



Crown Corporation

B U S I N E S S P L A N S

FOR THE FISCAL YEAR 2010–2011

Nova Scotia Gaming Corporation *Business Plan 2010–2011*

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Message from the Minister, Chair, and President & CEO

We are pleased to present the Nova Scotia Gaming Corporation's business plan for 2010–2011. The plan outlines NSGC's continued commitment to offer Nova Scotians a socially responsible and economically sustainable provincial gambling industry. NSGC is a key contributor to Nova Scotia. All profits from regulated gaming go directly back to Nova Scotia taxpayers, helping to pay for valuable programs and services, including health care, roads, and schools.

The plan reflects NSGC's position as a world leader in responsible gambling. NSGC strives to foster the most informed players in the world through leadership in responsible gambling and prevention programs.

In 2009, Nova Scotia became one of the first jurisdictions in the world to be certified by the World Lottery Association at its highest level of responsible gaming standards. Nova Scotians should be proud of this province's international reputation for establishing pioneering initiatives such as *BetStopper* and the Video Lottery My-Play System. Programs like these and others are making a difference right here at home. At less than 1 per cent, Nova Scotia's problem-gambling rate is among the lowest in Canada. Through more than a dozen prevention and education programs, NSGC directly reaches more than 41,000 Nova Scotians with responsible gambling messages each year.

NSGC's business plan for the year also highlights its strategies to achieve responsible economic returns in a year of fiscal challenge as a result of economic pressures, increasing costs, and an increasingly competitive environment from both regulated and non-regulated gaming. NSGC will continue to strive for the important balance of social responsibility and economic sustainability.

Respectfully submitted,

The Honourable Graham Steele
Minister responsible for Part 1 of the Gaming Control Act

Gordon Gillis
Chair

Marie T. Mullally, FCA
President & CEO

Mission

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

Planning Context

The 2010–2011 planning environment for the Nova Scotia Gaming Corporation (NSGC) is shaped largely by economic factors, competitive pressures, increasing costs, and important social responsibility commitments.

NSGC's revenues depend 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 NSGC's revenues. NSGC has incorporated the province's economic assumptions for 2010–2011, 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 down in 2009–2010, resulting in a decrease in revenue from this market. Visitation for 2010–2011 is uncertain, and therefore no growth from this segment is reflected in the budgeted performance for the casino business line. As a result, 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 and those via the Internet. Nova Scotia's casinos will also face competition this year from the opening of a casino in Moncton, New Brunswick. Finally, continued growth of First Nations' video lottery revenue, which is expected to increase to \$50.5 million in 2010–2011, will continue to put 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 can provide entertainment value in an environment of fairness and integrity. Many of NSGC's products are in the mature phase of their product life cycle and have lost some portion of their relevance to the market. Increasingly, NSGC must incur higher costs in areas such as marketing in order to sustain revenue at historical levels. Many of NSGC's lottery assets are fully amortized and, while this has resulted in favourable expense levels in recent years, capital and operating costs must be incurred to replace aging assets and to implement new initiatives such as the Video Lottery My-Play System.

Innovation and corporate social responsibility are the keys to future growth



and success. This issue heightens the need for NSGC to be innovative and to invest appropriate resources 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 that it excels in this area as part of Nova Scotia's world leadership position in 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 commitment 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 2010–2011 with the Social Responsibility Charter. In particular, the

charter's focus on responsible gambling, enhanced prevention programming, and greater accountability is strongly aligned with NSGC's operations.

It is within the above context that NSGC considers the 2010–2011 fiscal year.

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

- 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 government's gaming-strategy efforts.

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 to provide Nova Scotians with the information required to make informed decisions
- contributing to communities across the province
- being an excellent employer

Goal #3: To ensure that 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
- supporting the development of a new gaming strategy for the province

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 gambling industry in Nova Scotia and aligns with the province's Gaming Strategy.

Responsible Product Implementation—NSGC is committed to continuing to make evidence-based decisions in assessing changes to the current product and gaming environments and utilizing responsible gambling and problem gambling experts to assist in this process.

