

Alcohol and Gaming Commission of Ontario

Annual Report

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2002-2003

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Rapport Annuel

Commission des Alcools et des jeux de l'Ontario

Alcohol and
Gaming
Commission
of Ontario

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MEMORANDUM TO: The Honourable Tim Hudak, MPP
Minister
Ministry of Consumer and Business Services

FROM: G.R. (Randy) Barber
Chair
Alcohol and Gaming Commission of Ontario

I am pleased to present the 2002–2003 Alcohol
and Gaming Commission of Ontario Annual
Report.



G.R. (Randy) Barber | Chair

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During the past fiscal year, the AGCO has continued to focus on customer service and to improve operational efficiencies.

In the last 12 months, there have been approximately 100 updates to our website to ensure stakeholders have accurate and timely information regarding the regulatory regime governing the alcohol and gaming sectors. This includes significant information regarding changes to the regulations under the *Liquor Licence Act* that came into effect on August 29th and October 2nd, 2002. You can visit our website at www.agco.on.ca.

Through the introduction of new mobile technology and a supporting infrastructure, the AGCO now has the ability to conduct audit- and inspection-based reviews more effectively and efficiently. This along with strong enforcement measures help to ensure public confidence in the honesty, integrity and social responsibility of the gaming and liquor industries in our province.

This year, 2003, marks the 5th anniversary of the AGCO. Established on February 23, 1998, the

AGCO assumed responsibility for the administration of legislation previously administered by the Liquor Licence Board of Ontario and the Gaming Control Commission. The AGCO is a quasi-judicial regulatory agency that reports to the Minister of Consumer and Business Services.

During the past five years, we have witnessed enormous change and growth in the gaming and liquor sectors. This expansion has required a great deal of steady leadership and skillful management practices.

Twenty-one new gaming facilities have been opened—all of which are regulated by the AGCO. More than 20,000 individuals have been registered as employees after undergoing comprehensive background investigations for employment in Ontario casinos and slot machine facilities at racetracks.

The AGCO assumed responsibility for authorizing liquor manufacturers' on-site and off-site retail stores, licensing and regulating brew-on-premise facilities and liquor delivery services, and assumed the adjudicative responsibil-

ity under the *Vintners Quality Alliance Act, 1999*.

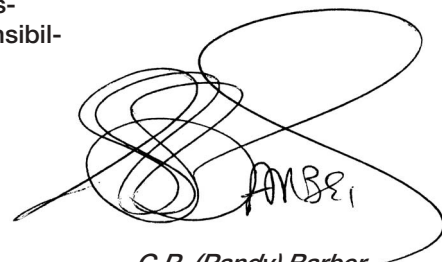
A more complete summary of the major initiatives over these past five years is found in the message from the Chief Executive Officer.

As the Chair of the AGCO, it is my great pleasure to sincerely congratulate all of the management and staff of the AGCO for their outstanding effort in creating a public agency to be proud of, that is dedicated to the integrity, honesty and responsible operation of the liquor and gaming industries in Ontario.

I would also like to thank my colleagues on the Board of Directors for their dedication and expert handling of over 590 hearings, and their continued support and advice at Board and Committee meetings.

To all of our clients and stakeholders, we want to assure you that our focus will continue to be on promoting a supportive business climate.

Respectfully yours,

A handwritten signature in black ink, appearing to read 'R. Barber', with a large, stylized circular flourish above it.

G.R. (Randy) Barber
Chair

Message from the Chair

Fiscal year 2002/2003 has been a very active period for management and staff of the AGCO.

We continue to monitor the liquor and gaming industries in Ontario and where necessary apply appropriate enforcement measures to ensure compliance with laws and regulations relating to the operation of these important business sectors.

During this fiscal, 364 licensees were suspended and 125 were revoked because of a variety of offences under the *Liquor Licence Act* and regulations, which include serving minors, failure to pay retail sales tax, overcrowding, allowing unruly, violent behaviour and serving intoxicated patrons.

This year has seen substantial changes to regulations under the *Liquor Licence Act*. Information on these amendments can be found inside this Annual Report under the heading Regulatory Update, or visit our website at www.agco.on.ca.

Much attention has also been given to the charitable gaming sector. The overall gaming environment in Ontario has become considerably more complex and competitive, particularly in recent years. Competition continues to increase for consumers' disposable income. Charity bingos and the break open ticket (BOT) market are particularly under pressure. Staff at the AGCO continue to meet regularly with the Bingo and BOT Strategic Working Groups, comprised of industry associations, to develop proposals aimed at assisting charitable fund raising organizations in remaining viable. These changes include new advertising and promotional options aimed at increasing revenues.

Customer service is a priority. The AGCO implemented a new voice tree system to improve staff efficiencies and better service customers. The AGCO's website continues to be popular, averaging 22,000 visitors a month, with regular updates and enhancements.

The first 5 years

February 23, 2003 marked the 5-year anniversary for the Alcohol and Gaming Commission of Ontario.

From the start, the AGCO continued a half-century tradition of administering the regulatory regime for the beverage alcohol sector that was based on the 1947 premise of moderation and the responsible sale and service of liquor. While holding to that premise, there was also a recognition that much opportunity existed to modernize the framework.

When casinos and slot machines were introduced into the province beginning in the 1990's, the AGCO set out its policy objective to maintain that gaming be conducted in the public interest, by people with integrity, and in a manner that is socially and financially responsible. Today, these principles of regulation for gaming activities and liquor sales are the benchmarks that focus the day-to-day operations of our agency.

