

Briefing Note – Internal Audit & Advisory Services Review – Table Game Commissions

Prepared by: IAAS
Date: May 12, 2015

Table Game Commissions

Internal Audit & Advisory Services reviewed the changes to the table game commissions as part of the CEO conflict of interest review and determined that, based on the timing of the proposal and it being available to all service providers that offer table games, no preferential treatment had been given to Edgewater.

BCLC's business case for Table Revenue Split Changes was finalized on June 12, 2013 and was prepared by the casino division of BCLC, and sponsored by the then VP of Casinos (Jim Lightbody).

Two of the key justifications for the proposed changes were to target casual and light players, with the intent to attract them to low limit table games. BCLC advised that service providers would require additional incentive to operate low limit table games as their overheads are the same for all table games.

These revenue split changes would be available to all service providers that offer table games. As a result, BCLC anticipated their revenues would increase by approximately \$1 million in Year 1 (\$937 thousand) to approximately \$2 million in Year 5 (\$1.965 million).

During the fall of 2013, the Ministry of Finance and GPEB reviewed the business case and sought clarification on a number of issues. In December 2013 the BCLC CEO followed up on the status of their request.

On March 6, 2014, the General Manager of the Gaming Policy and Enforcement Branch (GPEB) approved the directive authorizing the changes in the amount of gaming revenue that can be retained by a gaming service provider.

Background

In February 2014, Internal Audit and Advisory Services (IAAS) was asked to review the circumstances regarding the exit of BCLC's Chief Executive Officer (Michael Graydon) to a BCLC gaming service provider to determine if there was a conflict of interest or a breach of confidentiality.

Specifically, IAAS assessed whether there was a conflict of interest, preferential treatment or a breach of confidentiality. They found that Michael Graydon was in a conflict of interest; however no evidence was found that his subsequent employer was provided preferential treatment or that a breach of confidentiality occurred.

In arriving at this conclusion IAAS reviewed a significant amount of information to determine whether Edgewater (or the Paragon group of companies) received any preferential treatment that was not afforded to other service providers.

Key Dates

The review found evidence that during December 2013 and January 2014 Michael Graydon was negotiating employment with Paragon Gaming while performing his role as Chief Executive Officer of the British Columbia Lottery Corporation.

On January 29, 2014 Michael Graydon, Chief Executive Officer (CEO) of the British Columbia Lottery Corporation (BCLC) advised the BCLC Board of Directors that he was resigning to accept a position in the private sector, and subsequently his employment was terminated on February 4.

It was publically announced on February 7 that Michael Graydon had accepted the position of President at PV Hospitality ULC, a newly formed company, affiliated with Paragon Gaming Inc., 360 VOX Corporation and Dundee Corporation, to facilitate the development and operation of a new “urban resort” to be located adjacent to BC Place in Vancouver, British Columbia (BC).

From: [Jaggi-Smith, Michele FIN:EX](#)
To: [DeMott, Rachel FIN:EX](#)
Subject: FW: Updated table game limit IN
Date: Thursday, August 6, 2015 9:26:40 AM
Attachments: [IN Table Game Limits FOI May 12 DRFT4 \(GPEB comments\).docx](#)

Michele Jaggi-Smith | Director, Gaming Policy and Communications
Strategic Policy and Projects Division
Gaming, Policy and Enforcement Branch
Direct: 250.356.1109 | Fax: 250.356.1910 | Email: michele.jaggismith@gov.bc.ca

From: Jaggi-Smith, Michele FIN:EX
Sent: Thursday, July 30, 2015 11:51 AM
To: Pandachuck, Niki FIN:EX; Ingram, Ben GCPE:EX
Subject: FW: Updated table game limit IN

s.13

Michele

Michele Jaggi-Smith | Director, Gaming Policy and Communications
Strategic Policy and Projects Division
Gaming, Policy and Enforcement Branch
Direct: 250.356.1109 | Fax: 250.356.1910 | Email: michele.jaggismith@gov.bc.ca

From: Jaggi-Smith, Michele FIN:EX
Sent: Wednesday, May 13, 2015 11:30 PM
To: Clarke, Brennan GCPE:EX
Cc: Mazure, John C FIN:EX
Subject: FW: Updated table game limit IN

Brennan,

Please see John and my comments attached. Thanks.

mjs

From: Mazure, John C FIN:EX
Sent: Wednesday, May 13, 2015 12:57 PM
To: Jaggi-Smith, Michele FIN:EX
Subject: FW: Updated table game limit IN

Michele, pls see my proposed changes/comments in the attached when you review. thx

From: Clarke, Brennan GCPE:EX
Sent: Wednesday, May 13, 2015 11:46 AM
To: Edwardson, Jamie GCPE:EX
Cc: Wenezenki-Yolland, Cheryl FIN:EX; McLachlin, Jessica GCPE:EX; Mazure, John C FIN:EX; Jaggi-

Smith, Michele FIN:EX

Subject: Updated table game limit IN

Here's an updated issues note. All new info or info that has been modified for accuracy is highlighted in yellow.

Slugged as DRFT 4 for version control purposes.

Brennan Clarke

A/ Senior Public Affairs Officer

Ministry of Finance

Office: 250 387-3514

Cell: 778 679-3252

Brennan.Clarke@gov.bc.ca

**CONFIDENTIAL
ISSUES NOTE**

Ministry of Finance
Date: May 13, 2015
Minister Responsible: Hon. Michael de Jong

FOI on table game changes

RECOMMENDED RESPONSE:

- **BCLC proposed changes to table game splits and player betting limits in an effort to attract new players, cater to existing high-stakes players and optimize revenue.**
- **The approval of revised table game splits in March 2014 supported BC Lottery Corporation's long-term strategy to attract infrequent casual players by increasing the variety of low-limit games.**
- **The approval of changes to per player limits for high stake gaming tables supported BCLC's goal of providing higher stakes games demanded by so-called high rollers that frequent major casinos around the world.**
- **Staff from the Gaming Policy and Enforcement Branch carefully considered these requests over a period of several months.**
- **BC Lottery Corporation was asked to provide information demonstrating the business case behind these proposed changes.**
- **The Regulator's approval is also subject to a further review after one year to determine whether the business case is realized.**
- **So far, it appears the approved changes for table games resulted in an increased net win for craps and blackjack for both the service providers and BCLC.**

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KEY FACTS REGARDING THE ISSUE:

A recently released FOI package details B.C. Lottery Corporation's efforts to alter the revenue split between BCLC and gaming service providers for certain table games. The revised splits, approved by the Gaming Policy and Enforcement Branch in March 2014, applied to five different games – craps, midi craps, low limit blackjack, low limit roulette and touch-bet baccarat.

