

PUBLIC

GAMING

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

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To: Lottery, Video Gaming & Racino Executives
Interested in Growth, Expansion & Added Success

Public Gaming Research Institute Inc.'s
International

Morning Report

Your weekly supplement to
**Public GAMING International
Magazine**

December 6, 2004

MARK YOUR CALENDARS!

What: PGRI's SMART-Tech 2005

When: February 28 – March 3

Where: The Bellagio, Las Vegas!

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COMPANY ANNOUNCEMENTS

GAMES INC. TO GIVE AWAY HOLIDAY CASH. Games Inc. will feature a December tournament of its popular Pyramid Solitaire Game on its www.Games.Org website. Those who enter will pit their skills against other players for a shot at the \$500 prize on December 23. There will also be cash prizes for second and third place winners as well as daily prizes. The site offers daily skill-based tournaments and has given away thousands of dollars in prizes ranging from \$5 to \$25.



GSA TO UNVEIL NEW SBOB PROTOCOL. The Gaming Standards Association will soon unveil its new Serial Best of

Breed protocol, which provides an immediate software solution for games currently on the casino floor while allowing today's gaming devices to run tomorrow's more sophisticated software. SBOB follows GSA tradition by taking advantage of an existing open standard (WBXML) developed for the wireless industry. This protocol compresses XML messages into binary XML code using methods that can be executed on older slot machines that do not have the processing capabilities of the newer gaming devices. Older slot machine microprocessors are not required to create or decode all the XML messages. SBOB communicates using an off-the-shelf transport protocol, namely the point-to-point (PTP) protocol from the internet community.



INTRALOT HONORED. INTRALOT received the First "Best Business Innovation 2004" award, among the listed companies in the Athens Stock Exchange. The purpose of the award is to promote the best of the Athens Stock Exchange listed companies for their contribution in the development of the stock exchange and the Greek economy in general. The awards are the outcome of a voting procedure between sell-side analysts, institutional investors and fund managers, as well as retail investors. INTRALOT received awards in two more categories: "Best Internationalisation in 2004" and "Best Company FTSE-MID/40", where the company took the 3rd place.

LOTO-QUEBEC SIGNS WITH OPTIMAL SERVICES GROUP. Optimal Services Group has signed a five-year agreement with The Societe des loteries video du Quebec Inc., and will now provide the SLVQ with inventory management, technical laboratory services, as well as, depot maintenance and repair services for SLVQ VLTs.

WA DEBUTS PAC-MAN™ INSTANT. PAC-MAN™ has made his first public appearance on lottery instant scratch tickets in the State of Washington. MDI Entertainment, a wholly-owned subsidiary of Scientific Games, is the exclusive provider of PAC-MAN™ lottery licenses in the United States and Canada. In the Washington instant game, players wind their way through a simulated PAC-MAN™ video game board maze seeking to win cash prizes of up to \$20,000 and "instant win" PAC-MAN™ video arcade games, before one of the ghost characters catches them. The game went on sale November 16th. Washington Lottery's \$2 PAC-MAN™ CASH is the first of three instant games inspired by the world famous maze game that will greet U.S. lottery players this season. The Delaware and New Jersey Lotteries are also set to launch PAC-MAN™ instant games in 2004. MDI President Steve Saferin said the triple launches

“represent one of the quickest appearances of a new licensed property in multiple states” in the company’s history.



TATTERSALLS IMPLEMENTS NEW ESSNET SYSTEM.

EssNet announced that the implementation of a brand new ELOS system for Tattersall’s was completed on Monday, Nov. 29. The switch over from the old system went according to plan and 915 retailers across four Australian States and Territories can now benefit from 1,500 new E6 terminals. Players will benefit from new entry coupons and clearer tickets for all games and also customer LCD information displays, which allows them to view the types of entries they are submitting. Other new features include ticket validations for up to 52 weeks. Players can submit 26 draw advance entries and they have the ability to purchase larger Quick Picks. The new system can process tickets from the old system, thus allowing a smooth transition for players requesting prize payouts for draws made before Nov. 29.

PEOPLE

Oberthur Gaming is pleased to announce that **Art Kiuttu**, formerly Games Product Manager for the Oregon Lottery, has joined OGT’s U.S. Sales division in San Antonio, Texas, as Lottery Account Executive. Art has over 19 years of lottery experience, having worked for the Oregon Lottery since start-up in 1985. While at the Lottery he held the positions of Regional Sales Manager, Corporate Sales Manager, Sales Development Manager and Traditional Games Product Manager.

