

TICKET LOTTERIES

Contents

- A. Introduction
- B. Current Ticket Lottery Policies
- C. Current Situation Assessment
- D. Landscape of Other Provinces
- E. Summary of Findings – Public Views and Stakeholder Consultations
- F. Primary Issues and Recommendations

A. Introduction

Ticket lotteries are provincial lottery schemes. They include Lotto 6/49, Scratch 'n Win, The Plus, Sport Select, Super 7, Pick 3, Extra, Western 649 and Special Event ticket lotteries.

In Alberta, lottery tickets are sold through approximately 2,006 retail sites across the province, including convenience retail outlets, shopping mall kiosks, drug stores and retail gas outlets.

This section discusses the background to ticket lotteries in the province. It provides key information related to current ticket lottery policies and an assessment of the current situation regarding ticket lotteries in the province.

Also provided in this section are highlights of some key views and perspectives of adult Albertans regarding ticket lotteries, as obtained through public opinion research. The perspectives of stakeholders, obtained through consultations with them during the Gaming Licensing Policy Review, are also provided. An overview of findings from other provincial jurisdictions is included. This section concludes with comments about the general result of the licensing policy review respecting ticket lotteries.

B. Background

Ticket lotteries are provincial lottery schemes. They include Lotto 6/49, Scratch 'n Win, The Plus, Sport Select, Super 7, Pick 3, Extra, Western 649 and Special Event ticket lotteries. Ticket lotteries are played by 69% of adults in Alberta, more than any other gaming activity.

In Alberta, lottery tickets are sold through approximately 2,006 retail sites across the province, including convenience retail outlets, shopping mall kiosks, drug stores and retail gas outlets. Each retailer is authorized to sell the tickets under an agreement with the Alberta Gaming and Liquor Commission and Western Canada Lottery Corporation (WCLC).

The WCLC conducts and manages ticket lotteries on behalf of the member provincial governments of Alberta, Saskatchewan and Manitoba. Associate members of the WCLC are the Yukon Territory, Northwest Territories and Nunavut. The WCLC is also the regional marketing organization of the Interprovincial Lottery Corporation, incorporated to conduct and manage national lottery schemes on behalf of all provinces.

In Alberta, the WCLC owns all the ticket lottery terminals; selects, designs and prints Scratch'n Win tickets; markets ticket lottery products and conducts advertising and promotions for ticket lotteries.

The Commission authorizes lottery ticket retailers through retailer agreements, installs and maintains the ticket lottery terminals in the provincial ticket lottery network, conducts retailer training and regularly communicates with retailers about the ticket lottery program.

Net revenue from the sale of lottery tickets is placed in the Alberta Lottery Fund to support not-for-profit community projects, including those funded through the 88 Community Lottery Boards and the Community Facility Enhancement Program (CFEP).

In 2000-01, ticket lotteries generated gross sales of \$394 million. Prizes amounted to \$198 million, or approximately 50% of gross sales. The Alberta Lottery Fund received \$161 million. Retailers earned commissions of \$27 million and taxes and payments to the federal government amounted to \$10 million. The operating costs of the WCLC are shared among member provinces. Alberta's share of the operating costs was \$20 million for the fiscal year.

General Operations

Ticket lotteries are authorized under the *Criminal Code* (Canada) and the *Gaming and Liquor Act* (Alberta). The *Gaming and Liquor Act* (Alberta) authorizes the Commission to conduct and manage provincial lotteries.

Ticket lotteries are of two general types, those offered on-line and those which are not (off-line).

On-line ticket lotteries refers to those lottery products delivered through a central computer system operated by the WCLC. For this purpose, the authorized retailers who offer on-line products use a WCLC lottery ticket terminal that is installed in the retailer location by the Commission. The terminal issues, prints and validates lottery tickets and is connected by a secure dedicated communications network to a central computer system. The central computer system itself records lottery transactions.

Off-line lottery products are Scratch 'n Win tickets, in which prizes are determined immediately after the customer has played the ticket. Those do not require the use of on-line lottery technology, apart from validating all winning tickets through the use of the ticket terminal.

Prizes from ticket lotteries are awarded in one of three ways, depending on the ticket lottery.

- (a) *Based on randomly selected numbers corresponding to the ticket lottery game* - This applies to all on-line lottery tickets except for sports draft ticket lotteries. The prize amount is either determined by the number of lottery tickets sold (pari-mutuel) or through established prizes for obtaining a certain winning combination or result on the purchase ticket. Such ticket lotteries are all on-line games and include Lotto 6/49, Western 649, Super 7, The Plus, Pick 3 and Extra (The Plus and Extra are "spiel games," which are on-line lottery games attached to games such as 6/49 and Super 7 Spiel games are not sold on their own).
- (b) *Immediately after the purchase and playing of a winning ticket* - That is, Scratch'n Win tickets, which reveal whether or not the purchaser has won a prize immediately after scratching away the surface which conceals the outcome on the ticket.
- (c) *Based on selections in a sports lottery* - The winning prize amounts in these on-line games depends upon how many sporting events are wagered upon by the player, the amount wagered and the number of correctly chosen outcomes. The odds are set by the WCLC. For example, wagers may be made on two to 12 sports games (for example, Point Spread), three to six games (for example, Pro-Line) or two to 10 games (for example, Over/Under). To win players must correctly predict the outcomes of all the sports games, except for Point Spread, in which winning categories include 9 out of 10, 10 out of 11, 10 out of 12 or 11 out of 12.

One ticket lottery combines the features of (a) and (b). The Celebration ticket lottery is offered during the Christmas season throughout the country. Players await the outcome of a random draw to determine if they have won a prize. They also have an opportunity to win instantly by playing a Scratch'n Win portion on the ticket lottery card.

The odds of winning a top prize varies and is based on the ticket lottery game. For example, two of the more popular games are Lotto 6/49 and Super 7. The odds of winning the top prize for Lotto 6/49 prize is 1 in 14 million; for Super 7 it is 1 in 21 million. The odds of winning any prize for those lottery games are 1 in 54 and 1 in 6 respectively.

Total prizes from ticket lotteries amount to approximately 50% of gross lottery ticket sales.

Historical Background

Prior to 1970, ticket lotteries or sweepstakes were operated exclusively by the federal government.

The provinces raised concerns regarding a national lottery conducted in the 1960s to help fund the Olympic games were to be held in Montreal in 1976. When the mayor of Montreal requested that the national lottery be continued due to cost overruns being experienced for the international athletic event, other provinces opposed its continuation.

That opposition led to discussions of provinces operating their own lotteries. The wishes of the provinces were realized when the federal government amended the *Criminal Code* in 1969 to authorize provincial lotteries. In 1970, Parliament enacted Section 190 (now 207) of the *Criminal Code* which gave the right to the federal and provincial governments to operate lottery schemes individually or in cooperation with each other.

1970s

Starting in 1970, the Calgary Stampede and Edmonton Exhibition inaugurated major sweepstakes based on the Canadian Derby and the Stampede Futurity races. Net revenues were about \$250,000 to each association per year.

The first provincial Minister Responsible for Lotteries, the Hon. Horst Schmid, was appointed in 1972.

From 1972 to 1973, the province participated with British Columbia, Saskatchewan and Manitoba in a study to create a Western Canada lottery. In May 1974, the Western Canada Lottery Foundation was formed by the provinces of Alberta, British Columbia, Saskatchewan and Manitoba.* That occurred under a licence granted by the provincial ministers responsible for the *Interprovincial Lottery Act*. Each provincial government was to designate a provincial marketing organization (PMO) to handle the sales in each province.