Previously, BCLC received 60 per cent of the take for low limit blackjack and low limit roulette. Following the change, BCLC received 40 per cent and service providers received 60 per cent. The previous split for touch-bet baccarat, 75-25 with BCLC receiving the larger share, changed to 60 per cent for BCLC and 40 per cent for the service providers. The split for craps remained at 75 per cent for service providers and 25 per cent for BCLC on the first \$270,000 of net win earned (per quarter), but changed to 60-40 in favour of BCLC after the net win per quarter reached \$270,000. As part of this exercise, GPEB also approved the introduction of a new game midi craps, with a 35 per cent share for BCLC and 65 per cent for the service providers.

Changes to touch bet baccarat and low limit roulette were not rolled out due to lack of service provider interest for implementation.

The discussion on changing table game revenue splits took place in the months prior to the departure of former BCLC CEO Michael Graydon, who left the corporation in early 2014 for a job with Paragon Gaming Inc. The e-mail chain in the FOI documents indicates that GPEB demanded and received supporting documentation of the business case behind the requested changes.

In its correspondence to GPEB, BCLC maintained that service providers needed a greater share of revenue to make lower-end games cost-effective because they generate less revenue per player but require the same amount of staff and other overhead costs as higher end games. Increasing the revenue split would "incentivize service providers to offer more table games, thereby supporting BCLC's desire to grow player participation."

The incentives resulted in 22 new low-limit blackjack tables around the province, some of which were previously under-used or "dark" high-end blackjack tables. The total number of all blackjack tables including low-limit tables is now 131.

In addition to attracting new players who prefer lower stakes games, the revised splits resulted in increased net win for craps (up 10 per cent) and blackjack (up 20 per cent), partially offsetting the revenue that BCLC gave up under the adjusted formulae.

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In 2012, GPEB approved an increase in the betting limit from \$5,000 per betting spot to \$10,000 per betting spot for high-end baccarat tables, which can accommodate up to nine players.. Concurrent with the request to change revenue splits for table games was a request to change the betting limit rules and betting amounts for high stakes tables. The policy change increased the aggregate table limit from \$90,000 to \$100,000 and enabled one player to wager up to the table maximum on *one* betting spot, as opposed to making separate wagers at each betting spot.

Under the Gaming Control Act, betting limits are considered gaming rules and therefore do not require written approval from GPEB. However, the decision on higher betting limits for baccarat was made with significant input and consideration from the regulator. Net win (revenue after prizes) from high limit baccarat increased by \$104.8 million in 2014/15.

Some of the material set for release^{s.13,s.14}
s.13,s.14 GPEB issued directives / approvals endorsing the changes as proposed.

The FOI request also contains tables detailing the Facility Development Commissions and Accelerated Facility Development Commissions for all B.C. gaming facilities for fiscal 2012-13. These are excerpted from the annual BCLC Gambling Service Provider Commissions Report.

Communications Contact:	Brennan Clarke	250 387 3514
Program Area Contact:	Michele Jaggi-Smith	250 387 0201
File Created:	May 5, 2015	
File Updated:		
File Location:		

Program Area	Communications Director	ADM	Minister's Office
MJS		JM	

MAY 19, 2015

ISSUE: BCLC TABLE GAME STRATEGY

ADVICE AND RECOMMENDED RESPONSE:

- ◆ British Columbia Lottery Corporation put forward a business case in June 2013 proposing changes to table game revenue splits and player betting limits in an effort to attract new players, cater to existing high-stakes players and optimize revenue.
- ◆ After conducting a thorough analysis, the Gaming Policy and Enforcement Branch approved the changes and issued a directive. The directive was published in the Gazette on March 13, 2014.
- ◆ The Gaming Policy and Enforcement Branch's (GPEB) approval of revised table game revenue splits in March 2014. These changes supported BCLC's long-term strategy to attract infrequent casual players by increasing the availability of low-limit table games.
- ◆ Michael Graydon's departure from BCLC was not related to the proposal to change the table game revenue splits.
- ◆ The Ministry's Internal Audit & Advisory Services reviewed the changes to the table game commissions as part of Mr. Graydon's conflict of interest review. The review determined that no preferential treatment was given to Paragon or Edgewater because the business case had been submitted in June 2013 and the proposal was initially raised prior to that date. Mr. Graydon did not enter into discussions with Paragon until December 2013. Additionally, the changes apply to all service providers.
- ◆ Preliminary analysis of the initiative indicates it has been successful in increasing table play by \$14 million, reversing a five-year trend of decline.
- ◆ ~~BCLC's net income from Blackjack has remained steady.~~ ^{s.13}
s.13
- ◆ ~~The approval of changes to betting limits for high stake gaming tables supported BCLC's goal of providing a more consistent player experience for high-limit players that frequent major casinos around the world.~~

- ◆ ~~BCLC was asked to provide information to support the business case behind these proposed changes.~~
- ◆ **The Regulator's approval is subject to a review after one year to determine whether the benefits outlined in the business case have been realized.**
- ◆ **BCLC is currently reviewing the initiative to determine its success and will submit the results of this review to GPEB upon completion.**

If asked about the increase betting limits for high stake gaming tables:

- ◆ **The approval of changes to betting limits for high stake gaming tables supported BCLC's goal of providing a more consistent player experience for high-limit players that frequent major casinos around the world.**

KEY FACTS REGARDING THE ISSUE:

In-2013, BCLC developed a business strategy to attract infrequent and casual players to help boost the table game business, which had been showing indications of decline since 2010 (with the exception of high limit tables). The strategy also focused on enhancing high limit table games to attract international business tourists ~~who come to Vancouver~~ and want to enjoy casino gaming entertainment with similar betting limits and customer service they have come to expect from casinos around the world.

BCLC developed a business case for changes to the table revenue split between service providers and BCLC for Craps, Midi Craps, Low Limit Blackjack, Low Limit Roulette and Touch-Bet Baccarat. The business case proposed providing service providers with a greater share of revenue to make low-limit games more available for patrons and incent service providers to focus on this business. Low limit table games require the same number of staff and cost the same amount to operate as the higher limit games, but generate less revenue per table. The change in revenue split addresses this. Low limit games are more attractive to new and infrequent players, which is an important player base to develop in order to sustain revenue as outlined in BCLC's Service Plan.

A business case for the revised revenue splits was presented to, approved by the Gaming Policy and Enforcement Branch in June 2013. GPEB conducted a thorough analysis of the proposed changes, and determined that they would be a benefit to the province and in line with existing government policy. The General Manager approved the changes by issuing a directive issued in March 2014. The directive was published in the Gazette on March 13, 2014. The changes applied to five different games as outlined below:

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Formatted Table

Comment [HJF1]: What do the stars mean?

BCLC implemented the proposed changes to Craps and added Low Limit Blackjack. Low Limit Blackjack has a minimum bet of \$5 and a maximum bet of \$50. None of the other changes have been implemented to date.

Overall, preliminary results show that the changes to revenue splits reversed the downward trend in all table play (excluding high limit tables) and resulted in increased wagering by about \$14 million year over year.

BCLC is currently reviewing the project and its success in delivering incremental revenue, growing the player base and overall participation. This report will be submitted to GPEB upon completion.

