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January 2007

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Michelle Carinci

Atlantic Lottery CEO on corporate social responsibility and the WLA



Lorne Weil

Scientific Games CEO on the evolution and future of the lottery industry



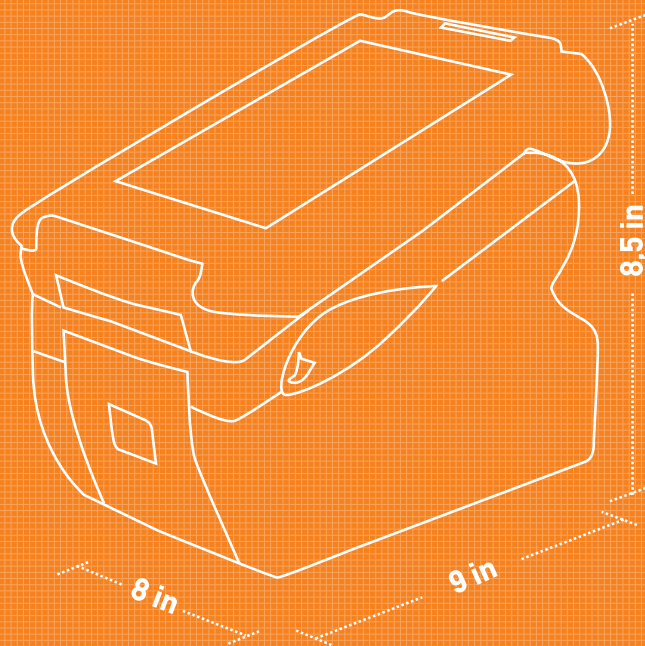
Philippe Vlaemminck

WLA and EL Legal Advisor on public order and European jurisdictional issues

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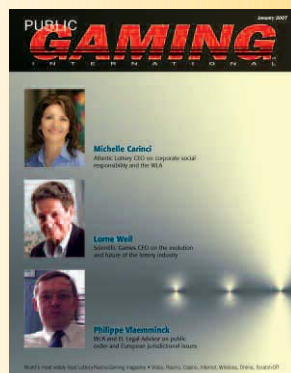
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On the Cover:

ALC President and CEO Michelle Carinci; Scientific Games CEO Lorne Weil (photo by David Neff Photography); WLA and EL Advisor Philippe Vlaeminck.

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PUBLIC GAMING INTERNATIONAL

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Public Gaming International (ISSN-1042-1912) January 2007, Volume 33, No. 1. Published monthly by the Public Gaming Research Institute, Inc., 225 Crossroads Blvd., Suite 425, Carmel, CA 93923. (425) 935-3159. ANNUAL SUBSCRIPTION RATES: United States: \$145. Canada & Mexico: \$160(U.S.). All other countries: \$225(U.S.). POSTMASTER: Send address changes to Public Gaming International, 225 Crossroads Blvd., Suite 425, Carmel, CA 93923. SUBSCRIPTION REQUESTS: Sent to same address. NOTE: Public Gaming International is distributed by airmail and other expedited delivery to readers around the world. ©2006 All rights reserved. Public Gaming Research Institute.

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Letter from the Publisher

By Paul Jason, CEO, Public Gaming Research Institute

Special thanks to Michelle Carinci, Lorne Weil, and Philippe Vlaemminck for taking the time to share your views and insights with us. These are interesting times for our industry. It is difficult to get a good grip on how things are likely to be five years from now, or even two years from now. These three very different perspectives, though, will surely enhance our understanding of some of the most pressing issues of the day. Michelle, Lorne, and Philippe each relate specific issues and topics to the bigger picture, helping us to see how and why problems, and opportunities, cannot be properly understood or acted upon in isolation.

As CEO of Atlantic Lottery Corp., **Michelle Carinci** works with a variety of constituencies which often have different, even conflicting agendas. As NASPL's representative to WLA's executive committee and vice-chair of WLA's CSR initiative, Michelle works to engage the support and consensus of WLA members from all over the world who would seem to be an even more diverse group, likely having as many differences as similarities. But they came together in support of the Corporate Social Responsibility initiative and adopted the WLA's Responsible Gaming Framework. Michelle, and **Mike Randall** (V.P. CSR and Communications for Atlantic Lottery Corp.), discuss Corporate Social Responsibility but also tie it into questions about the proper governance of gaming, the role that the WLA can have on effecting positive change for our industry, and how we all benefit by harnessing our collective strength and working together towards a common goal.