The Western Canada Lottery Foundation (Alberta Division), a partnership of the Edmonton Exhibition Association and Calgary Exhibition and Stampede Ltd., was established as the PMO for Alberta in June 1974. It served as an agent of the province. In that capacity it administered the sale and distribution of lottery tickets, to assist the Foundation as authorized by the provincial Minister responsible. The Alberta Division operated under the direction of an eight-person board comprising representatives from the two partners and the Government of Alberta.

Of the proceeds from the first annual ticket lottery licence, 5% was to be given to Sport Alberta, the Alberta Art Foundation and the Alberta Heritage Foundation. The remainder of the proceeds

* The Western Canada Lottery Foundation was formed in 1974 by the provinces of British Columbia, Alberta, Saskatchewan and Manitoba. B.C. withdrew its membership on March 31, 1985, while the other provinces, and the associate members of the Yukon Territory and Northwest Territories, continued to operate together in the sale of lottery tickets. In 1985-86 the name Foundation was changed to Corporation to reflect more accurately the nature of its operation.

were divided as follows: 25% to the Calgary Stampede, 25% to the Edmonton Exhibition Association and 50% to the Commonwealth Games Foundation (a partner for three years pending the Commonwealth Games in Edmonton in 1978). The proceeds provided to the two exhibitions could only be spent on capital projects and capital debt.

In 1974, the province's PMO combined the old distribution system—of the Calgary Exhibition and Stampede and the Edmonton Exhibition Association for sweepstakes lotteries—with volunteer sales agencies and mail order lists, which formed the ticket selling organization. The last sweepstakes operated by the Calgary Stampede and Edmonton Exhibition was conducted in 1974.

On June 21, 1974, the Western Canada Lottery Foundation issued the first ticket for sale in Western Canada. Tickets cost \$2.50 each, in booklets of 12 tickets. Prizes ranged from \$100 to \$250,000.

The National Olympic lottery was added to the WCLC's activities to help defray costs of the 1976 Olympic Games. This lottery featured the first \$10 ticket.

In 1975, the first bearer ticket,¹ The Western, was launched at \$3 per ticket. Up to that time all lotteries operated under the "registered ticket system." The new system ensured full accountability of tickets.

The Western Express was introduced in 1976. Prizes ranged from \$25 to \$50,000. That year, with the introduction of the Western Express, the Alberta PMO began using commercial distributors in 10 territories within the province to distribute tickets to retailers.

The Interprovincial Lottery Corporation was formed in 1976, the result of an agreement between the western provinces and Ontario to launch the \$5 Provincial, a new bimonthly lottery. Prizes ranged from \$50 to \$1 million.

In 1976, when the national Olympic lottery expired after the games, Loto Canada, a federal lottery agency, began operating.

In 1977, due to sales growth and the need to cover new market areas, the province's ticket lottery distribution system expanded to 15 territories as follows: rural 7, Calgary 4, and Edmonton 4. A special retailer program for charitable groups was introduced.

In 1978, the Commonwealth Games Foundation withdrew from the partnership in the Western Canada Lottery Foundation (Alberta Division), since the commitment to them of \$2 million was fulfilled.

In 1979, under an agreement between the province and the federal government, the federal government withdrew from lotteries in Canada in return for payment of \$24 million annually,

¹ Bearer tickets may be redeemed to the person who presents the ticket. This differs from raffles in which the purchasers' names and other information is recorded upon purchase of the raffle ticket and the prize winners are announced by name.

indexed for inflation.² As a result Loto Canada was terminated. The Super Loto ticket was taken over by Western Canada Lottery Foundation.

In 1979, a new special retailer program was introduced: the PMO matched commissions on a bonus basis to keep charitable groups involved in sales. That year the Northwest Territories joined the WCLC as an associate member.

1980s

Prize redemption went online in 1980. The \$10 Super Loto ticket was launched.

In 1981, the number of distributorships in the province increased to 20 from 15 as follows: rural 7, Edmonton 7 (from 4) and Calgary 6 (from 4).

The Lotto 6/49 game was introduced as an on-line game on June 12, 1982. GTECH Corp. of Rhode Island supplied the central computer system and the ticket terminals for the launch of Lotto 6/49 (the terminals were called ticket issuing and validating machines, or TIVMs).

In June 1983, a lottery review and hearings were announced. The result of the review, announced the following year, was to allocate ticket lottery proceeds as follows: 15% to Calgary Stampede (up to \$2.5 million), 15% to Edmonton Northlands (up to \$2.5 million), 5% to the Wild Rose Foundation, 32.5% to cultural foundations and 32.5% to sports foundations.

In October 1983, a new retailer network was approved, consisting of three categories: Lottery Ticket Centre (on line), Full Off Line (off line) and Temporary, Incidental, Casual (off line).

Amendments to the *Criminal Code* in 1985 paved the way for provinces to introduce electronic gaming machines. In that year the provinces' contribution to the federal government increased by \$100 million. Additional funds, earmarked for the federal consolidated revenue fund, would be paid by provincial governments in instalments over a three-year period. This raised the federal government share of lottery sales dollars to 5% from 3%.

B.C. withdrew its membership from the WCLC and established the British Columbia Lottery Corporation (BCLC) in 1985. That year, due to the popularity of Lotto 6/49, draws for this lottery were increased to twice per week, on Wednesday and Saturday.

In 1986, Alberta Lotteries was the name adopted for the province's PMO.

The WCLC launched the province's first \$1 instant game called "Signs of Zodiac." The \$7 million cap was removed from Lotto 6/49's Jackpot prizes due to maturity of the game and regularity of Jackpot wins.

The Plus, a new spiel game, was introduced to Western Canada on August 12, 1988. Spiel games are attached to an existing lottery game and cannot be played independently of the existing lottery game.

² The federal government withdrew entirely from regulating gaming activities except for pari-mutuel betting on horse races, which it continues to regulate.

In 1989, Bill 10 was passed by the Government of Alberta, establishing the Lottery Fund. Alberta's net revenue from ticket lotteries was deposited into the Lottery Fund. Sports betting was under review.

In 1989, Lotto 6/49 offered a guaranteed minimum jackpot of \$10 million per draw for a five-draw period.

1990s

In January 1990, the initial form of sports betting-gaming was underway at test locations in Edmonton and Calgary. Sport Select was introduced in 1990. Two games were offered, Pro Line and Excel Hockey.

In 1991, the federal government implemented the GST. The WCLC chose not to pass the 7% tax to lottery consumers and remitted the tax directly on behalf of retailers.

In 1991-92, all gaming-related agencies in the province fell under the responsibility of one provincial cabinet minister. The agencies included Alberta Lotteries, which conducted and managed provincial lotteries jointly with the Western Canada Lottery Corporation and the Alberta Gaming Commission. The agencies operated separately and reported to one minister until they were formally amalgamated with other entities, including the Alberta Liquor Control Board, under the new *Gaming and Liquor Act* in 1996.

In 1991, the provinces of Alberta, Manitoba and Saskatchewan signed a minister's agreement acknowledging the transfer of the WCLC's marketing division to Stettler, Alberta. That year sales began for POGO (Pick One, Get One).

