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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**
October 18, 2004

BCLC LAUNCHES INTERNET SALES. Last week, the British Columbia Lottery Corporation introduced the Internet as a means of selling lottery products. Four BCLC sports-based games can now be purchased online: Sports Action Point Spread, Oddset, Over/Under and a new Football Pool. Players can go to sportsactionbc.com to access PlayNow, a secure Web site that offers these select games for purchase online. BCLC plans to gradually add other Lottery games to their online product mix over the next three years.

PENN TO HEAD OREGON LOTTERY. Oregon Governor Ted Kulongoski has chosen Marion County District Attorney **Dale Penn** as the new director of the Oregon Lottery. Penn was appointed October 7, and will start the job Oct. 25 if the appointment is confirmed by the state Senate. Penn, who has been Marion County's district attorney for nearly 20 years, replaces Brenda Rocklin, who was appointed as interim president of SAIF Corp.

MI GOVERNOR SIGNS AD BILL. (AP)The Michigan Lottery can sell advertising on game tickets and use the names and pictures of NASCAR drivers under a bill signed on by Governor Jennifer Granholm. However, the law prohibits alcohol and tobacco ads on tickets and Club Keno monitors. The new advertising is expected to boost the lottery's net profits by nearly \$8 million. The lottery also expects to generate new revenue from other types of advertising such as discount coupons. Lottery officials hope NASCAR fans will buy the tickets as souvenirs. The lottery had been prohibited from using athletics in marketing because of fears it would entice young people to buy tickets.

4 THIS WAY CATCHING ON QUICKLY. Word of mouth has helped the New Mexico Lottery's newest drawing game

quickly attract statewide interest in less than two weeks of existence for an unprecedented reason: there has been at least one top prize won every night but one, with three top winners one night this week. The '4 This Way' game allows players to win up to \$4,000 by matching four numbers from zero to nine in the order drawn. In just the first nine drawings, there have already been 12 top prize winners from around the state.



A BIGGER ENCORE! Ontario players can now win \$1 million by playing ENCORE – that's four times more than before! Starting with the first draw on Wednesday October 6, 2004, ENCORE changed to offer a top prize of \$1 million and a new prize category. In addition to the big jackpot increase, the game also changes from a 6-digit game to a 7-digit game. Other prizes range from \$100,000 for matching the last six digits to \$5 for matching the last two digits. The overall odds of winning a prize are unchanged at 1 in 5.26.

CT RECEIVES ACCOUNTING AWARD. For the sixth time in as many years, the Connecticut Lottery Corporation has earned the prestigious Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report for fiscal year 2003. The certificate is the highest form of recognition that may be achieved in the area of governmental accounting and financial reporting, and is awarded annually by the Government Finance Officers Association of the U.S. and Canada.



Adapted photo from the National Oceanic and Atmospheric Administration/Dept. of Commerce.

ALABAMANS WANT LOTTERY. The AP reported that a recent poll shows that more than two-thirds of Alabamians

support a state lottery to benefit public education, which an overwhelming majority said is a high priority for them. The random telephone poll of 609 voting-age Alabamians, conducted by the Center for Governmental Services at Auburn University, found that 55.1 percent of respondents "strongly support" an education lottery and an additional 13.8 percent "support" it, bringing the figure to 68.9 percent in favor.

ID SCHOOL REJECTS MONEY. The AP reported that Idaho's North Star Public Charter School turned down a check for \$10,000 because it came from the Idaho State Lottery and school officials decided that taking gambling money would conflict with the school's mission of developing virtuous citizens. Allison Westfall, state Department of Education spokeswoman, said North Star is the first Idaho school to turn down lottery funding. The rejected money is likely to be thrown back into the lottery's pool for distribution next year.

INTERNATIONAL NEWS

WIRELESS LAUNCH IN U.K. On Wednesday, October 13, the U.K. National Lottery launched its mobile lottery option. Players can now use text messaging to choose their numbers for Lotto, EuroMillions or Daily Play games. Winning players will receive a text message letting them know about their good fortune. Before players can take part in the text service they have to register online or by telephone. Each message costs 20p to send.

