

MEMORANDUM

TO: Premier Dennis King

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CC: Minister Darlene Compton, Finance
MLA Sidney MacEwen, Government House Leader
MLA Peter Bevan-Baker, Leader of the Official Opposition
MLA Sonny Gallant, Leader of the Third Party

DATE: December 17, 2021

SUBJECT: SUBMISSION TO PRINCE EDWARD ISLAND'S RESPONSIBLE GAMBLING STRATEGY CONSULTATION

WHO WE ARE

Cardus is a non-partisan, faith-based think tank and registered charity dedicated to promoting a flourishing society through independent research, robust public dialogue, and thought-provoking commentary. We are a leading voice on gambling and its impact on society.

1. The principles of *social responsibility, public trust, player protection, strengthened communities and responsible fiscal management* have guided the actions and decisions of the Government, as represented by the PEI Lotteries Commission and its agent, Atlantic Lottery Corporation. What do you consider to be core principles that should guide gaming and lottery activities in PEI?

In Cardus's gambling research and policy recommendations, we have maintained that the most important principle that should guide government-run gaming and lottery activities is protection of the most vulnerable members of society. In its current form, however, gambling in PEI preys on two particularly vulnerable groups: the poor, and problem gamblers.

As we have argued extensively in earlier research, provincial governments' use of gambling profits disproportionately burdens the poor. In 2019, the poorest fifth of Atlantic Canadians (Statistics Canada did not publish a complete data set for PEI) spent an estimated 5.2 percent of their after-tax income on gambling—more than double what the wealthiest fifth spent.¹ (For context, the Canadian Centre on Substance Use and

¹ Author's calculations based on Brian Dijkema and Johanna Lewis, "Royally Flushed: Reforming Gambling to Work For, not Against, Atlantic Canada," Cards, July 2020, <https://www.cardus.ca/research/work-economics/reports/royally-flushed-atlantic/>; Statistics Canada, "Table 36-10-0101-01: Distributions of household economic accounts, number of households, by income quintile and by socio-demographic characteristic," September 7, 2021, <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610010101>; Statistics Canada, "11-10-0193-01: Upper income limit, income share and average of adjusted market, total and after-tax income by income decile," March 23, 2021, <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1110019301>; Statistics Canada, "Table 11-10-0223-01: Household spending by household income quintile, Canada, regions and provinces," January 22, 2021, <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1110022301>. For detailed calculation methodology, see Brian

Addiction’s guidelines for lower-risk gambling recommend spending no more than 1 percent of before-tax household income.²) Given that PEI’s gambling profits are paid into and spent from the Provincial Operating Fund exactly the same way as general taxes,³ the gambling industry is effectively taxing the province’s lowest-income families at a rate more than double that of its highest-income families. This regressive tax system is a conspicuous contrast to the progressive structure of the income tax system, under which the highest-earning quintile pays nearly six and a half times what the lowest-earning quintile pays as a proportion of income. In short, gambling pads the public purse with money taken from the pockets of families least able to afford it.

Nor is it entirely accurate to write off Islanders’ contributions to the Lotteries Commission as an exercise of their “free choice” to gamble. The popular “voluntary tax” label is at best misleading. Whether buying lottery tickets or trying their luck at the casino, gamblers are participating in a system that has been meticulously engineered to extract as much money from players as possible. This is most clear in the case of problem gamblers, whose spending is by definition no longer voluntary. Yet the province earns an outsized share of its gambling profits from this group’s lack of freedom: though recent research suggests problem gamblers make up less than 1 percent of Atlantic Canada’s population (with an additional 1.9 to 3.5 percent classified as “at-risk” gamblers),⁴ they contribute up to a quarter of gambling revenue.⁵ This predatory pattern is even more troubling in light of the findings of Jason Doiron’s report “Gambling and Problem Gambling in Prince Edward Island,” submitted to the PEI Department of Health in 2006, which found that problem gamblers were more vulnerable to substance abuse and mental health disorders and were more likely than the rest of PEI’s population to be receiving social assistance⁶—a finding consistent with other research.⁷

The provincial government’s reliance on money extracted disproportionately from the poor and addicted is clearly at odds with protection of the vulnerable and with the principles of social responsibility, public trust, player protection, strengthened communities and responsible fiscal management.

2. How can the Government and ALC be more socially responsible and increase public trust when it comes to offering gambling products to Islanders?

