

BC Ferries – Opportunity Assessment



BC FERRIES

&

BCLC

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Section 1

1. Email Exchange – April 2012 – January 2014

From: Jerry Williamson
Sent: Friday, January 24, 2014 10:37 AM
To: Kirk Handrahan (kirk.handrahan@gov.bc.ca)
Subject: FW: estimates of revenues

Here you go Kirk.

Jerry Williamson
Director, Gaming Facilities
Casino & Community Gaming, BCLC

2940 Virtual Way, Vancouver BC V5M 0A6

T 604 228 3005 C 604 619 7834 F 604 225 6424
jwilliamson@bclc.com
bclc.com

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Last year, more than \$1 billion generated by BCLC gambling activities went back into health care, education and community groups across B.C.

Below are answers to your questions.

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2012/13

Route #	Route	Travel Duration (Hours)	# of Daily Sailings (To/From)	Days of Operation (Annually)	Total Hours/Year	Total Hours Less 25% for Load/Unload
30	Tsawwassen - Nanaimo	2.0	16	365	11,680	8,760

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From: Jerry Williamson
Sent: October 16, 2013 12:48 PM
To: Davidson, Jeff <Jeff.Davidson@bcferries.com> (Jeff.Davidson@bcferries.com)
Subject: FW: Ferry Gaming

Here you go Jeff,

In order for me to send you our Facility standards we would need an NDA signed and I think that is premature at this time.

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Thanks Jerry

From: Davidson, Jeff [<mailto:Jeff.Davidson@bcferries.com>]
Sent: Wednesday, October 16, 2013 11:44 AM
To: Jerry Williamson
Subject: RE: Ferry Gaming

Hi Jerry. Just following up to see if you have any progress on this. I am trying to put together a budget for my boss on a trial but still need more information as requested below. Appreciate if you can let me know if I can get further information. Thanks. Jeff

From: Davidson, Jeff
Sent: October 09, 2013 5:08 PM
To: Jerry Williamson
Subject: RE: Ferry Gaming

Hi Jerry. Thanks for this. Is it possible to get a copy of the BCLC Facility Design Standards re wiring or is this not appropriate at this stage?

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From: Jerry Williamson [<mailto:JWilliamson@BCLC.com>]
Sent: October 08, 2013 4:39 PM
To: Davidson, Jeff
Subject: Ferry Gaming

Hi Jeff,

Sorry about the late reply, I have been away and just back trying to catch up.

We have a bit of experience with ships in the past when we operated the Royal City Star casino riverboat in New Westminster.

In that particular case we used shoreline electrical/data when docked and cellular when not. As a frequent traveller on the BC Ferry system I know that cellular coverage is not always reliable. With that being said, our systems are capable of running in offline mode, which really shouldn't be that often. I am envisioning only
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I have had some of my team answer your questions below;

- What is the weight of a machine including the stand?
 - The combined weight can range between 250-350 pounds depending on the machine model.
- Does the electrical draw from the machine change during payout or is it pretty constant throughout the play cycle?
 - It stays quite consistent through all cycles now that large coin hoppers are no longer in the machines. The amperage rating varies by machine model, but we use the maximum of 6A per machine to ensure there is enough power available no matter which machine is in operation.
- Is there much heat generated by these machines? We need to consider HVAC loading in our analysis if they do generate much heat.
 - There is a fair bit of heat generated by the machines. Typically the machines are installed in large open spaces and we have provided specifications for air changes with the space occupied. It would be best to review Section 5: Mechanical of the Casino & CGC Facilities Design Standards to see how the ASHRAE Standard compares with current marine standards.
- How many spins per hour is each machine capable of?

- It is machine model dependant, but can range from 60/ spins hour to 1200/spins hour (1 spin/minute to 20 spins/minute)
- What is the average wager of the anticipated slots?
 - Avg wager is dependent on the configuration and denomination of the game. It can range from \$ 17(1)(d)
- What is the average hold of the anticipated slots?
 - s 17(1)(d)

s 17(1)(d) Hold is expected to be realized over millions of spins therefor actual performance is volatile, having said that the spread I quoted is reasonable.

