

GAMING POLICY AND ENFORCEMENT BRANCH
Ministry of Housing and Social Development

ANNUAL REPORT

April 1, 2009 to March 31, 2010



**BRITISH
COLUMBIA**

The Best Place on Earth

Know your limit, play within it

SERVICE PROTECTION COMPLIANCE

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LETTER OF TRANSMITTAL

I am pleased to submit the Gaming Policy and Enforcement Branch's 2009/10 Annual Report to the British Columbia Legislature. The information presented in this report reflects the activities of the Ministry of Public Safety and Solicitor General's Gaming Policy and Enforcement Branch for the 12 months ending March 31, 2010. (The branch was a part of the Ministry of Housing and Social Development during the period covered by this report.)

The Gaming Policy and Enforcement Branch is responsible for the regulation of British Columbia's gaming industry. The branch's mandate is to ensure that gaming is operated with honesty and integrity and that the interests of the public are protected.

In 2007, British Columbia's lottery retail network was reviewed by the branch, the B.C. Ombudsman and an independent auditor. As a result, 81 recommendations were made to the Gaming Policy and Enforcement Branch and the B.C. Lottery Corporation. The branch has implemented all recommendations made in its own report and in the report of the B.C. Ombudsman. Implementation of the recommendations by the independent auditor, Deloitte and Touche, are almost complete and will be finished in 2010/11.

Despite recent challenging economic conditions and the resulting pressure on the government budget, community gaming grants expenditures remained stable. The allocation of these expenditures changed from 2008/09, with \$47.5 million distributed as one time grants, including \$33.4 million to organizations supported by the Ministry of Education's CommunityLINK program, and \$10.9 million to organizations supported by the B.C. Arts Council. Recipients of grants from core programs received \$112.6 million in 2009/10. In total, the ministry distributed \$160.1 million in community gaming grants, an increase of \$3.8 million from 2008/09.

As of 2009/10, the Integrated Illegal Gambling Enforcement Team has been disbanded. Investigators in the Gaming Policy and Enforcement Branch continue to work with local police to increase awareness of gaming enforcement issues and identify suspects participating in illegal activities related to gaming.

I look forward to continuing to work closely with branch management and staff to ensure both the effective regulation of British Columbia's gaming industry and strong protection for consumers and partners.

Honourable Rich Coleman
Minister of Public Safety and Solicitor General
(Minister of Housing and Social Development during the period covered by this report)

ACCOUNTABILITY STATEMENT

Honourable Rich Coleman
Minister of Public Safety and Solicitor General
(Minister of Housing and Social Development
during the period covered by this report)

Minister:

It is my pleasure to present the Annual Report of the Gaming Policy and Enforcement Branch for the 12 months ending March 31, 2010. I am responsible for the contents of the report, including the selection of accomplishments and the way in which they are reported.

The branch's core mandate is to ensure the integrity of gaming in British Columbia. This includes making sure the right people and companies are involved in the industry, that gaming revenues are used appropriately, that all incidents of real or suspected wrongdoing are addressed, and that anyone experiencing problems related to gambling receives help.

2009/10 highlighted the complex evolution of the gaming industry. The B.C. Lottery Corporation (BCLC) made significant steps towards enhancing its PlayNow.com website, which, as of the summer of 2010, will enable clients to play casino style games. This new gaming option from BCLC reflects the growing force of regulated online gaming within the industry. There is a demand for gaming opportunities that reach beyond the walls of a traditional casino and allow consumers to play when and where they want via the internet. Online gaming adds an additional layer of complexity to the task of regulating gaming in B.C. Our branch will have to use innovative approaches, particularly in investigations and in responsible gambling programs, as we continue to provide service, protect citizens and communities, and ensure compliance with regulations and standards.

The decline in the horse racing industry across North America is also taking effect here in B.C. In response to a request from the B.C. horse racing industry, you have asked me to assist in revitalizing the management of the industry by establishing the B.C. Horse Racing Industry Revitalization Initiative. The B.C. Horse Racing Industry Management Committee was created on November 17, 2009 to provide strategic direction, decision-making, and business leadership to the horse racing industry in B.C. The committee's work will continue for the foreseeable future, since the challenges facing the industry will take time to resolve.

In these and other endeavours, I am fortunate to work with a talented and enthusiastic group of people who are committed to ensuring the integrity of gaming in British Columbia. My thanks to branch staff for another year of dedicated and exemplary service.

Derek Sturko
Assistant Deputy Minister & General Manager
Gaming Policy and Enforcement Branch

ENSURING THE INTEGRITY OF GAMING

The core goal of the Gaming Policy and Enforcement Branch is to ensure the integrity of gaming in the province.

The branch's work falls into three broad categories:

- Providing **service** to citizens and communities;
- Ensuring citizens and communities are **protected**; and
- Ensuring **compliance** with regulations and standards.

The branch's activities related to these categories of work are described in the following pages.

KEY FACTS ABOUT GAMING

Gaming is a \$2.5 billion per year industry in British Columbia.

During the past year the gaming sector included over:

- 26,000 people employed directly and indirectly in gaming operations and support services, and
- Over 8,500 licensed gaming events.

As of March 31, 2009, the commercial gaming industry included:

- Provincial and national lottery games, including PlayNow.com, the BC Lottery Corporation's Internet lottery website;
- 17 casinos;
- 15 community gaming centres;
- 13 commercial bingo halls;
- 5 horse race tracks; and
- 25 horse racing teletheatres.

In 2009/10, the regulation of gaming in British Columbia included:

- New and renewed registrations for:
 - 4,574 gaming workers;
 - 820 lottery retailers;
 - 217 senior gaming officials;
 - 1,044 horse racing workers; and
 - 33 gaming services and gaming equipment providers;
- Certification of 495 types of gaming equipment or gaming supplies;
- 480 audits of licensed gaming events and organizations' use of gaming grant proceeds;
- Audits of all casinos, community gaming centres and horse race tracks, and bi-annual audits of commercial bingo halls;
- Operational reviews of every teletheatre in the province;
- 5,957 notifications of suspicious activity and potential wrongdoing; and
- Audits of the BC Lottery Corporation's and the industry's compliance with all applicable public interest standards, directives, laws and regulations in relation to the conduct and management of all aspects of commercial gaming.

SERVICE

Customer Service Update

Gaming Online Service (GOS) has been providing services to gaming staff, Government Agents and the general public for more than three years. The Gaming Policy and Enforcement Branch continues to enhance GOS to meet the changing needs of the public and the gaming industry. These online services are freely available to anyone who has access to a computer and the internet, 24 hours a day, seven days a week. Government Agents offer assistance, as needed, to those without internet access.

GOS enables the public to access a full range of gaming information. For example, community organizations apply for various grants and licences, submit required financial reports and pay fees by credit card – all online. This has resulted in reduced data entry and administrative tasks at the branch end, significantly improving the branch's processing efficiency and turn-around time.

In addition, gaming services providers and the public may submit online reports of real or suspected wrongdoing to the branch's Investigation Division. GOS also facilitates the creation of, and access to, registration reports for individuals and companies, and certification reports for gaming equipment.

GOS enhances internal operations by improving administrative processes for registration and certification, and by providing valuable tools to track and monitor investigations, as well as a variety of activities related to horse racing. It also facilitates the sharing of information among the various divisions of the branch.

Future enhancements to GOS include increased flexibility for the grants program, online registration services, robust reporting and improved data sharing with BCLC. These enhancements will continue GPEB's efforts to ensure that British Columbians have access to convenient and effective service.

Supporting Community Organizations Through Community Gaming Grants

One of the avenues through which government gaming revenues flow back into communities is the community gaming grants program. The branch distributes these grants to support a wide array of programs and services in British Columbia. In 2009/10, \$160.1 million was distributed to 6,239 non-profit organizations, including 60 school districts, on behalf of the Province. Funding to individual organizations is based on the type of organization, the programs and services it delivers, and its financial need.

Eligible organizations may be funded to a maximum of \$100,000 for any combination of program costs and minor capital project costs. For provincewide programs, annual funding to a maximum of \$250,000 may be approved.

In 2009/10, the branch moved all grant recipients to an annual payment model, rather than the previous model of monthly payments. This shift increases flexibility for community organizations and reduces administrative costs for government.

In 2009/10, there were five main sectors funded by community gaming grants:

- Human and Social Services: programs that significantly contribute to the quality of life in a community, including eligible programs presented by service organizations and service clubs;
- Public Safety: programs that support public safety initiatives, disaster relief, and emergency preparedness in British Columbia;
- Environment: programs that support British Columbia's environment or protect the welfare of animals and wildlife;
- Arts, Culture and Sport: programs that support the performing arts, media arts, visual arts, literature, heritage, culture or sports in the community; and
- Parent Advisory Council (PAC) and District Parent Advisory Council (DPAC) grants: PACs and DPACs are automatically eligible for gaming grants under direct access and/or bingo affiliation grant programs. In 2009/10, PACs received \$10 per student annually, while DPACs received grants of \$1,250 each year.