As well as the original legislation and regulation that came with the creation of the AGCO, the AGCO faced significant industry expansion since it was formed. On the gaming side, 21 new facilities have opened, which included 15 slot operations at race-tracks, six (6) charity casinos and the opening of the permanent Casino Windsor facility on July 29, 1998. To staff and supply this growth, the AGCO has had to register and carry out background investigations on thousands of gaming employees and suppliers. More than 20,000 slot machines and 500 table games now operate in Ontario under the watchful eye of the compliance staff of the AGCO and our seconded OPP officers.

On the beverage alcohol side of the ledger, the AGCO assumed responsibility for authorizing liquor manufacturers' on-site and off-site retail stores (including The Beer Store), and licensing and regulating brew-on-premise facilities and liquor delivery services. The AGCO now regulates

over 17,000 licensed establishments, 600 brew-on-premise facilities, 200 liquor delivery services, 160 manufacturers and 500 manufacturer's representatives.

Even with these additional pressures during the last five years, the AGCO has implemented changes to improve efficiencies, enhance customer service and strengthen the overall enforcement regime for both alcohol-related and gaming-related activities.

One of our major changes in 2002 was integrating the liquor inspections function with the enforcement branch, creating a new Investigations and Enforcement Bureau headed up by a Detective Chief Superintendent of the Ontario Provincial Police. This entity has brought about greater cooperation with other provincial and local agencies in an ongoing effort to clean up illegal activities in liquor licensed premises.

Along the way, as with any new organization, the AGCO undertook a number of key initiatives to complete the normal, but essential infrastructure for any successful business operation. This included establishing functions for corporate services, human resources, financial administration and auditing, information technology, and successfully completing negotiations of our first collective agreement with bargaining unit employees.

All of this activity has occurred during the past five years.

There is no doubt that the next five years will see many more changes in the liquor industry and new competitive challenges in the gaming sector.

Our role as the regulator of these dynamic industries will be to ensure the working principles and enforcement efforts that have been successful so far, are regularly reviewed and supplemented where necessary. Our continuing goal is to ensure the honesty, integrity and social responsibility of the alcohol and gaming industries through effective regulations, which are fair, responsive and in the public interest.

Chief Executive Officer's Message



Duncan Brown
Chief Executive Officer

Mandate

To regulate the sale, service, and consumption of beverage alcohol to promote moderation and responsible use; and

To ensure that casino and charitable gaming is conducted in the public interest, by people with integrity, and in a manner that is socially as well as financially responsible.

Mission

Promote a supportive business climate through clear rules, streamlined procedures and options that allow for increased flexibility on the part of the industry.

Ensure a balance between revenue-generation, economic growth and development, and critical regulatory controls.

Emphasize front-line activities and make client service and satisfaction an integral part of operations.

Ensure that fairness to all partners and stakeholders is a major consideration in the development, application and enforcement of programs, policies and procedures.

Vision

To ensure the honesty, integrity and social responsibility of the alcohol and gaming industries through effective regulations which are fair, responsive and in the public interest.

Overview and Key Activities

On February 23, 1998, the Alcohol and Gaming Commission of Ontario (AGCO) was established under the *Alcohol and Gaming Regulation and Public Protection Act, 1996* and is responsible for administering the following:

- ✧ *Liquor Licence Act*
- ✧ *Wine Content and Labelling Act, 2000*
- ✧ *Liquor Control Act [Section 3(1)b, e, f, g and 3(2)a, d]*
- ✧ *Gaming Control Act, 1992*
- ✧ Lottery Licensing Order-in-Council, 2688/93 (as amended)

The AGCO reports to the Minister of Consumer and Business Services.

Key Activities

Regulating Alcohol and Gaming Sectors

- ✧ Licensing and regulating Ontario's establishments that sell or serve beverage alcohol, as well as administering the Special Occasion Permit program, delivered through designated Liquor Control Board of Ontario retail stores.
- ✧ Licensing and regulating liquor delivery services; Ontario beverage alcohol manufacturers, their agents and agents of foreign manufacturers; and brew-on-premise facilities.
- ✧ Authorizing manufacturers' retail stores, which includes on-site and off-site winery retail stores, on-site distillery retail stores and brewery retail stores, and Brewers Retail Inc. stores ("The Beer Store").
- ✧ Administering the regulation of beverage alcohol advertising.
- ✧ Registering commercial suppliers and gaming employees of charitable gaming events, casinos, charity casinos, and slot operations at racetracks.
- ✧ Administering, in partnership with municipalities, the regulatory framework governing the issuance of charity lottery licences (e.g., bingo, raffle, and break open ticket events).

Regulating Alcohol and Gaming Sectors

- ✧ Licensing games of chance at fairs and exhibitions.
- ✧ Approving rules of play or change to rules of play for games of chance conducted and managed by the Ontario Lottery and Gaming Corporation.
- ✧ Excluding persons from accessing gaming premises in the Province of Ontario pursuant to the *Gaming Control Act, 1992* and its regulations.

Inspecting & Monitoring

- ✧ Inspecting and monitoring licensed establishments to ensure compliance with the *Liquor Licence Act* and regulations.
- ✧ Inspecting and monitoring casinos, charity casinos, slot operations at racetracks and charitable gaming events/facilities for compliance with the *Gaming Control Act, 1992*, its regulations, and licensing and registration requirements.
- ✧ Approving and monitoring internal control systems, surveillance and security systems, and other operational systems for casinos, charity casinos and slot operations at racetracks for compliance with all regulatory requirements.
- ✧ Testing, approving and monitoring slot machines and gaming systems.

