

International Lottery Expo Registration Inside

June 2002

PublicGaming

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

A portrait of Margaret DeFrancisco, a woman with short blonde hair, smiling. She is wearing a light-colored blazer over a dark top, a pearl necklace, and pearl earrings. The background is a soft blue gradient.

**Margaret DeFrancisco,
Director, New York Lottery**

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ON THE COVER:

This is dummy copy

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NASPL REPORT

by Arch Gleason, NASPL President



NASPL's Annual Conference and Trade Show is always a tremendous event, as lottery managers, staff and vendors come together to learn from one another and share information about the latest trends in the business. We're all looking forward to this year's meeting in Baltimore in early October. I know that Buddy Roogow and the Maryland Lottery, along with David Gale and the NASPL staff, are planning a terrific conference.

Unfortunately, as much as we all wish we could send more members of our staffs to the Annual Conference, we can't. There's the cost factor and, of course, someone has to stay home to run our lotteries!

But there are other opportunities for additional staff to share ideas with their lottery colleagues. One of those meetings, the NASPL Region IV Conference hosted by Geoffrey Gonsler and the Arizona Lottery in Phoenix, will be underway or completed by the time many people read this. But there still may be time for many of you to consider attending the NASPL Region I Conference being held in Providence June 27-29, hosted by Gerry Aubin and the Rhode Island Lottery. And, although time is running out, you can still register for PGRI's International Lottery Expo 2002, co-hosted by David Griffin and the Florida Lottery, August 1-4 in Miami Beach.

While it is often the top-level managers of our lotteries who attend NASPL's Annual Conference, these regional conferences and PGRI meetings offer wonderful opportunities for executives and staff members in the middle of our organizations to share and learn. It's important that we give people at all levels of our organizations a chance to expand their breadth of knowledge in the industry, especially those in middle management because they are the future leaders of our industry.

These meetings can also be more convenient and affordable. Many lotteries can actually have their staff members drive to the regional NASPL meetings. We witnessed that when we hosted a regional meeting in

Kentucky last summer, as lottery friends drove in from states around our region. We were also happy to welcome folks from as far away as the state of Washington! They flew to Kentucky, of course! That's a pretty long drive from Olympia to Louisville!

If there's a single point you take from this, I hope that you'll realize how valuable these meetings can be for your lottery staff members. The networking opportunities are extremely worthwhile as people from around the industry meet one another and share ideas. Plus, the meeting agendas are always packed with enlightening topics. Among the International Lottery Expo 2002 and NASPL Region I and IV meetings, topics include the latest in marketing strategies, management philosophies, working with retailers, game development, celebrating with winners, responsible gaming, and creating great TV partnerships, among others. Vendors will also talk about what new products and ideas they have that we should be considering to drive our revenue streams.

I hope you'll seriously consider attending one of these meetings, or ask your superiors if you can attend. I assure you that it will be well worth your time and the reasonable financial investment. You're sure to have a lot of fun too!

A handwritten signature in black ink that reads "Arch Gleason".

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Industry News

China Sports Lottery Joins MDI Entertainment's FIFA World Cup Lottery Team

MDI corralled an opportunity to be part sports lottery games sales in the most populous country in the world, as the China Sports Lottery will soon feature FIFA World Cup(TM) themes from MDI Entertainment, Inc.

The China Sports Lottery offers two lottery games, a scratch game that went on sale on May 8 and an online sports game, which began on May 15. The 2002 FIFA World Cup lottery scratch game is a unique product based on the outcome of every game in each of the 8 groups leading to the final event on June 30. Players will win varying amounts depending on the game results printed on their ticket. The lottery player holding the ticket that has the correct winning combination of the eventual World Cup champion will win the grand prize of 2 million Yuan, or the equivalent of \$250,000. Even lottery players holding tickets with all incorrect, or losing teams, will win 50 Yuan. Tickets will bear the official marks and logos of FIFA World Cup.

GTECH Selected by Minnesota

GTECH has been chosen as the apparent successful vendor to supply the Minnesota State Lottery with new online lottery equipment, technology, and services. The Company will now negotiate an integrated services contract with the Lottery, which will include a base of five years, with an option for the Lottery to extend the contract for an additional five years. The Request for Proposal (RFP) calls for the replacement of the Minnesota State Lottery's existing system with new central system hardware and software. In addition, the Lottery intends to replace its current terminal equipment and communications network.

Further details of the award will be released upon the Company's signing of a definitive agreement with the Minnesota State Lottery.

Spielo Named New Brunswick Exporter of The Year

Spielo Gaming International has been named the winner of the New Brunswick Achievement Export Award for companies with total sales of over \$25 million. This prestigious award is one of the three export awards given annually by the Canadian Manufacturers & Exporters, New Brunswick division.

The awards are given to three outstanding New Brunswick companies judged as the best export businesses in the province. Categories are for small, medium and large sized companies by total export sales. Spielo Gaming International is the winner in the highest sales category.

Caesar Back in Illinois

Back by popular demand, the fourth version of the Caesars Palace® instant game hit Illinois Lottery retailer dispensers in late May. It is the third \$5.00 price point version of this game in Illinois.

The first Caesars Palace game in Illinois was set at the \$2.00 price point. Since then, however, Illinois has seen success with a \$5.00 price point. Each version of the game has featured graphics with a definite "Caesars Palace" look, top cash prizes of \$50,000 and instant trips for two to Caesars Palace in Las Vegas. The upcoming version will feature four games and 13 chances to win on each ticket, top cash prizes of \$50,000 and, of course, trips for two to Las Vegas.

GTECH Announces 2-for-1 Stock Split

GTECH's Board of Directors approved a 2-for-1 stock split of the Company's common stock. The split came in the form of a stock dividend distributed on May 23, 2002, to shareholders of record as of May 16, 2002, with shareholders receiving one additional share of common stock for each share held.

The Company had approximately 29,000,000 shares of common stock outstanding as of May 2, 2002.

MDI Receives Proposal to Acquire Majority Interest in Company

MDI received a proposal from International Capital Partners, L.L.C., to acquire a majority interest in the Company.

International Capital Partners (ICP), an owner of 1,022,019 of the Company's shares, has proposed to purchase 50% of the outstanding shares not currently owned by ICP, for \$3.30 per share in cash. The Company's Board of Directors is evaluating the proposal.

Soon after this announcement, MDI and Scientific Games announced that the two companies have mutually and amicably terminated negotiations with respect to the previously announced contemplated acquisition of MDI by Scientific Games. The two companies will continue to work with each other pursuant to their strategic alliance agreement.

NSW Lotteries Corporation Extends its Contract With Oberthur Gaming Technologies

NSW Lotteries Corporation (New South Wales, Australia) has agreed to extend OGT's printing contract for an additional 12 months beginning July 2002. NSW Lotteries has partnered exclusively with OGT since 1999 and been a valued partner since 1983. ■

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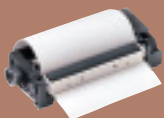
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Around the World

Australia

Australian Lottery Tattersall's has donated \$50,000 to help a school in South Africa. Located in Johannesburg, Orange Grove Primary School is responsible for more than 600 children from local suburbs. The school, like all other schools in South Africa, depends substantially on voluntary financial contributions to survive.

The NSW Lotteries launched a \$2 Big Brother Instant ticket based on the hit TV show. The primary appeal of the game is the chance to instantly win top prizes of \$100,000, but the Lottery expects a significant number of people to want to collect all twelve tickets in the series. The game was expected to sell close to three million tickets before the final eviction episode in June.

Greece

Sales keep rising for sports betting games in Greece. In the first quarter of 2002, sales of sports games showed an increase of EUR350.9 million – a 48% raise over the same period in 2001.

Israel

Mifal Hapayis seems to be backing out of their plan to buy a new 10,000 square meter building. Instead, they are leaning towards adding 2,000 Square meters to their current facility. The new plan should save them millions of dollars.

Japan

A new touch-tone phone-based betting system is now operating in Japan. The system will greatly benefit the Japan Racing Association (JRA), as it allows wagers to be placed via touch-tone phone, which will reduce operational and system maintenance costs.

Nepal

The Nepal Tourism Board and the Royal Nepal Airlines Corporation have started a lottery at the Tribhuvan International Airport. The goal? Maximize the number of Indian tourists coming to Nepal.

The Lottery began May 1st and will run for three months. .

New Zealand

Affinity3 launched its revolutionary "Fundraising with Lotto" and "Lotto Corporate" products in New Zealand. "Fundraising with Lotto" blends a lottery ticket with a raffle ticket and is targeted at charities trying to raise funds. Each ticket is printed with the fundraising group's logo, and is sold to the group for \$.70 – the group then resells for \$1 and keeps the profit. .

"Lotto Corporate" is a similar single line "quick pick" style coupon that is sold to companies and is used primarily for staff incentives and consumer promotions. A percentage of the purchase price of each coupon is then

remitted to the company's charity of choice, facilitating a popular cause related marketing feature.

