



responsible • progressive • accountable

2011-2012 BUSINESS PLAN

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Message from the Minister, Chair, and President & CEO

We are pleased to present the Nova Scotia Gaming Corporation's (NSGC) Business Plan for 2011-2012, a plan that emphasizes a continued commitment to offer Nova Scotians a socially responsible and economically sustainable gaming industry.

In addition to the management of the lottery and casino business lines, NSGC will continue to invest in effective responsible gaming programs in 2011-12. With a mandate to deliver 100% of profits from regulated gaming to help support important government programs and services, NSGC and its operators are proud to be key contributors to the Nova Scotia economy.

NSGC is a passionate supporter of a healthy and vibrant Province and this Plan links a progressive business culture with a commitment to giving back to communities throughout Nova Scotia. For example, through the *Support4Sport* Program, introduced in 2006, Nova Scotians have raised \$12 million to support local athletes, coaches, officials and community sport organizations. This program is now the largest contributor to sport in Nova Scotia and reflects a longstanding historical link between gaming and sport.

The new Responsible Gaming Strategy will set the direction for gaming over the next five years. NSGC's Business Plan will adapt to this new strategy to achieve responsible economic returns in a year of fiscal challenge and an increasing competitive environment from both regulated and non-regulated gaming. The Plan outlines how ongoing success in the gaming industry reflects the important balance of social responsibility and economic sustainability.

Respectfully submitted,

The Honourable David Wilson
Minister responsible for Part I of the *Gaming Control Act*

Gordon Gillis
Chair

Stephen MacDonald
Acting President & CEO

A. Mission

To lead a socially responsible and economically sustainable provincial gaming industry for the benefit of Nova Scotians and their communities.

B. Planning Context

NSGC's planning environment for 2011-12 is shaped largely by economic factors, competitive pressures, and important social responsibility commitments.

NSGC's revenues are dependent upon consumers purchasing its products. Purchases of gaming products or services are a discretionary spend, and history has shown that major or sustained negative economic impacts can be detrimental to gaming revenues. NSGC has incorporated the Province's economic assumptions for 2011-12, which include modest economic growth. Further, those visiting Nova Scotia and seeking overnight accommodations contribute to revenues when they include a visit to a gaming venue during their stay. The demand for overnight accommodations from visitors to the Province was up slightly in 2010-11, contributing to positive results from this market. Visitation for 2011-12 is uncertain, particularly for those from Europe or the United States and, therefore, no growth from this segment is reflected in the budgeted performance for the Casino business line. As a result of the above, NSGC has incorporated little growth in revenues due to economic factors.

NSGC competes for consumers who are faced with an array of choices of where to spend their discretionary entertainment dollars, including both regulated and unregulated gaming offerings such as those via the Internet. Nova Scotia's casinos will also face a full year of competition from the casino in Moncton, which opened during the 2010-11 fiscal year. Finally, growth of First Nations' video lottery revenue, which is expected to be \$46 million in 2011-12, will continue to be a competitive pressure on NSGC's Video Lottery and Casino business lines.

Nova Scotia's regulated gaming industry must be competitive in offering consumers gaming products that are fun, relevant, and responsible, and provide entertainment value in an environment of fairness and integrity. Many of NSGC's lottery assets were at the end of their useful life and are therefore slated for replacement in 2011-12. While this has resulted in favourable expense levels in prior years, in order to sustain the business, capital and operating costs must be incurred to replace aging assets and to implement new initiatives such as the *My-Play System*.

Innovation and corporate social responsibility are the keys to continued success and they heighten the need for NSGC to be resourceful and to invest appropriately to ensure the success of the regulated gaming industry in this Province.

The public demands that Government offer regulated gaming in the most socially responsible manner possible, and NSGC must continue to demonstrate its commitment to responsible gambling. Corporate social responsibility is a critical part of the business model of the gaming

industry in Nova Scotia. NSGC launched its Social Responsibility Charter in October 2006, which outlined the Corporation's commitments in five pillars:

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

These pillars delineate what social responsibility represents in the provincial gaming industry, 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 in achieving these outcomes.