To be a successful supplier to the gaming industry requires a level of sophisticated thinking that is, well, intimidating. As CEO of Scientific Games Corp., **Lorne Weil** shares a vision that reflects this deep understanding of all aspects of our industry. The technology of new games and transformational distribution channels like internet and mobile, the changing game styles that vary across different cultures, the changing political and regulatory landscape – Lorne discusses how these issues and more get integrated into action plans. Lorne gives us a glimpse at how a 21st century global marketing and technology leader perceives a future rich with potential. But he also leaves us with a deeper appreciation for the complexities of our industry.

Europe is quite the hotbed of litigation and, as legal counsel to the WLA and European Lotteries, **Philippe Vlaemminck** is right in the middle of it. Philippe is at the forefront of defending the rights of individual jurisdictions to determine for themselves exactly how they want to regulate gaming. Philippe explains why regulatory policies, and the need for an international effort to get control of internet gaming, are really global issues that require the full participation of all WLA members.

And more ...

Arch Gleason has been elected to a two year term as President of the WLA. Arch talks about some real issues facing the WLA membership, like the impact of internet gaming on government authorized lotteries. This is not your typical ceremonial acceptance speech!

Guy Simonis points out some of the pitfalls to a "World Lottery". Those of us who are excited at the prospect of a "World Lottery" need to read Guy to get some understanding of the complexities and obstacles to such a concept.

Michael Edmonds cautions us to not oversimplify and minimize the difficulties with interpreting the UIGEA.

Thank you to Michael Koch of ACE Interactive, Jean-Luc Moner-Banet of GTECH, Evi Ioannidou of Intralot, and Morten Christensen of Certus/Betware. Of course, these are all valued advertisers and we appreciate their support. These are also all serious and well-informed editorial contributions by leaders in our industry, and I encourage you to read their articles.

As you can see, **the format of this issue is different from past issues**. There is now too much original content and incredible interviews to include some of the features that were always in past issues. So, missing from this 'print version' are departments like Round-Up (which summarizes the past month's events of each U.S. lottery), Industry News (which summarizes the news of suppliers to the lottery industry), and People (which brings us up to date with new appointments and people promotions in our industry). Actually, these departments are not missing at all. They have just been moved onto the Website **www.publicgaming.org**. That's where you'll discover the website that delivers the most comprehensive look at all the industry news available anywhere. Too, if you are not receiving our weekly newsletter, called the "Morning Report", please send your e-mail address to sjason@publicgaming.org so we can send to you this brief synopsis of the weekly news.

Best wishes for an exciting 2007!

Paul Jason, CEO, Public Gaming Research Institute

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Corporate Social Responsibility, WLA & Facilitating Change

An interview with ALC's Michelle Carinci and Mike Randall

Michelle Carinci and **Mike Randall** of Atlantic Lottery Corporation recently talked with *Public Gaming International's* Paul Jason about Corporate Social Responsibility (CSR) and how the WLA can be an important catalyst for changes in our industry. As Vice-Chair of the WLA CSR committee (Diane Thompson, CEO Camelot Group, is the Chair), Michelle has been a driving force in the development and adoption of the WLA Responsible Gaming Framework (adopted at the WLA conference in Singapore). Michelle was recently appointed as NASPL's regional representative on the WLA Executive Committee. Mike Randall is vice President of Social Responsibility and Communications for Atlantic Lottery Group.

Paul Jason (PJ): Michelle, you said that "The commitment and work on CSR that the gaming sector has been doing over the past three years could be the most important initiative ever undertaken by gaming and lottery companies." Why is Corporate Social Responsibility so important?

Michelle Carinci (MC): It's always been important but I don't think the industry focused on what it actually meant beyond common sense. Over the last five years, our industry has come under much more scrutiny. Public interest in our activities and what we do has become much more intense, especially in places where there has been significant growth and expansion. Media focus on the impact of gaming expansion has created a lot more impetus for accountability to all of our stakeholders and our public. That is why the industry needs to proactively take steps to ensure that growth occurs within a responsible gambling framework.

There are some other things that are not so obvious. We want to attract talent, people who are going to help us make sure this industry thrives in the future. Worldwide surveys tell us that one of the top attractions for employees is the opportunity for career growth and number two is working for a company that is known to be corporate-ly and socially responsible. It's the same thing that drives purchasing habits and brand loyalty. Price and quality are certainly top priorities,

but right up there is the desire to affiliate with and support a company that is socially responsible. Times have changed. It's no longer just about growth. CEOs that are operating and leading gaming companies today simply must focus on the broader public good, and that includes responsible gambling.