In addition to the above, the BC150 Volunteer Incentive Program was developed to recognize volunteers' contributions to fundraising events in support of special purposes or projects. Organizations could apply for grants of up to \$5,000. In 2009/10, 395 such grants were distributed, totalling \$1.2 million.

Special One-Time Grants

The branch also managed several one-time special grant programs. In 2009/10, GPEB was responsible for supporting other ministry programs via gaming grant funding. Organizations funded through the Ministry of Education's Community LINK program received \$33.4 million, and organizations and individuals identified by the B.C. Arts Council received \$10.9 million. In total, \$47.5 million was issued for these and other ministries' priority programs.

Table 1: Community Gaming Grants (\$ figures in millions)

Grant Funding Sectors	2009/10		2008/09	
	Number	Funding	Number	Funding
Human & Social Services	2,001	\$65.4	2,266	\$73.2
Environment	44	1.5	119	3.7
Arts, Culture and Sport	1,432	31.4	1,910	47.2
Public Safety	173	5.8	182	6.6
Major Capital Projects	3	0.2	74	4.3
PACs and District PACs	1,565	6.8	1,762	13.6
BC150 Volunteer Incentive Program	395	1.2	26	0.1
BC150 Years Celebrations	0	0.0	173	1.3
Playground Grants	3	0.1	146	2.5
Bingo Association Grants	11	0.1	15	0.2
Subtotal Grant Funding Sectors	5,627	\$112.6	6,673	\$152.7
Special One-Time Grants (on behalf of)				
Ministry of Forests and Range	4	0.9	-	-
Ministry of Agriculture and Lands	1	0.1	-	-
Ministry of Public Safety and Solicitor General	7	0.1	-	-
Ministry of Tourism, Culture and the Arts	22	0.4	-	-
BC Arts Council	451	10.9	-	-
Ministry of Environment	1	0.1	-	-
Ministry of Healthy Living and Sport	63	1.7	-	-
Ministry of Education (CommunityLINK)	61	33.4	-	-
Other	-	-	12	\$3.5
Subtotal Special One-Time grants	610	\$47.5	12	\$3.5
Total Community Gaming Grants	6,237	\$160.1	6,685	\$156.3

Some numbers may not sum to totals due to rounding

Supporting Community Organizations Through Licensed Gaming Events

To facilitate community-based fundraising activities, the branch issues gaming event licences to eligible charitable and religious organizations throughout B.C. that wish to raise funds to support their local programs and services.

More than 8,500 licences were issued in 2009/10. Collectively, community organizations raised an estimated \$34.4 million to support their projects and services, an increase of 15 per cent over 2008/09.

The branch is responsible for ensuring that charitable gaming events are conducted in a fair and transparent manner. To this end, the branch ensures that organizations that apply for a gaming event licence are in good standing, have a democratic governing structure and open membership, and operate according to sound financial practices. In addition, the branch regularly audits licensees using a risk-based approach to ensure they follow rules and guidelines designed to protect the public.

Gaming events available for licensing are ticket raffles, independent bingos (which are conducted in facilities other than commercial bingo halls), wheels of fortune, and social occasion casinos (casino-style events without slot machines). Based on public demand and the success of a pilot project held in 2007, Texas Hold'em poker tournaments are now also considered a licensable gaming event.

Organizations wishing to conduct a gaming event must do so under one of four types of licences: Class A, B, C or D. The class of licence issued depends on the organization's structure and

operation, the amount of money it expects to raise, and the prize value and ticket price of its event.

All charitable gaming events must be operated on a not-for-profit basis, and net revenues must go to programs or services run by charitable, religious or community organizations that directly benefit the community. In addition, organizations conducting Class A, B, or C gaming events must have their organizational structure approved by the branch.

Class A

Class A licences are issued to eligible charitable and religious organizations for gaming events expected to generate gross revenue exceeding \$20,000.

Class A gaming events earned an estimated \$19.9 million in 2009/10. Several organizations earned more than \$500,000 for charitable causes. These included the Vancouver General Hospital and University of British Columbia Hospital Foundation (\$4 million), the British Columbia Children's Hospital Foundation (\$2.5 million), the Variety Club of British Columbia (\$1.4 million), the Canucks for Kids Fund (\$1 million) and the Peace Arch Hospital and Community Health Foundation (\$0.9 million).

Class B

Class B licences are issued to eligible charitable and religious organizations for gaming events expected to generate up to \$20,000 in gross revenue.

Class B gaming events earned an estimated total of \$8.7 million in 2009/10, an average of \$2,000 per event.

Class C

Class C licences are issued to approved community fairs and exhibitions that operate ticket raffles, bingos, wheels of fortune, and limited casinos. These licences are issued to a select number of established fairs and exhibitions on a case-by-case basis.

Class C gaming events earned an estimated total of \$3.2 million in 2009/10. The majority of this was earned by the Pacific National Exhibition. Class C gaming events were also held at the Alberni District Fall Fair and the Interior Provincial Exhibition and Stampede held in Armstrong.

Class D

Class D licences are issued to eligible groups or organizations wishing to conduct small-scale fundraising events expected to generate up to \$5,000 in gross revenue. This licence was introduced in 2007 in response to requests from a number of groups, individuals, and organizations who could not meet the eligibility criteria in place for large-scale fundraisers, but who nonetheless wished to contribute to various programs and services within their respective communities.

Class D gaming events are restricted to ticket raffles and independent bingos. Eligibility of Class D applications is based on how the funds generated will be spent, rather than the structure of the organization.

Class D gaming events earned an estimated total of \$2.6 million in 2009/10, an average of \$690 per event.

Table 2: Charitable Gaming Events (all \$ figures in thousands)

License Class	License Type	2009/10		2008/09	
		Number	Earned ¹	Number	Earned ²
Class A	Minor	172	\$3,306.6	173	\$3,212.6
	Major	26	1,443.2	35	1,991.6
	Registered	21	12,857.1	18	9,453.5
	Independent Bingos	117	2,274.5	147	3,207.8
	Total Class A Licences	336	\$19,881.5	373	\$17,865.6
Class B	Raffles	4,069	\$7,987.7	3,747	\$7,174.8
	Independent Bingo	150	406.9	149	361.9
	Wheels of Fortune	25	34.9	25	34.9
	Social Occasion Casino	36	57.8	28	32.1
	Poker	114	249.5	56	87.1
	Total Class B Licences	4,395	\$8,736.8	4,005	\$7,690.8
Class C	Raffles	3	\$2,594.7	4	\$2,013.3
	Independent Bingo	1	0.8	1	1.0
	Limited Casino	1	364.0	1	104.9
	Wheels of Fortune	2	226.9	2	201.0
	Total Class C Licences	7	\$3,186.4	8	\$2,320.3
Class D	Independent Bingo	79	\$53.6	72	\$51.1
	Raffles	3,731	2,575.3	3,075	2,140.7
	Total Class D Licences	3,810	\$2,628.9	3,147	\$2,191.8
Total—All Licence Classes		8,548	\$34,443.7	7,533	\$30,068.5

¹ Based on reported and estimated earnings

² Based on reported and estimated earnings

Ensuring Citizens are Protected from the Risks Related to Excessive Gambling

Government launched the Province's Responsible Gambling Strategy in 2003. The three core goals of the strategy are to:

- Reduce the incidence of problem gambling;
- Reduce the harmful impacts of excessive gambling; and,
- Ensure gambling is delivered in a manner that encourages responsible practices and healthy choices.

These goals guide the delivery of service in two important areas: problem gambling counselling and responsible and problem gambling awareness and education.

Reducing the Incidence of Problem Gambling

To reduce the incidence of problem gambling, the branch informs the public of the risks inherent in gambling, encourages players to know their limit and play within their means, and creates awareness among British Columbians of problem gambling issues and services.

In 2009/10, the branch contracted 17 service providers to deliver problem gambling prevention and education programs. These community-based programs provide problem gambling prevention information and encourage people to make healthy choices.

Participants learn how to identify problem gambling behaviours, to respond appropriately to a friend or family member experiencing problems, and to access counselling services. In addition, gambling myths are exposed and responsible gambling practices are presented and discussed.

Almost 1,700 presentations were made in 2009/10 to a variety of audiences, including community organizations, seniors groups, elementary and secondary school classes, treatment centres, gaming industry workers and health care professionals.

