

January 2002

Public Gaming

INTERNATIONAL



Lotteries Light a Fire
Under Revenue Growth

Forecast 2002

Who's Running
the World of Lottery?

Until now the best lottery terminals came from ILTS.



The ILTS Intelimark is built around the Epson IR 300

Now they come from the ILTS/Epson team!

For more than two decades, ILTS has designed and built the most reliable terminals in the wagering industry. Their performance is near legendary. Datamark 4 terminals in Sweden have been in continuous service for 20, and are still in active use today. DATAMARK 8 terminals in New South Wales proved so reliable that on average they required a service call only once every two years.

Overall, ILTS terminals achieve MTBF more than double the industry average.

The message is clear. ILTS makes incredibly reliable terminals that are built to last.

Now ILTS has teamed with Epson, the world's leading supplier of value-added POS solutions to introduce the Intelimark, a new on-line lottery terminal that integrates field-proven ILTS ticket-handling technology and its legendary performance with the latest point-of-sale technology.

The Intelimark's powerful microprocessor and advanced modular design provide a flexible platform that can be configured

to meet the lottery's exact needs. The large color touch screen and patented, custom-tailored graphical user interface reduce the number of steps in selling and guide the operator through all essential functions.

A new standard of performance from a new team in the industry.

ILTS EPSON
The advantage of teamwork!



PublicGaming

I N T E R N A T I O N A L

ON THE COVER:

Lotteries light a fire under revenue growth.

Departments

INDUSTRY NEWS4

AROUND THE WORLD.....5

LETTER FROM THE PUBLISHER6

ON THE INTERNET20

LOTTERY NEWS25

ROUNDUP26

Features

- 7 Who's Running the World of Lottery**
A brief introduction into the background of Lottery directors outside of North America.
- 10 Vendor Predictions: 2002**
Lottery professionals look into their crystal balls to give us a glimpse of what could be in the year 2002.
- 13 South Carolina Gets Set for January 7th Start Date**
Find out what our friends in South Carolina are doing to ensure their Lottery start-up is a big success.
- 14 State's Look to Lotteries to Solve Revenue Woes**
A detailed article on how legislators are turning to lotteries to help solve their budgetary problems
- 18 Budget Shortfalls and Proposed Solutions**
A state by state update on current budget situations, and proposed solutions – both lottery and non-lottery.
- 23 Circles of Learning Returns to Atlanta**
Details on the renowned lottery conference.
- 24 Meet the Directors**
There are several new NASPL jurisdiction Directors. This article gives a brief introduction to two of them.

Public Gaming International is now also available on the web.

www.publicgaming.org

PUBLIC GAMING INTERNATIONAL			
PUBLISHER <i>Duane V. Burke</i> EDITOR <i>Todd Koeppen</i>	ART DIRECTORS <i>Asil Nosnibor</i> FINANCIAL DIRECTOR <i>Elsie Grote</i>	CEO/CHAIRMAN <i>Duane V. Burke</i> EXECUTIVE VICE PRESIDENT <i>Doris J. Burke</i> Consultant <i>Sharon Sharp</i>	FORMER DIRECTOR <i>Ralph Batch</i> CIRCULATION QUESTIONS <i>Tel: (425) 803-2900</i> <i>Fax: (425) 803-6830</i>
			ADVERTISING SALES VICE PRESIDENT OF MARKETING & SALES <i>David Mello</i> <i>Tel: (202) 244-9301 Fax: (202) 244-9302</i>
Public Gaming International (ISSN-1042-1912) January 2002, Volume 33, No. 1. Published monthly by the Public Gaming Research Institute, Inc., 4020 Lake Washington Blvd. NE, Ste. 100, Kirkland, WA 98033. (425) 803-2900. ANNUAL SUBSCRIPTION RATES: United States: \$145. Canada & Mexico: \$160(U.S.). All other countries: \$225(U.S.). POSTMASTER: Send address changes to Public Gaming International, 4020 Lake Washington Blvd. NE, Ste. 100, Kirkland, WA 98033. SUBSCRIPTION REQUESTS: Fax to (425) 803-6830. NOTE: Public Gaming International is distributed by airmail and other expedited delivery to readers around the world. ©2002 All rights reserved. Public Gaming Research Institute.			
E-mail: publicgam@aol.com		Web site: www.publicgaming.org	



Happy New Year!

2002 promises to be an exciting year of change for the lottery industry. As legislatures meet, many of us will be looking at expanding our lottery's product offerings because of tighter and tighter budgets. That means those of us in the industry will be relying on one another to learn how our lottery brethren in various jurisdictions have successfully implemented and sustained products that can add to our bottom lines and, ultimately, to the good causes we fund.



For some lotteries it means looking at joining a multi-state jackpot game like POWERBALL® or The Big Game®. New York, Ohio, Pennsylvania and others are in position to do so. The Ohio legislature has already approved the Buckeye State for a multi-state game.

Other states are looking at adding midday drawings for their daily 3 and daily 4 games. Some are moving toward higher price points and bigger prizes on scratch-offs. Where legislation allows it, prize payouts on scratch-offs will be moving higher, to 65, 70, and even 75 percent in some cases.

We'll see more promotional partnerships with national- and internationally branded companies, and a growing use of licensed scratch-off products.

In Kentucky and other states, CD-ROM games linked to scratch-off tickets will look to appeal to a new lottery player. Other states and provinces will see the opportunity to increase sales with pull-tabs and break-opens through the use of new vending technology. Some lotteries will move to implement instant ticket dispensers with new accounting technology.

Everyone will be watching Georgia closely to monitor its success with the new Changeplay® game. By the end of 2002 there likely will be a number of other states working to launch this game.

Keno and other monitor games will get another look by

some states, as will the placement of video lottery terminals or slot machines at racing facilities, and even more aggressive gaming options in a few instances.

Lotteries face the growing challenge of getting people paying for their gas at the pump to come into the retail environment to buy our products. We'll all be trying to find ways to solve that problem, with effective promotional pieces at the pump as well as new technology from industry vendors.

The lottery industry will be watching Congress closely to see how Internet issues unfold. As NASPL President, I will be working with David Gale and his staff in the coming months to ensure that our voices are heard and our positions considered.

NASPL will also be working on the development of industry technical standards in 2002, which has significant potential for its members and our vendors. The first steps along that path were taken this fall and the journey is underway. I'll address this in depth in a future report.

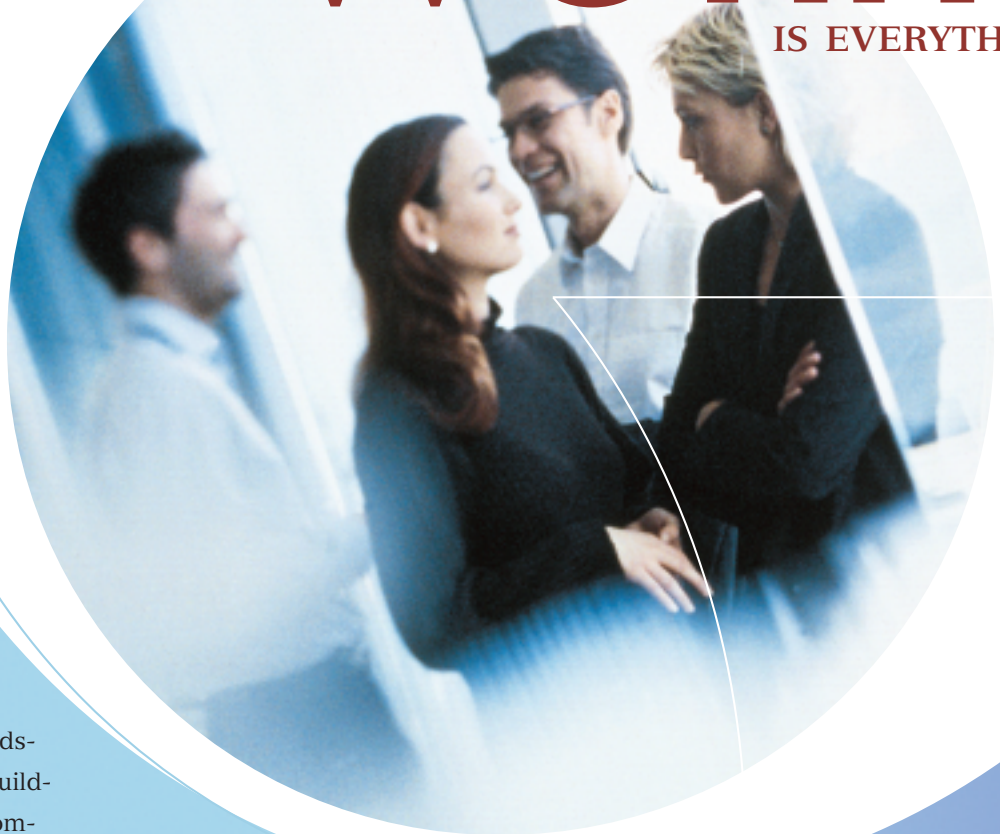
Meanwhile, best wishes to everyone for a happy and prosperous 2002!

A handwritten signature in black ink that reads "Arch Gleason". The signature is written in a cursive, flowing style.

IN THIS GAME,

TEAMWORK

IS EVERYTHING.



AWI's commitment to standards-based technologies requires building partnerships with great companies. We call it teamwork.

That's why AWI picks only those business partners who can deliver the highest quality, most innovative and fully integrated software-hardware solutions in the world.

Teammates like **IBM** who bring to the game their industry leading RS/6000™ hardware and AIX™ operating systems. Contenders like the **IBM WebSphere** Application Server, which links lottery technology to the Internet.

Players like **Oracle™** who can step up and deliver vital information day after day with the Oracle™ database and Discoverer query tools.

And pro-performers such as **Wincor Nixdorf** that produce powerful touch-screen retail terminals that are true champions in engineering and design.

With stars like these we have a team that is ready to play and knows how to win.

BECAUSE YOUR BUSINESS



IS NOT A GAME OF CHANCE.

Industry News

Connecticut Lottery Exercises All Five One-Year Extensions to Scientific Games' On-Line Contract

Scientific Games Corporation announced that the Connecticut Lottery Corporation has agreed to exercise all five one-year options to extend their current on-line system and services contract. The contract extensions will expire in May of 2008. As part of the extension agreement, Scientific Games will install its fully-integrated and customized Games Management System designed to facilitate the accounting and management of both the Lottery's instant and on-line products. The estimated value of the extension agreement is \$46 million.

The GMS system is a relational database product that provides a single user interface for all management activities associated with the operation of a lottery. GMS will include features such as expanded inventory control, financial management and reporting capabilities, sales and merchandising support, marketing communications and promotional support.

Employees Buyout Appleton Papers

The employees of Appleton Papers recently completed a buyout of the company from their European Parent, Arjo Wiggins Appleton. Through that sale they gained ownership, control, and responsibility for the company's future.

The new owners believe that both customers and employees will benefit from the buyout. The employee stock ownership plan brings with it the potential to create very positive changes in the Company. Customers will benefit from the subtlety of these changes. The employees have been running the company for nearly twenty years.

eLot Receives U.S. Patent for Sales of State Lottery Tickets

eLOT has received a U.S. Patent for its system that facilitates Internet sales of state lottery tickets with a screening and a verification function on the Internet. Specifically, U. S. Patent No. 6,322,446 covers the eLOT system and method that 1) enables lottery players to receive player and ticket information, 2) screens and verifies that the lottery players satisfy state eligibility criteria, 3) stores player and ticket information, and 4) upon receipt of winning numbers from the state, determines winning tickets and notifies winning players.

