

SLOT MACHINES

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A. Introduction

Slot machines are located in the province's 16 permanent licensed charitable casino facilities and are provided to temporary events authorized by the Commission, such as major exhibitions. Slot machines are also located in two racing entertainment centres affiliated with the racetracks at Edmonton Northlands and Lethbridge Whoop-Up Downs, as part of the Racing Industry Renewal Initiative to revitalize live horse racing in the province.

This section discusses the background to slot machine gaming in the province. It provides key information related to current slot machine policies and an assessment of the current situation regarding slot machine gaming.

Also provided are highlights of some key views and perspectives of adult Albertans regarding slot machines, as obtained through public opinion research. The perspectives of stakeholders, obtained through consultations with them during the Gaming Licensing Policy Review, are also provided. A cursory overview of some pertinent findings from other provincial jurisdictions is included.

This section concludes with recommendations to address primary issues identified by the public, stakeholders and the Commission.

B. Background

Conduct and Management of Slot Machines

Under the *Criminal Code* (Canada), only a provincial government may conduct and manage a lottery scheme operated on or through a computer, video device or slot machine.

The *Gaming and Liquor Act* (Alberta) authorizes the Alberta Gaming and Liquor Commission to conduct and manage such lottery schemes on behalf of the provincial government.

The province's network of slot machines is monitored through the Commission's central computerized system as a security/control measure, a critical element in the conduct and management of slot machines by the Commission.

Each slot machine operates independently of other slot machines. The prize percentage pay out of each free-standing terminal is certified by an independent testing laboratory. Prize pay out is calculated as total winnings divided by total wagers and for slot machines in Alberta averages between 92% and 93% over extensive play.

Slot Machines Venues

Slot machines are found in the 16 permanent casino facilities located throughout the province, in temporary casinos during major summer fairs and exhibitions and in the province's two racing entertainment centres affiliated with the racetracks at Edmonton Northlands and Lethbridge Whoop-Up Downs.

The Commission enters into an agreement with operators of licensed casino facilities to provide space and customer services in operating the slot machines during licensed casino events. The net revenue (after prizes) from slot machines in casinos is divided as follows: Alberta Lottery Fund - 70%, charities conducting licensed casino events - 15% and casino facility licensees or operators - 15%.

The racing entertainment centres are part of the Racing Industry Renewal Initiative, to help revitalize live horse racing in the province. The initiative involves racetrack operators and the Alberta Racing Corporation. The net revenue from slot machines in racing entertainment centres is divided as follows: 15% commission to the racing entertainment centre operator and 85% to the Alberta Lottery Fund. Of the lottery fund portion, 18 1/3% is allocated to the racing entertainment centre operators to assist with the capital and operating costs of live horse racing and 33 1/3% to the Alberta Racing Corporation (ARC) through the government's annual budget process to enhance the purses of live horse racing at the racetracks. This allocation is also in place for slot revenues from the Stampede Casino in Calgary, with the exception that 15% is allocated to the charities working at the casino and 18 1/3% to the ARC for purse enhancements.

Types of Slot Machine Games, Themes and Denominations

There are several different types of slot machines in the province. Each type of slot machine may be configured to any of numerous game “themes.” Examples of game themes include “Red, White and Blue,” “Sizzling Sevens,” “Double Bucks,” “Monopoly,” etc. Currently there are about 200 different game themes for slot machines in the province.

There are video and mechanical reel games, single line and multi-line games, and progressive jackpots.

Slot machines pay prizes in the form of coins dispensed in the tray of the machine or, in the case of larger prizes such as jackpot prizes, by cash or cheque. Slot wagers may be in denominations of five cents, 25 cents or \$1. Wagers range from five cents to \$5, depending on the games played and the number of coins or lines bet. For example, the maximum bet on “five cent slots” is \$2.25 (45 lines times five cents).

The maximum top prizes also depend on the game played. Some province-wide linked progressive games (in which various slot machines are linked together for the game and a portion of the cash played goes toward a prize that builds until it is won) have produced top prizes approaching \$725,000. Some prizes from progressive slot games have included merchandise prizes such as new vehicles.

Other progressive slot games include local area progressives, played in a single casino and stand-alone progressives, which involve play on a single slot machine in a casino.

History of Slot Machines in Alberta

The *Criminal Code* was amended in 1986 to grant authority to the provinces to operate mechanical or electronic gaming devices. The first electronic gaming devices to be introduced to the province were video lottery terminals (VLTs) in 1992.

Slot machines were tested at the Calgary Stampede and during the Edmonton Klondike Days and rural fairs in 1993.

In 1995, the Lotteries Review Committee, comprised of MLAs whose task was to consult with Albertans about the future directions for lotteries and gaming, recommended casino VLT revenues should be shared with non-profit organizations holding casino events. At that time there were no slot machines in the province’s casinos.

In January 1996, 225 slots were introduced to permanent casino facilities in Alberta, with a maximum limit of 25 slot machines for facilities in Edmonton and Calgary and 10 for facilities in other locations. Of the net revenue from slot machines (gross revenue less prizes), 10% was allocated to charities conducting licensed casino events, consistent with the Lotteries Review Committee recommendation of 1995. Casino operators received 5% of net revenue as commissions and 85% was placed in the Alberta Lottery Fund. The slot machines provided a standard three-reel game, 25 cent denomination and with a top prize of \$1000.

In November 1996, the commissions from slot machines was adjusted as follows: charities conducting casino events 15% of net revenue, casino operator 15% of net revenue and the Alberta Lottery Fund receives the remaining 70%.

In July 1995, the Alberta Gaming and Liquor Commission amalgamated all liquor and gaming regulatory, enforcement and marketing agencies, including the Alberta Gaming Commission, the Alberta Gaming Control Branch, Alberta Lotteries and the Alberta Liquor Control Board. In July 1996, the Alberta Gaming and Liquor Commission would be formally established in the *Gaming and Liquor Act*.

Racing Entertainment Centres Established

In October 1996, the Commission, in partnership with the Alberta Racing Corporation and Edmonton Northlands, introduced 50 slot machines to Northlands Park as part of an initiative to revitalize the horse racing industry.¹ Net revenues were divided equally (33 1/3%) among the three partners: the racetrack operator, Alberta Racing Corporation and the Alberta Lottery Fund (through the Commission).

Additional Slot Machines for Casinos

In 1997, the casino operating guidelines allowed the maximum number of slot machines in casino facilities to be doubled based on various criteria including customer demand, terminal sales, performance and the space capacity of the facility; the hours for table games to be extended by one hour; liquor service on the casino gaming floor and for casinos to operate on Sundays.