NSGC has ensured alignment of its business efforts for 2011-12 with the Social Responsibility Charter. In particular, the Charter's focus on responsible gambling, prevention programming, and greater accountability is strongly aligned with NSGC's operations.

It is within the above context that NSGC considers the 2011-12 fiscal year.

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, incorporating systems to fulfill NSGC's commitment to integrity and security, and making evidence-based decisions that incorporate responsible gambling in the design, delivery, promotion and use of its products;
3. facilitating benefits to communities, businesses, organizations and individuals across the Province; and,
4. supporting the direction outlined in Government's Responsible Gaming Strategy.

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; and,
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; and,
3. making responsible, evidence-based decisions.

D. Core Business Areas

NSGC's core business functions are as follows:

- To develop social and economic strategies that align with the Social Responsibility Charter and support the achievement of identified goals and outcomes.
- To oversee the operations of its Operators, the Atlantic Lottery Corporation (ALC) and Great Canadian Gaming Corporation (GCGC), as well as to lead the implementation of responsible gambling programs.
- To foster open 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 – NSGC's goal is to develop the gaming industry in Nova Scotia by managing the policy decisions of Government in the most responsible manner possible. NSGC focuses 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 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 gaming industry in Nova Scotia and that aligns with the Province's Responsible 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 to utilize responsible gambling and problem gambling experts to assist in this process.
- *Social Responsibility* – Nova Scotia has been recognized by international experts as being among the most socially responsible gaming jurisdictions in the world. NSGC will continue to offer responsible gambling initiatives that promote awareness, education and informed choice.

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. Ensuring that Operators offer products in an environment of security and integrity is a key objective.
- ▶ *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 critical component of NSGC’s day-to-day business, requiring that all its business and Operators in the province conform with applicable legislation, regulations, contracts and policies. NSGC has dedicated staff and resources to monitor the timely reporting of any and all gaming-related incidents. Careful and successful oversight of operations allows NSGC to identify areas that require enhancement, and ensures the industry is managed to the highest standards of integrity, public confidence and security.

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

E. Priorities for 2011-12

1. Pursue a Sustainable Gaming Industry

In striving to generate responsible economic returns, NSGC will focus its attention on the following priorities in 2011-12:

- *Casinos* – The overarching objective for the Casino business line is to sustain revenue by continuing to position Casino Nova Scotia (CNS) as Atlantic Canada’s Premiere Entertainment Destination and meet the challenges of increased competition. The Halifax casino will leverage the Schooner Showroom to offer national and international singers, comedy, theatre acts, intimate and interactive performances and concerts. The casino will continue to provide guests with an attractive gaming experience by ensuring games are current and relevant for players.

The value of the Player’s Club program will be enhanced to retain customer loyalty and communicate the full benefits of membership. Improved marketing will keep current and potential customers informed of the latest activities and entertainment offerings at the casino. A better guest experience will be provided by improved guest service and employee training and engagement efforts. Best-practice responsible gambling programs will be further integrated throughout the casino.

These initiatives are particularly important given that the Halifax casino will face continued competition in 2011-12 from Casino New Brunswick.

The Sydney casino will continue to build on the success of the introduction of the Player's Club program by more effectively communicating with casino guests. Further, the Sydney casino will leverage its many partnerships with local businesses, media and other organizations to secure its position as both an outstanding community leader and popular entertainment option.

- *Ticket Lottery* – The ticket lottery business is NSGC's most mature business line. Given its mature state, investments are required to sustain the existing business. Atlantic Lottery will focus efforts in 2011-12 on evaluating and developing strategies that will responsibly grow the ticket lottery player base and provide a framework for sustainable growth. Enhancements will be made to the existing products to improve the gaming experience of those players who chose to purchase online.