"We believe that the present legislative climate in Washington appears very favorable to exempting state lotteries from any prospective Internet gambling legislation. Therefore, when one combines our Internet technology with this new patent, we will be able to offer lotteries in the United States the best Web-based e-commerce solutions," said eLOT's President and CEO, Edwin McGuinn.

In addition, the company announced that the

bankruptcy court has approved the transfer of the Network 60 business back to the original Network 60 management group in exchange for cash, the return of the 3,500,000 eLOT shares issued in the original acquisition and settlement of a dispute between the parties related to the acquisition.

Kansas Lottery awards new contract to Pollard Banknote

The Kansas Lottery has awarded Pollard Banknote a new seven year contract for production of instant lottery tickets. With this new contract, Pollard Banknote becomes the Kansas Lottery's primary supplier of instant tickets, providing services such as game design, ticket production, marketing support and strategic planning.

Scientific Games to Replace Atlantic Lottery On-Line System

Scientific Games International will provide an advanced instant ticket management and accounting system and a new AEGIS on-line lottery central games management system to the Atlantic Lottery Corporation. The total value of the contract, the result of a competitive bid, is at least \$5.3 million. The Atlantic Lottery Corporation provides lottery services for New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador. Installation and testing of the system will take place throughout 2002, with the system to enter service by March 2003.

GTECH Signs Contract With Kansas

GTECH has signed a new six-year facilities management contract to provide online lottery equipment and services for the Kansas Lottery. The contract is expected to commence on July 1, 2002, and expire June 30, 2008.

Under the terms of the contract, GTECH will maintain the Lottery's existing terminal base of over 1,800 lsys terminals. The company will continue to provide the Lottery with ongoing services, including operation and maintenance of the central system hardware and software, terminal maintenance, retailer training, marketing support, field services, and hotline management. The Company anticipates generating revenue of approximately \$35 million over the six-year period.

Promo Travel Adds Properties

Promo-Travel International has added a whole slew of licensed properties to its roster. They include: Rat Pack; Travel Scrabble, Kool Kash (with an affiliation with HardRock), W.C. Fields-Chickadee Cash, and Popey Poker.

Games in development include Elvira Monster Money, which offers a trip to Dracula's Castle in Transylvania, and I Love America, with Amtrak and the American Red Cross, offers trips to New York, and even Broadway tickets. ■

From the Publisher, Top Ten New Year's Resolutions

for Lotteries Around the World

Resolution #1: Strive to introduce new products which will enable my lottery to generate dramatically more revenue for good causes in the year 2002 and beyond.

Resolutions #2 through #10: Same as Resolution #1.

It may seem trit to propose focusing on just one thing to make your lottery better for the New Year, and in fact, you can't really do that. But the reality is, that it is generally the addition of new products that dramatically increases revenues rather than the tweaking of existing products.

That's not to say that the major redesign of games won't help a lot; it may. And new marketing strategies to increase sales of existing games is essential. But wouldn't it be great

to have both – the benefits of redesigned/better marketed games and the dramatic growth that can come from entirely new products?

Like a lot of things in life, lotteries are not in full charge of their destinies; government leaders and legislatures have a lot to say about adding new games. Even so, lottery executives can continue to promote new ideas for the benefits that they can bring and, at some point, the time may be right for their approval.

Best wishes to all for good health, happiness and prosperity for 2002!

Duane V. Burke
CEO & Publisher

PGRI 2002 Conferences

SMART-Tech 2002

Co-Host: Georgia Lottery
February 3-6, 2002
Ritz Carlton Hotel
Atlanta, Georgia USA

ILAC Congress 2002

Co-Host: National Lottery of Mexico
April 6-9, 2002
Hilton Cancun & Golf Club
Cancun, Mexico

International Lottery Expo 2002

Co-Host: Florida Lottery
August 1-4, 2002
Loews Miami Beach Hotel, Miami Beach, Florida USA

For more information on PGRI conferences, please contact Elsie Grote.

Public Gaming Research Institute, Inc.

4020 Lake Washington Blvd, NE, Suite 100, Kirkland, WA 98033

Telephone: 425.803.2900 • Fax: 425.803.6830

Email: publicgam@aol.com • Website: publicgaming.org

Around the World

Australia

UK-based Orbis has been selected by Australian lottery operator, Tattersall's, to provide the technology and infrastructure to support its move into the online sports betting market. Tattersall's is the oldest private gaming operator in the English speaking world and is one of two operators in Australia with a state lottery license.

China

The China Welfare Lottery Center will run a lottery to celebrate the Spring Festival (Chinese Lunar New Year) and the Lantern Festival, both in February. It will be the first time the lottery highlights a holiday celebration. The games feature a live telecast of the drawings.

Europe

The big news on January 1 will be the launch of the Euro. Affected lotteries are gearing up with new tickets, new bet slips, new rules and trying to minimize potential seller and player confusion. There will be a two-month transition period as the 12 countries adjust to the new paper notes and coins. There will be eight denominations of coins, one side common to all countries and the other specific to each.

India

The very large India conglomerate KK Modi Group is heading up the group that will install 8,600 terminals in 166 cities throughout the country. Those involved include GTECH, Victor Chandler International UK and distribution partner Integrated Technology Solutions Private Ltd. The launch is scheduled for May 2002.

In other news, the Mumbai high court has admitted a petition challenging the Government of Arunachal Pradesh's bumper draw. The petition alleges the Lottery deceived players' into believing it offered a first prize of Rs one crore, when in fact the prize consisted of ten prizes of Rs ten lakhs.

The petition also claims that the Lottery was using the word Mumbai in its name. It is considered illegal to use Mumbai in the title because it gives the impression that the Maharashtra government was involved in the sale of the tickets.

Israel

Mifal Ha'Pais recently gave away 50 million NIS (+\$10 million) to celebrate its Jubilee Anniversary. Using the "Must Win" system, if the top prize is not won the jackpot rolls down to the next level. To celebrate the 50th, all of those facing their 50th birthday on the 17th were invited to attend the draw.

Italy

Olivetti, 35 percent shareholder in Lottomatica is looking to divest itself of its stake in an attempt to decrease its debt. De Agostini, a private publishing house, recently

bid on the stock at 1.075 billion euros, but the bid was determined to be too low.

Lottomatica's rival, Sisal, is watching the process with great attention, but has dismissed speculation that they may place a counterbid as rumors.

Japan

The Daikokuya department store in Iwaki, Fukushima Prefecture, went bankrupt at the end of May, 2001. Since that time the administrator of the store has refused to hand over the near 150 million yen the store collected in Dream Jumbo Lottery tickets it had sold before closing.

By far the most popular outlet for lottery tickets in the area, Daikokuya accounted for 60% of sales in Fukushima Prefecture. Lottery operator Dai-Ichi Kangyo Bank is suing the store to try and recover the funds.

Korea

The Kookmin Bank has been selected to oversee creation, management and marketing of the country's new Lotto on behalf of the central and regional governments. Domestic and foreign companies are being invited to a meeting about how to set up the lottery.

In other news, the Korean Tourism Association is teaming with Kolotto Company to sell Instant lottery and Lotto tickets to foreign tourists in an effort to promote the Korean tourism industry. Also, Australia's "The Mail Service" or TMS will be selling instant through vending machines in Seoul, Korea, next year.

Malaysia

Malaysia's Sabah state government has decided to increase the sales tax of lottery tickets from 10 to 15%, making them the most expensive in the country. A government official commented that the tax increase would raise next year's state revenue contributions to RM65mil compared to RM44mil this year.

Nigeria

King and George Ltd, a Football Pools company has aligned with the Nigerian National Sports Lottery. With this alignment, King and George automatically becomes the sole agent of the National Sports Lottery. These pools have become very acceptable in Nigeria, accounting for the employment of 10 million people.

A formal appeal was made to agents and distributors become marketers of the National Sports Lottery ticket.

Zambia

Zambia's Lottery Management Company has introduced a lotto game tailored specifically for the Zambian market. The game, Kwachamania Big Bang, is a lotto game that pays all prizes at the time of the draw. Zambian players prefer guaranteed prizes over rollover jackpots. ■

Who's Running the World of Lottery



Jordi Aragonès i Riba – Loto Catalunya

Jordi Aragonès i Riba was born in Vilafranca del Penedès, Barcelona, in 1961.

Coming from a background in the world of financial management of private companies, Jordi joined the field of public administration in 1987, coinciding with the beginning of functioning of the Generalitat lotteries (Loto Catalunya).

During this period, he carried out various functions closely connected with finance and government. In September 2000 he was appointed Director by an agreement of the Generalitat Government.

Sandi Giorgio – Sisal S.p.A., Italy

Sandi Giorgio was born Sept. 11, 1953, in Milan. In 1977 she received a degree in economics at the Bocconi University of Milan, specialising in marketing.

Her professional life is filled with marketing and managing experience in companies such as Morgan Vonwiller, Unilever, Ciba Geigy and the Motta/Alemagna Group. In 1990, she joined Sisal S.p.A. as a sales and marketing manager. In 1991 she was named general manager of Sisal, where he coordinated the launch of Tris, stakes that increased from 41.3 million Euro in 1990, to more than 1 billion Euro in 1997. Finally, in 1997, Ms. Giorgio was named managing director and general manager of Sisal.

Michael Howell – NSW Lotteries; Australia

Michael has been the Chief Executive of NSW Lotteries since 1989 and has worked in the lottery industry for 17 years. He has extensive experience in commerce and public sector finance. Michael was a founding member of the first NSW Lotteries Board and oversaw its transition from being a Government Department to its current status of a State Owned Corporation. He is currently Chairman of the National Lotto Bloc.

Ales Husak – SAZKA, a.s.; Czech Republic

Ales Husak was born July 27, 1957 in Trutnov, Czech Republic. He received his education at the Law Faculty of the Charles University. After graduation worked as a lawyer of catering agency (Restaurace a jídelny) in Prague

4, then became a research worker in the field of economy at the Research Institute of Domestic Economy. Having left that post he passed to the foreign-economy administration of the National Czechoslovak Bank Headquarters, department of foreign currency legislation. In 1990 he went to study in Canada and after his return he became the commercial manager of Prague Fair and Exhibition Centre (Výstaviště Praha). Since 1992 has been active in private business, too, in the area of investments, fairs and exhibitions and economic advisory.

In 1994 -1996, he was a vice-chairman for economic issues of STV (Czech Sports Association). Since 1995 has been the SAZKA, a.s. General Manager and Chairman of the Board of Directors. In 1996 was elected a member of the European Association of Lotteries and State Lotteries (AELLE) Executive Committee. In May 1999 became a member of the newly established European State Lotteries and Toto Association (EL) Executive Committee and was elected second Vice-President of the Association at the same moment. On May 31st, 2001 was elected the first Vice-President of EL.

Christophe Blanchard-Dignac – La Française des Jeux; France

Christophe Blanchard-Dignac was born November 20, 1953. He received his undergraduate education at the Institute for Political Studies, his Masters Degree at the University of Paris, and later attended the National Academy of Administration.

He became CEO of La Française des Jeux in October 2000. Immediately prior to this position, he spent five years as the Director of the Budget in the Ministry of Economics and Finance. Altogether he spent roughly fourteen years in the Ministry of Economics and Finance, taking one year off ('94-'95) to be the Deputy Director General and Advisor to the President of the Federal Postal Service, and two years as the Assistant to the Deputy Director General of Credit Agricole Bank.



Staderini Marco – Lottomatica, Italy

Staderini Marco was born July 11, 1946 in Rome, Italy. He received a degree in civil engineering at la Sapienza University of Rome, in 1971.

