



# 2009/10 Annual Report

Alcohol and Gaming Commission of Ontario

# AGCO

Alcohol and Gaming  
Commission of Ontario



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**Alcohol and Gaming  
Commission of Ontario**

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et des jeux de l'Ontario**

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**Alcohol and Gaming Commission of Ontario  
2009/10 Annual Report**

MEMORANDUM TO: The Honourable Chris Bentley  
Attorney General of Ontario

FROM: David C. Gavsie  
Chair, Alcohol and Gaming Commission of Ontario

I am pleased to present the Alcohol and Gaming Commission of Ontario's Annual Report covering the period April 1, 2009 to March 31, 2010.

A handwritten signature in black ink, appearing to read "D. C. Gavsie".

**David C. Gavsie**  
*Chair, Alcohol and Gaming Commission  
of Ontario*

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# MESSAGE FROM THE CHAIR



**David C. Gavsie**  
*Chair, Alcohol and Gaming  
Commission of Ontario*

## **AGCO'S MANDATE**

The established mandate of the Alcohol and Gaming Commission of Ontario (AGCO) is to regulate the alcohol and gaming sectors in accordance with the principles of honesty and integrity, and in the public interest. We fully appreciate that as a regulatory body, the AGCO has a special duty to lead by example and ensure that the government, the public and our stakeholders have confidence in our processes and decision-making with respect to the sectors which we regulate.

## **IMPROVEMENT TO SERVICES**

From liquor licensing and enforcement, to the regulatory oversight of charitable gaming, casinos, slot machine facilities at racetracks and lotteries operated by the OLG, the AGCO always strives to ensure that its activities are accountable, transparent and in the public interest. Over the past year, we have continued to improve the quality and quantity of services to our many stakeholder groups, and have also introduced new policies and programs to support their growth while maintaining public safety and public confidence.

## **BETTER GOVERNANCE AND OVERSIGHT OF ALL AGCO'S REGULATORY AND OPERATIONAL ACTIVITIES**

From the perspective of the AGCO Board, a significant part of our responsibilities is the governance and oversight of all of the AGCO's activities—both regulatory and operations. In 2009/10, the Board restructured two committees to support this

“...the AGCO always strives to ensure that its activities are accountable, transparent and in the public interest.”

function—the Regulatory Governance Committee and the Corporate Governance Committee. These committees focus on financial, audit, administrative and regulatory oversight of the AGCO to ensure transparency of our operations, and to maintain the strict controls on all critical elements of operations including procurement and expenses which have been long-established at the agency.

## **GOVERNMENT CHANGE: TRAVEL AND HOSPITALITY EXPENSES DIRECTIVE**

In the past year, there have been several important changes implemented by the government which focus on the governance of agencies, boards and commissions, amongst which were the implementation of an amended procurement directive and a new travel and hospitality expenses directive. As with their predecessors, these directives continue to be fully adhered to by the AGCO, as noted by the Travel and Expenses and Procurement audits carried out by the Ministry's Internal Audit Division in 2009, which found the AGCO compliant with the requirements of the directives. The AGCO has been subject to several major external audits over the last several years, and we expect the results of the audit being conducted by the Auditor General's office on casino gaming regulation, which began in Fall 2009, to be released in the 2010/11 fiscal year.

## **PROVINCIAL INITIATIVE: OPEN FOR BUSINESS**

Through 2009/10, the AGCO also worked to support another of the Ontario government's major initiatives—the "Open For Business" program, which will streamline government services for business, and transform the system of regulatory oversight in the province. To that end, the AGCO continues to modernize the regulatory frameworks for both the alcohol and gaming sectors by reviewing and modifying our policies, programs and procedures with the aim of reducing the burden on businesses seeking to operate in Ontario without compromising public safety or public confidence in the industries we regulate.

On behalf of the Members of the Board of the AGCO, we remain committed to strengthening Ontario's alcohol and gaming sectors through the continued provision of good governance and responsible management.



**David C. Gavsie**

*Chair, Alcohol and Gaming Commission  
of Ontario*

# MESSAGE FROM THE CHIEF EXECUTIVE OFFICER



**Jean Major**  
*C.E.O., Alcohol and Gaming  
Commission of Ontario*

## **RISK-BASED AND STANDARDS-BASED APPROACH TO REGULATION**

This past year has been an active one as we continued our efforts to implement a risk-based and standards-based approach to regulating the alcohol and gaming sectors. In 2009/10 we have specifically focused on achieving greater compliance rates from our licensees and registrants and setting the foundation for better service delivery to our clients. We have begun implementing this approach across the agency in order to achieve internal operational efficiencies and appropriately manage risks. The goal is to become a more effective regulator—one which enables businesses to operate in a more business friendly environment and, at the same time, better target Alcohol and Gaming Commission of Ontario (AGCO) resources on those licensees and registrants who require the most attention.

## **PREVENTATIVE COMPLIANCE-FOCUSED APPROACH COUPLED WITH ENFORCEMENT**

With regards to the regulation of the sale and consumption of beverage alcohol in Ontario, public safety, as always, is a main driver for the AGCO's regulatory efforts. This year, the AGCO continued to focus on implementing a compliance-based model of regulation. A fair, effective and graduated compliance structure, which includes monetary penalties, will be used to better link administrative action with the risks posed by a licensee or a registrant. While enforcement remains a key component of the AGCO's

“...we have specifically focused on achieving greater compliance rates from our licensees and registrants and setting the foundation for better service delivery to our clients.”

mandate where the laws governing liquor or gaming are breached in a serious or consistent manner, a compliance-focused approach looks to reduce the likelihood that these laws are breached in the first place.

This proactive and preventative approach will encourage a greater understanding of the regulatory requirements by industry stakeholders, as well as the responsibilities of the public-at-large, creating an environment generally more conducive for regulatory compliance. Part of this approach included the implementation of risk-based licensing for liquor sales licensees—a process where the AGCO reviews liquor sales licence applications in order to identify public safety and public interest risks associated with a particular establishment and then work with licensees on strategies to mitigate these risks. On March 1, 2010, the AGCO extended this risk-based model to include all liquor sales licence applications across the province.

## **CONTINUED MODERNIZING OF COMMERCIAL GAMING RISK MANAGEMENT**

Within the commercial gaming sector, the AGCO has also started to shift its approach to regulation to



help ensure that strong and clear industry standards are established and that these standards are based on identifiable and relevant risks. The AGCO is in the initial stages of modernizing the regulatory framework in a manner where risks can be assessed, mitigation strategies implemented and, ultimately, a framework created which regulates and manages risk appropriately while at the same time being more responsive to the needs of business and reducing unnecessary administrative and regulatory burdens.

### **COOPERATIVE MARKETING AND MEDIA CAMPAIGNS IN CHARITABLE GAMING SECTOR**

The charitable gaming industry, which directly benefits communities across the province, continues to experience challenges with ongoing competition for customers and their entertainment dollar. As a result, the AGCO continues to support and modernize this important sector to increase its health and viability and to provide it with the flexibility to grow the business while maintaining appropriate levels of accountability. A successful example of this in the past fiscal year was a major marketing and promotion undertaking that saw bingo halls throughout Ontario cooperatively brand the industry in Ontario and execute a province-wide media campaign along with joint promotional contests.

### **FOUR YEAR IT PLAN CONTINUES TO IMPROVE SERVICES**

Operationally, a prime focus has been in achieving efficiencies in our operations in efforts to both address funding constraints and improve external delivery of services to our stakeholders. The continued implementation of our four-year IT strategic plan was key in meeting these objectives as the IT infrastructure provides the foundation architecture to enable the AGCO to implement electronic service delivery including a forms on demand feature.

### **IMPROVING ENFORCEMENT WITH TRAINING AND JOINT FORCES OPERATIONS**

While more emphasis is being placed on education and working with licensees and registrants through

the launch of our public affairs program, the AGCO also continues to develop our partnerships with municipalities and local police services to enhance local and regional liquor enforcement. To support those ends, the AGCO participates in many joint forces operations as well as provides training materials for front-line police officers. In 2009/10, these materials included the development of a training video on identifying and reporting breaches of the liquor laws, and the sponsorship of an award of excellence in liquor enforcement which will be presented annually to two police services by the Ontario Association of Chiefs of Police.

As we move into 2010/11, the AGCO will be well positioned to address any new challenges and changes, while ensuring that the alcohol and gaming sectors in Ontario are operated responsibly, in compliance with the law, and in the interests of public safety.



**Jean Major**

*Chief Executive Officer, Alcohol and Gaming Commission of Ontario*

# AGCO OVERVIEW AND KEY ACTIVITIES

## AGCO OVERVIEW

The Alcohol and Gaming Commission of Ontario (AGCO) is a quasi-judicial regulatory agency of the provincial government which was established February 23, 1998 under the *Alcohol and Gaming Regulation and Public Protection Act, 1996* (AGRPPA). The AGCO reports to the Ministry of Consumer Services.

