pro- and anti-VLT spokesmen in Calgary are also quoted as being opposed. Nevertheless, history shows that the hotel lobby in Alberta is powerful, so I wouldn't bet the farm against lobbyists ultimately succeeding in getting their gaming rooms- starting with coin slots at first and, perhaps, expanding to table games in the future.

Is Internet Gambling Coming to Alberta?

Internet gambling is already available in Alberta, as it is in other provinces. On-line gambling is presently illegal and is typically operated from offshore locations, such as the Caribbean islands, which are outside the jurisdiction of Canadian governments. In our recent study *Gambling and Crime in Western Canada* (Smith & Wynne 1999) Garry Smith and I conclude that, because the present laws against Internet gambling are inadequate and unenforceable, consumers are vulnerable to crimes such as fraud, credit card theft, and cheating. Moreover, there is no way for provinces to stop under-age gamblers from playing. Consequently, we speculate that legalization of Internet gambling seems likely because prohibition is futile in the face of advanced technology and there is tremendous potential for governments to raise large revenues.

Coincidentally, the day after our study was released, provincial newspapers ran a story "Internet Gambling Could Be in the Cards" referring to the Alberta government's plans. In the Edmonton Sun, Gaming Minister Murray Smith was quoted as saying, "You never rule anything out categorically. But we're not considering it at this point. We don't see it as viable at this point" (Beazley, 1999). The story was sparked when it was learned that the Alberta Gaming and Liquor Commission (AGLC) executive was to get a briefing on Internet gambling operations in Canada and abroad. The purpose of the briefing was ostensibly to bring AGLC up to speed on which Internet gambling operators offer their product in Alberta.

This is not the first time that the prospect of Internet gambling in Alberta has surfaced. The Sun also reported that, in 1995, a Caribbean-based Internet gaming company, Internet Casinos Inc., offered to make a personal pitch to Premier Ralph Klein to set up an Internet gambling service in Alberta. The outcome of this overture was not reported. The Liberal opposition has made a Freedom of Information request for any studies and documents relating to Internet gambling and the government has promised these will be delivered in early October.

Clearly, The prospect of Internet gambling in Alberta promises to be a political hot potato in the near future. The government is in the unenviable position of having to either enforce and attempt to eradicate illegal Internet operations or sanction and regulate this form of on-line gambling. Of course, doing nothing is also a government option as is legalizing, promoting and regulating a made-in-Alberta Internet gambling operation. It will be very interesting to watch how the Alberta government deals with this difficult issue in the months ahead.

Charities Are Hooked on Gambling

Revenues

A recent Canada West Foundation study of 400 non-profit charities across Canada (Berdahl, 1999), concluded that "gambling revenues are an increasingly important source of funding for the non-profit sector, despite the facts that such revenues are often unstable and present ethical conflicts for a number of organizations." Of the 400 non-profits participating in the study, 28% rated gambling grants as their top funding source and 50% said gaming grants were in the top three sources of their funding. Furthermore, about 20% said they received over half of their annual revenues from gaming grants.

Alberta charitable organizations are especially dependent on gambling revenues. Twenty per cent of Alberta non-profits receive more than half of their revenues from charitable gambling as opposed to 10 per cent in Ontario and 5 per cent in Saskatchewan. More than 8,000 charitable organizations in Alberta currently either have a gaming licence or have conducted a gaming activity in the past two years. The list includes agricultural societies, service clubs, community associations, community leagues, and various types of groups (e.g., youth, music, multicultural, sports, religious, seniors, social action). In the current fiscal year, it is estimated that these non-profit organizations will share in \$146 million in net revenue realized from four charitable gambling sources - bingo, \$58 million; casinos, \$60 million; pull tickets, \$9 million; and raffles, \$19 million (Berdahl, 1999).

Depending on gambling revenues for charitable "good works" causes an ethical dilemma for some board members and volunteers. The Canada West study found, however, that the prevailing sentiment among non-profits was that the "commitment to their cause overrides their ethical concerns about gambling" (Berdahl, 1999). In other words, most take the money and hold their nose. The study concludes by offering 10 recommendations, with the main focus being on reducing charitable organizations' reliance on gambling revenues by replacing these with government grants to organizations to meet community needs.

Gambling Megatrends

In his pop-futurist best seller *Megatrends* (1982), John Naisbitt identified "ten new directions transforming our lives." Ironically, Naisbitt ignited a trend of his own as his seminal work spawned a parade of similar futurist publications - Faith Popcorn's *The Popcorn Report* (1992) and *Clicking* (1996), Naisbitt and Aburdene's *Megatrends 2000* (1990), David Foot's *Boom, Bust and Echo* (1996)

and Angus Reid's *Shakedown* (1996) to name a few. Each of these authors uses different methods to read the tea leaves in an attempt to enlighten us as to where Western society is heading. In the original *Megatrends*, Naisbitt describes "bellwether states" as those wherein "social invention" in response to social issues and local conditions, seems to occur time and time again. He identified five bellwether states as the leaders and trendsetters in the United States - California, Florida, Washington, Colorado and Connecticut - and through monitoring local media accounts of social invention in these states, he extrapolated the first 10 "megatrends."

While other futurists use different approaches - Foot examines demographic shifts, Popcorn depends on interviews, and Reid relies on polling data and research - there is merit in Naisbitt's observation that there are bellwether states wherein socioeconomic trends are most likely to be conceived, incubated or, at least, quickly adopted.

I believe that Alberta is such a bellwether state when it comes to gambling expansion, regulation and experiencing the inevitable socioeconomic fallout. Therefore, I suggest that it is instructive to monitor the gambling happenings in Alberta for clues about emerging "gambling trends" that may ultimately be experienced in other provinces. At the risk of being labeled a gambling futurist, I offer for consideration four gambling trends inferred from these Alberta happenings:

1. Gambling in Canada will continue to expand in the foreseeable future and machine-based gambling - including VLTs, coin slots, electronic Keno and bingo, and video poker - will grow significantly and become the most pervasive gaming format.
2. This high-tech gambling future will include legalized Internet gambling where citizens will wager on the outcome of table games, horse races, sporting events, elections, and a myriad of yet-to-be determined gambling opportunities, all on their personal computer and in the privacy of their home.
3. The Canadian hospitality and tourism industry will be successful in lobbying governments to allow special "gaming rooms" or "mini-casinos" in larger hotels, convention centres, and tourist destination facilities as part of providing a better entertainment package to attract guests.
4. Canadian charitable organizations will rely heavily on gambling initiatives - lotteries, raffles, casino nights, bingos, and grants from government-sponsored gambling - to fund their programs and administration.

The Alberta people have also clearly voiced that they want a say in the government's future gambling expansion plans and other provincial governments would be prudent to involve the public in gambling decision-making lest they, too, suffer the wrath of the citizenry.

In Alberta, gambling is on the edge. But the edge of what? Proponents would argue that the province is on the leading, trendsetting edge of crafting responsible gambling expansion plans while mitigating the harmful effects of gambling - in other words, creating a healthy balance. In contrast, detractors argue that Alberta is on the edge of a precipice. They see unfettered gambling expansion as a black hole that impoverishes the vulnerable, enriches governments and a few fat-cat operators, and generally seduces people into valuing "luck" above sacrifice and hard work. Which is the true Alberta gambling edge - precipice or trend-setting? It will be interesting to watch the gambling happenings in this bellwether province as the answer to this question emerges.

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