His professional life includes work as a computer analyst at Sogei, where he eventually became special projects director. In 1990, he was named manager of Consorzio Lottomatica, a state licensee for lottery automation, and in just one year he had worked his way to managing director and general manager of Lottomatica S.c.p.A. In 1997 he was named Managing Director of Lottomatica Italia Servizi S.p.A., and was finally named General Manager of Lottomatica. In addition to this he has been appointed Information Technology Consultant to the Presidency of the Council of Ministers.

Mr. Marco is also known to be a Knight Commander of the Order of Merit of the Italian Republic, and a man who enjoys playing tennis.



June Roache – SA Lotteries, Australia

June Roache has been CEO of SA Lotteries since 1994. She received her Bachelor of Accounting from the University of South Australia, and her Graduate Certificate in Management from Monash Mr. Eliza Business School.

Prior to her position of CEO of SA Lotteries, Ms. Roache was the Chief of Staff to the Hon. Diana

Laidlaw, MLC, Minister of Transport the Arts and Status of Women. She also held a position as the Senior Executive with the SA TAB (off-track betting).

She is a member of several professional associations, including: the Australian Institute of Company Directors, the Australian Institute of Management, and the Australian Society of Certified Practising Accountants. Ms. Roache is also a Justice of the Peace in South Australia.

Emil L. Mezgolits – Austrian National Lottery

Email Mezgolits was born December 23, 1953 at Wiener Neustadt, Austria. His long history of higher education includes a Master's and Doctorate degree at the Vienna University of Economics, Commercial Science; a position of scholar at the Institute for Higher Studies Department of Operations Research/Business Management; a Master of Arts in Management from Webster University, Vienna; and the position of Adjunct Professor at Webster University. In addition to his native tongue, Mr. Mezgolits is also fluent in English and Spanish.

His professional experience includes working in the Marketing and EDP departments at the Osterreichische Landerbank, and the position of Secretary to the Governor of the Austrian Postal Savings Bank. In 1986 he was made a Member of the Board of Osterreichische Lotterien Gesellschaft m.b.H, and in 1998 he was named a Member of the Board of Casinos Austria AG.

Monika Salu – Eesti Loto, Estonia

Monika Salu was born September 29, 1968. She received her undergraduate degree at the Tallin Pedagogical Institute, in the General Technical Disciplines, and received her MBA and Doctorate at the Estonian Business School. Ms. Salu speaks and reads Estonian, English and Russian; speaks Finnish, and has a basic level knowledge of French.



Her work experience includes being Managing Director of the Estonian Cancer Society, Deputy Mayor of the Tallinn City Government, and in 2000 she was named Chairman of the Board of AS Eesti Loto. In addition to these positions, Ms. Salu has spent several years as a lecturer at the Estonian Business School, and has had writings published in several publications.

Ms. Salu started her work in Eesti Loto in the summer of 2000, when the company was 4 million kroons in the red. Her program for change started showing results early, and by the end of 2000 the company was showing a 1 million kroon profit. Forecasts have predicted a 9 million kroon profit by the end of 2001.

Mr. Alfred Muscat – Lotteries State Department; Malta, Italy

Alfred Muscat is director of the Lotteries State Department in Malta, a position he has held since 1990. During his eleven years as Director he has organized the 1994 European Lottery Draw and the 1999 European Lottery Congress in Malta. Mr. Muscat, besides being a member of the Executive Committee of the European Association of State Lotteries for two years, has attended and actively participated in many European Lottery conventions and has managed to enhance his lottery's presence in many international activities.

Although Mr. Muscat's turn of office is now nearing its end, he still dedicates his energy to enhance integrity and fairness within the lottery. He strives to maintain public confidence in the lottery, all the while being conscious of the bottom line.

Mr. Muscat is finally actively involved in seeing through the privatisation process of the Lotteries Department in Malta and has been entrusted to ensure a smooth handing over of all lottery activities to the new operators entrusted with Lottery operations in Malta.

Nedelcho Proshkov – Bulgarian Sport Totalizator.

Nedelcho Proshkov was born February 8, 1950 in Sofia, Bulgaria. He graduated from the High Economic School in Sofia.

In 1991 he was appointed deputy CEO of the Bulgarian Sport Totalizator, then in 1992 he was named CEO of the company.

After taking a break to occupy another post, Mr. Proshkov once again returned to his post of CEO and Chairman of the Bulgarian Sport Totalizator in April of 1997. He was reelected for another five years in August of 2000.

**Friedrich Stickler
– Austrian National Lottery**

Friedrich Stickler was born January 18, 1949 in Vienna, Austria. His formal education included becoming a certified engineer at the University for Agriculture in Vienna, as well as additional education at the University of Salzburg. Mr. Salzburg is proficient in German, English and French.

His professional life has included being in charge of Special Projects and Manager of Casinos on cruise ships for Casinos Austria; a two-year stint as the personal assistant to Dr. Leo Wallner, managing director of Casinos Austria; project manager for Casinos Austria and the Austrian Postal Savings Bank, where he helped launch 6/45; position of board member for Omnimedia Werbeges, and the Osterreichische Lotterien GmbH, and finally, in 2000 he was named Chairman, Osterreichische Sportwettengesellschaft m.b.H.



**Bill Thorburn
– Golden Casket
Lottery Corporation;
Queensland, Australia**

Bill Thorburn is the Chief Executive of Golden Casket Lottery Corporation Limited in Queensland, Australia. Golden Casket employs 230 staff and lottery sales in 2000/01, were \$A721 million

Bill joined Golden Casket six years ago, after some 13 –years at the Queensland TAB, the recently privatised wagering enterprise. Prior to entering the Queensland gaming and wagering industry, Bill obtained his chartered accounting qualifications during eight years with leading accounting firm Ernst & Young.

Since joining Golden Casket, Bill has overseen the process of commercialization and corporatization of the enterprise culminating in the formation of a company GOC (Government Owned Corporation) on 1 August 1997. Other major initiatives during Bill's time with Golden Casket, include the launch of several innovative new products, a major upgrade to retail image standards,

implementation of a new technology platform and the launch of a new player card and customer loyalty scheme - Winners Circle.

Bill is married with twin daughters and outside work enjoys family activities and competitive sailing.

Tjeerd Veenstra – De Lotto; Netherlands

Tjeerd Veenstra was born in 1948 and studied social sciences at the University of Nijmegen. He has practiced as a psychotherapist and has held senior management posts in the health care sector. In 1989 he was appointed CEO of Cure & Care Development (CCD) and worked as consultant and interim manager in the Netherlands and Central Europe.

He has been director of De Lotto since October 1994. In addition to this he is Chairman of the Legal Commission of EL, President of the Board of CCD, and a member of several organizations, including: the Executive Board of the European State Lotteries and Toto Association; the Managing Committee of the European Football Pool; and the Board of Garanty Fund for Sport Accomodations.



**Dr. Winfried Wortmann
– Westdeutsche Lotterie
GmbH, Germany**

Winfried Wormann was born in West-Germany in 1946. From 1972-1975 he studied sociology and macro economics at Cologne and Berlin Universities. He graduated as Dr. rer.pol.

His professional career has included being head of industry in the economic department of WestLB, general deputy of Deutsche industry at Handelsbank, Berlin, and managing manager of Investitionsbank. In 1994 he was named managing director (speaker) of the Westdeutsche Lotterie GmbH. Finally, in 1997 he was named sole managing director of that organization.

In addition to this he is (among other things) treasurer of the International Association for Sports and Leisure Facilities, is a member of the board of trustees of both the Equal Chairty and Welfare Association and the Foundation for Purposes of Natural Conservation, Home and Culture, is VP of the WLA Executive Committee, and is chairman of „Lotterietechnischer Ausschuss“ of the German Lotto and Totobloc. ■



Vendor Predictions 2002

2002 looks to be an exciting and monumental year. To try and get a head start on the New Year, Public Gaming International has asked several lottery vendors to look into their crystal balls and grace us with some predictions. What follows is an interesting mixture of ideas, with consensus points falling on governments opening up legislative doors to allow lotteries to generate more revenue, and new media applications continuing to take over the marketplace – particularly mobile commerce.

Spielo Gaming International

2002 will mark an unprecedented amount of new VLT legislation being considered in the United States and Western Europe, with some surprising breakthrough jurisdictions. It will also be the year to mark significant product breakthroughs such as downloading technology, which is now available and in the field. This innovation in the VLT industry eliminates inefficient EPROM chips making game changes in the field much more efficient. We predict that every lottery operating VLTs in North America and Western Europe will be utilizing some form of downloading (local or central) in the next 5 years.

Economic difficulties around the world will result in governments expanding lottery activities in order to increase their revenues. This will present opportunities to try new ideas to increase lottery sales. Competition will also continue to increase. The introduction in North America of the 2 in 1 PDA/cell phone device and the establishment of high-speed networks will also be major accelerators in changing where and how the public spends its money.

Intralot

The lottery industry cannot change dramatically from one year to another. Trends that we have already faced in the last couple of years will continue to elaborate. New media applications will still remain the main target of the industry, but for the future the lottery market will focus on the development of the mobile telephony and digital TV. The increase in sales will be one of the top priorities of the lotteries leading therefore to a new type of business relationship between lotteries and vendors. Consequently, the upcoming changes will affect the market status of the supplier side.

EssNet

With people in some countries now able to interact with services on their TVs, PCs and mobile devices in more compelling ways, huge opportunities are opening up for lotteries. Players will expect to be able to place bets via different sales channels, yet have their accounts and loyalty schemes managed centrally. The concept of single-point-of-control thus becomes very important for lotteries that do not want to run and support several systems in parallel.

Mobile entertainment will grow and games are viewed as the potential 'killer' application. With the arrival of GPRS and then 3G technology, opening up opportunities for video streaming and full Internet access, the telephone is not just a phone any more – it's an entertainment device as well. The screen sizes will increase and color will be added. It is predicted that four out of five handsets will come bundled with games and game applications by 2005. The lottery industry faces stiff competition to grab a share of young people's attention. The possibility to stream real-time sports clips to your mobile device will add a new dimension to sports betting.

When sports betting via interactive TV was demonstrated by EssNet at World Meet in Albuquerque, it attracted a lot of attention and we believe that this type of betting will be implemented in the near future.

Pollard Banknote, Ltd.

- Governments will look to lotteries for greater sales to help offset potential funding shortages in a slower economy.
- Seeking more value-added products, lotteries will introduce innovative tickets. This could include laminated tickets combining pull-tab and scratch play styles.
- Prize payouts and ticket sizes will continue to grow. Price points will also rise, culminating with a \$50 instant ticket to

be launched in the U.S. market.

MDI

- In 2002, with state's staring at deficits in their budgets, lotteries will be more willing to consider marketing and sales initiatives that they would not have considered as recently as 12 months ago.
- 2002 will be the year that the first of the Major Leagues will start making appearances on lottery tickets, with NBA games through MDI.
- No US lottery will sell non-subscription tickets over the Internet—but it could well happen in 2003.
- 2002 will be the year that at least four additional U.S. lotteries will prove that Betty Boop is one of the hottest selling instant scratch themes ever.
- We will see the first \$500,000,000 jackpot.
- Significant progress will be made toward initiating an international multi-jurisdictional lottery.
- Over a quarter of a billion dollars in Harley Davidson tickets will be sold—eclipsing 2001's record of \$130,000,000.