Social Responsibility—NSGC is a world leader in responsible gambling and will continue to dedicate significant resources to the research, development, and implementation of progressive and groundbreaking responsible gambling initiatives.

2. Operations Management

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

Operator Management—Effective management of the operators' businesses as they relate to Nova Scotia is a critical function for NSGC to ensure there is alignment of efforts and that priority initiatives are completed as planned. Ensuring that operators offer products in an environment of security and integrity is a key goal.

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 to 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 and 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.

Priorities for 2010–2011

1. Pursue a Sustainable Gaming Industry

In striving to generate responsible economic returns, NSGC will focus its attention on the following priorities in 2010–2011:

Casinos—The Halifax casino will leverage high-quality entertainment and the redesigned Schooner showroom to draw visitors to the casino and continue to position Casino Nova Scotia as Atlantic Canada's premier entertainment destination. The casino will also seek to raise its profile as a premier banquet and meeting space to maximize the potential of both the Schooner and Compass rooms. The casino will continue to provide casino guests with the latest games, with a particular focus on table games. These new games, in combination with a commitment to rejuvenated slot offerings, will enhance the casino experience and support revenue and visitation levels.

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.

These initiatives are particularly important given that the Halifax casino will face additional competition in 2010–2011 from the Moncton casino, which is anticipated to result in a decrease in revenue and profits.

The Sydney casino will continue to build on the success of the introduction of the Player's Club program by utilizing its database to more effectively and extensively communicate with casino patrons. 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 in the traditional line of business in 2010–2011 are required to continue to deliver on the value proposition for players, optimize operational efficiencies within the core business, and support player protection. NSGC will continue to ensure products offered in 2010–2011 have the highest standards of integrity and security for our players and retailers.

Continued improvement of product offerings is a focus in 2010–2011. NSGC will explore new ways to increase value for our players, such as additional opportunities to win on instant tickets and the introduction of unique game offerings that will allow for greater player engagement.



Improvements will be further enhanced with the replacement of the existing lottery retail terminals. The new lottery terminals will deliver efficiencies to the business line and will offer enhanced security and controls for our 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. The lottery terminals will have modern graphics and improved components that will allow NSGC to pilot new technologies so that NSGC can position itself for future growth and sustainability.

These initiatives are necessary to stem the revenue decline that has been occurring over a series of years as a result of declining relevance to consumers of these traditional products. The revenue increase planned for 2009–2010 did not occur because of less-than-expected performance and subsequent removal of the Keno Ticket Lottery product. Costs will increase in 2010–2011, as NSGC must replace ticket lottery terminal assets, which were fully amortized in a previous year.

Video Lottery—An exciting initiative in 2010–2011 will be the province-wide implementation of the world's first My-Play System (My-Play) at video lottery retailer sites. My-Play is intended to provide personalized information to video lottery players about their play so that they can make informed choices. My-Play is expected

to cost \$4 million in operating, maintenance, and amortization expenses in 2010–2011. NSGC will continue to promote this program as a valuable informed-decision-making tool among players and retailers.

Rising costs, such as My-Play, and decreasing revenues will result in decreased profitability of this business line. Further, investments required to upgrade games on the existing aging terminals will be made in 2010–2011. Without this investment, base revenues would decrease further than that contemplated in the 2010–2011 budget.

SuperStar Bingo—As part of NSGC's Charitable Sector Support Program, SuperStar Bingo will continue in 2010–2011. 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 2010–2011, NSGC will continue to strive to foster the most informed players in the world through leadership in 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, and always will be, responsible gambling and prevention programming.

To be effective, the concept of social responsibility must be integrated into existing corporate structures and processes. Every aspect of business and 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 Social Responsibility 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 (0.9 per cent) among the lowest in the country and sustain the casual social-player base to help build a healthy and sustainable industry in Nova Scotia. By following the charter, Nova Scotia and NSGC's role as a world leader in responsible gambling education, awareness, and programming will continue.