- Is there still such a thing as the additional 3% commission to operators for administrative services?
 - There are 2 components to the Facilities Development Commission; FDC and AFDC (Accelerated). FDC and AFDC are a component of the remuneration of the SPs intended to incent SPs to invest in establishing and enhancing gaming facilities, provide an enriched player experience and subsequently maintain BCLC standards. FDC isn't used for administrative services or standard operational costs. The FDC policy outlines all eligible expenditures within and there is a business plan/submission process to use it.
 - FDC is 3% of Net Win and AFDC is 2% of Net Win. It is possible to receive both of these at the same time for a total of 5% of Net Win.
 - *Facility Development Commission (FDC)* means an additional amount of remuneration earned, as outlined in the OSA or applicable amendments, on all Bingo or Casino Games for applicable gaming facilities in respect of which such amount is specified as payable.
 - *Accelerated Facility Development Commission (AFDC)* means an additional amount of remuneration earned, as outlined in the OSA or applicable amendments, on all Bingo or Casino Games for applicable gaming facilities in respect of which such amount is specified as payable.
 - AFDC is intended as a one-time remuneration to provide SPs with the incentive for the timely development/redevelopment of gaming facilities and additional entertainment amenities of significant value which may be completed through phases. AFDC submissions will be reviewed on a project-by-project basis.

I look forward to your comments and meeting you to discuss further.

Jerry Williamson

Director, Gaming Facilities
 BCLC, 2940 Virtual Way, Vancouver B.C. V5M 0A6
 T 604 228-3005 C 604 619-7834

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Last year, more than \$1 billion generated by BCLC gambling activities went back into health care, education and community groups across B.C.

From: Davidson, Jeff
Sent: Monday, September 23, 2013 2:40 PM
To: Jerry Williamson
Cc: Serge De Iure; Hest, Jason
Subject: RE: Ferry Gaming

Hi Jerry. As requested by Serge below, I will use you as my primary contact moving forward if that works for you.

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From: Serge De Iure [<mailto:SDeIure@BCLC.com>]
Sent: September 11, 2013 12:39 PM
To: Davidson, Jeff
Cc: Jerry Williamson
Subject: RE: Ferry Gaming

Jeff I have copied Jerry on this note as I am transitioning out of BCLC into another career opportunity. Jerry will be your contact moving forward. Having said hopefully this answers your questions in the meantime.

1. We have no VLTs in the BC market, we only operate with full slot machines
2. Our games normally are connected to our gaming system, typically they are hard wired but in your case we s 17(1)(c)
3. Yes there is a camera protocol for security measures. s 15(1)(l) We need to s 15(1)(l) so it depends on the floor. The cameras also need redundancy capability.

Jeff hope this helps,

Serge.

From: Davidson, Jeff [<mailto:Jeff.Davidson@bcferries.com>]
Sent: September 11, 2013 10:55 AM
To: Serge De Iure
Subject: RE: Ferry Gaming


Good morning Serge. We haven't connected in a long time. I hope that you are doing well.

I just wanted to follow up to our earlier discussions regarding VLTs on the Ferries. Can you please confirm that current VLT machines operate independantly of the internet? In our environment, internet can be hit and miss. While I believe your machines are connected to BCLC systems via the internet, I am under the impression that they can work in an off-line mode?

Second thing, I seem to recall some requirement for a minimum number of CCTV cameras. If there is, can you outline what the requirement is and give me some idea if this is a guideline, BCLC policy or regulation?

As I continue in my planning of the Spirit Class mid-life upgrades I want to be clear on what the issues are. Thanks for your assistance and look forward to hearing back from you. Regards, Jeff

Jeff Davidson
British Columbia Ferry Services Inc. | Director, Retail Services
Suite 500 - 1321 Blanshard Street | Victoria, BC | V8W 0B7 | T: (250) 978-1552 | F: (250) 388-7754
jeff.davidson@bcferries.com

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From: Nacey, Sean TRAN:EX
Sent: Monday, September 9, 2013 12:15 PM
To: Jerry Williamson
Subject: RE: estimates of revenues

Hi Jerry,
Thanks very much for the info.
s 17(1)(c)

Appreciate all your help.
Regards, Sean.