Wincor Nixdorf

More and more lotteries are discovering the many pos-

PublicGaming
INTERNATIONAL

Public Gaming International (Monthly) (\$8.50 per copy)

- U.S. \$145
- Canada & Mexico \$160
- Overseas \$225

PGRI's International Morning Report on Lotteries and Gaming Weekly fax of industry news bulletin.
FREE only with IALS membership.

Call Circulation for details, 425.803.2900

RETURN TO: Public Gaming Research Institute, Inc.
4020 Lake Washington Blvd. NE Ste 100,
Kirkland, WA 98033
FAX your order today 425.803.6830
E-MAIL: publicgam@aol.com
www.publicgaming.org

SUBSCRIBE Today!



TO ORDER:

Check publication(s) desired, complete information and return form.

Name _____

Title _____

Company _____

Address _____

City _____ ST _____

ZIP _____ Country _____

Fax _____

Check Amt \$ _____ VISA Mastercard AMEX

Card # _____ Exp Date _____

Signature _____

sibilities offered by the modular design of Wincor Nixdorf terminal systems. The success of the design system – developed in 1999 – can be seen in more ways than just the rising number of Wincor Nixdorf shipments. This can also be seen from their competitors' new developments which incorporate similar build principles to the XION/ M terminals.

The XION/ M family allows custom-built solutions to be combined using standard components, and the customer can use the "pick'n'mix" approach put his lottery terminal together in exactly the right way to fit his needs and expectations. Modularity meets Individuality. The age of inflexible monoliths is past. The benefit for the customer can be found not just in the customer-specific design, but also in the cost savings associated with the use of standards.

The Chadwick Group

Like other application driven industries, the Lottery Industry will turn to smaller, more nimble organizations to develop and implement innovative, niche products aimed at identified segments of the playing public. These "guerrilla companies" will provide specific, targeted products, delivering them through both traditional and new channel markets.

Transnational Market Development, Inc.

Economic realities will force lotteries into joint ventures with new types of vendors as existing lottery management and operations methodologies will be scrutinized by both legislatures and the media.

Oberthur Gaming Technologies

The new millennium brings exciting challenges and opportunities, including not only increased competition from casino and Internet gaming but the launch and expansion of mobile gaming in Europe and the Far East. These competitors will stimulate new consumer appetites and spur new product development. Lotteries will seek to maximize relationships by providing retailers with the integrated technology necessary to enhance customer relationship management (CRM), which is vital to long-term success in a slowing worldwide economy. Pressure to generate revenue is at an all-time high. In meeting these challenges and taking advantage of these opportunities, we believe we'll see:

- Lotteries in Europe, Australia and New Zealand increasing payouts on instant games, launching more games and expanding distribution.
- Lotteries in Latin America, South America and developing markets licensing their lotteries to private operators.
- North American lotteries embracing new products and

technologies such as:

- More \$10, \$20 and higher games. Features will include unique packaging (i.e., our die-cut skyline fold; pouch games; fold pieces with inserts, etc.) and higher top prizes (more instant multi-millionaires). Crossword line extensions (\$5 Super Crossword) will make a huge positive impact on overall Crossword sales.
- More Internet promotions, more cross-promotional tie-ins and CD-ROM games.
- Slingo® will become the licensed property of choice throughout the U.S. market.
- The emergence of the smart card technology to provide the required security as a result of September 11, 2001.
- UCCNet scanning systems being deployed at grocery retailers. This new system will facilitate Direct Store Delivery (DSD) and expanded Scan Based Trading (SBT). In the years to come, once they become part of the pricebook, lotteries will use this data to develop better products and strategically target product deliveries.

Schafer Systems Inc.

As an employee owned company, Schafer Systems Inc. will be even more committed to exceeding the wants and needs of its lottery customers with point of purchase displays for instant ticket dispensers. The lottery industry will be seeking economical yet innovative products that will allow them to delight and entice the Baby Boom and X generations with new and more exciting games. Manufacturers will be compelled to provide the lotteries with durable yet attractive products that are long lasting. Schafer Systems has committed an entire team to research and development in order to provide new and innovative lottery dispensers in 2002.

Nter Technologies

- The gaming industry and especially lottery organizations are at a crossroads, and the technology choices they make in 2002 will be a deciding factor in whether they can meet the future needs of the market or not.
- The keywords in 2002 will definitely be "interactivity", "accessibility" and "integration". That means organizations will be seeking flexible technology solutions that will give them a faster time-to-market for new products open to the Internet, wireless and interactive TV while cutting their implementation and operating costs.
- Gaming must adapt to and integrate with the vast entertainment market, and organizations must now consider the complementarities and synergies among the various types of games offered such as those available on television, video, Internet and cell phones. ■

South Carolina Gets Set

for January 7th Start Date

With each passing day the South Carolina Educational Lottery (SCEL) creeps closer to its actual January 7, 2002 start-up date, and the entities that make the lottery go are working hard to ensure that the launch is a success.



S.C. Director, Ernie Passailaigue, laughs it up with Lottery Spokesman, Tom Sharpe, and others.

Commercial Shooting

In late November two film crews starting crossing the State, shooting the first may Lottery commercials. The new ads will show small-town South Carolina welcoming The Lottery Express – a big, yellow Winnebago. Tom Sharpe (also a spokesperson for Ziploc and Comp USA) will be traveling across the state in the motor home, delivering the message that the Lottery is "Just Plain Fun." The \$300,000 ad campaign began airing Monday, December 17.

South Carolina officials are counting on receiving a lot of business from the Charlotte, North Carolina metro area, but they have to be careful to not allows the ads to slip into the state since it forbids lottery advertising from other states. One problem that this poses is that residents of South

Carolina's York and Lancaster counties view a lot of Charlotte TV stations. To compensate, the Lottery plans to buy ad time on South Carolina's Rock Hill cable system.

Retailers in Training

Late November through early December was also the time frame the Lottery used to select and train its retailer force. Those applicants who passed the required background checks were entered into a drawing to be the first licensed retailers for the SCEL. One retailer was drawn from each region of the state – the Midlands, Coastal, and Upstate.

After the initial drawing for retailers, Lottery officials decided that Pawnshops would not be barred from selling the games.

The First Tickets

While it's not unusual for Governors to scratch the first instant at a Lottery launch, South Carolina's Governor Jim Hodges took his support to a new high when he toured Scientific Game's headquarters and print facility in Alpharetta, Georgia, to witness the first tickets coming off the press.

The first batches of six SCEL Instant tickets were delivered to Scientific Game's warehouse in Blythewood, South Carolina on December 13. The first four games, Scenic SC, 3 Times Lucky, The Logo Game and Carolina Riches go on sale on January 7. Nineteen million tickets were printed for these four games. Two other games – Bonus Bucks and Solid Gold – will go on sale in early February. Online games are expected to launch in March (see sidebar). ■

Scientific Games Wins South Carolina On-line Contract

Scientific Games Corporation (SGI) has been awarded the contract to provide on-line lottery services for Th. South Carolina Education Lottery (SCEL). The initial contract, with estimated revenues of \$50 million, is for six years, includes an option for an additional one-year extension, and is subject to final execution. Earlier this fall, Scientific Games won the contract for the SCEL Instant games.

SGI will install EXTREMA on-line terminals and the AEGIS central system in South Carolina. The EXTREMA has proven to be a reliable terminal for SGI customers in New Hampshire, Vermont, Iowa, Maine, Jamaica, and Italy where 20,000 EXTREMAs are deployed.

The new on-line lottery, which is scheduled to be launched on or before March 2002, increases SGI's North American lottery customer base to seven jurisdictions. ■

State's Look to Lotteries to Solve Revenue Woes

By now everyone is admitting it. It's been obvious since last Spring, but it took the September 11th tragedy, and its economic impact, to finally get everyone to openly agree that we are in a recession. It's not like there's no end in site. Stocks are slowly climbing back up to pre-recession levels, and consumer confidence is returning, but the mindset of the U.S. consumer has changed. People don't seem to be spending with the same kind of abandon they did in the late '90s. More focus is being placed on saving money, and businesses and state governments are paying the price.

Can Lotteries Help?

The majority of U.S. states are estimating a budget shortfall for FY 2002, and many of these states are looking to their state lottery to help make up as much of difference as possible. The problem is that many lotteries are generating as much money as can be expected with the configuration of games they are allowed to operate.

To make matters worse, several lotteries are dealing with the Federal Treasury's suspension of the 30-year bond. Unless a solution is found for this problem, it will most likely have a negative effect on large jackpot games. Players in many jurisdictions are already suffering from jackpot fatigue, and in areas where this is true it may be unreasonable to think that these larger jackpot games can be relied upon to generate more revenue.

So, can lotteries possibly expect to make up a reasonable amount of state budget shortfalls? Many state legislators are working hard to clear the way so that their lottery can increase their revenue generation.

Lotteries and Legislators Look for Solutions

The past few months have revealed a great number of

law makers willing to climb off the fence on gaming expansion issues in an attempt to raise money for state budgets. Solutions being explored (and in some cases being implemented) includes VLTs, multi-state lotteries, non-lottery states joining the lottery contingent, and even a game to raise funds for anti-terrorism security measures.

New York Gaming Expansion

By now most people in the lottery industry have heard about New York's gargantuan gaming expansion. The estimated \$9 billion hole the September 11th Terrorist attacks left in the

state budget necessitated action being taken, and lawmakers didn't waste any time doing what needed to be done. An "economic stimulus package" including VLTs at several horse-racing facilities, as well as the state's joining of "The Big Game" will be overseen by the

Lottery in an attempt to replace revenue lost because of the World Trade Center disaster. State officials say they hope the law will raise about \$1 billion annually within three years. It is also important to note that this massive expansion will add an estimated 10,000 jobs, which should provide a substantial boost to the state's economy.

When asked what the what the Lottery is doing to prepare for this expansion, Director Margaret R. DeFrancisco answered, "We are still in the process of gathering information in all matters regarding the New York Lottery's new,



*Directors of The Big Game lotteries help celebrate the addition of the New York Lottery – with a little help from the Rockettes.
(photo by George Kanatous)*



expanded role as it relates to raising revenue to support education in New York State. We're also continuing our fact finding campaign to learn as much as we can about VLTs so we can better understand this aspect of the lottery business."

The legislation for the largest gambling expansion plan in state history was spearheaded by Governor George Pataki and Senate Majority Leader Joseph Bruno. The plan calls for the State Education Department to receive 60 percent of all VLT revenues, the Lottery 15 percent and tracks anywhere from 12 percent to 25 percent, depending on contract negotiations with the Lottery. VLTs are definitely headed to Yonkers, Monticello and Vernon Downs, and the machines are still waiting approval by Saratoga County's Board of Supervisors before the Equine Sports Center can get them.

Other States Looking to VLTs

New York is not alone in their quest for VLTs. The prospect of VLT revenue would be a financial windfall to most states. State lotteries with VLTs have witnessed enormous growth in their gaming revenues over the last few years, and that fact, coupled with the budget shortfalls most states are predicting, have many states exploring the subject of Video Lottery.

Many in Maryland are predicting that an approved horse-racing track could eventually lead to VLTs being housed at tracks. Some legislators are murmuring that Maryland residents are taking money that could be supporting state funds to VLT funded tracks in Delaware and West Virginia. These feelings coupled with a projected \$124 million budget shortfall could go a long way towards making VLTs a reality in the State.

VLTs in Minnesota bars is a solution that many legislators

and lobbyists are mulling over. Funds raised from such a venture could support any number of programs with budgetary problems. Suggestions have included the state budget and anti-terrorism security measures. Still, the cause that seems to have the most momentum behind it is funding to build a stadium for the Minnesota Twins. Major league baseball officials recently voted to get rid of two teams, and the Twins are on a very short list for elimination consideration. It's been reasoned that with their current stadium the team cannot generate a profit.

