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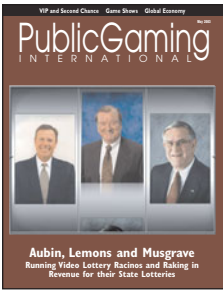
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The Morale of the Story

The war, a struggling economy and disease. These are just some of the topics dominating the headlines in newspapers around the world today. With the current state of affairs, it is very easy to get depressed and develop a negative attitude. When I became NASPL president last fall, I mentioned a number of topics I would work on during my year on the job. They included such things as IT standards, new game technology and improving retailer relations. Quite challenging endeavors.

The most challenging however, came at the end of my acceptance speech. I ended my remarks by saying, we must stay focused - and have a little fun along the way.

Sometimes it's hard to remember what having fun is really all about. Sure, everybody laughs occasionally and might share a joke with a co-worker while waiting for the copy machine to warm up, but when was the last time you can remember saying to yourself, that was a lot of fun? If you're like me, you probably don't say it enough. But wait a minute, isn't that the business we are in? Aren't our products supposed to be fun? How can they be fun, if we're not having fun?

Recently, I had the pleasure of visiting Washington D.C., one of the most thought-provoking cities in the world. While touring some of the memorials, museums and monuments I began to think about various periods of time in American history. As I traveled through these moments of the past, I realized that where we are today we have been before. And just like in the past, these challenging times will fade away into history and open the door to a new happier world.

But until that time comes, there are things that can be done to make life a little more enjoyable. Employers and managers alike need to take the lead in turning negative attitudes into positive thoughts. While I realize employers and managers are going through the same "tough times" as everyone else, it is our responsibility to lead by example. A positive attitude is contagious.

Being a realist, I admit having a positive attitude isn't going to solve all your morale problems. But along with an attitude adjustment, managers can boost morale by following some simple steps. The first step in fixing a morale problem is to admit you have one. Pay attention to your surroundings, listen to what's being said. Second, it's no secret that companies have to make cutbacks. Communicate what is going on in the boardroom, don't let the information get out through the grape vine. It might not be the news employees want to hear, but they will respect you a lot more

if they get it directly from their manager. The third way to improve morale is to get everyone involved in the project. There is nothing more depressing than watching the game from the sidelines when you know you could make a difference if you were part of the action. Fourth, don't give your employees rewards you like, give them something they want. And finally, laugh. Since when did it become a crime to laugh out loud? Remember the old saying, laughter is the best medicine? In my opinion, during these times, we should double our dose of laughter.

In closing, here are some examples that I pulled off the Joke of the Day Internet page, of signs companies have posted that include a little humor. Apparently, they haven't forgotten to have a little fun along the way.

1. Outside a muffler shop: "No appointment necessary, we hear you coming."
2. Outside a hotel: "Help! We need inn-experienced people."
3. On a desk in a reception room: "We shoot every 3rd salesman, and the 2nd one just left."
4. In a veterinarians waiting room: "Be back in 5 minutes, Sit! Stay!"
5. At the electric company: "We would be de-lighted if you send in your bill. However, if you don't you will be."
6. On the door of a computer store: "Out for a quick byte."
7. In a restaurant window: "Don't stand there and be hungry, come on in and get fed up."
8. Inside a bowling alley: "Please be quiet, we need to hear a pin drop."
9. In the front yard of a funeral home: "Drive carefully, we'll wait."
10. In a counselors office: "Growing old is mandatory, growing wise is optional."

Mark Zamarripa

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Around the World

Australia

'Lotterywest' is officially the new trading name for the Western Australia Lotteries Commission. The new corporate identity is part of the Lottery's long term positioning and marketing strategy. The Lottery's 70-year-old name, especially the word "Commission", was beginning to be seen as "bureaucratic and old-fashioned," and the Lottery wanted an identity design that could cut through the busy retail environment.

A key part of the branding is the creation of new logos for every lottery game, so the games can easily be associated as part of the Lotterywest family. The process, which was based on thorough research and market analysis, took over two-years to complete. Subiaco based branding specialists, Enterprise IG, worked with the Lottery to develop the new identity.

Australia's Tattersall's has donated R50,000 to help a school in South Africa, which has gained national renown for its teaching of music and arts to children aged between five and thirteen. Tattersall's is a member of an international consortium who won the license for the South African National lottery, known as Uthingo.

SA Lotteries' flagship game, Lotto, celebrated its 30th anniversary. It debuted on 30 March 1973. Winnings have totaled more than \$1.16 billion since inception.

Brazil

GTECH signed a 25-month contract extension with Caixa Economica Federal, the administrator of the National Lottery in Brazil. Under the terms of the contract extension, which commenced on April 15, 2003, GTECH will operate Caixa's existing lottery and financial transaction processing systems. In addition, Caixa may terminate the contract anytime after 20 months by giving prior notice. The extension retains all of GTECH's service offerings under the current contract, and the parties agreed to a total contract service rate reduction of 15 percent and addressed some of the pending legal actions. Based upon current exchange rates, the Company expects to generate \$120 million - \$140 million in service revenue over the contract term.

Czech Republic

SAZKA has started operating an additional Internet server at the address www.tipovani.cz. The site contains a number of services for sports betting lovers, including latest sports news, statistical data, a tipping contest or discussion forums.

Greece

The Greek Government is planning to sell up to 25% of OPAP. The timing depends on market conditions and developments in Iraq.

Hungary

Hungary's Szerencsejáték Rt has awarded a Ft 500 million contract to Hewlett-Packard Hungary Kft for setting up a nationwide online betting system. The system, which is expected to handle transactions at 3,000 outlets, is expected to begin operations in September.

Hungarians spent HUF 164.16bn on games of chance in 2002, 28.8% more than in 2001. The most popular numbers lottery, the 5/90 lottery, yielded the state revenue of HUF 41.46bn, an increase of 58.0 percent. Number lotteries as a whole generated HUF 83.44bn, an increase of 44.1% over 2001.

Ireland

The Irish National Lottery (An Post) is in discussions with Camelot, Loterias y Apuestas de Estado and La Francaise de Jeux about joining Euromillions, the new European multi-jurisdiction lottery. The three organizing lotteries have set a limit on the number of lotteries that can join.

Israel

Mifal Hapais decided to encourage the Allied Forces in their war efforts and the American people with a special gesture. All of its 2500 points of sales all over Israel were decorated with a poster, showing the American flag and the slogan, 'We are with the Americans.' A year ago, Mifal Hapais issued an instant card titled America, which is still on sale.

After repeated delays, Mifal Hapayis launched its new daily game, called "123". The first draw was held Wednesday, March 26. This is a Pick 3-styled game where the amount of the prize is dependent on the sum invested by the player and the type of game chosen. One option requires the player to guess three numbers (0-9) in the exact order that they appear in the draw. The prize will be the amount invested multiplied by 600. In option two, if the player guesses all three numbers in the exact order the prize will be the sum invested multiplied by 400, and if the player guesses the correct numbers but in a different order, the prize will be the sum invested multiplied by 40.

The Marianas

The Marianas Lottery's newest and biggest promotion, the "Ranger Raffle," is a chance for customers to win a brand new 2003 Ford Ranger pickup truck. Customers can turn in a \$5 ticket (winning or non-winning), purchased between March 29 and June 27, at the Lottery office to receive an entry form for the "Ranger Raffle" drawing." The last day to turn in tickets for the raffle is July 2, 2003, with the big raffle draw on Saturday, July 5, 2003.

New Zealand

According to reports, the New Zealand Lotteries Commission is making a last ditch attempt to amend a Responsible Gambling Bill in order to be allowed to sell Lotto products online. Currently, the bill would enshrine the New Zealand TAB's monopoly on online gambling, preventing any other nationally-based operators from selling gambling over the web.

Philippines

The Philippine Amusement & Gaming Corp. (PAGCOR) had a record breaking first quarter for 2003. First quarter income has been more than eight percent higher than the P4.65 billion posted last year (which was a record).

For March, the Lottery generated P1.82 billion, second only to the P1.85 billion posted in September 2002. January saw an income of P1.77 billion, while February generated P1.46 billion. Since 2001, PAGCOR's average annual growth rate has risen from 14 to 16 percent.

Poland

Polish lawmakers have passed a gaming amendment allowing video-keno, telebingo and low-payout slot machines. The proposal also sets new rules for taxing these games. The amendment allows companies from the EU to run games-of-chance and betting in Poland.

Romania

The video lottery program for the Romanian National Lottery Organization was successfully launched. In 2002, 500 VLTs were installed, with 1,500 more machines to follow by the end of 2003. Currently, the machines are offering poker, blackjack, reel games, bingo and keno. So far, the intake of the machines has greatly exceeded expectations. Intralot has a 13-year agreement with the Lottery, which provides for the installation of up to 15,000 machines.

Singapore

Singapore Pools has announced the setting up of a Singapore Pools' Community SARS Program to help families of SARS patients. This is a joint effort between Singapore Pools and its retailers and distributors in doing its part to support those affected by the SARS outbreak. The Program was started with an initial contribution of \$200,000 from the Lottery.

South Africa

E-tv will broadcast Uthingo's live Lotto draws on Wednesdays and Saturdays. SABC2 had broadcast the live draws since the inception of the Lotto, but the contract expired.

The South Africa government has rejected a proposal from Uthingo to introduce a daily Keno game. In October 2002 the government announced that it had delayed the introduction of the game to allow for further research.

Spain

The biennial WLA World Lottery Forum is a new event that will alternate with the WLA Convention and Trade Show. The first edition will be hosted by the Spanish National Lottery in Granada, Spain, in October 2003. The World Lottery Forum will be more interactive and participatory than is possible in a traditional convention format, and promises to be a unique learning experience for lottery managers at all levels.

Sweden

Svenska Spel, the Swedish Lottery, saw gross sales jump by 15.4% in FY02. Net sales of 14.5 billion SEK (1.6 billion Euro) remained about the same as in 2001, due to the fact that more players are going for games with a higher pay-out. The game with the highest increase was the VLTs, up 44% with gross sales of 6 billion SEK.

Taiwan

The TaipeiBank conducted the inaugural draw of its new NT\$50 Pick 4 lottery. The game draws three times a week: Mondays, Wednesdays and Fridays. Top prize is NT\$250,000, second prize is NT\$25,000, and third prize is NT\$2,000.

Uganda

The Uganda Finance Ministry has given its approval for the Uganda Lottery Company (ULC) to launch its much awaited 'Lotto' game. The game is expected to start soon.

UK

Camelot has been required to introduce a telephone subscription service to enable players with disabilities to buy tickets with debit cards. Camelot introduced the service in April for those who, because of some disability, are prevented from taking out a subscription via the normal route. Buying lottery tickets by telephone subscription could help as many as one million blind and partially sighted people in the UK, as well as those with mobility restrictions.

Vietnam

Genting International Plc has completed the acquisition of private placement of 18 million new units of Canada-based Pacific Lottery Corp Bhd at C\$0.25 per unit. PLC is expected to use the funds from the private placement to buy equipment and associated services required to fulfill its contract to implement a modern online lottery program in Ho Chi Minh City, Vietnam. ■

MGAM Receives Final New York Approval

Multimedia Games Inc. has received final approval of its video lottery central system contract from the offices of the New York State Comptroller and Attorney General. As previously announced, Multimedia was selected in May 2002 as the winning vendor to provide the central system for video lottery gaming to be operated at licensed racetracks around New York State.

The Company delivered the contract for approval in December 2002. According to the approved contract, Multimedia will earn a percentage of the net VLT revenue. MGAM's system for New York State will utilize the same Microsoft-based components and communication networks used in the systems it currently provides to Native American gaming facilities. The Company's central system encompasses all software, hardware and networks required to manage game determination and accounting for video lottery gaming.

