

Tangled web: investigating Canadian lottery scandals

Garry Smith

Professor Emeritus, University of Alberta, Edmonton, Alberta Canada
Email: garry.j.smith@ualberta.ca

Abstract

This commentary examines the major lottery scandals in Ontario and British Columbia that broke in 2006, with particular emphasis on the precipitating conditions, sustaining factors, consequences, lessons learned, and resolutions. The aim of this article is to identify fundamental causes and common threads so that future lottery scandals might be averted. The scandals discussed here resulted from a combustible mix of easy-to-circumvent rules, profit-seeking agendas, and light-touch self-regulation. Although tighter controls were imposed on the two provincial lottery corporations after the scandals, neither organization appears to have markedly altered its pre-scandal culture or business plan. Various gambling regulatory styles are noted in the paper and because the current governmental practice of self-regulation is thought to have contributed to the two Canadian lottery scandals, a system of independent gambling oversight is recommended.

Résumé

Le présent commentaire étudie les principaux scandales liés à la loterie qui ont éclaté en Ontario et en Colombie-Britannique en 2006. On insistera plus particulièrement sur les conditions qui les ont déclenchés, les facteurs qui les ont maintenus, les conséquences, les leçons tirées et les résolutions. L'objectif de cet article est de déterminer les causes fondamentales et les éléments communs de sorte que de tels scandales puissent être évités à l'avenir. Les scandales dont il est question ici ont été le résultat d'un mélange explosif de règles faciles à contourner, de recherche de profits et d'une autorégulation allégée. Malgré des contrôles plus stricts imposés aux deux sociétés de loterie provinciales après ces événements, aucune d'entre elles ne semble avoir modifié sa culture ou son plan d'affaires de façon notable. Divers styles de réglementation concernant le jeu sont relevés dans le présent article. En outre, comme il semble que la pratique actuelle d'autorégulation du gouvernement aurait contribué aux scandales impliquant les deux sociétés de loterie canadiennes, on recommande la mise en place d'un système indépendant de contrôle du jeu.

Background

Corruption is uniquely reprehensible in a democracy because it violates the system's first principle: that the government exists to serve the public, not particular companies or individuals or even elected officials (Frank, 2008, p. 3).

Gambling-related scandals have seldom been the focus of serious scholarly inquiry. As a consequence, little is known about why and how they happen or how gambling regulatory agencies respond to them. Three factors make the Canadian lottery regulatory model vulnerable to scandal: monetary incentives to turn a blind eye, easy-to-circumvent rules, and self-regulation of gambling activities by the provinces. This commentary examines the major lottery scandals in Ontario and British Columbia that broke in 2006, with particular emphasis on the precipitating conditions, sustaining factors, consequences, lessons learned, and resolutions. The aim of this article is to identify fundamental causes and common threads so that future lottery scandals might be averted.

Fraud and mismanagement have been associated with lottery administration from the format's earliest days (Schwartz, 2006). Summing up the prevailing anti-lottery sentiment in early 18th century Great Britain, Miers (2004) asserts "they were 'so radically vicious' that no system of regulation could be devised which would both guarantee them as an efficient source of revenue and at the same time divest them of all the evils that they inevitably attracted" (p. 145).

In discussing the first wave of American lotteries, Sweeney (2009) claims that "over their roughly two-hundred year life-span in the United States (late 1600s to late 1800s), lotteries have always been accused of supporting immorality, corruption, mismanagement and greed" (p. 22). Legal private lotteries existed in Canada in the mid-1800s; however, when the word lottery started to become a synonym for deceit and vice, they were outlawed and remained so until 1969 (Brenner & Brenner, 1990). Illegal lotteries were commonplace in Canada during the early to mid-1900s, even though many of them were dishonest, "distributing only a portion of the advertised prizes, awarding fictitious winners, and retaining a majority of the proceeds for the operators" (Morton, 2003, p. 54). Despite the double dealing, these illicit lotteries thrived because police were lax in enforcing what was considered to be a petty crime (Chambers, 2011).

Stimulated by the success of American state lotteries that emerged in the 1960s, lobbying by Quebec politicians, the participation of many Canadians in foreign lotteries, and the prospect of a new revenue source, a bill that decriminalized lotteries was passed by the Canadian government in 1969. Canadian provinces promptly took advantage of this new legislation, and by 1976 all were involved in conducting lotteries. Competition for the provinces arose when the federal government commenced its own lottery to subsidize the hosting of two international sporting events (1976 Summer Olympics and 1978 Commonwealth Games). A

decade-long provincial/federal government wrangling over lottery dollars ended in 1985 when the federal government acceded to the wishes of provincial governments, amending the Criminal Code of Canada to give authority for the administration of gambling exclusively to the provinces (Campbell, Hartnagel, & Smith, 2010).