Adjudication

- ✧ Conducting hearings on proposed disciplinary actions under the *Liquor Licence Act* and *Gaming Control Act, 1992*.
- ✧ Conducting hearings on Registrar's refusal to licence or register under the *Liquor Licence Act* and *Gaming Control Act, 1992*.
- ✧ Conducting compliance order hearings and hearings on the wine authority's refusal to grant an approval or suspend, revoke or refuse to renew an approval to use the terms, descriptions and designations established by the wine authority under the *Vintners Quality Alliance Act, 1999*.
- ✧ Conducting public interest hearings to determine eligibility for, or revocation of liquor licences or additions to liquor licensed premises where the public files objections in response to a public notice advising of the request for a licence or an amendment thereof.

2002–2003 Operational Overview

Licensing and Registration

Number of Liquor Licensees Licensed in the Province and Permits Issued

For Fiscal Years	2001/02	2002/03
Liquor Sales Licensed Establishments	16,947	17,010
Brew-on-Premise Facilities	627	600
Liquor Delivery Services	161	209
Manufacturers	148	160
Manufacturer's Representatives	499	524
Total	18,382	18,503
Alcohol Beverage Advertisements Reviewed	6,058	2,927*
Special Occasion Permits Issued	67,809	66,395

* As of August 2002, liquor sales licensees and liquor manufacturers are no longer required to obtain Registrar of Alcohol and Gaming approval of alcohol beverage advertisements. Notwithstanding these changes, all alcohol beverage advertisements must comply with the regulations under the *Liquor Licence Act* and the AGCO Advertising Guidelines.

Lottery Licences issued by AGCO

Lottery Licensing

A total of 2,857 lottery licences were issued by the AGCO to eligible charitable or religious organizations to conduct and manage gaming events, including bingo, break open ticket and raffle events. The total number of lottery licences issued increased slightly by approximately 2% compared to the previous year primarily due to the popularity of the progressive bingo games.

For Fiscal Years	2001/02*	2002/03*
Bingo	1,834	2,044
Break Open Ticket (BOT)	679	540
Raffle	168	175
Social Gaming Events	108	98
Total	2,789	2,857

* Municipalities issue most lottery licences.

Licensing and Registration

Number of Gaming Registrants in the Province

For Fiscal Years	2001/02	2002/03
CHARITABLE GAMING		
Bingo Halls, Gaming Service/Equipment Suppliers & Manufacturers	273	261
Break Open Ticket Seller	6,632	6,108
Gaming Assistants	4,644	4,076
Sub - Total	11,549	10,445
CASINOS, CHARITY CASINOS & SLOT MACHINE FACILITIES		
Gaming Suppliers	2,931	2,931
Gaming Employees	16,927	17,819
Sub - Total	19,858	20,750
Total Registrations Issued	31,407	31,195

AGCO's Liquor Enforcement continues to maintain and establish new Integrated Municipal Enforcement Teams in various municipalities across the province involving local police, fire, health, by-law and licensing authorities. Appropriately scaled investigation and enforcement resources are working together to target licensed premises where complaints have been received regarding organized crime, illegal activity and violence. Where evidence exists to support these allegations, licensees are brought before the AGCO Board for decisions on immediate suspensions and licence revocations. As a result of Liquor Enforcement's continued efforts, over 1,000 Notice of Proposals (NOP) were issued during 2002/2003.

Over 33,800 electronic gaming devices, including slot machines, were tested this year without disrupting day-to-day gaming facility operations. This is an increase of approximately 400% since the AGCO was established in 1998.

AGCO's Casino Enforcement Units investigated over 6,300 occurrences at the casinos, charity casinos and slot operations at racetracks during this fiscal year, in addition to assisting local police with non-gaming related investigations.

Casinos, charity casinos and slot operations at racetracks are subject to regulatory requirements and AGCO oversight to maintain public confidence that gaming facilities are operated with honesty and integrity. These requirements include registration of suppliers and employees, and approval of rules of play, gaming equipment, slot machines, chips and tokens, internal control systems, surveillance and security systems, credit, record keeping, and recording of large cash transactions.

Investigation, Enforcement and Compliance

Ontario Gaming Facilities

Racetracks	No. of Slots	Location	Open to Public
Clinton Raceway	100	Clinton	Aug. 26/00
Dresden Raceway	100	Dresden	Apr. 20/01
Flamboro Downs	752	Dundas	Oct. 13/00
Fort Erie Racetrack	1,200	Fort Erie	Sept. 11/99
Georgian Downs	401	Barrie	Nov. 29/01
Hanover Raceway	100	Hanover	Feb. 21/01
Hiawatha Horse Park	452	Sarnia	May 10/99
Kawartha Downs Raceway	380	Peterborough	Nov. 24/99
Mohawk Raceway	750	Milton	Aug. 12/99
Rideau Carleton Raceway	1,250	Ottawa	Feb. 18/00
Sudbury Downs Raceway	331	Sudbury	Nov. 28/99
Western Fair	307	London	Sept. 30/99
Windsor Raceway	750	Windsor	Dec. 18/98
Woodbine Raceway	1,716	Toronto	Mar. 29/00
Woodstock Raceway	100	Woodstock	Jun. 22/01