IGT Acquires Patents

IGT has acquired 13 U.S. patents previously owned by Eagle Co. Ltd. of Japan. The patents cover a variety of slot machine technologies. One of the patents in the portfolio, U.S. Patent No. 5,722,891, covers the use of one or more bonus reels on a slot machine. Another, U.S. Patent No. 5,609,524, allows for 'wiggling' the reels to draw attention to winning combinations.

The portfolio acquired includes the following U.S. Patents: 5,395,111; 5,531,640; 5,584,764; 5,609,524; 5,622,366; 5,722,891; 5,743,526; 5,752,881; 5,863,249; 5,885,157; 5,984,782; 6,062,979; and 6,398,220. The remaining terms of the acquisition are confidential.

OGT Signs The Price is Right

To help lotteries expand their markets and increase their revenues, Oberthur Gaming has licensed "The Price is Right". As TV Guide's #1 show in its "50 Greatest Game Shows of All Time", The Price is Right has been a landmark program for generations, appealing to viewers of all ages, appearing in more than 26 territories around the world.

With over seventy-nine games available in The Price is Right format, the property offers endless possibilities in terms of longevity and variety. Lotteries can change the game design and play format from game to game, or even ticket to ticket for maximized market appeal.

Rhode Island Renews Interlott

Interlott received a one-year contract extension from the Rhode Island Lottery for the lease, maintenance and service of its approximately 100 TTS model

16-bin ITVMs. The original contract, awarded in December of 2000, included a two-year lease with three one-year renewal options. This is the second renewal under the terms of the agreement.

Intralot's 2003 Profits Will Reach 90 Million Euro

During Intralot's annual shareholders meeting, the shareholders approved a dividend of 0.76 per share (dividend yield of 6.1%), an increase of 18% compared to 2001.

Revenues, according to consolidated financial results, were 319.3 million Euro, compared to 281.9 million Euro in the same period last year. This 13.3 percent increase was driven mainly by the fixed odds betting operation as well as the increase of system sales due to the implementation of projects in Chile, Romania and Bulgaria. These results were in line with managements expectations set at the start of 2002.

Intralot's gross margin improved to 28.9 percent from 27.0 percent last year, mainly driven by higher domestic revenues and new international contracts.

EBITDA increased by 18.2 % to 87.1 million Euro, compared to 73.7 million in the same period last year. EBITDA margin improved and reached 27.3 percent (last year 26.1 percent) reflecting operational efficiency and the higher proportion of revenues coming from higher margin operations, such as fixed odds betting.

Profits before taxes recorded an increase of 20.3% by reaching 75.0 million Euro, compared to 62.4 million for 2001. For the second consecutive year, Intralot is ranked 2nd based on sales and 3rd based on pre tax profits among lottery suppliers worldwide. Pre-tax profits in 2003 are expected to exceed 90 million Euro, posting a 20 percent year-on-year increase, while the company's financial results will be published according to the International Accounting Standards (IAS) from now on.

Cadillac Jack Starting CJ Lottery

Cadillac Jack is entering the Lottery industry and becoming a vendor of technological solutions of video lottery to lotteries worldwide. The company designs video games and class II bingo games, provides back office platforms, manufactures machines/devices and amusement equipment.

Cadillac Jack provides terminals and games to 25+ countries throughout Europe and Latin America and is a manufacturer and service provider to Indian gaming businesses in the USA. The company is now offering its gaming solutions to lotteries and racetracks, with its first appearance in a lottery event at PGRI's ILAC 2003, in Cancun. ■

Aubin, Lemons and Musgrave

Running Racinos and Raking in Revenue

Several states are considering lottery-run video lottery terminals (VLTs) as a way to help cover enormous budget deficits. There are two popular ways that a state can implement a program – through a network of bars and taverns, and/or at horse and dog racing tracks (racinos). Most reports indicate the latter as the most considered option, so Public Gaming International felt it was prudent to talk to some directors that deal with racinos on a daily basis. PGI was lucky enough to obtain interviews with the three gentleman that represent the east coasts lottery-run racino industry – Rhode Island Lottery Director Gerry Aubin, Delaware Lottery Director Wayne Lemons, and West Virginia Lottery Director John Musgrave on video lottery and lottery run racinos.

Public Gaming International: *How did you come to decide where the machines were to be located, and what was the strategy for determining how many machines to put in one facility?*

Gerry Aubin: The enabling legislation in 1992 mandated that the video lottery terminals be placed in existing pari-mutuel facilities. The two pari-mutuel facilities in the State were a dog track and a jai alai fronton. In 1992, when we implemented our video lottery program, we were the first "racino" in the country; and we had no one to model our program after. We started by designating areas in the two facilities to accommodate the machines. We had four vendors at the time, and they put in numerous strings of ten machines in those designated areas. At the time, there was no scientific method of placing these machines because there was no existing model to copy. It was pretty much done on a wing and a prayer.

Today is much different from 1992. Now when we add machines, we do it more on a lottery-type basis. When a new room is built or renovated, and there are no machines currently installed in the area, we draw out a map of the room and break down exactly how the machines will fill the room. Let's say, for the sake of discussion, we were going to put in 100 machines; and we know that each of the four vendors will get 25 machines. We would line up and color code the machines on the map in the fairest possible way. Then, we would present the map to the vendors and ask if they would be satisfied regardless of what color they were assigned. When a consensus is reached with the vendors



Rhode Island Lottery Director Gerald Aubin

that the machines are evenly distributed, we hold a lottery to determine which vendor is which color, and their machines are placed accordingly. This method eliminates any perception of preferential treatment.

Wayne Lemons: That was not a decision that I or the Lottery made. The enabling legislation specified that the VLTs could only be located in the three horse racing tracks that existed at that time. It was an effort to revive the horse-racing industry in the state. In fact, that's the name of the legislation – The Horse Racing Rejuvenation Act.

John Musgrave: West Virginia law allows two different types of video lottery play: racetrack video lottery, located in the state's four licensed racetracks; and limited video lottery, located in adult environments throughout the state.

The Racetrack Video Lottery Act, passed in 1994, allows VLT's in four specific racetracks with pari-mutuel gaming: Mountaineer Gaming and Racetrack Resort, a thoroughbred track located near Chester, WV; Charles Town Races, a thoroughbred track located in Charles Town, WV; Wheeling Island Racetrack and Gaming Center, a greyhound track located in Wheeling, WV; and Tri State Racetrack and Gaming Center, a greyhound track located near Charleston, WV. By law, each racetrack's ability to have VLT's depended upon the passage of a local referendum during a regular election or special election. Initially, all tracks, with exception of Charles Town, passed local referendums in the spring of 1994. Charles Town Races' ability to have VLT's was passed in a local referendum in 1996.

The Racetrack Video Lottery Act does not cap the number of VLT's that any one track may possess. Each track was initially allowed 400 VLT's when licensed. The West Virginia Lottery Commission requires any track seeking to add VLT's to submit justification, floor plans, employment and economic development information for review. Before the Lottery Director and the Commission approve the request for more machines, a public hearing is held in the county where the track is located to obtain input. Should the request show financial justification and public support, the Director and the Commission may approve additional VLT's.

The Limited Video Lottery Act was enacted near the end of Fiscal Year 2001 as a mechanism to restrict, reduce and regulate video lottery gaming throughout the state. The Act effectively makes possession of non-regulated VLT's a felony. A maximum of 9,000 VLT permits are allowed, statewide, with retailer placement restricted to five machines per venue unless the retailer is a Veterans or fraternal organization. Veterans and fraternal organizations with IRS exempt status under either §501(c)(8), §501(c)(10) or §501(c)(19) may have a maximum of ten VLT's. The Limited Video Lottery Act places extensive restrictions upon the placement and volume of VLT's in the adult marketplace. Generally, retail establishments must hold a license from the State's Alcohol Beverage Control Administration, be located no less than 150 feet from another Limited Video Lottery retailer, and meet extensive requirements set forth in both the law and in rules and regulations. No one entity may possess more than 675 permits for VLT's under this law.

PGI: *Can you please compare and contrast the racino strategy to that of developing a geographically large network of VLTs in bars and taverns?*

Musgrave: There is little comparison between Racetrack Video Lottery and Limited Video Lottery in West Virginia. The racetracks are positioned as entertainment destinations offering a wide variety of activities and accommodations for both the day traveler and for the extended stay traveler. The Limited Video Lottery retail network is positioned within the existing adult bars, taverns and restaurants located in both urban and rural communities. The technical strategy of the two is comparable only in the shared central system computer at Lottery Headquarters. Dial up connectivity via a validation terminal is used in both venues; however, real time

communications is used for progressive games at the tracks. To date, progressive games are not permitted in the Limited Video Lottery marketplace.

Servicing the tracks and the Limited Video Lottery retailers is slightly similar in that the Lottery does not own the VLT's. The Lottery's Security Unit licenses service technicians who work with the VLT's in both venues. However, all VLT hardware and software must be approved by the Lottery.

PGI: *What are your VLT revenue-per-capita expectations for FY03, and how much do you expect this revenue to rise in the next few years?*

Aubin: This year, our net terminal per cap will be about \$314 per machine. In FY04, we are looking at \$414 per machine.

Lemons: Our revenue for the first six years grew quite rapidly. The market was growing, and we expanded the number of machines. A few years ago we reached a peak in the number of our machines, so we're not growing to the same degree. We forecast \$713 per capita for this year (FY03). We forecast a two-percent increase for FY04, and a four-percent for FY05. We have some uncertainties with the prospect of other states launching video lottery, and there's no doubt in my mind that at some point they will be in this business. Certainly, when that happens we will have to take another look at our forecast.

Musgrave: With both Racetrack Video Lottery and Limited Video Lottery (combined figure), the West Virginia Lottery expects a \$500 per capita revenue for FY03. The revenue may rise slightly in the future, but projections are for stability given the fact that the number of Limited Video Lottery terminals is capped and the number of terminals at racetracks must be justified by market demand. At this time, neighboring lottery jurisdictions are entertaining video lottery products that may create competition in the racetrack marketplace. We expect VLT revenues to be approximately \$900 million in FY 03 with no growth beyond 03.

PGI: *What percentage of VLT revenue is estimated to come from players in bordering states?*

Aubin: We estimate approximately 25-30% of our players come from Massachusetts.

Lemons: About 70 percent of our players come from outside the state. Of course, as you know, they don't have to travel long distances to get here.



The floor of West Virginia's Tri-State Racing and Gaming Center

Musgrave: The racetracks estimate their proportion of out-of-state play based upon counting license plates in the parking lots and by players' club membership statistics. Considering the border location of three of the four racetracks, the average out-of-state attendance is estimated to exceed 80 percent. The revenue amounts attributed to the attendance are impossible to calculate, accurately. However, one may apply the estimated average 80 percent to the revenue for a working figure.

PGI: *How much extra manpower was needed at your lottery once VLTs were implemented, and is additional staff required at each expansion?*

Aubin: I tell all potential VLT states that it is of the utmost importance to make sure they staff properly from the beginning. In 1992, we added no additional staff to the VLT program. Again, having no existing program to look at and see how it should be done, we managed with the staff in place at that time. When I was appointed Executive Director in 1996, I started to separate the duties of the VLT operation. I brought on the State Police and additional security personnel to address our VLT needs. I hired two accountants dedicated solely to the VLT program. In 1999, I established the position of a full-time liaison to the technology providers, the facilities, and the central system provider. Currently, there are five employees dedicated to VLT operations. We have not had to increase personnel when additional

machines have been allocated. The facilities may have increased personnel requirements when they expand, but the Lottery staff requirements will not change.

Lemons: We only added three additional people that are devoted exclusively to video lottery. We were highly privatized, and there's no way these three people could do everything if we didn't depend on the partnership with our vendors to do all the legwork at the track. The three people here are directly involved in managing the vendor operations and overseeing the tracks. I do have a seven-member state police unit, and they're involved in game security. They're not standing guard at the track, but they do our background checks and all of that type of security. They are a considerable help. I'd hate to think about trying to run an operation like this without that type of assistance.

