



responsible • progressive • accountable

2007-2008 BUSINESS PLAN

March 2007

Nova Scotia Gaming Corporation
5151 George Street, Suite 800
P.O. Box 1501
Halifax, NS B3J 2Y3
www.nsgc.ca

Phone: (902) 424-2203
Fax: (902) 424-0724

A. Mission

The Nova Scotia Gaming Corporation (NSGC) is governed by the *Gaming Control Act*. Its mandate is to lead a socially responsible and economically sustainable provincial gaming industry for the benefit of Nova Scotians and their communities.

B. Planning Context

NSGC operates in a competitive environment where innovation and corporate social responsibility are the keys to future growth and success. Consumers are faced with an array of choices of where to spend their discretionary entertainment dollars and the regulated gaming industry must offer a strong value proposition in order to successfully compete. The public demands that Government offer regulated gaming in the most socially responsible manner possible, and NSGC must continue to demonstrate that it excels in this area in order to retain the social license to operate and to offer new products to the market that demonstrate Nova Scotia's world leadership in responsible gambling.

To meet the above objectives, NSGC must continue to offer consumers gaming products that are fun, relevant and provide entertainment value. This is particularly important given that there are thousands of choices that players have available to them, including both regulated and unregulated gaming sites beyond Nova Scotia's borders. This increasing competition from games poses significant challenges as many of NSGC's products are in the mature phase of their product life cycle and have lost some portion of their relevancy to the market. This issue heightens the need for NSGC to innovate and to invest appropriate resources to ensure the success of the regulated-gaming industry in this Province.

As with many consumer products, NSGC's revenues are dependent upon consumers buying its products. This year, NSGC is assuming modest economic growth in the Province, combined with stable interest rates and gas prices. History has shown that major economic impacts can be detrimental to NSGC's revenues. Further, tourists visiting Nova Scotia contribute to revenues when they include a visit to a gaming venue during their stay. Tourism visitation to the Province was down in 2006-07 resulting in a decrease in revenue from this segment. Visitation is not expected to rebound in 2007-08 and therefore, this impact is reflected in the budgeted performance for the casino business line.

The Province introduced a Comprehensive Tobacco Strategy in 2001 resulting in a 100% Smoking Ban which took effect December 1, 2006. NSGC and its Operators fully support the 100% Smoking Ban and have proactively taken measures to ensure complete compliance. The impact of this change will result in reduced revenue in both the video lottery and casino business lines and there could be material variance to budget depending on the actual behavioural changes of players.

Like many industries, corporate social responsibility is a critical part of the business model of the gaming industry in Nova Scotia. A key supporting plan in this area is Government's *A Better Balance: Nova Scotia's First Gaming Strategy*, which was also in fact, Canada's first, integrated gaming strategy. The cornerstones of the 5-year strategy are increased problem gambling

resources, enhanced prevention efforts, and greater accountability and transparency surrounding gambling activities in the Province.

In addition to the Gaming Strategy, NSGC launched its Social Responsibility Charter in October 2006, which outlined the Corporation's commitment in five pillars:

1. Responsible gambling;
2. Integrity and security;
3. Citizens and communities;
4. Corporate governance; and,
5. Stakeholder relationships.

These pillars outline what social responsibility in Nova Scotia looks like, what is expected of NSGC as a socially responsible corporate citizen, what NSGC's commitment is in meeting these expectations, and how operators and retailers will contribute to the industry as a whole achieving these outcomes.

NSGC has ensured alignment to the Social Responsibility Charter in its business efforts for 2007-08. In particular, the Charter's focus on responsible gambling, enhanced prevention programming, and greater accountability is strongly aligned with NSGC's operations.

It is within the above context that NSGC considers the 2007-08 fiscal year as an opportunity to build on its measurable progress and successes to create an even more socially responsible gambling environment for Nova Scotia and to evolve the future of gambling in this Province.

C. Strategic Goals

NSGC has three strategic goals to support the achievement of its mission and vision:

Goal #1: To pursue a sustainable gaming industry.

NSGC will ensure responsible economic return to the Province by:

1. accruing direct financial benefits to Government, the shareholder of NSGC.
2. utilizing sustainable business models and making evidence-based decisions that incorporate responsible gambling in the design, delivery, promotion and use of its products.
3. optimizing benefits to communities, businesses, organizations and individuals across the Province.

Goal #2: To foster social responsibility in all aspects of NSGC's operations and business decisions.

NSGC will advance its social responsibility agenda by:

1. leading responsible gambling initiatives to provide Nova Scotians with the information required to make informed decisions.
2. contributing to communities across the Province.
3. being an excellent employer.