Charity Casinos	No. of Slots	No. of Tables	Location	Open to Public
Brantford Charity Casino	452	45	Brantford	Nov. 19/99
Great Blue Heron (Scugog) Charity Casino	452	40	Port Perry	May 5/00
Point Edward Charity Casino	452	36	Point Edward	Apr. 20/00
Sault Ste. Marie Charity Casino	451	31	Sault Ste. Marie	May 23/99
*Thousand Island Charity Casino	453	18	Gananoque	Jun. 22/02
Thunder Bay Charity Casino	452	14	Thunder Bay	Aug. 30/00

*** New gaming facility**

Commercial Casinos	No. of Slots	No. of Tables	Location	Open to Public
Casino Niagara	2,844	138	Niagara Falls	Dec. 9/96
Casino Rama	2,273	116	Orillia	Jul. 31/96
Casino Windsor	3,321	108	Windsor	Interim: May'94 Permanent: Jul. 29/98

Operational Efficiencies and Highlights

Gaming Compliance

The Audit and Gaming Compliance Branch of the AGCO has been busy throughout the year refining two components in its gaming compliance approach to inspection- and audit-based reviews. To help facilitate the inspection-based review, new mobile technology and a supporting infrastructure has been introduced. This new approach increases both the depth and breadth of inspections while promoting efficiency in the execution of reviews and the communication of results. As well, to help facilitate our audit-based reviews, detailed audit programs have been developed. These programs have been designed to be specific to each operator's system of internal control.

AGCO Training Unit

The AGCO continues to provide, through its Investigation and Enforcement Bureau, gaming training to AGCO staff, and specialized cheat-at-play detection training to Bureau members and officials from other gaming jurisdictions across North America. The training facility is equipped with gaming tables, slot machines and a video surveillance system used to instruct in video taping requirements for court presentation. Since the opening of the facility, approximately 170 training sessions have been held.

OPP members seconded to the AGCO staffing this unit are specialized in games of chance and are certified as Trainers. These members also provide expert evidence for court cases and advice to AGCO staff and the AGCO Board on rules of play and casino games.

Bingo Review

Over the past decade, charitable gaming has experienced significant declines in revenues and participation. In part, the decline is the result of an overall gaming environment in Ontario that has become considerably more complex and competitive – particularly in recent years. Charitable gaming now faces competition and limitations from a number of different sources, including municipal smoking by-laws, changing demographics, technological advances, and other gaming products.

At the request of our bingo stakeholders, the AGCO and the bingo industry set up a Strategic Working Group on bingo a number of years ago in an effort to assist the charitable bingo sector in remaining viable. The group is comprised of charitable and industry association representatives, and it has proposed initiatives to introduce flexibility to the charitable gaming regulatory framework for bingo. The group has been instrumental in developing new options for the bingo industry throughout the years such as new options for staffing bingo events, payment of “personal bingo verifiers”, new advertising and promotion options and table board bingo games.

The Strategic Working Group continues to work with the AGCO on introducing new initiatives, and is now focusing on longer-term initiatives to maintain the viability of the bingo industry.

Break Open Ticket Review

An industry Strategic Working Group similar to the successful model used for the bingo industry was established in January 2002 in an effort to rejuvenate the charitable Break Open Ticket sector. The Strategic Working Group meets regularly to discuss issues of concern and to work together to consider options to maintain the viability of the industry and develop further options to assist in the growth of the industry.

First Nations Gaming

In 1998, the government approved a First Nations lottery-licensing framework that delegates licensing authority comparable to that of municipalities. The AGCO has resources dedicated to liaise with First Nations organizations regarding gaming. Negotiations have concluded with 29 interested First Nations having been granted lottery-licensing authority comparable to municipal governments in terms of game types and prize levels.

Special Occasion Permits

The AGCO continues to work with the Liquor Control Board of Ontario to provide service excellence to clients seeking special occasion permits. Special occasion permits, for example, are required for events such as weddings, charity fund-raisers and receptions where sale or service of liquor will take place. In the last five years, the AGCO has trained Liquor Control Board of Ontario (LCBO) staff to process special occasion permit applications adding 50 new LCBO issuing permit stores. There are now over 300 LCBO retail stores located throughout Ontario that can process special occasion permits for its clients.

Media Relations

During this fiscal year 2002/2003, the AGCO handled over 550 media inquiries representing an increase of 32% compared to last fiscal.

AGCO Voice Tree

The AGCO implemented a new voice tree system to improve staff efficiencies and better service customers. The improved system is more user friendly, allowing for easier navigation through improved system features. Customers who are looking to obtain information on routine, commonly asked questions, continue to be offered the option of “self-service one-stop shopping” as well as a full-service option.

AGCO Website

The AGCO’s website was launched over two years ago. The AGCO website provides clients, and the general public, with timely and easily accessible information about liquor and gaming policies administered by the AGCO. The site allows users to download all registration and licensing application forms, along with instructions for completion. Users also have online access to all publications, annual reports and newsletters made available by the AGCO.

In the last 12 months alone, there have been approximately 100 changes to our website – to ensure our stakeholders are satisfied. The number of hits (pages/forms) accessed since we launched the site has increased by almost 300% with an average of 22,000 visitors a month.

AGCO's website can be found at www.agco.on.ca.

Regulatory Update

The following are the highlights of regulatory changes made under the **Liquor Licence Act** this fiscal year:

In August 2002, the provincial government approved the following amendments to Ontario Regulation 719, 720 and 389:

- ✧ Three-month “grace” period on liquor sales licence renewals no longer applies (O. Reg. 719).
- ✧ Standardize the requirement for partitions for licensed and non-licensed areas (O. Reg. 719 and 389).
- ✧ Changes to the pre-approval of advertising by the AGCO (O. Reg. 719 and 720).
- ✧ Allow manufacturers to donate product to charities holding a Special Occasion Permit (O. Reg. 720).
- ✧ Eliminate restrictions on alcoholic content of beverage alcohol sold at stadiums (O. Reg. 719).
- ✧ Allow liquor as a prize at licensed raffle events (O. Reg. 719 and 720).
- ✧ Permit banquet halls more flexibility in packaging banquet events (O. Reg. 719).

