

Who Wins?

Government and citizens clash over VLTs

BY CHARLES MANDEL

Even before the Canada West Foundation took a hard look at the social costs of gambling, Foundation chairman, Jim Gray knew of the Video Lottery Terminals' power to attract gamblers and wreak havoc in their lives. He had followed the issue in the media and had observed the effects first-hand — a friend's son entered counselling for gambling addiction when unexplained charges appeared on the father's Visa statement.

All of this troubled Gray, a man with a strong social conscience. But the facts uncovered in the Foundation's report disturbed him even more. The per-capita gambling figures that place Alberta third in North America, after Nevada and New Jersey. The alarming eight per cent of the province's youth aged 12 to 17 who are problem gamblers, a rate that is even higher, 13 per cent, among native young people. The correlation between the 60 per cent of Alberta's gross gambling revenues that came from VLTs and the 60 per cent of calls to the Alberta Alcohol and Drug Abuse Commission's (AADAC) gambling hotline that were related to VLTs.

This knowledge galvanized Gray into action. "We believe the evidence is clear — VLTs are harming the quality of life in our city and province," says the widely respected chairman and CEO of Canadian Hunter Exploration Ltd. "Gambling is a money tree whose roots go deep in human misery." Hoping to tear the tree out at its roots, Gray has called for a municipal plebiscite on whether VLTs should remain in Calgary. But before he can get the question onto the ballot for this fall's civic election, he must assemble a petition of names proving that Calgarians share his concern.

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Although he is betting they do, mustering their support is no easy task. In the 60 days following April 6, Gray must gather the names, addresses, and witnessed signatures of 10 per cent of Calgary's population. Because the voting age is 18, the actual figure is closer to 16 per cent, or 80,000 Calgarians. What he really needs, though, is 100,000 signatures, the extra 20 per cent being a contingency in case some people fail to fill in the petition correctly or inadvertently sign it twice. "It will be just about the largest petition ever attempted," says Gray, whose piercing eyes suggest he is prepared to take on any challenge. "It's a very tough job."

It's clear what has driven Gray to devote all his free time to stumping around the province delivering speech after speech. But why should he have to gather the names? Why are other Alberta municipalities bickering about petitions and plebiscites of their own? And where is the provincial government's leadership and democratic guidance in all of this?

The answer to the last question lies in the story of VLTs itself. Just as a compulsive gambler might neglect a child to play the machines, the provincial government has abdicated its public policy responsibilities in favour of easy gambling revenues. "Had the VLT introduction process been more rigorous and preceded by an open public debate, discussions of the cost and benefits of VLTs to the community could have occurred," concludes Garry Smith, a gaming research specialist, University of Alberta professor, and the author of the Canada West Foundation's report. "Issues such as location of the machines, shares of revenues, hours of availability, etc. could have been publicly debated prior to introduction of the machines."

But that's not what happened. The government did not consult with the public before introducing the first 175 computer-controlled gaming devices at the Calgary Stampede and Edmonton's Klondike Days in 1991; or before testing 350 machines in 30 communities. No

public consultation preceded the 1992 decision to approve 8,600 terminals for 1,200 casinos and bars. It was three years before the Lottery Review Committee, headed by Conservative MLA Judy Gordon, addressed the issues surrounding VLTs. As a result of that review, the government put a cap on the number of VLTs in the province. But by then it was too late.

Had the provincial government considered the economic and social consequences more carefully before allowing VLTs to proliferate, it might have avoided the devastation. The anecdotal stories of VLT addiction are legion — tales of mortgage foreclosures, families, torn apart, desperate suicides. One man in St. Albert, hoping to collect the \$1,000 maximum pay-off, claims to have sunk \$70,000 in loonies into the machines over a three-year period.

While the stories are bad enough, the statistics are far worse. In 1996, AADAC treated 2,300 Albertans for gambling problems, an increase of 1,000 from 1994/95. Sixty per cent of the agency's clients cited concerns about VLTs. Of the 3,000 calls AADAC's gambling help line received last year, nearly two-thirds were related to VLTs.

Although proponents of VLTs argue only 5.4 per cent of Alberta's population suffers from VLT-related problems, Jim Gray asserts the impact is much greater. Assuming this 5.4 per cent is an accurate figure, there are about 106,000 Albertans who are problem gamblers — and they hardly live in isolation. It is estimated that every gambler's problem has an impact on the lives of 10 to 17 other individuals. Even using the lower figure, Gray says, that means 1.6 million Albertans are affected.

Nor are the problems likely to stop here. If Canadian trends follow those in the United States, which introduced VLTs in South Dakota in the early 1990s, addiction-related problems could rise dramatically in the next couple of years. Robert Hunter, a clinical psychologist and director of the Charter Hospital in Las Vegas, calls VLTs the "crack cocaine of gambling." He has

watched with mounting frustration as VLT addictions have risen from 50 per cent of gambling-related problems to 90 per cent in the past three years. He attributes this sudden increase in VLT-addicted gamblers in Nevada to the greater accessibility of the machines. "The problem's been rising for 10 years and exploding for three," he says emphatically. "What's sweeping the United States is not gambling, it's video-gaming."