The AGCO is responsible for administering and enforcing the rules set by the Ontario government through the *Liquor Licence Act* (LLA) and the *Gaming Control Act, 1992* (GCA). The AGCO also administers the *Wine Content and Labelling Act*, Sections 3(1)b, e, f, g and 3(2)a, and b of the *Liquor Control Act*, as well as the charity lottery licensing Order-in-Council 1413/08 in order to regulate the following activities:

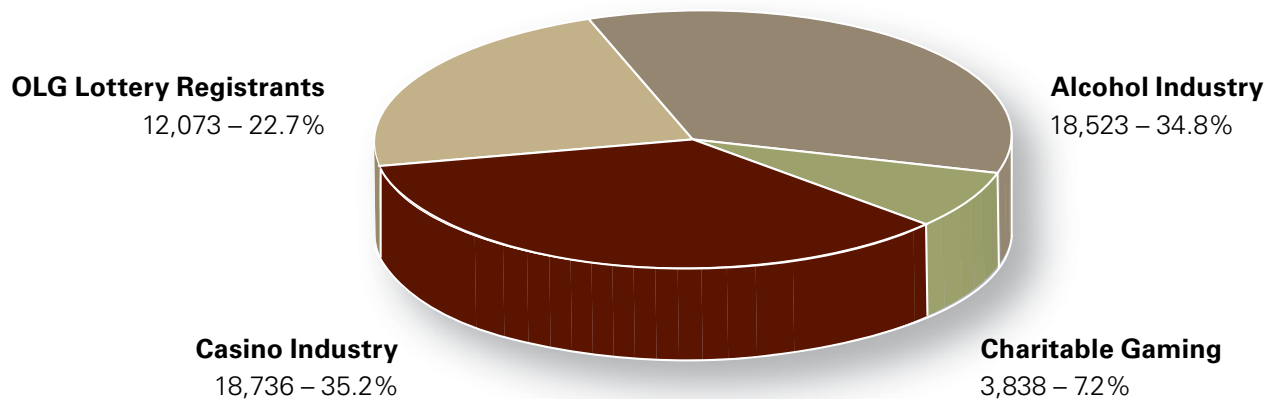
- The sale and service of beverage alcohol,
- Lottery schemes conducted by charitable and religious organizations,
- Commercial gaming including casinos and slot machine facilities at racetracks, and
- Lotteries operated by the provincial government

The AGCO's main objectives are to ensure that liquor is sold and served responsibly, that public safety is protected and that gaming is conducted with honesty and integrity and in the public interest. These principles, which are prescribed in the AGCO's governing legislation, require the AGCO to exercise its powers and duties in the public interest and in accordance with the principles of honesty, integrity and social responsibility, and serve as a reference point in determining how the agency goes about fulfilling its regulatory mandate. The AGCO also promotes transparency in all of its activities.

The AGCO's primary functions impact a large and diverse stakeholder group in the liquor and gaming industries. The AGCO registers and licenses approximately 62,000\* businesses and individuals under the LLA and GCA, including those involved in lotteries conducted by the Ontario Lottery and Gaming Corporation (OLG), and issues lottery licences to charitable organizations pursuant to a provincial Order-in-Council.

## AGCO CLIENT BASE

(Based on number of licensees and registrants)



\* Based on number of licensees and registrants but does not include the +/- 62,000 Special Occasion Permits issued annually or the +9,600 lottery licences issued by the AGCO on an annual basis.

# VISION, MANDATE, MISSION

## Our VISION

A leader in the alcohol and gaming sectors through effective regulation and services that are fair, responsive and in the broader public interest.

## Our MANDATE

To regulate the alcohol and gaming sectors in accordance with the principles of honesty and integrity, and in the public interest.

## Our MISSION

The AGCO commits to conducting business in a manner that will:

- Develop, implement and enforce fair policies and procedures.
- Establish a framework of critical regulatory controls in the public interest that are sensitive to the economic viability of the alcohol and gaming industries.
- Create a supportive work environment that respects and values AGCO staff contributions and provides them with opportunities for growth and professional achievement.
- Be client focused in the way we respond and manage client and stakeholder needs.
- Educate clients and stakeholders and develop partnerships.

## KEY ACTIVITIES

The AGCO is responsible for the administration of 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];
- *Gaming Control Act, 1992*;
- Lottery Licensing Order-in-Council 1413/08; and
- *Alcohol and Gaming Regulation and Public Protection Act, 1996*.

The administration of these Acts and the Order-in-Council involves the following core activities:

### Regulating Ontario's Alcohol and Gaming Sectors

- Licensing and regulating Ontario's establishments that sell or serve liquor, liquor delivery services, liquor manufacturers and their agents, agents of foreign manufacturers, and brew-on-premise facilities.
- Administering the Special Occasion Permit (SOP) program which is delivered through designated Liquor Control Board of Ontario (LCBO) retail stores.
- Authorizing the location of manufacturers' retail stores, which include on-site and off-site winery retail stores, on-site distillery retail stores, brewery retail stores and Brewers Retail Inc. stores (The Beer Store).
- Registering commercial suppliers and gaming employees of charitable gaming events, commercial casinos, OLG casinos and slot machine facilities 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).
- Licensing games of chance at fairs and exhibitions.
- Approving rules of play or changes to rules of play for games of chance conducted and managed by OLG.

- Excluding persons from accessing gaming premises in the province of Ontario pursuant to the GCA and its regulations.
- In July 2007, the AGCO was assigned responsibility for regulating the provincial lottery system. This includes registration of individuals and businesses providing services to, or on behalf of, OLG (i.e. Lottery Retailers).

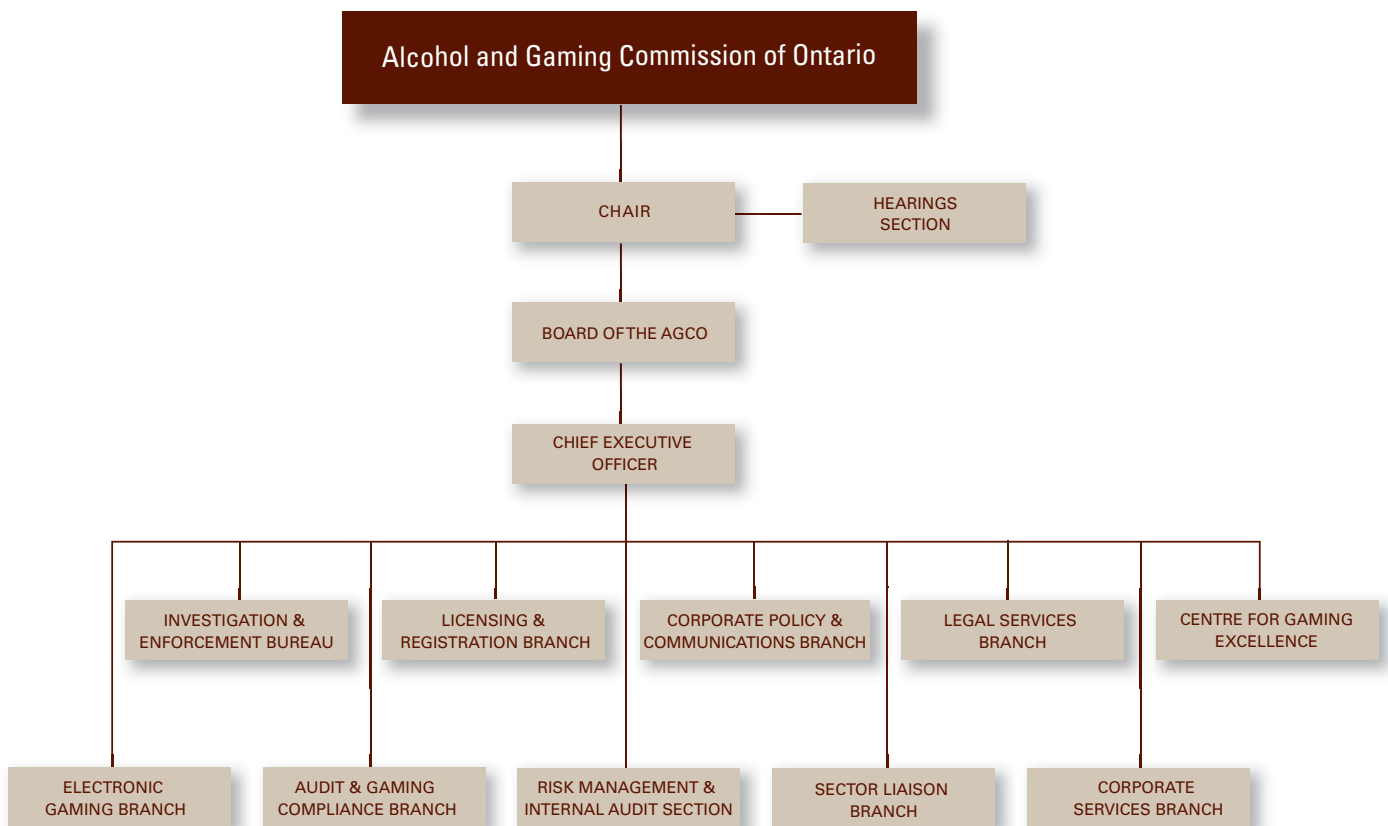
### Investigating, Inspecting & Monitoring