Many such presentations were delivered to aboriginal peoples, including, for example, participants at the Sugar Cane Health Fair, the Gathering Our Voices youth conference, and the Elders' Conference, a multigenerational celebration of different First Nation cultures. Prevention specialists were able to interact with almost 6,000 aboriginal people during these events.

In 2009/10, the branch continued to coordinate and standardize its problem gambling prevention activities across the province, a process begun in 2008/09. A recent highlight is the upgrading of the B.C. Responsible Gambling website, at www.bcreponsiblegambling.ca, which will go live in 2010.

The website provides comprehensive information on a wide range of topics related to responsible gambling and problem gambling. Public health officials, educators, gamblers, journalists, students and the public at large will find the site useful.

Reducing the Harmful Impacts of Excessive Gambling

In 2009/10, the branch's 28 contracted professional clinical counsellors provided problem gambling counselling services across British Columbia. These services are provided free of charge to anyone directly or indirectly experiencing a gambling problem.

Individual, family and group therapy sessions are available, along with counselling over the telephone. If necessary, a counsellor will travel in the evening or on a weekend to meet with a client.

The Discovery program, launched in 2008/09, continues to help problem gamblers develop the knowledge and skills to address their related issues. Discovery is a day, evening and weekend intensive clinical treatment program that runs three times a year in selected locations. The program is constantly responding to the needs of professionals and clients. In the coming year, Discovery sessions will be more frequent and offered in more locations.

For more information on Discovery and other responsible gambling programs in B.C., please see the Responsible Gambling Strategy Annual Report 2009/10, which will be posted on the provincial government website, accessible from this page: www.pssg.gov.bc.ca/gaming/reports/.

1-888-795-6111 is the number to call to reach the dedicated, 24-hour toll-free Problem Gambling Help Line. The help line's operators provide crisis counselling and refer callers to various treatment and prevention services provided by the Province. The help line and the free counselling services, both of which are funded by the branch, constitute an immediate response network designed to ensure that anyone experiencing difficulties as a result of excessive gambling receives professional help and support.

Ensuring that Gambling is Delivered in a Manner that Encourages Responsible Gambling and Healthy Choices

The branch administers several programs to ensure the gambling industry operates in accordance with the Province's responsible gambling policies and prescribed practices.

GameSense Information Centres

Co-managed by the branch and BCLC since 2006/07, GameSense Information Centres (previously known as Responsible Gambling Information Centres) provide responsible gambling information at every casino and community gaming centre in B.C.

Centres located in casinos are staffed by 25 GameSense Advisors who share responsible gambling information and practices with interested patrons and assist anyone experiencing distress related to gambling to the Problem Gambling program and/or to BCLC's voluntary self-exclusion program.

Touch-screen interactive terminals are located in casinos and community gaming centres. The terminals provide engaging education modules at the push of a button.

Appropriate Response Training

The Appropriate Response Training program is an educational program for gaming workers designed to enhance their knowledge, awareness, attitudes and skills, and to enable them to respond appropriately to patrons who may be experiencing distress in a gaming facility. The branch supports

Appropriate Response Training by providing responsible gambling specialists to co-facilitate the training sessions with BCLC.

Audits

In 2009/10, the branch audited every casino, race track and community gaming centre in B.C., as well as four commercial bingo halls for compliance with responsible gaming standards. The branch also inspected approximately 20 per cent of lottery retailers to ensure they complied with gaming legislation, directives, policies and procedures. Audit results are summarized in the Responsible Gambling Strategy annual report, which is available on the provincial website at: www.pssg.gov.bc.ca/gaming/reports/.

The branch's audits of compliance with the Responsible Gambling Standards focus on five key areas:

1. Informed Choice – includes proper use of the “Know your limit, play within it” tagline, an appropriate level of responsible gambling messaging materials and availability of rules of play and information regarding the odds of winning;
2. Appropriate Response – includes ensuring gaming workers in the facility have received Appropriate Response Training;
3. Responsible Practices – includes placing clocks in highly visible areas, among other requirements;

4. Financial Transactions – includes prominently displaying information describing payout policies and stating that credit will not be extended; and
5. The Voluntary Self-Exclusion Program – means having a fully operational program, readily available information on the program and effective monitoring of gaming facilities for excluded individuals.

Responsible Gambling Standards

In July 2005, the Province issued responsible gambling standards for the British Columbia gaming industry. The standards ensure:

- Minors are prevented from participating in gambling activities;
- Patrons are equipped to make informed decisions regarding gambling activities;
- Gambling-related risks are minimized; and
- Persons affected by excessive gambling have access to timely and effective information and assistance.

These standards apply to the B.C. Lottery Corporation, all gaming service providers, all commercial gaming facilities, and all community organizations licensed to conduct charitable gaming events.

Table 3: Responsible Gambling Program Statistics

Program Figures	2009/10	2008/09
Total Help Line calls (includes erroneous calls and hang-ups)	5,926	6,228
Calls made to Help Line specific to problem gambling	3,669	6,006
Referrals to the Problem Gambling Program	2,693	2,864
Clients served	1,403	1,320
Number of prevention information sessions delivered	1,688	1,900
Contracted service providers		
Clinical counsellors	28	36
Prevention service providers	17	22
Provincial coordinators	2	2
Responsible Gambling Officers (RGIC Staff)	25	25

PROTECTION

Ensuring the Right People and Companies are Involved in Gaming

The branch fulfills its mandate under Canada's Criminal Code and the Province's Gaming Control Act and Gaming Control Regulation. Each year, thousands of individuals and dozens of companies apply to be registered with the branch. The registration program is in place to prevent unsuitable candidates from participating in the gaming industry. A background investigation of each registrant includes, but is not limited to, a criminal record check and a credit check. In some cases interviews are conducted to confirm whether the applicant meets standards of integrity for the gaming industry. If successfully registered with the branch, registrants are monitored to ensure they continue to adhere to the conditions of registration set out in the Gaming Control Act and Gaming Control Regulation.

The branch's registration program is divided into three sectors: corporate registration, gaming personnel registration and lotteries registration.

Corporate Registration

The Corporate Registration unit scrutinizes businesses working in the gaming industry, as well as the executive personnel attached to those businesses. Businesses registered with the branch include many large public and privately owned companies, such as casino, bingo and horse racing operators. The range of businesses includes suppliers and manufacturers of gaming equipment, such as slot machines. The branch also registers other gaming service providers, such as gaming consultants and security and ancillary services, which include food and janitorial services provided at gaming facilities.

In 2009/10, the Corporate Registration unit also monitored the regulatory compliance of 217 companies, and investigated and approved organizational changes, including changes in directors, ownership, shareholders, investors and lenders.

Personnel Registration

The Personnel Registration unit registers all individuals involved in the gaming industry (except lottery retailers; see below). This includes all individuals directly involved in the industry, such as casino, bingo and horse racing workers, as well as those indirectly involved, including employees of BCLC and the Gaming Policy and Enforcement Branch.

2009/10 marked a continuing trend of fewer new registrations compared to 2007/08. The uncertain economic climate over the past two years, lower employee turnover, and the resulting delay in expansions within the gaming industry are the likely contributors to this trend.

Registration of Lottery Retailers

In response to allegations of lottery retailer fraud in Ontario, the branch began to register lottery retailer managers in 2007. This work included registering managers who were already working at the approximately 4,000 lottery retail outlets in the province. The branch is currently reviewing its system of registration in order to achieve greater efficiencies while maintaining the integrity of lottery operations.

Table 4: Registration Figures

Corporate Registrations	2009/10		2008/09	
	New	Renewal	New	Renewal
Gaming service providers	6	17	5	10
Gaming equipment suppliers	2	9	5	6
Ancillary service contractors	5	1	10	7
Senior officials and senior employees	119	98	111	148

Personnel Registrations	2009/10		2008/09	
	New	Renewal	New	Renewal
Gaming workers	2912	1662	4,374	1,311
Lottery retail managers	826	n/a	3,436	n/a
Horse racing workers	400	644	412	621
Branch and Corporation personnel	211	26	323	13

Summary of Refusals, Revocations, and Cancellations

Each year, for a variety of reasons, the branch refuses to register certain individuals. The most common reasons include inappropriate behaviour that calls into question the honesty and integrity of the applicant. This can include, but is not limited to, failure to pass a criminal record check, outstanding criminal charges, or the failure to fully disclose all information requested in the application or during any subsequent background investigation. Having a criminal record does not automatically exclude an applicant from being registered. However, all applicants are thoroughly vetted to ensure their suitability to participate in the gaming industry.

The process of making sure registrants are suitable for the gaming industry continues after registration. Registrants are monitored for compliance with the Terms and Conditions of Registration through such methods as regulatory audits and investigations. If information is determined to be damaging to the integrity of the registrant, or does not comply with the regulatory requirements of the Gaming Control Act, a progressive disciplinary process addresses the concerns. Based on the severity of the transgression, the Registration Division may issue a sanction, warning, or suspension, or may cancel registration.