Further justification for legalizing lotteries in 1969 was to reduce criminal involvement, in particular to crack down on illegal lotteries (Morton, 2003, p. 191). An assumption underpinning the new legal Canadian lotteries was that a fair game was being offered, that is, an equal chance for every ticket to win each of the prizes (Bellhouse, 1980). Citizens also took for granted “that all Canadian lotteries are scrupulously fair, and that biases or corruption in the awarding of prizes is virtually impossible” (Bellhouse, 1982, p. 312). Despite general public faith in the probity of Canadian lotteries at the time, Bellhouse (1982) was concerned about a lack of rigor in the Canadian lottery regulation system. In seeking to strengthen Canadian lottery regulation standards, Bellhouse (1982) recommended the creation of a national Lotteries Review Board to ensure that each province operated by the same rules and that the rules were consistently enforced. The proposed national lotteries review board never materialized, and as Bellhouse forecasted, weak regulatory controls led to lottery abuses in several provinces.

Scandals in General

Scandals are widely publicized incidents or events that disgrace or damage the reputation of the person(s) or organization(s) involved. Scandals have significance in the political realm because of their cost to the public treasury, potential for harming reputations, and penchant for shaking citizens’ confidence in government.

Government scandals are common in liberal democracies because of the existence of a free press and competing political parties (Lowi, 1988). A free press ostensibly plays a watchdog role in liberal democracies, and because scandals attract readers, journalists are rewarded for unearthing them. Political parties seek to gain advantage when a rival’s reputation is tarnished. Another cornerstone of liberal democracies is the notion of due process, that is, the constraining of political power through a framework of strict rules, procedures, and public scrutiny. Due process is a way of upholding the public interest. Scandals can occur when due process is violated; ironically, through due process, wrongs are redressed and the system gets back on track.

Elements of a Scandal

There are three main elements to a scandal: a wrongdoing or inappropriate behavior, someone to reveal it, and an interested public (Adut, 2008). There is no scandal without a real, apparent, or alleged transgression that breaches some legal, moral, or social standard. Some standards are more scandal-sensitive than others, particularly those related to sexual improprieties, questionable financial transactions, and the contravention of rules and processes related to the pursuit and exercise of political power (Adut, 2008).

A scandal begins with the public disclosure of a glaring offense by a high-profile person(s) or institution(s), which then triggers a process of claims and counter-claims. The incident is then played out in the media via a pattern of revelations, accusations, and denials, usually culminating in an admission of guilt, a resignation/dismissal, criminal proceedings, or a collapse of the case against the person(s) or organization(s) involved. A scandal's potency is augmented by factors such as (a) degree of hypocrisy—not only are standards violated, but the situation is made worse in the public eye by the perpetrator(s) having acted contrary to his/her or the organization's espoused values; (b) attempts at concealing or covering up the transgression that are eventually exposed; and (c), weak or implausible denials that leave the perpetrator(s) open to humiliation and ridicule. As noted, there is no scandal until the wrongdoing is widely known and elicits wide condemnation. Public dissatisfaction generally coalesces around media coverage featuring moralizing narratives by opinion leaders that censure the inappropriate conduct, chastise the participant(s), and call for reforms.

Scandals last as long as there is public interest, with several factors affecting their sustainability. One factor is the seriousness and/or uniqueness of the behavior and a second is the social status or celebrity of those involved. There is also public fascination, with the elite being held to account for their actions (the idea of *schadenfreude*—the German word for taking pleasure from others' misfortune). A third factor is that scandals typically have a contaminating effect (Adut, 2008); that is, not only is the actor(s) involved discredited, but others on the periphery may also be implicated. For example, with the pedophile priest and American business scandals, it was not a stretch for the public to think that most priests prey on young boys or that most financial institutions are greedy and corrupt (Fernando & Gross, 2006). A fourth factor is public curiosity about who will or who should take the blame. In business scandals such as the collapse of Enron and WorldCom, senior officials were found culpable and received long jail sentences. However, in the 2008 Wall Street meltdown, no specific individuals were officially held accountable and no one went to jail—in fact, the offending financial institutions received government bailouts. In government scandals, politicians customarily find a scapegoat to take the fall. Scandals are not always disastrous, because they often lead to positive social change.