In 1992, Bingo, a \$2 instant ticket, was launched, as the first instant "staple" game (a basic ticket lottery game sold by all retailers) introduced by the WCLC to the lottery market. Alberta Lotteries took over video lottery terminal (VLT) management after a nine-month field test with the WCLC. The WCLC officially closed its ticket distribution depots located in Edmonton, Calgary, Winnipeg, Saskatoon and Regina. A computerized accounting system, On-Line Accounting (OLA), was implemented to track flow of tickets from printer to retailer.

The \$5 Western Adventure ticket lottery, a regional instant ticket, was released in Alberta, the Yukon Territory and Northwest Territories.

Keno was introduced as a \$2 instant game in 1993. The Western, a \$1 instant game, was introduced.

In 1994, two online games, Super 7 and the spiel game called Extra, were launched.

In June 1996, marketing activities in the province were curtailed and advertising was reduced, as it was felt that advertising which demonstrated lifestyle enhancements was inappropriate.

In 1998, in response to a recommendation of the Lotteries and Gaming Summit '98, revenue to the Alberta Lottery Fund was allocated through the provincial legislature to specific initiatives and projects. None of the revenue is placed in the General Revenue Fund of the provincial government.

The Western 649, an online regional game with a top prize of \$1 million, was launched in February 1999.

In 2000, the Commission entered into a new agreement with the WCLC which was expected to result in cost savings to the Commission of \$2.2 million per year. This followed from an analysis by a private consultant to evaluate the province's membership in the WCLC.

The WCLC implemented a new on-line computer lottery system using SGI-NET system software from Scientific Games International in November 2000. The system replaced the old one, which was obsolete and inflexible. Providing added functionality, the system tracks ticket lottery games played, customer number picks and sales.

B. Current Ticket Lottery Policies

The policies for ticket lotteries are based upon the legal framework for ticket lotteries. That framework consists of the *Criminal Code* (Canada), the *Gaming and Liquor Act* (Alberta) and the *Gaming and Liquor Regulation* (Alberta).

Gaming and Liquor Act (Alberta)

Section 1(1)(x) of the *Gaming and Liquor Act* defines a provincial lottery to mean:

...a lottery scheme referred to in section 207(1)(a) of the *Criminal Code* (Canada) that the Government of Alberta is authorized to conduct and manage by itself or in conjunction with the government of another province;...

The legislation also states:

No person, unless authorized by the [Alberta Gaming and Liquor] Commission, may make, sell, advertise or distribute lottery tickets with respect to a provincial lottery. (s. 45)

Retailers are authorized to sell lottery tickets under agreements with the Commission and the WCLC. These agreements are discussed further in this section.

For a detailed discussion of the legal requirements for lottery schemes such as ticket lotteries, see the appendix “Legislative Requirements and Considerations.”

The WCLC, Commission and Retailers

As mentioned previously in this section, the WCLC conducts and manages ticket lotteries as agreed by member provincial governments, which are Alberta, Saskatchewan and Manitoba. The Yukon Territory, Northwest Territories and Nunavut are associate members. The WCLC is also a Regional Marketing Organization of the Interprovincial Lottery Corporation (ILC). ILC is incorporated and authorized to manage and conduct national lotteries. The head office of the WCLC is in Winnipeg and it operates its marketing division office in Stettler, Alberta.

Alberta is represented on the WCLC board of directors and the ILC board by members of the Commission board.

Ticket lottery retailers sell ticket lottery products to consumers in the province according to the terms in their agreement with the Commission and the WCLC.

The WCLC owns all the ticket lottery terminals; selects, designs and prints Scratch ‘n Win tickets; markets ticket lottery products and conducts advertising and promotions for ticket lotteries. The WCLC operates the central on-line ticket lottery system in the province and through its information system accounts for the sale of tickets and revenue generated by them. The Commission provides suggestions and input to the WCLC on the ticket lottery products that may be suitable for sale in Alberta and on other aspects of marketing ticket lotteries.

The Commission authorizes and administers lottery ticket retailers through the retailer agreements with the retailer and the WCLC; installs and maintains the ticket lottery terminals, signs and fixtures in the provincial ticket lottery network; conducts retailer training and regularly communicates with retailers about the ticket lottery program. The Commission is referred to as the province's provincial marketing organization (PMO).

Retailer Agreements

Each retailer agreement is signed by the Commission, the WCLC and the retailer.

There are three types of lottery ticket retailer agreements, as follows:

- *Lottery Ticket Centre Retailer Agreement* - The retailer agrees to: make available to the public all the WCLC lottery products approved by the Commission, pay out (encash) winning tickets and operate at a specified location.
- *Full Off-Line (Premise) Retailer Agreement* - This agreement is similar to the Lottery Ticket Centre Retailer Agreement, except the retailer agrees to make available to the public only the WCLC off-line lottery products approved by the Commission.
- *A Temporary, Incidental, Casual Retailer Agreement* - The retailer agrees to make available to the public all the WCLC off-line lottery products approved by the Commission. The retailer is not authorized to pay out winning tickets and does not operate at a specific location. The authorized retailer pays a fee of \$10 for the agreement, picks up and pays for ticket lottery supplies (purchased from retailers the Commission and the WCLC deem appropriate) and sells them to customers.

Applicants must be adult Canadian citizens or lawfully admitted to Canada for permanent residence.

Compensation

The retailer may be paid by discount, commission or bonus the amounts established by the Commission. The retailer holds net revenue (gross sales less winnings paid and remuneration) as a bare trustee for the Commission and deposits the net revenue weekly. Retailers are advised of the amount to deposit at least 24 hours before the payment is due.

The compensation, in effect since 1997, is as follows:

Table 13-1: Compensation Structure for Ticket Lottery Retailers in Alberta

COMPENSATION TYPE	DETAILS
Sales Commission	5% of net sales
Redemption Commission	2% of encashment amount (for prizes of up to \$1,000)
Additional Compensation (level 1)	Annual sales between \$54,000-\$99,999: additional 0.5% for sales between these amounts
Additional Compensation (level 2)	Annual sales between \$100,000-\$249,999: additional 1.5% for sales between these amounts
Additional Compensation (level 3)	Annual sales between \$250,000-\$499,999: additional 2.5% for sales between these amounts
Additional Compensation (level 4)	Annual sales of \$500,000 or more: additional 3.0% for the sales in these amounts.

Financial Security

To protect the investment made by the Commission in the ticket lottery network, the credit worthiness of each retailer is assessed to determine if additional security is required. Lottery retailers that are unable to pass the credit evaluation process, or choose to forego the process, are required to provide an irrevocable letter of credit to the Commission. The amount of the letter of credit is based on the type of retail operation, form of legal business entity and type of retailer agreement. If there are no payment issues after 52 weeks of selling lottery tickets, the retailer will be re-evaluated as to the whether the requirement for a letter of credit continues to exist.

Legal Age

Retailers are prohibited from selling lottery tickets to minors or encashing the tickets presented by minors. They must post and prominently display signs in their retail outlets which state this prohibition, as requested by the Commission.

Ticket Redemption

Lottery tickets become the property of the retailer or consumer at the time of receipt.

All tickets must be validated through a central computer system, that is the ticket terminal, before payment may be issued. If the ticket cannot be validated the retailer or consumer of the ticket would complete a claim form and forward the ticket with detailed explanation to the WCLC for investigation.

Under the WCLC terms and conditions, tickets for draw games such as Lotto 6/49, Western 649, among others, expire one year from the draw date. Prizes cannot be paid after this time. Sport Select ticket holders have 90 days from the date of when the pertinent Sport Select game was played to claim their prizes. All Scratch'n Win tickets have an expiry date printed on the back of the ticket and the game names and expiry dates are listed in the WCLC's regional publications (Source: the WCLC website).

