

Crown Corporation

B u s i n e s s P l a n s

for the fiscal year 2015–2016

Nova Scotia Provincial Lotteries and Casino Corporation

Business Plan 2015–2016

Contents

Message from the Minister, Chair, and President & CEO

Mission

Organization Purpose and Structure

Planning Context

Strategic Goals

Core Business Functions

Priorities for 2015–2016

Budget Context

Outcomes and Performance Measures

Message from the Minister, Chair, and President & CEO

We are pleased to present the Nova Scotia Provincial Lotteries and Casino Corporation (NSPLCC) business plan for 2015–2016. The plan focuses on the continued commitment to offer a gambling industry that is socially responsible while delivering reasonable profits for the benefit of all Nova Scotians.

In addition to managing the lottery and casino businesses, NSPLCC will continue to offer first-class responsible gambling programs to Nova Scotians. With a mandate to deliver 100 per cent of the profits from regulated gambling to help support important government programs and services, NSPLCC and its operators are proud to be key contributors to the Nova Scotia economy.

NSPLCC is a passionate supporter of a healthy and vibrant province, and the 2015–2016 business plan links a progressive business culture with a commitment to giving back to communities throughout Nova Scotia. Through the *Support4Sport* program, Nova Scotians have raised more than \$24 million to support local athletes, coaches, officials, and community sport organizations since its inception in 2006. This program is now the largest contributor to sport in Nova Scotia and reflects a longstanding historical link between gambling and sport. Modelled on the success of the *Support4Sport* program, NSPLCC launched *Support4Culture* in 2013, a program that has already contributed \$2 million to support the arts, culture, and heritage sectors.

NSPLCC's plan for 2015–2016 highlights its strategies to achieve responsible economic returns in an environment where there is increasing competition from both regulated and non-regulated gambling options. NSPLCC is committed to offering Nova Scotians a socially responsible and economically sustainable gambling industry.

Respectfully submitted,

The Honourable Michel Samson
Acting Minister responsible for Part I of the Gaming Control Act

Kelliann Dean
Chair, Board of Directors

Robert MacKinnon
President & CEO

Mission

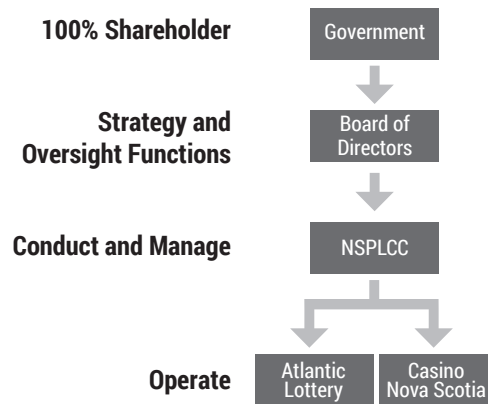
To lead a socially responsible and economically sustainable provincial gambling industry for the benefit of Nova Scotians and their communities.

Organization Purpose and Structure

The Nova Scotia Provincial Lotteries and Casino Corporation (NSPLCC) is responsible for managing the regulated gambling industry in the province. It is a Crown corporation governed by Part I of the Gaming Control Act and charged with leading an economically sustainable and socially responsible gaming industry for the benefit of Nova Scotians and their communities.

NSPLCC's role is to ensure that the gaming industry is as socially responsible as possible while generating reasonable profits for the provincial government, which go directly to help government pay for important programs, services, and infrastructure. In carrying out this role, NSPLCC oversees and manages its gaming operators, Atlantic Lottery Corporation and Casino Nova Scotia, which carry out the day-to-day business on NSPLCC's behalf. NSPLCC works with its operators to ensure that the industry is transparent, accountable, safe, and entertaining.

The Nova Scotia Government, and ultimately the people of Nova Scotia, are the shareholders and owners of the gaming industry.



The regulation and monitoring of the industry is carried out by the Alcohol and Gaming Division of Service Nova Scotia under Part II of the Gaming Control Act; it acts independently from NSPLCC and the operators.

Planning Context

NSPLCC's planning environment for 2015–2016 is shaped largely by economic factors, competitive pressures, and important social responsibility programs.