Gambling Regulatory Style and Scandal Possibilities

This section provides a brief discussion on the philosophical foundations of several gambling regulation models. Although gambling has been popular in certain cultures through the ages, it has also been outlawed in many societies through human history (Binde, 2005). Despite its normalization in modern society, there is a lingering ambivalence about gambling because it remains a morally negotiable activity (Morton, 2003; Skolnick, 1978; Smith & Rubenstein, 2011). Gambling continues to polarize public debate and is seen in some quarters as a dubious activity for a government to be directly involved in. For example, attitude surveys show that by a sizable margin, widespread gambling is seen as detracting from, rather than

adding to, citizens' quality of life (Orford, Griffiths, Wardle, Sproston, & Erens, 2009; Smith et al., 2011).

Gambling is susceptible to scandal because of its large, typically cash, profits, in addition to its links with crime, addiction, and social disruption (Denton & Morris, 2002). Given the historical association between gambling and these untoward outcomes, governments would seem to have a heavy burden of justification before sanctioning gambling as a worthwhile leisure pursuit and important source of revenue.

The efficacy of a gambling regulatory regime depends on what each government is trying to achieve; therefore, what is perceived as good or bad regulation varies by jurisdiction according to each one's policy objectives (Collins, 2003). Some regulatory goals are common to most jurisdictions that offer gambling, including preventing minors from playing, mitigating the risk of problem gambling, trying to limit criminal activity such as money laundering and loan sharking around gambling venues, and so forth (Collins, 2003, p. 55). Whether gambling regulations are effective depends largely on how they are monitored and enforced.

Getting gambling governance right requires coming to terms with perturbing aspects of the activity. For example, (a) some participants are harmed; (b) a disproportionate amount of the profits come from those it harms (Williams, Belanger, & Arthur, 2011); (c) gambling is not an essential government product or service nor does it have a natural linkage to any core public service (Smith & Rubenstein, 2011); and (d) the partnering of governments with private sector interests to form the gambling industry creates unnatural alliances and conflicts of interest, both of which can be inimical to the common good (Smith & Campbell, 2007).

As a first step in the gambling regulatory process, Skolnick (1978) holds that policy makers have a duty to "point out the precariousness of the activity" (p. 11). However, in so doing, the logic becomes blurred when trying to "maintain the rationale for strict control while justifying legalization on grounds that the legalized activity isn't all that harmful" (Skolnick, 1978, p. 11).

A continuum of options is available to governments seeking to regulate gambling, ranging from a complete ban on the activity, to soft interventions, to a free market approach. Collins (2003) views gambling as just another component of the leisure industry; therefore, like other legitimate businesses, he believes it should be governed by market forces. The minimal government intervention in gambling argument is based on the Millsian premise that "individuals should not be prevented by anyone from living their lives as seems best to them, provided only that they do not wrongfully harm others" (Collins, 2007, p. 619).

Modern-day Macau epitomizes a free market approach to gambling regulation. Here the quantity of money gambled "exceeds that of Las Vegas five times over" (Osnos, 2012, p. 46). However, despite the wealth generated from gambling (last year each

Macau resident received an \$875 dividend from the city's tax revenues), the city has a faltering infrastructure (a shortage of taxis, roads, housing, and medical services) and is home to "a cesspool of financial crimes" (Osnos, 2012, p. 49).

In contrast to laissez-faire gambling regulation, Bogart (2011) advocates a "permit but discourage" approach (p. 49). Acknowledging the difficulty in suppressing gambling completely, but also recognizing the havoc that immoderate gambling consumption can create for individuals and communities, Bogart (2011) subscribes to tight controls on gambling based on a public health framework. The precautionary principle, harm minimization and independent oversight, are key elements in the "permit but discourage" gambling regulation model.

The Australian state of Victoria's gambling regulatory system would appear to occupy a middle ground between the free market and "permit but discourage" modes. However, even a happy medium regulatory style can be compromised, as shown in Hancock's (2012) analysis of Melbourne's Crown Casino operations. Hancock describes "a flawed, ruptured system marred by regulatory failure" (p. 224), stemming largely from Victoria regulators being co-opted by casino interests. To guard against a "light touch" (2011, p. 143) gambling regulatory model, Hancock recommends "more vigilant, proactive public interest regulation" (p. 223), starting with better defined outcomes, more complete information gathering, more stringent monitoring and assessment, and independent gambling regulation at the federal government level.