In June 1997, slots were installed in a racetrack facility located in Lethbridge. The centre operated with 25 slot machines.

Casinos Improve Gaming Environment

Since 1997, casino facility operators have expanded and improved their facilities to accommodate additional slot machines and attract slot players. Those that made renovations, including investment in decor and the general gaming environment, experienced an increase in overall sales, including revenue from table games. Some of the current casinos, constructed prior to the introduction of slot machines, were purpose or custom built exclusively for table games. As a result, the space capacity within these facilities has not kept up to the growing demand by players for slot gaming.

Due to fluctuations in the daily casino hold (revenue less winnings) charities' proceeds from slot machines began to be pooled, starting in July 1997. Pooling resulted in an averaging of proceeds among charities holding casino events. In the centres with more than one casino facility (Calgary, Edmonton and Red Deer) charities' slot machine proceeds were shared equally through a citywide pool over a 90-day period. In other areas proceeds were pooled for 90 days by each casino.

¹ Since then, another 200 slot machines were added to the facility.

Division of Slot Revenue in Racing Entertainment Centres

The Auditor General of the province reported in May 2000 the division of slot revenue in racing entertainment centres was not in compliance with provincial legislation. The legislation requires that all lottery revenue, after payment of certain costs including retailers' commissions, be deposited into the Alberta Lottery Fund. The Auditor General also indicated any additional revenue to support the racing renewal initiative would have to be voted on by the provincial legislature.

As a result, the division of slot machine net revenue (gross revenue less prizes) was adjusted as follows: 15% commission to the racing entertainment centre operator and 85% to the Alberta Lottery Fund. Of the lottery fund portion, 18 1/3% is allocated to the racing entertainment centre operators to assist with the capital and operating costs of live horse racing and 33 1/3% to the Alberta Racing Corporation (ARC) through the government's annual budget process to enhance the purses of live horse racing at the racetracks. This allocation is also in place for slot revenues from the Stampede Casino in Calgary, with the exception that 15% is allocated to the charities working at the casino and 18 1/3% to the ARC for purse enhancements.

Gaming Licensing Policy Review Announced

The Minister of Gaming announced a review of gaming licensing policies in December 1999. The Commission suspended consideration of requests to license or approve new casinos, casino expansions or re-locations, new games and new gaming environments pending the outcome of the review.

Casino Proceeds Exceed Those of Bingo

Since 1982 and, until recently, the total amount of proceeds to charities from bingo events has exceeded that from casino events. That changed in 1999-2000, when the total amount of proceeds to charities from casino gaming (from table games and slots combined) exceeded bingo.

Table 12-1: Numbers of Slot Machines in Alberta, 1996 - 2001

FISCAL YEAR UP TO DATE SHOWN	NUMBER OF SLOT MACHINES	NUMBER OF SLOT LOCATIONS	COMMENT
March 31, 1996	225	13	Slot machines introduced to majority of permanent charitable casino facilities in 1995-96.
March 30, 1997	765	18	During 1996-97 slot machines were introduced to remaining permanent casino facilities, added to existing ones, and introduced to the Northlands racing entertainment centre.
March 29, 1998	1,680	19	Slot machines introduced to Whoop-Up Downs racing entertainment centre in Lethbridge in 1997-98.
March 31, 1999	2,851	18	Additional slot machines added to existing facilities. Slot machines were removed from Cash Casino in Lethbridge during 1998-99.
March 18, 2000	3,742	18	Cash Casino in Lethbridge closed in the summer of 1999. Slot machines added to existing or relocated casino facilities.
March 31, 2001	4,353	18	Slot machines added to existing or relocated casino facilities.

C. Current Slot Machine Policies

The province's slot machine policies have been developed within a legal framework that consists of the federal *Criminal Code*, the province's *Gaming and Liquor Act* and *Gaming and Liquor Regulation*.

Under the *Criminal Code* only a provincial government may conduct and manage a lottery scheme operated on or through a computer, video device or slot machine.

The *Gaming and Liquor Act* (Alberta) authorizes the Alberta Gaming and Liquor Commission to conduct and manage such lottery schemes on behalf of the provincial government. A more detailed discussion of the legal requirements are provided in the appendix "Legislative Requirements and Considerations."

The Alberta Lottery Fund is the primary beneficiary of slot machine gaming. The Alberta Lottery Fund supports thousands of charitable, non-profit, community and public initiatives across the province. Charities that hold casino events in the permanent charitable casino facilities also receive a commission of 15% of the net revenue from slot machines for their charitable community projects.

Province's Slot Machine Network

In keeping with its responsibilities to conduct and manage electronic gaming devices, the Commission purchases and owns slot machines and monitors the network of all its slot machines through a central computerized system as a security/control measure.

The Commission enters into a Casino Gaming Retailer Agreement with each operator of a charitable casino facility and a racing renewal initiative agreement with the operator of each racing entertainment centre. Under these agreements the operator agrees to provide space for slot machines and customer services during their operation; in return the operator receives a commission of 15% of net sales from the slot machines.

Commission staff install, remove and provide technical maintenance for all slot machines and the related signage and equipment.

Casino Facility Policies - Permanent Facilities

Casino facility licensees or operators are required to meet the slot machine policies contained in *Casino Terms & Conditions and Operating Guidelines* as well as the conditions in the casino gaming retailer agreement with the Commission.

Under current policy the Commission will provide a minimum of 50 slot machines to minor casinos (those with 15 or fewer table games) and 100 to major casinos (those with 16 or more table games).

The casino facility licensee must provide electrical outlets, slot machine cash cage, the appropriate insurance as required under the retailer agreement and agree to report any slot machine malfunctions to the Commission. The licensee is also required to cover related utility

costs and any costs for the repair of slots, fixtures, or signs destroyed or damaged, other than by normal wear and tear, while in the care of the licensee.

All proceeds received from slots, less winnings and retailer commissions, are the property of the Commission. The retailer receives, holds and deals with those proceeds as bare trustee for the Commission.

Charitable organizations that conduct casino events receive 15% of slot machine net revenue as commissions. In cities with one casino the revenues are pooled and distributed at the end of the pooling period to each charity that held a casino at that facility during the pooling period. In Edmonton, Calgary and Red Deer, cities with more than one casino, the net revenue from slot machines is pooled from all the charitable casinos in the city that were held during the pooling period and distributed accordingly to the charities.