NSPLCC's revenues depend on consumers purchasing its products. Purchases of gambling products are a discretionary expenditure, and history has shown that economic conditions have a significant impact on gambling revenues. NSPLCC has incorporated the province's economic assumptions for 2015–2016, which include modest economic growth and a relatively stagnant tourism market.

Although exports from Nova Scotia appear strong, domestic expenditures within the province have remained weak. In addition, the adult population that enjoys gambling products has decreased over the past

decade and continued to decline over the past 12 months. The reduction in the adult population is a result of an overall decrease in the birth rates in the province as well as an accelerated out-migration of young Nova Scotia workers. This has resulted in a stagnant and rapidly aging population from which NSPLCC can draw.

The latest tourism numbers indicate that visitation has remained relatively flat year-over-year; however, demand for overnight accommodations has increased by 2 per cent compared to prior years. Visitation for 2015–2016 is uncertain, particularly for those from outside Canada, and therefore no growth from this segment is reflected in the budgeted performance for NSPLCC business lines. As a result, NSPLCC has incorporated little growth in revenues due to economic factors, including tourism.

NSPLCC competes for consumers who are faced with an array of choices, including both regulated and unregulated gambling offerings such as those offered through the Internet. Nova Scotia's casinos will continue to face direct competition from the casino in Moncton. In addition, First Nations' gambling, including VLTs on reserves, will continue to be a competitive pressure on NSPLCC's video lottery and casino business lines.

Nova Scotia's regulated gambling industry must be competitive and offer consumers gambling products that are fun, relevant, and responsible, in addition to providing entertainment value in an environment of fairness and integrity. This is particularly important in 2015–2016, as NSPLCC expects to see potential challenges at the Halifax casino from possible disruptions related to the re-decking of the Macdonald Bridge and in subsequent years from the anticipated redevelopment of the Cogswell Interchange area.

The public demands that government offer regulated gambling in a socially responsible manner, and Nova Scotians have the right to expect the highest ethical standards, unwavering integrity, and social and fiscal accountability from NSPLCC. Corporate social responsibility is a critical part of NSPLCC's business model. NSPLCC's commitment to being socially responsible means giving players the information they need to play responsibly, ensuring the integrity of the industry, and giving back to Nova Scotia communities. NSPLCC's Social Responsibility Charter outlines its commitments in five Social Responsibility pillars:

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

These pillars delineate what social responsibility means in the provincial gambling industry, what is expected of NSPLCC as a corporate citizen, what NSPLCC's commitment is in meeting these expectations, and how operators and retailers will contribute to the industry as a whole in achieving these outcomes.

NSPLCC has ensured alignment of its business efforts for 2015–2016 with the Social Responsibility Charter, particularly in the area of responsible gambling. In 2015–2016, NSPLCC will continue its focus on social responsibility and will pursue initiatives to fulfill the commitments established in the Charter.

It is within this context that NSPLCC considers the 2015–2016 fiscal year.

Strategic Goals

NSPLCC has three strategic goals to support its mission.

Goal 1: Maintain a sustainable gambling industry

NSPLCC will ensure responsible economic return to the province by

1. accruing direct financial benefits to government, the shareholder of NSPLCC
2. using sustainable business models, incorporating systems to fulfill NSPLCC'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. delivering benefits to communities, businesses, organizations, and individuals across the province

Goal 2: Ensure that social responsibility is incorporated into all aspects of NSPLCC's operations and business decisions

NSPLCC will advance its social responsibility agenda by

1. leading responsible gambling initiatives that provide Nova Scotians with the information they need to make informed decisions
2. leveraging designated revenue and industry expertise to support good causes throughout the province

3. promoting an environmentally friendly work environment
4. being an excellent employer

Goal 3: Ensure that accountability is at the forefront of NSPLCC's management and communications to its stakeholders and to all Nova Scotians

NSPLCC will provide strong management and accountability by

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

Core Business Functions

These are NSPLCC's core business functions:

- To oversee the operations of its Operators – the Atlantic Lottery Corporation (ALC) and Great Canadian Gaming Corporation (GCGC), which operates the two Casino Nova Scotia (CNS) facilities in the province – as well as to lead responsible gambling programs
- To develop social and economic strategies that align with NSPLCC's Social Responsibility Charter, and to support the achievement of identified goals and outcomes

- To have open and effective communications with key audiences, including the shareholder, stakeholders, and the public

NSPLCC performs a number of key activities in carrying out these functions.