This distinction between gambling and gaming is based on a British model, but in the case of VLTs, it's an important one to make. Poker, blackjack and slot machines are "hard" gambling. Once outlawed and potentially addictive, they have long been known to have harmful consequences. Raffles, bingo and lottery tickets are considered "soft," more socially acceptable forms of gambling. VLTs blur the boundaries between the two, mixing hard gambling with soft entertainment.

At a recent conference on VLTs and electronic gambling in Edmonton, Bill Eadington, director of the Institute for the Study of Gambling and Commercial Gaming at the University of Nevada, presented a hierarchy of gambling that proceeds from destination resort casinos, to border town casinos, urban casinos, and, finally, to "non-casino placement of gaming devices" — what he calls "urban casinos without a centre" — or VLTs in bars.

As he ran through the hierarchy, Eadington demonstrated that the economic benefits are greatest and the social consequences the least at the destination resort casino level. Resort casinos are capital intensive projects, creating jobs, and acting as tourism draws for their regions. Their very distance from population centres acts as a buffer to protect people from their own foolishness.

In the "urban casinos without a centre," the economic benefits decline and the social consequences increase. VLTs are strong tax-collecting mechanisms that create few jobs and require next to no capital expenditure — only \$9,000 per machine — to put them in place. Eadington says their significant "reallocation



of money” makes them unpopular with other competing forms of entertainment, ranging from art galleries and museums to cinemas. Even casino owners don’t like them: the electronic devices cut into their revenues. Problem gamblers can’t avoid the machines. “You lose that last control with gaming devices available at every turn of the corner,” says Eadington.

With their garish lights and noisy jingles, VLTs certainly have the power to attract players and suck money out of them. Each of Alberta’s 5,586 VLTs takes in an average of almost \$1,000 a day, a sum equal to the potential maximum pay-out of each machine. In 1996/97, the VLTs in 1,098 Alberta casinos, hotels and bars took in \$1.6 billion. The government’s net revenue was \$460 million, while retailers picked up \$82 million. The rest was paid back to the players. The VLTs net more for the province than health care premiums, fuel, liquor, and tobacco taxes combined. It’s a far cry from the predictions of Ken Kowalski, the supply and services minister who introduced the machines and counted on netting a tidy \$50 million from them each year.

According to the province, the odds are programmed to give a 92 per cent pay-out for every dollar put in. But the odds are deceptive. That 92 per cent pay-out is based on one spin at the maximum bet of \$2.50. With every subsequent spin, the odds decrease, becoming a pay-out of 92 per cent of 92 cents and so on. Most players load the machines up with more than \$2.50 before they start their play. The actual pay-out is closer to 70 per cent, which is supported by the government’s own figures.

VLTs earned Hunter’s “crack cocaine” epithet because the qualities that determine the game of chance are maxxed out on the ultra-addictive gaming devices. A horse race may take up to 25 minutes between wagers and a game of blackjack takes two to three minutes, but a single VLT wager occurs in less than two seconds. The time from play to reward is extremely short, creating a perception that the stakes are low. In fact, they aren’t — a gambler may spend a large amount of money very quickly. The game also offers the illusion of skill, with many players mistakenly believing they can predict cycles of winning combinations.

VLT players don’t gamble for money, but for credits, which are printed on a receipt and spit out into the machine’s hopper. The machines convert cash into electronic credits, with each dollar buying four credits. Players then trade the credits won for cash at the bar. Garry Smith maintains this makes VLTs more addictive than old-fashioned slot machines. “You get a reality check if you’re playing with money,” he says. “If you win, you’re more likely to scoop up the coins and leave instead of playing the credits out.”

However, the cash enticement may not be the real reason gamblers play VLTs. Smith breaks down gambler profiles into two categories: escape and action players. Escape players are mostly middle-aged women who are dissatisfied with their home life or may have abusive

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husbands. They use the game as a coping strategy, playing the machines for hours and using them to block out uncomfortable thoughts. Action players crave the constant excitement provided by the fast play. Both are equally vulnerable to large financial losses. The Canada West Foundation report also cites a study that indicates many problem gamblers suffer from stress-related symptoms such as depression, stomach problems, insomnia, high blood pressure and migraines. Their spouses are more likely to attempt suicide, suffer a nervous breakdown, or abuse alcohol or drugs. Substance abuse is also a concern with their children. Compulsive gamblers, their spouses and families put more pressure on an already strained health care and social service system.

So who wins? Obviously, the province benefits. The introduction of VLTs coincided with a flattening of lottery ticket sales, at one time a profitable tax source for governments. Alberta was one of a number of provincial and state governments that intentionally introduced VLTs to regenerate tax revenues. The other vocal proponent of VLTs is Alberta’s sagging hotel industry. The VLTs provide them with a lucrative subsidy that operators say offsets their high tax rate. Faced with municipal plebiscites voting out their main source of income, provincial hotel owners have organized a lobby group known as Hospitality Alberta. “We believe people who are in favour of having VLTs removed are well-meaning, but misinformed,” asserts Mitch Panciuk, Hospitality Alberta spokesperson and manager of Edmonton’s Rosslyn Motor Hotel, which has 21 VLTs in four different bars.