Continued improvement of traditional product offerings is another focus in 2011-12, with the exploration of new ways to increase value for players, such as additional opportunities to win on instant tickets and the introduction of unique game offerings that will allow for greater player engagement. A new regional draw game that combines draw game and instant win components will be launched to appeal to a broader range of ticket lottery players.

Atlantic Lottery will make further improvements with the replacement of the existing ticket lottery retail terminals. The new ticket lottery terminals will deliver efficiencies to the business line and will offer enhanced security and controls for players and retailers. For example, the new terminals will have a customer-facing screen, which will allow players to monitor the entire lottery transaction; they will also facilitate enhanced retailer communications and training.

Costs will increase in 2011-12 as ticket lottery terminal assets, which were fully amortized in a previous year, are replaced.

- *Video Lottery* – The *My-Play* System is the world's first card-based video lottery information system that provides information to video lottery players about their play so that they can make informed choices. NSGC will continue to promote this program among players and retailers as a valuable informed-decision-making tool.

Efforts will be focused on stabilizing the Video Lottery business line and investigating opportunities to improve product offerings at retail sites. Efforts will also be made to enhance site standards and further integrate responsible gambling into the day-to-day operations at retail locations.

Rising costs, such as the *My-Play* System, and decreasing revenues will result in decreased profitability of this business line. Further, required game replacements on the existing aging terminals will be made in 2011-12. Without this investment, base revenues would decrease further than that contemplated in the 2011-12 Budget.

- *SuperStar Bingo* – As part of NSGC's Charitable Sector Support Program, *SuperStar* Bingo will continue in 2011-12. This game 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*

In delivering its responsible gambling priorities in 2011-12, NSGC will continue to foster informed player choice through responsible gambling and prevention programs. NSGC is committed to performing the tasks necessary to achieve the goals of 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 and, in turn, helps to prevent future problems from developing. The cornerstone of NSGC's social responsibility commitment is responsible gambling and prevention programming.

To be effective, the concept of social responsibility must be integrated into corporate structures and processes. Every aspect of business and new programs 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.

The Charter includes NSGC's commitment to provide programs, products and services to consumers that will empower them to make informed decisions. This effort is intended to help keep Nova Scotia's problem gambling rate currently at 0.9% among the lowest in the country and sustain the casual social player base for a healthy and sustainable industry in Nova Scotia.

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. YMCA's *Youth Gambling Awareness* program;
3. Responsible Gambling Council's *RU UP?* program;
4. Responsible Gambling Resource Centres at both casinos;
5. *My-Play* System for Video Lottery players; and,
6. Responsible Gambling Training for Ticket and Video Lottery Retailers.

In 2011-12, NSGC will continue to deliver the *BetStopper* program which is a world-first and a key prevention programming initiative. *BetStopper* is content-blocking software designed for use on home computers in order to help parents and caregivers prevent underage children from visiting gambling websites. The *BetStopper* software will continue to be offered free of charge to Nova Scotia families with children under the age of 19.

NSGC will also continue to offer products that are as socially responsible as possible. Social Responsibility Assessments will be performed by NSGC and its operators to ensure all new products, marketing approaches and projects are reviewed using a standardized tool. This will ensure a common approach to social responsibility by NSGC and its operators within the Province's gaming industry. Further, NSGC developed the Responsible Gambling Impact

Program in partnership with two world-leading social responsibility experts. The Program will be integrated with GAM-GaRD and utilized in the overall decision-making process to determine if a new game should be launched in Nova Scotia.

NSGC will also continue to be a significant contributor to Nova Scotia's communities in 2011-12. A key element in this area is the *Support4Sport* Program, which is expected to raise approximately \$2.9 million for sport in 2011-12. 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 means of community funding include:

1. Support of community organizations;
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 produces significant direct benefits for Nova Scotians, including the direct employment of approximately 670 people and the injection of \$41 million in retail commissions to local Nova Scotia businesses. In 2011-12, NSGC will provide \$128.4 million to fund provincial programs and services. Given that the direct benefits of gaming are significant, NSGC must ensure that the gaming industry continues to operate 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. Publications in 2010-11 that will continue in 2011-12 include Quarterly Reports, an Annual Report, Business Plan, a Community Report, fact sheets, press releases and website updates. In addition, NSGC will further enhance its website to serve as an important resource for those seeking information about responsible gambling and the gaming industry in Nova Scotia.