Goal #3: To ensure accountability is at the forefront of NSGC's management and communications to its stakeholders and to all Nova Scotians.

NSGC will provide strong management and accountability by:

1. ensuring timely and complete communication to the media, public and stakeholders.
2. managing the business of gaming in an efficient and effective manner.
3. making responsible, evidence-based decisions.

D. Core Business Areas

NSGC's core business functions are as follows:

- Develop social and economic strategies that align with the Social Responsibility Charter and support the achievement of identified goals and outcomes.
- Oversee the operations of its Operators, the Atlantic Lottery Corporation (ALC) and Great Canadian Gaming Corporation (GCGC), as well as lead the implementation of responsible gambling programs at the customer level.
- Foster strong communications with key audiences, including the shareholder, stakeholders, and the public.

NSGC performs a number of key activities in carrying out these functions:

1. Responsible Industry Development – Our goal is to develop the gaming industry in Nova Scotia by managing the policy decisions of Government in the most responsible way possible. We focus on initiatives that will develop a balanced and socially responsible industry that is sustainable and benefits all Nova Scotians. There are three aspects to this activity:

- **Planning and Policy Development** - NSGC has, and will continue to explore new opportunities through planning and policy development. The main focus of this element is to create an environment that is conducive to a sustainable and socially responsible gambling industry in Nova Scotia, and aligns with the Province's Gaming Strategy.
- **Responsible Product Implementation** - NSGC is committed to continuing to make evidence-based decisions in assessing changes to the current product and gaming environments, and utilizing responsible gambling and problem gambling experts to assist in this process.
- **Social Responsibility** - NSGC is a world leader in responsible gambling and will continue to dedicate significant resources to the research, development and implementation of progressive and groundbreaking responsible gambling initiatives.

2. Operations Management – This involves the progressive and effective management of NSGC's gaming businesses - ticket lottery, video lottery and casino gaming. The three key elements under this activity are as follows:

- Operator Management - Effective management of the Operators' businesses as they relate to Nova Scotia is a critical function for NSGC to ensure there is alignment of efforts and that priority initiatives are completed as planned.
- Risk Management and Quality Control - This involves proactive risk management and effective quality control of NSGC and its Operators' operations and business environments.
- Compliance Management - Compliance management is a key component of a well-run gaming industry. NSGC ensures that all its businesses conform with applicable legislation, regulations, contracts, and policies.

3. Public and Stakeholder Communications – NSGC is accountable to the people of Nova Scotia. This involves the complete and timely communication of information to meet NSGC's high standard of openness and transparency.

E. Priorities 2007-08

1. Pursue a Sustainable Gaming Industry

In striving to generate responsible economic returns, NSGC will focus its attention on the following priorities in 2007-08:

- *Casino* – The casinos will focus marketing efforts on appealing to the social, occasional gamer by offering an exciting entertainment product that includes musical acts as well as improvements to food and beverage offerings. The Halifax casino will offer even more and bigger entertainment acts, affirming its position as Atlantic Canada's premier entertainment destination. A fun, exciting gaming experience will be created leveraging the strategic capital investments which were made in 2006-07 to offer new slot games and technology, and to expand opportunities to play the ever-popular game of Poker in a dedicated Poker room. The focus at the Sydney casino in 2007-08 will be to offer a unique gaming experience in a competitive market emphasizing new, exciting games in a fun environment tailored to the local clientele, and supported by excellent services and hospitality.
- *Ticket Lottery* – The ticket lottery business is considered to be one of NSGC's most mature and socially responsible business lines. Given its mature state, reinvention is the key priority in 2007-08 including a strategy of implementing new products, and a renewed focus on better understanding ticket lottery consumers in order to provide the products that they want, where they want them, and with an experience that demonstrates the value proposition of ticket lottery products.
- *Video Lottery* – The focus of the video lottery business line is to stabilize the operations, following the implementation of the Gaming Strategy initiatives and the 100% Smoking Ban. A further reduction in the number of VLTs will occur with the removal of additional machines through attrition over the next 1-2 years to bring the total removed to 1,000 VLTs. This represents a 30% reduction of the number of VLTs in retail locations. NSGC will continue to explore alternatives to provide information to VLT players about their play so

that they can make informed choices as well as to improve the operating standards of this business line.

- *Linked Bingo* – As part of NSGC’s Charitable Sector Support Program, Linked Bingo will continue in 2007-08 with more bingo halls offering this exciting product. Linked Bingo enhances charity bingo by offering larger linked jackpots that allow charitable organizations to raise money to fund their projects and good works.