Although many styles of gambling regulation have been tried in various cultures throughout history, "there is little evidence to suggest that any society (ancient or modern) has developed an exemplary way of managing the activity and thus curbing its negative consequences. Obviously, some jurisdictions do it better than others, but after several millennia of trying; it remains a work in progress" (Smith & Rubenstein, 2009, p. 34).

Gambling Scandals

An historical coverage of gambling scandals is beyond the scope of this discussion. Gambling scandals do, however, occur regularly and in a variety of forms. A Google search of the term "gambling scandal" reveals a range of sources from around the world, generally associated with one of three themes:

- **Sports-related scandals** such as game fixing or point shaving by athletes or referees, athletes who have a gambling problem and are losing vast amounts of money to illegal bookmakers, and athletes themselves taking bets illegally or betting on games involving their own teams. In the past few years, betting scandals have surfaced in European soccer, Pakistan cricket, Australian rugby, international tennis, sumo wrestling, the National Hockey League, and National Basketball Association.

- **Cheating scams** associated with online betting sites that include sportsbooks not paying winners; poker website insiders accessing software codes, thus allowing them to see all the cards in the game as they are being played; and leading Internet poker companies deceiving banks and financial institutions into processing billions of dollars of payments through nonexistent online merchants and other nonrelated businesses.
- **Government or political scandals** featuring improprieties by politicians and/or senior government officials. A wide net of activities falls into this category, including abuse of power for individual or organizational enrichment, for example, accepting bribes or kickbacks from a corrupt bidding process, influence peddling, improper use of gambling funds, lottery retailer fraud in the form of misrepresenting ticket wins/losses and tampering with instant tickets, embezzlement, betrayal of public trust, dereliction of duty, and gross incompetence. Government scandals often result from a failure to expeditiously, morally, and legally respond to a crisis (De Maria, 2010).

Ontario Lottery and Gaming Corporation Scandal

Origins

In the fall of 2006, the Canadian Broadcast Corporation (CBC) aired a documentary entitled *Luck of the Draw* in its investigative television program *The Fifth Estate* that challenged the integrity of the Ontario Lottery and Gaming Corporation (OLG). The thrust of the show was three-pronged: (a) to tell the story of Bob Edmonds, a person claiming that a \$250,000 prize was stolen from him by an unscrupulous lottery retailer; (b) to detail the hurdles he encountered in trying to convince OLG of his plight; and (c), to reveal that Ontario lottery retailers were winning major lottery prizes at a statistically improbable rate. The *Fifth Estate* program created nationwide adverse publicity for OLG and propelled the government of Ontario into damage control mode. The main OLG missteps exposed on the *Fifth Estate* program included (a) the lack of respect shown an OLG consumer who had a legitimate complaint, (b) the failure of senior OLG officials to take ownership of the situation, (c) OLG's negligence in not having proper ticket validation procedures in place, (d) OLG being disingenuous about the implausible number of insider lottery wins, and (e) OLG appearing to be more concerned about protecting its image than about helping cheated customers.

Edmonds' complaint to OLG was initially submitted in 2001. After a year of minimal progress, civil suits were filed by Edmonds against both OLG and the retailer. The cases went through the legal process for another 3 years until the claim against the retailer was settled in Edmonds' favor for \$150,000. Later, after a judge ruled that OLG owed Mr. Edmonds a duty of care, OLG settled for \$200,000 (in addition to spending \$429,000 in legal costs to fight the case; Marin, 2007).

Edmonds' taped interview describing his long struggle with OLG was shown on the *Fifth Estate* program. Viewers were left to ponder: Why had OLG taken so long to

respond to a legitimate consumer complaint? Why had OLG's chief executive officer (CEO) initially refused to speak to the issue on camera and why had the CEO taken the further step of having security personnel remove CBC cameras and the interviewer from its premises?

Mid-management OLG officials who spoke publicly offered denials (e.g., "an isolated incident," "just a few bad apples causing trouble") and assumed no organizational responsibility for the mishandled Edmonds' case. OLG also hired its own statistics expert in an attempt to refute the CBC claim that insiders were winning a disproportionate share of prizes. It was later revealed that OLG had known about suspicious lottery insider wins several years before the scandal erupted, but decided against tightening its ticket validation procedures (Marin, 2007, p. 3).

Impact

OLG was criticized for its inability to administer lotteries fairly and accused of not protecting customers from insider theft and fraud. Revelations about OLG's loose operations and cover-up met with public concern and led to the Ontario Ombudsman Office launching an inquiry into OLG's lottery practices. The scandal elicited calls for the dismissal of the Minister responsible for lotteries; instead, OLG's CEO and several senior officials were terminated, but given generous severance packages. The Ontario Ombudsman's report (Marin, 2007) contained 23 recommendations, all of which were accepted and implemented by the Ontario government. At the press conference releasing the report, the Ombudsman opened with the statement: "Confidence in our lotteries is shattered."

