

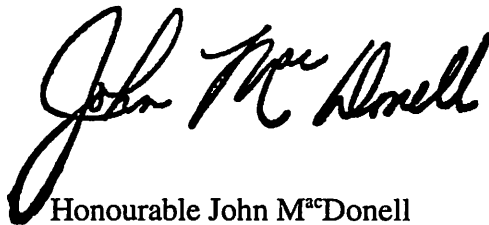
Nova Scotia
Annual
Gaming Report
2010 - 2011

Dear Reader:

Presented herewith is the *Annual Gaming Report* pursuant to Section 56 of the *Gaming Control Act* for the year ending March 31, 2011.

The *Annual Gaming Report* covers the activities of the Alcohol and Gaming Division relative to the gaming industry during the 2010/2011 fiscal year, and explains its working mandate received from the *Gaming Control Act*: “to regulate and control casinos and other lottery schemes; and to administer this part in the public interest and in accordance with the principles of honesty and integrity.”

Yours truly,

A handwritten signature in black ink, reading "John McDonnell". The signature is written in a cursive style with a large, looping initial "J".

Honourable John McDonnell
Minister of Service Nova Scotia and
Municipal Relations

TABLE OF CONTENTS

TABLE OF CONTENTS	3
ABOUT THE DIVISION	4
Mandate	4
Workforce	4
CORE FUNCTIONS	4
Registration and Licensing	4
Investigation and Enforcement	7
LOOKING BACK	8
PROVINCIAL GAMING ACTIVITY	10
Overview	10
Fiscal Year 2010/2011	11
Video Lottery Terminals	14
Casinos	16
ALC Lotteries	18
Charitable Bingo	20
Charitable Ticket Lotteries	23
CANADIAN JURISDICTIONAL GAMING COMPARISON	26

ABOUT THE DIVISION

Mandate

The Nova Scotia Alcohol and Gaming Division (the Division) has the legislative responsibility to regulate and control gaming activities “in the public interest and in accordance with the principles of honesty and integrity.”¹ The Division licenses and monitors the conduct of casinos, bingos, lotteries and other games of chance (except harness racing, and gaming activities conducted on Reserve Lands), to ensure that these games are carried out in the best social and economic interests of Nova Scotians.

Workforce

With its head office located in Dartmouth, and a regional office in Sydney, the Alcohol and Gaming Division maintains a workforce around the province. In addition, a contingent of RCMP officers work with the Alcohol and Gaming Division to conduct gaming supplier and employee security clearances.

CORE FUNCTIONS

Registration and Licensing

Pursuant to the *Gaming Control Act*, the Nova Scotia Alcohol and Gaming Division registers individuals and companies who supply goods and services to regulated gaming activities. During the 2010/2011 fiscal year, the Division’s registry consisted of a total of 138 casino gaming, casino non-gaming, and bingo suppliers, compared to a total of 131 in 2009/2010.

¹ *Gaming Control Act*, 1994-95, c. 4, s. 42.

The Division also conducts security checks on personnel related to the gaming industry, including all casino staff, employees of the Nova Scotia Gaming Corporation and the Alcohol and Gaming Division. Different levels of security clearances are applied, depending on one's position in an organization or the type of service one provides (i.e., suppliers of actual gambling equipment are held to a higher degree of scrutiny than the suppliers of non-gaming related suppliers such as restaurant equipment). In 2010/2011, the Division conducted security checks on 390 casino employees, compared to 286 casino employees in 2009/2010. Furthermore, the Division conducted security checks on four ticket lottery suppliers to the Atlantic Lottery Corporation (ALC) in 2010/2011.

The Alcohol and Gaming Division issues gaming licenses to organizations that raise funds for charitable purposes, including bingos, ticket lotteries (prize value over \$500), and carnival games of chance. In addition, permits are issued for ticket lotteries with a prize value of less than \$500. Licenses are issued in accordance with the provisions of the applicable regulations and policy, as established by the Alcohol and Gaming Division.

Gaming Registration Issuance		
	2010/2011	2009/2010
Casino Registrations		
Gaming supplier	15	15
Non-gaming supplier - exemption	98	100
Non-gaming supplier	16	16
Casino employees	572	503
Bingo Registrations		
Bingo supplier	4	4
ALC Registrations		
Lottery Equipment Suppliers	18	17
TOTAL	723	655

Series bingo and ticket lottery licenses are issued to organizations wishing to carry on a series of regular events. Single licenses are issued for individual events. Games of chance events include commercial carnivals, fun-night Monte Carlo events, and games conducted during annual fairs and exhibitions.

