

Service Plan

FISCAL 2004/05 – 2006/07



**British
Columbia
Lottery
Corporation**

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January 30, 2004

The Honourable Rich Coleman
Minister of Public Safety and Solicitor General
Province of British Columbia

Minister:

On behalf of the Board of Directors and staff, I have the honour to present to you the fiscal 2004/05 – 2006/07 Service Plan of the British Columbia Lottery Corporation.



Richard Turner
Board Chair
British Columbia Lottery Corporation

Accountability Statement

The fiscal 2004/05 – 2006/07 British Columbia Lottery Corporation Service Plan was prepared under our direction in accordance with the *Budget Transparency and Accountability Act*. We are accountable for the contents of the plan, including the selection of performance measures and targets. The plan is consistent with government's strategic priorities and overall service plan. All significant assumptions, policy decisions, and identified risks, as of January 30, 2004 have been considered in preparing the plan. We are accountable for ensuring the British Columbia Lottery Corporation achieves its specific goals identified in the plan and for measuring and reporting actual performance.



Board Chair



CEO

Message from the CEO

On behalf of the Board of Directors and employees of British Columbia Lottery Corporation (BCLC), I am pleased to present the Corporation's fiscal 2004/05 – 2006/07 Service Plan.

After nearly 30 years of providing high-quality gaming entertainment to British Columbians, the Corporation is facing new challenges and exciting opportunities. Our Service Plan is designed to meet these challenges in a rapidly evolving industry and increasingly competitive entertainment marketplace.

This Service Plan sets new benchmarks for high-quality gaming entertainment, revenue contributions to government and social responsibility. It renews our commitment to uphold the highest standards of fairness, honesty and integrity in our mandate to conduct and manage gaming in British Columbia.

BCLC employees are proud of the revenues generated for vital public services. In fiscal 2003/04 the Corporation will generate \$725 million in net income for Government. This income is used by Government to provide funding for the following public service programs:

- \$382 million to support health, education, social and other government programs;
- \$147 million dedicated directly to health care special programs;
- \$133 million distributed to about 5,000 charitable and community organizations for community services, projects and benefits all throughout the Province;
- \$51 million distributed to municipalities for community capital and operating programs; and
- \$4 million dedicated to fund special programs and treatment services to address problem gambling.

In addition \$8 million dollars is distributed to the federal government.

The Corporation's Service Plan will position the organization to increase our contribution to Government for health, social, charitable, municipal and other programs over the next three-year period within the government's policy framework for gaming.

We are also equally proud of our significant economic contributions generated throughout British Columbia including over \$630 million in prizes paid to British Columbians; \$350 million paid to our lottery, casino and bingo partners and over \$150 million in the purchase of equipment, goods and services. Through this economic activity, it is estimated that the gaming industry is responsible for the direct employment of more than 8,500 people and more than another 5,000 indirect jobs within the province.

The Corporation will also continue to play a strong leadership role in the stewardship of the gaming business in British Columbia to ensure that gaming is presented in a socially responsible manner. This includes ensuring that appropriate problem gambling awareness, education and research programs are in place. Appropriate treatment programs will continue to be available for the small percentage of the adult population who experience problems with gambling.

In accordance with the requirements and spirit of the *Budget Transparency and Accountability Act*, BCLC is pleased to present our Service Plan for the period April 1, 2004 to March 31, 2007.



Vic Poleschuk
President and CEO

Corporate Overview

CORPORATE MANDATE

Pursuant to amendments to the Criminal Code of Canada in 1969 and enabling legislation, British Columbia Lottery Corporation was incorporated on October 25, 1984 and is continued under the *Gaming Control Act* (2002). Prior to 1985, the Province of British Columbia was a partner in the Western Canada Lottery Foundation.

As an agent of the Crown, the Province has designated the Corporation as the authority to conduct and manage lottery schemes within British Columbia. This includes the marketing of nationwide and regional lottery games in association with other provinces of Canada. Under current provincial gaming legislation, the Corporation's mandate includes responsibility to:

- Conduct, manage and operate lottery gaming
- Conduct, manage and operate casino gaming
- Conduct, manage and operate commercial bingo gaming
- Marketplace management of horseracing

BCLC is responsible to the Minister of Public Safety and Solicitor General, through a Board of Directors appointed by Government.

Gaming Policy and Enforcement Branch (GPEB), a branch of the Ministry of Public Safety and Solicitor General, is responsible for the development of policy, regulation and enforcement of the *Gaming Control Act*.

SCOPE OF OPERATIONS

With its headquarters in Kamloops and a sales and marketing office in Richmond, the Corporation employs a full-time equivalent (FTE) of approximately 560 staff. This includes employees based in our two offices, as well as lottery, casino, and bingo support staff in gaming operations throughout the province.

The Corporation is projecting sales of \$1.9 billion and net income of \$725 million in fiscal 2003/04.