Poland

Poland's Totalizator Sportowy has been subject to a 20% rate of taxation since 1994, but the government may soon raise this rate. Apparently, two options are being considered: raising the level of gaming taxation, or siphoning off the ZL500m in excess funds currently held in TS bank accounts.

Singapore

Singapore Pools began offering betting on foreign football matches in May, as the country decided to capitalize on its love of football and gambling by allowing betting on this year's World Cup Finals, and also European matches. The move to allow bets of this type is part of the government's efforts to crack down on illegal gambling.

Taiwan

At last, it happened. While most lotteries are looking for ways to increase their sales, for the last four months Taiwan's Public Interest Lottery has been looking for ways to calm public interest in their product. They finally achieved this goal after cutting Sunday sale.

In recent weeks, sales have dipped to NT\$600 million, down from the previous NT\$800 million average.

Thailand

A group of academics called for the country's underground lotteries to be legalized so the poor can benefit from the proceeds. The group also wants the government to oversee the lotteries, which don't seem to be losing any steam with annual sales of 300 billion baht.

UK

The National Lottery continues its re-launch. Four airships toured the country promoting the Lottery, and the catch phrase "Don't Live a Little, Live a Lotto" was unveiled.

On top of the re-launch, the Lottery is also presenting a new quiz show – National Lottery In It To Win It. The show is created by the same people who brought us The Weakest Link.

In addition to all this, Camelot launched a Retailer Optimization Program that targets the 2,000 retailers who sell less than 1,500 tickets per week. If the program fails, the terminals will be removed and given to retailers on Camelot's 80,000-plus waiting list.

Retailers in communities with smaller populations are not subject to the program.

Virgin Islands

Caribbean Lottery Services (CLS) is planning to air televised drawings in the Virgin Islands. CLS is also planning to move the main drawing operation from its current home, Barbados, to the Virgin Islands. ■

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The New York Lottery

Breaking Records and Aiming Higher

The New York Lottery, fresh off a record fiscal year, gets set for even greater revenues with the addition of proven winners to its product line. By Todd Koeppen, PGI Editor

Gross revenues for the latest fiscal year for the New York Lottery amounted to \$4.7 billion and net revenues to benefit education in New York amounted to \$1.56 billion – making the New York Lottery the largest in the nation, the largest in North America and one of the largest lotteries in the world.

To follow this second consecutive, record-breaking sales and net revenue year, New York is now embarked on major game expansions which promise to make its next fiscal even bigger. The first new game is Mega Millions, the multi-jurisdictional, super-jackpot game conducted cooperatively by Georgia, Illinois, Maryland, Massachusetts, Michigan, New Jersey, Ohio, New York and Virginia and soon to be joined by Washington State. This game, previously known as The Big Game, has been super successful and has been responsible for the largest single lottery jackpot in US lottery history.

The second major game development is the implementation of video lottery games at eight New York horse race tracks. The games have become a dominant revenue producer in most of the states where they have been implemented.

Public Gaming Research Institute's CEO, Duane Burke interviewed New York Lottery Director Margaret R. DeFrancisco about the lottery's successes, its expansion plans and her contributions over her three year tenure at the Lottery.



Lottery Director Margaret R. DeFrancisco; Gold Mega Ball; Lottery Emcee Yolanda Vega; Lottery emcee Kimberly Beatty.

Duane Burke: It is exciting to see the great success of the New York Lottery during your tenure. But let's start by talking about your newest exciting development, Mega Millions. How has the Mega Millions launch gone?

Margaret DeFrancisco: Phenomenally. We seem to have had a lot of pent-up demand here, because we've been waiting for years to be able to join a multi-jurisdictional game. They've been around since the late '80's, and here we are in 2002 and New York is finally on board.

DB: With Mega Millions, were there any projections that were made in advance that the press pressed you into giving?

MD: No, not specific projections. Of course they did ask what did we expect

from a revenue standpoint for this fiscal year. We expect \$125 million in revenues from this game alone to help support education in New York State.

DB: \$125 million just for Mega Millions?

MD: Yes, but we expect to earn much more. We just came off another record fiscal year. Our sales were \$4.67 billion, and our record revenue to education was \$1.56 billion. These are staggering sums. We're tracking now for over \$5 billion for this fiscal year.

We have some of the finest people in the lottery business here. Every director would say that about their staff, but in truth we do have some of the finest lottery professionals in the entire world working here. When I came [to the Lottery], all we did was sort of refocus on all the things that everyone here does so well, and as a consequence we've been able to really grow the business.

I've been here three years as of yesterday (interview on May 22, 2002), and at the end of 1999 the legislature passed a bill allowing 65 percent prize payout on Instant games. Once they passed that we sat down and very strategically planned how we would market and sell Instant games at 65 percent. As a consequence, we're tracking for over \$2 billion in Instant sales this year.

DB: What has happened to the net revenue for Instant sales as a result of what you've done here?

MD: Sales have nearly doubled. Net revenue has increased 39 percent on instant games.

Did you know?

- The New York Lottery introduces 2 new Instant tickets every 3 weeks – 34 per year.
- New York's Lotto game averages a \$14 million jackpot with odds of 1 in 22.5 million. The price is two games for a dollar.
- New York has approximately 15,000 retailers, and that's after cutting approximately 1,000 off the program.
- Mega Millions has committees for finance, operations, marketing, legal, and communications. A lottery director heads each of the committees.
- All Mega Millions sales stay within each state.
- New York's annual advertising budget appropriation is approximately \$25 million.



Participation Gaming...Eliminating Your Risk!

With the enormous cost associated with the start up of a video lottery program, more and more lotteries are choosing to adopt the Participation Gaming model. Under the PG model, the hosting lottery can receive its entire network of terminals and a virtually endless number of games, all at no cost. This allows for the lottery to start generating profits immediately.

Current lotteries using this model, which include Delaware and Rhode Island, are experiencing some of the highest net revenues per terminal in the industry. This advantage is due to the fact that all vendors are constantly competing to improve the net revenue on their terminals, of which they receive a percentage. This assures the lottery that they receive constant game refreshments and terminal upgrades. The most recent lottery to consider the Participation Gaming model is the New York Lottery, the largest in North America.

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DB: So you've given away ten percent more, and in the course have doubled your net. I think that's a message that we need to help you get the word out on. A lot of people have already found this out, but it can't be repeated too often.

MD: We also have moved toward higher price point tickets. The Lottery had unsuccessfully introduced \$5 games a few years back, then in 1999 we introduced a \$5 Millennium Edition game. Then we started adding \$5 games, and we now have 8-10 on the market.

DB: Just thinking about the benefits to the retailers, if you've double your net, and you're giving away more of the gross, then you've obviously more than doubled your gross. That means the amount of money retailers are getting has more than doubled. Is that correct?

MD: Yes. Last year they received \$280 million. They're very excited about everything we're doing. They're especially excited about Mega Millions because it's a brand new game, and they've been listening to their customers for years saying, "When are we gonna get a multi-state game?"

DB: The retailers have doubled their revenue from the Instant games, and now the Mega Millions game is adding what to their revenue?

MD: We're expecting \$300 million in sales, and they get six-percent of sales, that's \$18 million.

DB: How many retailers do you have?

MD: That's another interesting thing that we've done since I've been here. We used to have over 16,000 retailers, and that was before we were doing \$4 billion. When I first came here I asked what the criteria was for being a retailer. We put into force a sales monitoring program. We figured

out how much it cost the Lottery (per week) to have every retailer in the state, and we sent out letters, several quarters in a row, to retailers that were not cutting it. With that program we've shaved off about 1,000 retailers who were not performing, and that smaller number of retailers are now doing \$4.7 billion.

So we've got fewer doing a lot more. It was really a matter of trying to get quality retailers verses quantity.

DB: What other changes have you implemented?

MD: We've gathered a lot of information from other lotteries that have been wonderfully cooperative – especially Massachusetts. A couple of years ago I asked a team of people, a cross-section of the Lottery, to take a look at our sales organization. How do you keep them motivated? How do you get them calling on the retailers? What sort of tools do they need?

I told them, 'you can go and visit and/or talk with any other Lottery you think is doing a better job than we are.' Of course, Massachusetts is the best in the world when it comes to Instant games. They talked with Ohio, New Jersey,

I have to give a plug to the Powerball people. Once this legislation passed last fall we had both groups (The Big Game and Powerball) come in. Both groups were incredibly forthcoming with information, incredibly cooperative, answered all of our questions, and were just great. Everybody's goal was to make the Lottery industry better. We chose to join the Big Game for business reasons, mostly because they're sized more like we're sized, and because they've got the major metropolitan areas, but the Powerball people were just terrific.

– Margaret DeFrancisco, Director, New York Lottery

Why More Lotteries are Considering Participation Gaming

By Marco Bertolin, Product Manager, Participation Gaming Division, Spielo Gaming International

While several governments have chosen video lottery programs to augment their annual revenues, the focus on VLTs has never been more pronounced than this past year. Many jurisdictions are searching for alternative ways to overcome growing budget deficits and eliminate gray gaming. Consequently, they are looking for solutions within their own lotteries.