The table below indicates the number of registrations that the branch revoked due to non-compliance with registration requirements. The table also indicates the number of individuals who voluntarily left the gaming industry under the category of “ceased.”

Table 5: Summary of Revocations and Cancellations

Type of Registration	2009/10			2008/09		
	Refused	Revoked	Ceased	Refused	Revoked	Ceased
Gaming workers	29	7	3,251	61	25	4,298
Horse racing workers	5	2	n/a	4	2	n/a
Lottery retail managers	3	5	1,190	6	4	772

Ensuring Gaming Supplies are Fair

The branch's certification process provides the general public with confidence that gaming supplies work the way they are intended to and deliver the stated odds of winning. Examples of gaming supplies include slot machines, related casino computer systems, lottery products, lottery terminals, self-checking lottery machines, electronic table game equipment, lottery draw systems, bingo supplies, table game supplies, and software used for Internet gaming. Only gaming supplies certified by the branch may be used in British Columbia's gaming venues.

In the certification process, gaming supplies, including pull-tab tickets and scratch and win tickets, are tested against technical standards maintained and published by the branch. All equipment manufacturers and suppliers must ensure their products meet or exceed the standards. Accredited testing facilities verify compliance with these standards during the testing process.

Sometimes a new lottery scheme is best tested in a live environment. In that case, an interim certification may be granted as a first phase in the full certification process.

The branch investigates reports of gaming supplies that malfunction and lottery product issues. In 2009/10, the branch conducted fifteen technical investigations of gaming equipment malfunctions and lottery product complaints.

Certifications are suspended or revoked by the branch when it is reported by a manufacturer or an accredited testing facility that a particular gaming supply no longer meets the technical standard under which it was approved. Gaming supplies are routinely upgraded and improved, which results in the certification for the original supply being revoked. Malfunctions in gaming supplies can also generate a suspension or revocation of a certification. It is important to note that revocations due to malfunctions affecting game integrity are rare. Software upgrades account for the majority of revocations.

In all instances, gaming supplies that are suspended or revoked must be removed from the gaming floor until they are repaired, modified or upgraded. A new Certificate of Technical Integrity is required before the equipment can be returned to service.

Table 6: Gaming Supplies Certifications

Type of Certification	2009/10		2008/09	
	Certifications	Revocations	Certifications	Revocations
Pull-tab lottery tickets	15	0	7	0
Scratch and Win lottery tickets	63	0	80	2
E-Lottery (PlayNow interactive games)	9	0	7	0
Electronic gaming devices and other supplies	408	34	559	33

Horse Racing Overview

The branch regulates and manages horse racing throughout British Columbia. As part of its regulatory framework, the branch provides effective management of racing events, develops fair and appropriate rules, and licenses all participants in the horse racing industry. The branch also seeks to enhance the viability of horse racing in British Columbia.

To perform these functions, branch employees are present at all operating race tracks in British Columbia. In 2009, the branch oversaw the running of 1,842 races on 182 race dates at the six provincial tracks. In keeping with the racing season, horse racing statistics are reported by calendar year.

In addition to regulating racing events, the branch develops rules and policies to ensure the horse racing industry is conducted and managed fairly and with integrity. As required, the branch revises and updates the Rules of Thoroughbred and Standardbred Horse Racing in British Columbia. The branch also meets with key stakeholders in the racing industry on a regular basis to address issues as they arise.

British Columbia's racing industry employs approximately 3,100 licensed owners, jockeys, drivers, trainers, grooms and exercise riders. Everyone who works directly in or provides services to the horse racing industry must be licensed and registered with the branch. In 2009, 1,044 horse race workers were either licensed for the first time or had their licence renewed.

According to a 2008 report, "Size and Scope of Horse Racing in British Columbia," by IER Pty. Ltd., the province's horse racing industry provides British Columbians with approximately 3,600 full-time equivalent jobs. This equates to more than 7,400 individuals who derive an income from racing in full-time, part-time or casual employment. The report also estimated the overall economic impact of the industry was more than \$350 million.

Table 7: British Columbia Horse Racing Summary

Thoroughbred Tracks	Race Days		Live Races		Horses Ran	
	2009	2008	2009	2008	2009	2008
Hastings Racecourse (Vancouver)	74	71	643	647	5,267	5,189
Sagebrush Downs (Kamloops)	8	6	49	37	309	283
Sunflower Downs (Princeton)	1	1	9	9	57	76
Kin Park (Vernon)	3	3	19	18	136	128
Total	86	81	720	711	5,769	5,676
Standardbred Tracks	2009	2008	2009	2008	2009	2008
Fraser Downs Racecourse (Surrey)	96	102	1,122	1,156	9,401	9,408
Sandown Racecourse (Sidney)	0	3	0	24	0	150
Total	96	105	1,122	1,180	9,401	9,558

Table 8: Horse Race Wagering (\$ figures in thousands)

Wagers at Hastings Park (HP)		2009
HP Live Races		\$13,816.0
Thoroughbred Simulcast Wagers		41,260.6
Standardbred Simulcast Wagers		9,793.1
Total		\$64,869.6
Wagers at Fraser Downs (FD)		
FD Live Races		\$3,535.4
Thoroughbred Simulcast Wagers		19,425.1
Standardbred Simulcast Wagers		6,858.3
Total		\$29,818.8
Wagers through Teletheatre BC		
Thoroughbred Wagers		\$81,281.3
Standardbred Wagers		22,307.2
Total		\$103,588.5
Total		\$198,277.0

Enforcing the Rules and Regulations of Horse Racing

Regulating the horse racing industry includes enforcing all rules and regulations pertaining to horse racing and adjudicating matters that occur on the track or in the backstretch area that could have a negative impact on the integrity of horse racing.

In 2009, 270 rulings were issued by the branch's stewards and judges; 116 by stewards for infractions related to thoroughbred racing and 154 by judges for infractions related to standardbred racing.

Table 9: Horse Racing Rulings

Standardbred Rulings	2009	2008
Whipping violations	42	39
Racing or driving infractions committed during a race	62	127
Drug or alcohol infractions involving either horse or registered horse racing workers	10	5
Inappropriate behaviour in the backstretch area of a race track	21	20
Licensing or registration violations	1	1
Horses that bled during a race	4	4
Restoration of a horse or a horse racing worker to good standing	8	9
Other categories	6	6
Total Standardbred Rulings	154	211
Thoroughbred Rulings		
Racing or riding infractions committed during a race	21	24
Drug or alcohol infractions involving either horses or registered horse racing workers	33	14
Entering an ineligible horse	15	13
Inappropriate behaviour in the backstretch area of a race track	10	8
Licensing or registration violations	21	5
Horses that bled during a race	1	1
Restoration of a horse or a horse racing worker to good standing	7	10
Other categories	8	12
Total Thoroughbred Rulings	116	87

Horse Racing Revitalization

In recent years, the horse racing industry in British Columbia, as well as across North America, has been experiencing declining revenues and, at the same time, increasing costs of operation. This situation has resulted in financial difficulty for all aspects of the industry. As part of its commitment to stabilize and rejuvenate the horse racing industry, the Province enhances prize purses with revenue from slot machines at race tracks. In 2009/10, over \$6.9 million was shared by the thoroughbred and standardbred sectors.

In addition to this slot machine revenue, the horse racing industry generated revenue from bets wagered at race tracks and teletheatres. Teletheatre sites across the province present simulcast satellite broadcasts of horse races run at local, national and international tracks. In 2009, approximately \$198 million was wagered at race tracks and teletheatres. Funds generated from these bets provide much needed assistance to the racing sector.

In response to a request from the B.C. horse racing industry, the Minister asked the Assistant Deputy Minister/General Manager responsible for gaming to assist the industry by establishing the B.C. Horse Racing Industry Revitalization Initiative in spring 2009. The B.C. Horse Racing Industry Management Committee was created on November 17, 2009 to provide strategic direction, decision-making and business leadership to the horse racing industry in B.C. Horse racing operators, associations and participants will continue to make operational decisions consistent with their mandated responsibilities, but will do so within the broad business and fiscal framework established by the Committee. The regulation of horse racing events in B.C. remains the responsibility of the provincial government.