Musgrave: Racetrack video lottery required minor adjustments to staffing, initially. As the tracks increased the number of VLT's and added coin-drop and progressive machines, the Lottery's security, computer staff and accounting staffs were increased. Field offices were created near three of the tracks located in the northern and eastern portions of the state. With Limited Video Lottery, staffing needs were doubled and the Lottery reorganized its staff to meet the demands. The traditional units of marketing, finance and administration and security were adjusted to create addi-

Cashless Gaming Systems Deliver Patron Convenience and Operational Efficiency

By Bob Falco, Director and Division Manager, Seiko Instruments USA Inc., Micro Printer Division

Cashless technology is revolutionizing the gaming world. One of the most recent and exciting venues for this approach is video lottery systems at racetracks - or "racinos." Cashless offers significant benefits to patrons and operators alike. No more coins to handle and replenish. Automation and data tracking capabilities. Additional cross-promotion opportunities with messages pre-printed on tickets.

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tional units of licensing, video lottery, and video lottery security. Field auditors, investigators and security personnel were located in four regions of the state. To provide assistance to the tracks the Lottery's computer room operates 24 hours 7 days a week. In all, the Lottery's direct employment jumped from a total of 54 in FY 2000 to 92 in FY 2002.

Expansions at racetracks and in the general Limited Video Lottery retailer environment require additional employees at certain thresholds.

PGI: *Other than manpower, what additional costs are incurred by lotteries that begin offering VLTs, and how are these additional costs affected by VLT expansions.*

Aubin: Actually, we are the beneficiaries of tremendous amounts of money, with very little investment from the State. Other than staff, there is no additional cost.

Lemons: We didn't have substantial additional costs because it was all outsourced to private vendors. That holds true for any expansions also.

Musgrave: When a lottery that has worked only with traditional products such as instant and online tickets begins offering video lottery, additional costs may be expected. Those costs may be in the form of vendor fees, should the lottery outsource procurement and running of the central system, external testing laboratory fees, additional telecommunication fees and increased external accounting/auditing fees. Further expansion to the network of VLT's creates an increase in costs regarding hardware, software and telecommunications. In addition, the licensing of participating entities increases the costs of background checks, database/file maintenance and other telecommunication services such as toll-free telephone lines.

PGI: *How does that compare with the effect on lottery operations due to an expansion of several hundred or thousand VLTs in a wide-spread tavern network?*

Musgrave: Development, implementation and regulation of a widespread tavern network can actually double non-manpower costs when compared to the costs for running racetrack video lottery. More entities such as operators, manufacturers, retailers and technicians are involved, thereby increasing the number of background checks, licensing processing activities, and database/file requirements. Telecommunications cost in widespread tavern networks are much greater in proportion to racetracks in that validation terminals must be linked from site to central system regardless of the number of VLT's per location. Additional front-end processors and software for the central system will be needed, as well.

PGI: *What percentage of gross VLT revenue does your lottery receive?*

Aubin: Currently, 52% goes to the State from the dog track, with 57% going to the State from the jai alai location.

The 5% difference between the facilities is due to the percentage that goes to the dog owners at the track. The percentage going to the dog owners goes back to the enabling legislation in 1992. There was great fear that the dog owners were going to lose revenue as a result of the implementation of the VLTs, so the supplementary money to the owners was incorporated into the legislation. Presently, there are bills pending that would reduce that number and give a higher percentage back to the State.



Delaware Lottery Director
Wayne Lemons

Lemons: The Lottery winds up with an average of 35 percent.

Musgrave: West Virginia's Limited Video Lottery Act provides for variable quarterly percentage revenue based upon an aggregate daily statewide performance per terminal. This quarter, the Lottery is receiving 42 percent of gross profits based upon the average terminal performance of the preceding quarter. The State's share varies between 28 and 48 percent based upon daily averages for four different, three month periods during the years. In practice, the State's share has run between 36 and 40 percent and is averaging approximately 39 percent.

PGI: *What kind of a marketing effort is required for VLTs to reach their optimum intake?*

Aubin: We (the Lottery) do not provide any marketing. However, both facilities spend a tremendous amount of money on television, radio, newspaper, and billboard advertising. Both facilities reach into southern Massachusetts and up into the southern Boston market. With Foxwoods and Mohegan Sun, the competition is strong, so there is a need to advertise and make people aware of what is available in Rhode Island.

Lemons: We do not do the marketing for these venues. We let the tracks do the marketing. However, they have to get promotions approved by the Lottery. If they had advertisements that were targeted in a way that would disturb the compulsive gambling area, that would be a concern. We also take a good look at the promotions they do to make sure they are not targeting racial groups or anything like that.

Musgrave: The West Virginia Lottery does not market the VLT product in either racetracks or in the statewide tavern environment. Racetracks are allowed to market their own VLT products with the approval of the Lottery Director. Limited Video Lottery retailers are prohibited from any type of advertising or promotion.

PGI: *How does your lottery interact with the tracks that house the machines?*

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Aubin: The interaction between the Lottery and the facilities is very good. Again, we are the State regulator of the facilities. We are the agency that licenses the technology providers, and we determine how many machines each technology provider will receive. We utilize an efficiency program to ensure that we are provided the newest machines with state-of-the-art technology. Presently, we have four technology providers; and based on their performance, as tracked through the efficiency program, they either increase or decrease the number of their machines. This unique efficiency program was developed by us in Rhode Island. I believe the State of New York will be utilizing a version of this program, and several other states have expressed interest in it as well. How the program works is for the first quarter of the calendar year, the performance of each vendor is tracked. For example, if a vendor has 500 machines, the amount of business that vendor does should be equal to those 500 machines as a whole and operating at 100 percent. If a vendor drops below 97 percent efficiency, machines will be taken away; and those additional machines will be awarded to those vendors that are doing more than 100 percent.

Lemons: We're a regulator, but we're also a semi-operator because all the machines are ours and they can't maintain them. We lease the machines, and the tracks are not allowed to do anything to them. They can fill a jackpot, but all maintenance is taken care of by the vendor rep. The vendors ultimately report to the three people we have here. We encourage the vendors to work with the tracks, and keep the tracks informed on the new games we have. The vendors keep us informed at the same time, but they cannot bring in a game without the lottery's written approval.

Musgrave: The four licensed racetracks maintain involvement with Lottery operations on many levels. Each track houses a Lottery auditor and Lottery video security personnel are interacting with track technicians and operations staff on a daily basis. The track owners and managers, and the representatives of the West Virginia's Racing Association maintain a cooperative and interactive relationship with the Lottery Director and the Commission membership. Track representatives are present at all Commission meetings and Lottery-initiated work sessions and meetings.

PGI: *How does your lottery interact with the bars and taverns that house VLTs?*

Musgrave: Any retail establishment that chooses to house VLT's must meet all of the Lottery's licensing requirements.

From licensure on, the retailer must maintain close interaction with the Lottery's security personnel for installation and maintenance of their VLT's. In one way or another, the retailer must interact with all Lottery units in order to run successfully. Interactions occur with accounting, auditing, licensing, security, and IT. In some cases, licensed operators provide equipment for retailers and serve as a conduit to the Lottery. Still, each retail location must be licensed directly by the Lottery and be re-licensed on an annual basis. In addition, the Director has established an eight-person limited video lottery operator's advisory board that meets with the Director periodically to hash out some of the more difficult problems.

PGI: *What percentage of the gross revenue does a track receive for housing your machines?*

Aubin: Each facility receives 30.5% of the net.

Lemons: In Delaware the tracks average 49 percent of the net revenue, or what we call net proceeds. The net proceeds is the difference between the amount played and the amount won.

Musgrave: The West Virginia racetracks own their own machines, and they pay for the maintenance and operation of all VLT activity. As such, they are granted, by law, 47 percent of gross profits (funds available after winnings are paid to players and after 4 percent Lottery administration funds are deducted) until a benchmark of sales is met, and 42 percent thereafter. Track-related entities receive funds in addition to the 47/42 percent. For example, a racetrack's pension fund receives 1/2 percent of net revenues, and greyhound and thoroughbred develop funds receive 3/4 percent of net revenues.

PGI: *What impact does the presence of VLTs have on the sale of other lottery products?*

Aubin: There will be arguments that cannibalization will take place. Obviously, there is only so much gambling or entertainment dollars in our society. It's extremely difficult to say that we have cannibalized our other games. As a matter of fact, since 1992, we have increased our revenue from instant games; we've continued to break records and increase revenue with our keno products, and PowerBall® holds its own. The Daily Numbers game was on a slide for a number of years. Two years ago, we were able to turn that game around and increase the revenue. So, with those steady day-in/day-out games, our revenue continues to increase; and the video sales continue to grow. If there is any cannibalizing, it's insignifi-



Entry to West Virginia's Tri-State Racing and Gaming Center

cant, because as a whole the numbers are rising; and I can say that none of our games have been adversely affected.

Lemons: The video lottery here has had a minimal, if any, impact on the sale of other lottery products. We had some concern when we first launched the video operation, but we were never able to measure any adverse effects on traditional lottery products. They are two different markets.

Musgrave: We have realized no negative impact from the VLT's upon our traditional products. In fact, the racetracks are top retailers for online games. In the Limited Video Lottery marketplace, the 5-minute draw keno game is popular and serves as a complementary entertainment product.

PGI: *How many machines does your lottery currently have installed at each location?*

Aubin: Presently, there are 2,172 at Lincoln Park (the dog track) and 776 at Newport Grand Jai Alai.

Lemons: We have three tracks. One, a thoroughbred track in the Wilmington area of northern Delaware, has 2,000 machines; there's a harness track here in Dover with 2,000 machines, and then about fifteen miles south of Dover there's another small harness track on the property of the Delaware State Fair with 1,550 machines.

Musgrave: As of the week ending April 12, 2003, the number of VLTs approved to operate in the racetrack environment was 11,400. Mountaineer Racetrack and Gaming Resort and Charles Town Races are both authorized to operate 3,500 VLT's each. Wheeling Island Racetrack and gaming center is authorized to operate 2,400 VLT 's and Tri State Racing and Gaming Center is authorized to operate 2,500 VLT's.

As of April 14, 2003, the number of VLTs operating in the Limited Video Lottery environment was 5,101. The total number of permits issued, as of this date, is 5,585 with an additional 219 Certificates of Reservation for a total of 5,804 VLT's allowed. The next bid for permits is scheduled for May 9, 2003.

PGI: *What are your plans for VLT expansion in your state?*

Aubin: We are currently in an expansion. We started with 2,478 machines, and at the end of 2004, we will have 4,303. Lincoln Park will house 3,002 machines, and Newport Grand Jai Alai will have 1,301.

Lemons: We have 5,550 machines in the state. The existing legislation caps the number of machines at 2,000 per track. Any expansion would require legislation. There are no plans that I'm aware of to expand the operation to other venues. We do have legislation drafted to allow 500 additional machines at each venue.

Musgrave: The West Virginia Lottery has no plans for expansion outside of that which is capped by current law. We are working on the full implementation of Limited Video Lottery and addressing requests for additional terminals at racetracks, to accommodate market demand.

PGI: *How many video suppliers does your lottery use?*

Aubin: We have four technology providers, GTECH, IGT, Spielo, and Williams.

Lemons: We use GLI to test and certify the chips and the operating system that interfaces the machines. AWI (now IGT) supplied the operating system, and we have four machine suppliers: IGT, Bally, WMS, and Spielo.

Musgrave: The West Virginia Lottery currently licenses eleven VLT manufacturers for the racetrack video lottery market and nine VLT manufacturers for the limited video lottery market. Many companies are licensed in both markets and pay both licensing fees.

