



Split Crow Pub at 1855 Granville Street,
Halifax, Nova Scotia



Oasis Bar & Grill Cocktail Lounge at
5675 Spring Garden Rd, Halifax, Nova Scotia

The Gaming Machine Environment in Nova Scotia

A Report on Outcomes and Observations of the AGC Delegation to Halifax,
Nova Scotia, Canada from November 25th to 29th 2008

Prepared by Ian Horne for the Australian Hotels Association

AGC delegation met with:

Wednesday 26th November:

- **Dept. of Labour & Workforce, Alcohol & Gaming Division (AGD)**
Dennis Kerr, Executive Director/CEO, Alcohol & Gaming Division (AGD)
Terry Kelly, Director, Alcohol & Gaming Division, Licensing & Registration (AGD)
John MacDonald, Director, Alcohol & Gaming Division, Investigation & Enforcement (AGD)
- **Dalhousie University Gambling Laboratory**
Dr. Sherry Stewart, Program Director
Ms Pam Collins, Research Assistant
- **Nova Scotia Gaming Corporation (NSGC)**
Marie Mullally, President & CEO (NSGC)
Margaret (Maggie) McGee, VP Business Innovation (NSGC)

Thursday, 27th November

- **Atlantic Lottery Corporation (ALC)**
Robert Stokes, Vice President, Social Responsibility and Communications (ALC)
Kim Wilson, Manager, Responsible Gambling (ALC)
- **Casino Nova Scotia (CNS)**
Wayne Newell, Assistant General Manager (CNS)
Jayne Barnstead, Senior Marketing Manager (CNS)
Wayne Vincent, Director of casinos (NSGC)
- **NSGC Gaming Operations Team and Techlink Entertainment**
Stephen MacDonald, VP Gaming Operations (NSGC)
John Xidos, President/CEO, Techlink Entertainment
Leanne Mackenzie, VP of Sales, Techlink Entertainment
& **Margaret (Maggie) McGee**, VP Business Innovation (NSGC), at conclusion

Friday, 28th November

- **Focal Research Consultants Ltd.**
Dr. Tony Schellinck, CEO
Tracy Schrans, President
- **Nova Scotia Health Promotion & Protection**
Robert Graham, Manager, Problem Gambling Services, Addiction Services

The Gaming Machine Environment in Nova Scotia



Overview of Nova Scotia: Population 938,310

Average annual Nova Scotia wage is CAD\$36,807 – May 2008 (StatsCan) (approx. AU\$44,000). This is one of the lowest average earnings in comparison to other Canadian provinces. (Statistics Canada, Labour Force Survey)