In October 2002, the provincial government approved the following amendment to Ontario Regulation 719, 58/00 and 718):

- ✧ Permit a brewery to operate a liquor sales licence premise (Tied House) at the location of the manufacturing site (O. Reg. 719).

- ✧ Permit a brew-on-premise facility licensee to re-locate their business without filing a new application (O. Reg. 58/00).
- ✧ Permit a manufacturer's representative or a Liquor Control Board of Ontario employee to provide samples of beverage alcohol to a liquor sales licensee on the premises of the licensed establishment (O. Reg. 719).
- ✧ Permit winery, brewery and distillery retail stores, and The Beer Store to provide samples of liquor products to consumers (O. Reg. 718).

Performance Measures

PERFORMANCE GOAL	PERFORMANCE MEASURE	PERFORMANCE TARGET	2002 – 2003 COMMITMENT
CONSUMER PROTECTION: Provide for high standards of consumer protection, public safety and business practices.	Ontario will be the best jurisdiction in North America for consumer protection and safety.	100% of high risk/priority requests will be responded to as requested.	Appropriate resources are allocated to assist local enforcement with priority gaming and alcohol compliance matters. Overall, 95% of requests from local enforcement agencies will be addressed and 100% of high priority concerns will be responded to.
CUSTOMER SATISFACTION: Respond to the public's need for efficient service that gives value for money.	Satisfied Customers.	At least 90% customers satisfied.	Monitor and assess 100% of complaints received and take appropriate measures to eliminate systemic and operational problems and satisfactorily resolve 90% of complaints related to service.

The 2002/2003 end results for performance goals established for the agency were all on target.

Board of Directors

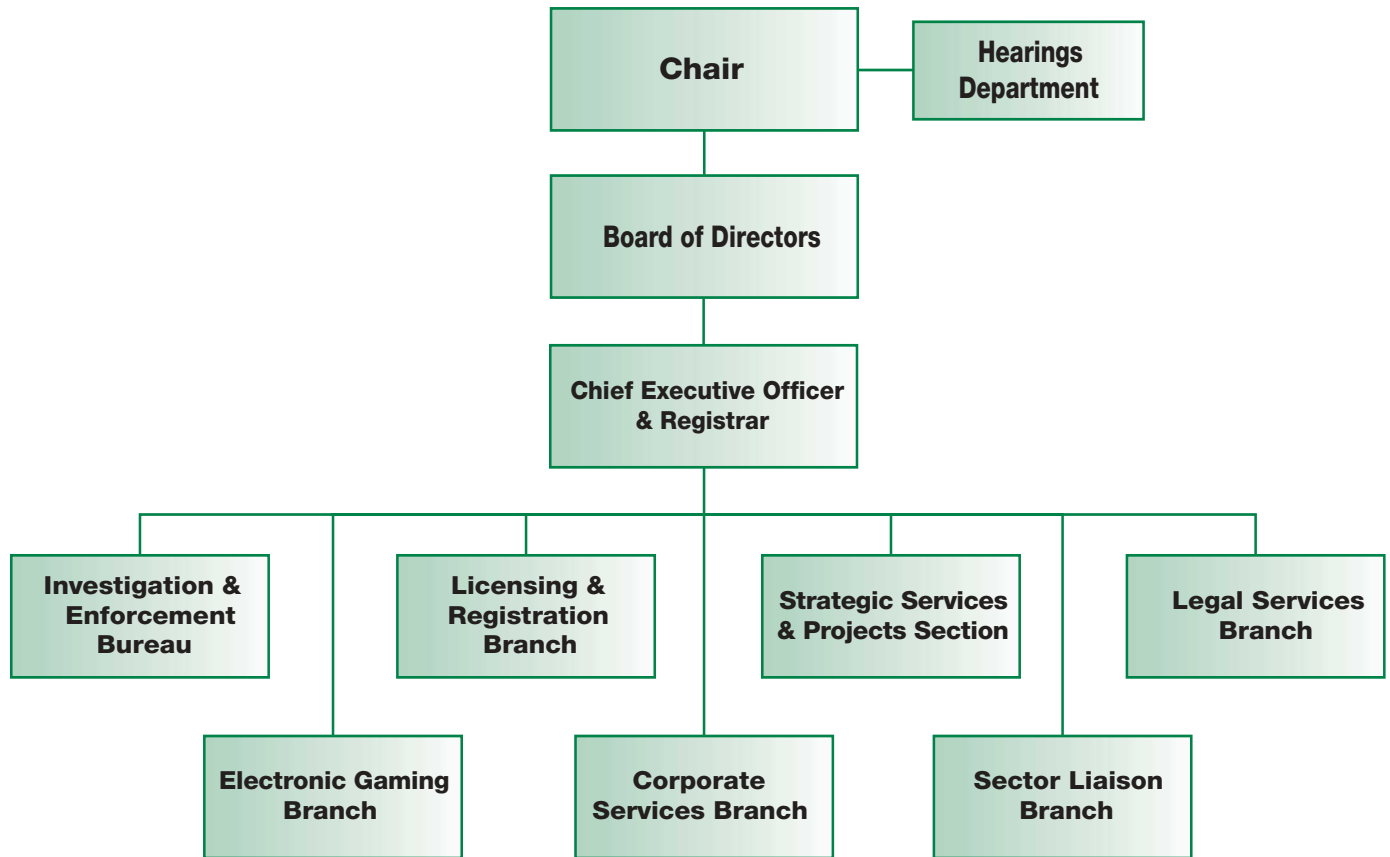
The *Alcohol and Gaming Regulation and Public Protection Act, 1996* constitutes the AGCO as a corporation without share capital. It provides that the AGCO shall have a Board of Directors of at least five (5) members appointed by the Lieutenant-Governor-in-Council.