PGI: *Is there a possibility for VLT companies that aren't already supplying to your lottery to become a supplier, and what sort of requirements does your lottery place on prospective suppliers?*

Aubin: Presently an evaluation committee, comprised of three members of my staff, is on the road visiting a number

VLC Operations Divided Between IGT-OES And IGT Gaming Division

Since January 1, 2003, VLC systems development, project management, customer support and sales are being run by IGT-OES out of its



Clifton, New Jersey facility. Simultaneously, all VLC gaming machine manufacturing related functions and management will align with their appropriate counterparts within the IGT Gaming Division in Reno, Nevada. The target for completion of this transition of VLC operations to IGT-OES and IGT is June 30, 2004.

Under IGT-OES' management, the VLC systems group in Bozeman will continue to meet current business commitments and obligations, while simultaneously working with IGT-OES to transfer and incorporate all system related functions from the VLC facility in Montana to the IGT-OES facility in New Jersey. IGT-OES will now have responsibility for all of IGT's lottery systems including online, instant and gaming machine monitoring.

IGT-OES' central video system software, Advanced Gaming System (AGS), is the current worldwide market leader with a 39% market share. These central systems currently monitor, control and provide the accounting and reporting for over 83,000 VLTs in nine government jurisdictions. IGT-OES will also support IGT's Security Accounting Management System (SAMS) that manages 32,000 VLTs in six government jurisdictions.

of suppliers. We issued an RFP&Q approximately four months ago requesting proposals to be qualified for licensing in Rhode Island. We received a number of responses, and those companies are being visited. When the visits are completed, the evaluation committee will prepare a report including recommendations. This report will be submitted to me, and we will follow up with security background checks. We are hoping that by mid-June, we will have some final recommendations for our Lottery Commission regarding the licensing of additional technology providers.

As far as requirements, the company must be financially stable. The background of the company is also of the utmost importance. In addition, the vendor must have experience in a similar video environment and have an ample gaming library. We compare video to instant tickets – you have to keep changing. In Rhode Island, the number one key to a successful video program is having a good game library, because our player base is sophisticated. We have two of the largest casinos on our doorstep, Foxwoods and Mohegan Sun, both of which have the newest games from around the world. Because of the short commute to both of these locations (30 minutes from downtown Providence and an hour from southern Massachusetts), many of our players go there and are very much aware of what is out in the marketplace. In order for our facilities to survive, they must have the latest games. There are a number of good companies out there, and we are optimistic we are going to find additional vendors that can provide services to us.

Lemons: Each time we've gone out to bid we've approved and taken machines from everyone that bid. They have to ask for approval, and then we would then do very extensive background checks on them. It is possible, under our legislation, to have an approved vendor without taking any machines from them, but to actually take a machine from them they would have had to submit a bid when we went out with an RFP.

We do not take bids from distributors. We do not want to do business with anyone that is not developing their own software.

Musgrave: The West Virginia Lottery's licensing requirements allow any interested, recognized VLT manufacturer to apply. In order to be granted a license, a manufacturer must pass extensive national and state criminal and financial background investigations and meet the integrity standards of the industry. VLT manufacturers pay a fee of \$10,000 per year for each license to sell machines to licensed racetracks and operators/retailers in West Virginia.



West Virginia Lottery Director
John Musgrave

PGI: *How else have the presence of VLTs positively affected the economy of your state?*

Aubin: If we assume that 25–30% of our revenue is coming from outside of the State, then we are bringing in money from other states. Both facilities employ a tremendous number of people in fairly decent paying positions; so they have contributed in that sense. I think the biggest benefit, and something we often overlook, is that at the Lottery, our shareholders are the citizens of our State. The revenue that we generate through those facilities is turned back to the State and provides services to our shareholders in lieu of taxes. We always think of just the traditional lottery benefiting the citizens, but so does the video world. The revenue generated through video, as with traditional lottery, has a multiplier effect. The revenue is turned over to the General Fund, which supports almost every aspect of life in our State, from education and health care, to public safety and the environment.

Lemons: I would say it has, but I can't give you any hard data as to how. I don't have that information because we haven't conducted such a survey. Certainly, combined, the three tracks have created 1,400 additional jobs in the state.

Musgrave: On the retail side of the industry, the VLT's at our racetracks have had a significant impact upon the economy of the state through tourism development. Our four tracks are positioned as tourism destinations and are packaged with area attractions to bring in persons with disposable time and disposable income for a two to five day stay. The racetracks can provide an evening's entertainment to those who live nearby, as well. The racetracks provide employment opportunities in a variety of professions, and they have helped spur development of hotels and restaurants in the nearby areas.

Revenues from the West Virginia Lottery's VLT's fund a portion of the State's programs for education, senior citizens and tourism development in addition to college scholarships, grants for tourism marketing and projects of economic development and infrastructure.

PGI: *Do you have any general advice for prospective VLT lotteries?*

Aubin: What appears to be an on-going debate in numerous jurisdictions is how the money will be distributed among the VLT entities. With the central system provider, the technology providers, the facility or track, and the state, all trying to break up a piece of the pie to their advantage, it can become a very difficult and cumbersome process. I can see how other states try to grapple with the problem of what is the appropriate break in profitability, and who should make the most. What I tell anyone who asks is that all entities must make a profit, and it can be a very difficult formula to achieve. Obviously, the state wants to generate as much money as possible, but it cannot be at the loss of the technology provider or the facilities, many of which are just trying to stay afloat. In order for them to put back into their

facilities, they have to make a decent profit. In order for the technology providers to have the latest and greatest games available, they have to make a profit. Finding that appropriate percentage when starting up is very difficult. We all want the most, but that's not practical.

My second piece of advice to any new video state would be to make sure they adequately staff their operation from day one. Video is not traditional lottery – it is a totally different business. Look at what other states are doing. Everyone is readily available to share what they are doing. We do it on a regular basis with other states. Get out there; learn what you can, and then designate appropriate staff. Hire appropriate personnel for security and finance. Because of the tremendous amount of money that is provided to our State as a result of the VLTs, it is imperative that the appropriate staff is assigned to ensure we continue to maintain the highest level of integrity possible.

Lemons: If a state is considering going into video lottery, and there is a lottery there, my advice to the lottery is to try and be involved in the legislation. Try to get out front and have as much influence in the legislation as possible.

Also, talk with other lotteries that are in the business, and try to go to school on their successes, and what they wouldn't do again if they had it to do over. In the lottery industry we share information very readily. That's a good way to gain knowledge of what has been successful and what has not

been successful. It's a great asset.

Finally, if a lottery is considering going into video lottery, be prepared for a very challenging and interesting experience. No doubt about that! It keeps you from having time on your hands.

Musgrave: If I were to advise a lottery interested in VLT's, I would first recommend that lottery personnel explore the technological aspects available, today, and those technological aspects that may be available in the near future. Simple telecommunications are changing rapidly, and equipment that once worked on analog dial-up may someday run wireless. Technological innovations in game development merit great consideration, as well. Progressive jackpots and bonus games are now as important as multiple price points. Lotteries should set up basic VLT operations with the most futuristic, yet reliable, equipment available.

Furthermore, I highly recommend that any lottery interested in VLT operation explore other lotteries such as ours or those in jurisdictions such as Delaware, Rhode Island, South Dakota, and Oregon. The Multi-State Lottery Association has formed a Video Lottery Product Committee for the purpose of facilitating information sharing among lotteries with VLT's. As Chairman of this Committee, I often host Directors and staff from other lotteries who want to visit and learn about the West Virginia Lottery's VLT programs. A Director should plan to spend 75-80% of his or her time on VLT issues. ■

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Lottery Game Shows

Around the World

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MUSL

"Powerball Instant Millionaire" is a 30-minute TV game show created and produced by Sande Stewart Television, Inc. in association with The Multi-State Lottery Association (MUSL). Contestants can appear on "Powerball Instant Millionaire" by purchasing a scratch ticket from a participating lottery. Scratch winners from 14 states along with a guest are flown in for a 3-night stay at The Venetian Hotel located in the heart of the Las Vegas strip. Each contestant receives a limousine ride to and from the airport and \$750 spending money. "Powerball Instant Millionaire" is taped in the Showroom at the Venetian and all contestants are guaranteed to win at least \$1,000. While contestants can win thousands along the way, the player who advances to the bonus round of each show has a chance to win over 1 million dollars!

Todd Newton, the longtime star of E! Television's "Coming Attractions" is the host of "Powerball Instant Millionaire." Todd guides contestants as they participate in a variety of casino-themed preliminary games featuring cards and dice. Strategies featured in games like blackjack and craps are used by players in the hopes of making it to the bonus round where they play "Instant Millionaire." In the bonus game, 7 dollar signs (\$) and 2 Xs are hidden behind the letter in the word POWERBALL. The contestant starts with \$1,000 and doubles his or her money each time he or she uncovers a dollar sign. If the contestant finds all 7 dollar signs without uncovering an X, he or she wins 1 Million Dollars!

Hundreds of thousands of viewers watch "Powerball Instant Millionaire" each week, as the show airs in over 50 markets throughout the U.S. with 14 state lotteries participating in the show. They are: Connecticut, The District of Columbia, Delaware, Iowa, Kansas, Kentucky, Louisiana, Minnesota, New Hampshire, New Mexico, Oregon, Pennsylvania, South Carolina and West Virginia.

Jonathan Goodson Productions

Jonathan Goodson Productions has produced TV game shows for several lottery organizations. The list includes the first year of producing a show for MUSL based around



Todd Newton hosts MUSL's Powerball Instant Millionaire, produced by Sande Stewart Television, Inc.

the Powerball game. Goodson has produced shows for a dozen other lottery organizations.

Illinois

In 1994, Jonathan Goodson Productions delved into the world of lottery game shows by launching "Illinois Instant Riches" for The Illinois Lottery. For this undertaking, Goodson created what it now calls its "modular game" format, which features a series of non-skill physical games. This show in particular gave 15 contestants a shot at playing several main games worth varying amounts of money. The night's biggest winners would return at the end of the show to face-off against each other in a "bonus" game where one of them could win up to \$200,000. Players gained entrance to the show by playing the lottery's "Instant Riches" ticket. This ticket remained a best seller, despite the fact that the lottery more than doubled the number of instant games on sale.

Massachusetts

In February of 1995, Goodson's modular game format proved itself successful once again, when the company began producing "Bonus Bonanza" for the Massachusetts State Lottery. As in Illinois, at the end of the show, three players would return to compete against each other in a bonus game that offered each of them a shot at up to \$200,000. Contestants made it to the show by playing various lottery products, but the show also featured a segment where at-home players were awarded prizes on the air. The show ranked #1 in its competitive, access time period, out-

performing every other hit show, including: Wheel of Fortune, Star Trek, and Entertainment Tonight.

Florida

In 1995, Goodson brought its modular game format to Florida, when it began producing "Flamingo Fortune". Thirty lottery players had the opportunity to compete on the show. At the end of the show, the top winner of the evening faced off against the returning champion from the previous week in an attempt to win half-a-million dollars! The show was produced at Universal Studios in Florida and featured the added element of a trip to Orlando as part of the prize package.

Hungary

At the start of 1996, Goodson brought its expertise to Europe, where it teamed up with Hungarian Gambling Corp. to produce "Telemazli". The show's ticket sold at ten times the rate of any other instant product. And it increased the lottery's total weekly instant sales by 300%.

Estonia

A second international show soon followed as Goodson produced "Bingo-Lotto" for the Estonian Lottery. This was Goodson's first show created for an on-line game. The players in the studio attempted to solve a picture-puzzle game, while the home viewers played along with their tickets. Because of the on-line feature, each episode was taped on the same day it aired. After the show had been on the air for only six weeks, the lottery's total sales had increased by more than 117%.

Lithuania

The format used for the Estonian show was so successful, that The Lithuania lottery immediately commissioned Goodson to launch a similar show. This resulted in Goodson's third international lottery game show "Teleloto", which not only increased ticket sales dramatically, but has also been the number one rated television show in the country for several years. While the show continues to be based on an on-line game, the format was recently modified to feature modular games.