- Inspecting and monitoring licensed establishments to ensure compliance with the LLA and regulations.
- Inspecting and monitoring charitable gaming events, commercial casinos, OLG casinos and slot machine facilities at racetracks for compliance with the GCA, its regulations, and licensing and registration requirements.
- Conducting background investigations on individuals and companies seeking registration and licensing under the GCA and LLA.
- Providing police presence at commercial casinos, OLG casinos and slot machine facilities at racetracks.
- Conducting audits of companies registered and licensed under the GCA and LLA.
- Approving and monitoring internal control systems, surveillance and security systems, and other operational systems for commercial casinos, OLG casinos and slot machine facilities at racetracks for compliance with all regulatory requirements.
- Testing, approving and inspecting slot machines and gaming systems.
- Inspecting and monitoring retailers who sell lottery tickets on behalf of OLG.
- Investigation of insider wins involving lottery retailers, lottery retailer managers or lottery equipment suppliers.
- Investigation of suspicious lottery wins carried out by the Ontario Provincial Police (OPP) Bureau assigned to the AGCO.

### Adjudication

- Conducting hearings on proposed actions by the Registrar under the LLA and GCA.
- Conducting hearings on Registrar’s refusal to licence or register under the LLA and GCA.
- 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 liquor licensed premises, additions to liquor licensed premises or revocation of 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.
- Arbitrating disputes between two or more claimants for a lottery ticket prize.
- Conducting appeals of orders of monetary penalties imposed by the Registrar.

### ORGANIZATIONAL STRUCTURE



## BOARD OF DIRECTORS

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



Name	Position	Term
<b>1. David C. Gavsie</b>	Full-Time Chair	First Appointed: November 2005 Term Expires: October 2013
<b>2. Kirsti Hunt</b>	Part-Time Vice-Chair	First Appointed: April 1997 Term Expires: April 2011
<b>3. Patricia McQuaid</b>	Full-Time Vice-Chair	First Appointed: April 2003 Term Expires: November 2013
<b>4. Jacqueline Castel</b>	Part-Time Member	First Appointed: April 2008 Term Expires: April 2012
<b>5. Beryl Ford</b>	Part-Time Member	First Appointed: September 2004 Term Expires: September 2010
<b>6. Brian Ford</b>	Part-Time Member	First Appointed: September 2004 Term Expires: September 2010



Name	Position	Term
<b>7. Allan Higdon</b>	Full-Time Member	First Appointed: April 2005 Term Expires: March 2013
<b>8. S. Grace Kerr</b>	Part-Time Member	First Appointed: July 2007 Term Expires: July 2012
<b>9. Joan Lougheed</b>	Full-Time Member	First Appointed: April 2008 Term Expires: April 2012
<b>10. Bruce Miller</b>	Part-Time Member	First Appointed: December 2008 Term Expires: December 2010
<b>11. Alex McCauley</b>	Part-Time Member	First Appointed: October 2005 Term Expires: October 2013
<b>12. Eleanor Meslin</b>	Part-Time Member	First Appointed: November 2000 Term Expires: February 2012

\* The above list of Board Members reflects the Board as at March 31, 2010, including their original appointment date.

## **AGCO BOARD ACTIVITIES**

### **Governance**

The Board is responsible for the overall governance of the Commission and meets as a Board of Directors on a monthly basis. In exercising its governance functions, the Board sets goals and develops policy and strategic directions for the Commission to fulfill its mandate.

This involves working with the Chief Executive Officer and Senior Management through the Board's Regulatory Governance and Corporate Governance committees. The AGCO exercises its powers and duties in the public interest and in accordance with the principles of honesty, integrity and social responsibility.

The AGCO operates at arm's-length from the Ministry of Consumer Services. Through a Memorandum of Understanding (MOU), the accountability relationships between the Chair, CEO, Minister and Deputy Minister are formalized. The MOU also requires the AGCO to operate within specified Management Board Directives which govern agencies, including the Agency Establishment and Accountability Directive.

### **Adjudication**

AGRPPA gives the Members of the AGCO Board responsibility for hearing and deciding matters under the LLA, GCA, *Wine Content and Labelling Act* and the *Vintners Quality Alliance Act, 1999*. As of March 31, 2010, the Board was comprised of a full-time Chair, a full-time Vice-Chair, a part-time Vice-Chair, 2 full-time Members and 7 part-time Members. In carrying out its adjudicative responsibilities, the Board is supported by the Manager of Hearings and staff of the Hearings Department.

The Board conducts hearings and prepares decisions under the LLA and GCA. 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. The Board also conducts 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*.

In 2009/10, the Board conducted 177 alcohol-related hearings, which included 21 public interest hearings and five Order of Monetary Penalty appeals. In addition, the Board conducted 148 pre-hearings and 20 lottery and gaming-related hearings. While this represents a decrease in the actual number of hearings held by the Board, at the same time there has been an increase in the length and complexity of the hearings before it. A decrease in the number of Interim Suspension Orders has also been noted. Also, in its continuing effort to maintain service delivery and turn-around time from the date of the request for a hearing to the actual hearing date, the Board has implemented a number of administrative improvements to the adjudicative process. These improvements have resulted in the elimination of a case backlog and a significant reduction in time between the receipt of a Request for Hearing by the Hearings Department to the beginning of the hearing before the Board.

Administrative procedures have been streamlined. The average turn around time from request of hearing to hearing date was 3 to 4 months (average of 47 days) in 2009/10; this continues the turn-around time for hearings in 2007/08 which reduced the average turn-around time from an average of 12 months in 2004/05. In addition, decisions of the Board are being published, on average, about 6 months (average of 140 days) after the initial request for a hearing is made to the Board.



### Alcohol-Related Hearings \*

For Fiscal Years	2008/09	2009/10
<b>Hearing type based on Notice of Proposal issued by the Registrar of Alcohol and Gaming</b>		
Revoke Licence	8	26
Refuse to Transfer/Renew Licence	8	8
Review Licence Application	37	32
Suspend Licence	144	104
Attach Condition	0	0
Refuse to Remove Condition	10	2
Order of Monetary Penalty	n/a	5
<b>Total</b>	<b>207</b>	<b>177</b>
Number of Hearing days (includes all hearings for which a decision was issued between April 1 <sup>st</sup> , 2009 and March 31 <sup>st</sup> , 2010)	331	253

\* A number of new processes have been put into place to support the AGCO's transition from an enforcement-based regulatory model to one that is compliance-focused. Early resolution of issues results in fewer matters requiring a hearing but those matters being heard are more complex and the hearings take longer to complete.

### Pre-Hearing Conferences

For Fiscal Years	2008/09	2009/10
Number of Alcohol Related Pre-Hearing Conferences	153	148

### Alcohol-Related Settlements Without a Hearing \*\*

For Fiscal Years	2008/09	2009/10
Number of Settlements agreed to without a hearing	287	345

\*\* These settlements are negotiated by the AGCO's Legal Services Branch, based on instructions from the Registrar.

### Alcohol-Related Public Meeting Conference Call \*\*\*

For Fiscal Years	2008/09	2009/10
Number of Public Meeting Conference Calls	27	41

\*\*\* This is an alternative dispute resolution process.

### Gaming-Related Hearings

For Fiscal Years	2008/09	2009/10
Total Number of Hearings	17	19

# 2009/10 OPERATIONAL EFFICIENCIES AND HIGHLIGHTS + CORPORATE INITIATIVES

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# OPERATIONAL EFFICIENCIES AND HIGHLIGHTS

## OPERATIONAL OVERVIEW

### Overall Strategic Direction

For the past several years, the AGCO has been guided by an operating approach which supports the advancement of five corporate priorities:

- Build More Effective Communications
- Strengthen Our Business Processes and Information Technology Management Capabilities
- Modernize the Alcohol and Gaming Regulatory Environment
- Maximize Our Employee Potential
- Enhance AGCO's Corporate Accountability

AGCO operational activities have been designed to specifically support the advancement of these priorities. To encourage efficiency and effectiveness in its operations, the AGCO also developed programs and processes to:

- Better assess and manage risk,
- Better manage financial pressures through effective use of resources, and
- Be more operationally efficient.

### AGCO Compliance Strategy and Risk-Based Enforcement

In keeping with our overall objective of moving from an enforcement-based model to being a more compliance focused regulator, the AGCO has continued to refine its multi-faceted compliance strategy which is comprised of activities related to prevention, communication, cooperation, enforcement, technology and consultation. The overall compliance program is intended to ensure that licensees and registrants carry out their functions in accordance with the law and in a manner consistent with honesty, integrity, and in the public interest. For the gaming industry, the ultimate goal is a strategy that ensures the public—both those who engage in gaming and the public-at-large—has confidence in the honesty and integrity of the product and those who participate in making the product available to the public. For the liquor industry, the goal is to ensure that the sale and

service of liquor in Ontario is carried out in a safe manner to protect the public, including those who consume liquor and those who may be impacted by those who consume liquor.