Lottery officials are now considering alternative video lottery programs such as the Participation Gaming model, currently being run in Delaware and Rhode Island. Due to the success of these jurisdictions, it has been getting some much-deserved attention.

Why is Participation Gaming attracting so much interest? Capital Expenditures are an important reason. Traditionally, lotteries have been responsible for acquiring the hardware and software needed in the start up of a video lottery program. Under the Participation Gaming model, the vendors supply the terminals and also bear the costs and responsibilities of upgrading and maintaining them. "Lotteries are able to generate profits immediately upon start up," states Mike Storey, Spielo's VP of Participation Gaming. "Vendors provide the terminals and games, all at no cost. With no capital expenditures, the lottery incurs little to no risk."

Performance is another consideration. Vendors share in a portion of their terminal's revenue. Therefore, they have a vested interest in maximizing their terminals' performance. "When introducing a new game release for our market, we follow a game development process that provides us with valuable information on player preferences," says Marc Drisdelle, Account Executive of Spielo's Participation Gaming Division.

"This process has proven to be essential for Spielo's success, and has given us an edge when competing for market share."

Spielo has taken a visionary approach to participation gaming. The company's track record speaks for itself. From the time Spielo entered the Delaware and the Rhode Island markets, they have been among the top vendors, consistently producing top net revenues for their customers. ■

Texas, Oregon and they visited Massachusetts. One of the things we found in common with all the Lotteries we spoke with is that they have a consistent two-week call cycle that their reps go on.

DB: That implies that you have a viable ratio between sales people and retailers.

MD: We have 100 sales people. The way it was before, [retailers] were sort of stratified, so if you were a top retailer you got called on. If you were a middle retailer you sort of got called on, and if you were a low producing retailer, you never got called on. That was not good because there's some potential among those lower producing folks to be better if somebody would pay attention to them. Our 100 reps routinely call on the top 80 percent, and the lower 20 percent now receive a telephone call. For some of these retailers, this is the first time anybody has paid attention to them, and it's worked out very well.

DB: What's the impact of Mega Millions on other games? Is it bolstering or cannibalizing?

MD: We think it's going to bolster everything just by the increase in sales and revenue, and it's really too soon for us to tell about cannibalization yet since we haven't even had a week's worth of sales. But, as of this moment there's been minimal impact.

We expect Lotto to do well because it's a really different prize proposition. That's how we're positioning Mega Millions and Lotto. Lotto is your friendly game that you're familiar with. It's two games for a dollar, the odds are more attainable than Mega Millions, and from our research, people look at Lotto as the game you play to take care of your kids education, to really make yourself financially secure, or to get some things that maybe you've been putting off or didn't feel you could afford. With Mega Millions, you can do all that, but you can do things you haven't even dreamed of. That's why our tagline is for it is 'Dream Bigger'.

DB: What are the side benefits of Mega Millions?

MD: The side benefits are relevance and a heightened awareness. Back in 1999 and 2000 when we rolled out our Millennium Millions promotional mega jackpot game, we got a lot of infrequent players to spend a dollar for a chance to win \$130 million, and we think that will happen again with Mega Millions...but for the long term.

DB: You've made it clear that the press and public have reacted favorably to Mega Millions. Are there any anecdotes you'd care to share?

MD: We put gigantic (ten-foot), inflated, gold mega balls on flatbed trucks – we had five of them – and took them all over the state. That was great fun, because people were very excited about it and couldn't wait to get to play.

DB: Did you need to add staff when you added Mega Millions?

MD: No. No incremental staff, no incremental costs, no incremental dollars – in fact we're dealing with the same budget we had two years ago.

DB: What are you doing in the way of devoting advertis-

Video Lottery Programs Deliver Revenues and Ensure Responsible Gaming

By Mike Tessmer, General Manager, VLC

The face of public gaming continually evolves as jurisdictions consider implementing socially responsible alternatives to manage this popular pastime while generating new revenues for important government-funded programs. Many jurisdictions are evaluating or have already implemented video gaming programs to combat rampant illegal, or 3gray2 gaming, by creating government regulated and sanctioned programs.

Jurisdictions that implement government-regulated legalized gaming are able to restrict video lottery terminals (VLTs) to age-controlled environments, commonly viewed as the most crucial aspect of a video lottery program. In addition, jurisdictions can reduce the number of VLTs in a location, regulate the VLTs by linking them to a central control and monitoring system, and implement a host of responsible gaming features. VLC has experience in designing, tailoring and launching such features and can recommend a proactive strategy for initiating responsible gaming programs.

Sanctioned VLT programs not only provide socially acceptable entertainment for adults, they also deliver beneficial revenues to local and regional governments. North American video lottery jurisdictions achieved 2001 video lottery revenue between 38% and 95% of their total annual lottery sales.

Once launched, there are proven avenues for increasing video lottery revenue centered on enhancing the entertainment value to the player. The continual rollout of innovative game themes, titles and features has proven to generate new interest and revenue. Markets that provide incentives to manufacturers through performance-based premiums achieve outstanding revenue results. Attracted by the prospective of incentives, manufacturers will assume the cost of investing in research and development which results in a wider variety of game titles with new features and concepts customized for that particular jurisdiction. This ensures the lotteries continued success by enhancing the entertainment value for existing clientele and, even more importantly, by appealing to a broader range of customers. ■

ing dollars to Mega Millions?

MD: Again, there's no additional advertising dollars – we're using the same advertising dollars we've always had. But, about 12.5 percent of advertising dollars will go to Mega Millions.

Video Lottery

DB: Now let's talk about your plans to implement video lottery games in New York. What is the status of the implementation of video lottery in New York?

MD: We're moving along. As you know, the legislation was passed last fall, and we began a process to learn as much as we could about video lottery terminals in other jurisdictions

Continued on page 28...

offered by the Division of Tourism. Choices include St. Louis, Kansas City, Branson, Hannibal and Lake of the Ozarks. The vacation packages are valued at \$1,000 each.

By offering these destinations as a prize, the Lottery is doing more than sending winners to select cities. These prizes help all who enter, and anyone who hears of the contest, to start thinking of these cities as viable tourist options.



Maryland – Maryland Treasures

The Maryland Lottery is also launching an Instant that will boost the state's economy by featuring homegrown products and in-state destinations as prizes.

"We are offering Maryland Treasures as a fresh idea to aid our State's tourism strategy and to boost revenues for travel-related commerce through the Lottery's network of 3,600 retail agents," explained Maryland Lottery Director Buddy Roogow.

"Maryland Treasures is a tourism initiative introduced by the Lottery to heighten awareness of Maryland as a top recreation and travel destination," adds Roogow. "We hope the campaign's end results will be increased consumer participation, extended marketing for the Lottery's entertainment products, and greater travel activity throughout the State."

Each Maryland Treasures ticket offers lottery players a chance to win up to \$30,000 in cash or a bonus tourist attraction gift, instantly. Bonus prizes include restaurant gift certificates, hotel stays in Ocean City, tickets to sporting events and theme parks, museum and gallery admissions, harbor cruises, fishing trips, sightseeing, and many other exciting tourist activities.

Florida – Play FLA USA™

Play FLA USA is designed to appeal to both Florida residents and tourists, and encourages everyone to enjoy the spectacular vacation opportunities Florida has to offer. The game features ten chances to win more than \$10 million in cash prizes and 90 vacation packages. While these prizes certainly create enough excitement to maintain high sales figures, the tickets hold another aspect that make them even more valuable to the state's economy. Non-winning tickets offer discounts on goods and services at more than 300 Florida hotels and attractions.

Players who win a vacation package won't be disappointed as they could be cruising off on one of thirty "night cruises for two" on Carnival Cruise Lines; lounging on one of ten

seven day vacation packages at an Emerald Coast resort; taking advantage of one of ten three day vacation packages for four at Kennedy Space Center; swimming with the dolphins with one of twenty Miami Seaquarium Dolphin Adventure Packages for four (including two-nights hotel accommodations); or enjoying one of twenty three night vacation packages for four at a Universal Orlando/SeaWorld Orlando theme park.

In support of the game and Florida tourism, the Florida Lottery has launched a \$5 million advertising campaign including: point-of-sale materials; television and radio advertising; and a comprehensive Internet promotion/information presentation. In addition, the Lottery's retailer incentive program provides retailers with double commissions on each \$2 Play FLA USA ticket they sell.

The Lottery's Web site includes an interactive map that provides patrons with information about cities in every county in the state. All Web-surfers have to do is point and click at the county they want information on, and they're taken to a site that can give plenty of travel-pertinent facts.



Kentucky – Instants as Postcards

The post-September 11th anthrax scares were the catalyst for the Kentucky Lottery to develop a new way for players to mail-in entries for prize promotions.

The Lottery had been toying with the idea for some time, but until it became apparent that mail wasn't as safe as it used to be the idea was kept on the back burner. The idea

evolved into a simpler and less expensive way for players to mail in second-chance promotions, and a safer way for postal workers and Lottery staff to handle the entries. It may also revolutionize U.S. lottery mail-in promotions.