Gaming License Active		
	2010/2011	2009/2010
Bingo	508	490
Ticket lottery	1,076	1,063
Permits	4,717	4,856
Break-open	71	74
Games of chance/carnival	109	115
TOTAL	6,481	6,598

Investigation and Enforcement

Investigation and Enforcement regularly inspects licensed premises to ensure that gaming activities comply with the applicable regulations. For example, video lottery play is checked for underage play and credit granting, and bingos are checked for such things as the proper use of bingo operating equipment. Furthermore, Investigation and Enforcement staff conduct inspections at the two casinos to ensure compliance with casino regulations and detailed internal control procedures. Investigation and Enforcement has a staff complement located throughout the province.

The gaming analyst section of Investigation and Enforcement conducts regular as well as random testing of casino slot machine software to ensure each machine is compliant with the legislated minimum payout percentage, as well as other requirements. The Section also monitors payout percentages for video lottery terminals (VLTs) in liquor licensed premises in the province.

Investigation and Enforcement is also responsible for reviewing and making recommendations with respect to all approval requests from the casino operator pertaining to:

- ❖ casino surveillance and security systems;
- ❖ permitted games of chance played in casinos;
- ❖ Rules of Play; and
- ❖ slot machine installations, modifications, removals and relocations.

LOOKING BACK

On March 25, 2011, the Government of Nova Scotia released its new Responsible Gaming Strategy, which focuses on protecting the health and well-being of Nova Scotians and improving the regulation of gaming.

The 2011 strategy follows 2005's "A Better Balance: Nova Scotia's First Gaming Strategy," in which government tried to create a better balance between revenue generation and social responsibility in delivering gambling in the province. The new Responsible Gaming Strategy sets forth a plan for gambling in Nova Scotia that ensures a responsible, sustainable, and accountable approach to gambling, problem gambling, research, and governance. The strategy is based on research into best practices in other jurisdictions, input from stakeholders and the public, and a review of results from the previous gaming strategy.

The Responsible Gaming Strategy, 2011 will meet the following goals:

- ❖ Develop a new coordinated and collaborative approach to gambling research that will establish Nova Scotia as a world leader in high-quality gambling research and further enhance Nova Scotia's already well recognized efforts in this area.
- ❖ Create a new, cross-departmental partnership model to provide oversight and to manage the social responsibility dimensions of gambling through the continuation of the Deputy Minister's Advisory Committee on Gambling.
- ❖ Continue efforts to proactively minimize the risks associated with problem gambling by undertaking measures to reduce the number of VLTs through attrition, by introducing a mandatory

informed-choice model for VLTs, and by fostering associated research initiatives designed to inform public policy decisions and to minimize gambling harms.

- ❖ Increase the effectiveness of treatment programs by taking a population health approach and more actively engaging communities in harm reduction and addiction management issues.
- ❖ Open up a new dialogue with First Nations on gambling.
- ❖ Create a new governance framework with the agility to respond to emerging issues in the rapidly changing and evolving gambling industry.
- ❖ Address challenging issues in the charitable gambling sector.
- ❖ Enhance public understanding of the benefits of gambling revenue in supporting high-quality programs and services for Nova Scotians.
- ❖ Decline to introduce new games or forms of gambling (e.g., electronic keno, Internet gambling) unless and until it is first established that the new forms of gambling can be introduced with effective harm-mitigation measures.

In regard to the governance of gaming, the Government of Nova Scotia will migrate the conduct-and-manage function for gambling from the Nova Scotia Gaming Corporation to a division within the Department of Communities, Culture and Heritage. Government will also work with the Nova Scotia Health Research Foundation to develop a centre of excellence in gambling research. Gambling Awareness Nova Scotia (formerly the Nova Scotia Gambling Foundation) will be integrated into this organization.

PROVINCIAL GAMING ACTIVITY

Overview

The Nova Scotia Alcohol and Gaming Division is responsible for the regulation of legal gaming in this province. These gaming activities include video lottery terminals (VLTs), casinos, Atlantic Lottery Corporation (ALC) products, bingos and charitable ticket lotteries.

For the purpose of measuring the volume of gaming activities on a consistent basis, the Alcohol and Gaming Division uses the “wager” as a base unit. This figure represents the amount of money actually wagered on each gaming activity before prizes are awarded, operating expenses are deducted, and other assorted expenditures are accounted for. The wager for each type of gaming activity is defined in the following manner:

- ❖ cash deposited when referring to VLTs;
- ❖ cash deposited and value of tickets inserted into casino slot machines plus the chips purchased for table games when referring to casinos;
- ❖ cash paid for the purchase of bingo cards when referring to bingo; and
- ❖ cash paid for the purchase of tickets when referring to ticket lotteries.