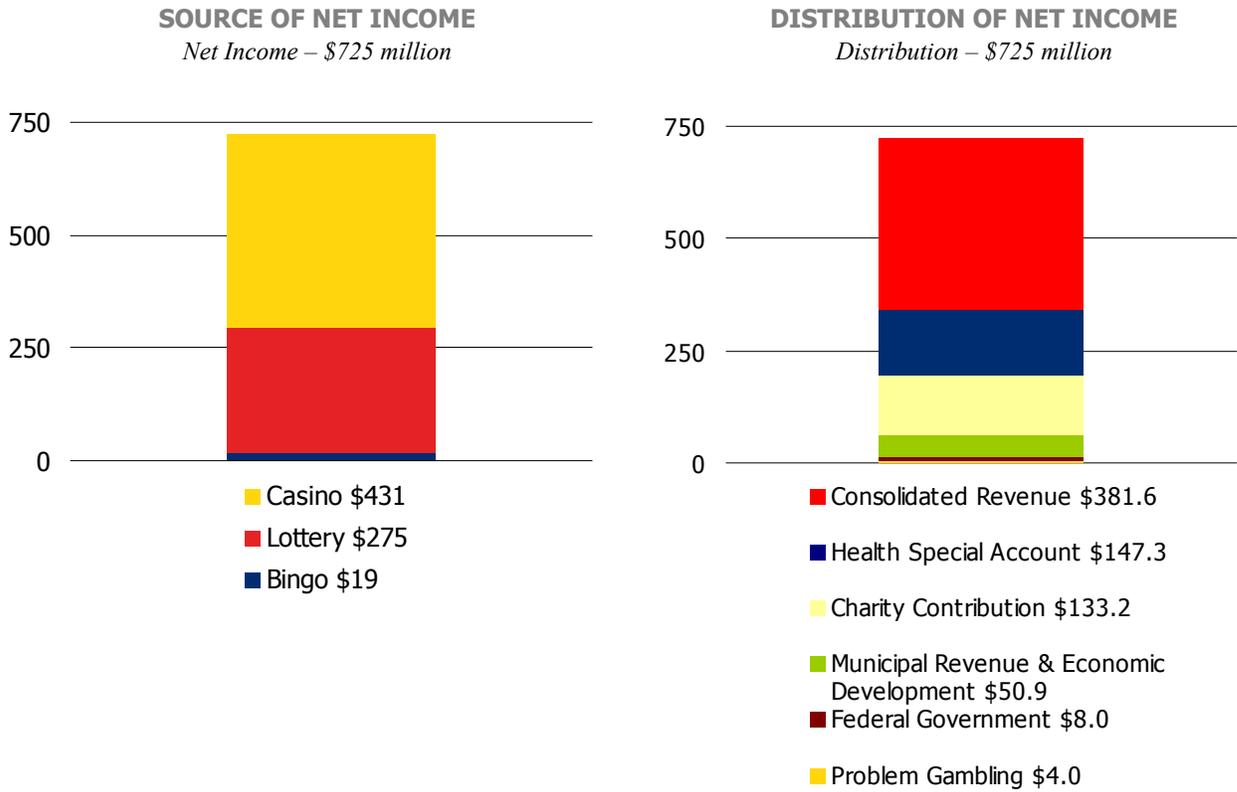
The Corporation contracts for the sale of its products through a private sector network of about 4,600 lottery retailers, 19 casinos in operation, and 33 commercial bingo halls. Lottery retailers receive an industry-standard commission rate to sell the Corporation's on-line and traditional lottery products. The Corporation has partnered with eight private sector casino service companies. They provide, under contract, both casino facilities and day-to-day operational services, including casino staffing, for a service fee based on revenue generated. The Corporation also has contractual agreements with 33 commercial, independent and charitable bingo service providers who provide bingo facilities and day-to-day operational services, including bingo staffing, for a service fee based on sales revenue.

In fiscal 2003/04, BCLC will make significant economic contributions to British Columbia communities and the Government of British Columbia. These benefits include more than \$630 million in prizes to British Columbians, \$350 million in commissions and service fees to lottery, casino and bingo service business partners, approximately \$150 million in purchase of equipment, goods and services, of which approximately 75% is paid to private sector partners, and \$725 million in net income.

These funds are used to support a variety of government and public service programs including health care, education, social, charitable, municipal and other programs as noted in Figure 1.

Gaming has also created significant direct and indirect employment opportunities in British Columbia. It is estimated that the gaming industry is responsible for the direct employment of more than 8,500 people and more than 5,000 indirect jobs.

Figure 1: Fiscal 2003/04 Sources of Gaming Income and Distribution



Strategic Context

OUR VISION

To Be a Player-Focused, Publicly Respected, Performance-Driven Corporation

OUR MISSION

The mission of the British Columbia Lottery Corporation is to provide high-quality gaming entertainment in a socially responsible manner, generating income for the public good

OUR VALUES

INTEGRITY

The games that we offer, and the ways we conduct business, are fair, honest and trustworthy

SOCIAL RESPONSIBILITY

Everything we do is done with consideration of its impact on the people and communities of British Columbia

INNOVATION

We encourage and seek ideas that will improve our business and decide and act quickly in response to strategic and competitive market changes

RESPECT

Our workplace fosters openness, mutual respect and individual development

STRATEGIC GOALS

To provide high-quality gaming entertainment

To be a socially responsible and respected organization that has a broad base of public support

To build and maintain a highly capable and effective business and technology infrastructure to support the growth of our business

To build a high performance culture that encourages innovation and supports the growth of the business

To generate net income for the public good

Planning Context and Key Strategic Issues

MACRO TRENDS – SCANNING AHEAD

BCLC, like other major businesses, is experiencing significant changes in the environment and marketplace in which it operates. Rapidly evolving technology, increasing competition from both within and outside of British Columbia's borders, the Internet, changing demographics and changes in political and social attitudes are impacting how gaming is conducted and managed in British Columbia.