Ticket retailers may encash winning tickets with a prize value of \$1,000 or less. They must hold cancelled on-line lottery tickets for a minimum of 30 days and provide them to the Commission upon request. The Commission and the WCLC may encash winning tickets, but typically do so for winnings of \$1,000 or more. A bank in Calgary has been authorized to encash ticket winnings of less than \$10,000 for consumers in southern Alberta.

Payments are not to be provided for tickets identified as stolen or destroyed. Thefts of tickets must be reported immediately to the local police and within 24 hours to the Commission.

Categories of Retailers

In the ticket lottery network there are three categories of retailers as follows:

1. *Profitability Retailers* - Ticket lottery products are placed in retail locations that have the potential to meet the sales and profit targets set by the Commission. A trial period is not required. Failure to meet the minimum sales volume (\$44,304 per year) may result in termination of the agreement. The minimum sales volume is the equivalent average break even point (sales versus costs) for all retailers based on 1998-99 operating costs. Retailer performance is monitored monthly. Failure to meet the minimum sales volume for any two of three consecutive months may result in termination of the agreement.
2. *Community Service Retailers* - Retailers serve Albertans in rural communities where otherwise the retailers would not be able to meet the sales and profit targets under the profitability category. The retailer must be in a community that is more than 25 km from another community with a retailer. Retailers in this category are responsible for any incremental costs. Incremental costs are the shortfall between actual operating costs and gross sales (net of prizes and commissions).
3. *Trial Retailers* - Retailers in this category do not, at the outset, appear to have the potential to meet the sales and profit targets of the profitability category. They are given a 13-week trial period to prove sales potential. The retailer agrees to meet the sales target or otherwise reimburse the Commission for any unrecovered costs incurred during the 13-week trial period. Applications to enter this category will not be accepted from those who participated in the trial network within the preceding 12 months. Only one trial category retailer may operate in a market zone at any given time. A maximum of 10 retailers may operate in this category at any one time.

Each category of retailer must meet the respective sales targets set by the Commission.

Allocating Terminals

Ticket lottery terminals are allocated to qualified retail locations and reallocated from retail locations that fail to meet established performance standards. The base number of ticket lottery terminals under the current provincial network is 2,025. Once that number of terminals is operating any reallocation of the terminals within the network will be based on a waiting list for terminals on a first-come first-serve basis, subject to meeting Commission retailer requirements.

Retailers with annual sales of more than \$800,000 may be allowed to operate up to two terminals in the same location, subject to availability of terminals within the network target base.

A terminal may be removed from a retailer in the profitability category for failing to meet the basic requirement of the retailer network (as discussed earlier in this section) or if annualized sales fall in the bottom 1% of all ticket lottery retailers in the profitability category.

Those who fail to meet the requirements are subject to a 12 month probationary period. If the retailer continues to fail to meet the requirements the lottery ticket centre retail agreement may be terminated.

C. Current Situation Assessment

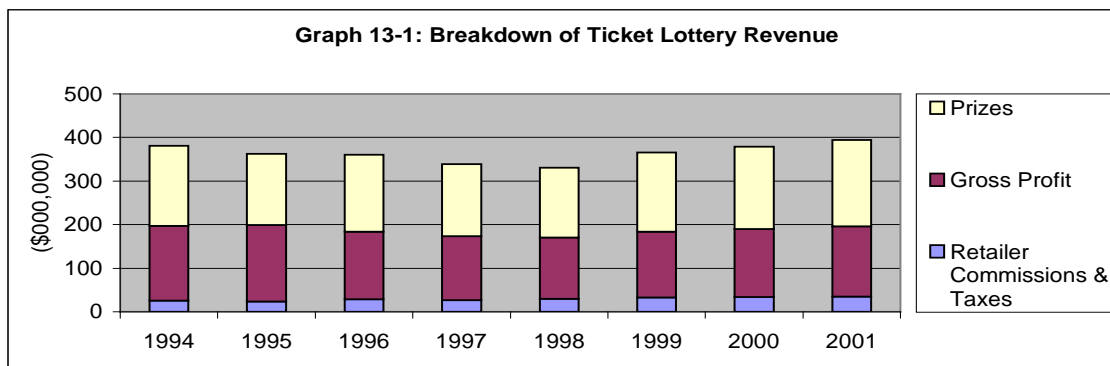
Revenue

Chart 13-1: Gaming Revenue from Ticket Lotteries

	1994	1995	1996	1997	1998	1999	2000	2001	Totals
	(\$000,000)	(\$000,000)	(\$000,000)	(\$000,000)	(\$000,000)	(\$000,000)	(\$000,000)	(\$000,000)	(\$000,000)
Revenue									
Ticket	381	362	360	339	331	366	379	394	2,912
Cost of Goods Sold (COGS)									
Prizes	184	163	176	165	161	182	189	198	1,418
Retailer Commissions & Taxes	26	24	29	27	30	33	34	35	238
Total COGS	210	187	205	192	191	215	223	233	1,656
Gross Profit	171	175	155	147	140	151	156	161	1,256
Less: Operating Expenses									
WCLC - F,A,&O*	22	21	19	19	15	19	19	15	149
WCLC - Amortization	5	5	5	4	3	1	1	2	26
Total Operating Expenses	27	26	24	23	18	20	20	17	175
Net to Alberta Lottery Fund	144	149	131	124	122	131	136	144	1,081

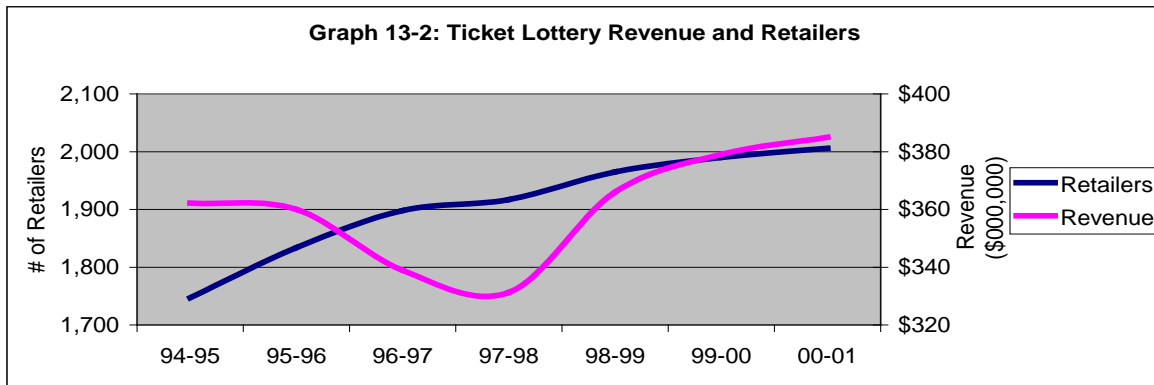
* Finance, Administration and Operations.

In 1996, net profit to the Alberta Lottery Fund from ticket lotteries decreased by 12% over the previous year, coinciding with the curtailing of ticket lottery advertising. The net profit fell again in the following two years by 5.3% and 1.6% respectively. In 1999, the net profit increased to the level in 1996 and increased by 3.8% in 2000 over the previous year.