That's why it was so important to have the WLA membership take a strong position on the CSR Gaming Principles and the corresponding framework which provides the basis for a strong program that will meet the needs of lotteries around the world. By

developing one set of standards for regulated lotteries worldwide, we can demonstrate that the industry's values of integrity and responsibility are alive and well, and more importantly, have substance.

The original resolution called for a set of "social responsibility" standards. But the team quickly decided that responsible gaming had to be the first area of focus. WLA's approach to responsible gaming at the world level had to be solved first so we started researching.

The WLA subcommittee looked at existing principles and codes of conduct within the gaming industry.

We looked at existing principles in other sectors and consulted bodies of work in the problem gambling sectors. WLA members were surveyed to understand current responsible gaming practices and to determine what areas should be priority.

Experts like Simon Zadek of AccountAbility and Rick Peterson of National PR were consulted. After brainstorming, drafting, sharing and re-drafting, the WLA Seven Responsible Gaming Principles were overwhelmingly adopted at the WLA General Meeting in February 2006.

Throughout this whole process, balance was key: the principles had to be general enough to allow for regional, cultural and regulatory differences, yet specific enough to ensure that regulated lotteries can commit to minimizing harm.

Just recently, the supporting framework was presented and again received overwhelming membership support. It's a framework that outlines the actions that members need to take in order to demonstrate their level of commitment to the principles as part of their corporate strategy. As a regulated lottery, you can decide the extent to which the framework is implemented at your lottery. This flexibility allows you to

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Atlantic Lottery President and
CEO Michelle Carinci



Atlantic Lottery Vice President of
Social Responsibility and
Communications Mike Randall

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The Future of the Lottery Industry

An interview with Scientific Games CEO Lorne Weil

Scientific Games Inc. is a global marketing and technology leader in the lottery industry. CEO Lorne Weil discusses some of the ways this industry is likely to change and evolve, talks about some of the things Scientific Games is doing to innovate and position itself for an exciting future, and shares his views on politics, the lottery-vendor relationship, and industry advancements.

Paul Jason (PJ): *The political process seems to be stalling a little, with the EU wrestling with the same regulatory challenges we have in the U.S. While PGRI supports the UIGEA and the EU notion of gaming being a “special sector,” it seems to me that we need more clear resolution about how governments should manage gaming. Could you speak to the challenge of integrating these disparate political agendas and inconsistent regulatory policies into a game plan that enables the industry to move forward, to progress and realize its potential?*

Lorne Weil (LW): Disparate political agendas aside, as the industry has little control over the whims of the electorate or administrative fiat world-wide, we are beginning to see the start of a long-needed debate over the “model” of the lottery industry that will frame the coming years. Emerging jurisdictions are likely to attempt adoption of revenue-producing models that will permit the operator – whomever it is – to generate the most dollars. The developing American debate over “privatization” and/or “securitization” will provide executives the opportunity to maximize revenues first before altering the operational or financial structure. Any process developed to “privatize” state-operated lotteries will, by its nature, require “casino-license style” licensing of operators and vendors. That process will require corporate capability reviews and could have a dramatic impact to the “procurement process.” Regardless of jurisdiction, we as an industry must become willing to aggressively and proactively join the cultural debate over the role of gaming entertainment in society in order to effectively balance business goals and corporate responsibility.

PJ: *You say, “We see more requirements for Internet and mobile gaming in RFP’s, including for U.S. lotteries.” What kind of time-line do you envision for U.S. state legislators to enact laws that allow for the implementation of mobile and/or internet gaming strategies, and what form are these laws likely to take?*

LW: As you know the UIGEA is, in general, anti-gaming legislation; however, it does allow for “states rights” when determining if Internet wagering on racing and lotteries should be legal. Since several states have already approved Internet wagering on racing we are seeing a surge in interest from our racing client’s desire to pro-

vide web betting services. This could, in part, be driven by the clarity that the UIGEA provides at the federal level but I believe there is also a realization that an Internet wagering void has been created by this Act that racing seeks to fill.

Lotteries are typically more conservative than commercially run racing corporations and therefore will likely be much slower to seize this opportunity. Nevertheless, I believe lotteries will eventually take advantage of the expanded distribution and enhanced game content potential that the Internet offers and will move to capitalize on this opportunity once the implications of UIGEA have been fully vetted. Other factors will require technical solutions that lotteries will insist upon before moving forward such as responsible gaming controls, age and location verification. Of course SG is actively working on solutions for all of these issues.