Casino Policies - Temporary Events

The Board of the Commission may each year approve requests for slot machines from eligible summer agricultural fairs and exhibitions (see below for the list of approved events in the province). If those slot machines are provided during a casino event held by the agricultural fair or exhibition, then the terms and conditions for slot machines are similar to those of permanent casino facilities, as provided in the *Casino Terms & Conditions and Operating Guidelines* and include a casino gaming retailer agreement.

A non-profit organization that operates an annual summer fair or exhibition in a community where a casino facility licence already exists, may apply for a casino licence in the community's casino facility for the duration of the major event. For example, the non-profit organizations involved with the major events in Red Deer, Medicine Hat and Lethbridge participate in this type of arrangement. Red Deer and Medicine Hat also have slots on site at their respective fairs and exhibitions. Edmonton and Calgary are excluded from using the existing permanent casino facilities so that casino event licences may be issued to other qualified charitable groups during the major event. Both of the larger centres operate their own on-site casinos during their major exhibitions.

Based on availability, slot machines may be allocated to the approved annual major events as follows:

- a) Edmonton (Klondike Days)- maximum 250 slot machines and, if available, up to 100 test slot machines;
- b) Calgary (Calgary Stampede) - maximum 250 slot machines, and if available up to 100 test slot machines;
- c) Red Deer (Westerner Days) - maximum 75 slot machines;
- d) Lethbridge (Whoop Up Days) - maximum 75 slot machines;
- e) Medicine Hat (Medicine Hat Stampede) - maximum 50 slot machines;
- f) Grande Prairie (Grande Prairie Regional Exhibition) - maximum 50 slot machines;
- g) Camrose (Camrose Jamboree) - maximum 100 slot machines; and
- h) Tsuu T'ina (PowWow Days) - maximum 100 slot machines.

A test slot machine is one that is authorized for use to determine customer acceptance and performance. Depending on the results, such slot machines may be introduced as part of the slot machine program in the province.

Racing Entertainment Centre Policies

The slot machine policies that affect Racing Entertainment Centres (RECs) are contained in the Racing Industry Renewal Initiative Agreement between the Commission and the REC operator, who must be a racetrack operator licensed by the Alberta Racing Corporation.

Under the agreement the operator is required to provide space for the slot machines, a variety of services and the appropriate utilities for the operation of slot machines (for example, power). The services to be provided include those related to security, handling of slot revenue and providing a cash float and keeping proper records as required. The operator is also required to report any slot machine malfunctions to the Commission.

For the space and services provided, the operator receives a commission of 15% of slot machine net revenue (gross revenue less prizes).

Hours of Operation

Casinos may operate within the maximum hours of 10 a.m. to 3 a.m. Casinos may operate slot machines for up to a maximum of 17 consecutive hours per day between those maximum hours, seven days per week. Casino facilities other than those in Edmonton and Calgary typically operate from 12 to 17 hours, seven days per week.

Racing entertainment centres may operate a maximum of 17 consecutive hours per day, between the hours of 10 a.m. to 3 a.m., up to seven days per week.

D. Current Situation Assessment

General

As of March 31, 2001, there were 4,353 slot machines in the province.

Table 12-2: Slot Machines Per Venue (as of March 31, 2001)

VENUE	LOCATION	NO. OF SLOT MACHINES
Palace Casino	Edmonton	271
Bacarrat Casino	Edmonton	284
Casino Edmonton	Edmonton	429
ABS Yellowhead Casino	Edmonton	600
CITY TOTAL	Edmonton	1,584
ABS Casino Calgary	Calgary	400
Stampede Casino	Calgary	158
Elbow River Inn Casino	Calgary	200
Silver Dollar Casino	Calgary	256
Cash Casino	Calgary	344
CITY TOTAL	Calgary	1,358
Cash Casino	Red Deer	142
Jackpot Casino	Red Deer	142
CITY TOTAL	Red Deer	284
Boomtown Casino	Fort McMurray	50
Great Northern Casino	Grande Prairie	181
Vanshaw Casino	Medicine Hat	200
Gold Dust Casino	St. Albert	204
ABS Casino	Lethbridge	180
SUBTOTAL	All Casino Facilities in Alberta	4,041
Edmonton Northlands (Racing Entertainment Centre)	Edmonton	250
Lethbridge Whoop-Up Downs (Racing Entertainment Centre)	Lethbridge	62
SUBTOTAL	Racing Entertainment Centres	312
TOTAL	ALL VENUES	4,353

The table above does not include the number of slot machines provided to the temporary summer fairs and exhibitions. The maximum number of slots that may be allocated to them is provided under “Current Slot Machine Policies” in this section.

Product Mix

Since the introduction of slot machines in January 1996, the slot product mix in the province has been expanded to include:

- nickel slots;
- multi-game video slots;
- slant top and mini-bertha cabinets;
- diverse themes;

- nudge and re-spin games;
- bonus schemes;
- sound effects;
- top awards of up to \$25,000;
- progressive awards (awards have been as high as \$725,000);
- merchandise prizes;
- bill acceptors; and
- other features.

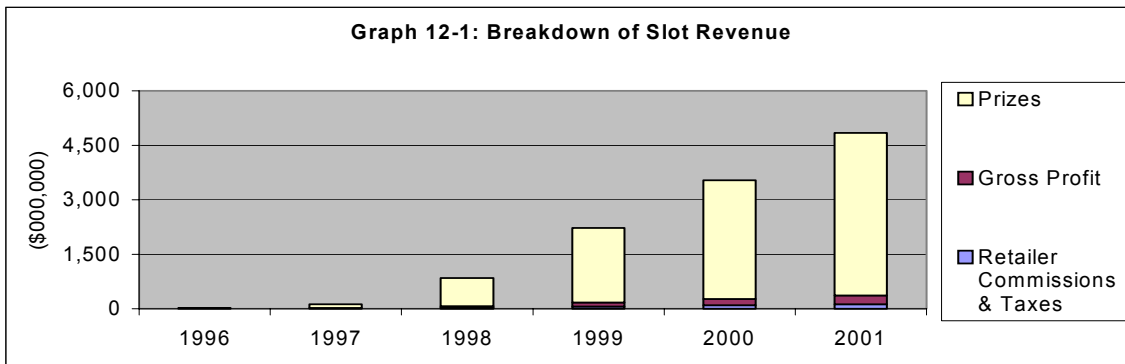
Revenue

In 2000-2001, slot machines generated revenues as follows: \$252 million to the Alberta Lottery Fund, \$53.7 million to charities that held casino events and \$65.2 million in commissions to slot machine retailers, that is, licensed casino facilities and racing entertainment centres.