“We’re just businessmen and women out there trying to earn a living, trying to provide employment for our staff and trying to run a successful operation,” says Panciuk. He defends the VLTs on three points. First, he says, the bar business is no longer simply a beverage industry, but has diversified and offers other forms of entertainment. VLTs help to pull traffic into the bar.

Second, he claims, the cash flow VLTs generate for the hotels is now irreplaceable. “We can’t simply go back to the way things were before the VLT because the market has changed.” And third, he insists that removing the VLTs will change nothing.

What it will do, he believes, is create an underground market for illegal, so-called “grey” machines. Panciuk maintains Quebec had 40,000 of them before they introduced legal VLTs. And he says the hotel industry in Alberta will collapse, noting some estimates that two-thirds of the province’s bars would end up in difficulty. He advocates a compromise, calling for some of the recommendations from the 1995’s Lottery Review Committee report, such as slowing down the machines, reducing the maximum bet, and increasing pay-out levels.

Panciuk does not deny VLT addiction is a problem. The Rosslyn prominently displays the phone number for the AADAC help line, and Panciuk says the policy for VLT addicts is the same as for alcoholics. If a gambler or his or her family tells him the problem exists, Panciuk will ensure they are not allowed to play the games. And just how many times has the Rosslyn assisted gamblers in this way? “I have not had that happen once,” Panciuk admits.

“There’s no such thing as money without a cost,” Jim Gray says. VLTs are a particularly vicious illustration of that old saying. Governments are addicted to the revenue, hotel owners are dependent on their share, and gamblers are hooked on the game. For a long time, it was believed a fourth party needed the money as well — charities, churches and community groups. However, the provincial Liberal Party recently demonstrated that VLT revenue is all going into the government’s general revenue; lottery grants have held steady since before the introduction of VLTs.

The Liberals’ finding had an ironic twist. Only weeks before they revealed their discovery, Premier Ralph Klein angrily lashed out at church and community groups, accusing them of being hypocritical for accepting lottery funds while railing against VLTs. The remark was the first ill-considered move in an issue that the provincial Conservatives had managed smoothly until that time. Church and community groups in Calgary and Edmonton kicked back, chastising Klein for his remarks and toughening their stance on VLTs.

Klein’s nasty barb may have done more to spark debate on the issue than any other single factor. It also showed the government’s overriding arrogance on the VLT issue and demonstrated the general lack of leadership they’ve shown around VLTs. From the start, the provincial government has pretended to manage the issue, while benignly ignoring the pleas of hard-hit communities to have the machines pulled from their

hotels and bars. In the fall of 1996, Rocky Mountain House couldn’t stand it any longer. The community said it would hold a municipal vote on whether the machines should stay or go.

The government’s initial response was to say it would honour the outcome of such a vote. But it reversed its decision in early 1997, threatening to withhold VLT profits from any community that voted the machines out. *The Edmonton Journal* reacted to the news with an angry editorial: “What is being asked is not for the government to protect people from their own weaknesses, but simply for government not to exploit those weaknesses. . . . Some Albertans are asking their government to deal with a problem it created. That is a pitch for decency, and responsibility in government, nothing more.”

As it turns out, it was a lot to ask. The province continued to shirk the issue, choosing instead to use the age-old strategy of divide and conquer by letting every municipality hold its own separate vote on the machines. Of the five votes held to date, four municipalities — Rocky Mountain House, Wood Buffalo, Sylvan Lake and Lacombe — have chosen to dump the machines. Only Barrhead decided to keep them. A 1996 petition in Edmonton failed to gather enough names to push the issue to a vote. So it seems the government’s strategy to manage the VLT issue by not managing it at all has been extremely successful. Witness Gray’s Calgary petition.

Gray calls the process grassroots politics, and while it may be that, it doesn’t have much to do with democratic leadership. Edmonton councillor Michael Phair argues money shouldn’t have a bearing on whether an issue gets on a municipal ballot. Yet, he points out, that’s exactly what’s happening with the costly, time-consuming VLT petition process. From the start, the whole issue has been about the almighty dollar. And in almost every instance, the buck has meant more than the people who spend it. The province never consulted with anyone when they introduced the machines. Now it’s shedding responsibility faster than a gambler plugging loonies into an insatiable VLT.

“Somebody can have an idealistic view that we should have a province-wide referendum, but that isn’t going to happen,” Gray flatly states. Instead, he argues, the process started in Rocky Mountain House is one that cannot be changed or reversed. “It’s very hard to scrap a process when it’s underway. The government has said, ‘You tell us what you want and we’ll abide by your wishes.’”

In Alberta, it appears it is too much to ask that the government set public policy and show some responsible leadership. That may be something to remember come the next election, whether the VLTs stay or go. ❧