



*responsible • progressive • accountable*

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**2006-2007 BUSINESS PLAN**

**April 20, 2006**

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Nova Scotia Gaming Corporation  
5151 George Street, Suite 800  
P.O. Box 1501  
Halifax, NS B3J 2Y3  
[www.gamingcorp.ns.ca](http://www.gamingcorp.ns.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**

In April 2005, the Government of Nova Scotia released the Province's first, and 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 activity in the Province. The following guiding principles are also included in the Strategy:

- Gaming will be offered in Nova Scotia by government and licensed organizations to ensure that the economic benefits of entertaining, reliable, controlled gaming products remain in the province for the betterment of Nova Scotians and that illegal, socially irresponsible gaming operations do not seek to fill the void.
- Gaming will be offered in a socially responsible way, meaning that there is a focus on education and awareness and a commitment to the responsible design, delivery, promotion, and use of products. The end goal is to reduce the incidence of high-risk and problem gambling in the province.
- Growth in revenues will occur only if it is responsible growth, meaning that it is not generated from an increase in the overall prevalence of problem gamblers. New forms of gaming will be assessed and introduced only if they pass the test. This is consistent with ensuring the viability of gaming through effective and efficient management.
- Government will ensure that the adverse health and social consequences of problem gambling are being addressed by providing and enhancing health promotion, prevention, early intervention, treatment, and research programs.
- Partnerships will be forged with local communities, private and charitable organizations, and other stakeholders to explore opportunities for them to make the most of gaming's economic benefits in a socially responsible manner.
- Well-founded, objective analysis, research and experience from other jurisdictions will be the foundation for all decisions related to gaming – whether they are regarding operations, regulation, or the prevention and treatment of problem gambling.
- Gaming will be strictly regulated to ensure controlled outcomes and the security and integrity of products and systems, and law enforcement will be empowered to carry out their essential role.
- Gaming will be conducted in an open, transparent, and accountable manner, and Nova Scotians will be kept informed about the province's success in meeting established outcomes and objectives.

NSGC has ensured alignment to the Gaming Strategy in its business efforts in 2005-06 and has continued this important connection in its planning for 2006-07. In particular, the strategy's focus on enhanced prevention efforts and greater accountability is strongly aligned with NSGC's operations. NSGC has implemented a number of responsible gambling initiatives in support of these cornerstones and is recognized around the world as progressive and leading edge in this area. The key objective is to prevent a future generation of problem or high-risk players and this can be accomplished by offering the right products, in the right environment with the right information and education. This is NSGC's commitment to its shareholders, the Provincial Government and to all Nova Scotians. While Nova Scotia has the lowest problem gambling prevalence rate in Canada, NSGC and all Government stakeholders involved in the delivery of a responsible gambling environment are committed to reducing this rate even further over the next number of years through the successful execution of multi-faceted initiatives in support of the Gaming Strategy.

It is within this context that NSGC considers the 2006-07 fiscal year as an opportunity to build on its measurable progress and successes to create an even stronger responsible gambling environment for Nova Scotia.

### **C. Strategic Goals**

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

*Goal #1: To pursue a sustainable and responsible 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 supported decisions that incorporate responsible gambling in the design, delivery, promotion and use of its products.
3. optimizing indirect economic 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 responsible 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 all Nova Scotians and its stakeholders.*

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, informed decisions.

#### **D. Core Business Areas**

NSGC's core business functions are as follows:

- Develop social and economic strategies that align with the Province's Gaming Strategy and support the achievement of identified goals and outcomes.
- Oversee the operations of its operators, the Atlantic Lottery Corporation (ALC) and Casino Nova Scotia (CNS), as well as implement responsible gambling programs for Nova Scotia.
- Build strong communications with key relationships, 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 thorough 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 informed 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 ground breaking responsible gambling initiatives.