Perhaps most significantly, the responsibility to conduct and manage gaming in the province places the Corporation's business at the centre of one of British Columbia's most sensitive public policy areas.

The following environmental scan identifies the critical issues, opportunities and challenges ahead. It guides strategic management of the Corporation to achieve the goals identified in this Service Plan.

PRODUCTS AND MARKETS

The Corporation markets three major forms of gaming entertainment in British Columbia — lottery, casino and bingo.

Lotteries have been part of the retail market in British Columbia for almost 30 years and many of its current products are mature. Over the last five-year period, growth in lottery sales has roughly matched inflation. For the first time in fiscal 2004/05, lottery sales in British Columbia and across Canada are projected to decline from the previous year. To rebuild and transform the lottery business, BCLC will be refining existing products, researching, developing and introducing innovative new products, expanding the existing retail network and exploring new distribution channels to better meet player needs.

While casinos have been part of the British Columbia marketplace for some time, only since the Government policy decision to introduce slot machines in 1997 have casinos become a significant generator of gaming revenue for the Province. There are still considerable growth opportunities for casino gaming in British Columbia and the Corporation is currently rationalizing the market through the establishment of fewer, higher quality casinos sized to fit the market. The objective is to expand the player base and to appeal to tourism by providing full-service entertainment options including dining and show lounges.

Bingo is one of the oldest forms of gaming in British Columbia. In recent years, the bingo market in British Columbia and Canada has been declining. This is primarily due to changing demographics, technology and competition from other forms of gaming entertainment. The Corporation assumed responsibility for commercial bingo on January 15, 2002. BCLC believes there are opportunities for growth through the development of innovative new products and the relocation and upgrading of facilities that could serve as community gaming entertainment centers.

CONSUMERS

The expectations of lottery, casino and bingo players are constantly changing as demographics shift, new trends evolve and economic factors change. The Corporation's goal is to provide high-quality gaming entertainment. This will be achieved through the development and introduction of innovative new products and the delivery of these products through gaming facilities and distribution channels that are both convenient and fun for the player.

While continually adapting our products to meet the changing expectations of consumers, the Corporation will balance product innovation with our responsibility to market games in a socially responsible manner.

COMPETITION

Increasing competition for the discretionary dollars of British Columbians will continue to affect the Corporation's business environment. With globalization, eCommerce, and the advent of "big-box" retailers, consumer attitudes and expectations are shifting. New entertainment options continue to compete for a share of consumers' discretionary spending.

Consumers are becoming more sophisticated and knowledgeable about their options in the marketplace when it comes to pricing, brand loyalty and fulfilment in all discretionary spending. High-quality and larger gaming facilities in other jurisdictions will continue to set the competitive standard for British Columbia casinos.

Competing lotteries, expanded gaming in neighbouring jurisdictions and Internet gaming present strong new challenges. It is estimated current Internet gaming revenues are in the range of \$6 billion (U.S.) worldwide and will increase to more than \$10 billion in the next two to three years.

While the Corporation is facing increasing competition, the organization is well positioned to compete through new products, new or upgraded gaming facilities and a strong knowledge, expertise and skill advantage in the British Columbia entertainment marketplace.

TECHNOLOGY

Rapidly evolving communications and entertainment technologies mean new competition, additional costs and changing customer expectations. The Internet is dissolving historical commercial and geographic barriers, but technology is also bringing new efficiencies, new markets and new products.

The Corporation is acting to ensure that enabling technologies and skills are in place to support new revenue opportunities, innovation and operational effectiveness. Over the next three-year period, the Corporation will invest in eBusiness technologies with a focus on improving internal processes, business-to-business and business-to-consumer opportunities.

PUBLIC ACCEPTANCE

While over 60% of the population supports gaming as an acceptable adult entertainment activity, approximately 15% object to gaming. British Columbia Lottery Corporation recognizes that our primary reason for existence is to generate income for government for use to benefit British Columbians. Government has chosen to operate gaming through a Crown Corporation to ensure the objective of revenue generation is carefully balanced with the objectives of gaming integrity and social responsibility. BCLC is aware that there is a low level of public recognition and knowledge of the role we play in gaming, our emphasis on gaming integrity and responsible gaming, and the benefits gaming generates for British Columbia. As we move forward, BCLC will continue to promote open and honest communications with the public and key stakeholders to ensure the right gaming model is developed for British Columbia and that the BCLC brand promotes public trust and support for our products and services.

RESPONSIBLE PLAY

The Corporation and Government recognize that aspects of gaming policy are inherently controversial. Of the total adult population, it is estimated 96% do not have problems with gambling, and most that choose to participate, do so for social and recreational purposes. About 4% have varying degrees of gambling problems. The Corporation recognizes the importance of ensuring that problem gambling issues are addressed through public awareness, education, prevention and treatment programs and will continue to play a strong leadership role in ensuring that an appropriate problem gambling risk management strategy and programs are in place.