Lottery Ticket Network

Since March 31, 1995, the number of active retailers in the province's ticket lottery network has increased steadily. However, during the same five-year period, lottery ticket sales declined each year until 1998, when ticket lottery sales recovered following the introduction of new products and increased advertising. Total revenue for ticket lottery sales have increased by 4.6% over the five year period, yet the number of retailers has increased by 16%.



An increase in the number of active retailers has not resulted in a corresponding increase in lottery ticket sales. Increased distribution of retailers may have helped to keep sales from further decline, however, it has also contributed to an increase in overall operational costs.

Graph 13-2 shows the increase in the number of retailers since 1994-95 generally has not been accompanied by a corresponding increase in net sales.

Categories of Ticket Lottery Retailers

The following table indicates the number of retailers that fall within the three retailer categories.

Table 13-2: Ticket Lottery Retailer Categories (As of March 31, 2001)

RETAILER CATEGORY	NO. ACTIVE RETAILERS	NO. TERMINALS	CRITERIA
Profitability	1,979	1,998	Retail locations that have the potential to meet the sales and profit targets set by the Commission. Failure to meet the minimum sales volume (\$44,304 per year, a break even amount based on sales and operating costs) may result in termination of the agreement.
Community Service	23	23	Serve Albertans in rural communities where otherwise a retailer would not be able to meet the sales and profit targets of the profitability category.
Trial	4	4	Retailers in this network do not, at the outset, appear to have the potential to meet the sales and profit targets of the profitability network but are given a 13-week trial period to prove sales potential. A maximum of 10 retailers may operate in the network at any one time.
TOTAL	2,006	2,025	

Long-Term Profitability

In the profitability category of retailers, the Commission currently uses a break even point as a minimum entry criteria for each retailer (\$44,304 in annual ticket sales to break even or just cover costs of operations). The overall total operations costs will increase if the ticket lottery network continues to grow. Moreover, if the network grows without an incremental increase in total ticket lottery sales, less net revenue will be realized for distribution to charitable, not-for-profit and community activities through the Alberta Lottery Fund.

Activity in the trial category appears to be accelerating. That appears to be the result of two factors: the lowering of the criteria for a retailer to become part of the trial network (minimum required sales of \$11,076 in October 1998 as compared to the previous target of \$12,984) and the strong provincial economy with the corresponding growth in the number of retail establishments that wish to sell lottery tickets.

The Commission is unable to meet the current demand for ticket terminals, including the demand from operators of highly desirable locations such as those of corporate and other profitable accounts. The demand has outstripped the supply of ticket terminals and has created a wait list of about 144 retailers.

The two main retailer categories, the profitability and trial ones, have been governed by two distinct objectives. The profitability category aims to maximize revenue for the Alberta Lottery Fund. It is governed by sales performance and controls 95% of the province lottery ticket centres. The trial category gives access to those retailers that do not appear to have the potential to meet the sales and profit target of the profitability network. These retailers are given the opportunity to prove sales potential through a 13-week trial period.

The purpose of the community category, as stated earlier, is to serve rural communities that otherwise would be unable to meet the sales targets of the profitability category.

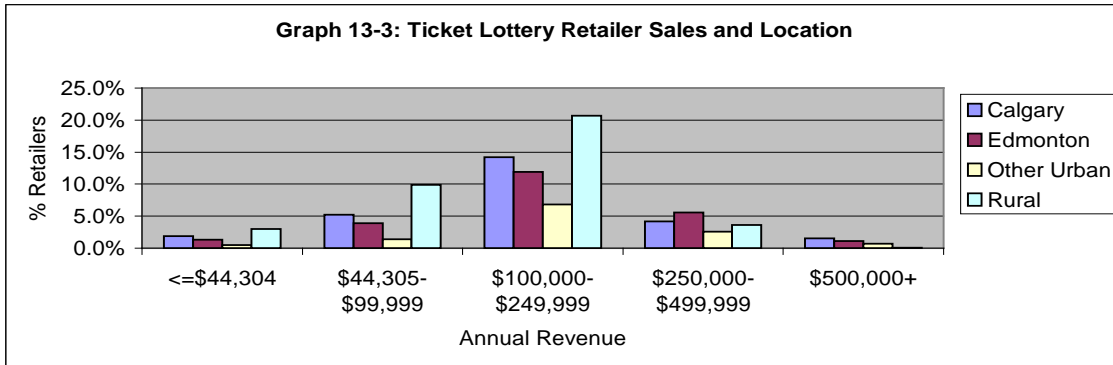
Retailer Distribution

Ticket lotteries are sold by various types of retail outlets. Those outlets and their numbers as a percentage of total outlets in the province are as follows:

Table 13-3: Alberta Ticket Lottery Retailer Network Composition

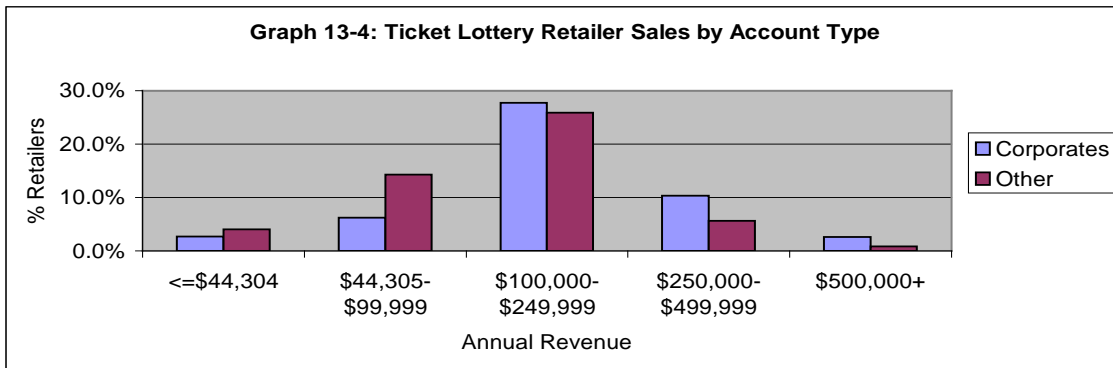
RETAIL OUTLET TYPE	PERCENT OF TICKET LOTTERY NETWORK
Convenience stores	34%
Gas retail outlets	22%
Dedicated ticket outlets (e.g., kiosks)	15%
Drug stores	13%
News/smoke shops	7%
Supermarkets	6%
Others	3%

Lottery tickets are sold by corporate or other types of accounts. Corporate accounts include, for example, operators of convenience store chains, grocers and retail gas companies. Other accounts (“others”) refers to independently operated retail outlets.



There are 141 retailers who generated less than \$44,304 in annual sales, the minimum amount to be in the profitability category. There is a fairly even distribution of these retailers between urban and rural areas. Almost 40% of retailers that generate from \$100,000 to \$249,999 in sales are from rural locations.

There are more corporate accounts generating a higher volume of sales than other types of accounts. Conversely, the other or non-corporate accounts generate lower sales volumes. There is a closer split between the number of corporate accounts and other accounts that generate sales in the middle range.



D. Landscape of Other Provinces

Each province either operates its own provincial lottery corporation or is a member of a lottery corporation that includes other member provinces.

The lotteries offered in each province varies. That generally is the case among members of lottery corporations such as the WCLC, which must take into account the distinct provincial markets in which they operate.