The Minnesota Licensed Beverage Association has come up with a plan that could include several agencies. Within the plan an estimated \$300 million to \$500 million per year in VLT revenue could be split between the Minnesota State Lottery, tribes, local governments and bar owners. The bill proposes that tribes supply the machines, sets a limit of five machines per establishment, and would require participating proprietors to have been licensed for at least three years. This latest boundary was put in place to keep out organized crime. The plan could bring as many as 15,000 VLTs to the state.

Another VLT based plan being discussed in the state legislature would allow the machines at Canterbury Park, a horse-racing track. The bill, being introduced by Rep. Mark Holsten, R-Stillwater, and Senate Minority Leader Dick Day, R-Owatonna, would create a scenario that could allow the state to take in \$50 million per year in profits. It's being proposed that the money be used for the Twins stadium, and schools and roads.

Increasing beneficiary needs has caused Pennsylvania legislators to seek alternative funding sources. State Representative Tom Petrone, D-Crafton, drafted a "Slots-

The VLT Conundrum – Will Success Stories Force States to Allow Them?

There are few within the lottery industry that would deny that VLTs would make a significant impact on any state's budget shortfall. While no one expects the adamant anti-gambling establishment to shift its stance on VLTs, the more state budget problems linger, the more fence-sitters are climbing down and joining the pro-VLT side. Many are looking at the success of West Virginia, Delaware, Rhode Island, South Dakota and Oregon and realizing that their state could be experiencing the same kind of windfall.

These five U.S. states that allow lottery operated VLTs took in over 55 percent of their lottery revenue through the machines. During FY 2001 Video Lottery saw a sales increase in every U.S. jurisdiction, had the highest average sales per capita of any lottery game, and saw the highest percentage in sales gain of any game over FY 2000.

Still, revenue generation for beneficiaries is only one of the benefits that VLTs bring to the table. They also provide a substantial number of in-state jobs, which can provide a major boost to the state economy.

VLTs have been largely responsible for financial turnarounds at West Virginia racing facilities. Purses at some of the tracks have increased more than tenfold in the last five years. In West Virginia, tracks get 47 percent of all profits, 13 percent goes toward purses and the Lottery Commission gets 30 percent. The remaining 10 percent goes to other funds.

While the machines don't really create more fans of the sport (many facilities across the country have fairly sparse crowds in the stands watching the races), the money they generate for breeders and jockeys almost single-handedly keeps the sport alive. Currently, in West Virginia, there are 4,500 licensed owners and trainers – an all-time high.

Between 1993 and 2001, the State of Rhode Island received more than \$432 million in VLT revenue from one facility – Lincoln Park. In addition to the state revenue, the park also generated more than \$9 million in revenue for the town of Lincoln. If the facility receives the 1,300 machine expansion it's proposing those numbers could nearly triple in the same amount of time. The proposed expansion would create 200 construction jobs, and 400 permanent jobs within the facility. ■

at-Tracks" bill, which would legalize VLTs in order to boost Lottery revenues. State Senator Jack Wagner, D-Beechview, has also stated that he is in support of expanding the Lottery.

Having experienced the benefits of VLTs, the Rhode Island Lottery Commission will be holding a hearing for a request to increase the number of VLTs at the Lincoln Park and Newport facilities. Lincoln Park wants to add 1,300 terminals to its current 1,700 machines. Newport, currently operating 776 machines, wants to add 525 VLTs. Lincoln Park is willing to invest \$30 million in facility renovations to accommodate the new machines. In addition to nearly doubling their current revenues, the expansion would create 600 jobs in construction, and permanent park workers.

Multi-State Solutions

Another much sought after Lottery solution involves multi-state lotteries. Unlike VLTs, most state lotteries are already involved in a multi-state game, but those that aren't are looking at this summer's Powerball and Big Game success stories, and many are trying to get a piece of the action.

Battles over the budget and a Governor that refused to budge are two big reasons why Ohio has been given permission to join a multi-state lottery. The Ohio Lottery was on pace for a \$30 million-plus shortfall in their proceeds for education. Governor Bob Taft pushed for the state to enter a multi-state lottery, and finally got the State House and Senate to agree. It has yet to be decided if they will join Powerball or the Big Game, and either way the money won't come in time for FY 2002, but the important part is that a solution is on the way.

Taft championed the multi-state issue for some time, and his victory will provide a major boost to the state budget. Projections estimate that the state will benefit \$41 million from either Powerball or the Big Game. Technically, that money will go to education; but the proceeds will allow the state to remove an equal amount from the schools' existing allocation, which will be put in the state's general fund. While it doesn't make up the \$1.5 billion needed to fulfill the budget, it is a start. Tickets could start selling as early as June, 2002.

Pennsylvania has also explored the prospect of joining a multi-state game. State officials recently discussed starting a two-state lottery with Ohio. The talks fizzled after Ohio officials decided that a two-state lottery wouldn't create the kind of large-jackpot excitement they need to fix their revenue problem. After the Ohio issue was declared dead State officials voted to join the Powerball multi-state game.

Nebraska, already a member of Powerball, may investigate joining a smaller multistate lottery, in much the same vein

as Lotto South. In addition to this, a petition is being circulated to put VLTs (in bars) on next year's ballot.

States Seeking Lotteries

Those with lotteries aren't the only states looking to lottery funding to provide budgetary solutions. Some of the few remaining non-lottery states have legislators championing the lottery as an answer to funding needs.

Oklahoma State Sen. Brad Henry, D-Shawnee, plans to reintroduce a measure calling for a statewide referendum on a lottery. His efforts are being aided by Citizens for a Better Oklahoma. The organization is circulating an initiative petition that calls for a lottery proposal in the November 2002 general election, whose revenue would go to solve the more than \$1 billion in educational needs. It's been estimated that the Lottery would generate at least \$200 million a year – \$80 million of which would go to public education.

A similar plan has been proposed by the campaign of Independent candidate Gary Richardson of Tulsa.

Tennessee is also in the market for a state lottery. The public will vote on a lottery referendum in November 2002. The Chattanooga Times recently conducted a poll showing 63 percent of the state residents support a statewide lottery, and 54 percent want that money to be used exclusively for education. The lottery cause has also been furthered by a bill banning casino gambling being passed in June, 2001. This passing counters the argument that the lottery referendum might open the door for casinos.

The Anti-Terrorism Lottery?

One reason why many states are experiencing budget shortfalls is that budgetary needs have increased due to the September 11th terrorist attacks. States have to address security issues to thwart future attacks. One state, Illinois, has looked to a lottery to fund these security upgrades. The State Senate approved a bill giving the okay for a special week-long lottery to raise money for statewide anti-terrorism efforts. The "Patriot Game" will be separate from the regular lottery and could raise up to \$50 million. State Senator Kirk Dillard, R-Hinsdale, sponsored the bill, which still has to pass the House and the Governor. If it becomes law it will be held sometime before June 1.

Lottery Programs in Jeopardy

In addition to state budget problems, some states are experiencing shortages in beneficiary dollars. These problems aren't the result of falling lottery sales; they stem from inflating prices and rising levels of need.

The Pennsylvania Lottery is seeing an ever-increasing demand for their beneficiary dollars. The Lottery sends its

proceeds to fund senior citizen programs, including: medicine for low-income seniors at discounted rates, activities at senior centers, free public transportation for seniors, and in-home assistance for older residents.

As the baby-boomers slowly step into the senior market, an increase in the demand for senior services, and a rise in the cost of those services, is becoming a threat to the Lottery's cause. Over the last few years prescription drug prices have been rising at a rate of 10 percent annually, while senior prescription use has been rising at an annual rate of 12 percent.

Solutions are being looked at, including Pennsylvania joining a multi-state coalition that negotiates the price of pharmaceuticals, a proposal that seniors pay the difference between brand-name and generic prices, as well as a recommendation that the \$6 co-payment be raised.

The popularity of the lottery-funded scholarships in Kentucky, and the rising cost of education in Florida, is threatening the effectiveness of lotteries in these states to appropriately fund their beneficiary programs.

In Kentucky, the problem is that the number of students applying for the scholarships has exceeded projections. The scholarship program rewards high-school students with good grades and ACT scores with money to pay for college, but more funds are needed or the program is in danger of being scaled back. More students are applying, and lottery revenues aren't increasing proportionately.

In Florida, Lottery funded scholarships are awarded to one-third of the state's high school graduates. The problem the state is facing is the rising cost of tuition at the states universities and colleges. The Florida Senate recently voted to put a cap on the program, fixing the value of the scholarships at \$3,200 for a full scholarship, and \$1,900 for a partial. If the House passes the bill, the legislation would take effect in five years.

While Kansas isn't necessarily witnessing a problem with funding for beneficiary programs, a scenario is developing that could lead to such a problem. State lawmakers have asked the Lottery to increase their transfer rate by 1.5 percent. This could decrease the amount of money available for prizes, which could dilute the lotteries ability to market effectively to players.

The Kansas Lottery has submitted a plan to the Director of the Budget to decrease the percentage of transfer rate, thus allowing higher prize payouts and increasing the overall amount of transfer to the state. Studies have been submitted from increased payouts in other states, as well as the increase in transfer and, thus, decrease in payout in other states that resulted in disastrous effects to the total sales of those lotteries. Lottery officials anticipate that the transfer percentage will be decreased; however, total transfer will be set as a minimum dollar amount. ■

minimum operating costs

MAXIMUM REVENUE

spielo
GAMING INTERNATIONAL

PowerStation 5

Everyone wins with Spielo's PowerStation 5 – today's most dynamic and efficient VLT. Players love its great selection of exciting games, superior graphics and sound. You will value its reliability and easy-to-service modular design. With the lowest operating costs in the industry and exceptional player appeal, PowerStation 5 has all the right features to maximize your bottom line.

International **1.506.859.7598** North America **1.800.561.GAME** e-mail powerstation5@spielo.ca

Budget Shortfalls and Proposed Solutions

The majority of the states (35) are currently estimating a budget shortfall for FY 2002, and 43 states and the District of Columbia are expecting revenue to fall short of original forecasts. At least 28 states have already made budget revisions.

Some recovery plans include Lottery expansion, some states are instituting severe cuts to specific programs, and some have asked all programs to cut percentages of their budgets. What follows is a snapshot of the situation in some of the states.

Arizona

Arizona is facing a \$1.6 billion shortfall over a two-year period. Every facet of state government except schools and public safety is facing a 6 percent cut in funding, and several social service programs will be facing severe cuts.

Arkansas

Arkansas has a law written into its constitution making it unlawful for the state to operate in the negative. What this means is that programs are prioritized within the budget, and if the state doesn't generate enough revenue, lower priority programs are cut. Right now the state is falling close to \$20 million short in their revenue expectations, so four-thousand college scholarships are facing elimination, and teacher pay raises may not happen this year.

California

While State Lottery profits are up 5 percent, California is expecting their budget shortfall to be at least \$8 billion for FY 2002. In preparation for this, Governor Gray Davis has asked all state agencies to cut their program by 15 percent. In addition to this the State is delaying a Medicaid coverage expansion until 2003. The budget shortfall is, in part, due to security upgrades in preparation for terrorism attacks.

Florida

After seeing projections of a \$1.3 billion budget shortfall, The Florida State Legislature voted to cut \$1 billion from its budget. Most of this is being cut from schools (2.5 percent funding cut) and social programs.

Illinois

After projecting a \$450 million shortfall, the state cut \$450 million from the budget. One of the big losers in the budget cuts was school construction.

