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Exclusive: The Ugly Truth Behind The OLG Bingo Expansion

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Trot Magazine editor Darryl Kaplan offers his take on the truth behind the Ontario Lottery and Gaming Corporation's Modernization strategy and bingo expansion plan.

The largest gaming expansion in the history of Ontario is taking place as we speak, and one of the most controversial components to it, the bingo expansion, is not being covered adequately by our major media outlets.

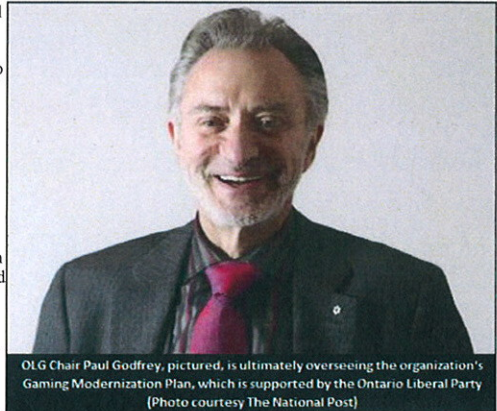
While debate rages over urban casinos that will likely arrive into our cities, full fledged gaming centres are set to pop up under the noses of millions of Ontarians – they are called bingo halls.

While the lack of coverage by the National Post, whose CEO is Paul Godfrey, head of the Ontario Lottery and Gaming Corporation, is understandable, the other major news outlets are dropping the bingo ball. Rather than cover the story, they continue to publish taxpayer funded OLG advertorials touting the program as a “win-win” for Ontarians.

But while government advertising touts the benefits of the program, the truth is perplexing and disturbing.

In an [article on mykavartha.com](#) on July 13, 2012, Rui Brum, a spokesperson for OLG, celebrated the modernization of Delta Bingo, a hall that according to the article was “recently purchased” by major players Boardwalk Gaming and Delta Bingo. The following is a quote, from the piece: “Mr. Brum stresses one thing: The machines aren't slot machines, and there is no plan to bring slots to bingo halls.”

While the OLG has been resolute in this assertion, *Trot Insider* has a sneak peak at the machines that are indeed now installed and operational at Delta Bingo in Peterborough.



OLG Chair Paul Godfrey, pictured, is ultimately overseeing the organization's Gaming Modernization Plan, which is supported by the Ontario Liberal Party (Photo courtesy The National Post)



A sneak peak at the machines that are now installed and operational at Delta Bingo in Peterborough. OLG Spokesperson Rui Brum: “The machines aren't slot machines, and there is no plan to bring slots to bingo halls.”

(To view more images of the machines, [click here](#))

As you can see, the terminals are self contained, and have computer generated symbols that look exactly like slot machines. With names like 'Hot N Saucy' and 'Dynamite Diamonds' they sound exactly like slot machines. And with the ability to take cash and return payout receipts, they act the same as slot machines.

Mr. Brum's perplexing assertion is one that has been made repeatedly by the OLG. Could Brum be referring to the machine's lack of a pull-handle (something that has been faded out on most slots)? Or some different words on the touch-screen terminals, indicating the units are not in fact slot machines? Regardless, the game of semantics being played by the OLG is a practice of deception. Calling these machines “play-on-demand” or “electronic break-open machines” does not change what they are, or what they do.

After shutting down Slots-at-Racetracks facilities in Sarnia, Windsor and Fort Erie, one might wonder why the OLG decided to purchase brand new machines rather than using existing mothballed machines. Was that done to avoid calling these machines slots?

As absurd as trying to keep the existence of these machines under wraps is, it is just the beginning of why taxpayers should be outraged.

According to Tony Bitonti, the senior manager of Media Relations for the OLG, the Lottery Corporation and the government will not receive any proceeds from the bingo hall modernization plan. All revenues from the installment will be used to cover costs. “Our share is revenue neutral,” he said. “The OLG will not make any money on this. Our role is to conduct and manage.”

So the same OLG that has spent much of the last year telling Ontarians that the \$1.1 billion generated for taxpayers from the Slots-at-Racetracks program is not enough, and that 20% to the racing industry is too much, will now place thousands of machines into as many as 61 bingo halls, without one penny being returned to the taxpayer?