PJ: *You say, in reference to Internet and mobile “...the key to the success of these mediums will not be the devices themselves, but instead the delivery of unique game content that is fun and entertaining.” How will implementation meet the challenge of complying with regulations that vary by jurisdiction, with some game types allowed in some jurisdictions but not in others?*

LW: Both the Internet and Cellular phones offer the opportunity for new and exciting content resulting from their inherent multi-dimensional characteristics of sound, color and motion when compared to the single dimension of traditional paper based lottery products. While we are currently providing lottery wagering services and products via these mediums in some foreign jurisdictions, the full potential is far from realized and will no doubt grow signifi-

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Scientific Games CEO Lorne Weil



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Public Order and European Jurisdictional Issues

Philippe Vlaemminck is advisor to the WLA and EL on European and international legal issues. Mr. Vlaemminck is an acknowledged expert in EU and WTO law, especially as it relates to lotteries and gaming. He represents the Belgian Government in gambling law cases (from Schindler to Gambelli) held before the Court of Justice of the European Union. Mr. Vlaemminck also assists the WLA in supporting the Office of the U.S. Trade Representative (USTR) in the WTO internet gambling dispute of Antigua vs. USA, and advises different governments in the EFTA dispute over gaming monopolies.



Philippe Vlaemminck

Paul Jason (PJ): *We want to get your insight and perspective on why lotteries should try to work together more to accomplish their shared objectives of preserving the right to control and regulate gaming within their jurisdictions and why creating an international legal approach is such an important part of this effort.*

Philippe Vlaemminck (PV): That's a very big question going back almost 14 years to the first court cases. There have been a range of cases in the European Court of Justice which is also the

court where national courts of member states can refer a case when there is a discussion of the interpretation of European law. Most of the cases related to lotteries and gambling that have been addressed were referral cases in which European courts were requested to provide an interpretation in the light of the facts of the national case. In all of the cases since 1994, with the first Schindler case up to the most recent case, the court has continuously said that in the EU you are entitled to restrict gambling services and the free movement across the different states of the EU only for reasons of 'public order.' Public order is a legal concept that allows states to limit trade for important societal reasons which include prevention of crime and fraud, these kind of things. In international law and the WTO you find also the concept of public order, for example in the case between Antigua and the U.S. wherein the U.S. could invoke the exception of public order to stop cross-border supply of internet gambling services from Antigua into the territory of the U.S. So, public order is a concept which is an exception whereby you say in order to defend society against the harmful impact of gambling, against potential criminal involvement like money laundering and other things, we as a state are entitled to regulate and restrict it. Without this public order reasoning, you cannot stop cross border supply of gambling service. It's actually the same in the U.S. where the different states organize gambling within their own jurisdiction and prohibit cross border supply of gambling. The different federal mechanisms used to enforce this and the reasons behind it are also public

order. Public order is the concept that supports the rights of jurisdictions to regulate gambling within its borders.

What the court has said from Schindler down to the most recent judgment in Gambelli is that you can stop cross-border supply from one member state into another member state based on public order, namely to prevent fraud and to defend consumers against the harmful effects of gambling. The core question being asked by the courts, since 1994 right up to the present, is... how do we need to understand this public order reasoning as it applies to gambling? For instance, if a lottery operator is in fact aggressively promoting lotteries, is that still defensible by justification of public order? The European Court of Justice says that your global policy on gambling must be a systematic and coherent policy whereby you address all the different aspects and whereby at the same time your policy must aim to what the court is calling, and I quote the court, "at a genuine diminution of gambling opportunities." That is the latest in the court jurisprudence. That is what the court said in Gambelli. In Italy they said if the government is not pursuing a policy which aims at the genuine diminution of gambling opportunities then you are not entitled legally to invoke public order as an exception. Understand that the wording is very important. The wording is "aiming at genuine demolition of gambling opportunities." The whole purpose of your legislation must be that you are trying to limit gambling, you are trying to channel gaming desires within strict limitations and your first objective is not to make money but to prevent the harmful effects of gambling.

PJ: *It sounds like the concept of public order doesn't speak to the aspect in which profits generated by gaming might better serve society by being channeled into humanitarian causes instead of being thrown into the free market private enterprise system.*

PV: Finland has a state monopoly to operate slots machines. The Court was saying that this is O.K., that the way Finland is regulating is appropriate. Let's say you have a choice between a private market whereby you impose taxes to limit the impact or a market whereby you allocate the entire profit to the state. It is clear that the second option is a better solution to limit the negative impact of gambling because if you monopolize it then you are not creating a competitive environment and if there is no competition between operators then you know there is much less risk that the operator will try to expand the market. A

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Arch Gleason

Elected President of WLA

Gleason speaks candidly about critical issues facing WLA members today



Arch Gleason

Arch Gleason, President and CEO of the Kentucky Lottery Corporation (KLC), has been elected to a two-year term as President of the World Lottery Association (WLA). Gleason has held the post for the past ten months after the previous WLA president stepped down in early February. He and the WLA Executive Committee were elected at the Association's biannual convention in Singapore in November 2006.

