



responsible • progressive • accountable

2012–2013 BUSINESS PLAN

March 2012

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Message from the Minister, Chair, and President & CEO

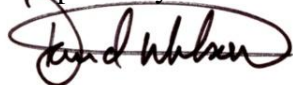
We are pleased to present the Nova Scotia Gaming Corporation's (NSGC) Business Plan for 2012–2013. The Plan focuses on our continued commitment to offer a gaming industry that is as socially responsible as possible, while delivering reasonable profits to support important programs, services, and infrastructure that benefit all Nova Scotians.

NSGC will continue to manage the ticket and video lottery business lines, as well as the two casinos in the province. In addition, NSGC will continue to offer effective responsible gaming programs in 2012–13, while aligning other corporate initiatives and resources with the commitments and direction noted in the Province's 2011 Responsible Gaming Strategy, which was released on March 25, 2011. 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.

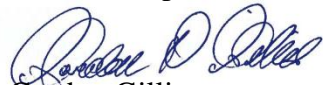
NSGC is a passionate supporter of a healthy and vibrant province, and the Plan links a progressive business culture with a commitment to giving back to communities throughout Nova Scotia. For example, through the *Support4Sport* Program, introduced in 2006, Nova Scotians have raised \$15 million to support 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.

On March 25, 2011, Government announced its 2011 Responsible Gaming Strategy which continues to ensure a responsible, sustainable and accountable approach to gambling, problem gambling research and governance of the gaming industry. The Gaming Strategy set the direction for gaming in the province and included the migration of the conduct-and-manage function for gambling from NSGC to the Department of Communities, Culture and Heritage. The government remains committed to completing the migration in 2012-13. NSGC's 2012-13 Business Plan has been developed to ensure a smooth transition by aligning the initiatives, tactics, resources and objectives with the commitments of the Gaming Strategy, while remaining committed to achieving responsible economic returns in an environment with increasing competition from both regulated and non-regulated gaming.

Respectfully submitted,

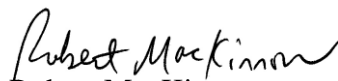


The Honourable David Wilson
Minister responsible for Part I of the Gaming Control Act



Gordon Gillis

Chair



Robert MacKinnon
Acting President & CEO

Mission

To lead a socially responsible and economically sustainable provincial gaming industry for the benefit of Nova Scotians and their communities, as well as to promote an environmentally friendly and positive work environment.

Planning Context

NSGC's planning environment for 2012–13 is shaped largely by economic factors, competitive pressures, and important social responsibility programs, as well as by the commitments and direction noted in the 2011 Responsible Gaming Strategy.

NSGC's revenues are dependent upon consumers purchasing its products. Purchases of gaming products or services are a discretionary expenditure, and history has shown that major or sustained negative economic conditions can be detrimental to gaming revenues. NSGC has incorporated the Province's economic assumptions for 2012–13, which include modest economic growth.

NSGC competes for consumers who are faced with an array of choices of where to spend their discretionary entertainment dollars. Nova Scotia's casinos will face a second year of competition from the casino in Moncton, which continues to make adjustments to its operations to better compete with gaming venues throughout Atlantic Canada. In addition, First Nations' video lottery programs, which are expected to generate \$44.7 million in revenue for 2012–13, will continue to exert 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 that provide entertainment value in an environment of fairness and integrity. Many of NSGC's video lottery assets are nearing the end of their useful life and are therefore slated for replacement in 2012–13. While these assets have 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 changes to the *My-Play* System as enrolment in the system becomes mandatory in 2012–13.

The public demands gaming products are offered in the most socially responsible manner possible, and NSGC continues to demonstrate its commitment to responsible gambling. Corporate social responsibility is a critical part of the business model for 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
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 2012–13 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. In 2012–13, NSGC will continue its focus on social responsibility and will pursue initiatives within the context of its available resources to fulfill the commitments established in the Charter.

In March, 2011, the Province released the 2011 Responsible Gaming Strategy which set the direction for gaming in Nova Scotia. Efforts will continue to support the migration of the conduct-and-manage function for gambling from NSGC to the Department of Communities, Culture and Heritage, and to support the implementation of the Gaming Strategy by ensuring tactics, resources and objectives for the gaming industry align with the commitments noted therein.

It is within the above context that NSGC considers the 2012–13 fiscal year.