BOLIVIAN ONLINE OPTION. On November 1, Goldenpot will launch a lottery system in Bolivia involving games that can be played online or via mobile telephones. Four games available online, one of which is also available to play via SMS. Users must buy off-line game coupons at retailers and then enter the website to play. Each game costs 0.50 bolivianos. Users can win up to 1 million bolivianos (US\$125,000). The product is approved by the Bolivian National Lottery. Goldenpot hopes to expand this idea to 12 other countries in the region

TEN LOTTERIES FOR EUROMILLIONS. More European lotteries have joined EuroMillions, which was launched in February 2004 by La Française des Jeux (France), Loterías y Apuestas del Estado (Spain) and Camelot (U.K.). The new partners are: Österreichische Lotterien (Austria), La Loterie Nationale (Belgium), An Post National Lottery Company (Ireland), La Loterie Nationale (Luxembourg), Santa Casa de Misericórdia de Lisboa (Portugal), Loterie Romande (Switzerland), and Swisslos (Switzerland)

SOUTH AFRICA LAUNCHES LOTTERY GAME SHOW. South Africa's new National Lottery scratch card game show - iMali Mania - debuted Thursday, October 7. The initial episode feature local celebrities competing for the top prizes (which they then donated to charity). Every Thursday the show will feature six contestants competing for the R250 000 jackpot.

VIDEO GAMING/RACINOS

UK LEGISLATION WOULD DEREGULATE CASINOS. The AP reported that Britain's Prime Minister Tony Blair's government said will introduce legislation deregulating Britain's gambling laws within weeks. The government's leader in the House of Commons, Peter Hain, said the Gambling Bill would be

introduced before Queen Elizabeth II officially opens the next session of Parliament on Nov. 23. The Department for Culture Media and Sport said that unless the legislation met significant opposition, the law could be passed by the middle of next year. The draft legislation, among other things, lets casinos larger than 54,000 square feet install up to 1,250 so-called category-A machines that pay out unlimited jackpots. A Department of Culture, Media and Sport spokesman said he believed the law would lead to between 20-40 larger casinos across the country.

CAESARS TO PARTNER IN LONDON CASINO. In its first move into Europe, Caesars Entertainment announced plans to develop and operate a luxury casino resort in London, adjacent to the redeveloped Wembley National Stadium and the legendary Wembley Arena. The project is part of a major redevelopment effort intended to transform the historic sporting area into an international leisure and tourist destination. Caesars' partner in the casino project is Quintain Estates and Development PLC. The \$600-million Caesars Wembley, to be built on 13 acres in the 58-acre redevelopment area, will comprise a world-class casino, a 400-room luxury hotel, an elegant spa and swimming pool, a collection of designer shops, convention and meeting facilities and a wide variety of exciting restaurants, bars and lounges. Caesars Wembley will include, among other things, 75,000 square feet of gaming space accommodating 135 gaming tables and 1,250 slot machines, in line with the Draft Gambling Bill legislation.

PENN WON'T PURCHASE ST. LOUIS CASINO. Penn National will not proceed with its previously announced plans to purchase all of the outstanding capital stock of President Riverboat Casino-Missouri, which does business as President Casino St. Louis Riverfront, from President Casinos, Inc., for approximately \$28 million in cash. Penn National announced the plan in August noting that it was subject to a potential overbid in a bankruptcy court auction. Last week, at a bankruptcy auction, a competing bidder offered \$57 million for the assets. Under the terms of its original purchase agreement, Penn National Gaming is entitled to be reimbursed for certain of the expenses it has incurred in the process.

ADDITIONAL MACHINES FOR BC CASINO. Great Canadian Gaming Corporation has announced that Coquitlam City Council has approved the installation of up to an additional 550 slots at the Coquitlam Station Casino in Coquitlam British Columbia, subject to BCLC approval. This will bring the total number of units at the venue to 1,000.

MARK YOUR CALENDARS!

What: PGRI's SMART-Tech 2005

When: February 8-11

Where: Las Vegas!

For details: Call Susan Jason

Tel. 425-985-3159

CHILEAN CASINO INCREASE. The Chilean Congress has approved a new casinos law, allowing an increase in the number

of casinos from seven to 15. The new law will also create a regulatory authority for casinos and will allow Chilean-registered cruise ships to operate casinos during trips lasting at least three days and covering no less than 500 nautical miles.

NEW ZEALAND GAMING MACHINE DROP. The NZPA reported that the number of gaming machines in New Zealand pubs and clubs have dropped significantly over the last fifteen months. New regulations made licenses harder to obtain and easier to lose. As a result, the number of venues offering machines have dropped from 699 to 626, and the number of machines have dropped from 25,221 down to 22,294.