Operations Management

NSPLCC will continue to effectively manage its various businesses: ticket lottery, video lottery, and casinos. There are three key elements under this activity:

- **Operator Management** – Effective management of the Operators (ALC and CNS), as they relate to Nova Scotia, is a critical function for NSPLCC to ensure that there is alignment of efforts and that priority initiatives are completed as planned. Ensuring that Operators offer socially responsible products in an environment of security and integrity is a key objective.
- **Risk Management and Quality Control** – NSPLCC will continue to proactively manage risks and employ effective quality control processes of NSPLCC and its Operators’ day-to-day activities and the business environments in which they operate.
- **Compliance Management** – Compliance management is a critical component of NSPLCC’s activities, requiring that all its business activities and those of its Operators conform to applicable legislation, regulations, contracts, and policies. Careful and successful oversight of operations allows NSPLCC to identify areas that require enhancement and ensures that the industry is managed to the highest standards of integrity, public confidence, and security.

Responsible Industry Development

NSPLCC’s goal is to develop the gambling industry in Nova Scotia by managing and implementing government policy decisions in a responsible manner. NSPLCC 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:

- **Policy and Planning Development** – NSPLCC will continue to explore new opportunities to responsibly manage the businesses that continue to provide a net positive benefit to Nova Scotians. The main focus of this element is to create an environment conducive to a sustainable and socially responsible gambling industry in Nova Scotia that aligns with the province’s objectives for gambling.
- **Responsible Product Implementation** – NSPLCC is committed to making evidence-based decisions in assessing changes to the current product mix and gambling environments in which products are offered. NSPLCC will continue to use responsible gambling and problem gambling experts to assist in this process.
- **Social Responsibility** – Nova Scotia has been a leader in responsible gambling programming and continues to be among the most socially responsible gambling jurisdictions in the world. NSPLCC will continue to offer responsible gambling initiatives that promote awareness, education, and informed choice for all Nova Scotians.

Public and Stakeholder Communications

NSPLCC is accountable to the people of Nova Scotia. This involves timely and relevant communication of information to remain open and transparent to all Nova Scotians.

Priorities for 2015–2016

1. Maintain a sustainable gambling industry

Each year, 100 per cent of gambling profits are delivered back to the province and provide significant benefits to all Nova Scotians through the funding of provincial programs and services including education, transportation, and health. In 2015–2016, NSPLCC will provide \$125.2 million to continue to fund essential provincial programs and services. The gambling industry also creates and supports jobs employing approximately 540 people and injects millions of dollars in retail commissions to local Nova Scotia businesses.

In striving to generate responsible economic returns, NSPLCC will focus its attention on the following priorities in 2015–2016.

Casinos

The overarching objective for 2015–2016 is to ensure that CNS better understands the expectations of potential casino patrons and to develop strong relationships with existing players. CNS will increase patron engagement and ensure that the casinos offer a guest-

centric entertainment experience that meets or exceeds players' expectations.

CNS will evaluate ongoing tactics to support long-term sustainability of the casino properties. The Halifax casino will likely be challenged in the coming years by significant changes to the infrastructure surrounding the downtown facility (i.e., Macdonald Bridge re-decking and the Cogswell Interchange construction project). Ensuring availability and accessibility to the Halifax casino will be critical to the long-term sustainability of the casino business. Building strong relationships with existing players and maintaining player engagement are believed to be critical to CNS's success in the coming years. The casino will focus on the total experience by ensuring that entertainment is a key component in every aspect of the casino operations, and it will continue to provide guests with the newest and most exciting games on the market, high-quality dining, and compelling and attractive entertainment offerings.