The Dutch State Lottery announced that **Mrs. Y.R.C. (Yvonne) van Oort** has been appointed CEO. From January 1, 2005 onwards Mrs. Van Oort succeeds Hans Smits who has managed the organisation on an interim basis since November 2003. Mrs. Van Oort currently serves as CEO of ECI B.V./Euroboek B.V.



VIDEO GAMING/RACINOS

OR TO EXPAND INTO LINE GAMES. Oregon Governor Ted Kulongoski has directed the Oregon Lottery to add slot-machine type games to video poker terminals to raise more money to fund the state police and head off potential trooper cutbacks. The Governor expects the new games to add an additional \$120 million to the 2005-2007 budget. Kulongoski has not been a proponent of line games in the past, but says that the impact the games will have on public safety outweighs his concern. The Oregon Lottery Commission is due to talk about the expansion at its next meeting Dec. 17.

WV MAY CONSIDER TABLE GAMES AT TRACKS.

West Virginia Gov. Bob Wise is considering calling a special legislative session to discuss table games at the State’s four tracks. In the past, Wise has not been a table game advocate, but Pennsylvania’s entry into the racino market is causing many states to re-examine their options. Wise seems to lean toward a table game option that would allow residents of the four counties that contain the racinos to decide whether to conduct local referendums on the matter.

ALC CLARIFIES PEI REGULATORY PROCESS.

In recent weeks, the media (including The Morning Report) has reported that Atlantic Lottery sidestepped a Prince Edward Island



law requiring off-island companies to apply to PEI’s Regulatory and Appeals Commission to purchase anything over five acres. In actuality, ALC is an agency of the PEI government, and is in fact owned collectively by all Provinces that it services, including Prince Edward Island. So, the law requiring companies to go through this regulatory process does not apply to ALC.

RENDELL VETOES NEW PA SLOT BILL. Last week, Pennsylvania Governor Edward G. Rendell vetoed Senate Bill 1209, arguing that it undermines the ability of the newly established Gaming Control Board to work effectively to implement the provisions of Act 71 and removes important economic benefits originally contained in the Act. The main goal of the bill was to eliminate a provision allowing lawmakers to own up to 1% of a gambling interest, but Rendell argued that the Bill actually weakened the application of the prohibition by narrowing the definition of immediate family to allow parents and siblings of public officials to have a direct and unlimited interest in gaming companies.



SCS designs and implements everything a State Lottery needs to offer its Players a comprehensive, flexible and state-of-the-art subscription services program.



CHURCHILL DOWNS CONCLUDES FALL FESTIVAL.

Despite racing in a month with near-record rainfall, a facility still limited by construction, and uncertainty over the absence of some of the track’s best-known jockeys after only one week of the meet, Churchill Downs saw increases in on-track attendance and wagering while total wagering registered a slight decline from a record total as the historic track’s “Fall Festival Of Racing” completed its 21-day run on Saturday, Nov. 27. With portions of three floors of the track’s renovated Clubhouse open for the first



time, **daily on-track attendance** during the 21-day session averaged 7,467, an increase of nearly 11% from the 2003 average of 6,755. **On-track wagering** averaged \$1,098,931 per day, a gain of more than 8% over the daily average of \$1,015,696 during last year's fall meet. **Average daily total wagering** stood at \$7,791,943, a decline of just over 2% from the record 2003 average of \$7,995,677. Continued strong distribution of Churchill Downs racing through the Churchill Downs Simulcast Network ("CDSN") and the popularity of the track's large and competitive fields of horses allowed the track to nearly equal the record-shattering Fall Meet of 2003, which saw its daily average for total wagering soar by nearly 18 percent. **Average daily race purses** for the meet surged to \$495,788, an increase of 17% from the 2003 fall average of \$424,017. Purses for the meet totaled \$10,411,550.

RUSSIAN BILL WOULD REGULATE GAMBLING ADS. A bill in the Russian parliament would ban television ads for casinos, gambling and slot venues in Moscow between 7 a.m. and 10 p.m. The bill also says that gaming ads shouldn't create the impression that gambling can help a person achieve wealth or status, and shouldn't aspire to make people who don't gamble look bad. Finally, the ads won't be able to feature people under 35 years old.

LOTTERY NEWS

GUTIERREZ APPOINTED INTERIM CA DIRECTOR.

Veteran state official **Chon Gutierrez**, who helped lead Gov. Arnold Schwarzenegger's California Performance Review study, was named last week as interim director of the California State Lottery. Gutierrez, 60, had been serving as the interim director of the Department of Motor Vehicles for the past year. During that time was also co-director of the California Performance Review, the governor's plan to reorganize and streamline state government. The appointment is Gutierrez's second stint at the lottery. He also served as lottery head from 1986 under the Deukmejian administration until 1991 when former Gov. Pete Wilson made a change in an effort to improve sagging sales. Lottery operations may come under increased review again, as the Performance Review Gutierrez helped oversee includes a number of recommendations aimed at improving profits from the games. One idea is for California to enter into a multistate lottery.