REGULATION

Gaming in British Columbia is conducted and managed under the framework of the federal Criminal Code and the provincial *Gaming Control Act* (GCA). BCLC must operate within the strict statutory and regulatory guidelines as established by these two legislative documents.

The GCA requires that BCLC consult with host local governments before any new casino or bingo gaming facility is introduced into a community. BCLC recognizes that local community and stakeholder communications are critical to our success and the success of the local communities where gaming opportunities are being considered.

LEADERSHIP

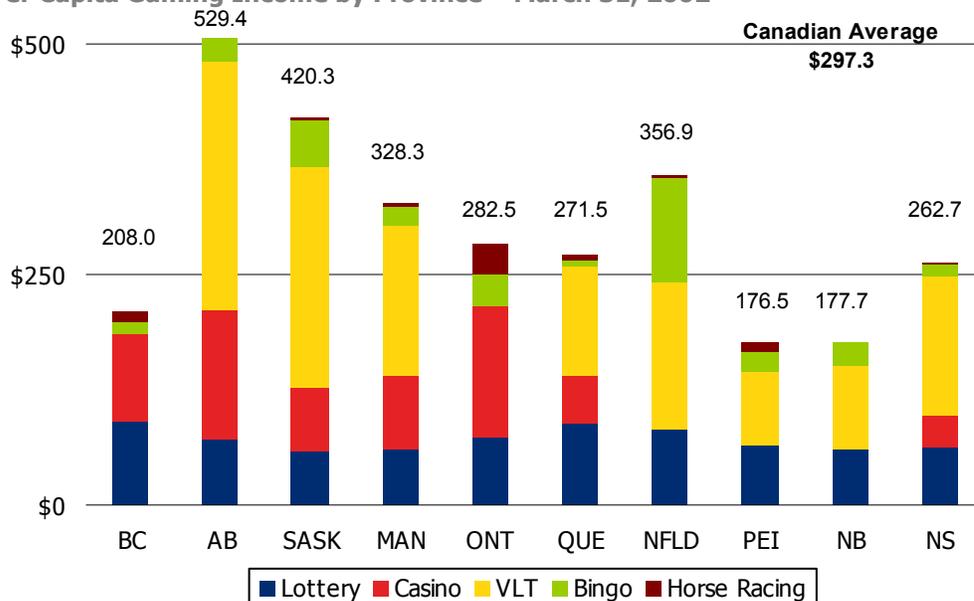
The success of our company in the future will continue to depend on our people and strong leadership to promote a high performance culture which values innovation, integrity, engagement and accountability. With upcoming external market shortages of leadership and technical skill, BCLC will have to ensure competitive recruitment and compensation policies to attract and retain the best and brightest leaders and experts for our growth agenda.

MARKET DEVELOPMENT – A CANADIAN CONTEXT

With the introduction of a new British Columbia gaming policy in 1997, the Corporation's sales have increased from \$867 million to a projected \$1.9 billion in fiscal 2003/04. The majority of the increase has resulted from the introduction of slot machines in community casinos, the opening of four new destination casinos, and BCLC assuming responsibility for commercial bingo operations.

While gaming in British Columbia has grown significantly over the last few years, on a per capita basis it still ranks moderate compared to other provinces in Canada. British Columbia currently ranks 8th in Canada for per capita gaming income. With our planned growth over the next three years, per capita gaming income in British Columbia will still be below the Canadian average.

Per Capita Gaming Income by Province – March 31, 2002



Source: Canadian Gaming News April 2003

Risk Management

During fiscal 2003/04 BCLC has implemented Enterprise-wide Risk Management (ERM). The goal of ERM is to create, protect and enhance value to the stakeholder and BCLC by managing uncertainties that could either negatively or positively influence achievement of BCLC's objectives. The following table summarizes the key risks facing the organization and mitigating strategies.

RISKS	MITIGATING STRATEGY
<p>Competition for the consumers' discretionary entertainment dollar continues to increase</p> <p>Lottery growth has flattened in British Columbia and Canada</p> <p>BCLC assumed responsibility for commercial bingo in January 2002. After years of steady revenue decline, revenues have now been stabilized</p> <p>High-quality and larger gaming facilities in neighbouring jurisdictions compete with casinos in British Columbia for casino entertainment spending</p>	<p>Lottery needs to be revitalized through the introduction of new products and distribution channels to attract new players</p> <p>Bingo gaming needs to be revitalized through improved facilities, services and the introduction of new products</p> <p>Casino are being consolidated to create fewer but better properties sized to market and offering more entertainment</p>
<p>Under the <i>Gaming Control Act</i>, local governments must provide the approval for acceptance or relocation of casinos and bingo halls. Delays or the inability to obtain the necessary local government approvals present a risk to delivering on revenue targets</p>	<p>Constant communication of key issues with local governments</p> <p>Ensure the integrity of our games, processes and people</p>
<p>Decline in public acceptance of gaming would impact the ability of the Corporation to meet its growth targets to support important public programs</p>	<p>Create and execute industry best-practice responsible play programs</p> <p>Create and execute a strategy to better inform the public about the beneficiaries of gaming revenues</p>
<p>The rate of economic growth, unemployment and consumer confidence will continue to impact BCLC's revenue growth</p> <p>A number of external factors impacted the British Columbia economy in fiscal 2003/04 including the softwood lumber trade dispute, wildfires and decreases in tourism. This had an impact on gaming revenue for 2003/04</p>	<p>Product development and marketing strategies will focus on attracting new players while maintaining existing play</p>

Summary of Strategic Issues

1. Competition

Competition for the consumers' discretionary entertainment dollar continues to increase.