Jonathan Goodson Productions revamped California's "The Big Spin." Since taking over the production, the show has experienced increased ratings.

Pennsylvania

In March of 1997, Jonathan Goodson Productions was selected to produce "The Pennsylvania Lottery's 25th Anniversary Game Show". Goodson hired native Pennsylvanian Dick Clark and Miss Pennsylvania GiGi Gordon to host the show. Once again, Goodson used its modular game format, and scored big in ratings. The show won its time slot in both Pittsburgh and Philadelphia.

New York

In 1997, Goodson produced "NY Wired" for the New York Lottery. The show featured a rollover jackpot that sometimes exceeded one million dollars. Teams of players split their winnings with schools across the state in an effort to increase the number of computers in New York's schools. In New York City, probably the most demanding market in the world, this show was rated number one vs. its competition on Saturdays at 7PM.

California

In 1999, Goodson took over producing and completely revamped the California Lottery's pre-existing game show "The Big Spin". Hosted by "Shop 'Til You Drop" host Pat Finn, this show offers players a shot at winning as much as three million dollars. The show also features the Goodson created "hero in education" award segment. During this segment, celebrities visit the show to help honor volunteers from across the state who are helping to improve California's public schools. Celebrities who have appeared on this segment include Ed Asner, Susan Anton, Michael Gross, Shirley Jones and Edward James Olmos. Since Goodson revamped the show, the lottery has experienced increased ratings and sales.

Still more lotteries...

Toward the end of 1997, Goodson brought its expertise to yet another continent, when South Africa's private lottery company, Games Africa, commissioned them to produce two new game shows, "Win 'N Spin" and "Zama Zama". After Goodson added its magic touch, both shows experienced increased ratings and ticket sales.

In 1998, Goodson was hired by the Iowa Lottery to produce its "Super Cash Sweepstakes". It appeared on seven stations across the state.

Finally, in 2001, Jonathan Goodson Productions produced "The Ohio Lottery's Second Chance Sweepstakes". In addition to cash prizes, two brand-new Chevrolet Corvettes were given away.

Milestone Entertainment

Milestone Entertainment recently signed a multi-year agreement with La Française des Jeux (The French National Lottery) for the development and marketing of television and multimedia games for internet, mobile phone and interactive television applications. Not much is known about the deal right now, but La Française des Jeux has a history of success with TV games and for being at the forefront of deploying new technologies. ■

Lotteries on the Internet

VIP Clubs and Second Chance Drawings

VIP Clubs and Internet entry on second-chance promotions are slowly creeping into the norm for lotteries. VIP and second chance promotions are heating up lottery web sites.

ALC

The ALC operates an Internet VIP Club called eClub Rewards. It is a free online membership club offering promotions and special benefits to Atlantic Canadians who have reached the age of majority in their province of residence. Members of the eClub Rewards program can preview new games and promotions, plus receive winning numbers and jackpot alerts. They also have the opportunity to receive notification of, and the opportunity to enter, contests.

eClub Rewards was launched in November 2002 and has approximately 7,000 members.

The ALC runs a weekly promotion through eClub Rewards called "Who Knew?" This is a promotion that features a new multiple-choice question each week. The questions are mostly for fun and are not very serious. The results for all questions from previous weeks are presented in graphical form. A draw is held each week from all entrants for a lottery prize pack.

The Lottery has plans to offer a second-chance draw that will only allow for Internet entries.

Colorado

The Colorado Lottery currently has a task force working on expanding the Lottery's e-Lerts program, which has approximately 2000 members. The Lottery plans to use second-chance drawings and a series of other options, including handouts at special events throughout the summer, to grow its email database.

Delaware

The Delaware Lottery has operated a VIP Club, Players Club, since late 2002, and currently has nearly 900 members enrolled. To date, the Lottery has used the Players Club to provide information to players on a first-to-know basis for promotions, news, big winners and current jackpots.

The Lottery is just beginning to conduct special promotions exclusive to Players Club members. In April the

Lottery launched a QuickPick promotion for Players Club members. The promotion features a \$2,500 QuickPick shopping spree at the shopping center of the winner's choice. This is the first second-chance drawing promotion the Lottery has conducted for the Players Club and is geared toward providing members with value-added benefits. The promotion is being supported using print, point of sale, the Web site and e-mail marketing to Players Club members. Entries for both drawings are due to the Lottery Office by June 27, 2003. The second-chance drawings will be held at the Lottery Office in July 2003.

Hoosier

The Hoosier Lottery has operated an Internet VIP Club since September, 2000. Current enrollment in the club exceeds 37,800 members.

In March of 2002 the Lottery ran a "Design A Game" contest for VIP Club members. Members were invited to submit their \$1 scratch-off game ideas and ticket art (either electronically or by mail) for a chance to win up to \$2,000. The Lottery received over 300 entries and is preparing to launch the 2nd annual contest in May of 2003. The 2002 winner's ticket, Stairway to Riches, will go on sale May 16, 2003.

Each licensed property scratch-off game the Hoosier Lottery offers has a second chance entry mechanism that is now available via the internet. So far the Lottery has conducted these promotions for SPAM, Fastracks, Elvis, Harley Davidson and Pacers Eastern Conference Cash. These all involve merging mail-in and internet entries.

In addition to these the Lottery has offered other second chance promotions open only to VIP Club members to enter on-line. These involved entering non-winning scratch-off tickets or on-line tickets (depending on the promotion). These promotions consisted of the following: a Daily 3 promotion to win cash; a Triple Blackjack promotion to win gift certificates; a Powerball promotion to win a laptop; and a Viva Las Vegas promotion to win a trip

to Las Vegas.

The Lottery consistently receives between 40,000 and 50,000 entries via the internet with licensed property second chance drawings. The current promotion with the Pacers (NBA ticket) has been very successful in regard to the number of entries received via the internet. The promotion ended on April 30, 2003, and as of mid-April the Lottery had received almost 50,000 tickets on-line. The Hoosier Lottery does not intend to run another licensed second chance promotion without providing internet entry option.

From October 7 - November 3, 2002 the Lottery ran an Internet-only second chance promotion involving Powerball. VIP Club members could enter any non-winning Powerball ticket purchased on or after October 6, 2002 for a chance to win a Toshiba laptop computer. Over 34,000 tickets were entered in the drawing. The only advertising the Lottery did for this was an email to VIP Club members.

Maryland

The Maryland Lottery started its VIP Club in April 2000. The club currently has approximately 18,000 members.

The Lottery has run a Refer-A-Friend promotion which allowed people to sign up at least three of their friends and be eligible to win vacation getaways and scratch-off tickets, as well as a Watch & Win Promotion which allowed VIP members the opportunity to watch a Maryland Lottery drawing/event and win a prize if answered correctly. The Lottery has also offered various tickets giveaways to events, games, concerts, and more throughout the years.

New York

The New York Lottery morphed its labor-intensive VIP Club into a database-driven direct response program where people receive periodic mailings of game discount coupons throughout the year. There are approximately 1.2

Tips About Second Chance Internet Entry Drawings

Bob Kowalczyk, MDI Entertainment

Once you accept the premise that it makes sense to offer your players the added value and convenience of entering second chance lottery drawings over the Internet (Public Gaming, November 2002), the next step is to make the most of that opportunity, so it can play a role in your long-term customer satisfaction program.

Here are some ways you can do that:

1. Spread the word

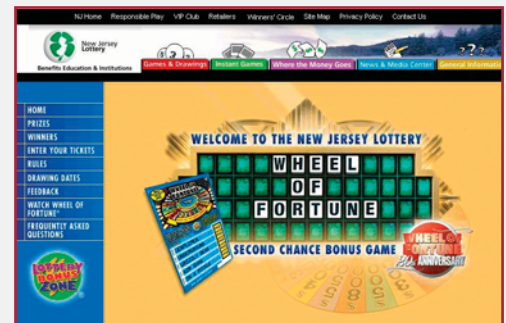
Your web site definitely needs to be the place where all of the details of the opportunity are promoted, but it should not be the only place for a lottery player to learn about it. If this is the first time your players will have the opportunity to participate in a promotion that does not require them to mail-in an entry, make sure that they know about it. Information about the availability of Internet entry should be included on the tickets, even if it is just a mention on the ticket back that directs players to your web site for more details. Devote room in game brochures to promote Internet entry, and add an "ENTER ON THE INTERNET!" message to other point of sale and other forms of advertising and communications about the game. Don't forget to promote the Internet service to your retailers, either!

2. Make it easy

Once you have captured the interest of your player in using your Internet drawing entry process, make the process of registering and entering tickets as painless as possible. Make it easy to find the second chance web pages by featuring the links prominently on your home web page as well as on any other pages on your site where a player might notice them. Player registration should be easy, but that doesn't necessarily mean it needs to be very brief. Most players are willing to give you more information about themselves than they ever have before, in exchange for the privilege of entering drawings on the Internet, so take full advantage of that. But keep the process simple, using drop-down boxes, check boxes and the like to save time. Same for the process of submitting entries - the fewer numbers a player has to type in, the better.

3. Be "hyper-responsive"

Consumers generally expect anything that is Internet-related be as fast and immediate as a 24-hour news channel. So your second chance "hyperspace" location has to be "hyper-responsive." Winners lists should be created and posted on the second chance web site as soon as possible following drawings. Also, you need to give players an email feedback mechanism to use to resolve any questions or technical problems they may be experiencing. And responding to these emails needs to be done with the same immediacy as if a player were calling the Lottery via the telephone.



million members who have opted to join the Lottery's DR program via the Web site or through other means (e.g. second-chance drawing promotions, etc.)

The Lottery added 21,000 new names to its DR program as a result of its recent Web-based LOTTO 25th Anniversary Sweepstakes. The sweepstakes was promoted on the home page of the Lottery's Web site and gave visitors an opportunity to enter on-line to win a trip to Lottery headquarters to meet and dine with New York Lottery draw-team member Yolanda Vega and witness a live LOTTO drawing. Those who entered the sweepstakes were also given the opportunity to win LOTTO free-play coupons if they referred a friend to the site who entered the sweepstakes as well.

The New York Lottery has also offered a second chance promotion where players could enter via the Internet. The experience taught the Lottery the value of separating its on-line promotions from its on-premise and other media-based promotions. The Lottery learned that many of the potential customers who came to the Lottery site because of the promotion did so with the unreal expectation of being able to win or purchase Lottery tickets online. This experience played a role in steering the focus of the New York Lottery Web site away from being a marketing communications tool and to its current form as a content-driven site.

Oregon

The Oregon Lottery has found the Internet sign-up option to be a very important part of second-chance promotions. In the three promotions where Internet sign-up was an option, mail-in entries averaged less than 5 percent of the total entries (Harley-Davidson - 70,930 total entries; Race Fever - 14,532 total entries; Holiday 9,700 total entries).

For the Oregon Lottery, success with second chance web drawings seems to be directly related to how attractive the prize is. Of the three promotions offered, the Harley-Davidson promo was the most successful. It's surprising to note that while the promotion was only advertised on the How to Play brochure and on the Lottery's Web site, there were still more than 70,000 entries.

The Oregon Lottery plans to have an Internet VIP Club up-and-running by April, 2004.

Texas

The Texas Lottery does operate a VIP Club, PlayerConnect™, which was started on March 9, 2001. As of the end of March 2003, there are 18,334 members.

The Lottery has yet to implement a promotion involving the club. ■

PGRI 2003 Conferences

International Lottery Expo 2003

Co-Host: Florida Lottery

July 18-21, 2003

Sonesta Beach Resort in Key Biscayne, FL

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

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I Am the Lottery

The Colorado Lottery has recently begun unveiling their very unique new "corporate"-style ad, entitled, "I am the Lottery." The text is a soft female voice-over behind pictures of Colorado outdoor vistas, lakes and open space. The copy reads something along the lines of, "I am solitude. I am wide open spaces. I am a network of trails. I am..." While the viewer is admiring this beautiful Colorado scenery the spot concludes, "I am the Lottery," reinforcing the firm impression that all this is possible because of funds generated over the past 20 years by the Colorado Lottery.