MA SEES PROFIT SURGE. In FY 2003, the Massachusetts Lottery pulled in a record \$912 million in profits. The Lottery could better that figure this year, as the Lottery is on pace to net \$961 million in FY 2004. One of the reasons for the profit surge could be the doubling of the Lottery's advertising budget, from \$5 million in FY '03 to \$10 million in FY '04.

MI ACCEPTING BIDS FOR ADS ON LOTTERY TICKETS. The State of Michigan is now accepting bids from companies interested in creating and managing a program that allows for the placement of advertisements on the back of some Lottery tickets and Club Keno monitors. The advertising will be

placed on the backs of ticket roll stock, play slips and \$10 and \$20 instant game tickets, as well as on Club Keno video monitors. Advertisements for tobacco products and alcohol will be prohibited, although ads encouraging responsible consumption of alcohol will be allowed. The request for purchase information was posted on the state's Web site November 22. A pre-bid meeting has been scheduled for December 14, proposals are due January 11, and selection of the vendor is expected to be announced by January 22. The selection is subject to approval by the State Administrative Board. Persons interested in submitting bids for the one-year contract should visit the state Web site at www.michigan.gov/doingbusiness for details.

CASEY'S TO RESUME LOTTERY SALES. Casey's General Stores, Iowa's largest convenience store chain, resumed sales of Iowa Lottery products for the first time in a decade. Sales from Casey's 340 Iowa stores should generate an estimated \$4-\$5 million in annual lottery profits. Casey's operates more than 1,300 stores in nine Midwestern states, and has also resumed selling lottery tickets in Wisconsin and Indiana.

QUEBEC'S CELEBRATION 2005. Loto-Quebec's popular special-edition Célébration lottery is back with its usual bounty of prizes. Selling for \$20, Célébration 2005 features \$23 million in prizes, including a \$5 million grand prize, two \$500,000 prizes and two \$100,000 prizes, all of which are drawn for the benefit of ticket holders at home. And there's more! Each day in December, a pre-draw will be held for one of the 31 2005 Jeep Grand Cherokee Laredo SUVs valued at \$50,000. And of course there's the ticket's instant segment, which gives consumers the chance to win prizes of up to \$50,000 or an entry in the draws set to take place during the draw extravaganza to be broadcast on TV on January 9, 2005. Célébration 2005 is an emotion-packed television event, as much for those participating in person on stage as it is for the ticket holders and television audience.

MA KENO HOUR EXTENSION. The Massachusetts State Lottery has temporarily extended the hours of Keno to start at 5 a.m., rather than 10 a.m., Monday through Saturday. On Sundays, the start time remains noon. If the changes to the hours prove successful, Lottery officials may consider making the extended hours permanent.

CORRECTION: In the November 29 Morning Report, in a story titled "MN NEEDS ADDED PRODUCT TO REACH GOALS." PGI mistakenly named the Minnesota Lottery director as Chuck Keller. To clear matters up, Chuck Keller is the director of the North Dakota Lottery. The Minnesota Lottery Director is Clint Harris. We apologize for our error.

INTERNATIONAL NEWS

NEW UK NATIONAL LOTTERY LICENSE COULD BE WITH SINGLE OPERATOR FOR UP TO 15 YEARS.

Companies will compete for a single U.K. National Lottery operating license under an improved system designed to deliver significantly greater competition to the licensing process. It follows a review of plans to encourage more competition into bidding for National Lottery operating licenses. The plans were included in the National Lottery Bill published last week. The Bill makes clear the presumption will be towards a single Lottery operating license, but include a reserve power that enables the

National Lottery Commission to offer for competition a small number of licenses to run different parts of the Lottery in the extreme circumstances of an unsuccessful competition. The Bill also provides language allowing for the new license to be granted for up to 15 years.

VEIKKAUS PROFIT INCREASES. Veikkaus Oy, Finland's National Lottery, reported that business was thriving in the period between January and September. Veikkaus achieved a profit of €85.4 million, i.e. €8.5 million (+3.1%) more than last year during the same period. Turnover increased to €909.7 million (+7.1%). The most successful games were Fixed Odds Betting and Keno (+10.8%). The turnover of Fixed Odds Betting has grown by 96.9% after a game reform in February. The sales of Lotto, Veikkaus' flagship, also turned upwards (+3.2%) after the lottery raised the game price and increased the prize amounts. Veikkaus returned €284.2 million to the Finnish Ministry of Education in the period between January and September. That is over one million Euros a day for the benefit of Finnish sports, arts, science and youth work.