2. *Foster Social Responsibility*

NSGC is committed to ensuring the successful delivery of all initiatives outlined in the Action Plan that accompanies its Social Responsibility Charter. When the concept of social responsibility is applied to this industry, the first consideration that comes forward typically arises from issues related to responsible play and the prevention of problem gambling. It is incumbent upon the gaming industry to concentrate on giving players the tools they need to make informed decisions, which experts indicate helps to facilitate responsible gambling behaviour, which in turn helps to prevent the next generation of problem gamblers. The cornerstone of NSGC’s social responsibility commitment is, and always will be, responsible gambling and prevention programming.

To be effective, the concept of social responsibility must be integrated into existing corporate structures and processes. Every aspect of business and every new program must ensure that the principle of net positive benefits will be met. This may often require innovative solutions to challenges inherent in the gaming industry.

Our Operators, the Atlantic Lottery Corporation and Great Canadian Gaming Corporation, are also committed to expanding our social responsibility reach. They played an important part in the development of the Charter and their participation in its continued evolution is essential.

The Charter includes NSGC’s Responsible Gambling Strategy, the objective of which is to provide programs, products and services to consumers, and the public that will empower them to make informed decisions. This will work to prevent future problems and sustain the casual social player base and help to build a healthy and sustainable industry in Nova Scotia.

By following the Charter and the accompanying Responsible Gambling Strategy, Nova Scotia and NSGC’s role as a world leader in responsible gambling education, awareness and programs will continue.

NSGC’s commitment to responsible gambling will be demonstrated by an array of responsible gambling initiatives, including broad-based and targeted education programs, such as the following:

1. Responsible Gambling Awareness Week;
2. *Friends4Friends* Social Marketing Campaign;
3. *Know the Score*;
4. Responsible Gambling Resource Centres at the casinos; and,
5. Informed Player Choice System (IPCS) for VLTs.

Other initiatives in 2007-08 include those aimed at getting information and tools in the hands of players at the point of purchase, including the pilot of a player-management tool within the casino business line to assess its effectiveness in facilitating informed choice in that environment.

NSGC will continue to be a significant contributor to Nova Scotia's communities in 2007-08. A key element in this area is the *Support4Sport* program which will raise approximately \$2.0 million in 2007-08, a 50% increase in the amount of funding currently going to amateur sport in Nova Scotia. This money will be used to buy sports equipment, create recreation / participation programming for all ages, support performance training programs for competitive athletes and hire coaches at all levels.

Other community funding includes the following:

1. Sponsorship of community organizations and events;
2. Support to the Harness Racing Industry; and,
3. Funding of Nova Scotia Cultural Federations, Exhibition Association of Nova Scotia and Sport Nova Scotia.

3. Ensure Accountability and Communications

Gaming in Nova Scotia produces significant direct benefits for Nova Scotians, including the direct employment of approximately 1,000 people and the injection of \$44.4 million in retail commissions to local Nova Scotia businesses. In 2007-08, NSGC will provide \$156.9 million in revenue to fund provincial programs in areas such as health care and education. Given that the direct benefits of gaming are significant, NSGC must ensure that the gaming industry continues to run in an effective and efficient manner.

As NSGC is a public company, its operations must be transparent, with timely and open communications to Nova Scotians. In addition to building on its extensive public reporting and consultation in the 2006-07 fiscal year, NSGC will further enhance its website to serve as an important interactive resource for those looking for information about responsible gambling and the gaming industry in Nova Scotia.

F. Performance 2006-07

1. Pursue a Sustainable Gaming Industry

Ticket lottery is the most mature business line in NSGC's portfolio. In order to support the sustainability of this product line in 2006-07, significant effort was placed on enhancing its performance, with specific initiatives including the change in prize structure in the ever-popular Scratch'n Win tickets and the launch of a new daily draw game. NSGC also launched the first in its *Support4Sport* ticket series, the proceeds from which will be used to support amateur sport in the Province.

In the video lottery business line, the focus in 2006-07 was on monitoring the effect of implementing Government's Gaming Strategy initiatives and in particular, the four VLT-related

initiatives (the reduction in hours of operation, the removal of 800 VLTs, the removal of the “Stop button” feature and the 30% reduction in the speed of play).