Currency exchange rate as at 20/12/08 was AU\$1 = CAD\$.831

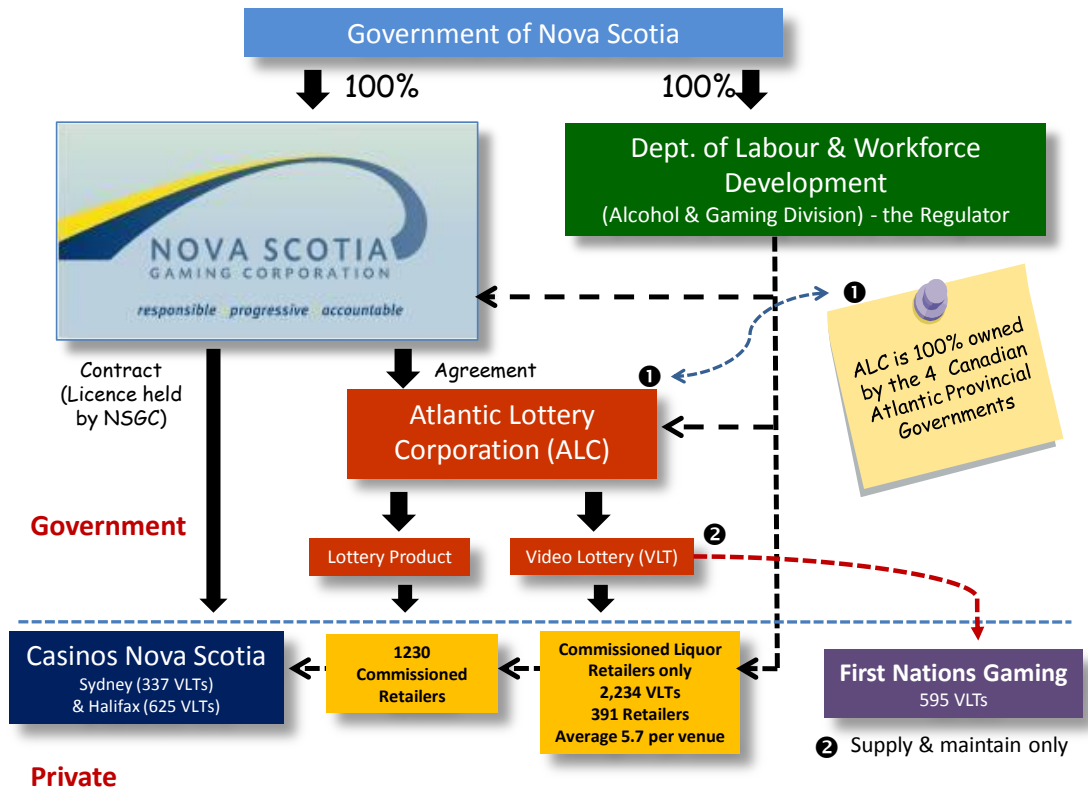
Canada ranked at number 4 on the 2007/08 United Nations Human Development Index for national living conditions. (Australia is 3).

Nova Scotia is the second smallest province in Canada with an area of 55,284 km². Its population of 938,310 (StatsCan) makes it the fourth least populous province of the country, though second most densely populated.

Nearly four in ten Nova Scotians have difficulty reading, understanding and using print materials (Atlantic Lottery Corporation publication 'Responsible Gambling Posters').

Industry Structure:

The Gaming Industry in Nova Scotia is effectively a government monopoly.



The Nova Scotia Gaming Corporation (NSGC) is responsible for the “business” of gaming in Nova Scotia. It is a crown corporation (100% government entity) governed by the provincial

Gaming Control Act, and is charged with “leading an economically sustainable and socially responsible gaming industry for the benefit of Nova Scotian’s and their communities.”

NSGC’s operations include ticket lotteries, video lotteries and casinos. The day-to-day operations of NSGC’s businesses are carried out by its operators. The Atlantic Lottery Corporation (ALC is 100% owned by the four (4) Canadian Atlantic Provincial Governments) operates the ticket and video lottery businesses (pokies/slots/terminals) and the Great Canadian Gaming Corporation (GCGC) operates Casino Nova Scotia (CNS) in Halifax and Sydney.

First Nations Gaming (First Nations is a term of ethnicity that refers to the Aboriginal peoples in Canada)

In addition to the 2234 VLT’s provided to commissioned regulated liquor premises via NSGC/ALC, there are 595 VLT’s on ‘First Nations’ reservations. We were told that ‘First Nations’ reservations (of which there are 13 including 3 in urban areas) have competing facilities on adjacent street corners or within walking distance of NSGC regulated retailers. The government of Nova Scotia entered into a series of gaming agreements with First Nations communities beginning in 1995 to assist with ‘economic and community development’. These agreements also include provision of a share in the profits of the Sydney Casino **and** allow the communities to retain video lottery terminal revenues generated on First Nations lands. While the VLT’s are ‘provided through the ALC arrangement’, it was clear that neither the Dept. of Labour & Workforce, Alcohol & Gaming Division as the regulator, the Nova Scotia Gaming Corporation (NSGC) as the manager/overseer or the Atlantic Lottery corporation as the provider take any responsibility for their operation. Examples of other inconsistencies include a ban on smoking in NSGC regulated venues but no such restriction is applied to competing First Nations sites and a trading hour’s restriction on regulated licensed premises i.e. no VLTs after midnight while First Nations sites operate up to 23 hours per day.