As part of the conflict of interest review of Michael Graydon, the Ministry's Internal Audit & Advisory Services reviewed the changes to the table game commissions. The review determined that, given a formal business case had been submitted in June 2013 and the proposal was initially raised prior to that as well as it being available to all service providers, no preferential treatment had been given to Paragon or Edgewater. Based on the evidence obtained during the review Michael Graydon did not enter into discussions with Paragon until December 2013.

Increased Betting Limits for High Stake Gaming Tables

Another part of BCLC's business development strategy involved raising the limits on high limit baccarat. The lower mainland attracts a number of high net worth individuals who travel to Vancouver for business and enjoy casino gaming for entertainment. This player segment has the source of wealth and preference to play at high limits. In 2012, BCLC notified GPEB of its plan to increase the betting limit on high limit Baccarat from \$5,000 per betting spot to \$10,000 per betting spot (9 spots per table). BCLC first implemented the change on February 8, 2013 at River Rock casino in Richmond.

In September 2013 BCLC's notified GPEB of its plans to change the limit from \$10,000 per spot to a table aggregate (table maximum) of \$100,000. This change was first implemented on January 23rd, 2014 at River Rock. This enabled one player to wager up to the table maximum on *one* betting spot, as opposed to making separate wagers at each betting spot.

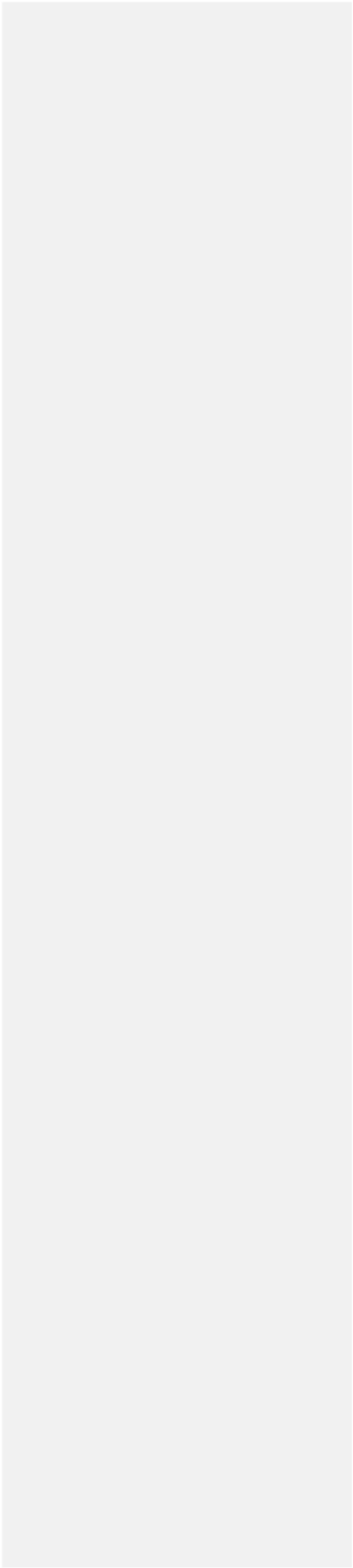
Under the Gaming Control Act, betting limits are considered gaming rules and therefore do not require written approval from GPEB. However, the decision on higher betting limits for baccarat was made with significant input and consideration from the regulator.

Total Net win (revenue after prizes) from high limit baccarat increased by \$103.8 million in 2014/15, with BCLC's net win increasing by \$62 million.

Comment [HJF3]: Michele, is this accurate?

Comment [MJS4]: yes

Contact:
File Created:
File Updated:
File Location:



From: [Jaggi-Smith, Michele FIN:EX](#)
To: [DeMott, Rachel FIN:EX](#)
Subject: TRIM: FW: Gaming Control Act Changes
Date: Thursday, August 6, 2015 9:20:43 AM
Attachments: [335762 - Lightbody BCLC - Directive - Amendment formulae Gaming Servicepdf](#)
[333500 - DN - GM Directive for Service Provider Commission Increase \(Sig....pdf\)](#)

Michele Jaggi-Smith | Director, Gaming Policy and Communications
Strategic Policy and Projects Division
Gaming, Policy and Enforcement Branch
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From: Jaggi-Smith, Michele FIN:EX
Sent: Wednesday, May 13, 2015 11:38 PM
To: Storms, Timothy FIN:EX
Subject: RE: Gaming Control Act Changes

Hi Tim,

There were not any changes to the Gaming Control Act. There was a GM Directive issued in March 2014 that provided approval to BCLC to increase table game revenue splits between BCLC and service providers for certain games. There was an oversight in having the Directive placed on the GPEB website and we are working on rectifying that right now. In regards to historical documents, I have attached the Directive and the briefing material. We also have the BCLC Business case. We're currently working with GCPE on drafting an Issues Note and Key Messages on this as well. Please let me know if you need any further information.

Michele

From: Storms, Timothy FIN:EX
Sent: Wednesday, May 13, 2015 9:02 AM
To: Jaggi-Smith, Michele FIN:EX
Subject: Gaming Control Act Changes

Hi Michele,

Anna Fitzgerald has asked me to do a little research into the issue raised in the House yesterday in regards to the changes to the table games revenue splits between BCLC and the service providers.

There is mention in the Vancouver Sun article about changes to the Gaming Control Act and/or a directive from the General Manager dated March 6, 2014.

If the changes noted above did occur – would you be able to send me a copy of the directive? If there is any other documentation related to this could we get a copy if it's not too much trouble?

We just wanted to bring ourselves up to speed at our end.

Thanks very much

Tim

Sincerely,
Tim Storms, CIA
Commercial Gaming Auditor,
Compliance Division

Gaming Policy and Enforcement Branch
Ministry of Finance
Ste. 220-4370 Dominion Street
Burnaby BC, V5G 4L7
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Email: Timothy.Storms@gov.bc.ca
Know your limit, play within it.

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Know your limit, play within it.

March 6, 2014

Jim Lightbody
A/President and CEO
British Columbia Lottery Corporation
2940 Virtual Way
Vancouver BC V5M 0A6

Dear Mr. Lightbody:

Attached please find a signed and approved General Manager's Directive under section 28(1)(j)(ii) of the Gaming Control Act. This Directive authorizes amendments to the formulae to determine the amount of gaming revenue that may be retained or paid to a Gaming Services Provider for operational services, related to the following table games:

- Craps;
- Midi Craps;
- Low Limit Blackjack;
- Low limit Roulette; and
- Touch Bet Baccarat.

As we have discussed, please establish quarterly reporting to the Gaming Policy and Enforcement Branch (GPEB) and the Ministry of Finance, related to the revenue impact of this Directive, to begin as soon as the new formulae are in place with your Gaming Services Providers.

Please don't hesitate to call me if you have any questions or concerns.