The idea debuted on the Deck Boat Dollars Instant. Because of a new ticket design, second chance promotions for the game didn't need to be mailed in an envelope. Players only had to fill out the back of their non-winning ticket, place a stamp on it and mail it in. That's because the Kentucky Lottery's mailing address was already on the ticket, essentially making it a postcard.

Lottery staff met with their U.S. Postal Service representative last year to discuss ways to improve the handling of mail-in entries for second chance promotions. Of course, lotteries get hundreds of thousands of hand-

written entries, which makes processing the large volume of second-chance promotion mail very labor intensive. By working together, the process was made easier for both the KLC and the USPS, and easier and less expensive for Kentucky Lottery players.

As an additional bonus, each ticket has a barcode, allowing the Lottery to create a database of active players from second chance drawing entries. That means the Kentucky Lottery will be able to communicate by direct mail with these players.



Delaware – License to Win

The Delaware Lottery came up with an interesting concept when they partnered with the Delaware Division of Motor Vehicles and the Delaware Department of Tourism to develop License to Win. License to Win provides an opportunity for the Delaware Division of Motor Vehicles to distribute popular, four-digit license plates to the public and to support Delaware's new slogan, "It's good being first."

Low-digit license plates have a unique appeal to Delaware consumers because they are extremely hard to obtain. The game allows for eight four-digit tags to be awarded instantly and four four-digit tags to be awarded in a second-chance drawing. The four digit numbers have already been chosen by the Division of Motor Vehicles and they'll be issued on a first-come first-serve basis.

In addition to the honor of being the owner of a low-digit plate, winners will receive a \$50 cash prize that may be used for tag registration or transfer fees.

Atlantic Lottery – Cross Promotional Partnerships

In 2001, the Atlantic Lottery was looking for cross-promotional partnerships that could be run with other companies. The Lottery was after companies who were interested in offering prizes for ALC games, or who wanted to use lottery tickets or coupons for tickets in the packaging of their own products.

The ALC's first cross-promotion partner was Coca-Cola. Beginning in June, 2001, cases of Coke included a coupon for a free \$1 ticket when holders brought the coupon to Lottery retailers to buy a scratch-and-win Crossword.

This successful venture was followed in March 2002 by a cross-promotion with Greco Pizza. Greco Pizza teamed up with the Lottery on an Instant called Pizza Dough. The collaboration with Greco makes the game unique due to the amount and type of prizes available to be won. Greco donated almost enough Greco prizes to make every ticket a winner. A typical ALC \$1 Instant offers odds of 1 in

3.5 to 1 in 4.0. The odds of winning any prize on the Pizza Dough ticket are 1 in 1.0001.

The top prize on the Lottery portion of the Pizza Dough ticket is \$5,000. Prizes available to be won on the Greco portion of the ticket are: a free 12" Pizza, a free Party Pizza, a free regular Donair, free 9" Garlic Fingers, \$1 off a Party Pizza, \$2 off a Regular 12" Pizza.

All ALC cross-promotions are managed under the promotional partnership initiative. Interested partners have the opportunity to send in their submissions for potential cross promotional partnerships. Each proposal is reviewed and evaluated against set criteria to determine its potential and strategic fit for ALC.

California – Lotto Captain Program

California's Lotto Captain Program is built around the idea that group play of Lotto-style games can, and should, be promoted actively by lotteries as a means of enhancing each lottery's image and increasing sales, all with a minimum of investment and employee effort.

The idea takes advantage of a way in which current Lottery players can help recruit occasional players in a way that spendy billboard and radio advertising can't. In their research, Lottery staffers found that thirty percent of jackpots were won by multiple winners on one ticket. So, instead of investing in a marketing campaign that tried to reach all citizens in hopes that some would play, the Lottery invested in a program that hit some of their best customers in a way that would increase the percentage of group play of Lotto.

Utilizing a toll-free number and a link on the Lottery website, the Lottery allowed players to sign up as Lotto Captains. With the incentive of a monthly drawing for 50 Quick Pick SuperLotto Plus Tickets (as well as prizes for second and third place), the Lottery was able to register 13,000 unique participants by the end of the first fiscal year. These registrants receive, among other things, jackpot alert emails and surveys asking questions that will help the Lottery better meet the needs of Lotto Captains.

One of the next phases of the Lotto Captain Program is to generate new groups with new captains.

For more about the California Lotto Captain Program, see Lotto Captain Program – a New Vision of Lotto Marketing in the May issue of Public Gaming International, page 20. ■



Knowledge Is Power

In 1597 Francis Bacon realized the inevitable truth that "knowledge is power". Two years ago Fran Gruden and Tom Shantz of the Chadwick Group saw a product that smacked of this same truth. The partners in this fledgling Company were evaluating products they could introduce to the wagering and entertainment industries, where they worked together marketing TICKETRON, the ticket network with divisions serving theatres, arenas and lotteries.

They were looking at revolutionary, patented software that used very exciting and sophisticated technology. But, the new software powered an old, familiar game, B-I-N-G-O. That's when Francis Bacon kicked in. "What if we introduce a game that everyone already knows how to play?" said Shantz. "Lotteries spend millions of dollars teaching consumers how to play their games. Players are far less likely to participate in games that they don't understand". So the Chadwick Group began to market a game that everyone knows how to play. They would show that Bacon was right, "Knowledge Is Power"!

To test their theory the Chadwick Group used the largest possible "Focus Groups". At entertainment events like the New Jersey Nets and the Miami Heat games, the Chadwick Group packaged their new software to produce exciting, fan-participation promotions.

"We distributed tickets to fans at the admission gates", said Shantz, President of the Chadwick Group. "Our first night we held our breaths. We were in New Jersey, not an easy crowd, and we weren't sure how the fans would react. But, over ten thousand fans enthusiastically took the game cards. They immediately recognized the promotional game, called SCORE, as BINGO because of the familiar grid format. No cards were thrown away. Fans, who missed the card distribution, ran back to the gates to pick one up prior to the SCORE game drawing."

Fran Gruden, CEO of the Chadwick Group recalls, "The games were crazy. Thousands of fans packed into the Meadowlands to enjoy the NBA action. When the SCORE drawing started, everyone participated. In fact, our statistics indicate that the majority of eligible prizes were redeemed. People play this game. It cuts across age groups and cultures. People know and enjoy BINGO."

Armed with a terrific product, the Chadwick Group next enlisted a technology partner to provide the support required to fully integrate its products for national and

international users. Gruden notes, "Rite-Solutions has provided excellent support during our product roll-out. They were integrally involved in the original product development," noted. "Their team developed other exciting cutting-edge products and games for the lottery industry. Account-Based Wagering and eScratch are generating significant interest from several lotteries. The Chadwick Group is delighted to have this alliance-partnership with a strong technology provider."

Jim Lavoie, CEO, Rite-Solutions, noted that this new game program "Sorts millions of Bingo cards in less than one-eighth of a second. This is achieved by abandoning traditional number game techniques and utilizing sophisticated pattern recognition algorithms, like we do in our work for the Department of Defense. Making the program easy to implement with existing lottery systems, was critical"

With years of experience marketing products to national and international lotteries for a major on-line vendor, Fran Gruden knew that for a product to be successful, it must be able to be easily incorporated into a range of lottery environments. "Smaller lotteries depend on 'traditional' tickets, while larger organizations demand on-line capabilities. International jurisdictions may elect to use the Internet to vend tickets. Almost all lotteries use the Internet to display and re-enact their drawings. Traditional, online, Internet, and wireless technology are all possible with the Chadwick Group's new program."

In short time, the Chadwick Group developed a powerful and versatile product line. The Company's BINGO game uses robust software delivering a real Bingo Hall experience with variable game patterns and pari-mutuel punch. The Chadwick Group has the experience to help you to grow revenues without "cannibalizing" your existing products.

Remember, "Knowledge Is Power". The Chadwick Group is worth a look. Visit their web site at www.scorebingo.com or call 412-344-5012. ■



"Animated Bingo drawings can be viewed by players at their convenience on a lottery's Internet web site"



"The Chadwick Group Bingo game software can be integrated with any online vendor's system"

Building Revenue and Creating Excitement

with Higher Price Point Instant – Part 2

The International Scene

In the May issue of Public Gaming International, we took a look at higher price point instant (HPPs), and showed how they were playing a significant role in the North American Lottery product offering. This month, we're looking at HPPs on an international level.

HPPs are harder to define on the international level. In North America, we took a look at tickets that cost \$5 or more, but on the international stage, with varying economies, we had to ask the lottery for their own definition of HPP offerings. It's also interesting to note that while there are many countries that are having tremendous success with HPPs, we aren't seeing the nearly across the board success rate with the tickets that we see in North America.

At any rate, here's a glance at the climate of the HPP market from Lotteries around the world.