Since its inception, the B.C. Horse Racing Industry Management Committee has:

- Concluded a Memorandum of Agreement (MOA) with key industry participants that formally endorses the establishment of the Horse Racing Industry Management Committee, effective January 1, 2010. The MOA provides full authority to the management committee to provide strategic leadership for the business of horse racing in British Columbia and overall management of the industry, including the allocation of funding to industry sectors and making decisions that will help increase the viability of horse racing in the province.
- Developed and implemented an entirely new, simplified, transparent and accountable financial model that moves the management of industry revenues under the control of the committee.
- Allocated anticipated 2010 revenue to critical industry purposes and organizations.
- Drafted a new horse racing industry marketing plan which, once it is complete and implemented, is intended to grow the attendance at, and revenues generated from, horse racing in B.C.
- Set up monthly meetings with the principals of key industry organizations, to improve communications and transparency and facilitate the exchange and flow of information between the committee and industry participants.
- Established a link to a B.C. Horse Racing Industry Revitalization Initiative web page on the Gaming Policy and Enforcement branch website at www.pssg.gov.bc.ca/gaming/horse-racing/revitalization.htm to ensure that relevant information is available and accessible to everyone in the industry.

Risk Management

In response to recommendations in the 2007 Deloitte and Touche Report, GPEB created the Internal Compliance and Risk Management Division in 2008/09. The division is responsible for developing and implementing a formalized risk management program for the branch and leading the coordination of a comprehensive risk management strategy for British Columbia's gaming industry.

In 2009/10 the division established a whistleblower policy that allows and encourages staff to come forward with reports of alleged wrongdoing, in confidence and without fear of reprisal.

The division is currently working on a number of projects, which include, but are not limited to:

- Utilizing the integrated risk management framework to enhance the effectiveness of strategic initiatives for GPEB;
- Developing clear accountability guidelines, evaluation measurements and reporting mechanisms for both risk identification and treatment, and compliance mechanisms;
- Establishing and implementing an internal audit framework that is integrated with the branch's risk management process and risk tolerance framework; and
- Developing an approach that aligns collective risk management practices within the gaming industry.

COMPLIANCE

Auditing for Compliance

The branch employs a comprehensive audit strategy to monitor compliance with all applicable legislation, regulations, policies and directives. The branch's authority is defined in the Gaming Control Act and Gaming Control Regulation, and is further guided by policy directives and public interest standards.

Under this authority, the branch delivers a comprehensive risk-based audit strategy that assesses regulatory compliance by the commercial gaming sector, including BCLC and its lottery gaming, the licensed charitable gaming sector and community organizations' use of gaming proceeds. In addition, the branch works to improve compliance through public education programs.

The branch audit unit is separated into two work units: the Commercial Gaming Audit unit and the Charitable Gaming Audit unit.

Commercial Gaming Audit Activity

In 2009/10, the branch managed a comprehensive commercial gaming audit plan. The audit plan's three core objectives were to:

- Verify compliance with the Gaming Control Act, Gaming Control Regulation, branch directives and public interest standards;
- Maintain the integrity, fairness, security and public safety of the gaming environment, gaming equipment, gaming assets and gaming supplies; and

- Confirm that a safe and supportive environment for the delivery of gaming products and services is in place and that responsible gambling is encouraged, gambling risks are minimized, and effective and timely information and assistance is provided for individuals experiencing distress.

The Commercial Gaming Audit unit is divided into three audit streams. The first stream focuses on commercial gaming facilities and involves conducting compliance audits of the conduct, management and operation of commercial gaming activities by service providers. Every year, based on a thorough risk assessment process, the branch determines which commercial gaming sites will be audited in the province. The audit findings for commercial casinos are accessible on the branch website at:

www.pssg.gov.bc.ca/gaming/reports/audits.htm

The second audit stream focuses on BCLC's conduct and management of lottery gaming, including the Corporation's PlayNow.com Internet gaming. In addition, the branch conducts inspections of BCLC's lottery retail sites throughout the province.

The third audit stream focuses on BCLC's compliance with gaming laws, regulations and public interest standards in relation to their conduct of all forms of gaming in the province. Since 2007/08, the branch has conducted annual audits of BCLC's internal processes and procedures.

Charitable Gaming Audit Activity

The Charitable Gaming Audit unit conducts audits of licensed gaming events for compliance with terms and conditions for both event conduct and use of proceeds, and appropriate use of gaming grant funds. Each year, based on a thorough risk assessment process, the branch determines which licensed gaming events and which organizations in receipt of gaming grants will be audited. The audit findings for large-scale registered ticket raffles are accessible on the branch website at:

www.pssg.gov.bc.ca/gaming/reports/audits.htm

Ongoing work for the branch includes improving compliance among organizations receiving gaming funds and conducting gaming events. This work ensures proper use of gaming proceeds and enhances financial accountability on the part of the organizations benefiting from these proceeds.

Table 10: Charitable and Commercial Audit Activity

Type of Audit	2009/10	2008/09
Commercial gaming site compliance audits	38	41
Compliance audits of the B.C. Lottery Corporation's commercial gaming business, including PlayNow	18	18
Commercial gaming audits of the Corporation's lottery business (e.g. lottery prize payout)	10	8
Inspections of lottery retailers	801	798
Audits of charitable organizations receiving grants and conducting licensed gaming events	480	476
Percentage of audited gaming fund recipients in compliance	58%	65%

Enforcement: Investigation of Wrongdoing within Gaming

The Province is committed to ensuring the integrity of gaming in British Columbia. All instances of real or suspected wrongdoing related to legal gaming and horse racing are investigated.

The branch uses a range of enforcement actions and sanctions as a result of investigating criminal, provincial statutes, and regulatory offences. Under the Gaming Control Act, the branch has the authority to issue warnings, administer sanctions, or issue tickets. For more serious violations, the branch will recommend to Crown Counsel that charges be laid under the Gaming Control Act or the Criminal Code in appropriate circumstances.

Branch activities include investigating, or assisting law enforcement agencies in investigating, complaints and allegations of suspected criminal activity and regulatory infractions related to gaming and horse racing in British Columbia. BCLC, service providers, licensees and registrants (including lottery retailers) are legally required to notify the branch without delay of any conduct, activity or incident occurring in connection with a lottery scheme or horse racing (including incidents at a gaming facility or in relation to any of the Corporation's lottery products) that may be considered contrary to the Criminal Code of Canada, the Gaming Control Act or Gaming Control Act Regulations and/or any matters that may affect the integrity of gaming and horse racing. This includes, but is not limited to, cheating at play, thefts, fraud, money laundering, loan sharking, robberies, assaults and threats.

Other enforcement actions include conducting all post-registration and post-licensing investigations; investigating illegal gambling activities in conjunction with law enforcement agencies, such as unauthorized lottery schemes; and providing gaming expertise,

proceeds-of-crime assistance, and forensic investigation to law enforcement agencies throughout the province.

The branch maintains strong relationships with the RCMP and other municipal police departments across jurisdictions in order to increase awareness of enforcement issues related to gaming and to identify potential suspects involved in unlawful activity in gaming. The branch also uses these working relationships to help identify trends in unlawful activity and to assist with gathering and sharing intelligence concerning unlawful activity in gaming and horse racing. A core focus in recent years, and continuing at the present time, is addressing casino-related money laundering, suspicious currency transactions and loan sharking activity in conjunction with police of jurisdiction and/or other enforcement agencies.

In 2009/10, the branch opened 5,957 files based on notifications and/or complaints of suspicious activity or suspected wrongdoing in legal gaming venues. Of these files, 1,176 pertained to individuals entering a gaming facility after they had been legally prohibited from such facilities by BCLC. In response to these violations, the branch issued 41 ticket violation notices in 2009/10.

Many of the 5,957 files, while investigated, did not necessarily lead to sanctions either by the branch or the police of jurisdiction (see the category of "other" under "cleared files" in the table below). The most common reasons were insufficient evidence to lay charges, the incident lacked an identified suspect, or the matter was resolved to the satisfaction of all parties prior to the branch becoming involved.

Table 11: Investigation Activity Related to Real or Suspected Wrongdoing

Types of Notification	Number Opened	Cleared Files							Ongoing
		Unfounded ¹	Warning	GCA Admin ²	GCA Charge ³	CC Charge ⁴	Intelligence ⁵	Other ⁶	
Real or suspected Criminal Code violations									
Theft	1,131	25	0	0	0	15	4	977	109
Assault & Threats	307	2	0	0	0	6	0	274	25
Fraud ⁷	197	28	0	0	0	112	1	100	21
Money Laundering	54	2	0	0	0	0	10	38	4
Loansharking	63	6	0	0	0	0	21	32	4
Cheat at Play	92	11	0	0	0	0	2	72	7
Counterfeit	518	3	0	0	0	0	469	28	18
Real or suspected Gaming Control Act violations									
GCA Violations	263	11	6	136	5	0	8	61	41
Prohibited ⁸	1,176	5	0	0	41	1	1,036	38	55
Notifications not involving Criminal Code or Gaming Control Act gaming violations									
Unclassified (types not categorized above) ⁹	2,156	50	3	5	0	5	52	1,918	123
TOTAL	5,957	143	9	141	46	139	1,603	3,538	407

¹ No substance to the allegation, notification or complaint.