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

- **Operator Management** – Effective management of the operators' businesses as it relates to Nova Scotia is a critical function for NSGC to ensure there is alignment of efforts and 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 to 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 2006-07**

*1. Pursue a Sustainable and Responsible Gaming Industry*

NSGC is committed to ensuring the successful delivery of all initiatives outlined in the Gaming Strategy and to the continual evolution of a socially responsible gambling environment. The objective is to generate responsible revenues while mitigating the risks associated with problem gambling, wherever possible. All changes in product offerings or gaming environments will be implemented based upon economic and social assessments and will be supported by all available research and comprehensive expert reviews.

In striving to generate responsible economic return, NSGC will continue to explore new ways of doing business and, in particular, will focus its attention on the following priorities in 2006-07:

- *Casino* – The casino will focus its marketing efforts on appealing to the social occasional gamer by offering a new and exciting entertainment product that includes entertainment acts as well as new food and beverage offerings. The opening of a Responsible Gambling Resource Centre at the Sydney Casino will also occur in 2006-07, as outlined in the Gaming Strategy. And finally, research and policy development will occur surrounding the concept of a responsible gambling model for casinos.
- *Ticket Lottery* – The ticket lottery business is considered to be one of NSGC’s most mature and socially responsible business lines. The highlights for 2006-07 include initiatives to ensure that products remain relevant and accessible to consumers supporting the long-term sustainability of this business line. For example, NSGC will develop new ticket lottery products based upon consumer research.
- *Video Lottery* – Significant resources will continue to be apportioned to the video lottery program in 2006-07 in an effort to minimize the negative social impacts. Over the course of the year, NSGC will monitor the effects of the VLT-related Gaming Strategy initiatives that consisted of:
  - ▶ the reduction of operating hours of VLTs that eliminated the 12 midnight to close timeframe, during which there was a disproportionate number of high-risk and problem gamblers playing VLTs (July 2005);
  - ▶ the removal of 800 video lottery terminals from profit retail locations (November 2005); and,
  - ▶ the product changes made to machines to slow down the speed in which a player plays, thereby mitigating the risks associated with faster play. Specifically, the “stop” button/feature was removed and the speed of VLT games reduced by 30% (January – March 2006).

A further reduction in the number of VLTs will occur with the removal of additional machines through attrition over the next 2-3 years to bring the total removed to be 1,000 VLTs. This represents a 30% reduction of the number of VLTs that were under NSGC's management.

- The 2006-07 net income budget for the video lottery business line is \$95.8 million, a decrease of \$21.7 million over the 2005-06 Forecast which is attributable to the full-year impact of the four VLT-related Gaming Strategies initiatives. This reduction in net income from video lottery terminals supports the Gaming Strategy's strategic goal of significantly reducing the reliance on video lottery revenue.
- *Linked Bingo* – Linked Bingo will be introduced in 2006-07. Linked Bingo enhances charity bingo by offering larger, linked jackpots that allow charitable organizations to use bingo to fund their projects and good works.

## 2. *Foster Social Responsibility*

Operating gaming in a highly regulated and socially responsible manner is critical to ensuring Nova Scotians benefit from gaming venues and minimize adverse social consequences. In furthering this mandate, NSGC will continue its commitment to:

- provide relevant and timely information to players and the public in order to facilitate informed gambling decisions.
- maintain and enhance a responsible gambling environment that encourages responsible play.
- communicate linkages to effective, professional problem gambling treatment and recovery services.
- make business decisions that are supported by the best available research and information associated with responsible gambling and problem gambling.

NSGC will deliver on its commitments by continuing to re-enforce NSGC's leadership and commitment to responsible gambling as well as by delivering an array of responsible gambling initiatives, including broad-based and targeted education programs.

For example in 2006-07, NSGC will evaluate the results of the pilot of a Responsible Gambling Device for VLTs, work which began in 2005-06. This card-based feature is intended to provide players with detailed information regarding their gaming activities and allow players to set spending and time limits. This concept has received interest and support from responsible gambling experts around the world and the pilot is considered to be a leading edge responsible gambling initiative.