Kansas

A projected \$90 million budget shortfall caused the 2001 session of the Kansas Legislature to pass as a preliminary budget matter, to increase the transfer rate for the Kansas Lottery from 30 percent to 31.5 percent.

Kentucky

Kentucky is estimating being down at least \$500 million in FY 2002. To make matters worse, more students than expected are taking advantage of the Lottery driven scholarship program, and the program may have to be restructured.

The State's revenue forecasting group is seeking additional money from the lottery over the next several years – money that will be difficult to achieve with just the current product line. For now, the state has requested that the Lottery increase its dividend this year by \$13 million based on the increase in profits received during August's Powerball run. In addition to this, Governor Paul Patton has cut the state budget by \$700 million.

Minnesota

Minnesota is expecting a shortfall of at least \$600 million. Governor Ventura has suggested taxing products that are currently exempt to generate more revenue. Another plan being discussed would allow VLTs in bars. This program would fund a stadium for the Minnesota Twins, as well as other programs.

Nebraska

The Nebraska Legislature has changed part of the allocation of Nebraska Lottery proceeds in order to address some of the State's projected \$57 million budget shortfall. The Legislature recently voted to redirect proceeds allocated to education (about \$6.5 million last fiscal year) into the State General Fund budget.

The following is the distribution plan of Nebraska Lottery proceeds. The first \$500,000 in fund proceeds each fiscal year, plus 1 percent of the fund proceeds will go to the Compulsive Gamblers Assistance Fund; 49.5 percent will go to the Nebraska Environmental Trust Fund; \$1.5 million will go to the Education Innovation Fund for distance education network completion and the balance of the remaining 49.5 percent will go to the State General Fund.

Under the legislation passed, the change is planned to last two fiscal years, for the FY 2001-2002 and FY 2002-2003

biennial budget. At that time, the Attracting Excellence to Education teacher student loan forgiveness program is scheduled to begin receiving Lottery proceeds.

New Jersey

The Garden State is looking at a \$2 billion shortfall. One solution to the problem has the state borrowing \$2 billion from its tobacco settlement to make up the difference.

New York

The fact that New York is only estimating a \$3 billion budget shortfall is nothing short of amazing. Estimates of the loss incurred through the September 11th tragedy hover in the \$9 billion region. The major solution being implemented is a major gaming expansion, including joining The Big Game multi-state lottery, and VLTs being allowed at race tracks.

North Dakota

North Dakota seems to be in the minority. To date North Dakota general fund budget revenues are \$799,000 (.3 percent) above projections for the 2001-03 biennium, and \$15.6 million (7.1 percent) above the previous biennium.

Ohio

After looking at a projected \$1.5 billion funding shortfall for the 2002-2003 biennium, as well as new educational funding responsibilities which may exacerbate the deficit, Ohio legislators have voted to join a multistate lottery. That will bring in an estimated \$41 million per year. Another suggestion include borrowing from state savings.

A recent change in Ohio's lottery policy offers some hope as well. In July 2001, the General ASsembly lifted the Lottery's 30 percent rule, which mandated that 30 percent of Lottery sales must be returned to the Lottery Profit Education Fund. This law was limiting both prize payout and game play style. By raising payouts and making games more attractive, the Lottery hopes to increase profits in absolute dollars.

Oklahoma

Oklahoma's current year revenues are down between 3 and 4%, and the State is expecting revenues to be down \$120 million below last year. The State is not considering it a major problem, because they have a reserve fund established to manage the normal month to month swings in revenue collections. This year's fund was started with a record amount

because of the problems seen in other states, but if revenues drop to below 5% of estimate for several months, they may need to move to budget cuts in the current year budget.

There are legislators pushing for the state to start a lottery, but to date they have not been able to garner enough support from their peers to put the matter on a ballot.

Oregon

The State of Oregon is anticipating a \$700 million revenue shortfall in the 01-03 biennium budget. All state agencies, including the Lottery, have been asked to develop possible options to address this budget situation. Possible solutions involving the Lottery include its \$75 million contingency fund, adding line games and cutting retailer commission on the 9,000 VLTs. It is estimated adding slots could add \$30 million to the bottom line during this period.

Tennessee

Tennessee has cut nearly \$110 million in building repairs and museum expansions to compensate for a more than \$300 million budget shortfall. In addition to this the state is shutting down some state parks.

Still, relief could be in sight. A lottery referendum has been placed on the November 2002 ballot, and recent polls show 60 percent of the public to be in favor of a lottery.

Washington

The State of Washington is expecting an \$1.25 billion shortfall in the 2002-2003 biennial budget. The state's financial woes can be attributed to its dependence on sales tax (there is no state income tax) and Initiative 695, a bill that all but wiped out the state's revenue from vehicle licensing. Solutions include raising

already inflated state ferry fees, reducing human services programs (they account for 32 percent of the budget) by \$246 million, cutting higher education spending, early prison release for some inmates, increasing tax on gas and liquor, and the state joining The Big Game multi-state lottery.

Wisconsin

Although the state is looking at a revenue shortfall of at least \$300 million, officials are still following through with a lottery tax credit increase this year. The \$76 credit (a \$9 increase over last year) reduces residential property taxes, and is due to a surge in lottery ticket sales during August's Powerball run. ■



Washington State Governor, Gary Locke, recently suggested joining The Big Game multi-state lottery to help solve his states revenue problems.

Atlantic Lottery Kicks-Off Safari Survival Internet Contest

The Atlantic Lottery recently held a "Safari Survival Internet Contest," a second chance game for the Safari Survival Instant. Players could enter with an Official Entry Form obtained through the player publication Luck magazine or through the corporate Web site at www.alc.ca.

Daily draws (for two Scratch'n Win merchandise prize packages valued at \$80) were held each weekday, and weekly draws for a \$1,000 cash prize were held each Friday throughout the contest.

Goodlatte Confident in New Version of Internet Bill

Rep. Bob Goodlatte, R-Va., claims to have resolved the issues that have slowed his efforts on passing the Internet Gambling Prohibition Act. This time around, the bill may exempt state lotteries, and aligns itself with the Bush Administrations feelings that activities on the Internet should be treated the same way as in the real world.

Last month the House Financial Services Committee approved Jim Leach's bill aimed at making it unlawful to accept payments for wagers through credit cards, checks or EFT.

South Carolina Having Trouble With Cyber Squatter

South Carolinians trying to find information about their new lottery on the Internet may end up finding an anti-gambling message and pornography instead.

A 25-year-old law student in Houston, Texas, owns the addresses sclottery.com, scarolinalottery.com, sclotto.com, and southcarolinalottery.com, and is marketing an anti-lottery message in an attempt to scare the Lottery into buying these domain names at a hefty (six-digit) price.

Visitors to the site read the message, "Shame on you!!! Gambling is wrong!!!" Visitors are then encouraged to come back to the site on January 7th, opening day for the SC Lottery, and buy pornography.

Instead, the South Carolina Education Lottery registered sceducationlottery.com and state.sc.us/sclottery as its home pages.

Appleton Papers Launches New Site

Appleton Papers recently launched their new web site at appletonpapers.com. The site includes product descriptions, stock lists, material safety data sheets, an expert "find the right product" system, sample

requests, a rapid feedback enquiry system, and new product news.

They've also launched a promotional campaign in order to draw attention to their site. In the campaign, they are offering visitors a chance to win one of several prizes, including a laptop PC, a Palm Pilot or a Digital Camera, and they are also giving away a free, downloadable, action orientated screen saver for PCs.

Scientific Games and Arena Leisure Launch attheraces For Internet Wagering on Horseracing

Scientific Games Corporation, through Arena Leisure Plc., has launched attheraces.co.uk. Arena is part of a consortium that includes BSkyB and Channel 4 (in the UK), which has an agreement with 49 UK racecourses to broadcast races, racing information and wagering on digital satellite television and on the Internet.

Lorne Weil, Chairman and CEO of Scientific Games Corporation said, "attheraces.co.uk...utilizes our TrackPlay wagering platform as the technology backbone and therefore it can be deployed anywhere in the world. We expect that such easy access to all the necessary handicapping information will help attract both new and existing patrons to the Internet and hopefully, wager increasing amounts as they discover the convenience and fun of using attheraces."

AGS Delivers the "Schatzkammer" Internet Slot Machine to Austrian Lotteries

Access Gaming Systems has delivered the latest addition to Austrian Lotteries' Internet gaming portal. "Schatzkammer" is a 5-reel, multi-line slot machine with a bonus game, designed in the style of an ancient Egyptian treasure chamber. There are 8 symbols including 1 scatter symbol. The aim of the game is to achieve 2, 3, 4, or 5 similar symbols in one or more of the 5 lines. The bonus game is based on a weighted pay table meaning the potential wins are far greater than those attainable in the main game. The total payout is configured to 90.71% with a maximum prize of ATS 250,000 (c. US\$ 16,000). Schatzkammer is now live for cash.

According to Paul Barnes, AGS Vice President of Sales & Marketing, "Schatzkammer is the first of our live games to use a weighted pay table, and represents another innovative "first" for Austrian Lotteries. The game is the result of Naji's close co-operation with the games experts at Austrian Lotteries, who have created an excellent animated full-screen entertainment experience." ■

Don't count on luck
when it comes to your bottom line.

Make
every lottery
in the world a
business
prospect.

Worldwide Distribution

Advertise in
Public Gaming
International

distributed every month

>>> CONTACT <<<

David Mello, Vice President of Marketing and Sales

Tel: (202) 244-9301 Fax: (202) 244-9302

Public Gaming International Magazine

>>> 4020 Lake Washington Blvd NE > Suite 100 <<<

Kirkland, WA 98033

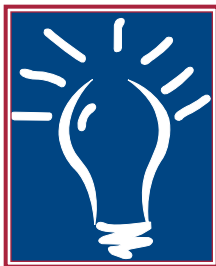
Phone: 425.803.2900

Fax: 425.803.6830

Email: Publicgam@aol.com

Web Site: www.publicgaming.org





SMART-Tech 2002
ATLANTA, GA

SMART-Tech 2002 Registration Form

Conference Registration Fees and Information:

Complete registration form below and return by fax to **425-803-6830**. Payment is accepted by check or credit card. Checks must be in U.S. funds made payable to Public Gaming Research Institute, 4020 Lake Washington Blvd. NE, Suite 100, Kirkland, WA 98033-7862. *No refunds after January 3rd.*

Fax back to Public Gaming Research Institute at 425-803-6830

First Name: _____ Last Name: _____

Title: _____ First Name for Badge: _____

Organization: _____

Address: _____

City: _____

State/Province: _____ Zip/Postal Code: _____ Country: _____

Phone: _____ Fax: _____

E-mail: _____ Spouse's Name, *if attending*: _____

Category (check one):

Vendor **\$695**

Exhibitor **\$595**

Lottery/Government (**No Charge**)

Method of Payment:

Check

AMEX

MasterCard

Visa

Credit Card #: _____

Exp.: _____

Signature: _____

Print Name (*as it appears on card*): _____

Hotel Reservations:

Make room reservations directly with the Ritz Carlton at **404-659-0400** or toll free at **800-241-3333**.

Mention SMART-Tech for discounted room rates of \$160 (*government*) and \$180 (*vendor*).

Deadline for discounted room reservations is **January 9th**.

Public Gaming Research Institute

Phone: 425-803-2900 • Fax: 425-803-6830

E-mail: publicgam@aol.com • Web site: www.publicgaming.org

Fax back to Public Gaming Research Institute at 425-803-6830

Circles of Learning

Returns to Atlanta

SMART-Tech 2002 is returning to, Atlanta, Georgia February 3-6, 2002. The theme for this year's SMART-Tech is "The Name of the Game is Growth" which captures the essence of the challenge for lotteries today. The emphasis, as always, will be on smart and innovative ideas, games, advertising, marketing and other things that lotteries are doing to be successful as well as what they see for future growth.