In 2006/07 the First Nations VLT’s generated CAD\$39,936,366.65 (AU\$48,058,202) in net revenue after administrative fees and First Nations communities received CAD\$2,725,400 (AU\$3,279,663) from the Sydney Casino agreement (www.gov.ns.ca/abor/resources/firstnationsgaming).

History of VLTs in Nova Scotia

In 1991, video lottery terminals (VLTs) were legalised as a partial response to growing illegal gambling. Initially, VLTs were allowed in corner stores, Laundromats and other neighbourhood businesses. In 1993, the government restricted VLTs to age-controlled, liquor licensed establishments only.

From 1993 to 1998, the number of VLTs and revenues grew steadily. In 1998, the *Video Lottery Terminal Moratorium Act* was introduced to limit the number of VLTs which may operate in the Province to 3,234 (**excluding** VLTs on First Nations reserves).

The RTP on Nova Scotian VLTs is between 93% & 95%.

In April 2005 the Government released their 5 year gaming strategy that incorporated the following;

- VLT hours of operation reduced by eliminating the midnight-to-close timeframe,
- the games were slowed by 30%,
- the "stop" button feature was disabled on all VLTs in Nova Scotia; and
- 1,000 VLTs were removed from retail locations across the province

The NSGC described the 2005 Gaming Strategy as more of a social policy than economic.

Comment 1: Despite these 'restrictions aimed at reducing problem gambling', Nova Scotia has no self exclusion regime and ATMs are not restricted in their availability or location.

Comment 2: It became clear that the 'restrictions' described above and the proposed technology discussed below was a 'political' response to what has been described to the delegation by a number of Nova Scotian regulators and administrators as the 'storm of 2003' i.e. high profile anti-gamblers, a media relentless in pursuit of negative stories and a largely poor quality and loosely regulated industry product.

Trial of a Responsible Gaming Device (RGD)

In 2005-06, as part of the Governments Gaming Strategy an extensive research project and field test was undertaken on a Responsible Gaming Device (RGD). The device attaches to VLTs and requires the insertion of a player's card and pin number in order to access play (the VLT however still utilises cash to operate – there is no stored value on the card). Over 50 VLT machines in Windsor and Mount Uniacke were tested to see if the interactive responsible gaming features (RG) would "help keep players responsible". The RG features allowed players to track their VLT play through the ability to access "real time" information about the amount of money spent and times played, as well as set limits and exclude themselves from play.

- Based on what NSGC believed were promising findings of the trial, NSGC sought to determine if a viable and effective model could be developed so these features would be available on all VLTs across Nova Scotia. The project was branded an **Informed Player Choice System (IPCS)**. See **Comment 3** below.
- On February 8, 2007, Atlantic Lottery Corporation (ALC) released a Request for Proposals (RFP) on behalf of NSGC inviting technology suppliers in the gaming sector to propose technology solutions for an IPCS.

- The successful proponent selected to lead the project was Techlink Entertainment. Techlink Entertainment is a Sydney, Nova Scotia-based company that develops and manufactures gaming technologies for the international gaming industry. Techlink Entertainment also developed the Responsible Gaming Device for the earlier trial.
- Development of the system and implementation of the IPCS across Nova Scotia is expected to take approximately 18 months, with annual costs ranging between CAD\$3 - \$4 million. Discussions with Techlink Entertainment put the cost of retro fitting each machine at between CAD\$3 & \$4,000 (AU\$3,700 to \$5,000). Techlink Entertainment estimate a CAD\$25 million (AU\$30 m) total development cost to them to date.

The IPCS is planned to go live in **March 2009** at the earliest.

Comment 3: NSGC acknowledged that the evaluation of the trial was undertaken at about the same time as the implementation of reduced hours, slowing machine spin rates and reducing machine numbers. The trial sites, we were told, were also influence by competing First Nation sites that did not have similar restrictions.

What is an Informed Player Choice System (IPCS)?