Name	Background	Appointed	Term Expiry
G.R. (Randy) Barber *	Chair (Thornhill) Businessman, former municipal councillor	February 1997	March 2004
Elaine Kierans	Vice Chair (Toronto) Lawyer, bilingual	May 1998	May 2004
Joel Kuchar	Vice Chair (Thornhill) Lawyer	February 1997	March 2004
John Rossetti	Vice Chair (Woodbridge) Chartered Accountant	May 1996	April 2003
Stephanie Ball	Member (Whitby) Lawyer, legal clinic executive director	September 1997	September 2003
Jo-Anne Best	Member (Lansdowne) Businesswoman, former reeve	June 2001	June 2004
Kirsti Hunt	Member (Sudbury) Educator, bilingual	March 1997	April 2004
Eleanor Meslin	Member (Toronto) LL.B., former assistant deputy minister	November 2000	November 2003
Vaughan Minor	Member (London) Chartered Accountant and former municipal councillor	April 1998	April 2004
R.T. (Ted) Salci	Member (Niagara Falls) Broker/President of a real estate company, former member of the Police Services Board	September 2001	September 2004
Jeffery Steiner	Member (Toronto) Lawyer, principal of venture capital consulting firm	November 2000	November 2003
Terence Young	Member (Oakville) President of a consulting firm specializing in public policy	March 2000	March 2003

* Full-time appointment

Program Delivery

Alcohol and Gaming Commission of Ontario



Chair and Board

The Board conducts required appeal and disciplinary hearings and prepares decisions under the *Liquor Licence Act* and the *Gaming Control Act, 1992*. The Board also conducts public interest hearings to review applications for liquor licences or additions to licensed premises where written objections to the issuance of a licence have been filed.

Gaming-Related Hearings

For Fiscal Years	2001/02	2002/03
Total Number of Hearings	19	18

Alcohol-Related Hearings

For Fiscal Years	2001/02	2002/03
The following describes the type of hearings heard based on the Notice of Proposal issued by the Registrar of Alcohol and Gaming		
Review Application	69	75
Revoke	222	125
Suspend	309	364
Refuse to Transfer/Renew	20	17
Conditions Removed	19	11
Conditions Attached	2	0
Other (includes disqualify premise, refuse special occasion permit, and refuse manufacturer licence)	3	3
*Total Number of Hearings	644	595

* Total number of hearings does not include hearings that were adjourned, continued after March 31st, 2003 or where a hearing has been held and the decision has not been issued.

Alcohol-Related Alternative Dispute Resolution

For Fiscal Years	2001/02	2002/03
Number of Public Meetings pursuant to the <i>Liquor Licence Act</i>	84	105

Financial Performance

The Alcohol and Gaming Commission of Ontario (AGCO) remits all revenues collected to the government's consolidated revenue account, and operates within a separate budget allocation contained in the Ministry of Consumer and Business Services' printed estimates.

In the fiscal year ending March 31, 2003, the AGCO managed all operating expenditures within its budget allocation.

2002/2003 FISCAL YEAR: REVENUES AND EXPENDITURES		
	FISCAL YEAR APR. 1, 2001 TO MAR. 31, 2002	FISCAL YEAR APR. 1, 2002 TO MAR. 31, 2003
REVENUES		
Fees and Levies	\$573,168,982	\$567,193,825
TOTAL	\$573,168,982	\$567,193,825
EXPENDITURES		
Salaries and Benefits	\$30,248,865	\$31,799,644
Other Direct		
Operating Expenses	\$7,541,056	\$9,807,062
Less Recoveries	(\$2,401,501)	(\$5,234,689)
TOTAL	\$35,388,420	\$36,372,017

Audit

The AGCO is subject to Ministry of Consumer and Business Services review and audit. In addition, the AGCO is subject to Provincial Audit and additional audits that the Minister may require.

Gaming: Legal Framework

The *Criminal Code of Canada* (the “Code”) establishes what types of gaming activities are legal, and the provinces are assigned responsibility for operating, licensing and regulating legal forms of gaming.

Criminal Code of Canada

Part VII of the *Code* prohibits gaming in general, while Section 207 (1) allows for a number of exceptions to the general prohibition. Specifically, it permits “lottery schemes” provided that they are:

- ✧ “Conducted and managed” by the province in accordance with any law enacted by that province;
- ✧ “Conducted and managed” by a licensed charitable or religious organization, provided that the proceeds of the lottery scheme are used for a charitable or religious purpose; and
- ✧ “Conducted and managed” by a licensed board of a fair or exhibition or by an operator of a concession leased by that board.

“Lottery schemes” are defined under the *Code* but do not include: three-card monte, punch board or coin table; book-making, pool selling or the making or recording of bets; and games operated through a computer, video device or slot machine, unless the lottery scheme is managed and conducted by the province (Sec. 207(4)).

Only the government of a province can conduct and manage a lottery scheme involving dice, slot machines or other computer devices.