Other initiatives in 2006-07 include pursuing a responsible gambling model in the casino environment and an awareness campaign.

### *3. Ensure Accountability and Communications*

Gaming in Nova Scotia produces significant direct benefits for Nova Scotians, including the direct employment of more than 1,000 people and the injection of approximately \$53 million in retail commissions to local Nova Scotia businesses. In 2006-07, NSGC will provide \$162.2 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 gaming 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 2005-06 fiscal year, NSGC will enhance its website so as to serve as an important interactive resource for those looking for information about responsible gambling and the gaming industry in Nova Scotia.

## **F. Performance 2005-06**

### *1. Pursue a Sustainable and Responsible Gaming Industry*

The province's Gaming Strategy is designed to achieve a socially responsible and economically sustainable gambling industry. The focus in 2005-06 was on implementing NSGC's Gaming Strategy initiatives including the four VLT-related initiatives and increased funding to Nova Scotia Health Promotion and Protection in support of Problem Gambling services. Income from VLTs are forecasted to decline by \$15 million in 2005-06 due to implementation of the four VLT-related Gaming Strategy initiatives, and expected to further reduce by an additional \$21.7 million in 2006-07. Per the Gaming Strategy, funding by NSGC to problem gambling treatment and prevention services increased by \$3 million.

Ticket lottery is the most mature business line in NSGC's portfolio. It is widely viewed as a socially responsible product by experts around the world. In order to support the sustainability of this product line, 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 online daily game.

It was an active year in the casino business line. First, a new casino operator, Great Canadian Gaming Corporation (GCGC), took over day-to-day management of the casino operations. GCGC has expertise in managing local, small-market casinos and as a result, the Nova Scotia properties are significant to GCGC's overall business. NSGC successfully negotiated a new casino operating contract with GCGC in July 2005. The new contract reflects a significantly better deal for Nova Scotia with increased focus on social responsibility in the casino environment and more of the economic benefits staying in the Province.

The casino also made some significant enhancements, building the foundation for the long term sustainability of the casino business line, 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 of the plan to rejuvenate the casinos include:

1. enhancing the table games offerings (new poker room);
2. refocus marketing efforts (broadened “Stay N Play” program);
3. enhance entertainment offerings (live, local entertainment on casino floor);
4. enhance food and beverage offerings (refurbished buffet); and,
5. implement new slots technology (new games, and ticket-in ticket-out technology).

## 2. *Foster Social Responsibility*

In 2005-06 NSGC continued its focus on social responsibility and building on its commitment to responsible gambling. Several key initiatives were completed and many others started that will come to fruition in 2006-07 and beyond. Highlights include the following:

- Nova Scotia’s fourth Responsible Gambling Awareness Week was held from October 2-8 and extended the reach achieved in prior years. This program saw the expansion from five to seven communities (Halifax Regional Municipality, Wolfville, New Glasgow, Sydney, Yarmouth, Membertou and Millbrook,), which enabled 57% of Nova Scotians to have access to important responsible gambling information. More than 4,200 people either attended awareness sessions or the Responsible Gaming Conference, or received information from interactive community education displays, Know The Score programs or Caught in the Game high school drama performances. The tremendous efforts of those involved in 2005’s RGAW resulted in 70% of the public in target communities being aware of specific responsible gambling initiatives and 84% of Nova Scotians supporting an annual Responsible Gambling Awareness Week.
- *Know The Score*, an interactive, peer-led program was launched in October of 2005. It is designed to give college and university students aged 19-24 the facts about gambling. Know the Score continued to be very well-received, with more than 6,200 visitors to the interactive booths at fourteen college and university campuses across Nova Scotia. A number of results reflected a successful outcome, including 82% of the survey respondents indicating that their awareness of the risks associated with gambling increased and 88% gained awareness of where to go should they require help.
- NSGC sponsored the delivery of the *Caught In The Game* play targeted at high school students in order to educate and raise awareness of the risks of gambling. In October 2005, there were five performances of the drama conducted under the direction of the Responsible Gambling Council at four high schools across the province, reaching more than 1,250 students. Later in the year, NSGC sponsored the launching of Nova Scotia’s production of *Caught in the Game*. The drama was delivered by a Nova Scotia-based troupe and moderated by Nancy Regan, a well-respected Nova Scotia television personality. Four schools were visited, reaching over 1,250 students and achieving very high results. Respondents comment that they found the play informative, an effective means to convey messages about problem gambling, and are now more aware of where people can get help for a gambling problem.
- A Responsible Gambling Resource Centre opened at the Halifax casino on October 5, 2005. The Centre focuses on information, education and when appropriate, providing linkages to treatment resources including voluntary self-exclusions and various crisis counselling situations. The Centre has been very well-received by casino visitors and staff, reaching over