"I am truly grateful for the support of the WLA members from around the world who have presented me with this wonderful opportunity and challenge," said Gleason. "The Association is entering a new chapter in its history with several leadership changes I believe will help an outstanding organization become even stronger."

"While much has been accomplished, I look forward to working with the new Executive Director who will assume that position January 2 and the Executive Committee members in building on the Association's prior accomplishments, making constructive changes, and setting our future course," Gleason continued. "In addition, working with and learning from experts in our gaming sector from around the world allows me to bring those lessons back home to Kentucky."

"These are not only challenging times for the Association, but also extremely challenging times for the WLA's members around the world and their authorizing governments," said Gleason. He continued, "The advancement of the Internet and the ability to conduct commercial and financial transactions from remote locations with individuals located anywhere in the world has given rise to legal challenges of the current legislative gaming structure before international, European and national courts. While the legislative administrative court decisions both in North America and Europe to date give reason for optimism there is a continuing need for all stakeholders to have a proper understanding of the situation. Restrictions are necessary to protect the broader interests of public order and good morals."

"The WLA, along with the Regional Associations and members are taking steps to demonstrate that they deserve the public trust to conduct these activities in the manner and pattern in which they have done so historically. Government authorized lotteries have enjoyed

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Is the Future of Lotteries Being Created in Europe?

By Jean-Luc Moner-Banet, Market Development Director, GTECH Europe

The future of the lottery sector cannot be easily predicted as it is part of a dynamic business driven by the constant development of new technology and trends. Already today, lotteries in Europe, North America, and Asia exist in various forms and yet they all draw on the same experience and expertise.

There is no doubt, however, that in Europe, the future of the lottery sector is already taking shape. For a number of years, the history of European lotteries has been characterized by a unique situation, one which will force the sector to evolve in the years to come. Various political, legal, technical, and social issues are driving changes within the sector.

On a political level, the European Union was built around a number of founding principles, notably those of free competition between European businesses and the free circulation of people, goods, and services. These great paradigms were gradually applied to all industries and services and today, people are free to settle, live, and work in the country of their choice. Regarding the gaming sector, these essential principles are not applied in the same fashion. Current monopolies are based on considerations of public order and the redistribution of profits to numerous beneficiaries of public interest. Accusations against monopolies raise the question of the possible social consequences of privatizing the sector, not to mention the issue of financing good causes. State lotteries are being challenged by a number of private operators who are seeking the right to offer their gaming services freely in Europe, whether through traditional sales networks or by means of new technological advancements such as the Internet or mobile phones.

In political and legal terms, one of two contrasting systems is possible: a more open and competitive gaming market, or the currently prevailing setup. European politicians, the European Court of Justice, and local courts in a number of countries are concerned with the issue and, sooner or later, a new standard will emerge for our sector, one which will be more or less similar to the current situation.

Regardless, a number of elements will be of prime concern and must be integrated into any future system:

On a social level, the concerns of Europeans are continually growing in terms of protecting the population against the potentially damaging effects of gaming. The European Lottery Association and World Lottery Association are working together toward the implementation of new standards for responsible gaming, aimed at protecting the most vulnerable people and limiting damaging consequences. In this area, Europe will definitely play a pioneering role in developing and implementing advanced policies in the fight against excessive gaming in the years to come. The need for gaming operators to fight against excessive gaming and to act in a responsible manner can be applied in the same way to both public and private operators, should they eventually merge. In effect, the possible

future presence of private operators must not be equated with an absence of regulations and a lack of social responsibility. To this end, it is essential to define standards for responsible gaming which are applicable to all.

Technology will play an equally important role in the future of European lotteries. For the moment, it seems that the United States is turning its back on the Internet gaming domain. By contrast, in Europe, the situation could become radically different.

Innovative technology is providing a unique opportunity to develop new forms of gaming which are more interactive, more modern, and more attractive for young adults, who represent a demographic that seldom plays the lottery due to a lack of interest. At the same time, all of this technology represents a new means of increasing and improving the management of problems linked to excessive gaming. In effect, each of these new mediums makes it easier to identify players and to implement controls preventing minors from accessing games. In the same way, resorting to Customer Relationship Management (CRM) functions makes it possible to manage a number of factors involved in the moderation of games, such as setting strict limits on the size of bets, limiting game time, and allowing the automatic exclusion of players in cases of excessive gaming.