Chart 12-1: Gaming Revenue from Slot Machines

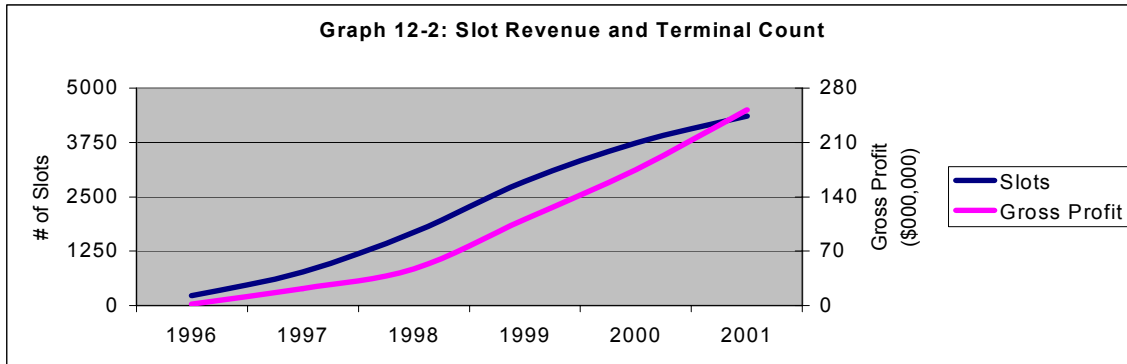
	1996	1997	1998	1999	2000	2001	Totals
	(\$000,000)	(\$000,000)	(\$000,000)	(\$000,000)	(\$000,000)	(\$000,000)	(\$000,000)
Revenue							
Slots	25	121	846	2,227	3,546	4,842	11,607
Cost of Goods Sold (COGS)							
Prizes	23	99	768	2,051	3,275	4,467	10,683
Retailer Commissions & Taxes			31	65	96	123	315
Total COGS	23	99	799	2,116	3,371	4,590	10,998
Gross Profit	2	22	47	111	175	252	609
Net to Alberta Lottery Fund	2	22	47	111	175	252	609

Among gaming activities conducted and managed by government, slot machines have contributed the greatest increase in net revenues over the past few years.



For example, net revenue from slot machines (after prizes and expenses) increased to \$252 million in 2000-01 from \$111 million in 1998-99, an increase of 127%. By comparison, VLT net

revenue increased by just more than 13% over the same period, to \$574 million from \$508 million.



Revenue Projections

Net revenue from slot machines in 2000-01 are expected to exceed budget forecasts by 9%.

The Commission anticipates slot machines will generate net revenue of \$395.2 million in 2001-02, an increase of 19% over the budgeted slot net revenue of \$331.6 million in 2000-01.

As compared to the 2000-01 budgeted net revenues from slot machines, charitable casinos are projected to experience increases in net revenue from slot machines in 2001-02 as follows: Edmonton casino market 26.9%, Calgary casino market 21.7%, rural casino market 21.2%. The net revenue from the two racing entertainment centres is forecast to decline by 7.6% in 2001-02 over the budgeted sales figures for 2000-01.

In fiscal year 2001, summer fairs and exhibitions earned \$1.1 million in commissions from slot machines and the same amount from table games.

Market Potential

The Commission has not conducted a formal study into the market potential for slot machine gaming in the province. However, in the past few years total slot revenue has continued to grow at a pace consistent with the rate at which they are installed. In other words, each additional slot machine generated incremental or new sales. As casinos in the province expanded from 1997 to 1999, the average net sales per terminal for all slots in the province has remained relatively stable, yet during this same time the number of slots increased by 173%. The demand for slots has remained constant even as the supply has almost doubled.

E. Landscape of other Provinces

All the jurisdictions in Canada that operate slot machines do so in conjunction with their casino or racing programs.

Slot Machine Revenues and Player Participation Continues to Increase

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. This participation decreased in provincial lotteries (to 68% from 74%); 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 expenditures for all types of gaming increased. Slot machines and VLTs led with increases in average expenditures for participating households, to \$430 in 1998 from \$360 in 1996, an increase of 19%. According to the survey, Alberta had the highest average expenditures in this activity at \$685 for participating households, whereas Quebec had the lowest at \$240 (Statistics Canada, "Update on Gambling," *Perspectives*, Spring 2000 issue).

Provincial Government Policy is Paramount

Provincial governments are responsible for the conduct and management of all slot machine gaming activities in Canada. The *Criminal Code* states they are the exclusive domain of provincial governments. Each provincial jurisdiction has taken its own approach to slot machine availability.

For example, in British Columbia the Union of British Columbia Municipalities (UBCM) and some local governments passed bylaws prohibiting the installation of slot machines within their boundaries. Since then, the policy dispute was resolved through a Memorandum of Understanding with the UBCM in which local governments were given the right to approve the introduction of slot machines, obtain a share of the proceeds (10%) from gaming within their boundaries and affirm their authority with respect to zoning and development permits.

The B.C. Ministry of Labour's commissioned report *Relocation of, and Changes to, Existing Gaming Facilities in British Columbia* (Meekison, 2000) states:

While it appears that the faultline between the province and municipalities has disappeared, it may be only temporary because the Lottery Corporation may cause municipalities to review their policies governing slot machines. If a particular municipality does not want slot machines within its boundaries, the Lottery Corporation, in fulfilling its mandate to maximize revenues for the provincial government, believes it has an obligation to pursue the relocation of casinos to municipalities that are more receptive to the idea. This carrot and stick position may lead to further strains between the province and individual municipalities.

The following table, which gives an overview of the slot machine activities in the other provinces, closely resembles the landscape of casino gaming in the provinces (see the separate section "Casino Gaming").