Given the harmful impacts of PEI’s gambling system, funds from this revenue source should not be lumped in with the province’s other tax revenue to be spent the same way. Moving gambling profits from the Operating Fund to a separate fund would improve transparency, contributing to increased public trust, and would allow this revenue to be put to a more socially responsible use—we urge the government of PEI to avoid even the appearance of using predatory taxes to pay its bills. In fact, given that lottery and casino revenues are lower

Dijkema and Johanna Lewis, “Pressing Its Luck: How Ontario Lottery and Gaming Can Work For, not Against, Low-Income Households,” *Cardus*, June 2020, <https://www.cardus.ca/research/work-economics/reports/pressing-its-luck/>.

² Canadian Centre on Substance Use and Addiction, “Developing Lower-Risk Gambling Guidelines: Report in Short,” 2021, <https://gamblingguidelines.ca/resource/developing-lower-risk-gambling-guidelines-report-in-short/>.

³ Prince Edward Island, *Lotteries Commission Act*, https://www.princeedwardisland.ca/sites/default/files/legislation/l-17-lotteries_commission_act.pdf.

⁴ Robert J. Williams et al., “Gambling and Problem Gambling in Canada in 2018: Prevalence and Changes Since 2002,” *Canadian Journal of Psychiatry* 66, no. 5 (2020): 485–494, <https://doi.org/10.1177%2F0706743720980080>.

⁵ Robert J. Williams and Robert J. Wood, “The Proportion of Gaming Revenue Derived from Problem Gamblers: Examining the Issues in a Canadian Context,” *Analyses of Social Issues and Public Policy* 4, no. 1 (2004): 33–45, <https://opus.uleth.ca/handle/10133/373>. Given the unreliability of self-reported expenditure observed at the provincial level in this study, the Canadian national estimate—recommended as the most reliable figure by the study’s authors—is given here.

⁶ Jason Doiron, “Gambling and Problem Gambling in Prince Edward Island,” report submitted to the Prince Edward Island Department of Health, February 2006, http://www.gov.pe.ca/photos/original/doh_GambReport.pdf.

⁷ See Dijkema and Lewis, “Pressing Its Luck,” 16–18 for a brief review of this research.

than usual because of pandemic-related shutdowns,⁸ the cost of separating gambling money from general revenues will never be lower. Simply put, there will never be a better time than the present to implement this change.

The government could then ensure revenue generated by the gambling system is used to help those most harmed by it. There are several possible policy approaches that could accomplish this end. One option is to give gambling profits back to the poor directly through cash transfers. Alternatively, this money could be used to help the poor build savings, either through matched savings (in an RESP-style account) or prize-linked savings (which research suggests are particularly popular among lower-income savers and lottery players). Another valuable step towards social responsibility would be taking money out of ALC's advertising budget and investing these funds in problem-gambling research, prevention, and treatment. We provide a detailed analysis of these four gambling reform options in our report "Turning Aces Into Assets" and would welcome the opportunity to meet to discuss them further.⁹

3. What role should Government have in offering an alternative to unregulated (offshore) online casino-style games?

Government's involvement in the online gambling sector should be for the purpose of protecting the vulnerable rather than maximizing revenue. This principle is particularly important for online gambling since many of its features—including increased convenience and access, the ability to play while under the influence of drugs or alcohol, credit- rather than cash-based play, the ability to gamble on multiple sites and/or games at once, and the solitary nature of online gambling—make it an inherently more dangerous gambling medium.¹⁰ The province should implement evidence-based best practices to minimize the risk of problem gambling related to any online gambling opportunities available to Islanders. Given that problem gamblers who engage primarily in Internet gambling may have a different profile than problem gamblers who use other formats, like casino electronic gambling machines (EGMs), we encourage the PEI Lotteries Commission to invest in research into effective strategies for preventing and treating harms related to online gambling.

We would also caution the province against expecting a cash cow from the online gambling industry. Diverting gambling dollars from offshore sites to the provincial treasury may seem like an easy way to boost public balance sheets, but gambling is not a sustainable revenue source in the long term. While the early years of government-run gambling saw the newly legal industry expand rapidly, the growth in provinces' gambling revenue has slowed dramatically since the late 1990s as the novelty of casinos wore off.¹¹ Lotteries, casinos, and VLTs only move Islanders' money around and may in fact cannibalize more productive industries. Nor is gambling an efficient way for the province to collect money for public services: only 37 cents of every dollar Islanders spent on gambling in 2021 made it into the provincial treasury.¹²

⁸ Prince Edward Island Lotteries Commission, "Annual Report 2020–2021,"

https://www.princeedwardisland.ca/sites/default/files/publications/lotteries_2020_2021_2.pdf.