Finally, European lottery collaborations such as Euro Millions most definitely represent a future solution for developing new attractive games in all areas. By pooling the efforts, expertise, and resources of state lotteries, transnational games make it possible to develop an attractive offering which respects jurisdictions, laws, and regulations while adopting a responsible attitude toward gaming. Already a success in the domain of lotto games with Euro Millions, there is no doubt that this kind of collaborative solution may spread to all gaming domains, from sports betting to poker and perhaps even to skill gaming.

Multifaceted and complex, in constant political, economic, and social evolution, the European gaming environment is evolving and will help bring about the definition of new sector standards in the near future. Key players in the sector – national and local governments, the European Union, lotteries, and providers of solutions and technologies – are being encouraged to collaborate even more widely as they prepare to write a new page in the lottery history books. Technology and growing social concerns will help the sector evolve as a whole, perhaps to the benefit of lotteries on other continents, which will be able to draw inspiration to develop their own approach based on their local conditions. ♣



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Game Styles and Preferences of the Next Generation

By Michael Koch, CEO, ACE Interactive

Let's look at the future of so-called Generation Z and how lotteries can prepare themselves for this future. Generation Z, which includes the players coming of age in the next ten years, is among other things characterized by the following:

- They are video gamers with different expectations on how to learn, work, and pursue careers.
- They are technologically very literate
- They are content creators, something which shapes their notions about privacy and property
- They are product and people rankers
- They are multi-taskers, often living in a state of continuous partial attention

So, if these are the characteristics, then what are the visible trends related to this generation? There are several important trends today that represent our future consumers and society values. Our industry needs to be aware of these trends to ensure that we are meeting and exceeding these expectations we believe should guide us when we develop products that will meet the next generation's requirements:

- **Communities** – there is a clear trend for people with similar interests to form communities, for example, on-line games, chat sites, file sharing groups. An example of this trend is Google's recent acquisition of Youtube.com, an online destination creating communities based on film or video interests.
- **Personalization** – As a way to cater to the individuality of the new generation, a personalized gaming experience is going to be essential. We are already seeing this where home pages are personalized and where video on demand provides instant consumer choice. For gaming providers, it is imperative that we recognize each of our individual consumers.
- **Shortening attention spans** – In a world where media is everywhere and where access to entertainment is more instant than ever, the consumers' attention span will be shorter than ever. In our industry we are competing with more and more offerings, from the iPod, movies on demand to on-line gambling. Entertainment, instant rewards and accessibility will be basic needs to retain our customers.
- **Accessibility** – Today and in the future, innovations in technology drives accessibility. Generation Z grows up with wireless technology, Xbox content, multi-media mobile phones. Easy access to most things is a given. It is therefore a basic requirement for operators to offer and market their products using a number of different channels.
- **Awareness and ethics** – In the society that we operate in, ethics and social responsibility are essential to our long term sustainability. Operators need to be aware of society's view on problem gambling and be pro-active in demonstrating that they need to

minimize the impact. Again, technology will play a big role in assisting operators, be it through simple player information displays to more advanced player recognition.

So, how are these trends converted into products? Well, as a way to explore the community trend, we believe that various forms of group gaming will be developed in the coming years. This will include further development of tournament style games such as Poker, networked games of skill and chance and various forms of player to player experiences.

In order to satisfy the players need for individuality and a personalized experience, we believe that operators first of all should continue to develop their loyalty programs so as to include a more personalized offering. Secondly, we think that services such as "My Games on Demand" will be essential in the near future. Generation Z will expect a very personalized experience where their favorite games are easily accessible.

Shortening attention spans and the need for instant gratification are trends that we believe will lead to a greater variety and mix of content – from instant tickets to reels, fixed odds and electronic table game. Similar to how the younger generations surf the internet and "channel-surf" the TV, we expect they will switch from one game to another more often than today's players.

The accessibility trend, we believe, will be a dominating trend that will change how and when games are played. One thing is certain, and that is that the younger generations will take it for granted that their favorite games can be accessed from their PC, their mobile, their TV or whichever communication device they are using, and that they can roam freely between these different devices.

As a supplier we look upon the future with great anticipation and look forward to being a part of developing all these fantastic products. However, at the same time we recognize that all of these opportunities will require operators and suppliers to keep a constant eye on responsible gaming measures. We strongly believe that future players will be equipped with personal player cards, to which virtual player accounts are connected. This will also give the individual player the chance to limit his gaming by, for instance, setting maximum losses/week. Furthermore, in line with the increased ethics trend, we expect to see operators increasing transparency even further regarding how they serve society and where the proceeds of the games are channeled.