The transition to compliance-focused regulation also includes the implementation of a number of reforms and new programs that are designed to encourage compliance by licensees and registrants and focus resources based on risk. These initiatives include:

- Risk-Based Licensing where licences are issued based on an assessment of the risk posed to public safety and the public interest.
- Monetary Penalties which is an alternative enforcement tool that encourages compliance with the applicable statutes and regulations.
- Public Affairs program which focuses on licensee and registrant education and training to assist licensees and registrants in complying with the requirements of the statutes.
- Refinements to the background investigation process which has recently been piloted and will be rolled out to all business areas.

The AGCO continues to achieve success in these areas while operating within a challenging fiscal environment. A risk-based approach to licensing and enforcement activities coupled with licensee education and awareness programs are all key components for promoting compliance by the industry within the liquor and gaming industries throughout the province.

## KEY OPERATIONAL ACHIEVEMENTS

### Modernization of Regulatory Frameworks — Legislative and Regulatory Updates

The AGCO works with Ministry of Consumer Services staff on legislative and regulatory amendments to the LLA, GCA and *Wine Content and Labelling Act, 2000*. Since March 2009, the following amendments have been approved by government:

## **Liquor Licence Act**

### **Regulation 719**

Following the evaluation of a pilot project permitting the sale, service and consumption of liquor inside bingo halls and age-restricted movie theatres, on December 11, 2009, Regulation 719 was amended to permit bingo halls and age-restricted movie theatres to apply for a liquor sales licence on an ongoing basis.

### **Regulation 720**

On March 6, 2009, an amendment was made to Regulation 720 to prohibit the use of specified spirits terms (e.g. brandy, cognac, gin, grappa) on labelling, packaging and containers of wine and beer products, or in any advertising material. The purpose of these changes was to provide consumers with clearer advertising and labelling on wine and beer products. The amendments came into force on May 1, 2009.

## **Other LLA Regulations**

Following some minor changes to Regulation 723 in January 2009 to update terminology, the government introduced a new regulation on March 6, 2009 (O.Reg 70/09) which combined the three (then) existing regulations under the LLA (Regulation 721, Regulation 434/93 and Regulation 723) dealing with conservation authorities and the use of alcohol at parks. The new consolidated regulation did not make any changes to the requirements under the three previous regulations.

## **Wine Content and Labelling Act, 2000**

On November 18, 2009, the *Wine Content and Labelling Act, 2000* was amended to require Ontario wineries to use an average of at least 40% Ontario grape content in their blended wines, with a 25% minimum per bottle. This change was announced as part of the government's new wine strategy in October 2009. Previously, Ontario blended wines had to contain at least 30% Ontario grape content per bottle.

## **Alcohol and Gaming Regulation and Public Protection Act**

On December 15, 2009, Bill 218, *Ontario Tax Plan for More Jobs and Growth Act, 2009* received Royal Assent. This Act created Part II of the *Alcohol and Gaming Regulation and Public Protection Act*, which will be administered by the Minister of Revenue.

## **ALCOHOL LICENSING**

### **Liquor Industry**

In 2009/10, the AGCO continued to move forward on initiatives which support the government's broader objectives for LLA reform announced in 2005. To support the move towards compliance-based regulation, the AGCO has been working on implementing a number of projects—including risk-based licensing and monetary penalties. Extensive consultations were held with stakeholder groups to gain input on these initiatives. While monetary penalties became available as an alternative compliance tool beginning in 2009, risk-based licensing is being phased in over a three to five year period. The program was implemented province-wide in March 2010.

To further complement the compliance-based approach, the AGCO piloted a public affairs/educational program in the Ottawa area, which will be implemented across the province beginning Spring 2010. These licensee educational sessions provide a forum for staff and management training and extended question-and-answer period to help licensees remain compliant with the LLA and regulations.

Attendees also receive the AGCO's new licensee information kit, which contains "plain language" reference material including the guides *You and the Liquor Laws* and *You and the Liquor Laws Plus*, Responsible Service Tip Sheets and AGCO Inspector contact information. The information kit gives AGCO inspectors and licensees a quick resource and reference tool for face-to-face meetings.

## **Investigations and Enforcement**

The AGCO continues to enhance and refine its Risk-Based Enforcement model, which has been operating in the liquor sector since November 2006. This model is used as a tool to educate and enhance compliance from the licensees and registrants regulated by the agency. The compliance strategy involves the continued fostering of relationships which leverage an Integrated Municipal Enforcement Team approach in various municipalities across the province involving local police, fire, health, by-law and licensing authorities.

The Risk-Based Enforcement model is being linked to new internal initiatives such as Risk-Based Licensing and the use of monetary penalties as a compliance tool in order to augment the Commission's focus on a proactive, meaningful and educational compliance strategy. This same approach is being developed and implemented for the new lottery regulatory regime as significant training initiatives have been undertaken within the AGCO to educate lottery retailers.

## **Liquor Enforcement**

The AGCO continues to co-ordinate with other provincial and local agencies with respect to liquor enforcement. As part of the AGCO's focus on enforcement efforts involving illegal activities in licensed establishments and in order to foster better co-ordination with other provincial and local agencies, enforcement staff have been trained with the knowledge and expertise required for the changing environment, and educational programs have been developed for local enforcement agencies in relation to liquor enforcement.

The AGCO Investigations and Enforcement Bureau has worked closely with the Ontario Association of Chiefs of Police (OACP) on developing an annual award to recognize police agencies that have increased their efforts with regards to enforcement of the LLA. Every day, police officers across the province help reduce the number of impaired driving accidents, assaults,

domestic disputes, and other alcohol-related incidents through their enforcement of the LLA, and through cooperation with the AGCO. Many police organizations have targeted liquor enforcement programs in entertainment districts within their jurisdictions aimed at reducing service to minors, minimizing disruption within neighbourhoods and enhancing public safety.

Awarded annually by the OACP and sponsored by the AGCO, the Award for Outstanding Liquor Enforcement is presented to police agencies which demonstrate excellence and innovation in liquor enforcement. One award is presented to an agency with more than 500 officers, and one award is presented to an agency with fewer than 500 officers. The first of these awards will be presented at the OACP annual convention in June, 2010.

## **COMMERCIAL GAMING AND OLG-OPERATED LOTTERIES**

The AGCO remains committed to fostering a collaborative, partnership approach to working with key stakeholders to ensure gaming facilities and lotteries are operated with honesty, integrity and in the public interest.

## **Casino Regulation**

The AGCO is currently working with its casino gaming stakeholders to identify opportunities for operational efficiencies that continue to mitigate the risks involved and maintain the highest standards of integrity for gaming in Ontario.

The AGCO has fostered an on-going dialogue with the casino operators and OLG to discuss and prioritize issues that are related to internal controls and AGCO policies and procedures in efforts to enhance both.

The AGCO continues to work with the Financial Transaction and Reports Analysis Centre of Canada (FINTRAC) with respect to combating money laundering and terrorist financing in Ontario. An

MOU was signed between both parties in 2004. The collaboration between the organizations continues to be refined and enhanced in an effort to develop stronger communication channels, share information in appropriate circumstances and assist both the AGCO and FINTRAC in meeting their regulatory mandates. In 2009, both parties committed to participating in a pilot project to further enhance the relationship and communication between both agencies. The AGCO is the first gaming regulator in Canada to participate in a pilot project of this nature.

The AGCO has established an integrated audit model with OLG to enhance the effectiveness of audit engagements. Once fully implemented, this model will significantly enhance our audit effectiveness and efficiency. In addition, the AGCO is now better able to fulfill its regulatory mandate as the model strengthens key internal controls over high-risk and high impact areas of casino and lottery operations and consequently, minimize risk exposure for the agency.

### **Lottery Regulation**

A major accomplishment in 2009 was the completion of the lottery regulatory framework including the development and introduction of internal controls and security manuals. The AGCO played an instrumental role in this area. Throughout the year, the AGCO worked collaboratively with OLG, Pollard Banknote Ltd. (OLG's instant lottery ticket printer), and NCR (the maintenance provider for OLG's online lottery terminals) on the development of these manuals in an effort to fulfill the requirements of the GCA and *Ontario Lottery and Gaming Corporation Act, 1999*.

### **Electronic Gaming Equipment and System Approvals**

As the regulator of gaming in Ontario, an important part of the AGCO's mandate is to ensure that all electronic gaming equipment in the province meets rigorous standards aimed at ensuring the technical integrity of the machines. Operators of casinos and

slot machine facilities at racetracks are facing more and more challenges as competition for the entertainment dollar and cross-border competition becomes an increasing reality. As the regulator, the AGCO must remain responsive to the increasing demand for testing and approval of new gaming equipment and gaming management systems. The AGCO continues to achieve an average 31 day turn around time for approval of new games.