2. Technology

The Corporation is acting to ensure that enabling technologies and skills are in place to support new revenue opportunities and operational effectiveness.

3. Organizational Health

To meet increasing competition for consumers' discretionary dollar, BCLC has had the advantage of strong knowledge, expertise and skill in the British Columbia entertainment marketplace. To meet our growth agenda, the Corporation will ensure a high performance culture that values innovation, integrity and accountability through strong leadership, employee development and engagement and competitive compensation policies.

4. Public Acceptance

Public acceptance of gaming and BCLC is necessary for the Corporation to fulfil its mandate and continue to grow. BCLC must ensure that the objective of revenue generation is carefully balanced with the objectives of gaming integrity and social responsibility. Public acceptance of gaming has held steady over the past three years. It is important that the public recognize the role we play in gaming, our emphasis on gaming integrity and responsible gaming, and the benefits gaming generates for British Columbians.

5. Government Gaming Policy

Current government gaming policy provides for moderate growth in revenues. The Corporation's projections for revenue growth are based on current government policies.

6. Local Government Approvals

Under the *Gaming Control Act*, local governments must provide the approval for acceptance or relocation of casinos and bingo halls. Delays or inability to obtain such approvals present a risk to delivering on revenue targets.

Strategic Action Plan Summary

1. Grow casino revenue and improve the quality of the product with fewer, better locations sized to suit the market.
2. Instil a high-performance culture through strong leadership, employee development and engagement and competitive compensation policies.
3. Transform and reinvent the lotteries to a growth business.
4. Pursue new business development, including eBusiness opportunities.
5. Develop and maintain a sound, responsive and adaptive technology infrastructure and implement eBusiness initiatives.
6. Build public and key stakeholder trust/support, including the communication of the beneficiaries of gaming revenues and responsible gaming programs.
7. Focus on the player.
8. Create and execute an effective brand strategy for BCLC that enhances acceptance and performance.

Goals, Objectives, Strategies and Performance Measures

As part of BCLC's planning process, the Corporation's Strategic Plan is updated on an annual basis. The Strategic Plan provides a long-term vision for the development of lottery, casino and bingo gaming in British Columbia. It also serves as the foundation for the Corporation's Service and Business Plans.

The Corporation adopted the Balanced Scorecard this year as a managerial tool to fully integrate the Service Plan, Strategic Plan and operating plans. This provides a common architecture for all of our plans, making it easier for business units and departments to define plans and metrics that support and link directly to the Service Plan. This change inspired the addition of a new strategic goal and performance measures to focus on maintaining a highly capable and effective business and technology infrastructure, which will support achievement of the four existing goals.

1. TO PROVIDE HIGH-QUALITY GAMING ENTERTAINMENT

BCLC is a commercial crown corporation that offers consumer gaming products in a competitive marketplace. Competition for the consumers' discretionary entertainment dollar continues to increase. To succeed, BCLC must provide high-quality gaming entertainment that meets or exceeds player expectations.

Lotteries have been part of the retail market in British Columbia for almost 30 years and many of its current products are now mature. Lottery sales in British Columbia and Canada have flattened and need to be revitalized through the introduction of new products and distribution channels to attract new players and retain existing players.

Full-service casinos are relatively new to British Columbia and revenue has increased significantly since their introduction in 1998. There are currently 19 casinos operating in British Columbia. Casinos are being consolidated to create fewer but better properties sized to market and offering more entertainment.

Bingo is one of the oldest forms of gaming offered in British Columbia and provides a significant source of revenue for charitable and community groups. For several years, bingo sales have been declining in British Columbia and across Canada. Since BCLC became responsible for commercial bingo gaming in January 2002, bingo revenues have stabilized. Bingo gaming needs to be revitalized through improved facilities, services and the introduction of new products that will attract new players.

OBJECTIVES					
<ul style="list-style-type: none"> To provide high-quality gaming that is competitive with other entertainment options Broaden the player base while maintaining loyalty among existing players 					
STRATEGIES					
<ul style="list-style-type: none"> Increase play and entertainment value by continually enhancing and evolving products, channels and services which are focused on existing and new players Increase speed to market with new products and services 					
PERFORMANCE MEASURES	FISCAL 02/03 ACTUAL	FISCAL 03/04 FORECAST	FISCAL 04/05 PROJECTION	FISCAL 05/06 PROJECTION	FISCAL 06/07 PROJECTION
Player Participation (%)	59	61	62	63	65
Player Satisfaction (%)	80	82	85	88	90
Share of Entertainment Spending (to be developed)	*	*	*	*	*

2. TO BE A SOCIALLY RESPONSIBLE AND RESPECTED ORGANIZATION THAT HAS A BROAD BASE OF PUBLIC SUPPORT

BCLC recognizes that having the trust and support of the citizens of British Columbia is vital to the sustainability and growth of the gaming industry in British Columbia. We are committed to effectively managing the industry while maintaining the highest levels of integrity, social responsibility and trustworthiness. To achieve this goal, BCLC will adopt best practices in the areas of responsible play and actively communicate these programs to the public, our players, business partners and employees.