1,250 visitors in the first three months of operation. More than 1,400 gambling related brochures have been taken from the Centre and Casino. The slot tutorial was viewed by almost 600 individuals.

- NSGC signed a Cooperation Agreement with Techlink Entertainment Ltd. to conduct a pilot test of its *Responsible Gambling Device* (RGD). Techlink's 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 playing/gaming. The pilot test began in the spring 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. Enrolment is now more than 1,800 and of that number, 153 monthly players participate in a panel that meets three times during the six-month study and allow their actual play to be tracked. The objective of the research is to determine whether play management tools will be used by players to prevent new incidences of problem gambling.
- NSGC also launched an advertising campaign called "friends4friends" in 2005-06. This multi-faceted media campaign alerted young people between 19 and 29 years of age on the risks associated with gambling and how to help a friend with a gambling problem. Ads were placed in university papers, youth-oriented newspapers, transit shelters, and as banner ads in high-traffic internet sites, a 30 second pre-movie ad and finally, as TV ads during youth-oriented programming. The campaign was developed based on extensive research to help young people recognize the signs of a gambling problem and learn where help is available and how to talk about a potential gambling problem. Based on the Canadian Problem Gambling Index, about 1.3% of adults in Nova Scotia are currently identified as having Moderate Problems and 0.8% are identified as having Severe Problems. Young adults aged 19-24 are the most at-risk for developing gambling problems, followed by those aged 25-34.

### *3. Ensure Accountability and Communications*

There is continued emphasis on NSGC's responsibility to inform the public on 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 staff met with key stakeholders of the gaming sector to ensure a reciprocal understanding of the gaming industry's challenges and opportunities.

NSGC met with senior representatives of its operators, 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 2005-06 business plans.

In 2005-06, NSGC was very active communicating with the media, public and others. NSGC also responded to more than 180 media/public inquiries, encompassing various topics and issues.