NORSK TIPPING HONORED FOR LOGO. The State Lottery in Norway, Norsk Tipping, redesigned their Logo in 1990. This week the Norwegian Design Council awarded Norsk Tipping a highly prestigious award for this logo. The Classical Design Award is given to designs that have lasted for more than ten years. The Council reasoned that Norsk Tipping's logo has become an iconic symbol that is as powerful today as when it was first introduced in 1990.

TAIWAN TO RETIRE 'SMALL LOTTO'. The Taiwan Lottery's first generation Lottery, "small lotto" will be retired by the Taipei Bank as early as February, 2004. The game, which has been dwindling in popularity since the launch of Big Lotto, will be replaced by a new 'mini lottery' featuring better odds (6:40 matrix as opposed to a 6:42). Ticket will cost NT\$50, with the minimum prize NT\$200, and jackpots reaching as high as NT\$20 million.

CASE STUDIES

NEW YORK CASE STUDY – COUPONS AND ATTACHED CARDS

Are you looking for ways to reward loyal players? Would you like to drive traffic into Lottery retailer locations? Do you need a new venue to educate players on new games and encourage sampling? Yes, yes, and yes again would most likely be the answers from marketing, sales and promotion Lottery teams. Discount coupons have become an effective answer to these strategic goals for the New York Lottery.

The New York Lottery uses direct mail coupons to reward loyal players and 'attached card' coupons in newspapers to encourage new players to sample products. Print space also highlights new games, promotions and advertising themes. The result is the ability to drive customer traffic into retailer locations, which creates an opportunity for players to purchase other Lottery games.

Over 1.3 million households receive New York Lottery direct mail coupons. The database was built using LOTTO subscribers, past winners, or players who have entered New York Lottery contests at special events or through 2nd chance

mail-in promotions. Players can also opt into the mailing list through the Lottery's website or by completing a mail-in entry form available at retailer locations. To spread direct mail production costs over several products, four separate coupons are included in each mailing. Typically, one coupon offers players \$1 off any instant game purchase, and three different coupons offer players a Buy One Get One Free opportunity on Take Five, Lotto and Mega Millions.

The Lottery has formed a strategic partnership with the New York Daily News to insert 'attached card' coupons into their paper quarterly, based upon their large circulation of 850,000 – 900,000 readers. Coupons are printed by a Lottery secured vendor and provided to the Daily News insertion house which affixes the coupon to a full-page ad in the centerfold of the Sunday television guide, New York Vue. As with direct mail, these coupons also encourage new players to sample products at a discount rate through a Buy One Get One Free offer. Coupons have highlighted on-line games like LOTTO, Mega Millions and Take Five.

"Direct mail coupons reward our loyal player base with a discounted ticket. Retailers love our direct mail coupons since they benefit from the additional traffic. Retailers help us grow the mailing list by handing out entry forms to their customers," said Lottery Director Nancy Palumbo. "The 'attached card' coupons offer us the opportunity to educate the public on new products and encourage sampling. Players have responded to both direct mail and 'attached card' coupons with unprecedented redemption levels!" Typical coupon response rate for most consumer products is 2-3%. New York Lottery direct mail response ranges between 45% and 52% and newspaper 'attached cards' generate over 20% response.

For LOTTO, Take Five, Mega Millions games, a file of serial numbers is generated which are printed in barcode format that resembles a "coupon." When a customer redeems a coupon, a separate quick pick free play for the promoted game is printed by the terminal and the serial number is flagged as validated. This prevents any further attempts to redeem that coupon. Tickets sold as part of a coupon transaction cannot be cancelled and since there is no sale value to the free play, the retailer does not receive commission on the transaction.

Unlike on-line tickets, instant ticket sales are not generated on the on-line terminal. A system was developed where an instant coupon is handled by the on-line gaming system as if it were a winning instant ticket. The instant ticket printing vendor creates all the necessary data for an instant game in which all tickets are \$1 winners. In the case of an instant ticket coupon, the Lottery in effect is purchasing \$1 worth of play for its customer and therefore the retailer earns commission on the \$1 sale.

Coupon promotions are conducted quarterly throughout the year during critical sales periods: May to boost sales prior to the summer, September to revitalize sales coming off the typically slower summer sales season; November to highlight holiday games during the biggest retail sales period of the year and January to energize sales after the strong holiday sales period.

Please submit material for next week's Morning Report by Wednesday of this week to Toddpg2@aol.com