Efforts will be made to build and improve the public profile of the two casinos in Nova Scotia, which are important economic drivers in the province. The casinos will leverage community involvement to engage local communities and civic organizations in improving their opinion of the casino industry and the casino properties as being safe, fun, and entertaining places to visit, and an integral part of the Nova Scotia economy.

Ticket Lottery

Ticket lottery is considered to be one of NSPLCC's most mature business lines. Given its mature state, investments are required to sustain the existing business. Atlantic Lottery will focus on strategies that will responsibly grow the ticket lottery player

base among the adult population and provide a framework for sustainable growth.

The plan for 2015–2016 is to maintain growth associated with the enhancements made to the Lotto Max game as well as the continuation of a successful 2nd Chance program. NSPLCC will improve the player experience for those players who choose to purchase lottery products online and will sustain NSPLCC's ability to compete with competitors in the online space. NSPLCC will strive to ensure that the transactional web portal and any player-facing components meet industry standards and players' expectations. In addition, NSPLCC will continue to ensure that the online platform offers a safe and regulated environment in which to play and provides sufficient responsible gambling programs, information, and tools for those who choose to gamble online.

Video Lottery

Video lottery will remain a sustainable source of revenue for government in 2015–2016. The replacement of all remaining older VLTs was completed in 2014–2015. In 2015–2016, video lottery will continue to be supported through new game content designed to improve product relevance to today's VLT player. Collaboration with VLT vendors will ensure that the right games are in market and that games are meeting the existing player demand. Efforts will be placed on stabilizing the video lottery business and evaluating opportunities to improve product offerings at video lottery sites. Efforts will also be made to further integrate responsible gambling into the day-to-day operations of VLTs at retail locations in order to reduce the stigmatization of video lottery and VLT players.

2. Ensure that social responsibility is incorporated into all aspects of NSPLCC's operations and business decisions

Responsible gambling programs remain a priority for NSPLCC. The Social Responsibility Charter guides the organization in its responsible gambling programming, focusing on providing players with the tools they need to make informed gambling decisions.

The development of NSPLCC's Social Responsibility Charter put social responsibility top of mind, and it is integrated into corporate culture and business processes. All aspects of business are looked at through a social responsibility lens to ensure that NSPLCC meets its commitment to balancing economic sustainability with social responsibility.

NSPLCC's commitment to responsible gambling will be demonstrated by the continuation of a number of responsible gambling initiatives, including the following:

- Responsible Gambling Awareness Week (RGAW)
- Responsible Gambling Resource Centres at both casinos
- Responsible gambling tools and training for ticket and video lottery retailers, casino staff, and NSPLCC employees

In 2015–2016, NSPLCC will continue to offer products that are socially responsible. Responsible Gambling Assessments (RGA) will be performed to ensure that all new products, marketing initiatives, and programs are reviewed using an industry best practice evaluation program. This will also ensure a common approach to social responsibility by NSPLCC and its operators within the province.

NSPLCC will continue to collaborate with industry experts in the field of responsible gambling to ensure that best practices are employed in the region.

Nova Scotia's communities will continue to receive support from NSPLCC. The *Support4Sport* program, which raises funds through the sale of designated lottery products, is expected to raise more than \$3 million that 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, making it the largest source of funding for amateur sport in the province.

In addition, the *Support4Culture* program, another designated lottery program, is expected to raise \$2 million for arts, culture, and heritage in Nova Scotia.

The *Support4Communities* program provides in-kind support and learning opportunities for charitable organizations in communities throughout the province. Initiatives will continue to include the *Support4Communities* Casino Night program, which supports licensed Monte Carlo fundraisers, and *Support4Communities* fundraising seminars, which provide learning opportunities for community leaders and charitable organizations wanting to improve their fundraising efforts.

Other means of community funding include

- support of community organizations
- support to the harness racing industry as per the Nova Scotia Harness Racing Fund Regulations
- funding of Nova Scotia Cultural Federations, Exhibition Association of Nova Scotia, and Sport Nova Scotia as per the provincial regulations

3. Ensure that accountability is at the forefront of NSPLCC's management and communications to its stakeholders and to all Nova Scotians

As a public organization, NSPLCC is accountable not only to government but also to all Nova Scotians. NSPLCC must account for all of its activities, accept responsibility for them, and disclose results in a transparent manner. To achieve this, quarterly reports, an annual report, a business plan, a community report, fact sheets about NSPLCC programs and the gambling industry, and news releases will be made available via the corporation's website throughout the year. Working with its operators, NSPLCC will continue to ensure that Nova Scotians stay informed about where gambling revenues go, and about responsible gambling programs and the gambling industry in the province.