Sincerely,

John Mazure
Assistant Deputy Minister

Attachment

Ministry of Finance

Gaming Policy and
Enforcement Branch
Assistant Deputy Minister's
Office

Mailing Address:
PO BOX 9311 STN PROV GOVT
VICTORIA BC V8W 9N1
Telephone: (250) 387-1301
Facsimile: (250) 387-1818

Location:
Third Floor, 910 Government Street
Victoria, BC
Web: www.gaming.gov.bc.ca



Gaming Policy and Enforcement Branch

General Manager's Directive

Section 28 of the Gaming Control Act

To: British Columbia Lottery Corporation (BCLC)

This directive is issued pursuant to section 28 (1)(j)(ii) of the *Gaming Control Act*, approving the amendment of the formulae to determine the amount of gaming revenue that may be retained by or paid to a Gaming Services Provider for the provision of gaming services in connection with the conduct, management, operation or presentation of lottery schemes, as follows:

Under the applicable operational services agreements, the maximum remunerations payable to a Gaming Services Provider for operational services provided in respect to the following games may be calculated as follows:

- 75 per cent of the win on Craps to the Service Provider with the removal of the current threshold amount;
- 65 per cent of the win on Midi Craps to the Service provider;
- 60 per cent of the win on Low Limit Blackjack to the Service provider;
- 60 per cent of the win on Low Limit Roulette to the Service provider; and
- 40 per cent of the win on Touch Bet Baccarat to the Service provider

Approved:

John Mazure
General Manager of Gaming Policy and Enforcement Branch
March 6, 2014

Ministry of Finance
BRIEFING DOCUMENT

To: Honourable Michael de Jong, Q.C.
Minister of Finance

Date Requested: January 14, 2014
Date Required: N/A

Initiated by: John Mazure
Assistant Deputy Minister, GPEB

Date Prepared: January 17, 2014

Ministry
Contact: Michele Jaggi-Smith
Director
Policy and Communications

Phone Number: (250) 387-0201
Email: Michele.Jaggismith@gov.bc.ca

333500

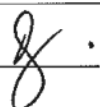
TITLE: General Manager Directive to the British Columbia Lottery Corporation.

PURPOSE:

☒ **DECISION REQUIRED**

Executive Director approval: _____

ADM approval: _____

DM approval:  _____

DATE PREPARED: November 29, 2013

TITLE: General Manager Directive to the British Columbia Lottery Corporation

ISSUE: A General Manager Directive is necessary to approve table revenue split changes to increase the percentage of gaming revenue paid to gaming Service Providers.

BACKGROUND:

- The British Columbia Lottery Corporation (BCLC) is seeking approval from the General Manager, Gaming Policy and Enforcement Branch (GPEB), to allow BCLC to change Service Provider revenue splits for low limit table games, Craps and Touch Bet Baccarat. BCLC must obtain approval from General Manager to alter the service provider formula pursuant to Section 28 (1)(j)(ii) of the *Gaming Control Act*.
- Pursuant to section 28(3) of the *Gaming Control Act*, the General Manager requires Ministerial approval to issue a General Manager Directive applicable to BCLC. The Directive will approve amending the percentages of revenue splits between BCLC and Service Providers.
- The proposed directive is based on BCLC's Table Revenue Split Changes Business Case, which aims to revitalize and grow table game business in the province. BCLC seeks approval to increase the percentage of revenue splits for Service Providers, to help cover the operational costs so they will support and implement BCLC's Business Development Strategy. The Business Development Strategy was designed to customize table games at different properties to enhance player experience and attract new and infrequent players.

DISCUSSION:

- BCLC has proposed this change to optimize their table games strategy for long term revenue growth and broadening the player base. It is intended to attract new players by incentivizing Service Providers to offer more low limit table games.
- BCLC expects that the revenue split changes will allow them and their Service Providers to be in a better position to ensure long term sustainability and move to a broader player base to contribute to revenues. BCLC states that this change is necessary so that Service Providers are able to offer more table games to gaming facility patrons because the lower limit tables run at a loss under the current commission split. This change will promote a more successful and viable business over the long term.

- Under the current business model, Service Providers are given a percentage of earnings between 25 and 75 per cent.
- For Craps, Service Providers earn 75 per cent of the revenues up to a threshold of \$270,000 per table, per quarter. Once the threshold is reached, the percentage of revenues changes to 60 per cent BCLC, 40 per cent Service Provider. This current model has resulted in only four casinos offering Craps (one table per casino) and the ones that do offer it tend to shut them down upon reaching the threshold. This limits the entertainment in the casino environment.
- Midi Craps is a new product. It is identical to Craps except the size of the table is half the size of a traditional Craps table. Fewer staff are required to operate, thus will make it more feasible for more casinos to offer this game.
- The Low Limit strategy is designed to create more availability during peak hours for novice players to play Blackjack and Roulette (favourite games) between \$5-50 per hand. This will keep more experienced players at different tables and minimize the intimidation factor some novice players experience when trying a new game at a facility.
- The Touch Bet Baccarat shift will allow for a wider player base for the popular Baccarat game. Touch Bet is an electronic form of play that extends the game to more players. BCLC currently offers Touch Bet Roulette at a 25 per cent BCLC commission and it is successful in gaining wider distribution and play. The table below outlines the current model and proposed changes.

	Current Revenue Split	Proposed Revenue Split
Craps	25% BCLC, 75% SP with threshold 60% BCLC, 40% SP after threshold	25% BCLC, 75% SP No threshold
Midi Craps	New product	35% BCLC, 65% SP
Low Limit Blackjack	60% BCLC, 40% SP	40% BCLC, 60% SP
Low Limit Roulette	60% BCLC, 40% SP	40% BCLC, 60% SP
Touch Bet Baccarat	75% BCLC, 25% SP	60% BCLC, 40% SP

- Over a five year period, 2014/15-2018/19, BCLC projects that this change will generate a total of \$7,156,701 in revenue. This revenue is part of the recent BCLC budget projections provided to Treasury Board in January 2014.
- GPEB has consulted with the Senior Financial Officer, Financial Services and Administration Branch, Ministry of Finance. The Financial Service Branch has reviewed the Business Case and has determined that it is a sound business proposal meant to develop a larger player base and increase revenues long-term.

- Implementation of the strategy is expected to take approximately one year, with a trial period of 180 days for each change, to confirm the optimal implementation plan. Success will be defined as incremental revenue for each product type and/or growth of the player base and participation. BCLC may accept less immediate revenue in exchange for developing future players.
- BCLC has proposed this initiative to develop new player participation and increase revenue. BCLC has indicated they will either adjust or cease the plan if the initiative is not successful. If the plan is unsuccessful, the new tables would either be removed or revert to the former commission. BCLC is required to provide a written project status report on a quarterly basis to GPEB for a period of one year from implementation.
- Once the directive is approved, it will be published in the Gazette and posted on the Branch website as required under section 28(4) of the *Gaming Control Act*.