## G. Budget Context

	(\$,000)	
	Forecast 2005-06	Budget 2006-07
<b>Revenues</b>		
<i>Atlantic Lottery Corporation</i>		
Ticket lottery	210,700	208,000
Video lottery	182,200	150,000
Linked Bingo	300	400
<i>Halifax Casino Nova Scotia</i>		
Casino	66,100	69,300
Beverage, food and other	8,300	9,400
<i>Sydney Casino Nova Scotia</i>		
Casino	19,300	20,500
Beverage, food and other	2,000	2,400
<i>Other income</i>	300	300
	<u>489,200</u>	<u>460,300</u>
<b>Expenses</b>		
<i>Atlantic Lottery Corporation</i>		
Ticket lottery expenses		
- Prize expense	117,600	116,100
- Retailer commissions	17,100	13,900
- Operating and other	36,100	33,000
Video lottery		
- Retailer commissions	36,400	29,300
- Operating and other	28,300	24,900
Linked Bingo expenses	300	400
<i>Halifax Casino Nova Scotia</i>		
Casino win tax	13,200	13,900
Operator fee	29,000	41,100
Capital replacement reserve	3,000	3,900
Operating expenses	9,800	0
Other	12,500	9,500
<i>Sydney Casino Nova Scotia</i>		
Casino win tax	3,900	4,100
Operator fee	8,700	12,000
Capital replacement reserve	1,300	1,100
Operating expenses	2,600	0
Other	1,000	700
<i>Responsible Gaming contribution and program</i>	4,300	4,900
<i>Special Payments</i>		
Harness Racing Fund	750	1,000
NS Health Promotion and Protection	3,100	3,100
Department of Agriculture	50	50
Department of Tourism, Culture and Heritage	50	50
<i>NSGC management expenses</i>	2,800	3,100
	<u>331,850</u>	<u>316,100</u>
<b>Net Income</b>	<u>157,350</u>	<u>144,200</u>
<b>Payment to Province</b>		
NSGC net income	157,350	144,200
Casino win tax	17,100	18,000
	<u>174,450</u>	<u>162,200</u>

## H. Outcomes and Performance Measures

Outcome	Indicator	Measure	Base Year Measure (2004-05)	Target 2006-07	2006-07 Strategies to achieve targets
<b>1. Economic Sustainability</b>	<ul style="list-style-type: none"> <li>Total Payment to Province</li> <li>VL as % of total net income</li> <li>Commissions to retailers</li> </ul>	<ul style="list-style-type: none"> <li>Actual to Budget</li> <li>Reduction in % of total net income</li> <li>\$ amount</li> </ul>	<ul style="list-style-type: none"> <li>\$186.7 million (+/-10% of budget)</li> <li>78%</li> <li>\$55.2 million</li> </ul>	<ul style="list-style-type: none"> <li>\$162.2 million (+/-10% of budget)</li> <li>66%</li> <li>\$43.2 million</li> </ul>	<ul style="list-style-type: none"> <li>Monitor operators to ensure compliance to business plans</li> <li>Introduction of new ticket lottery products</li> <li>Reduced access to VLTs</li> <li>Improvements to VL and Casino environment</li> <li>Introduction of VL central operating system</li> </ul>
<b>2. Social Responsibility</b>	<ul style="list-style-type: none"> <li>Awareness of responsible gambling activities</li> <li>Player awareness of responsible gambling features</li> <li>Implement responsible gambling programs</li> </ul>	<ul style="list-style-type: none"> <li>% of public aware of responsible gambling activities</li> <li>% of VL players aware of responsible gambling features</li> <li># of effective / researched responsible gambling programs introduced</li> </ul>	<ul style="list-style-type: none"> <li>59%</li> <li>80%</li> <li>2 per year</li> </ul>	<ul style="list-style-type: none"> <li>65%</li> <li>80%</li> <li>3 per year</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of Responsible Gambling Awareness Week</li> <li>Introduction of community outreach program</li> <li>Launch of responsible gambling programs for high risk populations</li> </ul>
<b>3. Accountability</b>	<ul style="list-style-type: none"> <li>Response to routine access requests for information</li> <li>Reports submitted on or prior to legislated deadlines</li> <li>Introduction of socially responsible products</li> </ul>	<ul style="list-style-type: none"> <li>% response within two business days</li> <li>% of NSGC and operator reports provided before due date</li> <li># of products introduced with social responsibility assessment</li> </ul>	<ul style="list-style-type: none"> <li>90%</li> <li>90%</li> <li>100%</li> </ul>	<ul style="list-style-type: none"> <li>95%</li> <li>95%</li> <li>100%</li> </ul>	<ul style="list-style-type: none"> <li>Sound operations management</li> <li>Targets to be incorporated into employee personal performance plans</li> <li>Corporate commitment to social impact analysis</li> <li>Completion of card-based pilot</li> </ul>