BCLC also recognizes that government sponsored gaming only exists in British Columbia for the benefits that it generates for British Columbia residents and our communities. In fiscal 2003/04, \$725 million in income was generated for government. In addition to providing revenue for core government programs including health and education, over 5,000 charities in local communities received funding from this income. BCLC will continue to work closely with government in communicating to the public the benefits of gaming and “where the money goes.”

OBJECTIVES					
<ul style="list-style-type: none"> Public and stakeholder trust and support Public awareness of the beneficiaries of gaming Public awareness that BCLC games are managed responsibly 					
STRATEGIES					
<ul style="list-style-type: none"> Create and execute a strategy to inform the public about where the money goes Create and execute industry best-practice responsible play programs Create and execute an effective brand strategy Ensure the integrity of our games, processes and people 					
PERFORMANCE MEASURES	FISCAL 02/03 ACTUAL	FISCAL 03/04 FORECAST	FISCAL 04/05 PROJECTION	FISCAL 05/06 PROJECTION	FISCAL 06/07 PROJECTION
Public Support of BCLC (%)	73	71	72	73	75
Public Support of Gaming (%)	57	58	59	60	65
Public Recognition of BCLC Social Responsibility (%)	n/a	59	60	60	65
Public Awareness of Beneficiaries of Gaming (%)	n/a	35	40	45	50

3. TO BUILD AND MAINTAIN A HIGHLY CAPABLE AND EFFECTIVE BUSINESS AND TECHNOLOGY INFRASTRUCTURE TO SUPPORT THE GROWTH OF OUR BUSINESS

With responsibility for casino and bingo gaming added to BCLC’s mandate over the last few years, the complexity and size of the business has increased. Maintaining and increasing organizational effectiveness in times of constant change and growth requires investments in resources and people’s efforts to provide for an effective business and technology infrastructure. This includes the development of scalable, highly effective and efficient end-to-end business processes that will support the growth of gaming and new eBusiness initiatives, and a systematic commitment to continuous improvement. Over the next several years, BCLC will make major investments in eBusiness technologies with a focus on improving our internal processes, business-to-business and business-to-consumer opportunities.

OBJECTIVES					
<ul style="list-style-type: none"> • BCLC technology infrastructure supports growth initiatives and ensures gaming availability to our players • Business processes that focus on our players and support channel partners 					
STRATEGIES					
<ul style="list-style-type: none"> • Ensure business processes focus on the player • Develop and maintain a sound, responsive and adaptive technology infrastructure • Develop and implement eBusiness initiatives • Develop effective processes with our channel partners to improve services to our players 					
PERFORMANCE MEASURES	FISCAL 02/03 ACTUAL	FISCAL 03/04 FORECAST	FISCAL 04/05 PROJECTION	FISCAL 05/06 PROJECTION	FISCAL 06/07 PROJECTION
System Reliability (%)	99.9	99.9	99.9	99.9	99.9
Business Partner Performance (%)					
Lottery (to be developed)	*	*	*	*	*
Casino (to be developed)	*	*	*	*	*
Bingo (to be developed)	*	*	*	*	*

4. TO BUILD A HIGH-PERFORMANCE CULTURE THAT ENCOURAGES INNOVATION AND SUPPORTS THE GROWTH OF THE BUSINESS

BCLC recognizes that our employees are the foundation for success. Our goal is to attract, develop and retain the best possible people in a workplace that values and rewards innovation, is performance driven and is accountable for its actions.

BCLC will continue to manage transition and change with the objective of attaining high levels of employee performance and engagement as well as creating opportunities for individual skill and career development.

OBJECTIVES					
<ul style="list-style-type: none"> To be a high-performance organization that values innovation, integrity, engagement and accountability 					
STRATEGIES					
<ul style="list-style-type: none"> Instil a high-performance culture through strong leadership, employee development and engagement and competitive compensation policies 					
PERFORMANCE MEASURES	FISCAL 02/03 ACTUAL	FISCAL 03/04 FORECAST	FISCAL 04/05 PROJECTION	FISCAL 05/06 PROJECTION	FISCAL 06/07 PROJECTION
Employee Satisfaction (%)	n/a	82	85	90	90
Employee Engagement (%)	n/a	n/a	75	78	80

5. TO GENERATE NET INCOME FOR THE PUBLIC GOOD

BCLC's mandate is to generate income for the province of British Columbia in a socially responsible manner and within the policy guidelines established by government. This mandate can only be realized with strong public and community support. As a key focus, BCLC will maintain, develop and implement programs to ensure the integrity of our games and to promote responsible play.

BCLC operates in a competitive environment and competes in the marketplace for the consumer's discretionary entertainment dollar. To succeed, BCLC must continually develop innovative new products and refine and improve our distribution channels to meet player needs.