FL SLOT OPPONENTS LOSE COURT BATTLE.

Opponents of a measure that could eventually allow slot machines at South Florida race tracks and jai alai frontons lost an attempt last week to keep the issue off the Nov. 2 ballot when a judge refused to expedite a hearing on allegations of fraud by the initiative's backers. If approved by voters, the proposed state constitutional amendment would let South Florida voters decide in a future election whether to allow slot machines at seven horse and dog tracks and jai alai frontons.

COMPANY ANNOUNCEMENTS

CATS TO DISTRIBUTE IGT IN RUSSIA. Immediately preceding the G2E tradeshow, IGT's European office named CATS its machine distribution partner to the Russian Federation. CATS or Casino and Amusement Technology Supplies is a wholly owned subsidiary of Octavian International with its head office in Moscow. CATS primary market focus is Russia, however Octavian maintains a network of offices worldwide. Under the terms and conditions of the deal, CATS will distribute IGT machines in the rapidly growing Russian market where there are currently an estimated 185,000 gaming devices.

DE LAUNCHES PAC-MAN. PAC-MAN™, the video game that changed an entire industry in the 1980s and is now enjoying a huge resurgence in popularity, will make its world lottery debut as a \$3 instant game in the state of Delaware in early November, MDI Entertainment announced. The wholly-owned subsidiary of Scientific Games is the exclusive provider of PAC-MAN™ lottery licenses in the United States and Canada. The Delaware Lottery version of PAC-MAN™ CASH features a unique maze-type play style that replicates the play action consumers have enjoyed for two decades. The MDI-licensed game will also feature a top cash prize of \$3,000, a three-in-one video arcade machine featuring Ms. PAC-MAN™, Galaga™ and classic PAC-MAN™, and 64 PAC-MAN™ merchandise prize packs. The arcade machine and prize packs will be awarded in a PAC-MAN™ CASH second chance drawing.

EUROPE'S LARGEST CASINO TO INSTALL EZ PAY. Portugal's Casino Estoril and IGT came to an agreement at G2E 2004 on the terms of a contract to install the EZ Pay™ ticket-in, ticket-out system in Europe's largest casino. A go-live date will shortly be set for sometime in

early 2005 for the system install. Having almost 1200 machines, Casino Estoril currently boasts the largest slot floor available to the European gaming public.

GTECH TO ADD OPTION OF VOICE

RECOGNITION. Through its strategic alliance with Microsoft, Intervoice, Inc. announced that GTECH selected Intervoice to deliver several speech-enabled applications within its customer service offering. One speech-enabled application from Intervoice will assist both retail store associates with technical support of the GTECH lottery ticket terminals as well as serving as a field operations assistance application for GTECH technicians.

NEW MOBILE SALES FORCE SOLUTION FROM COLE.

Cole Systems announced OrderPad Enterprise™, a new software tool that enables field and mobile sales representatives to be more effective and make more informed selling decisions during in-person sales calls. Optimized to run on the Tablet PC, OrderPad Enterprise takes full advantage of the platform's unique features and benefits including the ease-of-use of digital ink and ink-to-text recognition – a more natural interface that is more akin to using pen and paper – as well as all the benefits of a laptop computer. Overcoming the downsides of current mobile devices, this new tool can be used in real time in front of the customer.

90-DAY CO EXTENSION FOR GTECH.

GTECH announced that the Colorado Lottery, pursuant to the provisions of its original contract with GTECH, granted a 90-day contract extension whereby the Company will continue to provide online lottery products and services to the Lottery. GTECH's current contract with the Lottery is set to expire on October 31, 2004. The Colorado Lottery had selected Scientific Games Corporation as its vendor to provide equipment and services for a new integrated online and instant-ticket lottery system in October 2002. The Colorado Department of Revenue and Scientific Games announced that additional time will be spent to assure the security of the Colorado Lottery's new computer system. Initial plans were to launch the system on November 1. GTECH estimates revenues of \$2 million over the 90-day contract extension period.

ROULABETTE MADE AVAILABLE TO LOTTERIES.