² Administrative are breaches of conditions of licenses or registration.

³ Gaming Control Act includes a charge by the Investigation Division requiring court appearance or Ticket Violation Notice with a voluntary penalty.

⁴ Criminal Code includes charges resulting from investigations conducted by the Investigation Division and/or assisting police of jurisdiction.

⁵ Intelligence includes correlating data on suspect individuals and groups and forwarding to police of jurisdiction (RCMP Proceeds of Crime, Major Crime or Commercial Crime, FINTRAC), maintaining data for future potential investigations. For example, the RCMP receives all compiled counterfeit bill and suspect data for inclusion on National Counterfeit Data Bank in Ottawa.

⁶ Other includes insufficient evidence to lay charges, assist police of jurisdiction on unrelated criminal matters, or unidentified suspects.

⁷ 103 of the 112 charges relate to one individual committing crimes throughout the Province (Spring / Summer 2009).

⁸ Includes notification of individuals legally prohibited by the BC Lottery Corporation who attempt to enter a gaming facility. It does not include individuals who were self-excluded because of their participation in the Voluntary Self Exclusion program.

⁹ Reported activities can include inappropriate behaviour on the gaming floor, i.e. spitting, large cash transactions (over \$10,000) which must be reported to FINTRAC, drug matters, liquor act offenses, mental health act offenses, found property, or anything that is reported to GPEB, but for which GPEB has no responsibility under either act.

Illegal Gaming

The mandate of the Investigations Division of GPEB is to investigate all instances of real or suspected wrongdoing related to legal gaming and horse racing in British Columbia. The branch does not have a primary mandate to investigate high-level illegal gambling activity: this is under the mandate of the police of jurisdiction. The branch does have a role, however, in providing information, intelligence, expertise and, when requested,

operational assistance to the police. The branch also maintains effective communication with the police and identifies opportunities for investigation of alleged illegal gambling where appropriate. For investigations related to illegal lotteries (e.g., an illegal lottery could be an event that was not licensed or cannot be legally licensed), the branch provided education, issued warnings and issued ticket violation notices. Of the 233 files opened by the branch related to suspected illegal gaming activities, 185 were related to illegal lottery issues.

PERFORMANCE

Public Satisfaction with the Regulation of Gaming

For the past three years, the branch has surveyed British Columbians' familiarity and satisfaction with government's efforts to regulate gaming, address problem gambling and distribute gaming revenues. The survey was conducted as part of the B.C. Stats Community Health Education and Social Services survey.

The 2009/10 survey was conducted in October 2009. Respondents were questioned about their familiarity with three key areas and their level of satisfaction regarding each:

- How Government regulates gambling in B.C.;
- How Government is addressing problem gambling in British Columbia; and
- How Government distributes gaming revenue in British Columbia (e.g., municipal revenue sharing, economic development, charitable gaming, health care, etc.).

Previous surveys have established a baseline for overall familiarity and satisfaction with the regulation and management of gambling in B.C. With the addition of the 2009 results, the data

reinforces trends identified in previous years. The survey indicates there is a strong relationship between levels of familiarity and satisfaction with the government management of gambling in B.C. That is to say, the more that individuals know about how the branch regulates gambling, addresses problem gambling, or distributes gaming revenues, the more likely the individual is to be satisfied with those activities. Individuals who knew the least about branch activities were the most likely to be dissatisfied.

Rates of familiarity have decreased slightly with respect to both the regulation of gambling and the government's efforts to deal with problem gambling. There has been no change in rates of familiarity with respect to how government distributed gaming revenues.

Rates of satisfaction have decreased with respect to the regulation of gambling, the government's efforts to deal with problem gambling, and the distribution of gaming revenues.

The full report is on the branch website at: www.pssg.gov.bc.ca/gaming/

Table 12: Public Familiarity with the Regulation of Gambling in the Province

Level of familiarity	Regulating gambling		Addressing problem gambling		Distributing gaming revenues	
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09
Very familiar	8%	10%	7%	9%	7%	5%
Somewhat familiar	35%	37%	33%	36%	33%	31%
Not very familiar	25%	23%	29%	25%	27%	27%
Not at all familiar	32%	30%	32%	30%	33%	36%

Table 13: Public Satisfaction with the Regulation of Gambling in the Province

Level of satisfaction	Regulating gambling		Addressing problem gambling		Distributing gaming revenues	
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09
Very satisfied	6%	12%	5%	7%	3%	5%
Somewhat satisfied	12%	18%	7%	12%	7%	12%
Neither satisfied nor dissatisfied	34%	40%	27%	41%	29%	44%
Somewhat dissatisfied	20%	13%	26%	18%	24%	19%
Very dissatisfied	28%	17%	34%	21%	38%	21%

WHERE THE MONEY GOES

In 2009/10, commercial gaming in British Columbia, excepting horse racing, grossed \$2.52 billion, a decrease of \$33 million over 2008/09. Gaming revenue comes from casinos, community gaming centres, commercial bingo halls and lotteries. After prize payouts and expenses, government revenue from gaming totalled \$1.08 billion.

Revenue from commercial gaming conducted and managed by the B.C. Lottery Corporation supports local communities, the horse racing industry, essential government programs and branch operations. A small portion of net commercial gaming revenues is directed to the federal government.

Supporting Local Communities

Gaming revenue provides significant benefits to people throughout British Columbia. One of every four dollars goes to communities across the province through the branch's community gaming grant program. Social programs, community services and local economic development are all enhanced by gaming revenue.

In 2009/10, the branch distributed \$160.1 million in community gaming grants to approximately 6,200 community organizations, including 60 school districts.

Local governments that host casinos and/or community gaming centres receive 10 per cent of net gaming income from provincial casino gaming for any purpose that would be of public benefit to the host communities. In 2009/10, the branch paid \$81.9 million in grants to 28 host local governments, a decrease of \$2 million from 2008/09. A further \$5.6 million in gaming revenue was paid to communities that host destination

casinos. Since 1999, the Province has distributed over \$600 million in gaming revenue to local governments.

Gaming funds support a wide variety of community programs, capital projects and other initiatives.

For example, in 2009/10, several host local governments used gaming revenue to enhance local infrastructure, including replacing street lights in downtown Campbell River, repairing roofs in Cowichan and repairing roads in New Westminster. Recreation activities supported by gaming revenues included upgrading park playgrounds in Quesnel and running the Entertainment and Sports Centre in Abbotsford.

To support the revitalization of horse racing, the branch distributed \$6.9 million through a grant to stabilize and revitalize the industry.

Essential Government Services

Provincial health care and education services receive almost three-quarters of net gaming proceeds. In 2009/10, \$147.3 million in gaming revenue was directed to the B.C. Government's Health Special Account to be used exclusively for the administration, operation and delivery of health care, health research, health promotion and health education services. Since the creation of this account in 1992, more than \$1.8 billion has been paid directly into it.

In 2009/10, \$648.8 million was allocated to the Consolidated Revenue Fund to support social programs, primarily health care and education. In the past 10 years, over \$4 billion in gaming revenue has been directed to the fund.

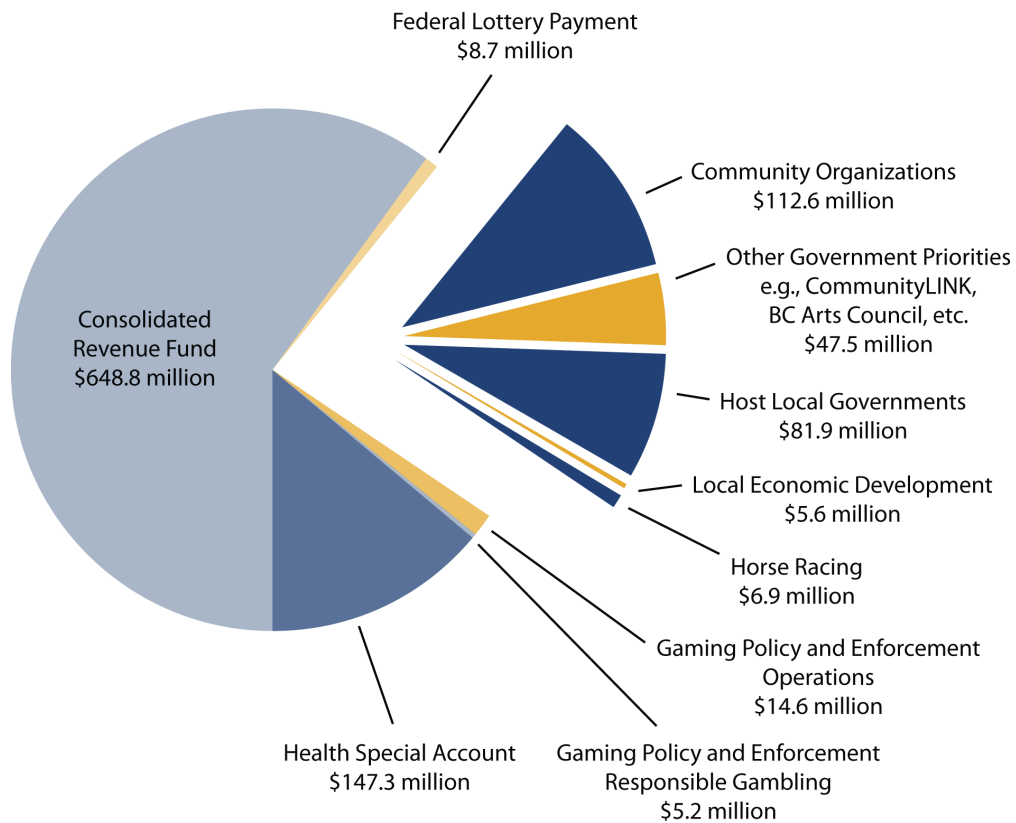
Gaming Policy and Enforcement Branch Operations