From: Jerry Williamson [<mailto:JWilliamson@BCLC.com>]
Sent: Wednesday, August 28, 2013 3:39 PM
To: Nacey, Sean TRAN:EX
Subject: FW: estimates of revenues

Hi Sean:

Here are the responses to your questions:

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Sean please don't hesitate to give me a call if you would like to discuss anything further.

Jerry Williamson

Director, Gaming Facilities

BCLC, 2940 Virtual Way, Vancouver B.C. V5M 0A6

T 604 228-3005 C 604 619-7834

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From: Nacey, Sean TRAN:EX [<mailto:Sean.Nacey@gov.bc.ca>]

Sent: Tuesday, August 20, 2013 1:04 PM

To: Jerry Williamson

Subject: RE: estimates of revenues

Hi Jerry,

Just a follow up to my voicemail yesterday.

I'm doing a bit more research for Kirk and was hoping to get some info on the following:

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s 17(1)(c)

Any comments/feedback would be helpful

Kind regards,

Sean

Sean Nacey
Senior Manager
Infrastructure Department
Ministry of Transportation & Infrastructure
(250) 387-8618 work
(250) 213-6672 cell

From: Handrahan, Kirk TRAN:EX
Sent: Friday, August 9, 2013 3:59 PM
To: Nacey, Sean TRAN:EX
Subject: FW: estimates of revenues

Here is my contact at LCBC

Kirk Handrahan
Executive Director
Marine Branch
Ministry of Transportation and Infrastructure
telephone: 250-952-0678
cell: 250-882-0246
email: Kirk.Handrahan@gov.bc.ca

From: Jerry Williamson [<mailto:JWilliamson@BCLC.com>]
Sent: Monday, July 15, 2013 2:44 PM
To: Handrahan, Kirk TRAN:EX
Subject: RE: estimates of revenues

Hi Kirk,

We are close, I hoping to have you something by Thursday.

Thanks,
Jerry Williamson
Director, Gaming Facilities
BCLC, 2940 Virtual Way, Vancouver B.C. V5M 0A6
T 604 228-3005 C 604 619-7834

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From: Handrahan, Kirk TRAN:EX [mailto:Kirk.Handrahan@gov.bc.ca]
Sent: Monday, July 15, 2013 1:31 PM
To: Jerry Williamson
Subject: estimates of revenues

Hi Jerry, do you have anything yet in terms of an estimate of the revenue potential for ferries

Kirk Handrahan
Executive Director
Marine Branch
Ministry of Transportation and Infrastructure
telephone: 250-952-0678
cell: 250-882-0246
email: Kirk.Handrahan@gov.bc.ca

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From: Serge De Iure [<mailto:SDeIure@BCLC.com>]

Sent: May 23, 2012 4:58 PM

To: Davidson, Jeff

Subject: RE: Ferry Gaming

Jeff I am getting the guys to pull together game specs to answer questions 1 to 4 on the other questions:

1. Avg wager depends on the configuration and denomination of the game, ranges are from s 17(1)(d)
(very game dependent)

2. **s 17(1)(d)**

Hold is expected to be realized over millions of spins therefor actual performance is volatile, having said that the spread I quoted is reasonable.

3. Additional 3% commission is called FTC which is a onetime project support fund designed for Facilities to support capital improvements to the property. Costs that we believe will drive traffic and support gaming revenue (e.g. Building a restaurant/ bar etc that supports the player experience and makes the site more attractive). FTC isn't used for administrative costs.

