

***A Game of Trust* – OPENING REMARKS**

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(TORONTO – March 26, 2007) Ontarians buy lottery tickets by the millions. So much so that in 2006, the government lottery business grossed almost \$2.4 billion. Considering that the odds of winning are infinitesimal, why do we even bother to play? Although a lottery ticket can cost as little as a loonie, it is the dream that the Ontario Lottery and Gaming Corporation so skillfully dangles before lottery buyers that is so seductive.

A visit to the OLG's website confirms that it is a well-oiled marketing machine – a banner on its home page declares “Everyday Possibilities,” teasing us with the idea that that elusive jackpot is just there for the taking any day of the week.

Another marketing message appears increasingly on OLG's marketing tools these days, stressing the importance of integrity, accountability and respect. Its website boasts – in my opinion, unjustifiably – that Ontario's lottery programs are “regarded as among the most secure and stringently administered in the world.” The reason why these values have become a key part of the OLG's messaging is that, as a government agency, it knows that lotteries are not just a game of chance – they are first and foremost a game of trust. Without the trust that whoever has Lady Luck on their side will actually pocket the jackpot, confidence in our lotteries is shattered. Ultimately, everyone feels the domino effect, as gaming in Ontario is an important source of revenue for hospitals, social programs and all sorts of good works in communities across the province.

On October 25, 2006, the CBC news program *the fifth estate* broke the shameful story of the OLG's “insider win” problem. It told the story of Bob Edmonds, a 78-year-old man who was cheated out of a \$250,000 prize by a lottery ticket retailer, only to have to fight a three-year court battle against the OLG, which tried to silence him. October 25th – referred to at the OLG as “10/25” – will live in infamy in its boardrooms as the day Mr. Edmonds called the OLG's bluff and the whole house of cards came crashing down.

As soon as the “insider win” scandal was exposed, the OLG took action – but instead of investigating what went wrong, as a good public servant would, it reacted like a business facing a public relations nightmare. It hired experts to dispute the CBC's findings, even though, as our investigators discovered, it knew full well that Mr. Edmonds was far from alone.

Insiders have been winning big lottery prizes for years. The OLG confirms that from 1999 to today, at least 247 retail owners or their employees have won major lottery prizes – and no doubt thousands of smaller prizes as well. Certainly many of these wins are legitimate, but our investigation determined that the OLG has also paid out millions of

dollars in prizes to retailers making dishonest claims. In 2003 and 2004, the OLG identified five suspicious major wins by “insiders” – yet only one of the claimants was denied a prize. The rest took home anywhere from \$250,000 to \$12.5 million. We found internal documents showing some OLG officials were concerned about this, but the Chief Executive Officer’s response to one of them was: “Sometimes you hold your nose.”

We also discovered that the OLG’s measures to guard against retailer fraud were woefully inadequate. Its “Insider Win Policy” did not kick in unless the win was a “major” one of \$50,000 or more, and its definition of “insider” was nebulous. When investigations were done, they were more friendly than purposeful, with officials dropping hints to help insiders prove their case rather than subjecting them to serious questioning. Meanwhile, the consumer complaint office was often rude and inept. Yet rather than get tough, the OLG actually considered relaxing the rules on insiders.

The OLG is fixated on profit rather than on public service. It is too close to its retailers, who are not just its frontline sales force but some of its best customers. It has lost sight of the fact that it is supposed to be a guardian of the public trust. Indeed, if the OLG had resisted insider win claims that fail the “smell test” with half the resolve it used to fight poor Mr. Edmonds, it would not only have saved nearly a million dollars of public money, it would have built the public trust it now lacks.

Our investigation showed that the OLG has yet to really appreciate that its highest obligation is not to the retailers, but to the customers who are left vulnerable. It has taken some important steps toward improving security and customer service, but its “coddling” of retailers is its fatal flaw – the thing that will always keep it from being effective. That is why I am recommending reforms that go well beyond the ones already in the works.

I make 23 recommendations in this report. The most important one is that an independent body take over the administrative policing of the OLG under a separate regulatory regime. My investigation has shown that the OLG is hopelessly conflicted – it cannot be expected to increase lottery profits by working with retailers, while at the same time acting as the sole body responsible for regulation and policy enforcement to keep retailers honest. An independent regulator – whether it is the Alcohol and Gaming Commission of Ontario, which already deals with the OLG’s casino and slot-machine operations, or another body – will ensure that retailers adhere to a code of conduct. I envisage an agency with broad investigative powers that would conduct random integrity tests on retailers and ensure any insider wins are legitimate.

I am pleased to say that both the government and the OLG have accepted all of my recommendations and committed to implementing them as quickly as possible. I look forward to seeing those who run the lottery system undertake the credible, long-lasting change necessary to create the atmosphere of trust the public rightfully expects and demands.