ACE Interactive CEO Michael Koch

How should the operator respond? Identify the trends.

The next wave of consumers will probably have firm ideas of what they like and what they do not like. It is therefore important to understand these consumer trends and respond appropriately. More so, lottery operators are now competing against a highly innovative and growing entertainment industry – computer gaming, video on demand content, internet and casino gaming.

Once the key trends are known, how should you convert these trends into new product offerings? We would like to suggest that you should use technology. The technology in the IT industry has moved very, very quickly. We are seeing capabilities that could not have been imagined a few years ago. We believe that the industry, operators, suppliers and the regulators need to understand and leverage on the technology that has been developed. If we look back 10 years, our industry was very different. Now, technology plays a big role in transforming the once manual lottery draw into an almost fully automated product offering. Coupled with more product offerings including instants and VLTs, the industry has expanded significantly

Similarly, we would expect the next 10 years to result in products that we cannot imagine today. Technological innovations from the IT industry are growing much faster than ever before and we need to take advantage of these developments.

In the casino industry, technology providers and content suppliers


support operators in their discussions with their regulators to actively bring new technology to the industry. The new technology will enable forward thinking operators not only to cater to their consumers but also to drive innovations within the industry. If you are not quick at adapting to market trends, your competitors will. These competitors include not only casinos or private sports betting and gambling operators, but also skilled-based games providers.

Be flexible. Operators need to be open and flexible. Operators need to move quickly. Key areas where changes may be necessary are in distribution (scale up or down at minimal costs), content variety and player interfaces such as promotions and jackpotting.

In summary, we would like to suggest that you as operators:

- Future-proof yourself by selecting technology that makes you stay flexible enough to easily introduce new products or services as the demand appears
- Stay open for cooperation with external companies and other industries
- Focus on games & entertainment value because this makes all the difference
- Become transparent – tell your players where the proceeds from the games are going and you will create loyalty

And finally, do we really need to assess and adapt to every new generation or can we stay flexible, no matter what comes? ♣



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Mobile Gaming Experiences Rapid Growth Breaking into the Mass Market

By Evi Ioannidou, Communications Director, Intralot

Business analysts around the world agree that mobile gaming has been the fastest growing and most profitable phenomenon in the wireless market. It has more than doubled annually in 2004 and 2005. In particular, European operators expect that the European mobile gaming market will grow at a 30% - 40% rate. According to industry analysts, mobile gaming is an early-stage market that is having growing pains as it tries to break into the mass market.

Consumers almost always have their mobile devices with them. Consequently, the mobile channel provides the ideal opportunity to deliver games directly into the hands of your players. Thanks to the convenience of mobile devices and the rapid market penetration, the wireless medium provides a unique opportunity to enlarge current player-base, reach new markets and exponentially grow gaming business through leveraging the enormous growth in global m-commerce.

As for the wireless casino and gambling market, it is currently in an embryonic state. Industry experts agree that the potential is huge. Juniper Research estimates the current market to be worth approximately \$315 million worldwide. By 2008, Juniper forecasts that the mobile gambling market will be worth up to \$16.6 billion, driven largely by the mass market appeal of lotteries, the rise of low value-high volume sports bets and the dedicated band of casino games players.

But which are the challenges inhibiting mobile gaming industry growth? Which are the challenges that the mobile gaming industry is facing today?

Although consumers have their mobile devices always with them, less than 5% of mobile phone users around the world have downloaded a game. Small screens and limited computing power lead to a poor user experience. Customers are facing difficulties when trying to buy games and install them in their mobile device.

At the same time, the increasing variety of mobile devices has resulted in significant costs when porting mobile game clients so as to reach the mass market. These rising costs have led many game publishers to merge.

The lack of security features on mobile applications has been one of the main reasons preventing the delivery of mobile gambling and mobile lottery applications on the consumer's mobile device.

In addition, high connectivity traffic costs have made consumers reluctant to use mobile data services and game content providers skeptical to deliver reach interactive content.

The technical challenges like mobile radio network latency, quality of service, guaranteed content delivery, and lack of network coverage or capacity become a headache for all game developers that want to publish online multiplayer games over wireless networks.

Usability and game play intuition in mobile gambling requires something more than talented graphic designers and experienced game programmers. It requires continued investment in

personalization and customization of game behavior in order to meet each market segment requirements. It requires understanding of local culture, ethics and local games. The mobile content business is inherently local – just take a look at the ring tone and background image advertisements in your local newspaper. The game visuals, name, and brand should communicate the game concept and idea.