The casino business line made some significant enhancements in 2006-07, building the foundation for the long-term, by positioning the Halifax casino as Atlantic Canada’s premier entertainment destination and the Sydney casino as a unique gaming experience in the local market. Key elements to rejuvenate the casinos included:

1. enhancing the table game offerings, including adding a new Poker room and new tables;
2. refocusing marketing efforts around “Live the Thrill” in Halifax and “Where Friends Play” in Sydney;
3. enhancing entertainment offerings with live, local entertainment on the casino floor;
4. enhancing food and beverage offerings; and,
5. implementing new slots technology to support new games, and enhanced ticket-in ticket-out technology.

2. *Foster Social Responsibility*

In 2006-07, NSGC continued its focus on social responsibility and building on its strong and demonstrated commitment to responsible gambling. Several key initiatives were completed and many others started that will come to fruition in 2007-08 and beyond. Highlights include the following:

- Nova Scotia’s fifth annual Responsible Gambling Awareness Week (RGAW) was held from October 1-7, 2006 and targeted seven communities (Halifax Regional Municipality, Cape Breton Regional Municipality, the Municipality of Digby, the Municipality of Lunenburg, Truro, Millbrook and Membertou), which represented approximately 60% of Nova Scotians. More than 2,800 people were reached directly by attending the Responsible Gambling Conference, Youth Gambling Prevention Summit, Community Consultation Sessions, Responsible Gambling Councils, Interactive Community Education Displays, speaking engagements and / or performances of the high school drama, *Caught in the Game*. The tremendous efforts of those involved in RGAW 2006 resulted in 72% of target community residents being aware of responsible gambling activities, 84% supporting the concept of a Responsible Gambling Awareness Week, and 68% agreeing that RGAW demonstrates NSGC’s commitment to responsible gambling.
- *Know the Score*, an interactive, peer-led awareness program, continued to visit post-secondary schools around the Province in 2006-07. The Responsible Gambling Council’s program is designed to provide college and university students aged 19-24 with the facts about gambling, including the risks involved, how to avoid the risks, how to identify signs of a gambling problem, and where to get help for a gambling problem in their local community. NSGC’s sponsorship allowed a total of 18 campuses to be visited in 2006-07, which is up from the 14 campuses visited in 2005-06. A number of evaluation results reflect a successful outcome, including that 86% of respondents increased their awareness of signs of problem gambling, and 87% increased their knowledge of how to limit their risks.
- NSGC sponsored the delivery of the Responsible Gambling Council’s *Caught in the Game*, a compelling high school drama about a first year university student who becomes more and more focused on his next bet. A Nova Scotian production of the drama was performed at 10

high schools across the Province in the spring and at six schools in Halifax Regional Municipality in the fall, reaching 4,300 students. The drama was performed by a Nova Scotian cast and was directed, produced and moderated by Nancy Regan, a well-respected local television personality. Evaluation of the spring tour was positive, with 76% of students agreeing they were more aware of ways to avoid problem gambling, and 80% agreeing they were more aware of where to get help for a gambling problem.

- The Province's second Responsible Gambling Resource Centre (RGRC) opened at the Sydney casino in June 2006 (the first RGRC, at the Halifax casino, opened October 2005). The Centre focuses on providing information, education and when appropriate, linkages to resources including voluntary self-exclusion and counselling in the community. The Centre has been very well received by casino visitors and staff alike.
- NSGC continued its research into the *Responsible Gambling Device* (RGD) concept. The RGD is an individual console that can be attached to an electronic gaming machine - such as a video lottery terminal (VLT) - and incorporates the use of a card to provide players with responsible gambling features such as setting spending limits, reviewing historical spending, and specifying times when the player wants to be limited from gambling. An extensive pilot test began in the spring of 2005 and ran for most of the year, with the appropriate monitoring and evaluation mechanisms in place to support the determination of the effectiveness of the features and related technology. Based on the positive results reported from the research, NSGC is going to explore alternatives to provide this type of customized player-specific information to VLT players so that they can make informed choices.
- NSGC launched a three-month pilot test of a social marketing campaign called *friends4friends* in January 2006. This multi-faceted advertising campaign was developed by the Responsible Gambling Council to alert young people between 19 and 29 years of age to the risks of gambling and how to help a friend with a gambling problem. Ads were placed in university papers, youth-oriented newspapers, transit shelters, banner ads on high-traffic Internet sites, 30-second pre-movie ads in theatres across the Province, and TV ads during youth-oriented programming. Evaluation of the pilot was conducted in 2006-07 and the results were extremely positive. 73% of young adults surveyed agreed the ads made them think twice about the consequences of gambling and 95% supported the ads' messages. As a result of the campaign's success, it was re-launched in November with the addition of a *friends4friends* "street team." By visiting university campuses and sports games, the street team added an interactive component to the campaign, which ran until March 2007.