In 2007, the AGCO introduced strong new technical standards for electronic gaming machines used in Ontario casinos and slot machine facilities at racetracks to help ensure that Ontario's regulatory structure continues to remain effective into the future. However, as technology evolves, so must the technical standards. With the possible introduction of server-based gaming technology to the Ontario marketplace, the AGCO has developed new server-based gaming technical standards specific to this technology. These technical standards would govern the use of a "server-assisted slot system" and a "server-based slot system," which are defined as follows:

- "Server-assisted slot system" is a system comprised of one or more server-assisted slot machines connected to a slot machine server and associated equipment, all approved by the Registrar, for the purpose of downloading approved slot machine games, game configurations and other related software from the slot machine server to server-assisted slot machines. In a server-assisted slot system, the game outcome is determined by the server-assisted slot machine. The server-assisted slot machines can operate independently of the slot machine server after the game software and/or configuration are downloaded to the slot machine.
- "Server-based slot system" is a system comprised of one or more server-based slot machines connected to a slot machine server, all approved by the Registrar, for the purpose of providing access to approved slot machine games and other related software from the slot machine server to

the server-based slot machine. In a server-based slot system, the game outcome is determined by the server. The server-based slot machines cannot operate independently of the slot machine server.

The benefits of these new technologies, once installed by the gaming sites, will allow the casino operators to change the games and/or game configuration centrally with minimal effort instead of having to make these changes manually at each slot machine. In 2009/10, the AGCO continued working with gaming suppliers and operators to finalize the new standards which are anticipated to be implemented in Spring 2010.

### **Centre for Gaming Excellence**

In recognition of the growth and change within the AGCO's gaming portfolio over the years, including the addition of OLG lotteries to our regulatory mandate, the AGCO has created a Centre for Gaming Excellence. In broad terms, the mandate of the Centre is to develop regulatory best practices and gaming expertise across all gaming business lines (commercial gaming, charitable gaming and lotteries) so that the AGCO will be better able to respond to the challenges ahead and meet our regulatory objectives.

One of the areas the Centre has been working on is a long-term strategy and implementation plan to modernize our approach to gaming regulation which is based on balancing risks while providing more flexibility to operators. As part of this strategy, the Centre has been reviewing all existing regulations under the current gaming regulatory framework and, with Board and government approval, developing a blueprint for proposed changes.

Another area of priority for the Centre is to provide research and advice to the Board on the appropriate role of the AGCO in providing oversight of a self-exclusion program. In 2008/09, the Centre completed a project to identify the best practices in place in other jurisdictions in North America and

elsewhere, linking with other regulators, operators, researchers/academics and recognized experts to that end. As its next step, the Centre is currently identifying for the Board's consideration the potential compliance and enforcement elements of a self-exclusion program that the AGCO, as a regulator, could oversee and distributed a discussion document to interested stakeholders for consultation.

### **CHARITABLE GAMING**

The AGCO continued its work with the charitable gaming stakeholder groups on modernizing the charitable gaming framework in an effort to assist the charitable gaming sector to remain viable in a complex and competitive environment. The groups, which are comprised of charitable and industry association representatives, have provided assistance in implementing the AGCO's modernization agenda. The groups have proposed initiatives to introduce flexibility to the charitable gaming regulatory framework and have been instrumental in developing new options for the charitable gaming industry. During 2009/10, the AGCO continued with the directions and priorities identified in the Modernization of Charitable Gaming. Key accomplishments in this area are noted below.

#### **Charitable Bingo Halls**

The AGCO continued to provide the industry the opportunity to work with the tools available such as the bingo revenue model which is intended to provide for both stabilization of charitable gaming and opportunities to enhance the business. The opportunity to enhance the business is accomplished by providing the customer with a positive entertainment experience, using the customers' interests to drive business decisions, creating greater flexibility for games being offered, establishing a focus on the marketing of the game, and providing incentives to grow the business. The bingo revenue model also recognizes the need to focus on the advertising and promotion of the business. The implementation of the bingo revenue model is based on the principles outlined for modernization



of charitable gaming and specifically builds on the provision of flexibility while recognizing the need for accountability. Many bingo centres have embraced the changes and maximized the use of the tools available in order to realize great benefits while others continue to require more time to adjust many of their business decisions in order to reap the benefits.

The bingo revenue model established a mechanism for an industry-administered bingo development fund focused on effective marketing and advertising for pooling bingo halls across the province. The Ontario Bingo Development Fund was established, incorporated, and continues with projects to benefit the industry as a whole. This year it included conducting research to better understand the customer and the market which supported well-informed advertising and marketing decisions. Flowing from the research, the Fund established “Gametime Bingo” as the brand for the industry and launched that brand through the “Spend Some Time with Your Fun Side” multi-media campaign in November and December 2009. This included coordinated television and radio ads with high profile placements and point of sale advertising materials. A significant promotional contest involving the giveaway of 51 cars was included in the launch in order to raise interest and awareness of bingo. After this significant foundation was made possible for the benefit of the industry as a whole, participation in the Ontario Bingo Development Fund was made optional. This provides charities and hall operators with flexibility to promote their products the best way they see fit.

### **Break Open Ticket Sales (BOTs)**

The AGCO worked with stakeholders to identify further opportunities to reduce administrative burden for charities and municipalities. In working together a change was implemented permitting licensees to retail in more than one location within a municipality.

Continued commitment and work has been focused on implementing multiple changes which will be put into place early in fiscal year 2010/11. These changes will see licensees being permitted to sell multiple ticket types under one licence, carry over partially sold deals from one licence period to the next, provide flexibility on the issuance of licences reducing administrative burden for municipalities and charities, and provide additional flexibility on the types of prizes, prize payouts, and promotions of BOTs. This will complement earlier changes such as opening the market to additional manufacturers, introducing new types of BOT games, suspending the BOT retailer registration fee, and deeming registered lottery retailers to be BOT sellers without the need for an additional registration.

The industry continues to realize the growing benefits of the earlier modernization initiatives such as the introduction of Break Open Ticket Seal Card Games, Bingo Event Games and more recently progressive Seal Card Games and progressive Bingo Event Games. These products have been introduced in bingo halls and service clubs and have been very well received by players resulting in increased revenues for charities.

### **High Value Raffles (Mega Raffles)**

High value raffles are lotteries conducted by charities where the prizes are one million dollars or more. The AGCO has worked with the stakeholders in this segment of the industry in order to identify opportunities to further enhance the charitable fundraising opportunities. As a result, a pilot project was put in place to allow licensees greater flexibility in communications associated with the operation of their raffle. The pilot allows for the use of the internet to promote ticket sales, solicit ticket orders, and accept ticket order information. Every eligible charity has chosen to participate in the pilot and the results will be monitored and measured to determine if these opportunities should be made permanent, reduced, or expanded in the future.

# CORPORATE INITIATIVES

## OPERATING BUDGET

In fiscal year 2009/10, the AGCO was asked to work with the Ministry to address and manage our government-imposed budget constraints so that all necessary steps were taken to control costs. The approach to manage these pressures and constraints continues to be guided by the principle of avoiding, if at all possible, expenditure cuts that would adversely affect public safety and public confidence.

The Board and the staff of the AGCO have followed closely, both in letter and spirit, with the constraint measures taken by the Ontario Public Service (OPS) in 2009/10 including capping salary increases for those earning \$150,000 or more to 1.5% and following in the steps of the OPS in the management of performance awards. In addition, for the last four years, the AGCO has looked at ways to improve efficiencies and effectiveness in its operations, including conducting a detailed organization review, undertaking an enterprise-wide risk assessment and detailed business process reviews, legislative/regulatory changes and longer term IT plans for the introduction of Electronic Service Delivery for improved customer service. Measures were also put in place to further manage spending on print, photocopying, fax, Information Technology consultants, purchasing and travel.

To date, the AGCO has been able to manage budget pressures and constraints in key areas of the organization. Through a recent in-depth review of funding models and activity-based costing in key areas, the Board and staff have identified areas of concern that will need to be addressed to ensure that the AGCO continues to provide optimum service delivery while continuing to maintain public safety and confidence in the industries regulated by the AGCO.

## CONSERVATION

In December 2008, the AGCO established an Eco Committee to create a more environmentally-friendly workplace, reduce costs, contribute to the well-being of the environment at large and support the government's goal of developing a culture of conservation within its operations. The Eco Committee, which is staff-driven and comprises representatives from every Branch of the agency, was tasked by the CEO to develop and implement initiatives and programs that encourage employees to reuse, reduce and recycle.



A number of initiatives have been undertaken, including the launch of a regular internal enviro-newsletter, participating in OPS Green Office programs, supporting OLG's Bet On Green program for AGCO employees working at OLG facilities, Lunch and Learn opportunities for staff, and a "Green Meeting Guide". A branch-by-branch review also identified opportunities for the agency to adapt administrative procedures so as to save some 150,000 sheets of paper per year.