⁹ Brian Dijkema, and Johanna Lewis, "Turning Aces into Assets: Four Options to Help the Government Turn Its Addiction to Gambling Revenue into Assets for the Poor," Cardus, May 2021, <https://www.cardus.ca/research/work-economics/reports/turning-aces-into-assets/>.

¹⁰ "Online Gambling," Gambling Research Exchange, <https://www.greo.ca/en/topics/online-gambling.aspx>.

¹¹ Dijkema and Lewis, "Turning Aces into Assets," 42.

¹² Prince Edward Island Lotteries Commission, "Annual Report 2020–2021."

4. Do you have any suggestions to ensure gaming products are delivered to Islanders in a way that does not enable problem gambling?

Prevention of problem gambling should be designed and implemented following evidence-based best practices. The easiest and least disruptive prevention measures are not always backed up by research. Messages encouraging players to gamble responsibly, for example, have limited success at best. “Know Your Limit, Play Within It”¹³ is undermined by systems designed to separate players from their money as efficiently as possible and by advertising encouraging people to gamble more. Indeed, a government whose primary priority is protection of the vulnerable has no reason to encourage its citizens to buy lottery tickets or visit the casino. Stimulating demand for gambling is conspicuously inconsistent with the regulatory approach to other “sin taxes”—the state does not encourage the consumption of other addictive and dangerous products (alcohol, tobacco, cannabis).¹⁴ We encourage the government to bring its gambling policy more in line with the public-health approach it has adopted for other addictive products: changing the focus from the behaviour and responsibility of individuals to the systemic factors affecting gambling harm.

Among the most important factors for the province to consider are restrictions on the availability of high-risk gambling formats. Electronic gambling machines (EGMs, which include slot machines in casinos and VLTs in pubs and bars), for example, are known to be among the most dangerous forms of gambling and have come under scrutiny for their addictive design.¹⁵ In fact, the Doiron report found that the risk of problem gambling was *38 times higher* for Islanders who reported playing VLTs compared to those who did not.¹⁶ Yet at least 60 percent of ALC’s net win comes from VLTs and other EGMs¹⁷—perhaps unsurprising considering that the most lucrative gambling formats are almost by definition those most effective at separating players from their money. We commend the PEI Lotteries Commission’s initiative to reduce video lottery terminal (VLT) sites and numbers, and we encourage the Commission and ALC to continue this work. We are also aware, as a result of consultations with government officials in PEI, that there are political considerations related to VLT site reduction; particularly with regard to smaller establishments that rely on revenue from VLTs. In such cases, the government should consider short-term transition payments to meet its objectives in reducing the number of sites at which VLTs are present.

5. What types of programs and services are needed to support individuals who are experiencing problems with their gambling?

Support for those who are experiencing gambling-related harm is important, but the exact form(s) this support should take is beyond the scope of our expertise. However, it is important to note that very few problem gamblers seek formal treatment—likely only one in ten at most, according to available data. Moreover, those who do seek treatment are more likely to be pathological gamblers, who have the most severe forms of problem gambling. On the one hand, this means those who are most likely to seek treatment are those who most need it. On the other hand, however, pathological gamblers are the smallest group of people

¹³ “Home,” Atlantic Lottery Corporation, <https://www.alc.ca/content/alc/en.html>.

¹⁴ See Dijkema and Lewis, “Pressing Its Luck,” 22–23; “Turning Aces into Assets,” 39–52.

¹⁵ For an extended discussion of the addictive design of EGMs, see Dijkema and Lewis, “Pressing Its Luck,” 18–20; “Turning Aces into Assets,” 50–52.

¹⁶ Doiron, “Gambling and Problem Gambling in Prince Edward Island.”

¹⁷ Dijkema and Lewis, “Royally Flushed.”

experiencing harm related to gambling—gambling does not need to reach the level of clinical addiction to damage finances, relationships, work performance, or emotional, physical, and mental health.¹⁸

Indeed, research shows that most gambling harms are experienced by people classified as mild to moderate problem gamblers, since they are a much larger group than pathological gamblers. Low treatment rates may suggest a need to improve the supply and accessibility of treatment, rather than a lack of demand, but more funding for treatment is unlikely to have more than a small impact on problem-gambling prevalence rates if only a small fraction of problem gamblers use the treatment. In contrast, a policy that includes meaningful restrictions on the supply of gambling—especially more dangerous formats like VLTs—affects everyone experiencing gambling harm.¹⁹

¹⁸ See “Gambling Related Harms,” Gambling Research Exchange, <https://www.greo.ca/en/topics/gambling-related-harms.aspx>.

¹⁹ Dijkema and Lewis, “Turning Aces into Assets,” 47–49.