In addition, all provinces belong to the Interprovincial Lottery Corporation for purposes of participating in national lotteries and addressing common issues. The ILC consists of the following provincial lottery corporations:

Table 13-4: Inter-Provincial Lottery Corporation

MEMBER CORPORATIONS	PROVINCES/TERRITORIES INVOLVED
British Columbia Lottery Corporation	British Columbia
Western Canada Lottery Corporation	Members: Alberta, Saskatchewan, Manitoba Associate Members: Yukon Territory, Northwest Territories, Nunavut
Ontario Lottery and Gaming Corporation	Ontario
Loto Quebec	Quebec
Atlantic Lottery Corporation	Members: New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland

Per Capita Sales Across Canada

The table indicates Alberta generates lower per capita ticket lottery sales than any of the other jurisdictions in Canada. It generates lower per capita sales than the WCLC's other full members, Saskatchewan and Manitoba, even though all three members offer similar ticket lotteries in their respective provinces.

Chart 13-2: Per Capita Ticket Lottery Revenue for 1999-2000

Province	18+ Population ¹	Ticket Lottery Revenue (\$000,000)	Ticket Lottery Revenue per Adult	Rank
Quebec	5,727,157	\$ 1,684.6	\$ 294.14	1
British Columbia	3,118,909	\$ 907.3	\$ 290.90	2
Northwest Territories	28,321	\$ 7.3	\$ 257.76	3
Ontario	8,789,409	\$ 2,142.8	\$ 243.79	4
Nova Scotia	727,126	\$ 174.6	\$ 240.12	5
Yukon	22,432	\$ 5.3	\$ 236.27	6
Newfoundland	419,031	\$ 94.0	\$ 224.33	7
Prince Edward Island	103,853	\$ 23.2	\$ 223.39	8
New Brunswick	586,005	\$ 123.8	\$ 211.26	9
Manitoba	853,121	\$ 151.2	\$ 177.23	10
Saskatchewan	754,016	\$ 130.1	\$ 172.54	11
Alberta	2,200,347	\$ 379.0	\$ 172.25	12
Nunavut ²	15,320	\$ -	\$ -	13

¹Statistics Canada, Intercensal Population Estimates, July 1, 1999

²Revenue included with NWT

As shown in the following table, among the three provincial members of the WCLC, Alberta has a lower per capita density of ticket lottery terminals (1 for every 1,106 adults) than Saskatchewan (1 for every 908 adults) or Manitoba (1 for every 1,013 adults).

Chart 13-3: Per Capita Ticket Lottery Retailer Densities Among WCLC Members at March 31, 2000²

Province	18+ Population ¹	Ticket Lottery Retailers	Retailer Density per Adult	Rank
Saskatchewan	754,016	830	908	1
Manitoba	853,121	842	1,013	2
Alberta	2,200,347	1,990	1,106	3

¹Statistics Canada, Intercensal Population Estimates, July 1, 1999

²March 31, 2001 retailer counts from other jurisdictions not available at time of printing.

Ticket Lottery Revenues and Player Participation in Decline

According to Statistics Canada, the percentage of households in Canada that spent money on at least one gambling activity dropped to 77% in 1998 from 82% in 1996. The largest participation decrease was in provincial lotteries (to 68% from 74%), followed closely by other non-government lotteries, raffles and other games of chance (to 34% from 39%) and bingos (to 10% from 12%). Only participation in casino slot machines and VLT activity increased (to 20% from 17%).

Despite the decreased participation rates, average household expenditures for all types of gaming increased. Ticket lotteries had the lowest increase in average household expenditures for participating households, to \$250 in 1998 from \$240 in 1996, an increase of only 4%. According to the survey, Alberta had the lowest average household expenditures in this activity at \$190 for participating households, whereas Ontario had the highest at \$280 (Statistics Canada, "Update on Gambling," *Perspectives*, Spring 2000 issue).

Although lottery revenue represented 90% of all gambling returns in 1992, the proportion dropped to 35% in 1998 as a result of steep increases from VLTs and casinos in the late 1990s.

Nevertheless, ticket lotteries still have a positive correlation with a strong economy. That is, expenditures on lottery products typically increase at a faster rate than the growth in GDP.

Lotteries have an elasticity with respect to GDP of more than 1.0. Which means that for every 1% increase in GDP there is a 1.3% increase in lottery spending (Vaillancourt & Roy, 2000: *Special Studies in Taxation and Public Finance No. 2*).

Maturing of Lottery Products

Although each jurisdiction carefully manages its overall product mix to provide the best returns, lottery products in general have reached maturation in their current formats and will eventually require some modifications. Leading the way may be new instant or specialty types of games with higher price points to maintain or increase revenues.

Landscape of Ticket Lottery Operations in Canada

The following table gives a snapshot of the ticket lottery operations throughout Canada.

Table 13-5: Landscape of Ticket Lotteries in Other Provinces – at March 31, 2000

JURISDICTION	NETWORK	DIVISION OF REVENUE	COMMENTS
<p>British Columbia</p> <p><u>Conducted & Managed by:</u> British Columbia Lottery Corporation.</p> <p><u>Regulated by:</u> Gaming Policy Secretariat</p>	<p><u>2,690 Retailers</u></p> <p><u>Full-service:</u> 2,640</p> <p><u>Offline:</u> 50</p>	<p><u>Retailer Commissions:</u> 6.8% of gross revenue including sales bonuses</p> <p><u>Prize Payout:</u> 52.3%</p>	<p><u>Minimum age:</u> 18</p> <p><u>Site Selection Criteria</u> <u>Urban:</u> \$1,730 per week for 6 months. <u>Rural:</u> \$925 per week for 6 months.</p> <p><u>1999-2000 Revenue</u> \$907.3 million</p>
<p>Alberta</p> <p><u>Conducted & Managed by:</u> Western Canada Lottery Corporation under the authority of the Alberta Gaming and Liquor Commission.</p>	<p><u>1,990 Retailers</u></p> <p><u>Full-service:</u> 1,982</p> <p><u>Offline:</u> 8</p>	<p><u>Retailer Commission:</u> 5% of gross revenue Additional compensation paid on specific sales levels.</p> <p><u>Encashment:</u> 2%</p> <p><u>Prize Payout:</u> 50%</p>	<p><u>Minimum age:</u> 18</p> <p><u>Site selection criteria:</u> Trade area density; \$54k annual sales.</p> <p><u>1999-2000 Sales</u> \$379 million</p>
<p>Saskatchewan</p> <p><u>Conducted & Managed by:</u> Sask Sport Inc. operates the Saskatchewan Lotteries system under the authority of the Western Canada Lottery Commission.</p>	<p><u>830 Retailers</u></p> <p><u>Full-service:</u> 766</p> <p><u>Offline:</u> 64</p>	<p><u>Retailer Commission:</u> 5% of gross revenue</p> <p><u>Encashment:</u> 2%</p> <p><u>Prize Payout:</u> 50%</p>	<p><u>Minimum age:</u> 18</p> <p>Revenue to SK Gov't covers license fee and contractual obligations.</p> <p><u>1999-2000 Gross Sales</u> \$130.1 million</p>
<p>Manitoba</p> <p><u>Conducted & Managed by:</u> Western Canada Lottery Corporation under the authority of the Manitoba Lottery Corporation.</p>	<p><u>842 Retailers</u></p> <p><u>Full-service:</u> 842</p> <p><u>Offline:</u> 0</p>	<p><u>Retailer Commission:</u> 5% of gross revenue</p> <p><u>Encashment:</u> 2%</p> <p><u>Prize Payout:</u> 50%</p>	<p><u>Minimum age:</u> 18</p> <p><u>Sales for Network Entry:</u> Urban: \$60-80,000 annual Rural: \$52-63,000 annual</p> <p><u>1999-2000 Net Revenue</u> \$ 151.2 million.</p>