In 2009/10, the branch spent \$19.8 million on the regulation of gaming, a decrease of \$1.5 million from 2008/09. Core operating costs accounted for approximately \$14.6 million, and the programs related to the branch's Responsible Gambling Strategy accounted for the other \$5.1 million.

Government of Canada Transfer

As a part of a revenue-sharing agreement between the federal and provincial governments, \$8.7 million of lottery revenues was remitted to the federal government.

Figure 1: Where the Money Goes (2009/10)



LOOKING AHEAD

E-gaming: Its Challenges and Opportunities

In 2010, BCLC will launch peer-to-peer poker and casino-style games on its secure online gambling website, PlayNow.com. This new gaming option marks a significant milestone in the evolution of the gaming industry in British Columbia. In the past, online gaming sites accessed by British Columbians have been run by unregulated offshore companies. PlayNow.com will become the first regulated interactive online interactive gaming site in North America.

The continued growth of online gaming presents both challenges and opportunities for GPEB as the provincial regulator. Challenges are particularly notable with regard to responsible gambling initiatives. Off-shore internet casinos allow continued access for customers with an internet connection, irrespective of location, and allow a level of anonymity that can increase problem gambling. To encourage responsible gambling, PlayNow.com features a number of responsible gambling features, including a display bar that tracks session spending, account balance, time, bets and tally of winnings, ensuring players do not lose track of this information. Because players are required to register for PlayNow.com, BCLC is able to block players who have signed a voluntary self-exclusion agreement. These features will form the building blocks for assisting the Province's efforts to encourage responsible gambling in the online environment.

Online gaming requires similar forms of certification to on-site facilities. The branch will assess proposed changes to the online platform, system upgrades, and new games and provide technical certification if these online components

meet required standards. The branch will also perform due diligence on companies providing software for online gaming in B.C.

Online venues have different processes for monitoring and evaluating fair play. The nature of internet games creates different forms of fraud and wrongdoing. Investigators will employ new methods to address these activities as part of maintaining the integrity of online gaming regulated by the Province.

GPEB will need to continue to adapt its regulatory practices as the gaming industry continues to evolve via the internet. The proliferation of mobile devices, such as BlackBerries and iPhones, social media platforms such as Facebook and Myspace, along with the increasing complexity and online multiplayer features of video games, herald further changes for the B.C. gaming industry as players move beyond the traditional venues of casinos and gaming centres.

Community Gaming Grants

The 2010/11 fiscal year brings key shifts to the community gaming grants program. Total funding has increased from approximately \$113 million in 2009/10 to \$120 million in 2010/11. To assist organizations with planning for grant applications, the Province announced upcoming changes to eligibility for 2010/11 grants. Eligibility for public safety, human and social services, and parent advisory councils remains unchanged. Environmental projects will not be funded in 2010/11, nor will playground projects. The previous category of arts, culture and sports has now been split into two. Arts and culture is focused

on youth activities, and a new subsector has been created for fairs, festivals and museums. Sports funding focuses on youth and people with a disability.

This shift in the eligibility criteria has obviously created challenges for organizations that are accustomed to applying for community gaming grants but do not meet the new eligibility criteria. In shifting the criteria, the ministry has chosen to focus on its core services: basic essential services used by all British Columbians, such as public safety and protection and opportunities for the vulnerable and disadvantaged in our province.

Effective April 1, 2010, the Province is consolidating the bingo affiliation and direct access grants into a single grant program called community gaming grants. Organizations formerly receiving a bingo affiliation grant will be seamlessly transitioned to a community gaming grant. The approximately 100 organizations whose total grant(s) amount exceeds

the Province's limits (\$100,000 for a local or regional organization, \$250,000 for a provincial organization) will be transitioned to the maximum limit as soon as possible. Most groups will be moved in 2010/11, but the transition could take up to three years in some situations.

In the 2010/11 fiscal year, the ministry has begun to take action on its commitment to restore funding to community gaming grants as the economy recovers. Assuming the provincial fiscal outlook continues to improve, we anticipate being able to make adjustments and re-establish grants.

APPENDIX A: GAMING INDUSTRY LEGAL AND OPERATING FRAMEWORK

Gaming in the province is regulated under the Criminal Code of Canada and British Columbia's Gaming Control Act. Responsibility for ensuring the effective regulation of gaming resides with the Minister of Public Safety and Solicitor General (Minister of Housing and Social Development during the period covered by this report). The Minister provides broad policy direction to ensure government's social and economic priorities for gaming are achieved. The Minister is not involved in decisions respecting individuals or specific companies or organizations, nor in the day-to-day management of gaming.

Regulating B.C.'s Gaming Industry

Gaming is regulated by the Gaming Policy and Enforcement Branch. The branch is made up of seven divisions:

- The Policy, Responsible Gambling and Business Services Division is responsible for developing and maintaining the policy and regulatory framework for gaming and horse racing in B.C. The division establishes industry-wide public interest standards and manages responsible gambling initiatives and problem gambling treatment programs. The division also provides financial advice to the branch executive, administers the branch budget, makes payments on behalf of the branch, and provides information and technology support.
- The Licensing and Grants Division is responsible for distributing grants to community organizations and for issuing gaming event licences to eligible organizations.
- The Racing Division is responsible for regulating and managing horse racing in B.C.
- The Registration and Certification Division is responsible for conducting financial and personal background checks on all gaming services providers and gaming workers. The

division also approves and certifies all gaming equipment used in the province.

- The Audit and Compliance Division is responsible for conducting compliance audits of the BC Lottery Corporation, commercial gaming, lottery gaming, licensed gaming events and community organizations' use of gaming proceeds.
- The Internal Compliance and Risk Management Division is responsible for managing the branch's internal compliance regime and for coordinating the branch's and industry's risk management strategies.
- The Investigations and Regional Operations Division fulfills the branch's enforcement function and is responsible for investigating all complaints and allegations of regulatory wrongdoing. The division assists law enforcement agencies in criminal investigations in or near gaming and horse racing facilities in B.C. In addition, the division is responsible for the day-to-day management of regional offices in Kelowna, Prince George and Burnaby.

Conduct and Management of Gaming in B.C.

British Columbia Lottery Corporation

The BC Lottery Corporation conducts and manages all commercial gaming in the province, with the exception of horse racing. Headed by a board of directors, appointed by Cabinet, the Corporation reports to the Minister of Public Safety and Solicitor General (Minister of Housing and Social Development prior to October 2010) and is regulated by the branch. The Corporation manages all contracts and formal relationships with service providers, as well as all lottery agreements with other provinces and the federal government. In addition, the Corporation sets the rules of play for

lotteries, casinos, community gaming centres and commercial bingo halls.

Horse Racing Service Providers

The branch licenses private companies to conduct and operate live horse racing events at horse racing tracks in British Columbia. These service providers are responsible for conducting horse racing in accordance with rules and regulations as set by the Province in the Gaming Control Act and the Rules of Thoroughbred and Standardbred Horse Racing. Pari-mutuel wagering on horse races is regulated by the federal government through the Canadian Pari-Mutuel Agency.

Licensed Community and Other Organizations

The branch licenses community and other eligible organizations to conduct and manage gaming events such as ticket raffles, independent bingos, wheels of fortune and social occasion casinos. Community organizations that host licensed charitable gaming events must comply with the rules and regulations outlined by the Province.

Supporting the Delivery of Gaming in B.C.