The events of the past weeks, as tragic as they have been, have galvanized the spirit of everyone and have increased our resolve to succeed despite the obstacles. This is a time for optimism and an opportunity for us all to show that we can make an even greater contribution to the public good through our work. This will be the foundation for this year's SMART-Tech.

The Name of the Game is Growth!

February 3, Sunday

12am-5pm Circles of Learning Set-Up

9am-7pm Registration Open

2pm-3pm New States Orientation

3pm-5pm Opening Session

- Welcome to SMART-Tech 2002 – Duane Burke, Chairman/CEO, Public Gaming Research Institute, Inc.
- Welcome to Georgia – Rebecca Paul, President/CEO, Georgia Lottery Corporation
- Introduction of Representatives from Non-Lottery States
- Leadership Forum: The Directors.

5pm-7:30pm "Salute to America" Reception

February 4, Monday

9am-6:30pm Registration Open

9am-noon General Session II – Moderator: Rebecca Paul

- New Revenue Challenges for the States
- The Newest Lottery – South Carolina – What Can Be Learned
- Hitting the Jackpot: The Multi-State Games
- Reports on each of the multi-jurisdictional lotteries in North America; how they are doing; what they are planning; how much to the bottom line.
- King of the Hill! – Video Lottery, A Great Growth Opportunity

Noon-2pm "Welcome South Carolina" Luncheon

2pm-4:30pm General Session III

- Hottest Scratch-Offs and How They Got That Way
 - Marketing Instant Games – Maximizing Sales
 - Bring More to the Bottom Line with On-Line Games
- 4:30pm-7pm "Georgia Lottery" Reception

February 5, Tuesday

9am-noon General Session IV

- Advertising and Public Relations in an Era of Tragedy and Uncertainty
- Lottery and Vendor Security in this New Era
- Lotteries on the Internet in the New Economy
- Making the Most of the Retailer Network

Noon-2:30pm "Products for Growth" Luncheon

2:30-4:30pm General Session V

- SMART-Ideas – Unique and thoughtful ideas that help a lottery organization increase revenue or enhance efficiency. Presentations will be in the following categories for both lotteries and lottery suppliers: – Cost Savings – Revenue Enhancements – New Product, Service or Technology
- Product Briefs

February 6, Wednesday

9am-11am General Session VI

- Focus for the Future: Growth and Optimism
- TALK BACK LIVE
- SMART-Idea Awards

11am SMART-Tech Adjourned. ■

Meet the Directors

There are several new directors in the Lottery industry. Let's meet a few of them.



Laura Valdés de Rojas – General Director National Lottery – Mexico

Laura Valdés accepted President-elect Vicente Fox's invitation to lead the National Lottery on December 1st, 2000, after serving as General Director at Corning Consumer Products / World Kitchen Mexico for close to five years.

Mrs. Valdés experience within the Vitro Group included a tenure at Vitro Crisa as Marketing Director, after successfully integrating the Mexico Samsonite division with Samsonite USA and working in Corporate Planning and Development, with special emphasis on Marketing, as well as Advertising and Public Relations.

In 1991, Laura joined Aeromexico (Mexico's largest airline) to form part of the team that created and developed Club Premier, the first frequent flyer program in Latin America.

Laura lives in Mexico City with her husband Luis, their daughter, and two sons.

Ernest Leroy Passailaigue, Jr. – Executive Director, South Carolina Education Lottery

Ernest Leroy Passailaigue, Jr. was born November 9, 1947 in Charleston S.C. He is a man who's held many titles, including Certified Public Accountant, State Senator, and now, the first Director of the South Carolina Educational Lottery. He received his BS in Business Administration in 1969, from the University of South Carolina, and then earned his MBA from the Citadel.

Mr. Passailaigue's work in the State Senate was a major reason why he was chosen to be the Lottery's first Director. His work history ensured that he would know how to work with legislators to properly kick-start the fledgling lottery. He teamed-up with fellow legislators on several committees in his thirteen years in the Senate, including: Banking and Insurance; Finance; Fish, Game and Forestry; Invitations; Medical Affairs; the General Committee, and many more. In addition to these state committees, Mr. Passailaigue also served on several National Legislative Committees.

He garnered several awards during his years in the Senate, including: the South Carolina Public Service Award presented by Common Cause, Legislator and/or Senator of the Year on several different occasions, and an Honorary Doctorate Degree presented by The Citadel, The College of Charleston and the Medical University of South Carolina.

Mr. Passailaigue has also served as a member of the South Carolina Air National Guard, and is the former owner of the Charleston Royals and Rainbows professional baseball team.

He is married to Margaret Passailaigue, and has seven children. ■



BCLC Launches Debit Payment Pilot Project

The British Columbia Lottery Corporation launched, with Datawest Solutions Inc., a point-of-sale debit payment pilot project. The project will assess the benefits of offering debit payment options at BCLC's lottery retail locations.

BCLC will offer Interac Direct Payment (IDP) service, a convenient payment solution, to its lottery customers at 12 retail locations in the Lower Mainland region of BC, for approximately six months. Hypercom ICE 5500 card payment terminals will be installed with connection through the transaction processing network managed by Datawest's subsidiary TCS (Canada) Limited.

In addition to providing the POS terminal devices and transaction processing, Datawest's web-based network application management system will also be used to monitor the transaction activity and conduct a comprehensive analysis of the project.

A recent independent report showed that 42 percent of Canadians prefer to pay with debit cards as compared to 35 percent for cash.

VLT Upgrade for Loto Quebec

Loto-Quebec is spending \$200 million to upgrade its VLTs. The machines were bought in 1993 and are starting to show their age.

The upgraded machines will include features to limit compulsive gambling. These include forcing players to indicate up front how long they want to play, credits being converted to cash on screen, and a permanent clock on-screen.

Western Canada to Print Ticket Benefiting Pro Hockey

The WCLC may soon be printing a \$10 Instant ticket used to generate revenue for the Calgary Flames and Edmonton Oilers hockey teams. The annual revenue from the game is expected to be about \$3 million (Canadian), and that will be split between the two teams. The tickets will offer prizes from both clubs as well as cash prizes.

Initially, the two teams were seeking a "SportSelect" style of game that would appeal to their fans beliefs in their ability to predict the outcome of the games.

Rotary Club Sends ALC Employee on Exchange Program

Joey Cormier, manager of market research and development with ALC, will be traveling to India in January through the Group Study Exchange Program of the Rotary Foundation of Rotary International.

While there, Joey will not only get to tour the sights, he'll also visit some businesses to learn about such

things as how they conduct product development and market research.

Each year the Rotary Foundation sponsors Group Study Exchanges all over the world. The purpose of these exchanges is to increase understanding and awareness between countries. The participants visit businesses related to their individual vocations.

Joey is the third ALC employee to take part in the Group Study Exchange in the past few years. Robert Bourgeois, public affairs, traveled to Denmark last year, and Annette LeBlanc, human resources, visited Korea in 1997.

Florida Lottery Wins Three Davis Productivity Awards

For the first time ever, the Florida Lottery has won three Davis Productivity Awards in the annual 2001 competition for Florida state employees. The awards are presented annually to honor individuals and work units of Florida State government for innovation, creativity and smart work that measurably increases performance and productivity in the delivery of state services and products.

The three work units from the lottery that won awards this year are: Network Infrastructure Reengineering Team, the Educational Affairs Unit of the Public Affairs Office, and the Communications Section of the Public Affairs Office.

The Network team won for upgrading new computer switching equipment to increase the speed of the network and significantly reducing annual maintenance costs of \$70,000.

The Educational team won for designing and implementing a system for installing extensive Lottery information on the Internet, and saving a projected \$450,000 annually.

The Communications Team won for implementing a fax distribution software system to efficiently communicate with media on a daily schedule, at a savings of \$24,000.

Nebraska Changes Proceeds Allocation

During its recent special session called by the Governor to deal with State budget snortfalls, the Nebraska Legislature voted to redirect the majority of Nebraska Lottery proceeds which have been transferred to the Education Innovation Fund, which has made grants to public school districts for a variety of projects.

Under the change, \$1.5 million in proceeds would be used to fund grants for distance learning systems, while the remaining proceeds (an estimated \$6.5 million) will be shifted to the State General Fund to offset funding reductions proposed for the University of Nebraska, and the State College System.

The change is currently planned to last through FY2003. Twenty-five percent of Lottery ticket sales are transferred to the beneficiary funds. ■

Atlantic Lottery

The Atlantic Lottery recently launched the new Scratch'n Win product Safari Survival. The Extended Play game offers a familiar theme, building off the popularity of the "Survivor" television series. The launch of Safari Survival coincides with the recent kick off of "Survivor III - Africa." The ticket has a \$10,000 top prize.

The Safari Survival media plan focuses on television advertising, which has two components – 15-second spots that will air only during the Survivor III broadcasts and dot.spots, which are 5-second high-impact ads that communicate the contest, corporate web address and accompanying message to the consumer.

The Lottery is also exploring new possibilities for retail outlets. Fifty-five Canada Post locations in Atlantic Canada have been set up with MRTs, which are hand-held devices used to validate instant tickets. The retailers were able to sell ALC's line-up of instant Christmas tickets. This initiative was a field trial that will determine the viability of using Canada Post locations as ALC retail locations.

There are 800 post office locations throughout Atlantic Canada. Canada Post suggested the 55 locations that are to be used for the field test. These locations have been set up as retailers, and they received 5% commission on sales of their instant tickets, the same as regular lottery retailers.

In November, ALC installed lottery retail terminals in four liquor stores in Newfoundland & Labrador, enabling these stores to sell and validate all ALC traditional products. This field trial ran for 13 weeks.

Arizona

The Arizona Lottery announced that KPNX-TV Channel 12 has been awarded the contract to provide TV broadcast services. The contract provides several advantages, including additional promotional value, consistent and uninterrupted scheduling, and a strong reach in Phoenix and Northern Arizona. There is no cost to the Lottery for the broadcast services, the contract is based on value for value.

Colorado

The Colorado Lottery promoted their three new Holiday Instants with a \$130,000 animated TV commercial. The spot features traditional and 3D animation, and follows the exploits of elves Winnie and Lucky, and their dog Scratchy. The Lottery also broadcast a series of radio commercials promoting the tickets as last-minute gift ideas.

Delaware

The Delaware Lottery recently launched Delaware Scavenger Hunt, a \$2 instant game featuring items unique and relevant to Delaware. Items include the state insect (ladybug), flag, beach symbols, I-95 and more. Top prize is \$12,000.

The Delaware Lottery will be taking advantage of Ray Charles, winner of 13 Grammy Awards (including a Lifetime Achievement Award) and a member of numerous music halls of fame. Mr. Charles will be starring in new television and radio spots promoting Powerball as "America's Game." The campaign was developed to increase awareness of Powerball among players and encourage trial by potential players.

The campaign consists of two television and two radio spots in rhythm and blues and jazz formats that were customized for the Delaware Lottery to promote Powerball.

The 14 other lotteries that join Delaware in launching the Ray Charles Powerball campaign are: Colorado, Connecticut, District of Columbia, Iowa, Kansas, Kentucky, Louisiana, Minnesota, New Hampshire, New Mexico, Oregon, Rhode Island, South Dakota and West Virginia.