Jeff I will send you the technical specs, let me know if you need anything else

Serge De Iure
Director, Product Management
Casino/CGC, BCLC

2940 Virtual Way, Vancouver BC, V5M 0A6
T 604 225 6464 C 604 880 9459 F 604-225-6422
sdelure@bclc.com

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From: Davidson, Jeff [<mailto:Jeff.Davidson@bcferries.com>]

Sent: May 23, 2012 2:26 PM

To: Serge De Iure

Subject: RE: Ferry Gaming

Hi Serge. Thanks for our call yesterday. It was very informative and sounds like it may be possible to do something here. We'll see.

In the mean time I have a few further questions that I hope that you can answer for me as follows:

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s 17(1)(c)

Think that's it for now. I look forward to your answers. Regards, Jeff

From: Serge De Iure [<mailto:SDeIure@BCLC.com>]

Sent: April 03, 2012 4:37 PM

To: Davidson, Jeff

Subject: RE: Ferry Gaming

Happy to have an exploratory conversation, would like to include Jerry Williamson in the conversation. He is Director of Facilities and as some background on this idea, fyi this concept was explored marginally a couple of years ago.

Jerry is back from vacation next week, are you available to have a chat sometime next week? If so send me some dates and times and I will look to co-ordinate.

Serge De Iure
Director, Product Management
Casino/CGC, BCLC

2940 Virtual Way, Vancouver BC, V5M 0A6
T 604 225 6464 C 604 880 9459 F 604-225-6422
sdelure@bclc.com

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From: Davidson, Jeff [<mailto:Jeff.Davidson@bcferries.com>]

Sent: April 3, 2012 4:27 PM

To: Serge De Iure

Subject: RE: Ferry Gaming

Hi Serge. Thanks for reaching out on this. Yes, Owen and I briefly discussed this issue this morning. I explained to him s 17(1)(c)

I am responsible for on board program development / business development and really just doing some background research on what revenue generating possibilities there might be. As I explained to Owen, I don't want there to be any perception that BC Ferries wants to go this way. I am exploring options to present to our Executive at a future date to see what initiatives they are interested in pursuing.

I am really interested to understand if the existing legislation or policy framework would allow an operation like this or not. Give this some thought and let me know if you think we should talk to explore further. Regards, Jeff

From: Serge De Iure [<mailto:SDeIure@BCLC.com>]

Sent: April 03, 2012 4:04 PM

To: Davidson, Jeff

Subject: Ferry Gaming

Jeff I had a conversation with Owen Gormley this morning, he had mentioned that the two of you had a conversation and that you were exploring Gaming options on the Ferries. If this is accurate feel free to give me a call and we can discuss your thoughts.