Kenilworth Systems Corporation as a non-member, was invited to present Roulabette™ to members of the WLA at a seminar titled: "Is There a Future for Lotto?" and offered its solution for the dilemma it is facing -- how the Lottery industry can sustain growth in an increasingly competitive gambling market. To counter this problem, Kenilworth offered to license Roulabette™ to lotteries in Europe and the Americas. Roulabette™ is a method and system for individuals to watch and play along with live, in-progress casino table game action at homes, hotel/resort rooms, racetracks, sport stadiums, restaurants, pubs and bars and other public gathering places, and wager much like they are in a casino playing at the table.

TONY MOLICA TO CONSULT FOR LOTTERY AND GAMING.

Tony Molica, former Director of both the Washington and California Lottery's has started a lottery and gaming consulting business – Anthony Molica & Associates. Tony has over 19 years in the lottery industry working in several capacities; working his way from district sales representative to eventually chief executive officer of

two lotteries. He can assist your lottery in several areas but specializing in: new business development, corporate accounts, sales training, retailer relations/development and motivational presentations. Tony can be reached via e-mail at: molica@comcast.net and by phone at: 360-753-0802.

WINCOR NIXDORF LAUNCHES 4,000 WESTLOTTO TERMINALS. On the morning of September 27, Germany's WestLotto commenced operation of its 4,000 new Wincor Nixdorf lottery terminals. Even for Wincor Nixdorf, as a manufacturer of terminal solutions, starting up such a large number of terminals at the same time – for the first time – was also a big challenge. The 4,000+ Xion/Mtop terminals had to be pre-loaded with software in a very short space of time at Wincor Nixdorf's home base in Paderborn before being installed by 30 teams in the lottery outlets across the whole of North-Rhine Westphalia. 85% of the units were installed in the period between the beginning of July and the end of August, with the remaining terminals taken to the outlets during the final two weeks after being used at 41 different locations to train around 8,000 shop employees.

PEOPLE

Pennsylvania Governor Edward G. Rendell announced the appointment of **Thomas "Tad" Decker** as Chairman of the Pennsylvania Gaming Control Board for a three-year term. Decker, the last of three gubernatorial appointments to the Board, has served in top-level executive positions throughout his career as a nationally respected corporate lawyer and currently sits on the DRPA Board and PATCO. As Managing Partner at the law firm of Cozen O'Connor, Decker serves as Chairman of the firm's Management Committee and concentrates his practice on mergers and corporate law, corporate governance and alternative dispute resolution. successful State Police background check.

A retired deputy police chief in Bangor has been tapped to serve as executive director of the new Maine Gambling Control Board. **Robert P. Welch** is expected to be confirmed by the five-member board at its next meeting following a background check. He is set to begin his new job on Nov. 29. Welch, who was one of 34 applicants for the position, retired from the Bangor police in 2002 after 25 years with the department.

The Gaming Board for Great Britain has announced the appointment of **Jenny Williams** to the new post of Chief Executive, with effect from November 15. In addition to taking responsibility for current operations, Jenny Williams will lead the Board's transformation into the Gambling Commission, the new regulator which is to be established under the Government's legislation to reform Britain's gambling laws. Until recently, Jenny Williams was the Director General and board member at the Lord Chancellor's Department for Judicial Group.

Submit material for next week's Morning Report by Wednesday of this week to Toddpgr2@aol.com

CASE STUDIES

NEW YORK CASE STUDY – AUTO CASH

The New York Lottery is currently generating over \$56 million a week in Instant Game ticket sales. This represents an average of almost 6 million instant ticket validation transactions each week. The average retailer cashes over 400 prizes daily. New York has a 4-digit security scan code requiring manual entry of every instant ticket presented for payment. This takes up tremendous retailer staff time and reportedly slows down customer service levels.

The Lottery's goal is to sell over \$3 billion in instant tickets this year. This represents over 10% growth over last year and a lot more work for Lottery retailers. These retailers offer their customers an instant game menu ranging from 20-35 games at any given time. While the Lottery is not able to increase compensation to its retailers, it has introduced an important new labor saving tool - Auto Cash.