Table 12-3: Landscape of Slot Machine Operations in Other Provinces – at March 31, 2000

JURISDICTION	NO. OF SLOTS / SITES	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>18 Sites</u> 2 destination casinos 16 community casinos</p> <p><u>2,399 Slots</u> 524 destination 1,875 community</p> <p>'Stepper reel' is the only type of slot authorized for use in BC.</p>	<p>25% slot win to operator 75% to BCLC</p> <p>Up to an additional 3% of slot win can go to the operator for facility development based on an approved plan being in place.</p>	<p>Progressive slots are prohibited.</p> <p>Installation of slots at horse racing facilities is prohibited; however a casino may relocate to a racetrack if requirements are met (including approval of host municipality) and if horse racing remains the primary function.</p> <p>Slot cap of 7,200 based on 300 slot maximum at 24 casinos (18 existing – 6 pending destination casinos).</p>
<p>Alberta</p> <p><u>Conducted & Managed by:</u> Alberta Gaming and Liquor Commission.</p> <p><u>Regulated by:</u> Same.</p>	<p><u>18 Sites</u> 16 casinos 2 racing entertainment centres</p> <p><u>4,353 slots</u> 4,040 casino 312 racing entertainment centres</p>	<p><u>Charitable casinos</u> 15% charity 15% siteholder 70% Alberta Lottery Fund</p> <p><u>Racing Ent. Centres</u> 15% REC operator 85% Alberta Lottery Fund</p>	<p>January 2001- gov't announced First Nations gaming policy allowing for on-reserve casinos.</p> <p>No slot cap.</p>
<p>Saskatchewan</p> <p><u>Conducted & Managed by:</u> Saskatchewan Gaming Corporation (Casino Regina only) and Saskatchewan Indian Gaming Authority.</p> <p><u>Regulated by:</u> Saskatchewan Liquor and Gaming Authority.</p>	<p><u>5 sites</u> 1 commercial casino 4 First Nations commercial</p> <p><u>1240 Slots</u> 620 Casino Regina 620 First Nations</p>	<p><u>Commercial</u> 50% SK Gen. Revenue 25% First Nations Fund 25% Associated Entities Fund</p> <p><u>First Nations</u> 37.5% SK Gov't 37.5% First Nations 25% Associated Entities Fund</p>	<p><u>Minimum age:</u> 19</p> <p>Current government policy - no expansion of electronic gaming.</p> <p>Slots are at casinos only.</p> <p>Saskatchewan Gaming Corporation – a crown corporation - owns its slots.</p> <p>First Nations slots are owned by SLGA and operated under contract by Saskatchewan Indian Gaming Authority (SIGA).</p> <p>No slot cap.</p>

JURISDICTION	NO. OF SLOTS / SITES	DIVISION OF REVENUE	COMMENTS
Manitoba <u>Conducted & Managed by:</u> Manitoba Lottery Corporation. <u>Regulated by:</u> Manitoba Gaming Control Commission.	<u>2 Sites</u> 2 commercial casinos <u>1,231 Slots</u>	100% MLC	Located at casinos only. No slot cap.
Ontario <u>Conducted & Managed by:</u> Ontario Lottery and Gaming Corporation. <u>Regulated by:</u> Alcohol and Gaming Commission of Ontario.	<u>20 Sites:</u> 3 commercial casinos 5 charity casinos 12 racetracks <u>Slots</u> 8,078 commercial 900** charity 7,064 racetrack Number of slots at racetracks ranges from 325 at Sudbury to 1,700 at Woodbine.	<u>Commercial</u> 100% OLG* Net profits from Casino Rama are shared among 134 First Nations groups. <u>Charity Casinos</u> Charity receives 100% of net proceeds. Host local gov't receives 5% gross slot revenue. <u>Slots</u> 20% Racetrack 80% OLG Host local gov't receives 5% gross slot revenue + 2% of every slot over 450.	<u>Minimum age:</u> 18 <u>1999-2000 Revenue</u> Commercial: \$1.5 billion Racetrack: \$362.5 million* *Only 9 racetracks operated for full year of Fiscal 2000. ** Only 2 charity casinos operated for full year of Fiscal 2000. June 2000 – Ontario government announces 3-year freeze on expansion of new charity and commercial casinos, and charity racetracks.
Quebec <u>Conducted & Managed by:</u> Loto-Quebec. <u>Regulated by:</u> RACJ.	<u>3 Sites</u> 3 commercial casinos <u>5,185 Slots</u> 3000 Casino de Montreal 1410 Casino de Hull 775 Casino de Charlevoix.	100% Loto-Quebec	<u>Minimum age:</u> 18 Located at casinos only. No slot cap.
Nova Scotia <u>Conducted & Managed by:</u> Nova Scotia Gaming Corporation. <u>Regulated & Licensed by:</u> Nova Scotia Alcohol and Gaming Authority.	<u>2 Sites</u> 2 commercial casinos <u>1000 Slots</u> 650 Halifax 350 Sydney	100% NS Gaming Corp.	<u>Minimum age:</u> 19 Located at casinos only. No slot cap.
New Brunswick	No slots.	N/A	N/A
Prince Edward Island	No slots.	N/A	N/A

JURISDICTION	NO. OF SLOTS / SITES	DIVISION OF REVENUE	COMMENTS
Yukon	No slots.	N/A	N/A
Northwest Territories	No slots.	N/A	N/A
Nunavut	No slots.	N/A	N/A

F. 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 slot gaming.

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*- The perspectives in a number of 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 Albertans tend to view slot machine gaming as a harder form of gambling. More than half of Albertans believe it is up to each individual to control his or her own gambling.

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

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.

About 58% of adult Albertans supported the current level of availability of slot machines at local casinos, close to 38% indicated they would like them to be made less accessible at local casinos and 4% more available.

Respondents indicated clearly players should be able to play slots at resort casinos (93.9%) or local casino (92.4%). A majority also indicated they should be able to play them in a Native casino on reserve land (68.2%), in a gaming room in a hotel (65.2%), location devoted to video lottery terminals (VLTs) (62.9%) and bars and lounges (54.5%). Less than half indicated players should be able to play slot machines at a race track (46.2%) and at a bingo hall (38.2%).

Thirteen percent of respondents played slot machines at local casinos. Among those players, the average amount spent over the last month (when the public opinion research was undertaken) was approximately \$152.50 for slot machines. In single play the average time spent by players on slot machines was one hour and they spent an average of approximately \$39.75.

The preferred places to play slots for players, if slot machines were to be available in all the various venues, would be the local casino (84.4%), resort casino (70.9%), gaming room in a hotel (57.8%) and bars and lounges (54.6%). In addition, 42.2% said they would play slots at a First Nations casino on reserve land, 32.1% would play them at race tracks and 17.4% at bingo halls.

Sixty-seven percent of slot players indicated slots have not affected their overall spending on gaming, while 24% indicated their spending has increased. More than 80% said slots have not affected their spending on other games, such as casino table games, bingo, horse race betting, instant tickets or lottery tickets and VLTs.