APPROVED / NOT APPROVED

Michael de Jong, Q.C.
Minister

Date



Gaming Policy and Enforcement Branch

General Manager's Directive

Section 28 of the Gaming Control Act

To: British Columbia Lottery Corporation (BCLC)

This directive is issued pursuant to section 28 (1)(j)(ii) of the *Gaming Control Act*, approving the amendment of the formulae to determine the amount of gaming revenue that may be retained by or paid to a Gaming Services Provider for the provision of gaming services in connection with the conduct, management, operation or presentation of lottery schemes, as follows:

Under the applicable operational services agreements, the maximum remunerations payable to a Gaming Services Provider for operational services provided in respect to the following games may be calculated as follows:

- 75 per cent of the win on Craps to the Service Provider with the removal of the current threshold amount;
- 65 per cent of the win on Midi Craps to the Service provider;
- 60 per cent of the win on Low Limit Blackjack to the Service provider;
- 60 per cent of the win on Low Limit Roulette to the Service provider; and
- 40 per cent of the win on Touch Bet Baccarat to the Service provider

Approved:

John Mazure
General Manager of Gaming Policy and Enforcement Branch
DATE, 2014

From: [Jaggi-Smith, Michele FIN:EX](#)
To: [DeMott, Rachel FIN:EX](#)
Subject: TRIM: FW: Question Regarding BCLC formulae
Date: Thursday, August 6, 2015 9:23:12 AM

Michele Jaggi-Smith | Director, Gaming Policy and Communications
Strategic Policy and Projects Division
Gaming, Policy and Enforcement Branch
Direct: 250.356.1109 | Fax: 250.356.1910 | Email: michele.jaggismith@gov.bc.ca

From: Jaggi-Smith, Michele FIN:EX
Sent: Wednesday, January 21, 2015 2:16 PM
To: Thorneloe, Meghan FIN:EX
Subject: RE: Question Regarding BCLC formulae

Good – just needs a bit of context. Please see below.

Michele Jaggi-Smith | Director, Gaming Policy and Communications
Corporate Services | Gaming, Policy and Enforcement Branch |
Direct: 250.387.0201 | Fax: 250.356.1910 | Email: michele.jaggismith@gov.bc.ca

From: Thorneloe, Meghan FIN:EX
Sent: Wednesday, January 21, 2015 9:02 AM
To: Jaggi-Smith, Michele FIN:EX
Subject: RE: Question Regarding BCLC formulae

Hi Michele,

I have reframed to be more accurate. I was unable to find an actual COSA (I seem to only have BOSA's for Bingo halls and CGC's). Please let me know if there are any further changes.

Meghan

Hi Andrea,

Thanks for your email regarding the BC Lottery Corporation's (BCLC) Table Revenue Split Changes.

In what context did this recommendation to government occur (what was happening) In 1999, the Casino Management Council – an industry-based association of casino management companies – recommended that government deal with remuneration to casino operators contractually on the basis of the following formula for returns to Service Providers:

- 40 per cent of the table win, and
- 25 per cent of slot machine win.

Based on that recommendation, the following revenue split for table games in B.C.'s gaming facilities were developed and included in Casino Operational Service Agreements until March, 2014:

75 per cent of the win on Craps to the Service Provider with threshold up to \$270,000 per table per quarter, then reverts to 40 per cent of win to Service Provider after threshold is reached;

Midi Craps was a new product, therefore no revenue split existed prior to this directive;

40 per cent of the win on Low Limit Blackjack to the Service Provider;

40 per cent of the win on Low Limit Roulette to the Service Provider; and

25 per cent of the win on Touch Bet Baccarat to the Service Provider.

In March, 2014, the Gaming Policy and Enforcement Branch released a directive to BCLC, increasing the percentage of win for the Service Providers.

Thank you for taking the time to write.

From: Jaggi-Smith, Michele FIN:EX
Sent: Tuesday, January 20, 2015 9:29 PM
To: Thorneloe, Meghan FIN:EX
Subject: FW: Question Regarding BCLC formulae

Comment below. Don't wait for Laura.

From: Thorneloe, Meghan FIN:EX
Sent: Tuesday, January 20, 2015 2:55 PM
To: Jaggi-Smith, Michele FIN:EX
Subject: RE: Question Regarding BCLC formulae

Hi Michele,

I still haven't hear back from Laura on this, but please see the revised draft response below which includes the high level information on when the table game formulas came into play (no pun intended):

Hi Andrea,

Thanks for your email regarding the BC Lottery Corporation's (BCLC) Table Revenue Split Changes.

In 2014, revenue split changes were made to increase the percentage of win for the Service Providers. Prior to the 2014 directive, the revenue split for table games in B.C.'s gaming facilities was as follows:

75 per cent of the win on Craps to the Service Provider with threshold up to \$270,000 per table per quarter, then reverts to 40 per cent of win to Service Provider after threshold is reached;

Midi Craps was a new product, therefore no revenue split existed prior to this directive;
40 per cent of the win on Low Limit Blackjack to the Service Provider;
40 per cent of the win on Low Limit Roulette to the Service Provider; and
25 per cent of the win on Touch Bet Baccarat to the Service Provider.

The above formulae originated from a 1999 recommendation by the Casino Management Council (this isn't entirely accurate – please reframe stating what formula was created in 1999 and what has been used in the COSAs to date)– an industry-based association of casino management companies –that 40 per cent of the table win and 25 per cent of slot machine win be allocated to Service Providers.

Thank you for taking the time to write.

Meghan Thorne
250-952-6651

From: Jaggi-Smith, Michele FIN:EX
Sent: Monday, January 19, 2015 2:57 PM
To: Thorne, Meghan FIN:EX
Subject: RE: Question Regarding BCLC formulae

Do you mind if I have a look? Thanks.

Michele Jaggi-Smith | Director, Gaming Policy and Communications
Corporate Services | Gaming, Policy and Enforcement Branch |
Direct: 250.387.0201 | Fax: 250.356.1910 | Email: michele.jaggismith@gov.bc.ca

From: Thorne, Meghan FIN:EX
Sent: Monday, January 19, 2015 9:03 AM
To: Jaggi-Smith, Michele FIN:EX
Subject: RE: Question Regarding BCLC formulae

Hi Michele, the most specific thing I can find in the white paper is a recommendation that gaming operators should receive 40% of table win. There are no specifics on percentage of win for service providers for specific games. I will see what Laura has to say, and if we can't get any info I'll add that the Casino Management Council recommended 40% in 1999, and I can explain what the council is.

Meghan Thorne
250-952-6651

From: Jaggi-Smith, Michele FIN:EX
Sent: Saturday, January 17, 2015 8:35 AM
To: Thorne, Meghan FIN:EX
Subject: Re: Question Regarding BCLC formulae

I believe it was established during the White Paper. Have a look at that document - I think it's in

there.

Michele

Sent from my iPhone

On Jan 16, 2015, at 4:36 PM, Thorneloe, Meghan FIN:EX <Meghan.Thorneloe@gov.bc.ca> wrote:

Hi Michele, I've been waiting for a call back from Laura today but haven't heard back. I will follow up on Monday on this.