Interkantonale Landeslotterie – Switzerland

Typical Game Cost: CHF 1 to CHF 10

HPP Cost: up to CHF 100

For the last four years (and running), Interkantonale has launched a CHF 100 ticket that runs from October

1st through December 31st. It's a Christmas calendar with 31 "days" to be scratched and offers ten prizes of CHF 1 million. The ticket generates a nice chunk of revenue – 250 million CHF (over \$156 million U.S.) – of which the government keeps 52 percent.

Loto Catalunya

Typical Game Cost: EUR 0.60 to EUR 1

HPP Cost: EUR 1.2

Loto Catalunya doesn't really see a specific time of the year more suitable for launching HPPs; they prefer to take into account the product's seasonal variation. The few times in which they have run HPPs the tickets have usually been related to special events or popular feasts.

The Lottery isn't currently offering any HPPs, and they didn't offer a reason why. But they did say that HPPs are not very significant in terms of sales figures and net revenue, and that the life of HPP runs tend to last too long – four to eight times longer than lower priced tickets. It's also interesting to note that ticket prices in 2001 were typically EUR 0.60, whereas since the Euro became official, prices have crept towards the EUR 1 end of the spectrum.

Belgian National Lottery

Typical Game Cost: EUR 1.25 and EUR 2.50

HPP Cost: EUR 4.00

The Belgian National Lottery is currently offering one product at the EUR 4.00 price point – the SuperFun. SuperFun is a Win for Life game offering a grand prize of EUR 25,000 per year for life. The Lottery sees the first quarter of the year as the best time to launch an HPP.

The SuperFun played a significant role in the Lottery's

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sales during 2001, accounting for 12.77 percent while being offered for only six-and-a-half months. In 2002, the Lottery has relied less on SuperFun as the game has accounted for 5.36 percent of Lottery sales.

The Romania National Lottery

Typical Game Cost: EUR .26

HPP Cost: EUR .81

For the moment, Romania isn't offering any HPP tickets, but they have been known to offer an HPP passive from time to time. In fact, the Lottery will soon be launching a new passive ticket, priced at EUR 0.81, accompanied by a TV Show named LotoZodiac.

In Romania the life cycle of an HPP is relatively short, and can occur during several times of the year: summer, winter, religious holidays (Christmas & Easter), and in conjunction with TV Shows or other special occasions - Romanian Lottery's Day, for example.

National Lottery of Kazakhstan

Typical Game Cost: 40-50 Tenge

HPP Cost: 70-100 Tenge

Presently, the National Lottery of Kazakhstan is offering two HPPs - Lucky 7 (70 tenge) and Lucky Ticket (100 tenge). The only problem is that the tickets are selling slowly. The games were launched in 1999 with a print run of 3 million tickets, and they are still working to sell through the initial run. Lottery officials speculate that part of the problem may be that the tickets were not

connected to any remarkable events or big holidays. They feel they might have had a better run with HPPs if they had linked the launch to an event.



SA Lotteries – Australia

Typical Game Cost: \$1-\$3

HPP Cost: \$5

SA Lotteries are currently offering one \$5 ticket, and the typical life of a \$5 run is approximately nine months. Net sales from the \$5 instants comprise approximately 10% of total instant sales (approximately \$3,800,000 per annum). Annual \$5 sales are lower than any other price point.

The Lottery hasn't noticed if HPPs are better off being launched at a particular time of the year, unless of course the ticket is a themed ticket (i.e. a Christmas

themed ticket at a high price point would obviously need to be launched towards the end of a calendar year).

While the \$5 ticket hasn't been setting the world on fire, SA Lotteries is contemplating giving the \$4 price point a try. They've run a Christmas themed ticket at a \$3 price point with success in the past, and believe there is scope to increase the price of the ticket to \$4. The Lottery also believes that a "Set For Life" ticket could also be sold at a \$4 or \$5 price point quite easily based on the prize that is being offered.

SAZKA, A.S.

Typical Game Cost: CZK 20

HPP Cost: CZK 30 - CZK 500

SAZKA is not currently offering HPPs, and only does so in exceptional situations. Still, when they do utilize them they always bring in substantial revenue. The tickets generally have a life of four to six months.

In 2001, the Lottery offered "Christmas Comet Returns", a CZK 500 ticket, that represented 45 percent of all instant ticket revenue for the year.

Christmas is not the only time the Lottery issues HPPs, they've been known to utilize several different special occasions. Local tradition and customs are decisive in deciding when to issue an HPP. Christmas is the most important time of year, but special events like the Olympics or other major sporting events in which their countrymen excel in also play a major role.



Sachsen-Anhalt Lotto

Typical Game Cost: EUR 0.50

HPP Cost: EUR 5.00

Sachsen-Anhalt is not offering any HPPs at the current time, but every year, from October to December, they offer an HPP called "Glücksrakete" (EUR 5). Glücksrakete is meant to coincide with Christmas so that the ticket can be used for gift giving. Another HPP, "Glücksrakete", is tied to the New Year.

Sachsen-Anhalt has not seen much success with their HPPs. The products make up only 0.6 percent of the Lottery's total sales, and considering all costs directly connected with the product (payout, tax, good causes,

sales commission, printing cost and advertising) they come to a negative net revenue of 0.15 percent.

Svenska Spel – Sweden

Typical Game Cost: SEK 10

HPP Cost: SEK 25 to SEK 50

Svenska Spel has a different approach than many lotteries, due to the duration of the life of their games, and their emphasis on product differentiation. When instants are concerned, they look less towards sales figures and revenue than they do towards the importance of offering various types of instants with different profiles.

They offer four different instants, the youngest of which, Tia (SEK 10), started its run in 1996. The highest price point offered, the SEK 50 Penninglotteriet, started its run in 1897. The most popular instant, the SEK 25 Triss, was first offered in 1986.

The Lottery doesn't produce theme games for a particular time of the year, and with the life of their games there's no "best time of the year" to launch an instant. But they do have special marketing campaigns for Mother's Day, Christmas, etc., and sometimes combine offers where players can win extra high prizes if they buy four tickets.

Westdeutsche Lotterie

Typical Game Cost: EUR 0.50, and EUR 1.00

HPP Cost: EUR 2.50–EUR 5.00

The Westdeutsche Lotterie sees the end of the year as the best time to launch an HPP ticket. They also run some packaging options that shoot tickets up into HPP range. At Christmas they offer a calendar, which costs EUR 1.50, but can only be purchased in conjunction with 24 instant tickets, which brings the price to at least EUR 13.50. They also offer greeting cards at various times of the year (Easter, Valentine's Day, etc) that can be purchased in conjunction with ten tickets. ■



One Euro, Two Euro, Three Euro, More?

Lottery tickets in other parts of the world are no different from other consumer goods – customers want value, and something that costs more should have more value. Whether a lottery ticket costs a Euro, Yuan, Peso, Zloty, L(pound), Kroner, or a Rand, having a higher priced lottery ticket should give more winning experiences and be perceived as worth the extra cost.

The situation in the international market for higher price points is just as challenging as in the domestic market. We can now report success as evidenced in MDI's latest contracts for the 2002 FIFA World Cup. Our first international customer, La Francaise des Jeux states sales ahead of projections for their 31 Million Coupe du Monde 2002 tickets priced at 3 Euro (FDJ also anticipates selling over 100 million Euro World Cup LotoFoot online sports pool tickets). In addition, MDI's first Asian customer, the China Sports Lottery is offering a history making 10-Yuan 2002 World Cup ticket in sets of 6. The China Sports Lottery anticipates early sell out of their 43 million tickets (their instant tickets are regularly priced at 2 Yuan). This lottery is also selling a 2-Yuan World Cup football pools ticket with an estimated volume of more than 600 million Yuan.

These two trend-setting lotteries confirm our belief that a game featuring a popular brand with a built-in base can attract some core players to a higher priced ticket. These licensed games can also attract the infrequent and the new player, and if branding is power, these brand players will become repeat customers. Elvis, Harley Davidson, the NBA, Pink Panther, Ray Charles, Hollywood Sign and Walk of Fame, are all waiting in the wings.

As with our domestic customers, MDI is showing international lotteries how the higher priced tickets provide additional prize payouts not only for more cash prizes, but also for the merchandise prize packages unique to the lottery. This option has seen some success with lotteries offering apparel, small electrical appliances, cars, and trips. We are working with lotteries to develop packages authentic to the particular country and specific to our unique licensed brands. Soon Elvis could be seen on a Harley Davidson in some distant land – crooning, just as we remember him. ■

Evelyn P. Yenson, Senior VP International Sales and Marketing, MDI – 1.860.527.5359



This is dummy copy for a caption.

The Wonderful World of Wireless

Lotteries around the world are looking for ways to make mobile commerce work!

Many in the lottery industry have begun to look past the Internet as the wave of the future for lottery game playing. Granted, they aren't ruling out the Internet as a viable medium, but it's hard to gaze longingly at the Internet with wireless gaming standing right next to it, looking soooo good.