Through NSPLCC's *Support4Sport*, *Support4Culture*, and *Support4Communities* programs, gambling revenue also helps many organizations and causes that are important to Nova Scotians. Given that the direct benefits of gambling is significant to the province, NSPLCC is committed to ensuring that the gambling industry continues to operate in a responsible, effective, and efficient manner so that these benefits can be sustained.

Budget Context

	Estimate 2014-15 (\$ 000)	Forecast 2014-15 (\$ 000)	Estimate 2015-16 (\$ 000)
Sales			
Casinos	\$78,100	\$76,400	\$77,000
Ticket Lottery	216,200	207,300	213,300
Video Lottery	106,800	113,100	117,500
Total sales	401,100	396,800	407,800
Cost of sales	284,500	277,400	282,700
Gross profit	116,600	119,400	125,100
Expenses			
Responsible gambling programs	6,900	6,400	6,900
Commitments to community programs	6,600	6,200	6,900
Total expenses	13,500	12,600	13,800
Net income	103,100	106,800	111,300
Casino win tax	14,200	13,800	13,900
Payment to province	\$117,300	\$120,600	\$125,200

Outcomes and Performance Measures

Outcome	Indicators	Measures	Baseline	Target 2015-16	2015-16 Strategies and Initiatives	Long-term Target 2019-20
Nova Scotia has an economically sustainable and socially responsible gambling industry.	The province has sustainable source of revenue from gaming to help pay for programs, services, and infrastructure.	Gross sales	1995-96: \$312.8 million	\$407.8 million	Continue to provide relevant and engaging products to players in a safe and regulated environment	\$412.1 million
		Payment to province	1995-96: \$120.0 million	\$125.2 million	Ensure that Operators are meeting business plan objectives	\$127.8 million
	Government has reduced reliance on revenue from VLTs.	Video lottery as % of total provincial revenue	2010-11: 0.91%	0.64%	Remove VLTs through natural attrition	0.64%
NSPLCC supports small businesses throughout the province through commissions to retailers.	NSPLCC supports small businesses throughout the province through commissions to retailers.	Commission paid to retailers	1995-96: \$29.6 million	\$34.9 million	Leverage new ticket and video lottery products, and make further enhancements to the video lottery business model	\$37.7 million
		% of public that can cite two responsible gambling behaviours	2008-09: 16.1%	25%	Execute Responsible Gambling Awareness Week and other responsible gambling programs noted in the NSPLCC business plan	25% NSPLCC believes it is important to maintain existing levels of awareness
Nova Scotians are aware of and support NSPLCC's support for responsible gambling programs.	Nova Scotians are aware of and support NSPLCC's support for responsible gambling programs.	% of public that support NSPLCC's commitment to responsible gambling	2007-08: 68%	75%		75% NSPLCC believes it is important to maintain existing levels of support

Outcomes and Performance Measures

Outcome	Indicators	Measures	Baseline	Target 2015-16	2015-16 Strategies and Initiatives	Long-term Target 2019-20
<p>Nova Scotia's gaming industry is trusted and supported, and Nova Scotians are well informed and feel NSPLCC is open and transparent about how the gaming business is being managed.</p>	<p>NSPLCC's response time to routine access request for information.</p>	<p>% of routine access requests responded to within 2 business days</p>	<p>100%</p>	<p>100%</p>	<p>Employ sound operations management</p>	<p>100% NSPLCC believes it is important to maintain existing levels of support</p>
	<p>Nova Scotians are in favour of regulated gaming.</p>	<p>% support for regulated gaming</p>	<p>2006-07: 11%</p>	<p>51%</p>	<p>Execute initiatives in the Social Responsibility business plan</p>	<p>70%</p>