Meghan Thorneloe
250-952-6651

From: Jaggi-Smith, Michele FIN:EX
Sent: Friday, January 16, 2015 10:06 AM
To: Thorneloe, Meghan FIN:EX
Cc: Branch, Gaming
Subject: RE: Question Regarding BCLC formulae

Meghan,

Can you add when the original formulae were created. Thanks.

Michele Jaggi-Smith | Director, Gaming Policy and Communications
Corporate Services | Gaming, Policy and Enforcement Branch |
Direct: 250.387.0201 | Fax: 250.356.1910 | Email: michele.jaggismith@gov.bc.ca

From: Thorneloe, Meghan FIN:EX
Sent: Friday, January 16, 2015 9:41 AM
To: Jaggi-Smith, Michele FIN:EX; Branch, Gaming
Subject: RE: Question Regarding BCLC formulae

Hi Michele,

Do you need to approve the response below?

Hi Andrea,

Thanks for your email regarding the BC Lottery Corporation's (BCLC) Table Revenue Split Changes.

In 2014, revenue split changes were made to increase the percentage of win for the Service Providers. Prior to the 2014 directive, the revenue split for table games in B.C.'s gaming facilities was as follows:

75 per cent of the win on Craps to the Service Provider with threshold up to \$270,000 per table per quarter, then reverts to 40 per cent of win to Service Provider after threshold is reached; Midi Craps was a new product, therefore no revenue split existed prior to this directive; 40 per cent of the win on Low Limit Blackjack to the Service Provider; 40 per cent of the win on Low Limit Roulette to the Service Provider; and 25 per cent of the win on Touch Bet Baccarat to the Service Provider.

Thank you for taking the time to write.

From: Jaggi-Smith, Michele FIN:EX
Sent: Thursday, January 15, 2015 7:23 PM
To: Branch, Gaming
Cc: Thorneloe, Meghan FIN:EX
Subject: Re: Question Regarding BCLC formulae

Meghan please

Sent from my iPhone

On Jan 15, 2015, at 5:33 PM, Branch, Gaming <Gaming.Branch@gov.bc.ca> wrote:

To whom would you like this assigned?

Cheers!

-B-

From: Lee, Andrea [<mailto:Andrea.Lee@leg.bc.ca>]
Sent: Thursday, January 15, 2015 12:44 PM
To: Branch, Gaming
Subject: Question Regarding BCLC formulae

Hello,

I'm a librarian at the Legislative Library of BC. We do research for MLAs and their staff. I'm looking into something for one of our clients and am hoping you can help.

In the course of some research for a client, I found this March 2014 directive from the GPEB to the BCLC printed in the Gazette:

DIRECTIVE TO BRITISH COLUMBIA LOTTERY CORPORATION

General Manager, **Gaming Policy and Enforcement Branch**, directive to the British Columbia Lottery Corporation, section 28, Gaming Control Act. This directive is issued pursuant to section 28 (1) (j) (ii) of the Gaming

Control Act, approving the amendment of the formulae to determine the amount of gaming revenue that may be retained by or paid to a Gaming Services Provider for the provision of gaming services in connection with the conduct, management, operation or presentation of lottery schemes, as follows:

75 per cent of the win on Craps to the Service Provider with the removal of the current threshold amount;

65 per cent of the win on Midi Craps to the Service Provider;

60 per cent of the win on Low Limit Blackjack to the Service Provider;

60 per cent of the win on Low Limit Roulette to the Service Provider; and

40 per cent of the win on Touch Bet Baccarat to the Service Provider.

Approved on this 6th day of March 2014. — John Mazure, *General Manager of Gaming Policy and Enforcement Branch*. [mh13]

My client is interested in what the formulae looked like prior to this directive, but I haven't been able to find any other directives of this kind in the Gazette in the last decade or so. If you could let me know either what the prior formulae were, or when the formulae were last adjusted in the Gazette, I would really appreciate it.

Best,

Andrea Lee

Reference Librarian | Legislative Library of BC | Room 215D, Parliament Buildings | Victoria, BC V8V 1X4 | Tel: 250.356.5202

The Legislative Library provides information and research services to the Legislative Assembly. Contact us with your questions.

Library Hours: 8:30-5, or any hour the House is sitting

Research Phone: 250.387.6510

Research Email: LLBC.Ref@leg.bc.ca

Intranet: <http://intranet/library/intranet/index.htm>

From: [Jaggi-Smith, Michele FIN:EX](#)
To: [DeMott, Rachel FIN:EX](#)
Subject: TRIM: FW: GPEB Approved Change to BCLC SP Commission
Date: Thursday, August 6, 2015 9:24:39 AM
Attachments: [BCLC - IN - Service Provider Commissions Report online \(Final\).docx](#)
[338926 - BN - GM Directive for Service Provider Facility Commissions.docx](#)
[2014 - GM Directive - Gaming Service Provider Commissions - Draft.DOCX](#)
[BN Ministerial Approval for GM Directive \(Service Provider Commission\) FINAL-17JAN14.doc](#)
[2014 - GM Directive - Table Revenue Changes \(Signed\).pdf](#)
[335762 - Lightbody BCLC - Directive - Amendment formulae Gaming Servicepdf](#)

Michele Jaggi-Smith | Director, Gaming Policy and Communications
Strategic Policy and Projects Division
Gaming, Policy and Enforcement Branch
Direct: 250.356.1109 | Fax: 250.356.1910 | Email: michele.jaggismith@gov.bc.ca

From: Thorneloe, Meghan FIN:EX
Sent: Tuesday, February 3, 2015 10:13 AM
To: Van Sleuwen, Terri FIN:EX
Cc: Jaggi-Smith, Michele FIN:EX
Subject: RE: GPEB Approved Change to BCLC SP Commission

Hi Terri,

The first 3 documents attached are regarding a proposed change to service provider commissions. Specifically, they are about a proposed directive to BCLC that would require them to get GPEB approval prior to changing an existing formula for determining the amount of revenue that may be paid to a service provier. These are the only versions I have though, and it doesn't look like anything has been approved.

Also attached – the last 3 documents are regarding a change to the table game commissions and a directive to BCLC stating the table revenue changes in 2014. This one was approved by John and the directive was provided to BCLC in 2014. I'm not sure which ones you are looking for, but if you need more information please feel free to call me.

Meghan Thorneloe
250-952-6651

From: Van Sleuwen, Terri FIN:EX
Sent: Monday, February 2, 2015 4:57 PM
To: Jaggi-Smith, Michele FIN:EX
Cc: Thorneloe, Meghan FIN:EX
Subject: GPEB Approved Change to BCLC SP Commission

Hi Michele, I understand from John Mazure that GPEB approved a change to BCLC's service provider commission structure sometime last year. Could you provide me with the details in relation to this change? Specifically, if you could send me a copy of the documents if you produced a briefing note or a letter to BCLC.