Almost 70% of slot players prefer just slots, not table games; 22% enjoy both of those activities and 9% have no preference.

Of casino players, about 83% said they would definitely or probably play regular slot machines when they visit a casino. Close to half indicated they definitely would play them and a little more than one-third indicated they would probably play.

For respondents, the ideal features in gaming facilities of any kind are security and a clean, modern environment. Other features also rated highly were spacious surroundings, convenient parking, easily identifiable staff and non-smoking sections.

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. Three hundred industry workers involved with bingo and casino were also surveyed for their views.

Integrity of gaming is a common interest. Stakeholders feel the Commission has been professional and acts with integrity. None called into question the Commission's own integrity, even though they may have been opposed to some policy decisions of the Commission.

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. Many want to see more money spent informing people about how proceeds are used.

Few suggestions were made to improve rules and regulations. Many stakeholders expressed an interest in providing more input during the development of policies.

As to social responsibility, some stakeholders feel the Commission (and the media) overstates the problems associated with gambling, and should allow the marketplace to determine growth. Other stakeholders feel the Commission understates the problem and should further restrict gaming activities. Those who favour expansion of gaming activities indicated the Commission should be more proactive in communicating the benefits to the province from gaming. Other stakeholders feel not enough attention has been paid to the costs and more needs to be done to assess the net impact of gaming in the province, including additional funding to address the negative aspects.

Industry Stakeholders

Most charities believe access to gambling is well controlled and regulated and rules have been consistently enforced. A minority believe more types of gambling should be permitted in the province.

Charities felt a better job could be done to communicate the benefits of gaming. Communicating with the gaming industry could also be improved upon.

The views of gaming workers in casino and bingo, for the most part, reflected similar views to those of charitable groups as discussed above.

About 60% of both gaming workers and charities believe the availability of slot machines should remain the same, consistent with the view of most Albertans. About one-quarter of charities believed they should be less available and 21% of workers held this view. About 17% of workers and 12% of charities felt slot machines should be made more available.

A gaming industry representative felt aging gaming equipment has to be replaced more quickly. As well, levels of technical support service should be improved, a view expressed by other stakeholders involved in slot machine gaming. It was felt input should be sought by the Commission prior to finalizing the gaming licensing policy review.

Casino facility operators are of the opinion current casino facilities are already capturing 80% of the market potential in their trade areas. They have indicated more opportunity exists for casino growth in Calgary than in Edmonton.

Bingo and horse racing stakeholders felt there was unfair competition from casinos, from video lottery terminals (VLTs) and slot machines approved by the Commission.

Bingo stakeholders desire a plan for gaming development rather than what they perceive as an ad hoc approach to bingo. They feel they compete for the same player and nickel slot machine players are also bingo players. To compete they feel there is a need to introduce electronic bingo, keno and slot machines in bingo halls. It was felt by some bingo stakeholders since licensed bingo facilities are entertainment facilities, they should be permitted to offer a variety of games to customers and with fewer restrictions.

At the same time, both bingo and horse racing representatives want to see a better differentiation of gaming products being offered, to distinguish among them. For example, it was felt racing entertainment centres should have exclusivity to the electronic horse race games, which also are found in casinos.

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.

A representative of one major exhibition indicated more slot machines are needed to help revitalize the horse racing industry. A better mix of games and analysis is also needed. A representative of another major exhibition echoed that view, indicating more attention needs to be paid to the growth in demand at racing entertainment centres and ways to benefit or stimulate live horse racing.

Municipalities and Police Services

A representative of a municipal association felt there needs to be more equitable access to gaming funds by smaller communities in the province, for example, by rural charities having more access to the proceeds (slot and table games) at larger urban casinos.

A municipal representative believes as gaming grows, more attention is needed to ensure its integrity and security. The representative felt gaming should be available through dedicated gaming venues such as casinos.

Police services felt the Commission has done a good job in regulating gaming in the province. Nevertheless, they did have some issues. It was felt a balancing of social responsibility and growth of gaming is required. One police service representative felt a full cost benefit analysis would be appropriate. The representative was not aware that the Alberta Gaming and Research Institute was formed for that purpose. A police service representative expressed the view larger crowds visiting casinos could result in problems such as “inevitable” fighting and increased work for police.

Another representative wondered whether police should be directly involved with policing in casinos. Preventing crime and addressing criminal activities through joint forces with the Commission was suggested as a possibility. This was a common suggestion of most police services and also suggested by an official with the provincial Justice department.

Service Agencies and Advocacy Foundation

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

On a more general note, the foundation felt the Commission should produce more information on the state of gaming in the province. It was felt a detailed information report, for example, would help in discussions related to First Nations casinos and how government wants to equitably and responsibly develop those casinos.

A representative of a problem gambling treatment agency saw as an issue the role of the Commission as “promoter, regulator and profiteer from gaming.” The representative felt there would be concerns if First Nations were to be designated both as the charity and casino facility licensees of on-reserve casinos. The agency felt Alberta could do more to fund education, prevention and treatment programs. The agency hopes some funds will be dedicated to address First Nations problem gambling, believing there is potential for increased problem gambling among First Nations people with the introduction of on-reserve casinos. Such funding should be tied in with current problem gambling programs rather than be operated parallel to them.

The agency expects new games will continue to be demanded to satisfy consumer demands, particularly those of baby boomers who like change.

A compulsive gambling foundation said a key concern is obtaining more funding to detect problem gambling behaviour among Albertans and for treatment. The foundation felt more funds could be provided through the province’s gambling treatment agency. A similar view was provided by a service agency representative, who believed more needs to be put into programs for families. Government should continue to ensure gaming is responsibly managed.

Landscape

See “Landscape of Other Provinces” in this section for more details about the policies and activities related to slot machine gaming in other Canadian 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 to compare gaming activities, issues and developments.

U.S. Experience

Much of the information provided in this landscape information is drawn from a report of the U.S. National Gambling Impact Study Commission. The 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.

Overall, traditional slot machines are primarily located in state licensed casinos. However, “convenience gaming” or “retail gaming” are terms that have been used to describe legal stand-alone slot machines, video poker, video keno and other electronic gaming devices located in bars and lounges, convenience stores, truck stops, riverboats and other locations in various states.

The report of the Commission noted:

Stand-alone EGDs (electronic gaming devices, or slot machines) are seldom well regulated outside of Nevada. Because EGDs can be placed in a wide variety of locations, they can be difficult to monitor.