Fiscal Year 2010/2011

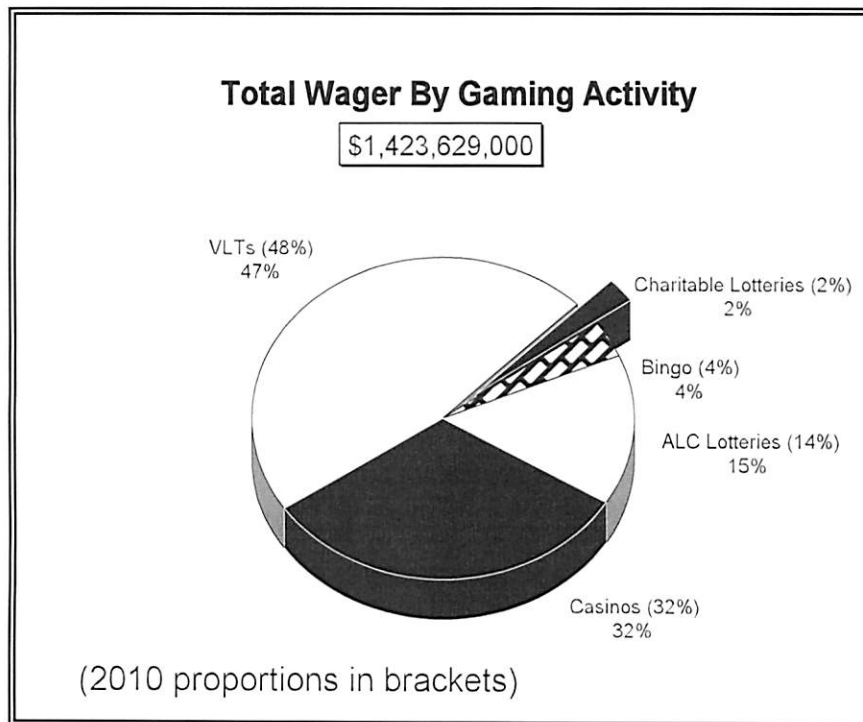
Total gaming wager in the province decreased by 0.7 per cent in 2010/2011 to \$1.42 billion, from \$1.43 billion in 2009/2010. Prizes of \$1.08 billion in 2010/2011 were down 1.2 per cent from the year before, and accounted for 76.2 per cent of the total wager. Net gaming revenue amounted to \$340 million in 2010/2011, up 0.8 percent from \$337 million in 2009/2010.

Total Wager By Gaming Activity			
(\$ thousands)			
	2011	2010	Change
VLTs	\$672,622	\$688,477	-2.3%
Casinos	451,338	463,749	-2.7%
ALC Lotteries	216,119	199,574	8.3%
Bingo	50,718	52,055	-2.6%
Charitable Lotteries	32,832	30,127	9.0%
Total Wager	\$1,423,629	\$1,433,982	-0.7%
Prizes	1,083,919	1,096,834	-1.2%
Net Revenue	\$339,710	\$337,148	0.8%

The VLT wager decreased by 2.3 per cent, representing a fall of \$16 million. Similarly, Casino wager dropped 2.7 per cent, with \$12 million wagered less this year. Bingo wager declined 2.6 per cent, to \$50.7 million in 2010/2011. Wagers for both ALC lotteries and Charitable lotteries increased in 2010/2011, up 8.3 and 9.0 per cent respectively.

The proportion of total wager accounted for by VLTs was 47.2 per cent in 2010/2011, down from 48.0 per cent in 2009/2010. The proportion of total wager for casinos declined to 31.7 per cent, from 32.3 per cent in 2009/2010. The proportion of total wager

spent on ALC lotteries, bingos, and charitable lotteries remained essentially unchanged on a year over year basis, at 15.2, 3.6 and 2.3 per cent respectively.