3. *Ensure Accountability and Communications*

There is continued emphasis on NSGC's responsibility to inform the public about the activities of the gaming industry, and to report to its shareholder, the Government of Nova Scotia. NSGC provided written correspondence on a number of initiatives to relevant municipalities, chambers and other gaming jurisdictions to provide information deemed relevant and timely on responsible gambling initiatives and business-related updates. Also, over the last year, many of NSGC's staff met with key stakeholders to ensure a reciprocal understanding of the gaming industry's challenges and opportunities.

NSGC met with senior representatives of the Atlantic Lottery Corporation and Casino Nova Scotia, on a monthly basis in order to monitor activities and ensure compliance with regulation, responsible gambling activities, and their respective 2006-07 business plans.

In 2006-07, NSGC was very active communicating with the media, public and other key audiences, responding to more than 122 media / public inquiries, encompassing various topics and issues.

G. Budget Context

	(\$,000)	
	Forecast 2006-07	Budget 2007-08
Revenues		
Ticket Lottery	\$214,100	\$221,200
Video Lottery	150,500	144,200
Halifax Casino	74,500	71,400
Sydney Casino	22,200	23,800
Other Income	<u>300</u>	<u>300</u>
	<u>461,600</u>	<u>460,900</u>
Expenses		
Ticket Lottery	152,400	159,100
Video Lottery	25,300	21,400
Ticket and Video Lottery Retailer Commissions	45,200	44,400
Halifax Casino Expenses	66,000	61,500
Sydney Casino Expenses	17,500	18,800
Responsible Gambling Programs	3,200	4,400
NSGC Operating Expenses	<u>3,100</u>	<u>3,300</u>
	<u>312,700</u>	<u>312,900</u>
Net Income Before Distributions	148,900	148,000
Distributions to Community Programs		
Harness Racing Industry	1,000	1,000
NS Health Promotion and Protection	4,100	4,200
Nova Scotia Gaming Foundation	700	700
Support4Sport Program	400	2,000
Department of Agriculture	50	50
Department of Tourism, Culture and Heritage	50	50
Charitable Sector Support Program	<u>300</u>	<u>400</u>
	<u>6,600</u>	<u>8,400</u>
Net Income After Distributions	142,300	139,600
Casino Win Tax	<u>17,600</u>	<u>17,300</u>
Payment to Province	<u>\$159,900</u>	<u>\$156,900</u>

H. Outcomes and Performance Measures

Outcome	Indicator	Measure	Base Year Measure (2006-07)	Target 2007-08	Target 2010-11	2007-08 Strategies to achieve targets
1. Economic Sustainability	• Total Payment to Province	• Actual to Budget	• \$159.9 million (+/-10% of budget)	• \$156.9 million (+/-10% of budget)	• \$151.8 million	• Monitor operators to ensure compliance to business plans
	• VLT as % of total net income	• Stabilize % of net income from operations	• 55%	• 54%	• 54%	• Introduction of new ticket lottery products and entertainment enhancements to the casino business
	• Commissions to retailers	• \$ amount	• \$45.2 million	• \$44.4 million	• \$46.6 million	
2. Social Responsibility	• Awareness of responsible gambling activities	• % of public aware of responsible gambling activities	• 65%	• 70%	• 75%	• Enhancement of Responsible Gambling Awareness Week
	• Awareness of NSGC as sponsor of responsible gambling initiatives / messages	• % of Nova Scotians who site NSGC as sponsor of responsible gambling initiatives / messages	• 10%	• 20%	• 30%	• Implement key community outreach programs
	• Implement responsible gambling programs	• # of effective / researched responsible gambling programs introduced	• 2 per year	• 3 per year	• 5 per year	• Launch of responsible gambling programs for high risk populations

Outcome	Indicator	Measure	Base Year Measure (2006-07)	Target 2007-08	Target 2010-11	2007-08 Strategies to achieve targets
3. Accountability	<ul style="list-style-type: none"> • Response to routine access requests for information • Reports submitted on or prior to legislated deadlines • Introduction of socially responsible products 	<ul style="list-style-type: none"> • % response within two business days • % of NSGC and operator reports provided before due date • # of products introduced with social responsibility assessment 	<ul style="list-style-type: none"> • 100% • 100% • 100% 	<ul style="list-style-type: none"> • 100% • 100% • 100% 	<ul style="list-style-type: none"> • 100% • 100% • 100% 	<ul style="list-style-type: none"> • Sound operations management • Targets to be incorporated into employee personal performance plans • Social Responsibility Assessment