It also mentions:

In Nevada, slot machines can be found in many public locations, including airports and supermarkets. Locations with non-gambling casino licenses may operate a maximum of 15 devices. ...Montana was the first state after Nevada to legalize stand-alone EGDs specifically video poker in bars. In California, video keno operated by the state lottery can be found in most traditional lottery outlets and in many other locations as well.

Illegal and quasi-illegal EGDs, otherwise known as “gray machines,” are also present in most states.

The exact number of gray machines available has not been accurately measured, but there are estimates for some states. For example, in West Virginia, there are approximately 15,000 to 30,000 gray machines. In New Jersey, it is estimated that there are at least 10,000 machines. The Alabama Bureau of Investigation estimated there were 10,000 illegal EGDs across that state in 1993. Illinois is estimated to have 65,000.

State gaming regulators have also been pressured by gaming industry officials to allow electronic gaming devices or slot machines in non-casino gaming venues such as racetracks and bingo halls. These gaming industry officials argued that the expansion of other forms of gaming was making it difficult for them to compete. In response, the National Gambling Impact Study Commission recommended:

... states should refuse to allow the introduction of casino-style gambling into pari-mutuel facilities for the primary purpose of saving a pari-mutuel facility that the market has determined no longer serves the community or for the purpose of competing with other forms of gaming.

The National Council Against Legalized Gambling notes efforts to legalize electronic gaming devices at pari-mutuel facilities have failed in twelve states since 1995.

Australia

Electronic gaming has proliferated throughout Australia, which has more electronic gaming devices per capita than any other jurisdiction in the world. An inquiry report, *Australia's Gambling Industries* (1999) issued by the country's Productivity Commission, states there were 184,526 electronic gaming devices located in 5,866 venues including bars and lounges, clubs, hotels and casinos generating a total expenditure of 5.9 billion. That equals 133 gaming machines per 10,000 adults in Australia compared to 29 gaming machines per 10,000 adults in the U.S. and 26 gaming machines per 10,000 adults in Canada. In these three countries the gaming machines and their play features are relatively similar.

Each Australian state or territory is responsible for the regulation of gaming within its borders. However, in some cases private operators are licensed to own or operate gaming machines within imposed guidelines and restrictions.

With the exception of Western Australia, all other states have legalized electronic gaming devices or slot machines to some extent. Most states or territories have instituted some type of cap on the number and availability of electronic gaming devices. In some cases, these caps have not been binding. Examples of statewide caps include caps on the number of machines in the state and/or caps on the number of machines per facility.

Until recently, most states were below these caps, however as they approach the maximum limits imposed, performance monitoring has been used to ensure the effective utilization of electronic gaming devices.

Where decisions on the allocation of machines is determined centrally so as to maximize revenue – as in Victoria – the introduction of a binding state cap would tend to lead to the reallocation of machines to venues with higher capacity utilisation. Both Tabcorp and Tattersall’s have acknowledged that their practice of reallocating machines away from lower-performing venues is partly a commercial response to the cap on total gaming machine numbers permitted in the state (Productivity Commission Inquiry Report, *Australia’s Gambling Industries* -1999).

However, the Productivity Commission suggests statewide caps on the number of gaming machines is less effective than venue caps as a harm minimization strategy.

G. Primary Issues and Recommendations

Assessing Proposed Casino Policy Recommendations

The process of arriving at recommended slot machine policies was comprehensive, involving a number of steps.

The first step was to arrive at an initial assessment of current slot machine policies within the gaming licensing policy framework. Are slot machine policies clear, comprehensive and up to date?

The next step was to obtain the perspectives of stakeholders about slot machine policies and gaming in Alberta generally. Information was also gathered about slot gaming activities occurring in other jurisdictions to compare issues, policies and developments.

That step was followed by an intensive review of public and stakeholder perspectives and findings from other jurisdictions, and assessing options to address slot gaming in Alberta over at least the next five years.

As policy strategies took shape, the following question was asked: How well does a proposed policy strategy measure up to the key elements of the province's licensing policy framework?

For example, the questions asked included:

- Does a proposed slot policy strategy meet the requirements of the *Criminal Code* (Canada), the *Gaming and Liquor Act* (Alberta) and *Gaming and Liquor Regulation* (Alberta)?
- Is it consistent with government's broad policies for gaming?
- Is the proposed strategy consistent with government's policies that specifically address slot gaming?
- Does it fit within the objectives and goals of the Ministry's three-year business plan?

Only policy strategies that met the key elements of the policy framework would be considered further.

Following from that step, various recommended policies for slot gaming in Alberta were developed.

Primary Issues

The Gaming Licensing Policy Review, in consultation with stakeholders, identified a number of primary issues regarding slot policies. The primary issues and their respective recommendations appear under the following five topics.

A. PUBLIC INTEREST, SOCIAL RESPONSIBILITY

Albertans expect the government to manage and control gaming activities in a socially responsible manner, with regard for the problems some people may have with their gambling.

POLICY POSITION:

1. Manage electronic gaming devices in a socially responsible manner.

Electronic gaming is viewed as a harder form of gaming and many Albertans associate it with problem gambling. The government is expected to strike the proper balance between meeting consumer demands and addressing issues related to problem gambling.

Among other problem gambling initiatives, the Commission requires by policy that slot retailers post and make available information about problem gambling programs to their customers. That includes a toll-free number people may call to access problem gambling counseling and treatment services through the Alberta Alcohol and Drug Abuse Commission (AADAC). As well, the Commission, in cooperation with casino facility licensees, launched the Casino Voluntary Self-Exclusion Program in September 2000. Under this program individuals voluntarily request they be denied entry to any casino in Alberta.

A few general recommendations have been made in the area of social responsibility that apply to slot gaming. They include incorporating responsible gaming features in new or replaced slot machines, controlling access to automatic teller machines and compulsory problem gambling awareness training for retailers of electronic gaming devices such as slot machines and their staff. See the recommendations under “Public Interest, Social Responsibility,” in the section “Gaming in General.”

SLOT MACHINES RECOMMENDATION - 1

- **Slot machines must only be permitted in charitable gaming facilities during licensed charitable events and in racing entertainment centres. These facilities must restrict access to those of legal age.**

Comment - Any facility that offers slot machines must restrict access to those of legal age. This is consistent with the current practice for casinos, racing entertainment centres and summer fairs that are authorized to operate slot machines.

B. ELIGIBILITY

Slot machines are restricted to licensed casino facilities, racing entertainment centres at racetracks and during specific authorized temporary events such as summer fairs and exhibitions.