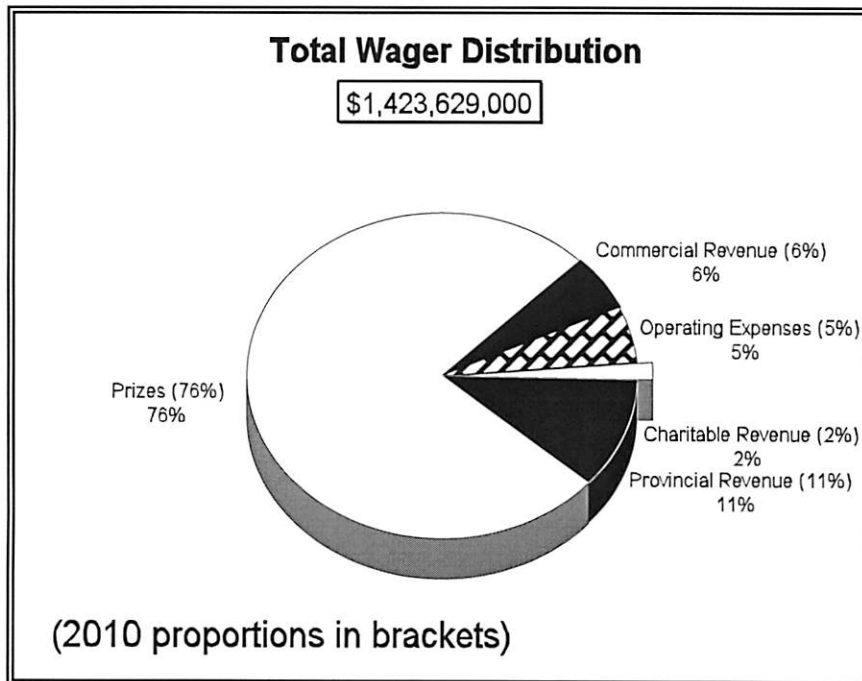


Provincial revenue from gaming declined 3.3 per cent on a year over year basis, to \$157.6 million in 2010/2011 compared to \$163.0 million last year, and accounted for 11.1 per cent of the total wager. Commercial revenue fell 2.0 per cent to \$78.9 million in 2010/2011, from \$80.5 million in 2009/2010. Operating expenses rose 11.8 per cent to \$78.4 million, from \$70.1 million last year. At \$24.8 million, charitable revenue was up 5.2 per cent from \$23.5 million the year before.

Total Wager Distribution

(\$ thousands)

	2011	2010	Change
Total Wager	\$1,423,629	\$1,433,982	-0.7%
Prizes	1,083,919	1,096,834	-1.2%
Net Revenue	\$339,710	\$337,148	0.8%
Operating Expenses	78,446	70,137	11.8%
Commercial Revenue	78,888	80,514	-2.0%
Charitable Revenue	24,763	23,535	5.2%
Provincial Revenue	\$157,613	\$162,962	-3.3%



Video Lottery Terminals

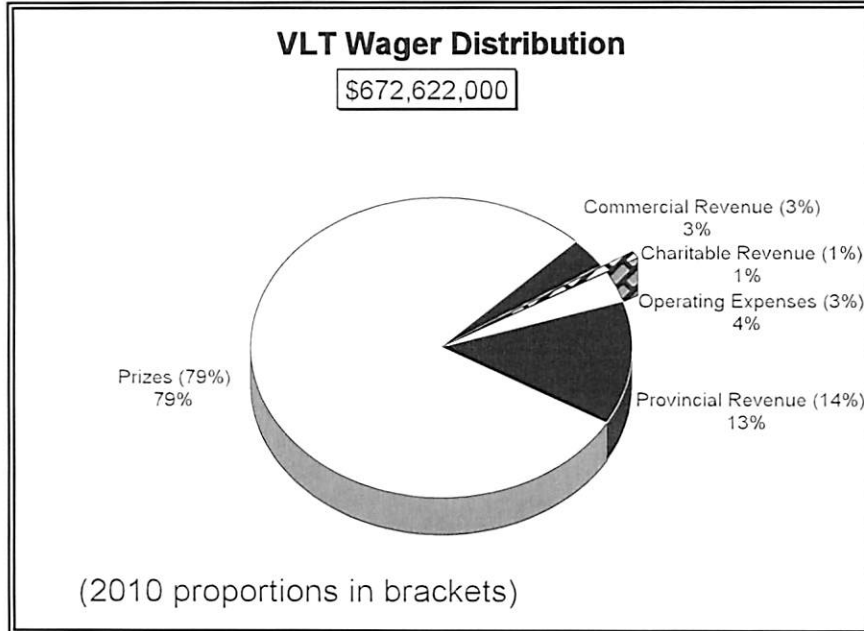
In 2010/2011, VLT wager decreased 2.3 per cent to \$672.6 million, from \$688.5 million in 2009/2010. The VLT wager accounted for 47.2 per cent of the total provincial gaming wager in 2010/2011, compared to 48.0 per cent the year before.

Prize payouts from VLTs totalled \$532.6 million in 2010/2011, a decrease of 2.0 per cent over the previous year, and represented 79.2 per cent of the total VLT wager.