Gaming Control Act, 1992 (formerly the *Gaming Services Act*), which was proclaimed in February of 1993, provides for the regulation of gaming operations, suppliers and gaming assistants/employees of casinos, charity casinos, slot machine facilities and charitable gaming events.

Gaming Control Act, 1992

Order-in-Council 2688/93 (the “OIC”) provides that charitable organizations may be licensed by either the Registrar under the *Gaming Control Act, 1992* (the “Registrar”) or, depending on the type of charitable gaming event and the value of prizes to be awarded, a municipal council, to conduct and manage gaming events. The OIC outlines terms and conditions that apply to lottery licences. The OIC also provides that the Registrar may attach additional terms and conditions to any licences he or she issues, and that municipal councils may attach terms and conditions to licences they issue.

Order-in-Council 2688/93 (as amended)

In order to qualify for a lottery licence, the organization must have a “charitable object or purpose”. Charitable object or purpose is defined at common law and under the OIC as any object or purpose relating to:

- ✧ The relief of poverty;
- ✧ The advancement of education;
- ✧ The advancement of religion; or
- ✧ Any other purpose beneficial to the community.

Ontario is one of the largest charitable gaming markets in North America. The AGCO estimates money spent annually by the public on charitable gaming province-wide at approximately \$1.7 billion. Licensed charitable gaming in Ontario benefits thousands of local community charitable organizations. The AGCO estimates that charitable organizations in Ontario raised approximately \$275 million by holding licensed gaming events.

2002 Estimate of Province-Wide Charitable Gaming Revenues			
	GROSS WAGER	NET REVENUES	CHARITY PROFIT
Bingos	\$1,160,000,000	\$297,000,000	\$152,000,000
Break Open Tickets	\$394,000,000	\$134,000,000	\$55,200,000
Raffles	\$221,000,000	\$132,000,000	\$68,000,000
Total	\$1,775,000,000	\$563,000,000	\$275,200,000

Authority for Lottery Licensing

Municipalities are partners with the AGCO in issuing lottery licences.

The Order-in-Council provides municipalities with licensing authority for:

- ✧ bingo events, including table board bingo, with prizes of up to \$5,500;
- ✧ media bingo events with prizes up to \$5,500;
- ✧ break open tickets for local organizations;
- ✧ raffles up to \$50,000 in prizes; and
- ✧ bazaar lotteries which include: wheels of fortune with a maximum bet of \$2.00, raffles not exceeding \$500, and bingo events up to \$500.

The AGCO is the licensing authority for:

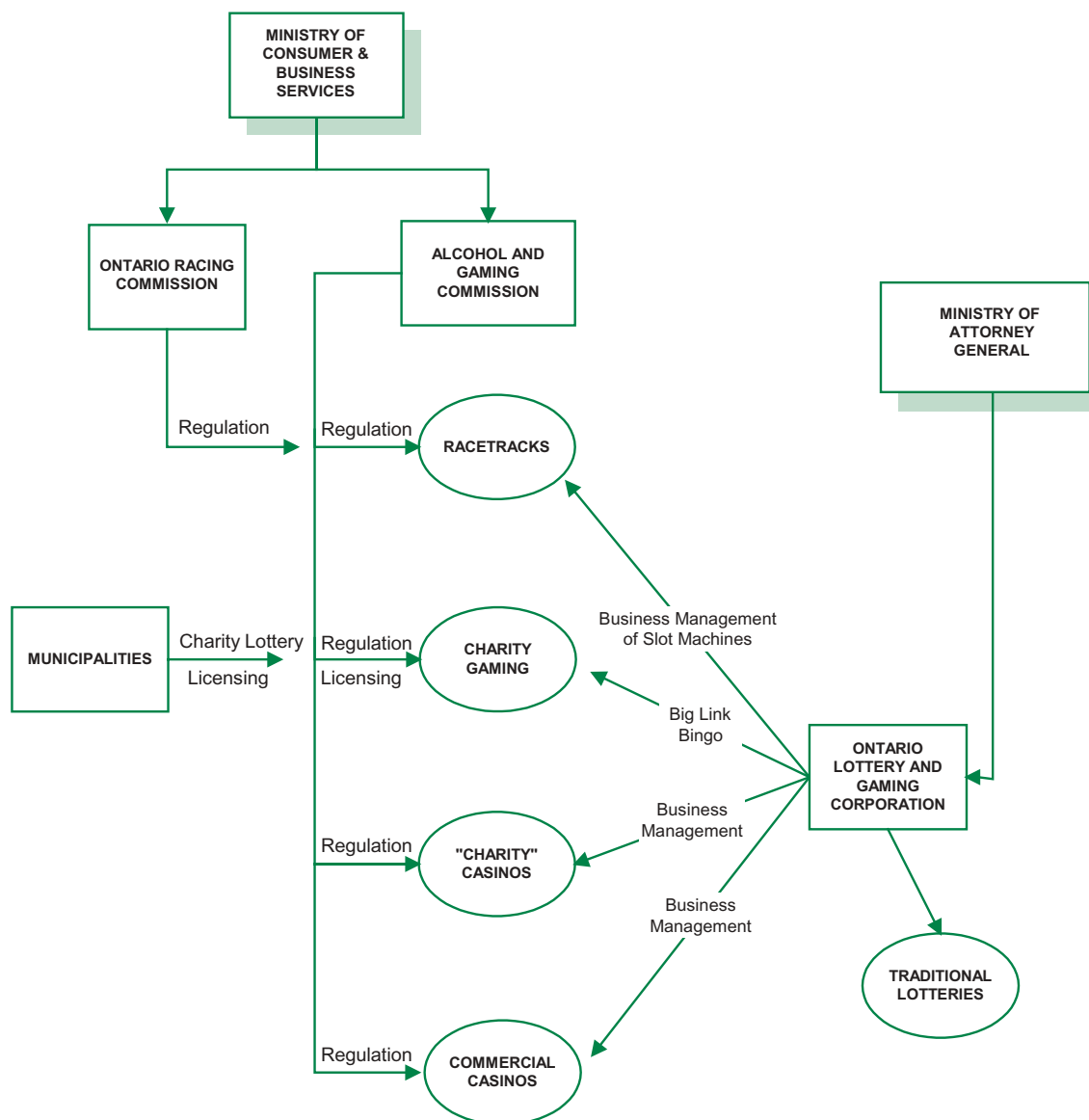
- ✧ bingo events over \$5,500 in prizes;
- ✧ super jackpot bingo events;
- ✧ progressive bingo game events;
- ✧ social gaming events (i.e., table game event held in conjunction with a social event);
- ✧ raffles over \$50,000;
- ✧ break open tickets sold in conjunction with other gaming events;
- ✧ break open tickets sold by organizations with a provincial mandate;
- ✧ fairs and exhibitions; and
- ✧ lotteries held in unorganized territories.