### ***Accessibility for Ontarians with Disabilities Act***

As in the past, the AGCO strives at all times to provide accessible and responsive customer service to people with disabilities. In 2009, the AGCO implemented its “Accessible Customer Service Policy Statement” in advance of the January 1, 2010 deadline under the *Accessibility for Ontarians with Disabilities Act, 2005* and Ontario Regulation 429/07 and provides ongoing training for all AGCO staff on how best to implement this policy.

### **INFORMATION TECHNOLOGY PLAN**

In January 2009, an Information Architecture review was conducted to assess the current infrastructure and determine the approach to Information Technology planning and investments that will enable AGCO to meet the objectives set out in its four year IT plan. The goal of the Strategic IT Plan is to provide an integrated enterprise information system that will improve the flow of information, automate manual processes and provide increased availability of information throughout the organization and to external clients and stakeholders.

In April 2009, an updated Plan was approved which included an IT Conceptual Framework that defines the target environment. A “Roadmap” was also developed that includes all the IT projects that will enable AGCO to meet its technology goals. Year 1 of the Roadmap involved establishing the foundation framework which includes the development of Models and Standards. In addition, the technical infrastructure is being established to enable the development of business systems in subsequent years of the plan.

Many projects are currently in progress from the Year 1 Roadmap. Significant projects that were completed in 2009/10 include: Risk-Based Licensing, an Electronic Service Delivery prototype based on Special Occasion Permit licensing, and a Corporate Services Tracking System to enhance internal administration.

### **HUMAN RESOURCES PLAN**

The AGCO’s Human Resources Department has developed a plan to support corporate and individual needs and includes Employee Recognition Programs to recognize staff contributions through formal programs, and a Corporate Learning and Development Program that focuses on wellness and leadership development.

The Commission has operationalized the plan and continues to provide learning opportunities for staff. The Commission supports initiatives that create a workplace that values employees and encourages staff development through the provision of learning opportunities in 2009/10 and into 2010/11 covering such course topics as:

- Conflict Resolution in the Workplace
- Personal Financial Management
- Presentation Skills
- Coaching as an Effective Leadership Tool
- Leading with Emotional Intelligence

Secondment and development opportunities also continued to be provided to staff as part of the AGCO’s recruitment and retention strategy.

In order to build a healthy workplace resulting in improved morale, higher job satisfaction, and decreased absenteeism, the AGCO began development of a Wellness Program to address health and well being of our employees. The first initiative, a Staff Engagement Survey, was conducted in February 2010. The results of the survey are being reviewed and will inform the development of the wellness program as we move forward.

The five and ten year service recognition programs are continuing and the Corporate Employee Recognition programs, entitled the AGCO Awards of Excellence and recognizing both an individual and a team, were successfully introduced in February 2009. These awards were again presented in February 2010.

## INTERNAL AND EXTERNAL COMMUNICATIONS

The AGCO continued implementing the recommendations from the communications review conducted in 2008 by Hill & Knowlton. A three year plan to achieve the recommended results was developed and supported the improvement of internal and external communications, notably through:

- Redesign of our internet and intranet sites with a view to supporting Electronic Service Delivery,
- Visual identity standards,
- Public affairs and education programs to support the AGCO's compliance strategy,



- Renewed focus on staff training, development and information sessions, and
- Improved customer service for stakeholders.

Results of our progress in implementing the recommendations were discussed with staff at town hall meetings held across the province in Fall 2009.

# 2009/10 OPERATIONAL PERFORMANCE

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# OPERATIONAL PERFORMANCE

## LIQUOR LICENSING

### Liquor Licences and Permits Issued

For Fiscal Years	2008/09	2009/10
Liquor Sales Licensed Establishments	16,663	16,659
Ferment-on-Premise Facilities	599	600
Liquor Delivery Services	273	291
Manufacturers	229	244
Manufacturers' Representatives	759	755
<b>Total</b>	<b>18,523</b>	<b>18,549</b>
Alcohol Beverage Advertisement Complaints Reviewed	59	38
Notices of Proposal	988	832
Special Occasion Permits Issued	64,326*	61,587

\* This figure has been adjusted from what was reported last year, based on new information received from the LCBO.

## LOTTERY LICENCES ISSUED BY THE AGCO

The issuance of lottery licences continues to be a two-tiered approach, with the local municipalities issuing the majority of lottery licences.

### Lottery Licences Issued

For Fiscal Years	2008/09	2009/10
Bingo	171	157
Charitable Gaming (Bingo Hall)	8,935	8,326
Break Open Ticket (BOT)	279	299
Raffle	185	193
Social Gaming Events	55	48
Other	7	8
<b>Total</b>	<b>9,632</b>	<b>9,031</b>

**Note:** Separate licences are issued for each provincially licensed lottery type.

## REGISTRATION OF LOTTERY RETAILERS, LOTTERY RETAILER MANAGERS AND LOTTERY EQUIPMENT SUPPLIERS

Commencing on January 1, 2008, the AGCO began to regulate lotteries in Ontario operated by OLG. This required all lottery retailers, lottery retailer managers and lottery equipment suppliers to OLG to be registered with the AGCO and follow specific terms in order to sell lottery products in Ontario. There is no fee for registration.

### Lottery Registrations Issued

For Fiscal Years	2008/09	2009/10
Lottery Retailers	10,173	10,288
Lottery Retailer Managers	1,875	1,709
Lottery Suppliers	25	27
<b>Total</b>	<b>12,073</b>	<b>12,024</b>

## GAMING REGISTRANTS

The charitable and casino gaming industries continue to face various challenges including reduced attendance at bingo halls, commercial casinos, OLG casinos and slot machine facilities at racetracks due to a number of factors including, non-smoking by-laws, new border crossing procedures, high Canadian dollar, and increased competition from out-of-country casinos adjacent to border cities.

### Gaming Registrations Issued

For Fiscal Years	2008/09	2009/10
<b>Charitable Gaming Registrations</b>		
Bingo Hall Operators	75	74
Gaming/Equipment Suppliers & Manufacturers	96	95
Break Open Ticket Sellers *	555	474
Gaming Assistants	3,112	3,049
<i>Sub-total</i>	<i>3,838</i>	<i>3,692</i>
<b>Casinos and Slot Machine Facilities at Racetracks</b>		
Gaming Suppliers	2,557	2,493
Gaming Employees	16,179	15,646
<i>Sub-total</i>	<i>18,736</i>	<i>18,139</i>
<b>Total</b>	<b>22,574</b>	<b>21,831</b>

\* This figure represents the number of sites that only sell break open tickets (no OLG lottery products). It does not denote the total number of sites that currently sell break open tickets. All Lottery Retailer registrants may sell break open tickets in addition to OLG lottery products.

## INVESTIGATION, ENFORCEMENT AND COMPLIANCE

### 1,310 Occurrences

Approximately 1,310 occurrences at casinos and slot machine facilities at racetracks were investigated by the AGCO's Casino Enforcement Unit during this fiscal year. This is in addition to assisting local police with non-gaming related investigations. Only those events that result in a report being filed are considered by the AGCO's Investigations and Enforcement Bureau to be reportable occurrences. The number of occurrences has increased from approximately 1,279 occurrences last year.

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### 51,288 Electronic Gaming Machine Inspections

Over 51,288 electronic gaming devices, including slot machines, were inspected this year without disrupting day-to-day gaming facility operations. All electronic gaming equipment and gaming management systems must be tested, approved and inspected before the equipment can be offered for patron play to ensure that it is not susceptible to cheating and meets acceptable standards of randomness, as well as hardware and software integrity and security requirements.

The AGCO has Electronic Gaming Officers on-site at casinos and slot machine facilities at racetracks that are responsible for inspecting new electronic gaming equipment, conducting random checks on approved electronic gaming equipment, and performing inspections on new installations and changes to slot machines.

The average turnaround time for the approval of an electronic gaming machine during the period 2009/10 was 31 days, which ranks amongst the best in North America.

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### 26,986 Liquor Inspections

The AGCO's Liquor Enforcement Branch continues to work closely with local law enforcement agencies on joint forces projects targeting higher risk facilities and problem establishments identified with local authorities. During this fiscal year, 24,582 inspections of liquor sales licensed establishments were conducted, together with 2,404 joint forces projects.

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### 9,736 Lottery Inspections

As of January 1, 2008, the AGCO's Liquor Enforcement Branch has been assigned to conduct lottery compliance inspections. During 2009/10, 9,736 inspections were conducted at registered lottery retailer locations.

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### 2,138 Charitable Gaming Inspections

AGCO Inspectors are trained to conduct inspections at Break Open Ticket seller locations across Ontario, and have also been cross-trained to inspect bingo facilities to ensure compliance with the GCA.