Lessons Learned

In terms of corrective action, the ticket validation procedures were improved, background checks on lottery retailers were undertaken, OLG employees were banned from winning lottery prizes, some fraudulent lottery retailers received jail sentences, and some rightful winners were paid out. On the other hand, OLG's problems continued as the next CEO and Board of Directors were dismissed in 2010 because of expense account irregularities (Auditor General of Ontario, 2010); OLG continues to face several lawsuits related to its gambling operations.

Contamination Effect

As noted earlier, scandals often have far-reaching effects that spill over into other jurisdictions and organizations. Such was the case with OLG's misdeeds, as the other Canadian lottery agencies (British Columbia Lottery Corporation [BCLC], Western Canada Lottery Corporation, Loto Quebec, and Atlantic Lottery Corporation) tried to distance themselves from the crisis. The BCLC suffered collateral damage, however, as it experienced the same challenges to its lottery operations. Following in the wake of the *Fifth Estate's* exposure of OLG's problems,

the *Vancouver Sun* newspaper, thinking that conditions in British Columbia might match those in Ontario, made a freedom of information request for the number of British Columbia retailers who had won prizes of \$3,000 or more and a copy of all investigations into fraudulent lottery claims since January 1, 2005. The *Sun* probe found that British Columbia lottery ticket retailers were also winning an inordinately high percentage of prizes over \$3,000 and that irregularities existed in the BCLC's lottery ticket verification process.

Several complications intensified and protracted the BCLC scandal. First, there were the initial denials. The BCLC claimed it would never have paid out a major prize if there was anything unusual about the ticket or the information provided by the claimant, and since few customer complaints had been received, the system must therefore be working. It was later revealed that there had been many more customer complaints about suspected ticket fraud than the BCLC had let on in its freedom of information disclosure. Second, in an effort to defuse taxpayer concerns, the BCLC and British Columbia's Gaming Policy and Enforcement Branch conducted internal reviews of BCLC's lottery sale and prize verification practices. Both reviews noted that unprincipled retailers could conceivably misrepresent ticket wins/losses and/or exchange tickets; however, in their view, the system was not being abused. The reviews also found retailer win rates to be within statistical norms and that the lottery was being operated with a high level of integrity. Citizens and media outlets questioned the lack of rigor and independence of the reviews. Skeptics submitted that asking two allied government agencies to verify the BCLC's diligence, or lack thereof, was like having Olympic figure skaters grade their own performances. Third, the British Columbia Ombudsman report questioned the veracity of the internal reviews and exposed gaps in BCLC's ticket validation and prize payout procedures (British Columbia Ombudsman, 2007).

Congruities between the Ontario and British Columbia scandals included (a) British Columbians' sense of betrayal regarding their government's inability to run a corruption-free lottery; (b) a provincial Ombudsman's report featuring 23 recommendations, all of which were approved and implemented by the British Columbia government; and (c), BCLC's CEO being dismissed, albeit with a substantial severance package.

BCLC's lottery practices improved along the same lines as those of OLG in the scandal's aftermath; however, the corporation subsequently faced mini-scandals in other areas of its operation. For example, BCLC was fined \$670,000 by Canada's financial tracking organization (FINTRAC) for its delinquent reporting of casino transactions of \$10,000 or more. A CBC investigation uncovered blatant money laundering and loan sharking in Vancouver area casinos. Moreover, on its first day of offering online gambling, BCLC's Internet software imploded, resulting in a security breach of customers' private information. A further public furor resulted when BCLC raised its maximum monthly online bet limit from \$120 to \$9,999.

Curiously, the other three Canadian lottery corporations (Western Canada, Loto Quebec, and Atlantic Lottery Corporation) avoided the lottery scandal fallout, likely because media outlets in their regions did not vigorously pursue the matter. Reviews of the other lottery agencies were conducted; however, the critical issue of insider wins was not dealt with or at least not made public. It seems reasonable to assume that because all five Canadian lottery corporations operate in a similar fashion that the same problems might have surfaced had all Canadian lottery corporations undergone close scrutiny.

Structural Conduciveness for Gambling Scandal

A particular social structure must be open to the possibility of scandal before it can occur (Smelser, 1963). OLG is a Crown corporation run by a CEO and a politically appointed Board of Directors who are accountable to the legislature through a Minister. Given that OLG had come under five different ministries in the previous 8 years and that a governmental master plan for gambling had never been developed (Smith & Rubenstein, 2009), the governance of gambling in Ontario was particularly haphazard and unstable.