This goal will be achieved through the transformation of the lottery business through the introduction of innovative new products and distribution channels, the development of fewer higher quality casinos sized to fit the marketplace, and the repositioning of the bingo business through improved facilities and games to provide a better gaming experience for players.

To support the future growth of the business and to further improve effectiveness and efficiency within the organization, BCLC is currently in the process of upgrading our technology infrastructure and implementing best practices to achieve operational excellence.

OBJECTIVES					
<ul style="list-style-type: none"> Maximize net income to the province of British Columbia within the policy guidelines established by government Generate 80% of fiscal 2006/07 revenues from enhanced products and channels in current businesses Generate 20% of fiscal 2006/07 revenues from new business and new channels Operate the business in the most effective and efficient manner possible 					
STRATEGIES					
<ul style="list-style-type: none"> Pursue new business development, including eBusiness opportunities Grow casino revenue and improve quality of the product with fewer, better locations sized to suit the market Transform and reinvent lotteries to a growth business Transform bingo halls into community entertainment gaming centres with electronic games Reduce operating costs to 4.6% of sales by implementing best practices for business processes 					
PERFORMANCE MEASURES	FISCAL 02/03 ACTUAL	FISCAL 03/04 FORECAST	FISCAL 04/05 PROJECTION	FISCAL 05/06 PROJECTION	FISCAL 06/07 PROJECTION
Revenue, Total	\$1,792.4	\$1,862.00	\$2,110.0	\$2,335.0	\$2,570.0
Lottery Revenue	968.6	942.0	970.0	1,025.0	1,200.0
Casino Revenue	628.1	725.0	910.0	1,030.0	1,050.0
Bingo Revenue	195.7	195.0	230.0	280.0	320.0
New Business Revenue (%)	n/a	base	2.0	7.0	23.0
Operating Cost Ratio (%)	4.6	4.8	4.8	4.6	4.6
Net Income	\$670.9	\$725.0	\$850.0	\$950.0	\$1,010.0
Lottery	293.5	275.0	292.0	302.0	338.0
Casino	354.5	431.0	527.0	595.0	604.0
Bingo	22.9	19.0	31.0	53.0	68.0
Profit Margin (%)	37.4	38.9	40.3	40.7	39.3

Alignment with Government's Strategic Plan

This section is intended to provide an overview of how BCLC contributes to the provincial government's fiscal 2003/04 – 2005/06 strategic plan.

GOVERNMENT STRATEGIC PLAN	BCLC SERVICE PLAN
GOVERNMENT GOALS	BCLC ALIGNMENT
A strong and vibrant provincial economy	<ul style="list-style-type: none"> • Fiscal 2004/05 net income projected at \$850 million • Gaming supports an estimated 8,500 direct jobs and another 5,000 indirect jobs in the province • Excluding prizes, over 75% of expenditures paid to private sector partners • Strategic partnerships with key British Columbia businesses
A supportive social fabric	<ul style="list-style-type: none"> • Gaming revenues provide funding to over 5,000 charitable and community organizations • Strong focus on responsible gaming
Safe, healthy communities	<ul style="list-style-type: none"> • Gaming revenues provide significant funding for core government programs, including health care and education • BCLC is committed to ensuring that its players play responsibly and have access to information with respect to the risks of gaming
KEY STRATEGIC THEMES	BCLC ALIGNMENT
High standards of accountability and ethics	<ul style="list-style-type: none"> • Corporate values that focus on accountability and integrity
Efficient delivery of services	<ul style="list-style-type: none"> • Strategic initiative that focuses on operational excellence in our people, our practices and systems • Reduction in operating costs from 4.8% to 4.6% over the next three years
Social and fiscal responsibility	<ul style="list-style-type: none"> • Commitment to socially responsible gaming and long-term stewardship of the gaming industry in British Columbia
Open and transparent	<ul style="list-style-type: none"> • Open communications with the public, business partners and consumers
Innovative and goal-oriented workforce	<ul style="list-style-type: none"> • Corporate values that focus on high performance and innovation

Summary Financial Outlook

REVENUE (\$ IN THOUSANDS)	FISCAL 03/04 FORECAST	FISCAL 04/05 PROJECTION	FISCAL 05/06 PROJECTION	FISCAL 06/07 PROJECTION
Lottery	\$942,000	\$970,000	\$1,025,000	\$1,200,000
Casino	725,000	910,000	\$1,030,000	\$1,050,000
Bingo	195,000	230,000	\$280,000	\$320,000
TOTAL REVENUES	\$1,862,000	\$2,110,000	\$2,335,000	\$2,570,000
Lottery	667,000	678,000	723,000	862,000
Casino	294,000	383,000	435,000	446,000
Bingo	176,000	199,000	227,000	252,000
TOTAL EXPENSES	\$1,137,000	\$1,260,000	\$1,385,000	\$1,560,000
Lottery	275,000	292,000	302,000	338,000
Casino	431,000	527,000	595,000	604,000
Bingo	19,000	31,000	53,000	68,000
TOTAL NET INCOME	\$725,000	\$850,000	\$950,000	\$1,010,000