Take care,

Serge De lure
Director, Product Management
Casino/CGC, BCLC

2940 Virtual Way, Vancouver BC, V5M 0A6
T 604 225 6464 C 604 880 9459 F 604-225-6422
sdelure@bcl.com

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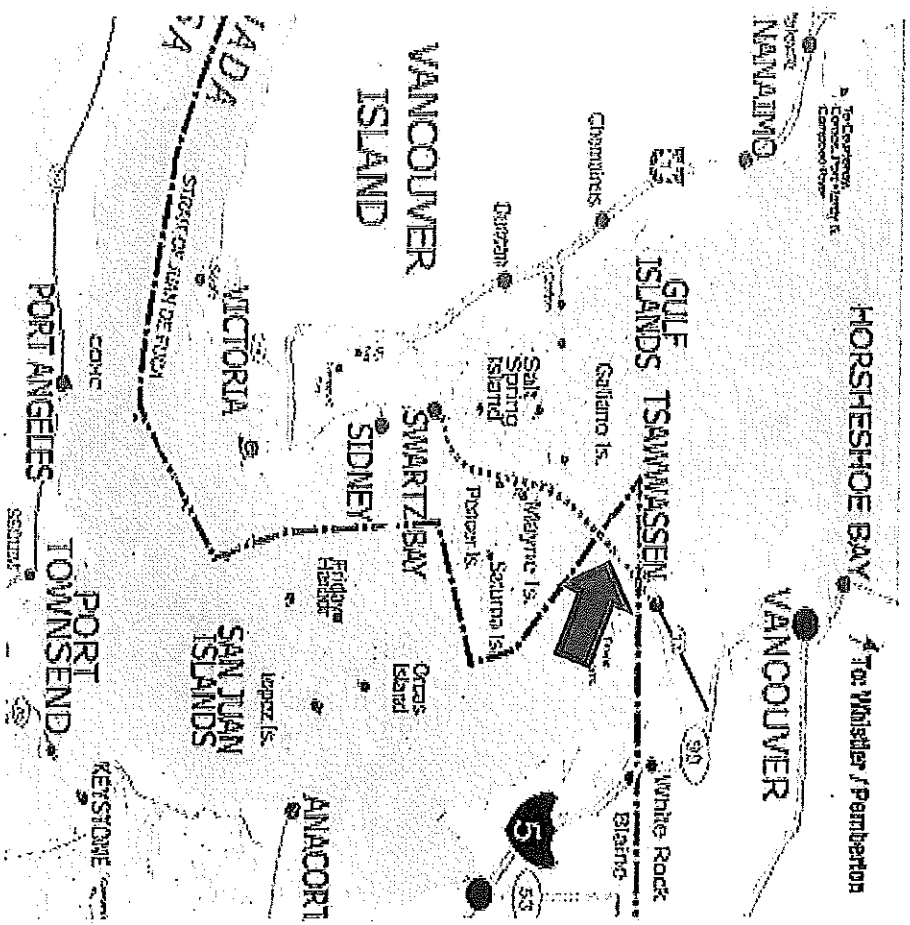
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Section 2

2. Scenario 1 – July 2013 (Draft)

- 5 Route Analysis (Routes 1, 2, 30, 10, 11)
- Win Methodology based on Drop vs. Time of Play

BC Ferries
Gaming Market Assessment for Selected
Routes (01, 02, 30, 10, 11)
July, 2013



The Tsawwassen to Swartz Bay BC Ferry Route is 24 nautical miles and crossing time is approximately 1 hour and 35 minutes. It appears that the route travels thru US waters for approximately 30% of the sailing

US Boundary Line

Objective

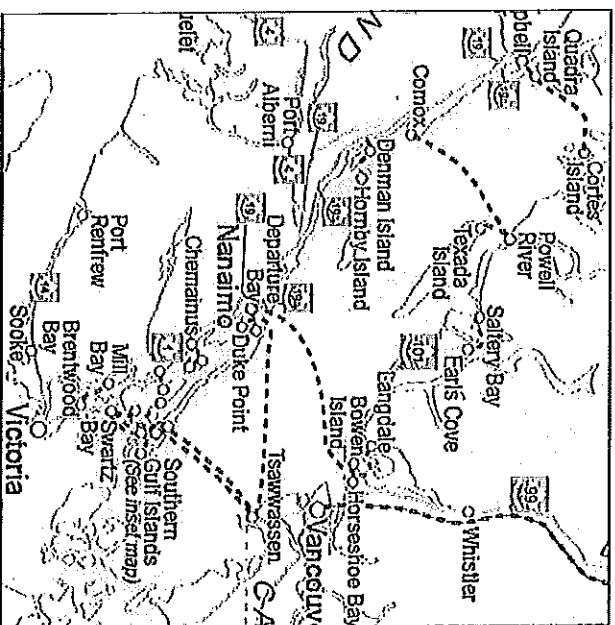
- ③ Understand the size and breadth of the BC Ferries routes and vessels
- ③ Determine which routes and vessels would be recommended to pilot an electronic gaming offering
- ③ Estimate potential Net Win per route based upon conservative calculations of Adult passenger traffic and vehicle traffic
- ③ Estimate Service Provider return based upon various scenarios

Agenda

- ③ Route and Vessel definition
- ③ Routes and Passenger Estimates
- ③ Adult Passengers and Net Win Methodology
- ③ BC Ferries Gaming Market Potential
- ③ Conclusion