Interest has been expressed to offer electronic gaming in other facilities or premises where other gaming activities are being provided. For example, bingo associations have expressed a strong desire to offer slot gaming in their bingo facilities to raise additional funds for charitable groups and to compete with electronic games in casinos and in bars and lounges.

Similar interest has been expressed by hotels in proposed hotel games rooms. Requests have also been received by the Commission from associations that are not classified as major exhibitions.

Under the *Criminal Code*, slot machines must be conducted and managed by the provincial government. The Commission, as an agent of the government, must determine how best to allocate electronic gaming devices, which include slot machines. The Commission is expected to be a responsible steward of the assets entrusted to it and to manage and control gaming activities in a socially responsible manner.

POLICY POSITION:

1. Restrict slot machines to charitable casino facilities during licensed charitable events and racing entertainment centres.

This policy position is consistent with Albertans' view "harder" forms of gambling should only be available in facilities dedicated to gaming and that restrict access to those of legal age. Moreover, many Albertans prefer facilities to be safe and clean, modern environments.

SLOT MACHINES RECOMMENDATION – 2

- **Establish stringent standards for the facilities in which slot machines are to be authorized.**

Comment - The facilities in which slot machines may be authorized should meet stringent standards to offer players a quality gaming experience and to provide acceptable financial controls and security for the integrity of slot gaming. The facilities must be dedicated to gaming.

SLOT MACHINES RECOMMENDATION - 3

- **Continue the summer fair slot program.**

Comment - The Commission will continue to review requests from fairs and exhibitions for slot machines to their annual event. In arriving at its decision the Commission will examine the availability of slot machines, the market potential of slots at the summer fair and the labour costs to transport, install and maintain them during the summer fair.

C. AVAILABILITY, ACCESSIBILITY, EXPANSION, NETWORK ACTIVITIES

Albertans expect the government manages and controls gaming activities in a socially responsible manner. For most Albertans gaming is a form of leisure activity or entertainment. Most Albertans have indicated the current level of slot machine availability should remain the same.

POLICY POSITION:

1. The number of slot machines allocated to a licensed gaming facility will be based on a sound business case, to ensure the returns are maximized for the benefit of charitable, non-profit, public and community-based initiatives.

Through the appropriate policies, procedures and processes the Commission is committed to ensuring the return to charitable groups and the Alberta Lottery Fund from gaming activities are maximized.

SLOT MACHINES RECOMMENDATION – 4

- **The availability of slot machines and diversity of the product mix in an authorized gaming facility should correspond to player demand and facility capacity.**

Comment - Two key criteria in determining how many slot machines to allocate to an authorized gaming facility are the demand by players for slot gaming and the space available in a facility for slot machines.

SLOT MACHINES RECOMMENDATION - 5

- **Optimize the distribution of slot machines and product mix through performance monitoring.**

There is a strong demand for additional slots from casino facility licensees and the racetrack operators who are slot retailers. One effective, objective and transparent way to allocate slots is through performance monitoring. Performance monitoring allows the Commission, on an ongoing basis, to review the demand or sales in each location. Based on specific criteria, slots would be re-allocated from locations with lesser demand or poorer sales to those experiencing greater demand or higher sales. The aim is to maximize benefits to charities and the Alberta Lottery Fund.

D. REVENUE DIVISION

In casino events held in permanent licensed casino facilities the net revenue from slot machines is divided among the charities holding casino events (15% commission from the slot operation during their licensed casino event), the operator (15% commission for slot customer services and facility space) and the Alberta Lottery Fund (70%).

POLICY POSITION:

1. **Ensure that the financial benefit to charities from slot machines is maximized.**

During their casino events, charities earn proceeds from casino table games (refer to the section “Casino Gaming”). Charities also obtain a commission of 15% of the net revenue from slot machines during their casino events.

SLOT MACHINES RECOMMENDATION - 6

- **Amend the *Gaming and Liquor Act* to explicitly permit charities to receive commissions from slot machines.**

Comment - Casinos are a charitable gaming activity that fall under the province’s charitable gaming model, to which the government is committed. It is a guiding principle of the Commission the financial return to eligible charities from gaming events be maximized for the benefit of charitable and religious groups, the programs or activities they deliver and the communities in which those programs or activities are undertaken.

The current practice of providing to charities holding a casino event a share of slot machine revenue generated during the event is consistent both with the province's charitable gaming model and the Commission's guiding principle related to charitable gaming. The Auditor General has expressed the view the net revenue from slots being paid to charities should instead be placed in the Alberta Lottery Fund and disbursed by the provincial legislature. The commission to charities from slots is viewed by the Commission as an appropriate and reasonable payment for the operation of slots during charities' casino events. It is recommended the province's *Gaming and Liquor Act* be amended to so the current practice in this regard may be continued.

E. TECHNOLOGY

Technology is an important consideration in gaming activities. What specific considerations must be given for new or upgraded gaming technologies or for the security of gaming activities?

POLICY POSITION:

- 1. The Commission is responsible for managing provincial lotteries, including slot machines, in a sound business manner while ensuring their integrity and delivery in a socially responsible manner.**

What criteria should be used to determine the number of slot machines to allocate to eligible facilities, the mix of slot games and whether expansion of the current number of slots in a facility should be considered? Currently slot machines are allocated only to dedicated, age-controlled gaming facilities based on customer demand and performance. Slot retailers continue to request more slot machines and of different types (a different mix of slot machines in their locations). As recommended in this report, any major expansion in a licensed gaming facility should require the prior consent of the community in which the expansion is proposed (see the recommendations under "Accessibility, Availability and Expansion of Licensed Gaming Facilities" in the section "Gaming in General").

SLOT MACHINES RECOMMENDATION - 7

- Through the business planning process, develop clear policies for the systematic upgrading or replacement of terminals and central computer system equipment.**

Comment - Casino facility licensees regularly approach the Commission to introduce new slot machine games or technology. The industry average standard for the average life of a slot machine is five to seven years. Criteria should be established or clarified through the annual business planning process for replacing or upgrading old technologies with new ones, including a requirement for responsible gaming features in slot machines.

SLOT MACHINES RECOMMENDATION - 8

- **Use technology more effectively to improve security regarding slot machines.**

Comment - The Commission must establish high standards for monitoring the slot floor. Technology is invaluable in this regard. Such technology includes the surveillance camera, an effective tool for the security of gaming activities, both for the prevention of criminal activity and, through taped recordings, by providing important evidence to resolve incidents involving slots.