KEY ASSUMPTIONS

- Assumes that all local government approvals which are required under the *Gaming Control Act* are received within the time frames contemplated in the forecasts
- Fiscal 2004/05 revenue projections assume that slot machines at Hastings Park will open by October 1, 2004 with 300 slot machines in a temporary facility. This assumes that timely approval is received from the municipal government.
- Lotteries will be transformed to a growth business through development of new products and distribution channels
- The Corporation will grow bingo revenues through facility relocations and upgrades and the addition of competitive electronic gaming products

FORECAST RISKS AND SENSITIVITIES

- Under the *Gaming Control Act*, local governments must provide the approval for acceptance or relocation of casinos and bingo halls. Delays or the inability to obtain the necessary local government approvals present a risk to delivering on revenue targets. BCLC estimates that approximately \$100 million of projected net income may be at risk for fiscal 2004/05 if there are delays in obtaining local government approvals or delays in build-out of casino and bingo facilities by our service providers
- The rate of growth in disposable income, unemployment and consumer confidence will continue to impact BCLC's revenue growth. A number of external factors impacted the British Columbia economy in fiscal 2003/04, including the softwood lumber trade dispute with the U.S, wildfires and decreases in tourism. This had an impact on gaming revenues for fiscal 2003/04. Continuation of these trends may affect the revenue forecast amounts over the planning period. The forecast growth of British Columbia Real Gross Domestic Product over the planning period is as follows:

Fiscal 2003/04 – 1.3%	Fiscal 2004/05 – 2.9%
Fiscal 2005/06 – 3.0%	Fiscal 2006/07 – 3.1%
- Assumes that casino revenues are not further impacted by cross-border competition
- Assumes that unregulated Internet gaming will not become a significant competitive threat to British Columbia gaming revenues over the next three-year period

Major Capital Information

British Columbia Lottery Corporation has no plans for individual capital programs that exceed \$50 million.

Appendix 1 – Performance Measure Descriptions

FISCAL 2003/04 PERFORMANCE MEASURES

Player Participation

This category measures the gaming participation rate of British Columbia adult residents who have played a lottery game or visited a bingo or casino facility in the province in the past month. This information is obtained through a continuous tracking study completed by an external research supplier.

Player Satisfaction

This category measures overall player satisfaction for the games and facilities offered for sale by the lottery, casino and bingo business units.

Public Support of BCLC

This category measures the percentage of adults surveyed in British Columbia who have a favourable impression of the British Columbia Lottery Corporation. In a continuous tracking study conducted by an external research supplier, respondents are asked if their impressions of the Corporation are very favourable, somewhat favourable, somewhat unfavourable, or very unfavourable. Support for BCLC is based on the total mentions of “very favourable” and “somewhat favourable.”

Public Support of Gaming

This category measures the percentage of adults in British Columbia who have a positive perception of how gaming is conducted and managed in British Columbia. In a continuous tracking study conducted by an external research supplier, respondents are asked to use a 7-point scale whereby “1” is strongly disagree and “7” is strongly agree to rate the statement, “I fully support the existence of legalized gaming in British Columbia.” Support for gaming is based on the top three box responses.

Public Recognition for BCLC Social Responsibility

This category measures the percentage of adults in British Columbia who agree that the Corporation markets gaming in a socially responsible way. In a continuous tracking study conducted by an external research supplier, respondents are asked to use a 7-point scale whereby “1” is strongly disagree and “7” is strongly agree to rate the statement “BCLC goes about marketing its games and products in a socially responsible way.” Recognition of social responsibility is based on the top three boxes.

Public Awareness of the Beneficiaries of Gaming

This category measures the percentage of adults in British Columbia who have an awareness of how the income generated by gaming is distributed. In a continuous tracking study conducted by an external research supplier, respondents are asked whether they feel very well informed, somewhat informed, not very well informed or not at all informed about where the money goes. Awareness of the beneficiaries of gaming is based on the total mentions of “very well informed” and “somewhat informed.”

System Reliability

This category measures the system reliability for the lottery, casino and bingo gaming systems. System reliability is measured as the percentage of time the system is available for play divided by the total available time gaming is offered for sale to the public.

Business Partner Performance

This category measures the overall satisfaction of the player with BCLC lottery, casino and bingo business partners.

Employee Satisfaction

This category measures the overall employee satisfaction of employees of the British Columbia Lottery Corporation. Employees are asked to rate their satisfaction over a broad range of attributes relating to employee satisfaction. The Corporation will continue to measure satisfaction with periodic informal surveys and a formalized survey at least once every three years.

Employee Engagement

This category measures the overall engagement of employees of the British Columbia Lottery Corporation. Employees will be asked in a survey to rank their level of engagement in the organization over a broad range of attributes including awareness of Corporate goals and strategies, innovation, empowerment, and accountability.

Revenue

This category measures the Corporation's total revenues as reported in the consolidated financial statements.

New Business Revenue

This category measures new business revenues for the lottery, casino and bingo business units. New business is defined as a significant innovation or new game offered to the public or business that is generated through new distribution channels.

Operating Cost Ratio

This category measures the ratio of operating costs as a percentage of sales. Operating costs include all costs excluding direct costs, amortization, other income and GST.

Net Income

This category measures the Corporation's net income as reported in the consolidated financial statements, in accordance with generally accepted accounting principles.

Profit Margin

This category measures the Corporation's profit margin based on the consolidated financial statements. Profit margin is calculated by dividing net income by total sales.