When Dwight Duncan and Paul Godfrey travelled down the 401 to shut down a profit-generating Windsor Raceway, the rationale was clear. To "ensure Caesars Windsor remains healthy," the OLG had to act, Godfrey told the media. And the doors were shut.

So based on that reasoning, surely the OLG would keep their "revenue neutral" bingo halls away from existing gaming facilities to avoid cannibalization, right? Wrong!

Rather than avoiding locations with gaming, the OLG launched its first six bingo facilities all within 40 km of existing gaming facilities. In Windsor of all places, the gift of "modernization" was granted to Paradise Gaming Centre just 4 km from Caesars Windsor, and Breakaway Gaming Centre, which is walking distance to the casino, a measly 2 km away. The other initial locations are Delta Bingo Peterborough – 11 km from Kawartha Downs; Boardwalk Gaming Centre Barrie – 15 km from Georgian Downs; Boardwalk Gaming Centre Sudbury – 20 km from Sudbury Downs; and Treasure Chest Bingo – 40 km from 1000 Island Charity Casino.

With taxpayers ignored, the OLG continues to talk about the huge benefits to charities. It is a smokescreen of epic proportions. The OLG boasts that charities will receive an average of \$59.375 million per year over the next eight years as part of the program (\$475 million). Frankly, if it was about charities, they could have approached racetracks about sharing a percentage of the Slots-at-Racetracks revenues with charities. In fact, they could have mandated it begin on March 31, when the contracts ended, and guaranteed that charities would make equal or more than the bingo deal. They did not.

Instead they created a new level of government bureaucracy focused on bingo. That bureaucracy, according to the OLG, will cost the government agency \$475 million over the next eight years (the same amount that they claim charities will receive over that period). The side effect is that up to 61 new facilities will get slots (sorry, "play on demand" machines), and revenues at 29 new casinos will be hammered by this new competition.

Aside from bingo operators, the greatest beneficiaries from the OLG's modernization strategy would be the gaming product providers and manufacturers who will reap the most from these bingo-casinos ("binginos"). The Canadian Gaming Association, a not-for-profit organization that has as its mandate "to create a better understanding of the gaming industry by bringing facts to the general public, elected officials, key decision makers and the media through education and advocacy" has openly supported the OLG's overall modernization strategy.

Perhaps though, the public should be wary of whether or not the CGA is able to truly deliver on their mandate. After all, the CGA Board of Directors consists of 13 members, seven of whom represent foreign-based producers and manufacturers of slot machines and gaming devices. The horse-racing industry, Canada's longest-standing wagering activity, has no industry representation.

As for how the OLG plans to spend \$475 million, according to a Toronto City Council staff report from May 2, 2012, the answer is as follows:

- all the necessary hardware related to site set up, including a hardware refresh and replacement strategy;
- software development for new games to be continuously introduced;
- telecommunications and related maintenance required to support the centres;
- cost of the bingo paper (previously paid by the charities);
- IT help desk; and other operating expenses associated to maintaining and overseeing the sites.

When asked to fully explain the revenue splits, Bitonti clarified the numbers.

"The Charitable Bingo and Gaming Revitalization is based on 'net win,'" he said. Net win is the amount of revenue left after customers have been paid their winnings.

According to Bitonti, a centralized marketing fund of 7% will be set aside, from off the top. After that 7% has been accounted for, the Hall operator will get a blended 47% of the remaining net win, charities will receive 25%, the OLG will receive 25%, which is revenue neutral to cover costs, and the municipality will receive 3%. In addition, 10% of food and beverage sales will be provided to charities from the OLG's 25% share.

Bitonti stressed that "the OLG does not own the bingo hall. It is privately owned and operated. The OLG has oversight over the games."

As for who runs these bingo halls, you would naturally expect that the OLG would practice what they preach. After all, it has embarked on an extremely comprehensive and exhaustive request for proposal process to determine who will operate all casinos and slot facilities in the province.