The IPCS utilises a Responsible Gaming Device (touch screen) that is an aftermarket 'plug and play' device connecting the VLT via a regular communications cable to a single central system. The central system monitors and controls responsible gaming and player tracking information from all connected gaming devices. At any point, players can access personal account summary, set cash limits with relative ease and periods of time designated for self-exclusion. Once established, the individual player's limits apply to them on every connected gaming machine across a jurisdiction.



Some of the key elements of the system are:

- Tracks time played on machines in real time
- Tracks real money played by in real time
- Players can limit their play by either time constraints or money constraints
- Reports for operators can show how many people gamble
- Reports breakdown all gambling by individuals

Initial registration for a card will be voluntary, moving to compulsory registration for all players in 2010. However, use of the features remains voluntary.

Target Audience of an Informed Player Choice System?

The NSGC is adamant that the Informed Player Choice System is targeted at no-risk to low-risk players “who still have the capacity and willingness to change behaviour”. The NSGC argue that existing problem gamblers need treatment and recovery programs.

Comment 4: The use of technology was described in our discussions as passing the “duty of care” down to the player because the player now has access to information to make their own “informed choice”.

Comment 5: The NSGC believed it was important that player pre-commitment be determined by the individual not the state.

Comment 6: A motivation for NSGC as a Government operator of VLTs is that IPCS has potential to de-stigmatise the product and therefore create a positive impact on long term sustainability of the business

Comment 7: NSGC talks about moving the player base from ‘deep and narrow’ to ‘broad and shallow’.

Comment 8: The NSGC has budgeted for a 7.2% growth in VLT revenue for 2008/09 (CAD\$150.8) over 2007/08 (CAD\$140.7) - www.nsgc.ca/keyFacts.php

Conclusion

Unique: The Nova Scotian model is an example of a unique local response to local conditions, be those conditions political, societal or cultural. The role of the Nova Scotia Gaming Corporation is also unique compared to the other Atlantic Provinces that rely solely on the Atlantic Lottery Corporation (ALC) to conduct their ticket and video lottery products. The NSGC appears to add another level of administration, cost and duplication of effort.

Social Licence: The NSGC talk of their massive effort to earn their “social licence”. Simply defined a “social licence” is an unwritten social contract based on a company/industry operating in a manner that is “attuned to community expectations and which acknowledges that businesses have a shared responsibility with government, and more broadly society, to help facilitate the development of strong and sustainable communities.” Admirable objectives but that said the Nova Scotia VLT offering is of poor quality and presentation with little

apparent effort applied by commissioned retailers to improve standards. Most venues observed had 3 or 4 machines in a corner as an afterthought. The larger venue recommended to us (22 VLTs) was poorly maintained and the VLT product tired and old. By Australian gaming venue standards these Nova Scotian gaming facilities were crude and lacked professional service and support, e.g. no designated cashier facilities, no designated gaming staff, little attention to cleanliness etc.

There were no codes of conduct in place and very little signage. Certainly NSGC expressed expectations of the new system also being a catalyst for better venue standards, improved site arrangements and stronger accountability requirements of retailers.

Government Monopoly: The Nova Scotia model is a Government monopoly not readily transferred to the Australian environment. Amongst its limitations is the reality that a commissioned agent arrangement does not provide regulated licensed retailers with a financial capacity or incentive to raise standards or invest capital to improve or expand facilities.

The private ownership gaming models of Australia which are subject to comparatively high levels of regulation and compliance have stimulated significant levels of competition amongst venues that has resulted in generally very high standards in community facilities (hotels & clubs) by comparison to most other gaming jurisdictions internationally.

The writer is left with the sense that the Nova Scotia model is as a consequence of a Government agency/agencies reacting to a unique set of political imperatives and at the same time and to some extent compromised by other political realities (First Nation gaming).

The reality seems to be that any meaningful outcomes from the Nova Scotia 'experiment' may be some years and potentially many millions of dollars away.

Until that time, the anticipated improvements in harm minimisation outcomes or the inadvertent and unforeseen consequences of the Nova Scotia model remain untested and experimental in nature.