<p>Ontario</p> <p><u>Conducted & Managed by:</u> Ontario Lottery and Gaming Corporation.</p> <p><u>Regulated by:</u> Alcohol and Gaming Commission of Ontario.</p>	<p><u>10,100 Retailers</u></p> <p><u>Full-service:</u> 7,738</p> <p><u>Offline:</u> 2,362</p>	<p><u>Retailer Commission:</u> 7.3% (includes bonuses).</p> <p><u>Prize Payout:</u> 49.5%</p>	<p><u>Minimum age:</u> 18</p> <p>Online site selection based on highest sales in the province over 26 weeks.</p> <p>Offline site selection based on \$100 application fee and \$2000 letter of credit; sales rep does pre-site.</p> <p><u>1999-2000 Sales</u> \$2.2 billion (includes \$57.2 million from Superstar Bingo).</p>
<p>Quebec</p> <p><u>Conducted & Managed by:</u> Loto-Quebec.</p> <p><u>Regulated by:</u> RACJ (R'egie de alcoos, des courses et des jeux).</p>	<p><u>11,450 Retailers</u></p> <p><u>Full-service:</u> 8,250</p> <p><u>Offline:</u> 3,200</p> <p>Retailers include 1000+ financial institutions and 90 traveling sales people.</p> <p>Six-month conditional acceptance based on sales.</p>	<p><u>Retailer Commission:</u> 6% online 8% offline 0% redemption 1% on prizes over \$1000.</p> <p><u>Prize Payout:</u> 52%</p>	<p><u>Minimum age:</u> 18</p> <p>Legislation for minimum age 18 became effective in February 2000.</p> <p>Must be offline retailer for 13 consecutive weeks.</p> <p>917 non-profit organizations sold \$133 million in lottery subscriptions and received 7% commission.</p> <p><u>1999-2000 Sales</u> \$1.8 billion (includes \$115.4 million from TV lotteries).</p>
<p>Nova Scotia</p> <p><u>Conducted & Managed by:</u> Atlantic Lottery Corporation.</p> <p><u>Regulated by:</u> Nova Scotia Alcohol and Gaming Authority.</p>	<p><u>1,282 Retailers</u></p> <p><u>Full service:</u> 1,163</p> <p><u>MRT:</u> 119</p>	<p><u>Retailer Commission:</u> 5% with 3% quarterly bonus up to \$400k.</p> <p>10-cent encashment for each winning ticket.</p> <p>1% "prize" for winning tickets above \$10,000.</p>	<p><u>Minimum age:</u> 19</p> <p><u>MRT</u> = multi-purpose retail terminal – sell and redeem off-line tickets.</p> <p><u>1999-2000 Sales</u> \$174.6 million</p>
<p>New Brunswick</p> <p><u>Conducted & Managed by:</u> Atlantic Lottery Corporation.</p>	<p><u>989 Retailers</u></p> <p><u>Full Service:</u> 850</p> <p><u>MRT:</u> 139</p>	<p><u>Retailer Commission:</u> 5% on staple games; 8% on special games, e.g. Celebration, Mega Millions.</p> <p>10-cent encashment for each winning ticket.</p> <p>1% "prize" for winning tickets above \$10,000.</p>	<p><u>Minimum age:</u> 19</p> <p><u>1999-2000 Sales</u> \$123.8 million</p>

<p>Prince Edward Island</p> <p><u>Conducted & Managed by:</u> Atlantic Lottery Corporation.</p>	<p><u>169 Retailers</u></p> <p><u>Full Service:</u> 164</p> <p><u>MRT:</u> 5</p>	<p><u>Retailer Commission:</u> 5% on staple games; 8% on special games, e.g. Celebration, Mega Millions.</p> <p>10-cent encashment for each winning ticket.</p> <p>1% "prize" for winning tickets above \$10,000.</p>	<p><u>Minimum age:</u> 18</p> <p><u>1999-2000 Sales</u> \$23.2 million</p>
<p>Newfoundland & Lab</p> <p><u>Conducted & Managed by:</u> Atlantic Lottery Corporation.</p>	<p><u>1,888 Retailers</u></p> <p><u>Full Service:</u> 933</p> <p><u>MRT:</u> 222</p>	<p><u>Retailer Commission:</u> 5% on staple games; 8% on special games, e.g. Celebration, Mega Millions.</p> <p>10-cent encashment for each winning ticket.</p> <p>1% "prize" for winning tickets above \$10,000.</p>	<p><u>Minimum age:</u> 19</p> <p><u>1999-2000 Sales</u> \$94.0 million</p>
<p>Yukon</p> <p><u>Conducted & Managed by:</u> Western Canada Lottery Corporation under the authority of the Yukon Lotteries Commission</p>	<p><u>43 Retailers</u></p> <p><u>Full-service:</u> 33</p> <p><u>Offline:</u> 10</p>	<p><u>Retailer Commission:</u> 5% of gross revenue</p> <p><u>Encashment:</u> 2%</p> <p><u>Prize Payout:</u> 50%</p>	<p><u>Minimum age:</u> 18</p> <p><u>1999-2000 Sales</u> \$5.3 million</p>
<p>Northwest Territories</p> <p><u>Conducted & Managed by:</u> Western Canada Lottery Corporation under the authority of the Sport North</p>	<p><u>19 Retailers</u></p> <p><u>Full-service:</u> 13</p> <p><u>Offline:</u> 6</p>	<p><u>Retailer Commission:</u> 5% of gross revenue</p> <p><u>Encashment:</u> 2%</p> <p><u>Prize Payout:</u> 50%</p>	<p><u>Minimum age:</u> 18</p> <p><u>1999-2000 Sales</u> \$7.3 million</p>
<p>Nunavut</p> <p><u>Conducted & Managed by:</u> Western Canada Lottery Corporation under the authority of the Sport North</p>	<p><u>2 Retailers</u></p> <p><u>Full-service:</u> 2</p>	<p><u>Retailer Commission:</u> 5% of gross revenue</p> <p><u>Encashment:</u> 2%</p> <p><u>Prize Payout:</u> 50%</p>	<p>The WCLC does not have a separate agreement with Nunavut. The retailers there act as retailers for NWT.</p> <p>Sales for the two territories are not separated.</p>

E. Summary of Findings – Public Views and Stakeholder Consultations

Stakeholder Consultations

The Gaming Licensing Policy Review process included obtaining the views and perspectives of the Alberta public, including both players and non-players, and stakeholders. This summary of findings presents a snapshot of those views and perspectives focusing on ticket lotteries.

The review process also included a review of gaming-related literature gathered from jurisdictions around the world. A few key sources are described here.

The findings are divided as follows:

- *Public* - The views and attitudes of adult Albertans about gaming activities in the province.
- *Stakeholders* - The views and perspectives of stakeholders. Stakeholders are either directly involved in the gaming industry, or indirectly involved through the services they provide or through some related experience or interest. Most stakeholders have knowledge of at least some of the gaming licensing policies currently in effect. Others will be fully aware of those licensing policies, in particular as they may apply to the gaming activity with which they are directly involved.
- *Landscape*- Some of the policies, issues and developments in other jurisdictions.

Public

In May 2000, during the licensing policy review, the views and perspectives of adult Albertans were sought through public opinion research.