F. Budget Context

	(\$,000)		
	2010-2011	2010-2011	2011-2012
	<u>Estimate</u>	<u>Forecast</u>	<u>Estimate</u>
Sales			
Casinos	\$79,300	\$82,300	\$85,100
Ticket Lottery	188,900	215,800	205,300
Video Lottery	<u>142,500</u>	<u>140,400</u>	<u>129,200</u>
Total Sales	<u>410,700</u>	<u>438,500</u>	<u>419,600</u>
Cost of Sales	<u>281,700</u>	<u>299,600</u>	<u>294,800</u>
Gross Profit	<u>129,000</u>	<u>138,900</u>	<u>124,800</u>
Expenses			
Responsible Gambling Programs	8,400	6,800	7,500
Commitments to Community Programs	4,200	5,200	4,600
Add: Interest Income	<u> --</u>	<u> (100)</u>	<u> (200)</u>
Total Expenses	<u>12,600</u>	<u>11,900</u>	<u>11,900</u>
Net Income	116,400	127,000	112,900
Casino Win Tax	<u>14,200</u>	<u>14,900</u>	<u>15,500</u>
Payment to Province	<u>\$130,600</u>	<u>\$141,900</u>	<u>\$128,400</u>

G. Outcomes and Performance Measures

Outcome	Indicator	Measure	Target 2011-12	Planned Target 2014-15	2011-12 Strategies to achieve targets
1. Economic Sustainability	• Total Payment to Province	• Actual to Budget	• \$128.4 million (+/-10% of Budget)	• \$143.0 million (+/-10% of Budget)	<ul style="list-style-type: none"> • Monitor Operators to ensure compliance with business plans • Introduce new ticket lottery products and enhancements to the casino business
	• VL as % of total net income	• Stabilize % of net income from operations	• 63%	• 65%	
	• Commissions to retailers	• \$ amount paid	• \$37.2 million	• \$41.4 million	
2. Social Responsibility	• Awareness of responsible gambling behaviours	• % of public that can cite at least two responsible gambling behaviours	• 40%	• 50%	<ul style="list-style-type: none"> • Enhance Responsible Gambling Awareness Week • Implement key community outreach programs • Continue to implement and introduce effective responsible gambling and prevention programs
	• Awareness of NSGC being involved in promoting responsible gambling	• % of Nova Scotians who agree NSGC is actively involved in responsible gambling	• 25%	• 30%	
	• Implement responsible gambling and prevention programs	• # of Nova Scotians reached with responsible gambling messages	• 14,000	• 15,000	

Outcome	Indicator	Measure	Target 2011-12	Planned Target 2014-15	2011-12 Strategies to achieve targets
3. Accountability	<ul style="list-style-type: none"> • Response to routine access requests for information 	<ul style="list-style-type: none"> • % response within two business days 	<ul style="list-style-type: none"> • 100% 	<ul style="list-style-type: none"> • 100% 	<ul style="list-style-type: none"> • Employ sound operations management
	<ul style="list-style-type: none"> • Reports submitted on or prior to legislated deadlines 	<ul style="list-style-type: none"> • % of NSGC and Operator reports provided before due date 	<ul style="list-style-type: none"> • 100% 	<ul style="list-style-type: none"> • 100% 	<ul style="list-style-type: none"> • Incorporate targets into employee personal performance plans
	<ul style="list-style-type: none"> • Introduction of socially responsible products 	<ul style="list-style-type: none"> • % of products introduced with social responsibility assessment 	<ul style="list-style-type: none"> • 100% 	<ul style="list-style-type: none"> • 100% 	<ul style="list-style-type: none"> • Continue to conduct Social Responsibility Assessments