Both Ontario and British Columbia Ombudsman reports referred to corporate cultures with misplaced priorities, that is, an overemphasis on profit seeking and being more protective of lottery ticket retailers than customers. Willful blindness seemed to play a role in the scandals to the extent that both corporations failed to rigorously examine their universe of risk and thus were not fully aware of the vulnerabilities in their systems (Heffernan, 2012). Organizations can make themselves structurally blind by what is and what is not rewarded, for example, lottery employees being praised for the money brought in, but the retailer prize money not being questioned and the customer complaints not being satisfactorily handled.

When challenged on the integrity of their lottery operations, both corporations were inclined to stonewall and be evasive. This uncooperative attitude violates one of the cornerstones of democratic governance, that is, that elected officials and their appointees are accountable to citizens for governmental performance (May, 2007). Also, firing both OLG and BCLC CEOs implies a failure to actively encourage ethical standards and practices.

In a study of business scandals that occurred in the 1990s, Schwartz and Gibb (1999, p. 177) list the common failures of senior management that contributed to their downfall. Those most relevant to the OLG and BCLC misadventures include (a) failure to create a culture that tolerates dissent, (b) an exclusive focus on financial measures of performance, and (c) failure to attend to business ethics and social responsibility concerns.

Scandal Resolution

Perhaps most telling about the character of an organization is how it responds to a crisis. There are three typical internal reactions to a scandal (De Maria, 2010): (a) *Redemptive organizations* are truly remorseful; they proactively accept legal and moral responsibility and manage the situation in pro-social ways by making the necessary operational and ideological reforms. An example of this is how Canadian-based Maple Leaf Foods dealt with a tainted meat scandal; the CEO immediately made a public apology, saying “this is unacceptable, it’s our fault; the appropriate changes will be made and it won’t happen again.” (2) A *treading water organization* begrudgingly acknowledges that mistakes occurred. It makes the revisions that are thrust upon it, but unless forced to do so, does not drastically alter its pre-scandal culture or business plan. The emphasis is on impression management rather than on a full buy-in to organizational restructuring. (3) A *rogue organization* regrets the scandal because of the negative publicity garnered, but continues business as usual to the extent that it can. The main lesson learned is how not to get caught next time.

OLG and BCLC appear to have taken a treading water approach, as little in the way of contrition was shown and neither organization adopted a solicitous attitude toward its victims. Major changes were made because the organizations had little choice but to comply, but on the surface, at least, their corporate cultures did not appear to change markedly. Indeed, both lottery corporations experienced ethical recidivism to the extent that smaller scandals occurred after the big one in 2006. The Ontario Ombudsman report noted how OLG’s core values (integrity, respect, and accountability) had been given short shrift or even forsaken (Marin, 2007), yet it remains unclear whether, and to what extent, these values have been reinstated. Responsible gambling initiatives in both provinces, while improved, are still not overly rigorous. For example, there is the same focus on profit maximization (these are the two provinces most insistent on implementing online gambling—given their past difficulties, one might expect a cautious approach, as opposed to introducing a new gambling format whose impacts are not well understood). Indeed, Harris/Decima (Leigh-Bennett, 2011) opinion polls taken in 2010/2011 showed Ontario and British Columbia citizens to be strongly opposed to provincial government-run online gambling ventures. As a rule of thumb, treatment specialists say that a problem gambler is not fully recovered until he or she has been “clean” for at least 5 years. The same could apply to scandalized lottery corporations; that is, they show by their actions whether there has been an ethical renewal and whether a pristine operation can be sustained.

Concluding Comments

There are two obvious questions emerging from this analysis of Canadian gambling scandals: How might they have been avoided? To what extent was regulatory style a contributing factor? The gambling scandals discussed here resulted from a combustible mix of easy-to-circumvent rules, profit-seeking agendas, and light-

touch self-regulation. The scandals would not likely have occurred had the tighter controls specified in the two Ombudsman reports been in place.

Lax government self-regulation also facilitated the scandals in both provinces. As Campbell (2009, p. 85) points out, the main gambling regulatory priority for Canadian provinces is how to enhance government profits, whereas consumer protection is given a lesser emphasis. In both scandals, a concern for government revenues and the protection of lottery ticket retailers trumped the duty of care owed gambling consumers.