This spot is unique for several reasons: First, it's 90 seconds long, so it eclipses the commercial breaks in many programs. Its subtle tone and visuals set it apart from the usual run of spots and command the viewer's attention.

Secondly, the ad uses a high impact media buy and airs the :90 second spot through high reach vehicles—programs like Holiday specials, Broncos games, college championship football games. This strategy is important because the Lottery is trying to reach the light TV viewer and opinion and community leaders to remind them about the benefits of the Colorado Lottery.

Lastly, the idea for the spot grew out of a visual presentation Karsh & Hagan, the Lottery's ad agency, did last year, as it was competing to renew their advertising con-

tract. K & H is extremely proud of its Lottery work. They've debuted games, grown revenues, adapted to changes in advertising policy and direction and they wanted to remind the Lottery selection panel of their heritage with the Colorado Lottery. The idea for this one-of-a-kind stunner grew out of that.

Karsh & Hagan Creative Director/Copywriter, Don Poole stated, "I am the Lottery was designed to tell the story of Colorado Lottery proceeds to the people of Colorado. After 20 years of returning money to parks, recreation, open space and wildlife projects, we realized we really have accomplished some incredible things, and we wanted to be able to tell that story. What we found was that we couldn't possibly do it justice with a :30 second TV spot. There was just too much to say. So we created the :90 second spot, which gave us the opportunity to explain the many things we've done—from building trails, rec centers, skate parks, docks, swimming pools, etc. to preserving wildlife and open space—an issue that is near and dear to the people of Colorado."

"I am the Lottery" was a finalist at the World Lottery Association Awards in November in the corporate beneficiary TV category. Lotteries from all around the world were competing. ■

New York Lottery Sales

Up 13% in FY 02-03

Sales Reach \$5.4 Billion

New York Lottery Director Margaret R. DeFrancisco announced the Lottery closed out fiscal year 2002-2003 with ticket sales of \$5.4 billion and revenues of \$1.8 billion to help support education in New York State.

Director DeFrancisco said she was very pleased the Lottery was able to achieve its goals and "put in another solid year." The Director reported the following disbursement of funds during the fiscal year ending March 31, 2003.

- \$3.1 Billion to cash prize Lottery winners

- \$1.8 billion to aid to education
- \$300 million to retailer commissions
- \$200 million to contractor fees/administration costs, including telecommunications and advertising

In addition, Director DeFrancisco reported sales for the first 10 months of New York's Mega Millions game totaled \$373 million, producing \$131 million in revenue for New York's schools. Ticket sales for New York's Instant game business totaled \$2.4 billion for the year. ■

The Role of Lotteries in a Sluggish Global Economy

Unfortunately, the global economy is continuing to hold its stagnate pose. While there isn't a whole lot that any of us (as individuals) can do to open the proverbial floodgates, cleanse the reservoir, and fill our government coffers, lotteries are, once again, being looked at to do more.

Public Gaming International (PGI) was able to catch up with a few lottery bigwigs to see what the climate was like in their jurisdictions. From the U.S., Dr. Edward J. Stanek, commissioner, Iowa Lottery; from Canada, Robert Ayotte, president, operations-loteries, Loto Quebec; Arch Gleason, director, Kentucky Lottery Corporation; Javier Castillo, Administrator, The National Lottery of Ecuador; and from Ireland, Ray Bates, President, An Post National Lottery. The theme of the interview was new mandates and raising the net gain.

PGI: *Has your jurisdiction's governing body given your Lottery a different mandate within the last two years?*

Ed Stanek: The legislature has endorsed the Lottery doing a business plan and pilot project to investigate the feasibility of doing video pull-tab vending machines.

Robert Ayotte: Yes. Stabilization instead of growth is definitely the key objective. The Quebec Government has already indicated its intention not to increase the gaming offer in the province!

Ray Bates: On Dec 22 2001, after a formal tendering process, An Post National Lottery Company was awarded a new license to operate the National Lottery in Ireland for the next 7 years. The new license did not contain a radically different 'mandate' to the one applying for the previous 15 years.

Arch Gleason: While the Kentucky General Assembly considered legislation to allow VLTs at racetracks last year, and a similar bill is expected to be introduced in the current legislative session, the Kentucky Lottery has not been given a different mandate in the past two years. Our mission, as stated in our enabling legislation and in our mission statement, has been and remains one of maximizing revenues for the Commonwealth.

Javier Castillo: There has been no significant change from our governing body in the past years.

PGI: *Is your Lottery doing anything differently in an*

attempt to generate a greater net profit for beneficiaries?

Stanek: Some research projects usually done annually are now being done every other year. We are investigating video pull-tab vending machines. We are retaining vehicles in our fleet for 125,000 miles instead of 85,000 miles. We are changing our scratch ticket mix to an average higher price. We are adding a higher price point pull-tab. We have implemented Powerball and PowerPlay changes.

Ayotte: Definitely. Cost efficiency (vis-à-vis the printing cost, advertising investments, negotiations with suppliers...), development of a "new" National (Canadian) Lotto Strategy, a better advertising support for our lotto jackpot rollovers, and a better support for the games that are the most profitable (ex: Extra [spiel]).

Bates: We are continuing our policy of regular innovation and enhancement of our existing games to make sure they remain attractive and entertaining for our players

Gleason: The board, management, and staff of the Kentucky Lottery work tirelessly to maximize the net return to the state. Over the past few years we've put a great deal of effort into managing the profitability of the instant product line, working with prize structures, price points, and overall product mix. In addition, we recently launched the Extra Cash instant feature to our daily Pick 3 and Pick 4 on-line games. Extra Cash is off to an encouraging start in its first four weeks of sales. We also continue to enthusiastically promote Powerball in any way that we can.

Castillo: Yes we are. We have increased sales and revenues by innovating our line of products, sound marketing practices and by improving our distribution channels.

PGI: *Realistically, how much more can your lottery do to generate greater revenues for your government?*

Stanek: There is the possibility of doing quick draw

lotto games or keno. A televised bingo game might also be feasible. We are investigating these and the political acceptability of them.

Ayotte: Money wise, at least do a bit better than the inflation rate.

Bates: There is no reason to believe that greater revenues can't continue to be generated for 'good causes' in the future, although maybe not at the same rate as in the past. With the Regulator's approval, we can keep innovating based on our knowledge of our own players and leveraging the experience of the international lottery community. We are only beginning to come to terms with new media technology which will open up interesting new delivery channels for existing and new products.

Gleason: It certainly is getting more and more challenging for lotteries to increase dividends to their beneficiaries, especially for us in Kentucky where we're facing increasing competition. We will continue working to manage the instant product and look for new on-line game opportunities. If the policymakers in our state decide to approve expansion then we will be ready to deliver what they ask of us.

Castillo: In Latin America the market penetration indices are rather low. At Loteria Nacional Ecuador we believe we can continue to improve market penetration and cover new market segments. As a matter of fact, we are looking at doubling our output in a two-year time frame by launching two or three new games.

PGI: *While both cutting costs and increasing sales are important to the net gain, which is more likely to produce the greatest net gain for your Lottery, cutting costs or efforts to increase sales?*



Stanek: The ability to cut costs is very limited without negatively affecting the bottom line. There is much more potential to increase revenues.

Ayotte: Both, of course, but since we're doing pretty well on the cost side, we will focus on the sales

Bates: In Ireland there's not much scope left for trimming operating costs, particularly when some 75% of our costs vary directly with sales, and are pretty much beyond our control. The answer really is in doing what we're paid to do, i.e. innovate and keep working to make existing products attractive and fun to buy for the public.

Gleason: Continuous improvement is part of our culture at the Kentucky Lottery. But nothing helps the bottom line better than increasing sales and managing profitability. While we're always looking for ways to improve our processes, reduce waste, and become more efficient, while still providing high level quality to our customers, we're also looking for ways to increase sales and maximize the profitability of our products.

Castillo: We believe there's plenty of room to further increase our consumer's share of pocket, therefore we are strongly pursuing increased sales to improve our net gain. ■

A Quick Look at Africa *by Guy Simonis*

In Africa; quite a bit more can be done to generate greater revenues for governments.

The African lotteries are in the early development stage - except for Morocco and South Africa. At this point no one else has had the economic wherewithal to follow these two examples. So the pressure is not so much "Can we do more" but "How do we start?"

The off-line lottery jurisdictions (countries) are looking seriously at a model where they can jointly operate a modern lottery, sharing the cost of the infrastructure without losing their independence.



Guy Lines

How are you doin'
compared to the rest... by Guy Simonis

In the middle of a bunch of calculations for one of my 'e-learning' Training CD's it was necessary to make a number comparisons of lottery performances. Right from the first day of lottery comparisons in Europe, North America or Australia, this benchmark has been "Sales/per Capita". As I plodded along, I realized that what I was doing was relaying information that was largely devoid of any reasonable ground for comparison. Per capita sales with the retail price as its basis is a statistic that has had its day.

In the early days of lotteries in the U.S. and Toto in Europe, it made perfect sense that retail sales per capita figures were used as a lottery norm. It was in this very same magazine you are now reading, that Duane Burke in the 70's pioneered the comparison of the retail sales performances. The universal product was a weekly passive game, with the retail price at a dollar and 45 cents in prizes. Commissions were 5% across the board. So the yardstick of retail sales 'per capita /per week was a genuine apples to apples comparison. That formula, albeit expanded from Weekly to Quarterly, is still the basis for comparison in an industry that fails to notice that not only are we comparing apples and oranges but a basketful of different fruit.

Let's ask first why are we comparing the results of our lottery activities at all? I can hear you saying, "To gain some basis for evaluation of how we are doing." The careful compilations done by the lottery media (and indeed my now grown-up child "ILID" - NASPL's sales repository) are not conducive to adequate comparisons of profitability.

It was Bob Henderson formerly with the Florida Lottery, now with GTECH who first asked me back in 1974, when he was our auditor in Western Canada: "When you are in a business that takes in dollar bills and then give 50 cents back to the buyer, should you not ask yourself whether you made a sale of a dollar or 50 cents? Many years later we see the import of his question.

Just look at how we record VLT sales. No one who operates VLT's has much interest in, or keeps extensive records of, the 'retail' sales. With standard lottery sales we have a record of retail sales, but with the VLT product all that we know is the amount left in the machine when sales stop and the bin is emptied.

Now let's look at a person who comes into a retail store and buys, for example, ten scratch tickets, spending ten bucks. He wins two prizes, (say \$2 and \$5), redeems them for

seven more tickets, wins one \$2 prize, reinvests and adds three dollars as new money. In these five new tickets he finds a \$2 winner, buys two more, loses and walks out. The player brags that he won \$11. The lottery's instant accountant record says he bought \$24. The lottery's VLT accountant says the 'sale' was \$13.

One will find these two types of accounting in the same sales reports, mixed together. Some amounts with prizes, some without.

If that isn't puzzling enough, consider the prize fund in scratch game comparisons. Should one really compare sales of a game with a 50 percent prize fund with a game offering 70 percent in prizes? Should we not, for the sake of those who analyze and interpret our sales reports have to explain that the 70 percent game needs to sell 42 percent more tickets to get the same performance when shown without prizes?

If some of you are still around that remember the FLEPS or GLEPS system of Instant scratch lotteries, you will recall we sold books of tickets to the retailers where the retail amount was deducted by the prizes the retailer had to pay out. (If you joined in the last ten years and wondered how that was possible you must know that under the FLEPS system you could cash winning tickets ONLY at the place where you bought it).