Thanks,

Terri Van Sleuwen, CPA, CGA
Executive Director
Gaming Policy and Enforcement Branch
604-833-3692

ISSUES NOTE

British Columbia Lottery Corporation

Date: February 1, 2013

Minister Responsible: Rich Coleman

Service Provider Commissions Report on bclc.com

SUGGESTED RESPONSE:

- **BCLC's vision for gambling facilities in B.C. has been to build facilities with comprehensive entertainment amenities such as restaurants and lounge areas.**
- **The Service Provider Commission structure has been in place since BCLC was given the mandate to oversee and manage casinos in British Columbia in 1997.**
- **Commissions are a contractual obligation between BCLC and service providers, and commissions are earned over time based on the net win revenues generated by each facility.**
- **This is a highly effective business model - in B.C. over 56% of revenue generated by casino gambling is returned to the province compared to about 35% in Quebec, Ontario and Nova Scotia.**
- **BCLC's model has resulted in some of the best in class casinos and community gaming centres in Canada.**

BACKGROUND:

As part of BCLC's ongoing openness and accountability strategy, an updated version of the Gambling Service Provider Commissions Report has been developed and will be posted online.

The report outlines BCLC's compensation model and amounts earned by service providers in 2010/11 and 2011/12.

The previous report was developed and posted to bclc.com in 2011 and covered commissions since BCLC was first given the mandate to operate casinos in 1997. It was prompted by significant attention to these commissions and FOI requests related to commissions.

Service Provider Commissions are divided into two categories: Facility Development Commissions (FDC) and Accelerated Facility Development Commissions (AFDC)

As with the first report, this updated report includes details on commissions paid to gambling service providers and provides narrative around the origins and benefits of the B.C. model; explanation of how commissions are calculated; and criteria and guidelines for FDC, AFDC that were in place for the period covered by this report. In April 2012, BCLC developed new standards, policies and procedures for FDC and AFDC; however, since these were not in place during the period covered by this report, they are not included in this report.

Going forward, BCLC plans to develop this report annually for posting to our website around the same time as the BCLC annual report (early summer).

COMMISSIONS STRUCTURE:

BCLC's compensation structure for private sector casino operators was introduced in 1997. It called for a total commission of 28 per cent of net win from slots and 43 percent net win from table games (net win = revenue after prizes paid/won by the player). The 28 per cent is divided into two parts – 25 per cent operating commission, 3 per cent Facility Development Commission (FDC) and 43 per cent is also divided into 40 percent operating commission and 3 percent FDC.

This compensation structure is captured in the Casino Operational Services Agreement (COSA), which are typically 10 or 20 year contracts. The COSA defines service operating and marketing responsibilities for the casino company and forms the basis for the 25 and 40 percent per cent operating commission. It also defines the requirements for earning the 3 percent FDC.

A key requirement for the casino company is the ability to obtain private sector financing for the casino facility and to design and construct the casino to high standards including amenities such as restaurants and lounge areas and approved by BCLC.

The three per cent FDC can be earned by the service provider if they incur costs related to casino and ancillary amenities development based on BCLC guidelines, subject to BCLC review and approval.

In 2006, BCLC added the Accelerated Facility Development Commission (AFDC) of two per cent of net win. Service providers may submit a project to qualify for AFDC and the incremental commission will be applied.

For more information, please contact:

Laura Piva-Babcock
Manager, Issues Management & Media Relations
Direct: (250) 828-5576 Cell: s.17

Communications Officer	Sarah Morris	(604) 228-3097
Last Edited	February 1, 2012	

Ministry of Finance
BRIEFING DOCUMENT

To: Honourable Michael de Jong, Q.C.
Minister of Finance

Date Requested: November 15, 2014
Date Required: N/A

Initiated by: John Mazure
Assistant Deputy Minister, GPEB

Date Prepared: December 11, 2014

Ministry
Contact: Michele Jaggi-Smith

Phone Number: (250) 387-0201
Email: Michele.Jaggismith@gov.bc.ca
338926

TITLE: General Manager Directive to the British Columbia Lottery Corporation.

PURPOSE:

(X) **DECISION REQUIRED**

DATE PREPARED: December 2, 2014

TITLE: General Manager Directive to the British Columbia Lottery Corporation

ISSUE: A General Manager Directive is necessary to require BCLC to seek approval for new service commissions paid to gaming service providers.

BACKGROUND:

- The British Columbia Lottery Corporation (BCLC) is mandated to conduct and manage gaming on behalf of the Government of British Columbia. BCLC enters into contracts with private sector service providers to build and operate gambling facilities including casinos, community gaming centres and bingo halls.
- Under this model, BCLC owns most of the gambling equipment such as slot machines, playing cards and associated equipment. Service providers build, provide and operate the gambling facilities on BCLC's behalf in addition to offering other entertainment amenities. The service provider finances the facility construction and pays the capital costs of development including any enhancements or upgrades. The service provider is also responsible for the ongoing costs of maintaining the facility to BCLC standards.
- In return for operating the facility, service providers earn a commission that is divided into two parts: an operating commission and a Facility Development Commission (FDC). FDC is what the service provider earns as a percentage of net win based on their investment in creating and maintaining high quality facilities. B.C.'s casino operations model was developed in 1997 when the provincial government announced a new gaming policy and issued a Request for Proposal.
- The compensation structure was for a total commission of 28 per cent of net win from slots and 43 per cent net win from table games (net win = revenue after prizes paid/won by the player). The 28 per cent commission is divided into two parts—25 per cent operating commission, three per cent Facility Development Commission (FDC). The 43 per cent commission from table games is also divided into 40 per cent operating commission and three per cent FDC.
- This compensation structure is captured in the Casino Operational Services Agreement (COSA), which are typically 10 year contracts with a renewal option for an additional 10 years. The COSA defines service, operating and marketing responsibilities for the casino company and forms the basis for the 25 and 40 per cent operating commission. It also defines the requirements for earning the three per cent FDC.
- The three per cent FDC can be earned by the service provider if they incur costs related to casino and ancillary amenities development based on BCLC guidelines, subject to BCLC review and approval.

- In 2006, through the COSA, BCLC added the Accelerated Facility Development Commission (AFDC) of two per cent of net win. Service providers may submit a project to qualify for AFDC and the incremental commission will be applied to incent the timely development of the project.
- BCLC did not seek General Manager (GM) approval to change its service provider facility commissions by adding the AFDC.

DISCUSSION:

- s.14

- Revenue paid to service providers as the AFDC is revenue that would otherwise be provided to government. Since 2006, a total of \$164.34 million has been earned by service providers under the AFDC.

Fiscal Year	# of Casinos Earning AFDC	AFDC Earned by Casinos	# of CGCs/Bingo Halls Earning AFDC	AFDC Earned by CGCs/Bingo Halls	Total AFDC Earned by Service Providers
2006/2007	0	--	8	\$2.24 M	\$2.24 M
2007/2008	5	\$6.52 M	13	\$1.69 M	\$8.21 M
2008/2009	9	\$16.27 M	15	\$1.88 M	\$18.15 M
2009/2010	10	\$20.57 M	17	\$1.94 M	\$22.51 M
2010/2011	11	\$21.23 M	18	\$4.88 M	\$26.11 M
2011/2012	12	\$23.47 M	18	\$5.21 M	\$28.68 M
2012/2013	13	\$24.168 M	19	\$4.559 M	\$28.727 M
2013/2014	13	\$24.805 M	19	\$4.911 M	\$29.716 M
Total		\$137.033 M		\$27.31 M	\$164.343 M¹

- BCLC's position is that the AFDC is necessary to provide incentive for service providers to invest in upgrades to facilities, which in turn generate greater revenue over the long term.