Strategic Goals

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

Goal 1: To pursue a sustainable gaming industry

NSGC will ensure responsible economic returns to the province by

- accruing direct financial benefits to government, the shareholder of NSGC
- 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
- facilitating benefits to communities, businesses, organizations, and individuals across the province
- supporting the commitments and direction outlined in the 2011 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

- leading responsible gambling initiatives that provide Nova Scotians with the information they need to make informed decisions

- contributing to communities and good causes across the province
- 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

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

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:

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 2011 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.

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 that there is alignment of efforts and that priority initiatives are completed as planned. Ensuring that the 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 that the 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 that the industry is managed to the highest standards of integrity, public confidence, and security.

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.

Priorities for 2012–13

1. Pursue a Sustainable Gaming Industry

In striving to generate responsible economic returns, NSGC will focus its attention on the following priorities in 2012–13:

Casinos—The overarching objective for the casino business line is to engage casino guests and the general public in order to maintain revenue levels. The casino will focus on the total entertainment experience it offers by ensuring that entertainment is a key component in every aspect of its operations, including gaming and restaurant amenities. The casinos will continue to provide guests with the newest and most exciting games on the market, superb dining experiences, and enticing and attractive entertainment offerings.

Efforts will also be made to build and improve the public profile of the two casinos in Nova Scotia. As an employer of more than 500 Nova Scotians, the two casinos are important economic drivers in the province. The casinos will engage with local communities and other civic organizations that will foster the industry and the idea that casino properties provide safe, engaging, and entertaining places to visit, as well as the fact that casinos are an integral and vital part of the Nova Scotia economy.

Better experiences for guests will be provided through improved service and improved employee training and engagement. Best-practice responsible gambling programs will continue to be integrated throughout the casino.

Ticket Lottery—The ticket lottery is NSGC’s most mature business line. Given its mature state, investments are required to sustain the existing business. Atlantic Lottery will focus on evaluating and developing strategies that will responsibly grow the ticket lottery player base and provide a framework for sustainable growth. The plan for 2012–13 is to retain current players and regain lapsed players, while making efforts to attract new players to broaden the demographic for traditional lottery products. The Retail Lottery channel will focus on providing products across multiple channels, evolving products to meet current customer preferences and leveraging technology to ensure products remain relevant and entertaining to players.

Atlantic Lottery will leverage several new games that were introduced in 2011–12 (i.e., Proline, Shabam), as well as the investments made in new technology, such as new lottery terminals, to ensure Nova Scotia receives the maximum benefit of its offerings, as well as to capitalize on enhanced security and controls for both the players and retailers.

In 2012–13, NSGC will strive to improve the player experience for those players who choose to purchase lottery products online, and to sustain NSGC’s ability to compete with unregulated competitors in the online space. NSGC will explore the possibility of launching existing Scratch’N Win tickets online, in an effort to meet customer expectations.

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 decisions. The system will become mandatory on April 1, 2012, and will provide players with both full and light enrolment options. With mandatory enrolment, players will be required to enrol in the system before they can play video lottery in Nova Scotia. Considerable efforts have been taken to ensure the system, players, and retailers are prepared for the transition to a mandatory enrolment model. In support of this transition, a new education and awareness program for players and a new training program for retailers will be introduced in 2012–13.

Focus will be placed on stabilizing the video lottery business line and investigating opportunities to improve product offerings at video lottery sites. Efforts will also be made to enhance site standards and further integrate responsible gambling into the day-to-day operations at retail locations in order to reduce the stigmatization of VLTs and video lottery players, a key 2011 Responsible Gaming Strategy initiative.

Decreasing revenues will result in decreased profitability of this business line. Further, the required replacement of aging video lottery terminals will take place in 2012–13. Without this investment, base revenues would decrease further than anticipated in the 2012–13 budget.

2. Foster Social Responsibility

Responsible gambling programs remain a priority for NSGC in 2012–13. NSGC’s Social Responsibility Charter and the direction identified in the 2011 Responsible Gaming Strategy guide the organization in its responsible gambling programming, focusing on providing players with the tools they need to make informed gambling decisions and help prevent gambling problems from arising. Thus, the cornerstone of NSGC’s social responsibility commitment is responsible gambling and prevention programming.

The development of the charter in 2006 made social responsibility a top priority for NSGC, and social responsibility is integrated into corporate culture and business processes. All aspects of NSGC’s business is looked at through a social responsibility lens to ensure that NSGC’s commitment to balancing economic sustainability with social responsibility is met.