Don't get the wrong idea – the Internet is an awesome selling tool, with endless lottery application scenarios that can be marketed towards desktop computers in player's homes and offices. But with wireless gaming lotteries will have millions of players walking the streets, driving to work and eating in restaurants with lottery retail outlets in their pockets. When you begin to look at it that way (and when you think of how much time is wasted waiting for people to arrive, or being stalled in stand-still traffic jams) it's hard to argue that thinking of wireless lottery opportunities should be a top priority on any staff.

Lottery applications on wireless devices (cell phones, digital phones, palm devices, etc.) aren't expected to really take-off until third generation mobile phones are more prevalent (they'll allow for more bells and whistles). Still, at the moment, wireless applications are convenient, omnipresent (even in developing countries), applicable now, and relatively inexpensive for lotteries to implement, since the customers would be purchasing their own gaming machines. That's why several lotteries around the world are trying to figure out how to make wireless applications work for them.

Italy

Lottomatica became one of the first lotteries to offer games over M-Commerce. They've offered at least two games through mobile phones, one that could be punched into the phone automatically (with a surcharge of roughly 30-cents), and one can be purchased at retail outlets which uses SMS to notify winners (surcharge of roughly 50-cents).

The surcharges, combined with the newness of the game, provided early problems for Lottomatica. The Lottery found success with coupons, but once coupons ran out, players stopped playing.

Lottomatica is continuing to explore game options for wireless devices.

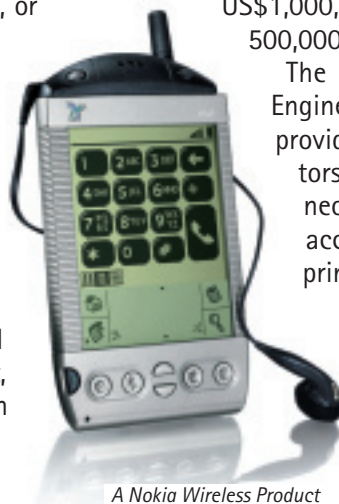
Latvia

Latvians are participating in wireless lottery with the advent of "Oh, Lucky", a wireless lottery game launched last December.

The principle of the game is to send "premium rate" SMS (Short Message Service) messages with registered game numbers for participation in a multi-level lottery. The mobile lottery engine can consolidate principles of instant lottery, on-line lottery, random choice draw, bonus collecting system, and more.

Any mobile phone user in Latvia can take part in the game. First year turnover is estimated to be more than US\$1,000,000 with a target group of approximately 500,000 mobile phone users.

The game software, Matrix Wireless Lottery Engine, developed by Meta Communications Ltd., provides a chance to involve several mobile operators using different software solutions simultaneously. It also allows for statistic analysis, accounting, game administration and game principle combinations.



A Nokia Wireless Product

Czech Republic

SAZKA a.s. may still be looking for ways to make a wireless Lottery game work for them (they are planning to unleash a product in 2004), but they've already found a way to profit from a wireless application. In April, 2002, they began allowing the general public to recharge credits on pre-

paid Twist cards of GSM mobile operator RadioMobil a.s., using almost 5,700 on line terminals of their sales network.

The new project is the product of an agreement made by SAZKA with GTECH in February 2001, when both parties showed major interest in expanding their collaboration outside lottery operations.

The GSM credit recharging system is based on a platform by Compaq, and is very simple for the customer. The ticket is recharged by merely entering the telephone number to be recharged, or utilizing the bar code attached to the back of the phone.

UK

Camelot has signed with Wireless Information Network to create a reverse billing service which enables players to receive game information on their mobile phones. The SMS

service allows lottery players to receive notification of major lottery events, such as a rollover draw or a super draw, and to receive results. The text alerts incur a 25p reverse billing charge per message.

The Lottery has allocated an estimated £45m-plus to investigate uses of third generation mobile phones, and has signed technology deals with Vodafone, NTL, Nokia, ICL, and Compaq over the last twelve months. They plan to offer games over wireless devices before their current licensing period ends in 2007.

Estonia

Eesti Loto does not currently offer wireless gaming, but they are planning on implementing it this year. They plan on using wireless applications for two online games, Keno and Viking Lotto, and expect they system to be up and running in late summer or early fall.

Sweden

Swedish law allows Svenska Spel to use mobile devices for wagering, but the Lottery is still in the planning stages of using the technology. They received a test license for inter-

active wagering from the Swedish Government in 1999.


The Lottery has seen success from Internet wagering. They have 200,000 registered Internet players, 100,000 have actually wagered, and 25,000 wager regularly. Needless to say, this at least provides some promise for the future of wireless gaming in the country. Svenska Spel is prepared to disclose more about this project at the WLA/EL seminar on interactive gaming in Vienna, October 20-23, 2002.

Philippines


The Philippine Government is investigating raffles and games of chance being conducted by two mobile phone companies using SMS. The games have subscribers sending answers to questions asked through newspaper ads and message centers.

Prizes include expensive cellular phones and cash prizes as high as P1 million. The phone companies receive P2.00 to P2.50 per text game.


The two firms are not licensed to conduct gambling like the Philippine Amusement and Gaming Corp. and the Philippine Charity Sweepstakes Office. ■




WinTV



Drawing ahead...





Transparency

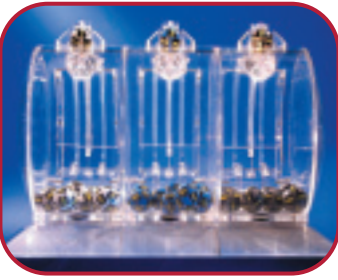
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30th Anniversary International Lottery EXPO

You are invited to the 30th anniversary meeting of Public Gaming Research Institute's International Lottery Expo which is being held in Miami Beach, Florida at the Loews Miami Beach Hotel, August 1-4, 2002..

We have an exciting program planned this year, aimed at future growth of lotteries. Lottery Expo traditionally attracts participants from lotteries throughout North America as well as the rest of the world. So, the meeting is an especially enriching experience for lottery and industry professionals. The conference objectives are to help lotteries and to help companies supplying the lotteries to be more successful.

Program: Focus on the Future

The theme for the professional program this year is: Advertising, Marketing, Sales and Revenue Strategies for Growth. Bringing more revenues to the beneficiaries of the lotteries will be a key aspect of the program content. Lottery leaders will share their successes in generating revenues and controlling costs. Lottery suppliers will present new products and ideas for increasing revenues and cost efficiencies. Public relations programs that are part of marketing plans will also be key parts of the program.

PGRI's Annual Television, Radio and POS Advertising Contest

Every entry will receive an award this year. The reality is, all of the entrants are winners for their respective lotteries, otherwise we wouldn't be seeing them. We are simply recog-

nizing that fact. But in addition, in order to retain the fun of a contest, those ads voted most popular by the Expo attendees will be identified as such in the next issue of Public Gaming International magazine, along with attendee comments as to why they liked them best. The real value for everyone is the opportunity to see what is working elsewhere in advertising..

PGRI's Quality and Excellence Awards (Qe's)

PGRI's Awards for Quality and Excellence are presented to each lottery and supplier attendee nominated by the heads of their respective organizations in recognition of special contributions..

PGRI's Outstanding Service Awards

The Outstanding Service Awards are presented to those attendees who send PGRI documentation showing that they have been in the lottery industry for 15 years or more and have not previously received this award.

Join us at International Lottery Expo 2002 - a winning experience for lottery professionals! ■

For additional information concerning the conference, lotteries should contact Elsie Grote, at (425) 803-2900, or email elsiepgri@aol.com. Vendors should contact David Mello at (202) 244-9301, or email davemello@earthlink.net.

PGRI 2002 Conferences

International Lottery Expo 2002

Co-Host: Florida Lottery

August 1-4, 2002

Loews Miami Beach Hotel, Miami Beach, Florida USA

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

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New York, Ohio Join Multi-state as Mega Millions Kicks Off

Mega Millions finally made its debut in mid-May, signaling the beginning of New York and Ohio's multi-state involvement. Despite the efforts of the anti-gaming contingent, both Lotteries were able to proceed with the Mega Millions launch. The first jackpot offered for the game was \$27 million.

Average jackpots for Mega Millions are expected to jump to \$80 million, due to a large population increase, and a change to the matrix that greatly increases the odds. Players will now pick on a 5:52 matrix (previously 5:50), then select the Gold Mega Ball number on a 1:52 matrix (previously 1:36). The odds of winning have increased to 1 in 135 million.

Based on Big Game sales in other states, New York expects Mega Millions to bring in \$125 million this year, and \$145 million next year. Ohio hopes to raise about \$41 million a year from Mega Millions sales.

Pennsylvania Approves Powerball Rules

The race to multi-state continues as the Pennsylvania Lottery cleared its final hurdle to Powerball involvement in early May. The states Independent Regulatory Review Commission approved Powerball rules, allowing the Lottery to proceed with Powerball plans.

The Lottery wasn't able to provide a launch date for the game, but estimates that sales will start this summer. Pennsylvania expects to see \$100 million per year in sales for the game.

West Virginia Releases CD by State Artists

"Songs of Home: Songs of West Virginia by West Virginia Artists" is now available through the West Virginia Lottery. The Lottery, who had been using local songwriters for jingles, decided to make the CD to promote Hot Lotto.