Route and Vessel Definition

- ⊙ Currently, BC Ferries operates 40 routes and 35 vessels;
- ⊙ Five (5) routes have been identified by BC Ferries to be main routes to assess
 - Rte 1 Swartz Bay - Tsawwassen
 - SWB-TSA
 - Rte 2 Departure Bay - Horseshoe Bay
 - DEP - HSB
 - Rte 30 - Duke Point - Tsawwassen
 - DUKE - TSA
 - Rte 10 Pt. Hardy - Pr. Rupert
 - Rte 11 Haida Gwaii - Pr. Rupert
- ⊙ Total passenger count for these 5 routes between April 2012 - March 2013 was 10.3M
- ⊙ Approximately 10 vessels routinely cover these routes



Routes and Passenger Estimates

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(DRAFT)

Net Win Methodology based on \$50 Cash Drop

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9

(DRAFT)

Net Win Methodology based on 20 mins of Play

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7

(DRAFT)

Service Provider Estimated Earnings

s 17(1)(c)

8

(DRAFT)

Conclusion

- ③ Further assessment required with respect to costs associated to electronic gaming devices on BC Ferries
- ③ BCLC Security, Polices & Procedures and facility standards require review for non-traditional operation
- ③ Verification of route adult passenger estimates

Section 3

3. Scenario 2 – September 2013 (Draft)

- 1 Route and 1.5M passengers
- 25 Machines (net win/hour assumption)

BC Ferries
Gaining Market Evaluation
for Route 30
September, 2013

Based on 1.5M passengers and 20 mins of Play

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Net Win Methodology based on 25 machines

s 17(1)(c)

3

(DRAFT)

Service Provider Estimated Earnings

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4

(DRAFT)

Section 4

4. BC Ferries Amenities and Room Options

BC Ferries
Amenities and Gaming Room Options

October, 2013

Amenities On-board BC Ferries

[Schedules](#) | [Routes and Fares](#) | [Voyagers](#) | [Firmenichs](#) | [Compassion Travel](#) | [What is Onboard](#) | [At the Terminal](#) | [Sign On](#) | [My Account](#)

What is Onboard

Amenities
 All-Inclusive Buffet
 Pacificview Restaurant
 Coffee & Snacks
 Light Breakfast & Lunch -
 Special menu
 Special spots
 All-Inclusive Quiet Lounge
 Connect Terminal
 Free Wifi

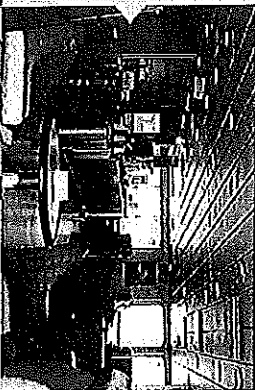
Amenities
 Voyage spending customers on BC Ferries enjoy exceptional Vancouver and Nanaimo Island, the southern Gulf Islands and Sunshine Coast offer a wide range of passenger services. The only voyage from one side to the other but the best to witness the scenic to make your voyage comfortable and enjoyable. Look for the following amenities on your next trip with us across the water.


Eat
 All-inclusive buffet, soft
 serve restaurant, or coffee
 and snacks - connecting
 for every appetite.
[View Card >>](#)



Shop
 Looking for a gift or a
 treat for yourself?
 There's something for
 everyone on your ride.
[View Shopping >>](#)

Escape
 Get some work done or
 just sit back and enjoy the
 view.
[View Lounge >>](#)



Play
 Entertainment for all ages.