¹ BCLC Gambling Service Provider Commissions Report, 1997 – 2010:
<http://corporate.bcllc.com/content/dam/bcllc/corporate/documents/corporate-reports/commissions-report-9710.pdf> BCLC Gambling Service Provider Commissions Report 2010-2012:
<http://corporate.bcllc.com/content/dam/bcllc/corporate/documents/corporate-reports/commissions-report-2012.pdf> BCLC Gambling Service Provider Commissions Report, Fiscal Years 2012/13 and 2013/14:
<http://corporate.bcllc.com/content/dam/bcllc/corporate/documents/corporate-reports/gambling-service-provider-commissions-report.pdf>

• s.13,s.14

- If the directive is approved, it must be published in the Gazette and posted on the Branch website as required under section 28(4) of the *Gaming Control Act*.

OPTIONS:

Option 1: Approve the attached GM Directive to BCLC

Implications:

• s.13

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Option 2: Do not approve the attached GM Directive to BCLC

Implications:

• s.13

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Recommendation: Option 1

APPROVED / NOT APPROVED

Michael de Jong, Q.C.
Minister

Date

Attachment (1): Appendix A

s.13,s.14

Page 38 to/à Page 39

Withheld pursuant to/removed as

s.14;s.13

CONFIDENTIAL
ISSUES NOTE

Ministry of Finance
Date: May 13, 2015
Minister Responsible: Hon. Michael de Jong

FOI on table game changes

RECOMMENDED RESPONSE:

- BCLC proposed changes to table game splits and player betting limits in an effort to attract new players, cater to existing high-stakes players and optimize revenue.
- The approval of revised table game splits in March 2014 supported BC Lottery Corporation's long-term strategy to attract infrequent casual players by increasing the variety of low-limit games.
- The approval of changes to per player limits for high stake gaming tables supported BCLC's goal of providing higher stakes games demanded by so-called high rollers that frequent major casinos around the world.
- Staff from the Gaming Policy and Enforcement Branch carefully considered these requests proposed changes over a period of several months.
- BC Lottery Corporation was asked to provide information demonstrating the business case behind these proposed changes.
- The Regulator's approval of the table game splits is also subject to a further review after one year to determine whether the business case is realized.
- So far, it appears the approved changes for table games resulted in an increased net win for craps and blackjack for both the service providers and BCLC.

s.13

s.13

Comment [MJS1]: It would be helpful to know from BCLC and to add here which casinos offer the high stake gaming tables (I suspect it is only a few in the lower mainland).

Comment [MJS2]: Should this say low-limit blackjack?

s.13

s.13

KEY FACTS REGARDING THE ISSUE:

A recently released FOI package details B.C. Lottery Corporation's efforts to alter the revenue split between BCLC and gaming service providers for certain table games. The revised splits, approved by the Gaming Policy and Enforcement Branch in March 2014, applied to five different games – craps, midi craps, low limit blackjack, low limit roulette and touch-bet baccarat.

Changes to touch bet baccarat and low limit roulette were not rolled out due to lack of service provider interest for implementation.

Formatted: Comment Text

Previously, BCLC received 60 per cent of the take for low limit blackjack and low limit roulette. Following the change, BCLC received 40 per cent and service providers received 60 per cent. The previous split for touch-bet baccarat, 75-25 with BCLC receiving the larger share, changed to 60 per cent for BCLC and 40 per cent for the service providers. The split for craps remained at 75 per cent for service providers and 25 per cent for BCLC on the first \$270,000 of net win earned (per quarter), but changed to 60-40 in favour of BCLC after the net win per quarter reached \$270,000. As part of this exercise, GPEB also approved the introduction of a new game midi craps, with a 35 per cent share for BCLC and 65 per cent for the service providers.

Changes to touch bet baccarat and low limit roulette were not rolled out due to lack of service provider interest for implementation.

The discussion on changing table game revenue splits took place in the months prior to the departure of former BCLC CEO Michael Graydon, who left the corporation in early 2014 for a job with Paragon Gaming Inc. The e-mail chain in the FOI documents indicates that GPEB demanded and received supporting documentation of the business case behind the requested changes.

In its correspondence to GPEB, BCLC maintained that service providers needed a greater share of revenue to make lower-end games cost-effective because they generate less revenue per player but require the same amount of staff and other overhead costs as higher end games. Increasing the revenue split would "incentivize service providers to offer more table games, thereby supporting BCLC's desire to grow player participation."

The incentives resulted in 22 new low-limit blackjack tables around the province, some of which were previously under-used or "dark" high-end blackjack tables. The total number of all blackjack tables including low-limit tables is now 131.

In addition to attracting new players who prefer lower stakes games, the revised splits resulted in increased net win for craps (up 10 per cent) and blackjack (up 20 per cent), partially offsetting the revenue that BCLC gave up under the adjusted formulae.

In 2012, GPEB approved an increase in the betting limit from \$5,000 per betting spot to \$10,000 per betting spot for high-end baccarat tables, which can accommodate up to nine players.. Concurrent with the request to change revenue splits for table games was a request-proposal to change the betting limit rules and betting amounts for high stakes tables. The policy-change increased the aggregate table limit from \$90,000 to \$100,000 and enabled one player to wager up to the table maximum on *one* betting spot, as opposed to making separate wagers at each betting spot.

s.13

Comment [MJ57]: Agree.

Under the Gaming Control Act, betting limits are considered gaming-rules of play for which BCLC has the authority to set and therefore do not require written approval from GPEB. However, the decision on higher betting limits for baccarat was made with significant input and consideration from the regulator. Net win (revenue after prizes) from high limit baccarat increased by \$104.8 million in 2014/15.

s.13

Some of the material set for release refers to s.13,s.14

s.13,s.14 the General Manager approved the proposed table splits and issued a directive to this effect under section 28(1)(j)(ii). Based on consideration of the potential impacts of proposed betting limit changes on players, the General Manager concluded ... However, in the end GPEB issued directives / approvals endorsing the changes as proposed.

s.13

The FOI request also contains tables detailing the Facility Development Commissions and Accelerated Facility Development Commissions for all B.C. gaming facilities for fiscal 2012-13. These are excerpted from the annual BCLC Gambling Service Provider Commissions Report.

Communications Contact:	Brennan Clarke	250 387 3514
Program Area Contact:	Michele Jaggi-Smith	250 387 0201
File Created:	May 5, 2015	
File Updated:		
File Location:		

Program Area	Communications Director	ADM	Minister's Office
MJS		JM	