We probably tolerate the strange accounting of today not only because of the old ever-popular excuse, "Beats me man, it was done that way when I came here", but also because it provides a bit of a fig leaf, that shields our private knowledge from harsh analyses. Comparisons are always painful when brought down to the undeniable level of "mine is bigger than yours".

I am not advocating totally abandoning retail sales per capita. It is still useful if all components of the sales unit are identical, but I think it is about time that we set about creating a NASPL or a worldwide system of reporting "Sales, Net of Prizes and Commissions". In British Columbia we called this statistic, for lack of a better term, N.O.P (Net of Prizes).

No matter how much we may dislike comparisons, they are a fact of life and they will always be with us, but they should illustrate facts, not a mixed fruit bowl. ■

Please send responses to this column to Guy Simonis at gsimonis@telus.net.

Lottery Retailer Association Forms in Pennsylvania

Vince Inzerillo, a Pennsylvania businessman, has established a non-profit association, the Lottery Retailers Association, to give Lottery retailers a voice. Inzerillo intends for the association to give retailers the opportunity to have a say about lottery policy, process and protection. So far, Inzerillo has personally financed the association, but he plans for the organization to become self sufficient, with members paying dues of \$5 a week geared towards lobbying and legal representation. He hopes to hold regional meetings and to develop a quarterly newsletter. While the Lottery Retailers Association is currently focusing on PA retailers, it is being set up to include retailers from all over the country.

Illinois to Merge Lottery and DOR

Illinois Gov. Rod Blagojevich took steps to consolidate several major state agencies, including the Lottery. Under the executive order the Lottery Department, Illinois Racing Board and the Illinois Liquor Control Commission would be merged into the Department of Revenue. The move is meant to improve fee collections, and reduce workers through attrition.

Fifth Straight GFOA for Louisiana

The Louisiana Lottery Corporation has received the Certificate of Achievement for Excellence in Financial Reporting for the fifth straight year from the Government Finance Officers Association of the United States and Canada. According to the GFOA, the Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting and its attainment represents a significant accomplishment by a government and its management.

Montana Approves International Bill

Montana lawmakers have endorsed a bill allowing the Montana Lottery to participate in international lotteries. The Senate voted 24-22 in favor of HB 165, which keeps the state eligible for Powerball should a foreign country enter the game.

Texas Joins AMBER Alert, Changes Lotto

The Texas Lottery has joined the state's AMBER Alert Network to help locate abducted children. More than 15,000 retail outlets will distribute printed information on missing children who are being sought through the AMBER Alert Network. The information will be printed on small sheets of paper that resemble lottery tickets.

Also, in a move meant to revitalize lagging ticket sales by tempting players with larger jackpots, the Texas Lottery has upped the odds for the Lotto Texas jackpot. The matrix, which was 6:54 has changed to 5:44 plus 1:44. The move nearly doubles the odds of hitting the jackpot, from

1 in 25.8 million to 1 in 47.7 million. Still other changes, including increasing the number of prize tiers from four to eight will make it easier to win a prize. Odds change from 1 in 71 to 1 in 57, and the numbers of overall winners will jump approximately 25 percent, lottery officials said. These changes are expected to add \$50 million in revenues in the first year of sales.

ALC Cancels Subscriptions

The ALC has decided to phase out LottoExpress, its Lotto 6/49 subscription service for Lotto 649 players, by June 30, 2003. The service is being phased out because the cost of enabling the service on ALC's new gaming system is considered too high given the limited number of subscribers. Subscribers will receive a letter notifying them of the end of the service. Those whose subscriptions extend past June 30 will receive a refund for the balance of their subscription.

Oklahoma to Vote on Lottery

The Oklahoma Senate voted 26-19 in favor of a bill to submit Gov. Brad Henry's education lottery to a statewide vote. The bill passed in the House of Representatives earlier in March, but must return for a vote due to Senate amendments.

A summer 2003 vote on a lottery is possible. The Oklahoma Senate passed SJB 22, calling for a Constitutional change to allow the special vote. The bill has to pass both houses of the Legislature by a two-thirds majority to qualify for a 2003 vote. If the bill fails the Lottery will be voted on in 2004.

Alaskan Lottery Proposed

A bill introduced in the Alaskan House would establish a state lottery to help close the state's fiscal gap. House Bill 240 would create an Alaska State Lottery Commission to conduct two lottery drawings each year. The proceeds raised from sales would be split 50-50 between the winner and the state.

While past arguments against an Alaskan lottery have sited the low population as a detriment to an effective lottery, supporters of the bill have suggested marketing efforts extending towards visitors on cruise ships and ferries.

Nebraska May Change Dispersion of Funds

The Nebraska Legislature gave initial approval to a law that would change the way Lottery money is dispersed. Currently, 25% of money from lottery sales go to the Compulsive Gamblers Assistance Fund, the Environmental Trust Fund and the Education Innovation Fund. The new law would allow lawmakers to up the percentage if needed to keep the beneficiary viable.

The bill also stipulates that the amount of money given to these beneficiaries cannot drop below the amount given in the '02-'03 fiscal year, so if lottery sales decrease, lottery prizes would suffer, not the beneficiaries. ■

People

Illinois Lottery Director **Lori Montana** has stepped down from her post after a distinguished six-year term with the Lottery. Her last day was Wednesday, April 16, 2003. First appointed in March 1997 by then Governor Jim Edgar, Montana was re-appointed in January 2001 by former Governor George Ryan. With current annual sales ahead of last year, Montana leaves the Lottery with several accomplishments to her credit: \$1.59 billion in sales for FY02, a \$140.2 million increase over FY01; instant ticket sales reached the highest in Lottery history in December 2002; Coordinated industry-first promotions with Ameritech, Ticketmaster, Universal Studios and numerous other world-class corporations; and she also pioneered unique promotional programs, including a grass-roots tour of entertainment facilities to tap into a new, young-adult audience and retailer relations division to help Lottery retailers better serve their customers; and much more. As the co-founder of the newly-formed DMM Group, Montana will now be using her skills in the arena of nonprofit fundraising and marketing as well as Lottery consulting.

Ex-Michigan Senator **Gary Peters** was named Commissioner of the Michigan Lottery by Gov. Jennifer Granholm. Peters ran briefly for Governor and was the Democratic nominee for attorney general, a race that he narrowly lost to Republican Mike Cox. Peters' appointment requires Senate confirmation. His resume includes VP of investments at UBS PaineWebber Inc. in Rochester Hills since 1989, as well as a previous position of officer at Merrill Lynch of Rochester Hills.

The United Negro College Fund honored Virginia Lottery Director **Penny Kyle** in March. Penny was one of three honorees at the Flame Bearers of Education Awards and Scholarship Banquet. Penny and the other award recipients were recognized by the UNCF for their outstanding community service and leadership. The other honorees were Dr. Yvonne Thompson Maddox, Deputy Director of the National Institute of Child Health and Human Development in Washington, D.C., and Fred Tattersall, Managing Director and CEO of Tattersall Advisory Group in Richmond, VA.



Dr. Yvonne Thompson Maddox, Fred Tattersall, and Penny Kyle, recognized by the UNCF for outstanding community service and leadership.

Michael Morgan, Secretary of the Wisconsin Department of Revenue has appointed **Michael Edmonds** as Acting Administrator of the Lottery Division. Mr. Edmonds has been an attorney in private practice since 1989, handling a variety of cases including criminal and civil litigation in state, federal, and bankruptcy courts. Prior to that he

served as an Assistant State Public Defender for four years and worked as a Legislative Assistant in the Wisconsin legislature. Edmonds earned a B.A. in History from Lawrence University and a J.D. degree from the University of Wisconsin Law School. He lives in Madison with his wife Amelia and his six-year old son, Max.

Colleen Sealock has been named the Oregon Lottery's Assistant Director of Support Services. Sealock joins the Lottery after almost three years as the Director of Operations for the Oregon Department of Administrative Services (DAS). As Assistant Director of Support Services, Sealock will be responsible for a number of areas, including human resources, finance and accounting, information technology, facilities and materials management, and training. Sealock's previous experience includes: Director, Oregon State Elections Division, Secretary of State; Administrator, Oregon Support Enforcement Division, Department of Justice; and Assistant Director, Marion County Family Court.

Gregory Ziemak, a 28-year veteran of the lottery industry, has joined the North American Gaming Division of IGT as senior account executive. Ziemak previously served as executive director of the Kansas Lottery, director and assistant director of the Connecticut Lottery, management supervisor for Yaffee and Company Advertising in Michigan, and senior vice president of sales and marketing for eLottery, Inc. in Connecticut.

Reports are out that the New Mexico Lottery's current mascot, the adorable terrier known as **Roadrunner**, is retiring. The Lottery is seeking a replacement. While officials state that the new mascot doesn't have to be a dog, the animal will need to be able to roll over (showing that the game's top prize 'rolls over') or have some other unique talent.

Harriet Spicer has accepted a new two-year term as a National Lottery Commissioner. The Commission regulates the work of Camelot, the Lottery operator. The appointment was made by the Secretary of State for Media, Culture and Sport. Ms Spicer was one of the original Commissioners appointed on its inception in 1999.

Mr. Doron Engel has been appointed to the office of Vice President of Marketing and Advertising at Mifal Hapayis, Israel National Lottery, to replace **Dr. Israel Peleg**. During the past twenty years, Engel (48) has held a variety of offices in the fields of marketing, sales and management. Among his last positions, Engel served as VP of Marketing and Sales of Housing and Development Company, and was a member of the team that established Pepsi-Cola in Romania, serving as the VP of Marketing and Sales. As VP of Marketing and Advertising at Mifal Hapayis, Engel will be responsible for the entire marketing and sales network, which includes about 2,700 points-of-sale throughout the country, and for advertising of Mifal Hapayis. ■

Colorado

The Colorado Lottery is gearing up to premiere its new 7's campaign which emphasizes 3 different Scratch tickets; Hot 7's (\$1 ticket), Sizzling 7's (\$2), and Super 7's(\$5). "The Legend of the Luck of the 7" is a three spot TV campaign that will tell viewers the story of a village leader who is ill, and the search for his successor. Seven people compete to be the new leader in these "continuing story" type ads. During the three week run, viewers will be introduced to the storyline in the first week, told a little more during the second week and the third week will reveal the conclusion. This new and very innovative effort also combines promotions, POS and website elements, with the public able to log onto the website and see more of the "The Legend" story. A "director's cut" of the TV spots will be featured on the site and will be updated every week. Visitors can also participate in a corresponding promotion to win prizes by registering on the site (with no ticket purchase required).

DC

The DC Lottery launched Monte Carlo, a licensed instant lottery game featuring four-day, three-night "vacation experiences" at the Monte Carlo Hotel and Casino Property in Las Vegas - a deluxe, striking, turn-of-the-century resort and casino reminiscent of Monaco. Each ticket costs \$5 and gives players the opportunity to win one of 55 all-inclusive vacations, featuring, in addition to the hotel accommodations: \$250 cash; air transportation; ground transfers; show tickets to master magician Lance Burton; t-shirts; and personalized fulfillment services. The game is made possible through a licensing agreement between Scientific Games and the Mandalay Resort Group.

Delaware

This month the Delaware Lottery is introducing its QuickPick campaign to support the drawing games product line.

This campaign is aimed at younger players (18- to 34-year-olds), who are not frequent players of drawing games, and focuses on the QuickPick feature for playing Powerball, Lotto, Play 3 and Play 4. The two-month campaign features eye-catching, brightly colored designs developed for use in billboards, bus tails, bus interior posters and print ads-plus point of sale for Retailers. In addition, a 30-second TV spot is airing on cable and network television.

The Lottery is conducting a QuickPick shopping spree promotion to support the campaign via player participation. To enter, players send in any non-winning Quick Pick ticket purchased between April 28 and June 21 for a chance to win one of three \$2,500 QuickPick shopping sprees to the shopping center of the winner's choice. A separate second-chance drawing for an additional \$2,500 QuickPick shopping spree will be conducted for Players Club members only.