Because it's made for state government, the Lottery can't profit off of it, so the 17-song CD can't be purchased – it can only be obtained by sending in \$5 worth of non-winning Hot Lotto tickets. If any CDs are left over at the end of the promotion, Lottery officials will give them away at events. There were 20,000 CDs printed.

Florida Lottery to Determine Prize Payout Level

Florida Governor Jeb Bush signed a bill allowing the Florida Lottery to increase Instant prizes in order to increase revenue.

Of course, higher payouts generally mean higher sales figures. Prior to the bill, the Lottery was restricted to a 50 percent (or under) payout level, but had, on occasion, used unclaimed prize money as a booster to games.

State officials are estimating additional revenues of up to \$57 million in coming years resulting from the measure.

Molica to Head Washington

Anthony Molica has been appointed Director of the Washington State Lottery by Washington Governor Gary Locke. Molica, who will assume the post on June 10th, vacates the position of Director of Sales for the California Lottery.

Washington's Acting Lottery Director, Bob Benson, is retiring.

Texas Changes Draw Times

The Texas Lottery changed draw times for their online games in order to allow more TV stations to air the drawings. Nightly draw times were moved from 9:59pm to 10:12pm, and ticket sales are now allowed to continue until 10pm (previously 9:45pm). The changes, which became effective May 27th, involve Lotto Texas, Cash 5, Pick 3 and Texas Two Step.

Ohio Navigates Instant Prize Problem

The Ohio Lottery devised a plan to get around major prizes on instant games being claimed before all tickets are sold. Starting in June roughly 24 tickets for each \$3 and higher game will contain a top-prize drawing (TPD) symbol, which will qualify the holder for a jackpot drawing six months after the game closes.

The first two games featuring the top-prize drawing symbol will be the \$7 Big Bucks and the \$3 Cash Vault.

New York Lottery Reports A Record Year in Fiscal 2001-02

The New York Lottery recorded record sales (\$4.67 billion) and revenues (\$1.56 billion) in the recently completed 2001-02 fiscal year, thanks mainly to a burgeoning business in Instant tickets.

Instant sales made up 40% of sales of all Lottery tickets in fiscal 2001-02. They accounted for sales of more than \$1.88 billion in the last fiscal year, or 42% (\$560 million) more than the \$1.32 billion in Instant tickets sold in the state's 2000-01 fiscal year.

Florida Company Uses Lottery Tickets as Employee Incentive

Southeast-Atlantic Beverage Company is providing a \$1 Florida Lottery Scratch-Off ticket to any of its 800 employees who are accident-free during the pay period. There is no limit to the number of times an employee can receive the award.

Every three months the beverage company buys 6,600 Scratch-Off tickets for distribution. The tickets are an assortment of \$1 tickets.

The Lottery is in the process of trying to recruit other Florida companies to use Lottery tickets for employee incentives or bonus programs. ■



Circles of Learning Come to International Lottery Expo!

Win Lottery Business More Cost-Effectively With A Circle of Learning@Expo

- Bring your products, ideas and solutions to Miami Beach, but leave your expensive booth behind.
- Display, demonstrate and receive feedback on your products & services, people & ideas, solutions & technologies, without shipping and building an elaborate booth.

With expected attendance by more than 40 lotteries from around the world, especially Latin America, a Circle of Learning@Expo is a cost-effective way of growing your lottery business this year and beyond.

Take advantage of this new business environment, which will be more conducive to interaction, education and dialogue, by calling your PGRI representative at 425-803-2900.

—Tentative Agenda—

July 31, Wednesday

3pm-6pm Registration Open

August 1, Thursday

8am-3pm Circle of Learning Setup
9am-7pm Registration Open
1pm-2pm PGRI's Sister Lottery Meeting
3pm-5pm Opening General Session I
5pm-7:30pm Welcome Reception in the Circles

August 2, Friday

9am-6:30pm Registration Open
9am-Noon General Session II
Noon-2:30pm Lunch in the Circles
2:30pm-5pm General Session III
5pm-7pm Cocktail Reception in the Circles

August 3, Saturday

9am-11am General Session IV
11am-1pm Brunch in the Circles
Afternoon Open for Private Meetings

August 4, Sunday

9am-11am General Session V and Awards
11am Expo Adjourned

For more details on hosting your own Circle of Learning@Expo, please visit our Web site at www.PublicGaming.org or call PGRI at 425-803-2900.

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Atlantic Lottery

On June 12, 2002, Lotto 6/49 will celebrate its 20th anniversary and the Atlantic Lottery will commemorate this milestone with national and regional initiatives.

Nationally, ILC's Lotto 6/49 2002 Grey Cup Bonus Promotion will culminate with a live draw event to be broadcast from the Canadian Football League's Grey Cup. One lucky Canadian will walk away with a \$6.49 million cash prize.

Regionally, ALC will begin the year-long celebration with the launch of a regional Instant Lotto 6/49 Anniversary ticket, on June 24. The \$4 game, which includes instant and draw portions, is targeted towards Scratch'n Win players; draw only players; and Atlantic Canada's adult population.

ALC has also established a cross-divisional team to develop regional promotions that will compliment all other anniversary initiatives. Consideration is also being given to stand-alone promotions. The ALC will utilize mass media and retail communications, promotional tactics, and a post-winners campaign, to support this celebration.

Connecticut

The Connecticut Lottery endorsed the efforts to raise awareness of gambling issues in the state during the first-ever Gambling Awareness Week. The Lottery distributed signage to its retailers which provided information about the week's events.

Barbara Porto, VP of Operations for the Lottery, was a key speaker at the Gambling Awareness Week Conference. Porto's topic, "Good Corporate Citizenship and Responsible Play," focused on the Lottery's role as a socially responsible organization, and received a very positive response.

As part of the Lottery's "Community Outreach" efforts (which combines Mobile Marketing, as well as Sports, Theater, and special event Sponsorships), the Lottery launched its "Speaker's Bureau" in May. Three presentations (The History of the Lottery, Scratch Tickets from A-Z, and Corporate Citizenship of the Lottery) are available at no-charge to civic and social organizations across the state. Bill Hennessey, retired Instant Games Manager for the Lottery, and a former TV personality on CT's news stations, heads up the bureau.

Delaware

This month the Delaware Lottery is introducing the new \$2 Harley-Davidson® Instant Game. The game features two Harley-Davidson Sportster 1200 Custom motorcycles that can be won instantly. A second-chance drawing will give away 67 Harley-Davidson prize packages, and one winner will be selected to win a third motorcycle in a Grand Prize drawing to be held at a local Harley-Davidson dealership this Fall.

The Lottery will be partnering with two local Harley-Davidson dealerships this summer to support the new Instant Game. Promotional activities include a Grand Re-opening event where Harley owners will win awards, including Harley-Davidson Instant Game tickets, in various categories such as

oldest Harley, most chrome, etc., during a live radio broadcast from the dealership. A second dealership will be conducting a 4th of July weekend sale and awarding Instant Game tickets to the first 250 people each day of the sale. Both Instant Game ticket giveaways will be supported in all advertising and collateral materials that the dealerships develop to promote their events. Ticket sales began June 3.

Florida

Florida Lottery Scratch-Off tickets are now being bought in large quantities as an incentive for working safely on the job. Southeast-Atlantic Beverage Company, with 800 employees in the state, is providing a \$1 Lottery Scratch-Off ticket to each employee who is accident-free during the pay period. There are no limitations on how many times an employee can receive the award.

Once every three months, the Lottery's Jacksonville District Office sells the beverage company 6,600 Scratch-Off tickets, or 22 books containing 300 one-dollar tickets, for distribution to its employees. The tickets are an assortment of \$1 Lottery Scratch-Off games currently on sale.

Illinois

The fourth version of the Caesars Palace® instant game will hit Illinois Lottery retailers in May. The \$5 ticket will feature four games and 13 chances to win on each ticket, top cash prizes of \$50,000 and, of course, trips for two to Las Vegas.

Kentucky

The Kentucky Lottery conducted a statewide second-chance pull-tab promotion. A total of 200 prizes were given away! To enter the promotion, players mailed in a non-winning Summertime Blues or Cookin' Out pull-tab, along with a completed and signed entry form.

The Kentucky Lottery introduced its largest lump sum prize ever on a scratch-off, with \$500,000 Cash. It has two games and a great top prize for the \$10 price. Players can win up to 17 times on each \$500,000 Cash ticket.

Michigan

The recent Big Game jackpot run—which came to an end April 16 at \$331 million with three jackpot-winning tickets sold in Georgia, Illinois and New Jersey—helped boost Michigan's overall ticket sales for the first half of fiscal 2002. Michigan's year-to-date sales for the week ended at \$937 million (unaudited)—up 3.5 percent over last year. Michigan Lottery players also saw a jump in winnings for the April 16 drawing as 12 \$150,000-winning tickets were sold by Michigan Lottery retailers. In all, Michigan Lottery players split prizes worth more than \$4 million for this one drawing.