Georgia

Lotto South members (the Georgia Lottery, the Kentucky Lottery, and the Virginia Lottery) teamed up to sponsor the No. 13 Lotto South NASCAR Winston Cup race car. Race car driver Hermie Sadler debuted the Lotto South car, racing in the NAP 500 at the Atlanta Motor Speedway in November. In addition to Georgia Lottery ticket sales at the event, players were able to get autographed postcards of Hermie Sadler with the Lotto South race car, look inside a full-sized model Lotto South race car and "test drive" the car in a racing simulator.

Lottery sales crossed the \$1 billion mark for FY 2002 on December 5, 2001. This is the earliest the GLC has ever reached this milestone.

Idaho

The Idaho Lottery launched a Holiday Express Yourself Contest for its retailers. Retailers were encouraged to use their creativity to decorate their ITVMs using seasonal, timely materials (in good taste), that advertise nothing but Lottery products. No painting or defacing of the machines was allowed. Participants then would take a picture of the display, and send it to Lottery headquarters. Three winners received prizes of \$100 each.

The Lottery also put on its first ever Scratch for Schools fund raising event in Boise. Twenty schools were selected in a random drawing, and each sent over two adults to scratch a total of 300 tickets during a 5-minute time period. The winners, determined by the highest dollar amount won, not only kept their remaining unscratched tickets, but also won an additional 1,000 tickets. Second place won an additional 500 tickets, third place won 250 tickets, and fourth place won 50 additional tickets. All twenty participating schools kept the prizes scratched and uncovered, and were allowed to take back the remaining unscratched tickets from their 300 ticket packet.

Kansas

The Kansas Lottery launched the second of its world-premier \$1 pull-tab games on December 3rd – just in time to add to holiday fun. Sales of Lucky Break were brisk from the beginning and are expected to increase as players of other lottery games are attracted by high payouts (the highest of all Kansas Lottery games) and convenient anytime-anywhere claim process. Retailers are also giving the new pull tabs “thumbs up.” The perforated, fan-folded packs allow the new tabs to be stocked alongside instant game tickets, and they are bar-coded for inventory control. The Kansas Lottery was the first in the world to offer perforated, bar-coded pull tabs.

Kentucky

The Kentucky Lottery Corp is now on its fourth generation website since the first in 1996. The new look includes a trial run for video drawings, more animation and lots of enhancements for the 115,000 unique users and nine million hits a month. Still thinking ahead, future plans call for a VIP Club, and developing the retailer section to conduct more business over the web.

Maryland

The Maryland Lottery recently capitalized on some good old-fashioned Christmas Spirit. Residents of a street in Hampden that is famous for its holiday decorations were asked to put up their holiday decorations two weeks ahead of time in order for the Lottery to shoot a television commercial featuring the street.

Massachusetts

This year's holiday Instant tickets are breaking all-time Massachusetts Lottery sales records. In its third week of sales, the ten-dollar \$600 Million Spectacular alone racked up an astounding \$33,910,000 in sales, contributing to a weekly total Instant ticket sales record of \$72 million. The other two holiday games, Holiday Cash and Winner Wonderland are experiencing brisk sales as well.

Michigan

From January 14 to February 9, 2002, the Michigan Lottery will run its second buy 5 and get 1 free Michigan Millions “Super Play” promotion. Michigan Million players who purchase a five-panel wager will get a sixth “easy pick” free. The first “Super Play” promotion generated 1.2 million free wagers and increased sales by 7.5 percent during the promotion period.

Instant tickets for January include the \$5 Barrel of Bucks offering a top prize of \$200,000, the \$2 Night out with a top prize of \$20,000, the \$2 Lucky Valentine offering a top prize of \$14,000, the \$1 Luck of the Dice with a \$7,000 top prize, and the \$10 Jumbo Jackpot with a top prize of \$1,000,000.

Minnesota

The Powerball drawing on December 1, 2001, produced the Minnesota Lottery's 15th jackpot winner. A Richfield, Minnesota resident claimed the \$16.7 million cash option prize on December 3.

Missouri

During December, the Missouri Lottery rolled out six new Instant games, including three games that started on December 22. Hot Cards is a \$1 game that offers players a chance to win up to \$5,000; Ten Grand is a \$1 game with a top prize of \$10,000; and Pharaoh's Gold is a \$2 game that gives players 10 chances to win up to \$24,000.

On January 20, 2002 the Missouri Lottery will celebrate its 16th anniversary.

Nebraska

As part of their ongoing work to inform Nebraskans of the beneficiaries of Nebraska Lottery proceeds, a series of ads highlighting Education Innovation Fund grants was placed in newspapers across the state. The ads listed a few of the programs funded recently. Not every project could be featured, so projects were selected and ads were placed in order to achieve maximum geographic coverage.

Over 90 percent of Lottery retailers are now receiving scratch tickets through the EZStock automated inventory management system. The system enables Lottery order specialists to help retailers maintain adequate and appropriate Instant inventory.

New Jersey

The New Jersey Lottery saw tremendous success resulting from their Double Cash Weekends promotion for its Jersey Cash 5 game. During the promotion, held every Saturday and Sunday for a month, Jersey Cash 5 weekend game sales generated over \$2 million for that month. The promotion doubled the prizes for each Jersey Cash 5 weekend drawing.

In January 2002, the Lottery will introduce a new instant ticket game – Big Money Spectacular.

The game, which offers 10 top prizes of \$30,000, also gives players ten ways to win on each ticket. To play, customers scratch off the two play areas on the ticket. Players win by matching one of the “Winning Numbers” with one of the ten numbers in the play area. In addition, if a player reveals “\$\$” in the play area, they win the corresponding prize instantly, and if they reveal a “Planet” symbol, they automatically win all ten prizes.

Big Money Spectacular has the largest payout percentage of any \$2 game produced by the Lottery at 70%, and offers more than \$15 million in prizes and overall odds of better than 1 in 5. What's more, the Lottery is promoting the game by posting oversized King Kong advertising panels on transit buses, so players realize just how big the prize payout really is!

New Mexico

In conjunction with the New Mexico Lottery's "Trucks & Bucks 4" \$2 scratcher game, the Lottery conducted a holiday bonus drawing for a 2002 Ford F-150 XLT 4X4 extended cab truck. The nine finalists also received a cash award ranging from \$100 to \$1,000.

A Lucky Luminaries (holiday instant) promotion was conducted among three trail chain stores in the Albuquerque area. During a six-week period, the retailers were given a sales goal. If the goal was met, each store was entitled to one entry in a drawing. Each additional pack sold beyond the goal resulted in another entry. The drawing winner received \$50 gift certificates for each of their employees. Retailers exceeding their goal were also awarded 600 points toward the Lottery's GIFTS program for retailer clerks.

"Pin Heads" was the first bowling scratcher launched by the New Mexico Lottery. A promotion was held to highlight "Pin Heads" during a Friday league night at an Albuquerque bowling alley that doubles as a Lottery retailer. Two radio stations were present with live-remotes and prize giveaways, while the Lottery held contests for tickets and prizes. The bowling alley also offered specials on food and bowling fees.

New York

The New York Lottery recently expanded its daily drawing schedule to include midday draws for its popular Numbers and Win-4 games. The midday drawings will be held daily at 12:26 p.m., and will be televised on the Lottery's current draw stations statewide.

Ohio

The Ohio Lottery will be releasing its first batch of new Instant games for 2002 on January 7, and the new tickets include a series of "firsts" for the Lottery. The \$2 Blizzard Bucks is the Lottery's first Instant with the price placed in large gray-scale print on the back of the ticket. This new feature will appear on all instants costing \$2 and up. Top prize is \$25,000.

Slots of Cash is the first \$1 vertical ticket offered by the lottery. It is also the first Instant printed on paper stock. When the play area is scratched, the background is tinted gray. Other Instants, typically printed on foil, have a white background when the play area is scratched. Top prize in this game is \$599.

Cupid Cash Doubler is the Lottery's first game which includes a \$1 prize. There are no "free ticket" prizes offered in this game. A new standardized format for game description and claiming instructions is included on the backside of the ticket. The change, made to make the text consistent and easier to read, will appear on all future tickets. The game offers a top prize of \$500.

Rhode Island

Wild Money is the Rhode Island Lottery's newest jackpot game. The jackpot begins at \$20,000 and rolls until there's a winner. The jackpot prize is won from a 5:35 matrix. After the five jackpot balls have been drawn, an extra ball is drawn from the remaining 30 balls to match for additional non-jackpot prizes. The game costs \$1, and is televised Tuesday, Thursday and Saturday nights at 7:29 p.m.

South Dakota

During the month of December, all of the South Dakota Lottery's Merry Money and Reindeer Games instant prizes of \$100 and more were doubled. The promotion was supported with radio and TV spots, as well as in-store point-of-sale ads.

Western Canada

The WCLC may soon be printing a \$10 Instant ticket used to generate revenue for the Calgary Flames and Edmonton Oilers hockey teams. The annual revenue from the game is expected to be about \$3 million (Canadian), and that will be split between the two teams. The tickets will offer prizes from both clubs as well as cash prizes.

Initially, the two teams were seeking a "SportSelect" style of game that would appeal to their fans' beliefs in their ability to predict the outcome of the games.

Wisconsin

Wisconsin Lottery Players are now able to purchase one month's worth of Powerball and Megabucks tickets at one time. The Lottery is also allowing players to buy one week's worth of tickets for the four other online games it offers. Officials decided to keep the other four games advance purchase time at one week, because retailers were afraid that extending beyond that time period might reduce traffic to their stores.

Also, the Lottery is adding 250 new GVT-Extra on-line terminals at the beginning of 2002. The GTECH machines work with existing phone lines and can generate quick picks for all on-line games. They allow retailers who previously sold only Instant tickets to offer on-line games as well.

Five Instant games are debuting in January for Wisconsin. Couch Potato and 3 Card Moola are \$1 tickets qualifying players for a chance to win over \$50,000 on the Lottery's Money Game TV Show. The new \$3 Tropical Treasures is part of a short-term retailer incentive, where for each second, third and fourth pack purchased the retailer's commission doubles. The \$5 Cash Blast was focus group tested with players, and the \$2 Cash Hearts features a Valentine's Day theme. ■

LOOK WHAT'S NEW!

WE'RE BACK ON TOP... OF THE COUNTER!

#113 STACK SETS



#113x16 #113-HANG #113x12



#113x16-GAME #113x12-GAME



#412-OC ON-COUNTER



#704-BB
BACKBAR

TAT
TAKE-A-TICKET, INC.



#702 HIGHLIGHTER



#715 SLOTS OF LUCK



LOTTERY SYSTEMS THAT UNDERSTAND THE VALUE OF A DOLLAR.

Every day, our high-volume processing systems reliably and securely process millions of on-line, real-time transactions. Lottery executives worldwide depend on our systems to:

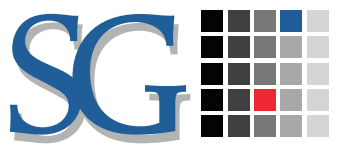
- **Simplify daily tasks.**
A comprehensive suite of tools brings speed and efficiency to every facet of game management.
- **Enhance decision-making.**
Easy-to-use information retrieval

functions help lotteries analyze critical success factors.

- **Ensure operation and safeguard data.**
Fully redundant hardware and software protect against system failure.
- **Meet specific needs.**
Our systems flexibility accommodates on-line games, instant tickets, sports betting, Internet wagering and multi-jurisdictional games.

Talk to our systems professionals about value-added solutions to meet your lottery's specific needs.

770-664-3700



SCIENTIFIC GAMES

www.scigames.com