Recognizing the flaws of current gambling regulatory efforts, both in Canada and abroad, academics have posited that independent agencies should oversee gambling (Adams, 2008; Bogart, 2011; Campbell et al., 2010; Productivity Commission, 1999; Smith & Rubenstein, 2011). Despite calls for regulatory reform, governments have so far been unwilling to cede their dominion in this area. Arguments supporting independent gambling oversight include the following: (a) Independent oversight already exists and works well in areas such as human rights, communications, food and drug administration, and labor relations; (b) structured properly, an independent gambling regulatory agency presumably would have higher credibility, efficiency, and procedural accountability than what is currently offered by government gambling bureaucracies (Maggetti, 2010); and (c) an independent agency would be insulated from day-to-day political interference and committed to the long-range regulatory goals. A best practices focused gambling oversight agency would be at arms-length from both government and the gambling industry, have expertise in all facets of the gambling enterprise, be financially autonomous and funded from reliable and predictable revenue sources, and have the authority to implement its regulatory and enforcement tasks efficiently and without interference.

An argument against independent regulatory bodies in general pertains to democratic legitimacy, the idea that important decisions affecting the polity are being made by unelected officials (Gilardi & Maggetti, 2010). The countervailing view is that principles of representative democracy may sometimes be outweighed by a need for specialized expertise and separation of the independent agency from government and special interest groups (Maggetti, 2010). Such an independent gambling regulatory body could be an effective check and balance on government.

Whether or not independent entities should oversee gambling in Canada is open to question. We do know that regulating gambling in an intelligent, impartial, and humane fashion is a daunting task, one that has so far challenged provincial governments. Avoiding future gambling scandals may require an unconventional approach; that is, away from profit maximization as the main goal and toward a commitment to stiffen regulatory practices based on harm minimization, the precautionary principle, and an accent on consumer protection.

References

- Adams, P. (2008). *Gambling, Freedom and Democracy*. New York, NY: Routledge.
- Adut, A. (2008). *On scandal: Moral disturbances in society, politics, and art*. New York, NY: Cambridge University Press.
- Auditor General of Ontario. (2010). *Special report: OLG's employee expense practices*. Toronto, ON: Office of the Auditor General of Ontario.
- Australian Productivity Commission. (1999). *Australia's Gambling Industries*. Report No. 10, Canberra, AU.
- Bellhouse, D. (1980). Towards a legal definition of 'distributed at random.' *University of Western Ontario Law Review*, 18, 361–368.
- Bellhouse, D. (1982). Fair is fair: New rules for Canadian lotteries. *Canadian Public Policy*, 3, 311–320.
- Binde, P. (2005). Gambling across cultures: Mapping worldwide occurrence and learning from ethnographic comparison. *International Gambling Studies*, 5, 1–27.
- Bogart, W. (2011). *Permit but discourage: Regulating excessive consumption*. New York, NY: Oxford University Press.
- Brenner, R., & Brenner, G. (1990). *Gambling and speculation*. Cambridge, UK: Cambridge University Press.
- British Columbia Ombudsman. (2007). *Winning fair and square: A report on the British Columbia Lottery Corporation's prize payout process*. Special Report No. 31 to the Legislative Assembly of British Columbia. Victoria, BC: Office of the Ombudsman.
- Campbell, C. (2009). Canadian gambling policies. In J. Cosgrave & T. Klassen (Eds.), *Casino state: Legalized gambling in Canada* (pp. 69–90). Toronto, ON: University of Toronto Press.
- Campbell, C., Hartnagel, T., & Smith, G. (2010). The legalization of gambling in Canada. In J. Mosher & J. Brockman (Eds.), *Constructing crime: Contemporary processes of criminalization* (pp. 153–188). Vancouver: University of British Columbia Press.
- Chambers, K. (2011). *Gambling for profit*. Toronto, ON: University of Toronto Press.