Minnesota

The Golden Ticket Games II is making its second appearance in Minnesota. Just like the original pouch game launched in October 1999, the \$10 foil pouch contains two tickets (The

Golden Ticket Games II strip of 10 different games and the Golden Ticket). Each pouch contains at least a \$3 winner. The top prize is \$250,000.

Missouri

Staff of the Missouri Lottery will be busy holding drawings, awarding prizes, introducing the "Viva Las Luckytown" summer promotion, and mingling with millionaires during the month of June.

The final drawing in the "Speedway Getaway" promotion will be held on June 6. "Speedway Getaway" is a second-chance Scratchers promotion in which players can enter two non-winning tickets from the new "Fast Tracks" instant game for a chance to win one of six trips to a stock-car race plus \$1,000 or \$5,000 cash in one of three drawings. Players could also win one of 1,050 racing merchandise prize packages.

The summer fun will get underway on June 8 with the Missouri Lottery's "Viva Las Luckytown" promotion featuring Elvis. The promotion will involve collecting game pieces from three new Scratchers games called "Quick Cash," "Red Hot Money" and "Elvis." Among the 2002 prizes in the summer promotion are Ford Thunderbirds, trips to Hawaii and Graceland, computer systems, big-screen televisions, cash and Elvis prize packages..

Nebraska

For its seventh year as a popular Nebraska Lottery scratch game, Truck\$ & Buck\$ has a whole new look. Featuring three games on one ticket, the \$2 scratch game offers players the chance to win cash prizes up to \$1,000 or one of five brand new fully-loaded 2002 Dodge Ram 1500 quad cab 4x4 trucks.

Each top prize Dodge Ram 1500 Quad Cab 4x4 truck features a 5.9 liter V-8 4 speed engine with automatic transmission with the SLT Plus package. All truck winners will receive \$1,015 to help with any additional expenses incurred with ownership, the truck prizes are sales tax exempt, and the Nebraska lottery pays the withholding taxes on truck prizes. The total value of the prize package is \$46,600.

New Jersey

The New Jersey Lottery's Mega Millions Tour made its rounds to statewide lottery retailers. The Lottery, in conjunction with radio stations throughout the state, visited retailers to promote Mega Millions. As part of the fun, the Lottery gave away free Mega Millions tickets, t-shirts and offered players a chance to win an all-expense paid 7-Day Carnival Caribbean Cruise!

Pennsylvania

The \$10 Cash Spectacular Joined the Pennsylvania Lottery's Instant Ticket Lineup in May. The game, the first \$10 instant offered by the Lottery, offers a top prize of \$120,000, includes fifteen chances to win, and will award more than \$10 million in cash prizes.

Texas

The Texas Lottery added excitement of the open road to their product mix when they launched the \$5 Texas Lottery Harley-Davidson® Scratch-Off in May. In all, the Lottery will give away 30 motorcycles – 25 instantly, and five in second chance drawings.

The Lottery made some changes to their Cash Five game. The overall odds of winning changed from 1 in 100 to 1 in 8, as player's now get \$2 cash for matching only two of five numbers. Changes go into effect on July 28, and the Lottery is projecting a 10-percent sales increase.

The Lottery also made changes to another online game, Pick 3, by starting daytime draws. Draws for the game now occur Monday through Saturday at 12:27pm.

Virginia

Virginia Lottery players can win more NASCAR weekend trips in the Player's Choice second-chance drawings, held in connection with the Fast Cash Scratcher. The weekend trip includes the winner's choice of any race weekend in the 2002 or 2003 NASCAR season, plus hotel accommodations, airfare and spending money.

Hermie Sadler, driver for the Lottery's No. 02 car in Winston Cup competition, finished in the top 20 – a best-ever 18th – in the Richmond, VA race. The Virginia Lottery will sponsor Sadler in two more Virginia races this fall. There are hundreds of thousands of NASCAR fans in Virginia. Add to that the number of out-of-state fans who attend races in Virginia and it is easy to see why this sponsorship is so successful. Sadler, Car-Freshner Corporation, and the Virginia Lottery also teamed up for an Autism Awareness car that generated more than 11,000 calls to the Autism Society of America during the Winston Cup race in Bristol. And on national TV, FOX-Sports announcer Darrell Waltrip talked about buying Big Game tickets from Sadler when that game's jackpot reached more than \$325 million in April.

Wisconsin

The Wisconsin Lottery's new on-line game, "City Picks", is off to a great start. In the game's first 30 days, three players claimed the top prize of \$50,000 and 64 others won \$1,000 each. Sales for the first month were nearly \$900,000, compared to monthly sales of approximately \$470,000 for the game it replaced, an increase of over 80%.

The Wisconsin Lottery launched \$3 Slingo, the slots and bingo combination scratch game, in April. The Lottery's efforts to increase sales at the \$3 price point paid off, with almost 500,000 Slingo tickets sold to retailers on advance order. The first Slingo reorder is scheduled for mid-June.

"The King" arrives in Wisconsin this summer. Sales for a \$3 Elvis-themed instant game start in June with a big launch at Summerfest, a music festival that attracts one million attendees. Plans include player contests, an Elvis tribute artist, giveaways and more. ■

– how they did it, how they succeeded, what cautions or advise they might give us, etc. That's what we spent the late fall to early part of the year doing.

We visited Delaware, Rhode Island, and the Ontario Lottery, and we also talked with West Virginia and Oregon and a couple other jurisdictions. They helped us so much with our research.

Then we had the tracks come in. Our legislation named five race tracks statewide, with the addition of three tracks, assuming they could get local approval. We reviewed the legislation with all of the tracks and asked them to put together a business plan for how they would prepare their tracks for this new business.

We also had every vendor in the industry come in during December to talk with us about their business, their games – what they do and what they've done elsewhere.

We have issued, and firms have responded to, RFPs for a central operating system. We're still in the process of reviewing that, but expect that the winner will be notified shortly. After that's done, RFPs will go out to all vendors who've expressed interest in supplying the machines. That process will probably take well into the summer to review. When that happens, we'll award contracts to all the qualified vendors.

The decision to use machines from all qualified video lottery suppliers is based on our visits to other jurisdictions. They recommended we have more than one vendor present on the floor at the tracks. So, all the qualified vendors will be installing machines, we expect, by the end of this calendar year, or the beginning of the first quarter of 2003.

Again, this is an incredible coordination process, because each one of our tracks is at a different stage as far as readiness and the condition of their facility, so they have to get themselves ready to be prepared for this new business. It's been quite a learning process for all of us.

DB: How many machines are you expecting to have installed by the first quarter of 2003?

MD: The initial rollout will be somewhere in the neighborhood of 10,000 machines in all of the tracks. Some of the

tracks have submitted, in their business plans, that they're able to accommodate additional machines. This rollout is going to happen over several months, but when everybody is up and operational we expect there to be about 10,000.

DB: Are you limited by your legislation, or for any other reason, in the number of machines you can put into the tracks?

MD: No, it's really just going to be based on their business plan.

DB: What is the distribution of net win from the machines?

MD: Let's say the payouts average about 92 percent. That leaves eight percent for the net machine income. So, of that net win, 60 percent goes to education, 25 percent goes to the track – out of which they have to pay part to the purses and the breeders and fifteen percent is the Lottery's operating money. From the Lottery's operating percent, we will pay for the central operating system, for the VLTs, the marketing, and whatever staff we'll have to add to actually implement all this.

DB: Rather than a capital investment, have you considered a revenue sharing relationship with the video lottery machine suppliers?

MD: Yes. It will be similar to our present online contracts.

DB: Will you be able to have progressive jackpots?

MD: We believe so.

DB: What do think the line-up of the games will look like?

MD: That really depends on what the vendors come up with. We're really relying on the vendors to put their best thinking on all of this.

DB: Is much Lottery staff being added as a result of the VLTs?

MD: The intent of this legislation was not to make government bigger; it was to have this function in the private sector. We know the tracks will be hiring lots of people to be able to accommodate their new customers, but we'll only be adding a handful of people.

DB: One of the obvious questions everyone has is whether or not there's been any residual negative affects of the September 11th incident in terms of Lottery sales?

MD: We've not seen a difference, quite frankly. We were

impacted, because we have several hundred retailers in lower Manhattan. We actually lost some retail locations near Ground Zero. The surviving stores were impacted for months because the data lines weren't working, service was intermittent, and there were traffic issues because people's traffic patterns changed. But, other than that specific area, our business has just really been going on according to our plan. ■

Vendors VLT Distribution in North America

	GTECH	IGT	Spielo	VLC	WMS	Bally
Alberta				4,100	2,000	
Atlantic		2,000	6,200	2,400		
British Columbia					2,500	
Delaware		2,473	760	377	1,445	200
Manitoba		5,000				
Ontario					4,000	
Oregon		2,027		4,800	2,800	
Quebec			6,800	6,600	3,000	
Rhode Island	912	404	483	205	488	
Saskatchewan	1,000			1,200	1,500	
South Dakota		37		8,100		
West Virginia		4,943	600	1,200	358	

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