Indiana

On May 16, Hoosier Lottery player Louise Cechowski will be excited to see her 2002 Design-A-Game winning ticket on sale at retailers across the state. Her winning entry, "Stairway To

Riches," took first place in the first contest. After receiving over 300 entries in last year's contest, the Hoosier Lottery easily decided to make this an annual event.

Along with the launch of "Stairway to Riches," the Hoosier Lottery is excited to announce that its second annual "Design A Game Contest" is scheduled to kick-off on May 16. To participate, players must come up with an idea for a \$1 scratch-off ticket and submit the game name, concept and ticket art by June 13. The Hoosier Lottery will choose the top 10 finalists and VIP Club members will get a chance to vote on the winner. The contest is open to all Hoosier Lottery VIP Club members and offers a top prize of \$2,000.

Iowa

The Iowa Lottery launched the fun new Dilbert™ instant game! The series of six tickets will offer players the opportunity to collect all of the Dilbert characters. The launch coincided with Administrative Assistants' Day, April 7, 2003. To generate even more workplace excitement and stimulate trial, the Iowa Lottery developed a promotional tie-in with the largest corporate retailer in the state, Hy-Vee Food Stores. Each Hy-Vee floral department was given Dilbert scratch tickets to include with all floral arrangements purchased specifically for Administrative Assistants' Day.

Louisiana

The Louisiana Lottery's Cash Quest re-launched this spring with more days to win! Cash Quest, formerly drawn twice weekly, has been jumped to five draws a week, Tuesday through Saturday beginning May 12, 2003. The game will continue to offer a top prize of \$50,000. The matrix and prize levels will also stay the same. In addition, stepped-up in-store POS and statewide radio and television exposure will support retailer sales. As part of the re-launch, a new marketing and communication campaign will educate players on how to play Cash Quest.

Massachusetts

The Massachusetts Lottery's change to Keno draws has reportedly boosted weekly Keno revenue by \$1.6 million. Keno sales are up 12% since the first of April, when the game was changed from a five-minute to a four-minute draw. Overall, the change is expected to generate an extra \$35 million a year in revenue.

Michigan

Michigan Lottery tickets are now available at The Palace of Auburn Hills. The Lottery will be offering Mega Millions, Michigan Rolldown, Keno, Daily 3&4, WINFALL and instant game tickets, during normal business hours and during select Palace events. The Lottery sells tickets at in-arena merchandise booths and at The Palace Locker Room store. The relationship gives the Lottery the opportunity to reach a majority of the attendees during the Palace's approximately 250 annual events. Lottery jackpot figures, prominently displayed courtside on rotating signage, are updated nightly during Pistons games to remind fans that they can play lottery games at The Palace. Also, Lottery tickets

may be purchased Monday through Friday from 10:00 a.m. to 4:00 p.m. on non-event days at the Locker Room store.

From April 7-23, Michigan's Daily 3 players were given a second opportunity to win on the same Daily 3 evening draw ticket, thanks to the Daily 3 Red Ball Double Draw promotion. After each regular evening Daily 3 drawing another drawing was conducted using a separate machine that contains five white balls and one red ball. When the red ball is selected, the Lottery drew a second set of Daily 3 numbers, giving players a second chance to win on the same ticket. Prize amounts for winners in the Red Ball Double Draw were the same as the regular Daily 3 game drawings. When a white ball is drawn, it was taken out of the machine and set aside, resulting in one less white ball that could be drawn the next night and an increased chance of drawing the red ball. Double draws did not occur on nights when a white ball was drawn.

Missouri

Missouri Lottery Pick 3 players were given an extra reason to play with the Lottery's "American Muscle" promotion, March 30 through April 26. The four-week promotion offered prizes like a grand-prize 2002 Ford Thunderbird and \$500 cash, two first-prize 2003 Ford Mustang GT Coupes and \$500 cash, 200 cash prizes of \$598 and 2,000 Pick 3 T-shirts. Starting March 30, players received an entry slip along with their tickets when they made a minimum \$3 single ticket Pick 3 purchase for the current draw. Players could enter online, at entry boxes found at retail locations, or by mail.

Pennsylvania

The Pennsylvania Lottery launched I Love Lucy - the \$2 scratch-off ticket reminiscent of the popular sit-com of the same name. Each new commemorative ticket features Lucy in action during one of six different scenes from the classic television show - to play or to keep! Featured episodes include: #25, "Pioneer Woman"; #39, "Job Switching"; #79, "The Million Dollar Idea"; #96, "The Golf Game"; #130, "Lucy Does a TV Commercial"; and #150, "Lucy's Italian Movie". I Love Lucy offers players a top prize of \$12,000, and over 200,000 prizes between \$10 and \$30 are available in the game. I Love Lucy also features four second chance drawings! Players who return non-winning tickets will be entered into these drawings for chances to win authentic I Love Lucy merchandise.

Texas

"It's A Whole New Ball Game"™ beginning on Sunday, May 4, for Lotto Texas players. The first drawing for the Texas Lottery's new bonus ball-style, 5/44 + 1/44 matrix will be on Wednesday, May 7.

The new tag line, "It's A Whole New Ball Game", will be used to market the game and communicate the changes to the public. Thirty-second TV teaser ads will run for two weeks prior to game launch to let all Texans know "it's coming May 4." TV and radio ads will run from game launch through late June. In addition, a full POS initiative including playstation inserts, mini-billboards, starbursts and playstation header cards were produced and distributed to the entire retailer base beginning in mid-April.

Players will still have the Quick Pick and Multi-Draw options,

and drawings will continue to be held every Wednesday and Saturday evenings. It is anticipated that the new game will generate more than \$50 million in additional revenue for the State of Texas within the first full fiscal year.

Virginia

Due to players' response to the chance at higher prizes, the Virginia Lottery extended its Bonus Ball promotion for Pick 3 and Pick 4. The program was originally slated to end March 31, but will continue for a limited time. For the promotion, one orange ball mixes with four white balls in an extra machine for every drawing. All Pick 3 and Pick 4 prizes will continue to be 20% higher any time the orange Bonus Ball comes up in the drawing.

Washington

There's no better price than free. Reaching out to new and lapsed players, the Washington Lottery connected with nearly 2 million households in March with a pair of instant-ticket coupon offers that let players win just by visiting their favorite Lottery retailer. Partnering with direct-mail vendors to reach 1,918,050 households throughout the state, the offers encouraged players to buy a \$1 Scratch ticket and get one free and also to buy a \$5 ticket and get a \$2 savings. Recipients got one coupon for each offer, and the Lottery staff closed the loop by offering coupons to state residents who did not get coupons via mail. The promotion ended April 5, the expiration date for the coupons.

West Virginia

The West Virginia Lottery mailed out 213,000 coupons for a free round of Keno. The coupons were in envelopes that said state players must be at least 18 years old. The lottery also offered free Keno coupons for people who did not get the mailing, but who live within a five-mile radius of a Keno location in urban areas or within a 15-mile radius of a Keno location in rural areas. The Lottery Commission is offering one per household.

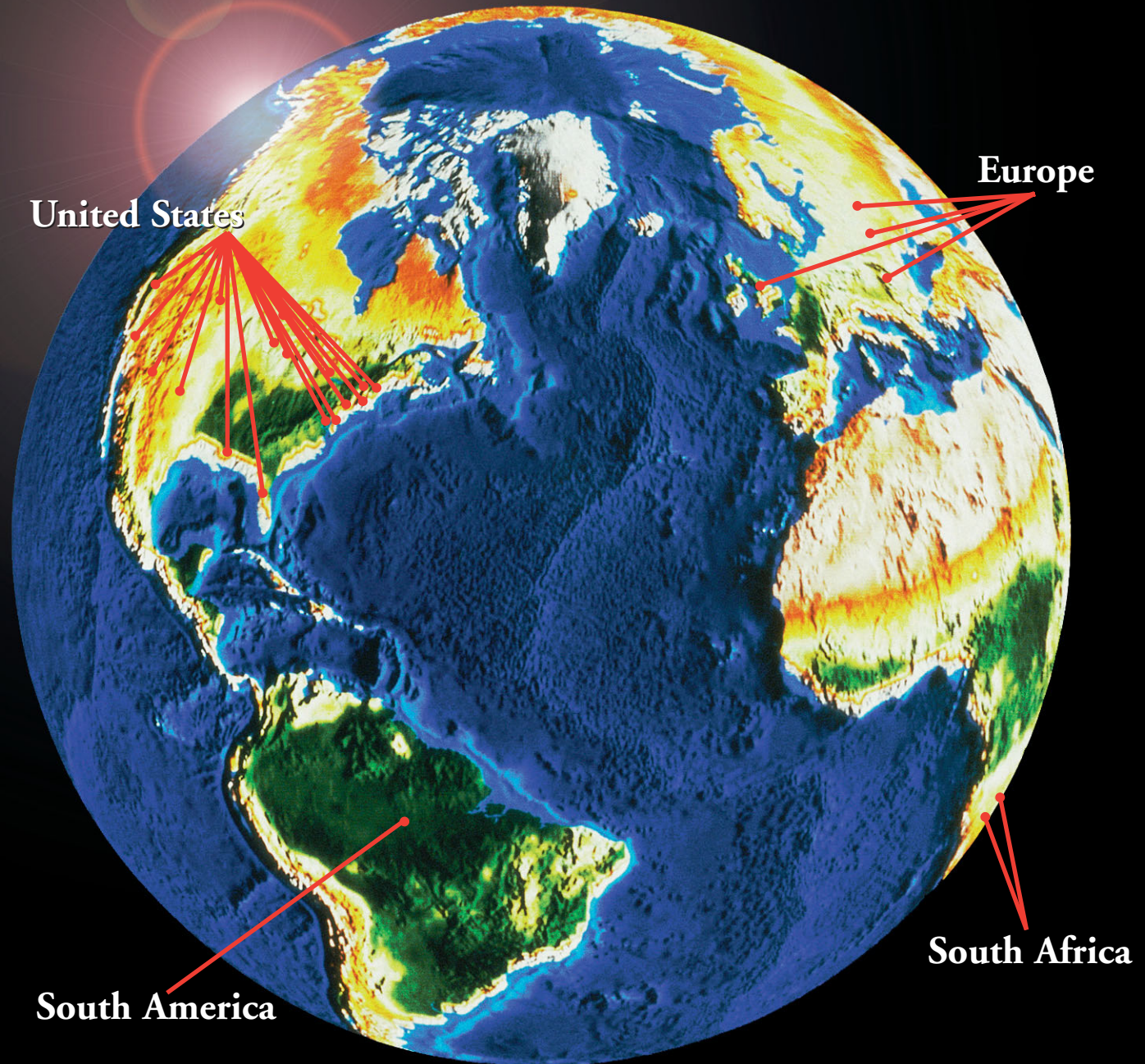
Members of West Virginia's National Guard awaiting deployment at bases throughout the U.S. were able to call home free thanks to the West Virginia Lottery. Lottery Director John Musgrave sent 1,000, 20-minute calling cards for domestic use to National Guard officials for distribution. The free long distance cards had been used for Lottery promotions. The donated cards represent the remainder of the Lottery's inventory that is due to expire on May 31, 2003.

Wisconsin

All across the Badger State the Wisconsin Lottery's new \$3 Harley-Davidson® instant scratch game thundered into stores. The game features \$10,000 in cash prizes and three chances to win a special edition 100th Anniversary Harley-Davidson motorcycle. The Lottery will hold three bonus drawings for Harley-Davidson merchandise. The top prize in each of the three drawings will be a 100th Anniversary Harley Davidson Sporster® 1200 Custom™ motorcycle. To enter, players must mail in two non-winning Harley Davidson tickets. The bonus drawings will be held on May 8, July 24 and November 6. ■

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