VLT Wager Distribution			
(\$ thousands)			
	2011	2010	Change
Total Wager	\$672,622	\$688,477	-2.3%
Prizes	532,643	543,399	-2.0%
Net Revenue	\$139,979	\$145,078	-3.5%
Operating Expenses	\$24,473	\$17,318	41.3%
Commercial Revenue	20,630	22,603	-8.7%
Charitable Revenue	5,162	5,676	-9.1%
Provincial Revenue	\$89,714	\$99,481	-9.8%

At \$5.2 million, charitable revenue from VLTs was down 9.1 per cent from the previous year. Similarly, commercial revenue decreased 8.7 per cent to \$20.6 million, from \$22.6 million in 2009/2010. During the same period, operating expenses rose 41.3 per cent to \$24.5 million, from \$17.3 million in 2009/2010.

Provincial revenue from VLTs dropped 9.8 per cent to \$89.7 million in 2010/2011, compared to \$99.5 million last year. Provincial revenue represented 13.3 per cent of total VLT wager in 2010/2011, compared to 14.4 per cent the year before.



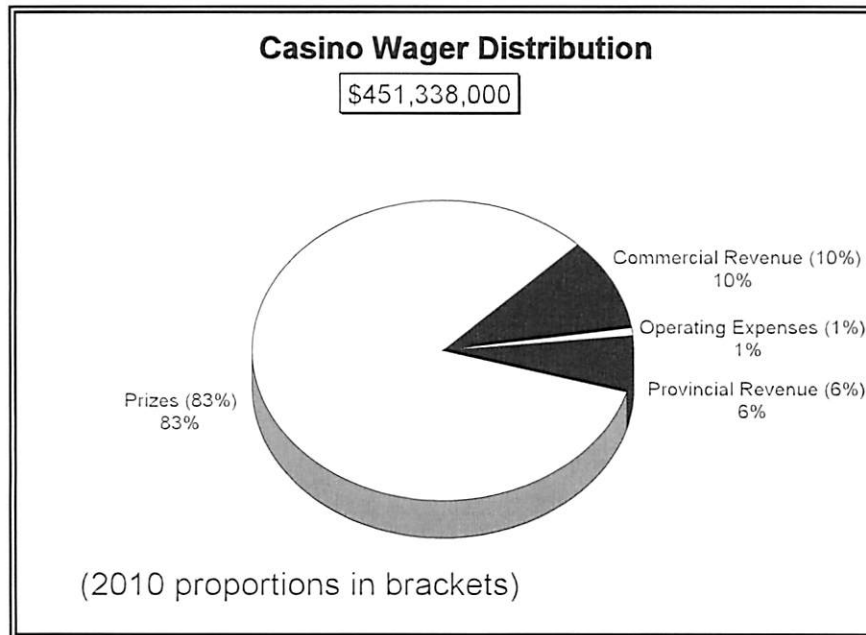
Casinos

At \$451.3 million, the wager at Nova Scotia's Halifax and Sydney casinos this year was down 2.7 per cent from \$463.7 million in 2009/2010. Casino wager accounted for 31.7 per cent of the total provincial wager in 2010/2011, compared to 32.3 per cent the year before.

Prize payouts at the casinos slipped 2.5 per cent to \$375.8 million this year, representing 83.3 per cent of the total casino wager. Provincial revenue from casino operations dropped 9.4 per cent to \$26.7 million in 2010/2011, from \$29.5 million last year.

Casino Wager Distribution			
(\$ thousands)			
	2011	2010	Change
Total Wager	\$451,338	\$463,749	-2.7%
Prizes	375,798	385,283	-2.5%
Net Revenue	\$75,540	\$78,466	-3.7%
Operating Expenses	4,593	3,865	18.8%
Commercial Revenue	44,223	45,114	-2.0%
Provincial Revenue	\$26,724	\$29,487	-9.4%

Commercial revenue dropped 2.0 per cent on a year over year basis, to \$44.2 million, while operating expenses rose to \$4.6 million from \$3.9 million last year.



Casino Nova Scotia

	Halifax		Sydney	
	2011	2010	2011	2010
Wager (\$ millions)	\$338.0	\$346.3	\$113.3	\$117.4
Revenue to Province (\$ millions)	\$18.4	\$20.8	\$8.3	\$8.7
Gaming Floor Area (sq. ft.)	34,000	34,000	14,070	14,070
Employees	380	350	153	170
Visitors	947,339	943,826	366,131	405,727
Slot Machines	600	607	299	300
Table Games	32	32	11	10