Auto Cash is New York's version of keyless validation. The feature, once enabled, eliminates manual entry of the four-digit security number for all qualified low tier prizes and allows the instant ticket to be cashed just like an on-line ticket. The system automatically knows which games and validation levels qualify for the auto cash feature. If a retailer attempts to cash a ticket that does not qualify for auto cash, i.e. high tier winning tickets or non-winning tickets, the terminal will request the traditional four-digit security number. In order to protect the Lottery and the retailer from program abuse, the Lottery has established strict internal controls. If the four-digit code is entered incorrectly, the whole transaction will be recorded as a "bad scan." The terminal will automatically disable the auto cash feature if a pre-established number of "bad scans" occur within a specified time frame. In response to substantial input from Retailer Advisory Board meetings the Lottery has developed proprietary measures allowing retailers to enable or disable the feature through password control access as well as providing detailed reports to monitor "bad scans"

New York Lottery Director Nancy A. Palumbo believes the new feature will help reduce workload for busy store staff. "We very much appreciate the extraordinary effort and the amount of work involved in managing our wide menu of lottery games. The feedback we have received from retailers has been extremely positive. Several retailers are reporting less work for their clerks and faster customer service. "

The implementation of the auto cash program required an expanded proprietary algorithm barcode on the instant tickets as well as updated on-line operating system software for the terminal. The Lottery started producing instant tickets with the new barcode in February 2004 and commenced distribution to the retailer network on April 28, 2004. The auto cash feature was enabled for a test group of 200 high volume retailers during August 2004. Based on outstanding test results, minimal clerk confusion or operating issues, the program has since been rolled out to more than 4,000 retailers statewide, with 26% of all validations for weekending October 9, 2004 processed through auto cash. The goal is to have the auto cash available to our entire network of over 15,800 retailers by March 31, 2005.

Auto cash is the latest in a series of instant ticket business building initiatives. If we want to continue to grow our instant game revenues to education, we have to

find new ways to simplify instant game management for our retail partners. Without our retailers support, success is not possible.

CASE STUDY: NEW JERSEY LOTTERY'S JERSEY CASH 5 GAME SETS RECORDS

For the first 11 years of its existence, Jersey Cash 5 was a "roll down" game whereby, if there was no top winner (five out of five numbers), the jackpot was divided into the remaining prize pools (four out of five numbers). Although the game was popular with its core group of players, overall sales were starting to decline.

After conducting numerous focus groups with players and retailers, the Lottery's marketing team implemented several changes to the game including a move to a "roll over" structure, allowing the jackpot to grow and carry over to the next draw if there is not a top winner. Additional enhancements included a matrix increase from a pool of 38 numbers to a total of 40.

The changes were supported by an aggressive advertising campaign that included print, radio and television. That campaign, "Jersey Cash 5 Is Now Bigger and Better With Everyday Jackpots," was an immediate hit with players and retailers. A fresh design was given to point of sale material for retailers and a new Jersey Cash 5 game guide was introduced. What's more, a "Buy One, Get One Free" coupon was inserted in the Sunday edition in 10 of New Jersey's top daily newspapers over a two-week period as part of the "kickoff".

The enhancements went into effect in September 2003 and just one year later, the game has witnessed an incredible surge in top prize winners, average jackpots and overall sales.

RESULTS, RESULTS, RESULTS – Today, the average Jersey Cash 5 jackpot is \$250,000, compared to \$37,000 before the game enhancements; in February of 2004, the game produced its first \$1 million winner. Sales from the game have increased an astonishing 86%, which represents an overall increase of \$47 million; more than double what was originally anticipated. "Needless to say, we are thrilled with the results these game changes have produced," said Acting Lottery Executive Director Bill Jourdain. "Our goal with these enhancements was to give more Jersey Cash 5 players the chance to win higher prizes; so far we've exceeded even our own expectations."

From a business perspective, the changes to the Jersey Cash 5 game also have been good for the state's bottom line. The boost in game sales has translated into \$25 million in added revenue for state education and institutions.

Perhaps the greatest testimony to the success of the game came from a jackpot winner. When asked how often he played the game, he replied: "This was my first time. I decided to play it because I heard so much about it

INVITATION TO SUBMIT CASE STUDIES

Our thanks to the New York Lottery for originating the idea of using PGRI's *Morning Report* as an appropriate venue for sharing the case studies they deem likely to help others.

Other lotteries and government sponsored gaming organizations are invited to similarly use PGRI's weekly Morning Report as a means of sharing successes that may help others.

Simply e-mail your case studies to the editor of *Morning Report*,

Todd Koeppen, e-mail address:
toddpgr2@aol.com

by the end of the day Wednesday for publication the following Monday.

PGRI will archive these case studies and make them available to all

on

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