For that process, the OLG retained the services of the Honourable Coulter A. Osborne, Q.C., former Associate Chief Justice of Ontario, and former Integrity Commissioner of the Province of Ontario, to serve as Independent Fairness Advisor. "Ontarians can be reassured that the Modernization process will be open, fair, competitive and transparent," said OLG CEO Rod Phillips. Strangely, Osborne was not asked to assess fairness when it comes to doling out the extremely lucrative bingo deals.

So, OLG, how were those agreements awarded?

"They have to be willing to be a part of this," said Bitonti, of the bingo operators. "We're going into existing facilities. We're not setting up brand new facilities. The charities have to be on side, the municipalities and the bingo halls."

So apparently, "willing" to accept 47% of net win, or an estimated \$893 million over the next eight years, does not require a former integrity commissioner, or much of anything. If you have a bingo hall, or buy into one, and everyone agrees, you're good to go.

With the OLG spending their share of the gaming revenue on expenses, Bitonti was asked to explain what the bingo hall operator pays from their 47% share. "The operator who owns or leases the building in which the hall is located, pays for day-to-day operations --- staff, lease, or taxes, supplies, food and beverage, hydro, facility upgrades, marketing, etc.," he said.

If it sounds familiar, that's because it's very similar to what the racetracks were in charge of in the Slots-at-Racetracks program. Yes, it is unclear how much of the operational and staffing costs will be picked up by the bingo halls, but likely some of that can be absorbed through current operations and much of it will be picked up by the OLG.

Of the six facilities that are part of the OLG's modernization launch, two are owned by Boardwalk Gaming, and a third, according to mykawartha.com, is partially owned by Boardwalk, a company owned by Toronto businessman Larry Tanenbaum.

Tanenbaum, a Toronto-based entrepreneur and philanthropist, served as National Revenue Chair of the Liberal Party of Canada during Prime Minister Paul Martin's term of office. According to a March, 2005 University of Toronto paper titled, "[The ties that bind: Ted Rogers, Larry Tanenbaum and the Toronto Sport Elite](#)", written by Russell Field, Tanenbaum has also held longstanding working relationships with Godfrey and Dale Lastman. Lastman was appointed to the OLG Board of Directors in February, 2010 and served until February, 2012.

Boardwalk Gaming is a major player in Ontario's bingo landscape. According to their website, "Boardwalk Gaming is Canada's leading Bingo Centre operator, delivering outstanding bingo products and entertainment value. The company owns and operates six bingo gaming facilities across Ontario." The site also states, "Over the next 12 months, Boardwalk looks to make further investments at select locations. It is part of Boardwalk's continuing commitment to greater customer enjoyment and comfort."

So, why is the media not covering this story? It may be that they are simply not aware. Although that seems unlikely, as the OLG continues to take this issue to council meetings across the province, and has openly promoted these "bingino" facilities. It may be that there is a misconception among the media that the electronic bingo conversion is simply the introduction of a digital method of playing bingo. Perhaps, if the mainstream media realized that these "binginos" were popping up everywhere with no revenue to the province, they would react?

Another possible explanation is that the OLG is a major advertiser for thousands of media outlets across Ontario. Through the promotion of lottery games, Pro-Line products, charitable gaming and Slots-at-Racetracks, they are significant contributors to struggling media agencies. It is also possible that because Larry Tanenbaum is tied in various business dealings with Bell Media and Rogers Media that much of the province's media outlets either are owned by these groups, or rely heavily on advertising revenues derived from them, so they'd rather not enter into the fray.

Regardless of the reasons, as mini-casinos open up in bingo halls across Ontario, without any revenue going to government coffers, the people of this province are being left in the dark. While the Liberal government and OLG officials spin this as a benefit to charities, they are hiding a litany of puzzling decisions, many of which may have extremely damaging consequences for the people of Ontario.

It is time to shed light on this mess, and reverse course immediately. Despite what the advertorials say, it can be done without one charity losing a nickel. Spread the word, because it seems if you don't, nobody will.

(A *Trot Insider* exclusive by Darryl Kaplan)

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