NSGC's commitment to responsible gambling will be demonstrated by an array of responsible gambling initiatives, including

broad-based and targeted education programs, such as the following:

- leader in the first province-wide Responsible Gambling Awareness Week
- sponsor of YMCA's *Youth Gambling Awareness* program
- sponsor of Responsible Gambling Council's *R U UP?* program
- continued operations of the Responsible Gambling Resource Centres at both casinos
- leader in the development of the world's first My-Play System

In 2010–2011, NSGC will continue to deliver the *BetStopper* program, which is a world first and a key prevention programming initiative for NSGC. *BetStopper* is content-blocking software designed for use on home computers to help parents and caregivers prevent underage children from visiting gambling websites. *BetStopper* will 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 that 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 gambling industry. Further, NSGC will be the



first jurisdiction in the country to use GAM-GaRD assessments to evaluate all new games. This tool will be used in the overall decision-making process to determine if a new game should be launched.

NSGC will also continue to be a significant contributor to Nova Scotia's communities in 2010–2011. A key element in this area is the Support4Sport program, which is expected to raise approximately \$2.8 million for sport in 2010–2011. This money 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.

Other means of community funding include

- support of community organizations
- support to the harness racing industry
- funding of Cultural Federation of Nova Scotia, 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 750 people and the injection of \$41.0 million in retail commissions to local Nova Scotia businesses. In 2010–2011, NSGC will provide \$130.6 million to fund provincial programs in areas such as health care and education.

Given that the direct benefits of gaming are significant, NSGC must ensure that the gaming industry continues to 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 2009–2010 that will continue in 2010–2011 include quarterly reports, an annual report, business plan, community reports, fact sheets, press releases, and website updates. In addition, NSGC will further enhance its website to serve as an important interactive resource for those seeking information about responsible gambling and the gaming industry in Nova Scotia.

In addition, a key priority in 2010–2011 will be the development of the 2011–2016 Responsible Gaming Strategy. This is a significant initiative that will serve to inform the gaming environment in Nova Scotia as well as to ensure that the balance between economic sustainability and social responsibility continues to be at the forefront of decisions and actions.

Budget Context

	Estimate 2009-10 (\$ 000)	Forecast 2009-10 (\$ 000)	Estimate 2010-11 (\$ 000)
Sales			
Casinos	93,200	86,300	79,300
Ticket lottery	203,300	197,300	188,900
Video lottery	150,200	145,000	142,500
Total sales	446,700	428,600	410,700
Cost of sales	305,600	286,300	281,700
Gross profit	141,100	142,300	129,000
Expenses			
Responsible gambling programs	9,000	7,900	8,400
Commitments to community programs	4,200	4,600	4,200
Add: Interest income	200	—	—
Total expenses	13,000	12,500	12,600
Net income	128,100	129,800	116,400
Casino win tax	16,900	15,200	14,200
Payment to province	145,000	145,000	130,600



Outcomes and Performance Measures

Outcome	Indicator	Measure	Target 2010-11	Planned Target 2014-15	2010-11 Strategies to Achieve Target
Economic Sustainability	Total payment to province	Actual to budget	\$130.6 million (+/-10% of Budget)	\$134.0 million (+/-10% of Budget)	Monitor operators to ensure compliance with business plans
	VL as % of total net income	Stabilize % of net income from operations	68%	65%	Introduce new ticket lottery products and enhancements to the casino business
	Commissions to retailers	\$ amount	\$40.2 million	\$42.0 million	
Social Responsibility	Awareness of responsible gambling behaviours	% of public that can cite at least two responsible gambling behaviours	40%	50%	Enhance Responsible Gambling Awareness Week
	Awareness of NSGC being involved in promoting responsible gambling	% of Nova Scotians who agree NSGC is actively involved in responsible gambling	25%	30%	Implement key community outreach programs
	Implement responsible gambling and prevention programs	Number of Nova Scotians reached with responsible gambling messages	14,000	15,000	Continue to implement and introduce effective responsible gambling and prevention programs
Accountability	Response to routine access requests for information	% response within two business days	100%	100%	Employ sound operations management
	Reports submitted on or prior to legislated deadlines	% of NSGC and operator reports provided before due date	100%	100%	Incorporate targets into employee personal performance plans
	Introduction of socially responsible products	Number of products introduced with social responsibility assessment	100%	100%	Continue to conduct Social Responsibility Assessments