- Collins, P. (2003). *Gambling in the public interest*. Westport, CT: Praeger.
- Collins, P. (2007). Gambling and governance. In G. Smith, D. Hodgins, & R. Williams (Eds.), *Research and measurement issues in gambling studies* (pp. 617–639). Burlington, MA: Academic Press.
- De Maria, W. (2010). After the scandal—recovery operations for damaged organizations. *Journal of Management and Organization*, 16, 66–82.
- Denton, S., & Morris, R. (2002). *The money and the power; The making of Las Vegas and its hold on America*. New York, NY: Vintage Books.
- Fernando, M., & Gross, M. (2006). *Workplace spirituality and organizational hypocrisy: The Holy Water-Gate Case*. University of Wollongong Research Online. Retrieved from <http://ro.uow.edu.au/commpapers/159>
- Frank, T. (2008). *The Wrecking crew: How conservatives rule*. New York, NY: Metropolitan Books.
- Gilardi, F., & Maggetti, M. (2011). The independence of regulatory authorities. In David Levi-Faur (Ed.), *Handbook of regulation* (pp. 201–214). Cheltenham, UK: Edward Elgar.
- Hancock, L. (2011). *Regulatory failure? The case of Crown Casino*. Melbourne, AU: Australian Scholarly Publishing.
- Heffernan, M. (2012). *Willful blindness: Why we ignore the obvious at our peril*. Toronto, ON: Anchor Canada.
- Leigh-Bennett, R. (2011). *Online gambling: Opposition and opportunity*. Harris/Decima poll. Ottawa, ON: Harris/Decima.
- Lowi, T. (1988). Foreword. In A. Markovits & M. Silverstein (Eds.), *The politics of scandal: Power and process in liberal democracies* (pp. vii–xii). New York, NY: Columbia University Press.
- Maggetti, M. (2010). Legitimacy and accountability of independent regulatory agencies: A critical review. *Living Reviews in Democracy*, 2, 1–9.
- Marin, A. (2007). *A game of trust: Ombudsman report: Investigation into the Ontario Lottery and Gaming Corporation's protection of the public from fraud and theft*. Toronto, ON: Ombudsman of Ontario.
- May, P. (2007). Regulatory regimes and accountability. *Regulation and Governance*, 1, 8–26.

- Miers, D. (2004). *Regulating commercial gambling: Past, present and future*. New York, NY: Oxford University Press.
- Morton, S. (2003). *At odds: Gambling and Canadians, 1919–1969*. Toronto, ON: University of Toronto Press.
- Orford, J., Griffiths, M., Wardle, H., Sproston, K., & Erens, B. (2009). Negative public attitudes toward gambling: Findings from the 2007 British Gambling Prevalence Survey using a new attitude scale. *International Gambling Studies*, 9, 39–54.
- Osnos, E. (2012, April 9). The god of gamblers: Why Las Vegas is moving to Macau. *The New Yorker*, pp. 46–55.
- Schwartz, D. (2006). *Roll the bones: A history of gambling*. New York, NY: Gotham Books.
- Schwartz, P., & Gibb, B. (1999). *When good companies do bad things*. New York, NY: John Wiley.
- Skolnick, J. (1978). *House of cards: The legalization and control of casino gambling*. Boston, MA: Little Brown and Company.
- Smelser, N. (1963). *Theory of collective behavior*. New York, NY: Free Press.
- Smith, G., & Campbell, C. (2007). Tensions and contentions: An examination of electronic gambling issues in Canada. *American Behavioral Scientist*, 51, 86–101.
- Smith, G., & Rubenstein, D. (2009). *Accountability and social responsibility in Ontario's legal gambling regime*. Guelph, ON: Ontario Problem Gambling Research Centre.
- Smith, G., & Rubenstein, D. (2011). Socially responsible gambling in the public interest. *Journal of Gambling Issues*, 25, 54–67.
- Smith, G., Schopflocher, D., el-Guebaly, N., Casey, D., Hodgins, D., Williams, R., & Wood, R. (2011). Community attitudes toward legalized gambling in Alberta. *International Gambling Studies*, 11, 57–79.
- Sweeney, M. (2009). *The lottery wars*. New York, NY: Bloomsbury.
- Williams, R., Belanger, Y., & Arthur, J. (2011). *Gambling in Alberta: History, current status, and socioeconomic impacts*. Edmonton, AB: Alberta Gambling Research Institute.

Manuscript history: submitted July 11, 2012; accepted January 17, 2013. This article was peer-reviewed. All URLs were available at the time of submission.

For correspondence: Garry Smith, PhD, University of Alberta Faculty of Extension, Enterprise Square, 10230 Jasper Avenue, Edmonton, Alberta T5J 4P6. Tel: (780) 492-2770. E-mail: garry.j.smith@ualberta.ca

Competing interests: None.

Ethics approval: None required.

Funding: This research was unfunded.

Garry Smith, PhD, was a professor in the Faculty of Physical Education and Recreation at the University of Alberta for 27 years and is now University of Alberta Professor Emeritus. Dr. Smith currently works with the Alberta Gaming Research Institute as a gambling research specialist. Dr. Smith has been researching gambling public policy issues for 25 years; his scholarly contributions include numerous articles in academic journals, book chapters, and presentations at national and international conferences.