The research shows most Albertans view ticket lotteries as a harmless entertainment and do not associate it with problem gambling. More than half of Albertans believe that it is up to each individual to control his or her own gambling.

More than half of respondents indicated they are not well informed about where proceeds from gaming go.

Most Albertans feel they are not well informed, or not informed at all, about where the proceeds from ticket lotteries go. About 40% felt somewhat informed and only about 9% felt well informed.

Eighty-one percent of Albertans feel the profits from lotteries go to a good cause. The top four areas identified by respondents as deserving of gaming proceeds in general were charities (34.9%), health care (29.1%), education and schools (23.2%) and community organizations (20.9%). Other areas each received less than 15% support.

More than half of respondents indicated their main source of information about where proceeds go is the newspaper.

Most adult Albertans (69%) had purchased a ticket lottery in the past year, the highest participation rate of any gaming activity, and spent an average of just more than \$19 on ticket lotteries in the past month. About 82% of Albertans supported the current level of availability of ticket lotteries. Almost 13% indicated they would like them to be made less accessible and about 5% more available.

Respondents indicated clearly they should be able to buy ticket lotteries at lottery ticket centres (89.2%). Fewer than 30% of players said they would like to buy ticket lotteries in other types of locations (that currently do not sell them) such as bars and lounges, local casino, bingo hall and race tracks.

Most players would buy instant tickets at lottery ticket centres (88.6%). If they were to be available in other locations, players would buy them in bars and lounges (46.9%), a gaming room in a hotel (35.4%), local casino (29.2%) and bingo hall (28.8%), among others.

Stakeholders

Consultation with stakeholders occurred during the Gaming Licensing Policy Review. During September and October 2000, facilitated interviews and discussions occurred with stakeholder groups throughout Alberta. In addition, representative telephone surveys were conducted involving more than 600 representatives of charitable organizations and 300 industry workers involved with bingos and casinos.

The integrity of gaming activities is of common interest.

Stakeholders feel the Commission has been professional in carrying out its responsibilities. Even though some stakeholders may have opposed policy decisions of the Commission, none called into question the Commission's own integrity.

Stakeholders generally desire a level playing field, where everyone knows the rules and there is fair opportunity to participate.

There is a wide range of knowledge among stakeholders about where the proceeds from gaming go and how they are used. Some are well informed and others less so. Many want to see more money spent informing people about how proceeds are used, a view that is consistent with that of most Albertans.

Industry Stakeholders

Lottery ticket retailers wanted more done to promote where lottery revenues go. They expressed concerns about VLT gaming, which they felt was generating public concerns about gaming in general in the province and in some cases leading to problem gambling.

Representatives of major exhibitions indicated they pioneered gaming in the province through horse racing and their other early involvement in ticket lotteries and casino gaming. A priority was to obtain more funding from the Alberta Lottery Fund.

Police Services

Police services felt the Commission has done a good job in regulating gaming in the province. Nevertheless, they did have some issues. A balancing of social responsibility and growth of gaming is required. A number of police services felt a full cost benefit analysis of gaming would be appropriate and some of the representatives were not aware the Alberta Gaming and Research Institute was formed for the purpose of conducting more in-depth research into gaming in the province.

Service Agencies and Advocacy Foundation

One public advocacy foundation believes an organization such as the Commission is bound to be biased in its decisions as it generates significant revenue from gaming. Even so, the foundation believes the Commission is doing a good job balancing the public and special interests. They also believe the Commission is doing better than other jurisdictions in the area of consultation.

Landscape

See “Landscape of Other Provinces” in this section for more details about the policies and activities related to ticket lotteries in other provinces.

The regulatory environments for gaming between Canada and other jurisdictions differ. In some respects they may differ significantly. In any case, it is worth examining or considering the events and activities occurring internationally. A few comments are provided about lotteries in the United States and Australia.

U.S. Experience

The National Gambling Impact Study Commission was appointed by the federal government of the United States to examine the impact of gambling across the U.S. Its task involved research, study and consultation over two years. The commission issued its report with findings and recommendations in June 1999.

The regulatory environments between U.S. jurisdictions and those of Canada differ. Nevertheless, it is worth mentioning a few findings from the commission report related to lotteries.

Lotteries enjoy an honoured place in American history as a device for raising funds for public projects, including a prominent role in financing the establishment of the first English colonies. In 1776, lotteries operated in all 13 colonies. In 1890, the federal government outlawed the use of mail for lotteries and in 1895 the Commerce Clause made it illegal to transport lottery products or advertising across state lines. This effectively stopped all U.S. lotteries for the next 70 years.

In 1964, the revival of state lotteries began in New Hampshire. The states of New York and New Jersey soon followed. Currently, lotteries are operating in 37 states and the District of Columbia.

Most states operate their lotteries as a monopoly through a state agency, department or public corporation. In authorizing the lottery, most states required approval by both the legislature and the public through referendum.

Ticket lotteries are now the most widespread form of gaming in the U.S. When surveyed, most adults (51.4%) report having played the lottery in the last year.

Lotteries rank first among the various forms of gambling in terms of gross revenues: total lottery sales in 1996 totaled \$42.9 billion. 1982 gross revenues were \$4 billion, representing an increase of 950% over the preceding 15 years, 1982-1996.

Over recent years, state lotteries have aggressively promoted new lottery products in order to maintain revenues as other forms of gaming were introduced.

Australia

Australia has a long history with gaming. Until recently, gaming was confined to lotteries in most states. In the past 10 to 15 years, there has been a rapid transformation as a result of new gaming technologies. An inquiry report, *Australia's Gambling Industries* (1999), issued by the country's Productivity Commission, states:

Gambling industries account for about 1.5% of Australia's GDP. Total expenditures (losses) on gambling amounted to over \$11 billion in 1997-98. Expenditure is more than double what it was a decade ago in real terms – at least for gambling – and triple that of 15 years ago.

Most Australians have gambled in the last year (82%). Ticket lotteries had the highest participation rate (60%) among gamblers in 1997-98, however total lottery expenditures accounted for only 11% of the total gaming market. In 1987-88, ticket lotteries accounted for 22% of total gaming revenues, twice the current market share. This decline in market share has been attributed largely to the proliferation of electronic gaming devices during this same period.

F. Primary Issues and Recommendations

Process of Review

The first step in the process of the Gaming Licensing Policy Review was to make an initial assessment of current ticket lottery policies within the gaming licensing policy framework. Are ticket lottery policies clear, comprehensive and up to date?

The next step was to obtain the perspectives of stakeholders about those policies. That step was followed by a review of stakeholder perspectives and determining whether any improvements were needed to current ticket lotteries policies in the province over the next five years or more.

Issues and Recommendations

The Gaming Licensing Policy Review, following consultations with stakeholders, had not identified any significant issues related specifically to ticket lotteries. Therefore, no specific recommendations are being made for them.

The general recommendations identified earlier in the report which apply to all gaming activities would cover ticket lotteries as well. For example, as a matter of public interest and social responsibility, the Commission will ensure that retailers continue to sell ticket lotteries only to those of legal age and that sales are not being made to minors. Retailers that contravene this requirement are subject to penalties that include termination of the ticket lottery agreement.

A few operational matters arose during the gaming licensing policy review and will be addressed. For example, they include consolidating the ticket lotteries terms and conditions in one document for ticket lottery retailers. Currently, the policies are provided in separate documents, which is inconvenient for retailers.

The Commission will continue to work and consult with ticket retailers to address any issues or concerns that arise in the future.