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### 476 Lottery Investigations

As of January 1, 2008, the Ontario Provincial Police Bureau assigned to the AGCO began investigating OLG-conducted lottery insider wins (retailers or related persons) and suspicious wins. OLG screens all prize claims above \$10,000 and forwards insider claims to either the OPP or the third party investigation firm for investigation. Within the category of "related parties" (or "insiders") the OPP investigates wins by: (1) registrants (retailers, manufacturers, etc.), (2) key OLG personnel with significant decision-making authority, and (3) retailers' employees involved in the sale and redemption of tickets. The remaining persons defined as "insiders" (e.g., remaining OLG employees) are investigated by a third party investigation firm as per procedures approved by the AGCO. During this first full fiscal year, the OPP carried out a total of 476 investigations, comprising 179 insider wins over \$10,000, 124 suspicious wins, and 173 various complaints about possible thefts, frauds, etc.



## **CUSTOMER SERVICE**

As part of our service delivery program, AGCO staff continues to provide clients with personal service through our Customer Service Unit. During 2009/10, this Unit serviced over 117,243 customer contacts providing assistance regarding licensing and registration issues including inquiries and complaints for all AGCO business areas. This represents a decrease of 16,219 contacts from the previous fiscal year. This is in addition to responding to over 14,751 walk-in customers at the AGCO's head office Customer Service Desk, and over 41,522 customers that were able to gather information themselves through the AGCO's integrated voice messaging system. Also in 2009/10, the AGCO took steps to modernize its call centre equipment in order to further enhance services provided to our stakeholders.

## **MEDIA RELATIONS**

The AGCO has adopted a proactive media strategy, communicating in a timely fashion, that helps to inform and educate the public, licensees and registrants about the AGCO's responsibilities and activities for the licensing and enforcement of the province's liquor and gaming industries. The AGCO conducts media interviews relating to changes to liquor and gaming legislation, regulation, policy, and decisions rendered by the Board. In 2009/10, the AGCO responded to 218 requests for information by the media.

## **AGCO WEBSITE**

The AGCO is committed to providing its clients with accurate and timely information through a number of different communications channels, including the internet. The AGCO's website ([www.agco.on.ca](http://www.agco.on.ca)) provides clients and the general public with timely and easily accessible information about liquor and gaming policies administered by the AGCO. Users of the site have access to all of the registration and licensing application forms, instruction guides and all publications, annual reports and newsletters made available by the AGCO. In 2009/10, there were over 553,000 visitors to the AGCO website.

In 2009/10, the AGCO began a project to completely redesign and reorganize the AGCO website to include new features and make it easier to find information. The new website will also be one of the foundational pieces for the AGCO's broader IT Strategy, beginning with a forms on demand feature and eventually enabling electronic service delivery for our stakeholders.

# PERFORMANCE MEASURES

The 2009/10 year end results for performance measures established for the AGCO were effectively on target.

GOAL	OUTPUT MEASURES	OUTCOME MEASURES
<b>SATISFIED CUSTOMERS</b>		
To provide appropriate, fair and courteous customer service to all licensees and the general public	Implementation of newly developed feedback/complaint process	Increase in the number of channels and/or ease which licensees, registrants and the public can provide feedback/complaints
<b>EFFECTIVE AND EFFICIENT RESOURCE MANAGEMENT</b>		
To ensure business processes are operating as efficiently and effectively as possible	Improved turnaround time for issuance of low risk applications	Greater resource focus placed on assessing impact of high risk applications on public safety and public interest
	Increase use of compliance tools recently enacted to achieve licensee/registrant compliance	Reallocation of AGCO enforcement resources to more serious public safety and integrity issues
<b>INTERNAL STAFF DEVELOPMENT AND SATISFACTION</b>		
To provide an environment that promotes open and free communication for staff	Complete and analyze the output information garnered through the communication audit	Implement the significant recommendations resulting from the 2007/08 communication audit
To provide an environment that promotes key learning and development opportunities for staff	A strong commitment to focused learning and development opportunities	Implementation of development plan to increase middle management teams strategic leadership capacity and capability
<b>BUSINESS/OPERATIONAL EXCELLENCE</b>		
Risk Management strategies employed across the AGCO	Implementation of Enterprise Risk Management Strategy (corporate, branch and initiative specific strategies)	Risk strategies are employed by all areas to reduce organizational exposures and improve decision making (consistency/process)
Internal Control strategies employed across the organization	Development of Internal Control strategies	Internal Control activities and strategies are employed across the organization to increase corporate accountability and governance

**TARGET FOR 2009/10****RESULTS**

100% of complaints investigated and resolved/closed

100% of feedback used to improve customer services and training initiatives

100% of complaints were appropriately managed (investigated, resolved and closed). Where applicable, complaints were escalated within the 72 hour standard.

100% of feedback was reviewed and leveraged for improvement where applicable.

Consistent application of meaningful criteria based on assessed risk level, used to promote licensee compliance and mitigate risk

A significant increase in the resolution of compliance matters through the use of new compliance tools (monetary penalties, risk-based licensing, etc.)

Risk-based licensing has been operationalized and now applies to all liquor sales licence applicants. RBL has increased compliance rates while achieving consistency in our approach to risk management within the sector.

Use of compliance tools and approach have significantly increased. Over 90% of all non-compliance matters are being managed through these initiatives (LOI, risk-based licensing, monetary penalties, etc.).

A 20% (or significant) increase in staff satisfaction determined through an organizational satisfaction review

An increase in new management development opportunities for middle management staff

A staff engagement survey conducted in February 2010 provided positive results in many areas including tremendous staff awareness and support of the AGCO's vision, mandate and mission and strategic and business priorities. Areas for improvement were also identified including providing better customer support, better work/life balance for employees and having management be more open to new ideas. The results are being used as a benchmark for improvement moving forward and for future surveys.

The AGCO continues to focus on increasing the development opportunities of middle management. This fiscal year, we have ensured both training activities and development /secondment opportunities have continued to be created for management.

All major organizational initiatives are reviewed/audited for effectiveness of implementation and risk mitigation

Recommendations from Internal Controls Audit implemented

All significant internal controls are reviewed/audited on a 4 year rotational basis.

A significant performance measurement and benchmarking initiative has commenced this fiscal, which will assist the organization in assessing the efficiencies and effectiveness of its regulatory model and mandate. Included within the strategic goals of this initiative are the assessment objectives of the risk management strategies implemented throughout the organization.

Audit planning and performance benchmarking is conducted/developed for all new initiatives (e.g. risk-based licensing). These initiatives are included in the organizational risk profile and it has been determined that annual audits will be conducted to verify the operating effectiveness of controls and processes implemented to support key areas of the organization.

A risk-based and rotational approach has been developed and implemented.

**2009/10**

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# FINANCIAL PERFORMANCE

## FISCAL YEAR REVENUE AND EXPENDITURES

The AGCO remits all revenues collected to the government's consolidated revenue fund (CRF) and operates within a separate budget allocation contained in the Ministry of Consumer Services' printed estimates.

### Revenues

For Fiscal Years	2008/09	2009/10
Fees and Levies	\$500,157,105	\$491,398,095
<b>Total</b>	<b>\$500,157,105</b>	<b>\$491,398,095</b>

### Expenditures

For Fiscal Years	2008/09	2009/10
Salaries and Benefits	\$46,017,665	\$46,564,403
Other Direct Operating Expenses	\$16,692,014	\$12,769,762
Less Recoveries	(\$22,922,128)	(\$19,791,229)
<b>Total</b>	<b>\$39,922,128</b>	<b>\$39,542,936</b>

Recoveries for 2009/10 include monies received from liquor licence advertisements, eligibility review investigations (applicants billed directly for costs) and for the registration and regulation of OLG lotteries (paid for by OLG).

Total program expenditures for 2009/10: \$59,334,165

Total program expenditures for 2008/09: \$62,709,679

## AUDIT

The AGCO is subject to Ministry of Consumer Services review and audit. In addition, the AGCO is subject to audit by the Auditor General and any additional audits that the Minister may require.

# APPENDIX I: GAMING

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# GAMING: LEGAL FRAMEWORK

## **CRIMINAL CODE (CANADA)**

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

Part VII of the *Criminal 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 *Criminal 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**

The *Gaming Control Act, 1992* provides for the regulation of gaming operations, suppliers and gaming assistants/employees of commercial casinos, OLG casinos, slot machine facilities at racetracks, charitable gaming events, and registration of OLG lottery retailers, lottery retailer managers, and lottery suppliers.

## **ORDER-IN-COUNCIL 1413/08**

Order-in-Council 1413/08 (the OIC) clarifies the rules and responsibilities of the AGCO and municipalities in lottery licensing. Additional changes were made to take into account the new bingo revenue model. The OIC provides that charitable organizations may be licensed to conduct and manage lottery events by either the Registrar appointed 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, by a municipal council. 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 provided they do not conflict with those of the Registrar. A number of First Nations have been designated by the OIC to issue lottery licences for charitable organizations.

In order to qualify for a lottery licence, an 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.

The AGCO estimates money spent annually by the public on charitable gaming province-wide at approximately \$1.21 billion. Licensed charitable gaming in Ontario benefits thousands of local community charitable organizations. The AGCO estimates that charitable organizations in Ontario raised approximately \$157 million by holding licensed lottery events.