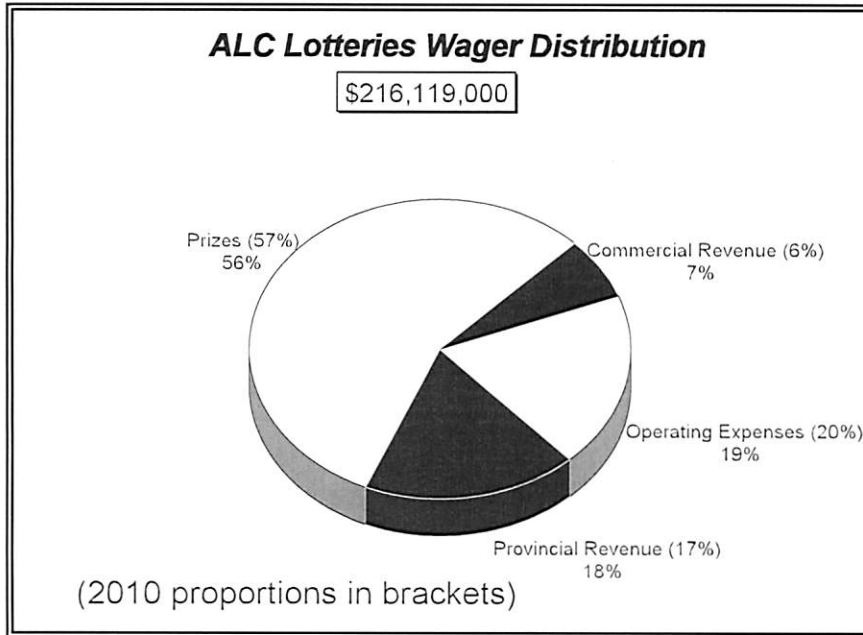
ALC Lotteries

At \$216.1 million, total wager for ALC lotteries increased 8.3 per cent from \$199.6 million a year ago. ALC lotteries accounted for 15.2 per cent of the total provincial wager this year, an increase from 13.9 per cent in 2009/2010.

Prizes paid out for ALC lotteries in 2010/2011 increased to \$121.1 million, from \$114.5 million last year. Prizes represented 56.0 per cent of total ALC lotteries wager, compared to 57.4 per cent last year.

ALC Lotteries Wager Distribution			
(\$ thousands)			
	2011	2010	Change
Total Wager	\$216,119	\$199,574	8.3%
Prizes	121,133	114,475	5.8%
Net Revenue	\$94,986	\$85,099	11.6%
Operating Expenses	\$40,876	\$39,393	3.8%
Commercial Revenue	14,035	12,797	9.7%
Charitable Revenue	58	58	0.0%
Provincial Revenue	\$40,017	\$32,851	21.8%

Operating expenses of \$40.9 million for ALC lotteries in Nova Scotia increased 3.8 per cent in 2010/2011, from \$39.4 million in 2009/2010. Commercial revenue rose 9.7 per cent to \$14.0 million in 2010/2011, from \$12.8 million last year. Revenue to charities remained at \$58 thousand in 2010/2011. Provincial revenue from ALC lotteries rose 21.8 per cent to \$40.0 million, from \$32.9 million last year.



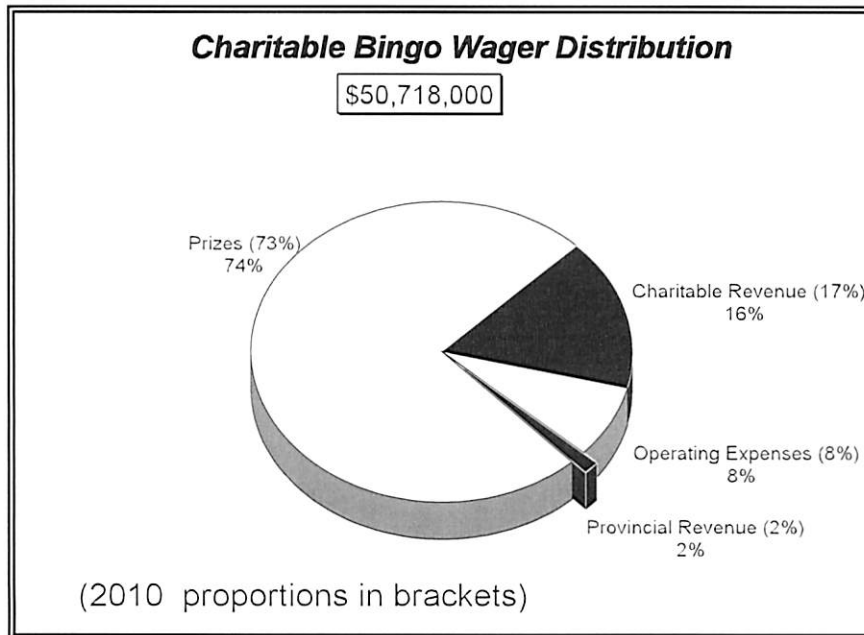
Charitable Bingo

Total charitable bingo wager declined 2.6 per cent to \$50.7 million in 2010/2011, from \$52.1 million last year. Charitable revenue fell 6.6 per cent to \$8.1 million, from \$8.7 million last year.