The AGCO assists municipalities in exercising their authority by establishing the terms and conditions for each type of licence, providing direction regarding determining eligibility of organizations for licensing, as well as providing assistance with compliance and enforcement. Compliance staff handles many inquiries from municipalities seeking guidance on the interpretation of licensing policies and terms and conditions. In addition, compliance staff provides information and training sessions for municipalities, licensing officers, charities and suppliers.

In 1998, the government approved a First Nations lottery-licensing framework, which delegates authority comparable to municipalities to individual First Nations. An Order-in-Council (OIC) is issued to each participating First Nation. The OIC provides First Nations with authority to issue licences to religious and charitable organizations to conduct lottery schemes.

First Nations Lottery Licensing

Ontario Gaming Relationships



The Alcohol and Gaming Commission of Ontario is responsible for the regulation of casinos, charity casinos and slot machine facilities (i.e., slot operations at racetracks).

In accordance with the *Criminal Code of Canada*, the Ontario Lottery and Gaming Corporation is responsible for the “management and conduct” of the gaming operations at commercial casinos, charity casinos, slot machine facilities and the linked “Big Link Bingo” (previously known as Superstar Bingo) game played at charity bingo halls.

Municipalities are partners with the AGCO in issuing lottery licences – the majority of lottery licences are issued by municipalities in the province – primarily to religious and charitable organizations for bingo and break open ticket licences.

Alcohol: Legal Framework

The *Liquor Licence Act* establishes the licensing and regulating regime for the sale or service of beverage alcohol in Ontario (except for retail sale to the public by the Liquor Control Board of Ontario).

Liquor Licence Act

Various classes of licences and permits are established including:

- ✧ licence to sell beverage alcohol;
- ✧ licence for brew-on-premise facilities;
- ✧ licence for liquor delivery service;
- ✧ manufacturers' licence;
- ✧ licence to represent a manufacturer of beverage alcohol; and
- ✧ special occasion permits for the sale and service of beverage alcohol on special occasions. For example, cash bars at fundraising events, weddings and receptions.

The *Liquor Licence Act* also establishes the basic rules for sale and service of beverage alcohol:

- ✧ no sale or service to persons under the age of 19;
- ✧ no sale or service to persons who appear to be intoxicated;
- ✧ no sale of beverage alcohol before 11:00 a.m. or after 2:00 a.m. (unless otherwise stipulated);
- ✧ no sale of illegal beverage alcohol; and
- ✧ where beverage alcohol may be consumed (residence, licensed premises, private place).

The *Liquor Licence Act* and regulations provides for an inspection and enforcement regime to ensure that licensees and permit holders are in compliance with the law and regulations relating to the sale and service of beverage alcohol.

Effective July 3, 2001, the Alcohol and Gaming Commission of Ontario assumed responsibility from the LCBO for the following:

- ✧ To control the delivery of liquor to the public;
- ✧ To authorize manufacturers of beer, spirits, and wineries that manufacture Ontario wine, to sell their spirits, beer or Ontario wine in stores owned and operated by the manufacturer or winery and to authorize Brewers Retail Inc. to operate stores for the sale of beer to the public;

Liquor Control Act, [Section 3(1)b, e, f, g and 3(2)a, d]

- ✧ To control and supervise the marketing methods and procedures in stores owned and operated by manufacturers and wineries referred to in the second bullet;
- ✧ To determine, subject to the *Liquor Licence Act*, the municipalities within which stores owned and operated by manufacturers and wineries referred to in the second bullet shall be established or authorized and the location of such stores in municipalities;
- ✧ To establish conditions, subject to any regulation, with respect to authorizations for stores owned and operated by manufacturers and wineries referred to in the second bullet; and
- ✧ To establish conditions, subject to any regulations, with respect to authorizations granted with respect to the delivery of liquor to the public.

Wine Content and Labelling Act, 2000

The *Wine Content and Labelling Act, 2000* specifies that an Ontario winery can manufacture and sell wine in the province using imported grape or grape products. If an Ontario winery chooses to use imported grapes or grape products in manufacturing its wine, the content of each brand of wine manufactured by the winery must be no less than 30% Ontario grapes or grape product.