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

- Responsible Gambling Awareness Week
- YMCA’s *Y-Engage* Community Awareness program
- Responsible Gambling Council’s high school drama
- Responsible Gambling Resource Centres at both casinos
- *My-Play* System for video lottery players
- Responsible gambling training for ticket and video lottery retailers and for casino and NSGC employees

In 2012–13, NSGC will 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 an industry best-practice program. This will ensure a common approach to social responsibility by NSGC and its operators within the province’s gaming industry. NSGC will continue to collaborate with industry experts in the field of responsible gambling to ensure that best practices are employed in the region and Nova Scotians benefit from a leading responsible gambling industry.

In 2012–13, Nova Scotia’s communities will continue to receive support from NSGC. The *Support4Sport* Program is expected to raise \$2.9 million for sport, money that will be used to buy sports equipment, create recreation and 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, NSGC will investigate options for developing a program that will support initiatives in Nova Scotia communities to ensure they remain sustainable into the future.

Other means of community funding include

- support of community organization
- support to the harness racing industry
- funding of Nova Scotia cultural federations, the Exhibition Association of Nova Scotia, and Sport Nova Scotia

3. Ensure Accountability and Communications

Each year, 100% of gaming 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 2012–13, NSGC will provide \$127.5 million to continue to fund essential provincial programs and services. The gaming industry also creates and supports jobs, employing approximately 650 people and injecting \$36.1 million in retail commissions into local Nova Scotia businesses. In addition, through NSGC's *Support4Sport* and *Support4Communities* programs, gaming revenue helps many organizations and causes that are important to Nova Scotians. Given that the direct benefits of gaming are significant to the province, NSGC is committed to ensuring that the gaming industry continues to operate in a responsible, effective, and efficient manner so that these benefits can be maintained.

As a public organization, NSGC must be transparent, with timely and open communications to all Nova Scotians. To achieve this, Quarterly Reports, an Annual Report, a Business Plan, a Community Report, fact sheets about NSGC programs and the gaming industry, and news releases will be made available through NSGC's website throughout 2012–2013. Working with its Operators, NSGC will continue to ensure that Nova Scotians remain informed about where gaming revenue goes and about responsible gambling and the gaming industry in Nova Scotia.

Budget Context

	Estimate 2011–12 (\$ 000)	Forecast 2011–12 (\$ 000)	Estimate 2012–13 (\$ 000)
Sales			
Casinos	\$85,100	\$82,900	\$82,800
Ticket lottery	204,500	204,500	212,600
Video lottery	<u>130,000</u>	<u>136,700</u>	<u>122,000</u>
Total sales	<u>419,600</u>	<u>424,100</u>	<u>417,400</u>
Cost of sales	<u>294,800</u>	<u>278,400</u>	<u>291,700</u>
Gross profit	<u>124,800</u>	<u>145,700</u>	<u>125,700</u>
Expenses			
Responsible gambling programs	7,500	7,000	7,400
Commitments to community programs	4,600	5,700	5,700
Add: interest income	(200)	(100)	—
Total expenses	<u>11,900</u>	<u>12,600</u>	<u>13,100</u>
Net income	112,900	133,100	112,600
Casino win tax	<u>15,500</u>	<u>14,900</u>	<u>14,900</u>
Payment to province	<u>\$128,400</u>	<u>\$148,000</u>	<u>\$127,500</u>

Outcomes and Performance Measures

Outcome	Indicator	Measure	Target 2012–13	Planned Target 2015–16	2011–12 Strategies to Achieve Targets
Economic Sustainability	Total payment to province	Actual to budget	\$127.5 million (+/- 10% of budget)	\$143.0 million (+/- 10% of budget)	Monitor operators to ensure compliance with business plans
	VL as percentage of total net income	Stabilize percentage of net income from operations	63%	65%	Introduce new ticket lottery products and enhancements to the casino business
	Commissions to retailers	Amount paid	\$36.1 million	\$41.4 million	
Social Responsibility	Awareness of responsible gambling behaviours	Percentage of public that can cite at least two responsible gambling behaviours	35%	50%	Enhance Responsible Gambling Awareness Week
	Raise public awareness and support for responsible gambling and prevention programs	Percentage of public that supports province's commitment to responsible gambling	80%	85%	Implement key community outreach programs
Accountability	Response to routine access requests for information	Percentage of responses within two business days	100%	100%	Employ sound operations management
	Reports submitted on or prior to legislated deadlines	Percentage of NSGC and Operator reports provided before due date	100%	100%	Incorporate targets into employee personal performance plans
	Introduction of socially responsible products	Percentage of products introduced with social responsibility assessment	100%	100%	Continue to conduct social responsibility assessments