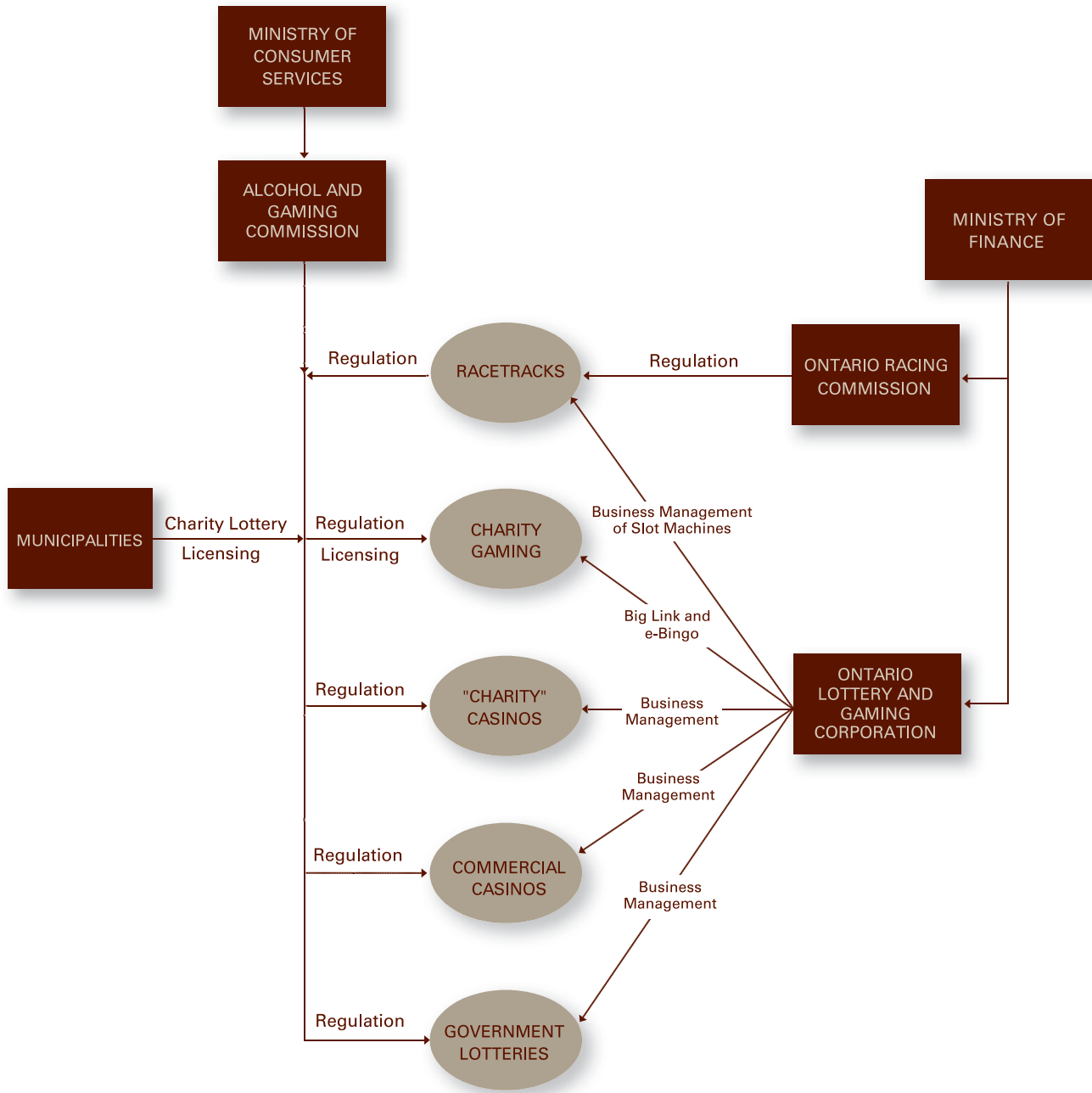
### Estimates of Province-Wide Charitable Gaming Revenues

Gaming	Gross Wager	Net Revenues	Charity Profit
Bingos	\$609,000,000	\$148,000,000	\$50,000,000
Break Open Tickets	\$317,000,000	\$102,000,000	\$40,000,000
Raffles	\$284,000,000	\$166,000,000	\$67,000,000
<b>Total</b>	<b>\$1,210,000,000</b>	<b>\$416,000,000</b>	<b>\$157,000,000</b>

### FIRST NATIONS LOTTERY LICENSING

In 1998 the government approved a First Nations lottery licensing framework, which delegates authority comparable to that of 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.

# ONTARIO GAMING RELATIONSHIPS



The AGCO is responsible for the regulation of commercial casinos, OLG casinos, slot machine facilities at racetracks and lotteries conducted by OLG.

In accordance with the *Criminal Code (Canada)* and the *Ontario Lottery and Gaming Corporation Act, 1999*, OLG is responsible for the “management and conduct” of the gaming operations at commercial casinos, OLG casinos, slot machine facilities at racetracks, the linked “Big Link Bingo” game played at charity bingo halls and e-bingo pilots. OLG is also responsible for the business management of all traditional lottery games such as “Super Seven”, “6/49” and scratch-and-win type tickets.

Municipalities and the AGCO have responsibility for issuing lottery licences, primarily to religious and charitable organizations for bingo and break open ticket licences. The majority of lottery licences are issued by municipalities in the province.

### OLG Casinos

Name	# of Slot Machines	# of Tables	Location	Open to Public
OLG Casino Brantford	506	49	Brantford	Nov. 19/99
Great Blue Heron Casino	543	60	Port Perry	May 5/00
OLG Casino Point Edward	543	30	Point Edward	Apr. 20/00
OLG Casino Sault Ste. Marie	441	13	Sault Ste. Marie	May 23/99
OLG Casino Thousand Island	503	23	Gananoque	Jun. 22/02
OLG Casino Thunder Bay	452	14	Thunder Bay	Aug. 30/00

### Commercial Casinos

Name	# of Slot Machines	# of Tables	Location	Open to Public
Casino Niagara	1,636	40	Niagara Falls	Dec. 9/96
Niagara Fallsview	3,052	133	Niagara Falls	Jun. 8/04
Casino Rama	2,488	118	Orillia	Jul. 31/96
Caesars Windsor	2,576	83	Windsor	Jul. 29/98

### Slot Machine Facilities at Racetracks

Name	# of Slot Machines	Location	Open to Public
Ajax Downs	800	Ajax	Mar. 2/06
OLG Slots at Clinton Raceway	123	Clinton	Aug. 26/00
OLG Slots at Dresden Raceway	116	Dresden	Apr. 20/01
Flamboro Downs	812	Dundas	Oct. 13/00
Fort Erie Racetrack	923	Fort Erie	Sept. 11/99
Georgian Downs	802	Barrie	Nov. 29/01
Grand River Raceway	241	Elora	Dec. 6/03
OLG Slots at Hanover Raceway	129	Hanover	Feb. 21/01
OLG Slots at Hiawatha Raceway	452	Sarnia	May 10/99
Kawartha Downs Raceway	454	Peterborough	Nov. 24/99
Mohawk Raceway	861	Milton	Aug. 12/99
Rideau Carleton Raceway	1,250	Ottawa	Feb. 18/00
Sudbury Downs Raceway	351	Sudbury	Nov. 28/99
OLG Slots at Western Fair	750	London	Sept. 30/99
OLG Slots at Windsor Raceway	750	Windsor	Dec. 18/98
Woodbine Raceway	2,097	Toronto	Mar. 29/00
Woodstock Raceway	181	Woodstock	Jun. 22/01

# APPENDIX II: ALCOHOL

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# ALCOHOL: LEGAL FRAMEWORK

## **LIQUOR LICENCE ACT**

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

Various classes of licences and permits are established including:

- licence to sell beverage alcohol;
- licence for ferment-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 LLA also establishes the rules for sale and service of beverage alcohol, including:

- 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 LLA and regulations provide 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.

## **LIQUOR CONTROL ACT [SECTION 3(1)B, E, F, G AND 3(2)A]**

Effective July 3, 2001, the AGCO assumed responsibility from the LCBO for the following:

To control the delivery of liquor to the public;

- To authorize manufacturers of beer and 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 The Beer Store to operate stores for the sale of beer to the public;
- To control and supervise the marketing methods and procedures in stores owned and operated by manufacturers and wineries;
- To determine, subject to the LLA, the municipalities within which stores owned and operated by manufacturers and wineries referred to in bullet 2 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 bullet 2; 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 may manufacture and sell wine in the province using imported grape or grape products. If an Ontario winery uses imported grapes or grape products in manufacturing its wine, the content of each bottle of wine manufactured by the winery must be no less than 30% Ontario grapes or grape product. Changes to the regulation filed in November 2009 and effective September 1, 2010, require that the content of each bottle of wine manufactured by the winery must be no less than 25% per bottle with an average of 40% domestic content in blended wines.