Gaming Services Providers

The B.C. Lottery Corporation contracts with private companies that provide day-to-day operational services at its gaming facilities and lottery outlets. These companies include casino, bingo and community gaming centre operators. Services providers must ensure all gaming employees have taken Appropriate Response Training and that no person under the age of 19 participates in gambling activities or is present where gambling activity occurs.

Key Persons

The branch identifies as key persons those individuals who hold critical security, operational

or financial responsibilities in the gaming and horse racing industries. These individuals include directors, officers and senior employees of any business that is involved with gaming operations in the province.

Gaming Equipment Suppliers

Gaming equipment suppliers manufacture and/or distribute gaming equipment and materials to gaming venues. Manufacturers include companies that produce gaming equipment and materials, such as bingo paper, slot machines and playing chips. Distributors also include companies that market gaming equipment and materials.

Ancillary Service Providers

Ancillary contractors include companies that provide services to gaming operators that are not directly related to the delivery of gaming. These include landlords, janitorial services and concessionaires.

Gaming and Horse Racing Workers

Gaming and horse racing workers are registered by the Province to ensure the integrity, honesty and financial responsibility of gaming and horse racing operations. Gaming workers are individuals who are paid to conduct, manage or present large-scale licensed raffles, casino games, commercial bingos or teletheatres. Horse racing workers include individuals who work for or conduct business with race tracks. These include jockeys, trainers, race horse owners and racing officials.

Horse Racing Teletheatre Operators

The branch licenses teletheatre sites to present simulcast satellite broadcasts of horse races run at local, national and international tracks. There are 25 teletheatre locations in B.C. Twenty-two are operated by Teletheatre BC (TBC) in venues across the province. The remaining three teletheatres are located at race tracks (Hastings Racecourse, Fraser

APPENDIX B: GAMING PERMITTED IN BRITISH COLUMBIA

Downs Racetrack and Sandown Raceway) and are operated by the Great Canadian Gaming Corporation.

Gaming is a rapidly evolving industry. New products, approaches and methods of delivery are continually being developed. Players' preferences are also continually changing. The Province of British Columbia has chosen to take a cautious and

responsible approach in determining the forms of games it will permit and where the games may take place. Such opportunities must not jeopardize the integrity of the industry, must be capable of being effectively regulated and must be socially responsible. The following table summarizes the forms of gaming the Province has authorized, and the locations where each may be offered.

Table A: Gaming Permitted in British Columbia

Commercial Gaming	Casinos	Bingo Halls	CGCs*	Co- Located Race Tracks/ Casinos	Race Tracks	Lottery Outlets	Internet	Licensed Events	Pubs & Bars
Commercial Bingo Games		✓	✓						
Lottery Products	✓	✓	✓	✓	✓	✓	✓		✓
Slot Machines	✓		✓	✓					
Table Games	✓			✓					
Poker Tables	✓			✓					
Electronic Table Games	✓		✓	✓					
Live Horse Racing				✓	✓				
Teletheatres	✓		✓	✓	✓				✓
Licensed Charitable Gaming									
Ticket Raffles								✓	✓
Independent Bingo								✓	✓
Social Occasion Casinos								✓	✓
Wheels of Fortune								✓	✓

* Community Gaming Centres

APPENDIX C: SOURCES AND DISTRIBUTION OF REVENUES

Table B: Government Gaming Revenues and Disbursements

Revenue – In (all figures in \$ millions)	2009/10	2008/09
Lotteries	\$266.7	\$256.4
Horse Racing Betting Fee	1.9	1.9
Casinos	731.3	758.1
Bingo (includes community gaming centres)	81.1	76.2
Total Revenue	\$1,081.0	\$1,092.6
Disbursements – Out	2009/10	2008/09
Supporting Communities		
Community Organizations	\$160.1	\$156.3
Payment to Host Local Governments	81.9	83.8
Local Economic Development (DAC)	5.6	9.1
Horse Racing Purse Enhancements	6.9	6.5
Gaming Policy and Enforcement Branch Operations		
Core Programs to Regulate Gaming	14.6	15.9
Problem Gambling Program	5.2	5.4
British Columbia Government Programs		
Health Special Account	147.3	147.3
Consolidated Revenue Fund	650.7	659.6
Government of Canada Transfer		
Under a federal/provincial lottery agreement	8.7	8.7
Total Disbursements	\$1,081.0	\$1,092.6

Table C: Host Local Government Share of Gaming Revenues

Host Government	Casino or Community Gaming Centre	2009/10	2008/09
Abbotsford	Chances Abbotsford* (opened 06/09)	\$633,505	-
Burnaby	Gateway Casino Burnaby	10,274,029	\$9,894,191
Campbell River	Campbell R. Bingo Palace* (closed 06/07)	-	-
	Campbell River Chances* (opened 07/07)	593,696	636,530
Coquitlam	Boulevard Casino	8,810,888	9,677,331
Courtenay	Chances Courtenay* (opened 02/08)	672,675	658,252
Cowichan	Chances Cowichan*	770,978	752,920
Dawson Creek	Chances Dawson Creek*	656,090	699,544
Fort St. John	Chances Fort. St. John* (opened 09/07)	721,459	822,731
Kamloops	Lake City Casino Kamloops	2,006,945	2,147,795
	Chances Kamloops*	379,694	385,630
Kelowna	Lake City Casino Kelowna	2,262,278	2,754,686
	Chances Kelowna*	1,347,264	1,028,289
Ktunaxa Tribal (Cranbrook)	Casino of the Rockies [†]	1,425,510	1,681,240
Langley	Cascades Casino	6,727,795	6,745,290
	Playtime Gaming Langley* (opened 10/08)	107,275	37,058
Mission	Chances Boardwalk* (opened 10/07)	543,765	582,778
Nanaimo	Great Canadian Nanaimo	2,638,751	2,898,471
New Westminster	Royal City Star (Riverboat) [†] (closed 12/07)	-	-
	Starlight Casino [†] (opened 12/07)	6,057,681	6,346,230
Penticton	Lake City Casinos Penticton [†]	1,635,101	1,717,191
Port Alberni	Chances Rim Rock* (opened 09/07)	395,489	425,452
	Treasure Cove Casino	2,403,753	2,509,792
Prince George	Chances Good Time Prince George (opened 03/08)	42,157	204,473
Prince Rupert	Chances Prince Rupert* (opened 10/07)	400,581	520,981
Quesnel	Billy Barker Casino	575,899	633,093
Richmond	River Rock Casino	11,659,481	12,099,891
Squamish	Chances Boardwalk Squamish* (opened 02/10)	48,866	
Surrey	Fraser Downs	2,955,371	3,209,360
Terrace	Chances Terrace* (opened 01/09)	436,116	80,111
	Great Canadian Holiday Inn (closed 11/07)	-	-
Vancouver	Edgewater Casino	6,266,064	6,463,316
	Hastings Racecourse (slots commenced 11/07)	1,356,310	1,077,132
Vernon	Lake City Casino Vernon	2,079,229	1,800,089
View Royal	Great Canadian View Royal	4,596,081	4,797,451
Williams Lake	Chances Signal Point*	477,684	572,115
Total HLG Revenue		\$81,958,461	\$83,859,413

* Community gaming centre † Destination casino

APPENDIX D: BRANCH OPERATING BUDGET AND EXPENDITURES

Table D: Branch Budget and Expenditures

Branch Budget	2009/10	2008/09
Core Operations	\$14,689,000	\$14,142,000
Responsible Gambling Program	4,541,000	7,002,000
Total Branch Budget	\$19,230,000	\$21,144,000
Branch Expenditures		
Core Branch Operations	2009/10	2008/09
Salaries and benefits costs	\$11,185,441	\$11,302,378
Operating and business expenses	2,476,710	3,766,769
Legal and professional services	947,529	835,803
Subtotal	\$14,609,680	\$15,904,950
Responsible Gambling Program	2009/10	2008/09
Salaries and benefits costs	\$265,534	\$183,003
Operating and business expenses	310,415	958,053
Legal and professional services	9,321	52,413
Contracts	4,592,817	4,190,956
Subtotal	\$5,166,887	\$5,384,425
Total Branch Expenditures	\$19,776,567	\$21,289,375
Surplus/(Deficit)	\$(546,567)	\$(145,375)

ANNUAL REPORT

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Contact information

For more information on the Gaming Policy and Enforcement Branch, or to view this document and others from the Ministry of Public Safety and Solicitor, please go to our website at:

www.pssg.gov.bc.ca/gaming/

For more information on British Columbia's Responsible Gambling Strategy please go to:

www.bcresponsiblegambling.ca

The Head Office of the Gaming Policy and Enforcement Branch is located in Victoria, with regional offices located in Burnaby, Kelowna and Prince George.

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