Bingo prizes amounted to \$37.8 million in 2010/2011, and accounted for 74.6 per cent of the total charitable bingo wager. The prize value awarded this year was essentially unchanged at \$37.8 million compared to \$38.2 million in 2009/2010.

Charitable Bingo Wager Distribution			
(\$ thousands)			
	2011	2010	Change
Total Wager	\$50,718	\$52,055	-2.6%
Prizes	37,823	38,186	-1.0%
Net Revenue	\$12,895	\$13,869	-7.0%
Operating Expenses	3,945	4,333	-9.0%
Charitable Revenue	8,144	8,723	-6.6%
Provincial Revenue	\$806	\$813	-0.9%

In the 2010/2011 fiscal year, financial reports were received from 220 bingo licensees, compared to 230 licensees in 2009/2010. Forty-seven per cent of the 220 bingo licensees in 2010/2011 had gross receipts under \$150,000, and generated 18.0 per cent of the total charitable bingo wager. Conversely, 21.8 per cent of charitable bingos had gross receipts exceeding \$300,000, and yielded 54.1 per cent of the total charitable bingo wager.



In 2010/2011, there were 32 media bingos (TV or radio bingo) that generated \$6.6 million in wagers, compared to 31 media bingos last year with a total wager of \$6.5 million. Charitable revenue from media bingos amounted to \$2.3 million this year, down 8.0 per cent from \$2.5 million in 2009/2010.

Charitable Bingo Licensees Grouped By Wager

Category	Licensees	%	Wager	
			(\$ thousands)	%
\$0-50,000	20	9.1%	\$582	1.1%
50,000-100,000	45	20.4%	3,597	7.1%
100,000-150,000	38	17.3%	4,929	9.7%
150,000-200,000	36	16.4%	6,120	12.1%
200,000-250,000	19	8.6%	4,186	8.3%
250,000-300,000	14	6.4%	3,845	7.6%
300,000-500,000	29	13.2%	11,043	21.8%
500,000-1,000,000	14	6.4%	9,377	18.5%
\$1,000,000+	5	2.2%	7,039	13.9%
TOTALS	220	100.0%	\$50,718	100.0%

Charitable Bingo Licensees Grouped By Net Profits

Category	Licensees	Licensees By Net Profit			Average Net Profit
		<0%	0-15%	>15%	
\$0-50,000	20	6	8	6	3.3%
50,000-100,000	45	6	22	17	14.3%
100,000-150,000	38	2	16	20	18.2%
150,000-200,000	36	3	14	19	16.6%
200,000-250,000	19	1	10	8	13.4%
250,000-300,000	14	1	7	6	16.7%
300,000-500,000	29	1	14	14	19.9%
500,000-1,000,000	14	1	6	7	16.1%
\$1,000,000+	5	0	3	2	11.2%
TOTALS	220	21	100	99	16.1%

Charitable Ticket Lotteries

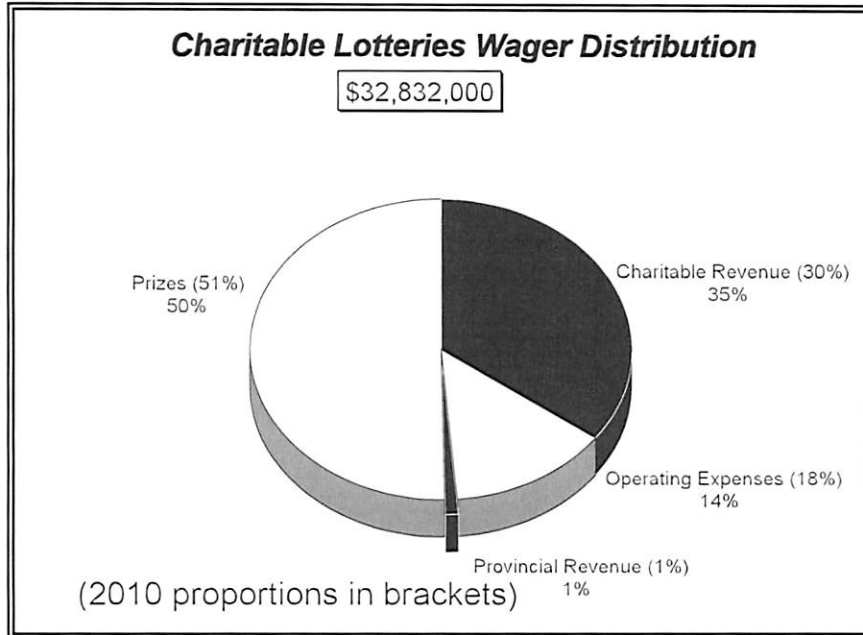
The wager on charitable ticket lotteries rose 9.0 per cent to \$32.8 million this year, compared to \$30.1 million last year.