- What type of amenities are currently being offered to BC Ferry travellers.
1. White Spot Menu
 2. All-inclusive Buffet
 3. Coffee & Snacks
 4. Retail Shopping
 5. Quite Lounge
 6. Play area including:
 - Crawl and Bounce area for 1-7
 - amusement/video games for 8-18
 - Opportunity for 19+

Lounges and Quite Areas

Schedules

Reserve and Plan

Vacations

Promotions

Commercial Travel

What is Onboard

At the Terminal

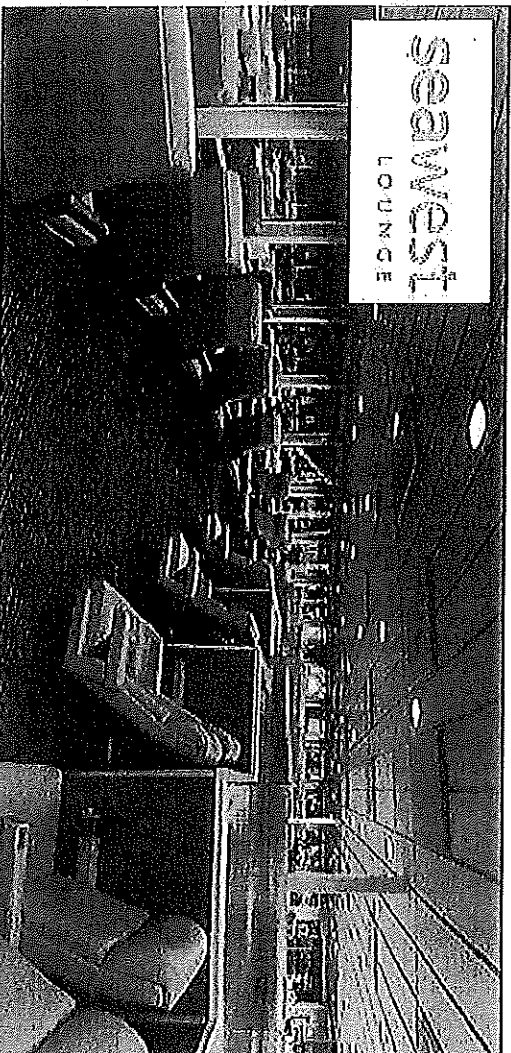
Shop

My Account

What is Onboard

Amenities

- All-Inclusive Buffet
- Self-Serve Restaurant
- Coffee & Snacks
- Light Breakfast & Lunch - Coffee & Snacks
- Retail Shop
- All-Inclusive Quiet Lounge
- Coastal Naturalist Program



Escape the Crowd

Enjoy scenic coastal views from our Seawest Lounge – a relaxing space for quiet, comfortable travel.

The all-inclusive entry includes Starbucks® coffee, tea, juice and fresh pastries, as well as a wide selection of local & national



[View the Menu >>](#)



[View the Photo Gallery >>](#)

Seawest Lounge – Renaissance



The Seawest Lounge on the Renaissance (Horseshoe Bay to Departure Bay Nanaimo)

Seclude area aboard the Renaissance could be a good area to host slot gaming. Private entrance to control age and provide security.



Section 5

5. BCLC Business Development Analysis – February 2014 (Draft)

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Business Development Analyst Memo

Casino Division

DATE; February 6, 2014

Prepared by: Carl Severson

PURPOSE/ISSUE:

In light of recent media reports suggesting that BC Ferries is considering the addition of slot machines on selected routes, BCLC has assessed the opportunity and arrived at the following Costs, Challenges and ROI related to slot machines on a single BC Ferries route (assumes 20 slots per vessel).

BACKGROUND/ANALYSIS

In mid-November 2013, BC Ferries announced that they were announcing discount cuts to seniors, cancellations and changes in route schedules as well as the possibility of adding slot machines as a pilot project on selected routes.

In 2007, BCLC removed lottery Scratch & Win tickets on all BC Ferries routes. The reason for this change in distribution was due to low sales (approximately 5%) and at the time there was no validation mechanism.

Ferries taking gamble on slots

Times Colonist (Victoria), Tuesday, November 19, 2013, Page A02

By Sarah Petrescu

"Transportation Minister Todd Stone said the pilot project would include slot machines in a secure, restricted area on the 95-minute Swartz Bay to Tsawwassen route which carries about five million passengers a year. The revenues would go back into ferry services and ease the need for future fare increases".

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