Prizes awarded in charitable ticket lotteries increased 6.7 per cent to \$16.5 million in 2010/2011, and accounted for 50.3 per cent of total charitable ticket lotteries wager.

Charitable revenue rose 26.2 per cent to \$11.5 million this year, from \$9.1 million in 2009/2010. Provincial revenue amounted to \$352 thousand this year, up 6.7 per cent from \$330 thousand last year. Charitable revenue represented 34.9 per cent of total charitable ticket lotteries wager, while the province realized 1.1 per cent.

At \$4.5 million, operating expenses for charitable ticket lotteries this year decreased 13.9 per cent from \$5.2 million in 2009/2010. Operating expenses accounted for 13.7 per cent of the total charitable ticket lottery wager in 2010/2011, compared to 17.4 per cent last year.

Charitable Lotteries Wager Distribution			
(\$ thousands)			
	2011	2010	Change
Total Wager	\$32,832	\$30,127	9.0%
Prizes	16,522	15,491	6.7%
Net Revenue	\$16,310	\$14,636	11.4%
Operating Expenses	4,502	5,228	-13.9%
Charitable Revenue	11,456	9,078	26.2%
Provincial Revenue	\$352	\$330	6.7%



In 2009/2010, financial reports were received from 1,155 charitable ticket lottery licensees, compared to 958 last year. Of the 1,155 charitable ticket lotteries, 1,079 (93.4 per cent) reported ticket sales of \$50 thousand or less. Conversely, 17 (1.5 per cent) ticket lotteries reported sales of over \$300 thousand, totalling \$19.5 million, or 59.4 per cent, of the total charitable ticket lotteries wager.

Charitable Lotteries Licensees Grouped By Wager

Category	Licensees	%	Wager (\$ thousands)	%
\$0-50,000	1,079	93.4%	\$7,274	22.2%
50,000-100,000	37	3.2%	2,586	7.9%
100,000-150,000	12	1.0%	1,443	4.4%
150,000-200,000	6	0.5%	976	3.0%
200,000-250,000	2	0.2%	463	1.4%
250,000-300,000	2	0.2%	536	1.6%
300,000-500,000	10	0.9%	3,843	11.7%
500,000-1,000,000	3	0.3%	2,248	6.8%
\$1,000,000+	4	0.3%	13,463	41.0%
TOTALS	1,155	100.0%	\$32,832	100.0%

Province	CANADIAN JURISDICTIONAL GAMING COMPARISON Agencies Involved	Casinos	VLTs	Internet
NL	Department of Government Services, Trade Practices Division Atlantic Lottery Corporation		✓	✓
PE	PEI Lotteries Commission Department of Consumer Services Atlantic Lottery Corporation	✓	✓	✓
NS	Nova Scotia Alcohol and Gaming Division Nova Scotia Gaming Corporation Atlantic Lottery Corporation	✓	✓	✓
NB	New Brunswick Gaming Control Branch NB Lotteries and Gaming Corporation Atlantic Lottery Corporation	✓	✓	✓
QC	Régie des alcools, des courses et des jeux Loto-Québec	✓	✓	
ON	Alcohol and Gaming Commission of Ontario Ontario Lottery and Gaming Corporation	✓		
MB	Manitoba Gaming Control Commission Manitoba Lotteries Corporation	✓	✓	
SK	Saskatchewan Liquor and Gaming Authority Saskatchewan Gaming Corporation Saskatchewan Indian Gaming Authority	✓	✓	
AB	Alberta Gaming and Liquor Commission Alberta Gaming Research Council	✓	✓	
BC	BC Gaming Policy and Enforcement Branch British Columbia Lottery Corporation	✓		✓
NT	Consumer Services, Community Operations			
YT	Consumer Services, Department of Justice Yukon Lottery Commission	✓		
NU	Department of Community, Government & Transportation (Consumer Affairs Section)			

**Service Nova Scotia and Municipal Relations
Alcohol and Gaming Division**

Halifax

Torrington Place, 2nd floor
780 Windmill Road
P.O. Box 545
Dartmouth NS B2Y 3Y8

Tel: (902) 424-6160
Toll Free: 1-877-565-0556
Fax: (902) 424-6313

Sydney

235 Townsend Street
Sydney NS B1P 5E7

Tel: (902) 563-3495
Toll Free: 1-877-565-0556
Fax: (902) 563-3430

www.gov.ns.ca/lwd/agd/