INTRALOT, understanding the challenges described above, has developed "B-On," an innovative platform for interactive gaming using state of the art mobile networking and security technologies. In addition, INTRALOT has developed a Game Development Kit that consists of mobile portable secure and optimized game libraries accompanied with detailed game design processes for mobile games. Based on industry's best practices, INTRALOT's game design processes are applied to any new mobile game development. B-On platform and B-On Game Development Kit (GDK) form the basis for the development of mobile interactive games which satisfy the specific requirements relating to Gameplay, Mobility, Game Usability, Game Networking and Security and Game Portability.

An example of Game Usability specific functionality is the support for gameplay interruption. In mobile gaming and since the mobile devices are usually multi-purpose devices, interruptions when playing the game are inevitable. Sometimes the game must be interrupted because the player needs to do something else, he/she moves out of network coverage and is disconnected from the game without a warning. External interruptions such as incoming calls and messages during the game play are also possible. B-On platform and B-On GDK provide both features and design rules that are incorporated to every mobile game in order to handle game play interruption. ♦

For more information about B-On platform, B-On Game Development Kit (GDK) and mobile game development process please contact Ms Evi Ioannidou, Communications Director, Phone: +30-210-6156000 – Fax: +30-210 6106800, email: ioannidou@intralot.com - www.intralot.com



The Popularity of Skill and Casual Multi-player Games and Creating a Sense of “Community”

The gaming world is vibrant, where changes are fast-paced, ensuring gaming service vendors keep on top of the latest developments to be able to compete. Interest and participation in playing skill and casual multiplayer games such as backgammon, chess, yatzy, checkers etc. is growing rapidly. Added to this, the idea of allowing several people to interact while playing these games takes the concept of “play” to another level – players are engaged in a dynamic that holds their attention while at the same time harnessing a sense of community spirit, which in turn generates loyalty to the website hosting the games.

Certus Games, a game provider owned by gaming services vendor Betware, develops skill and casual multiplayer games and has for more than eight years provided games to several media companies in Scandinavia such as TV 2 Denmark, TV 2 Norway and TV4 Sweden.



The approximate number of unique registered users in the Scandinavian media totals over 300,000 with 3,600 people playing simultaneously at peak hours (evening) on the Danish media website www.spil.tv2.dk.

Public Gaming International recently took the opportunity to speak with Morten Kolle Christensen, Managing Director of Certus Games, about the community aspect of gaming and why lotteries need to look at this feature as the way forward.

Public Gaming International (PGI): *Why are interaction and a sense of community so important for the younger user?*

Morten Kolle Christensen (MKC): It is not only the younger user who finds communities interesting and appealing. The demographic profile in Denmark shows that more than half of the players in the community are between 25 and 55 years old and the games are just as popular between

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Game structures are changing quickly according to the changes in technology. All web-based gaming needs to keep up with this pace... the Internet has brought the world together in an unprecedented way and it naturally follows that this communal feeling would pass on to web-based gaming too.

PGI: Why should game structures change?

MKC: People demand new features and with the structures of the Internet and the many opportunities it gives us it is only natural that we take these steps. Skill and casual multiplayer gaming is growing and it is growing very fast so the sooner we incorporate these developments, the better.

Several operators have already picked up poker and they do very well with regards to developing the community around the game for the players. However poker is an extremely fast game and winning and losing can be at very high stakes so few people can in the long run afford playing poker. Playing skill and casual games is not as fast as poker but it still has the element of winning money besides the status of having a high ranking in the community. For most players it is not only about winning it is very much about the community itself – hanging out, having fun, enjoying making new friends and participation in tournaments for real money as well as play money.

PGI: Why does a lottery want to create a gaming community with features such as chat and instant messaging?

MKC: Players today want interaction. They want to play against a real person and by doing it “live” this need is fulfilled; hence they don’t feel like they are competing with “just” a computer. Our experience tells us that players are extremely loyal to the community and spend on an average 90 minutes daily in a gaming community. Compare this to the Lottery industry currently where players at lottery sites spend something like 2-3 minutes on average. Imagine what a big difference it would mean to the marketing department in the lottery industry if the lottery would be able to offer a large selection of skill and casual games as well. You can even have a tier effect once this happens – players who visit the lottery website to play traditional offerings could get interested – and may even end up spending more time on – skill and casual multiplayer games, and vice versa. The revenue possibilities are excellent.

PGI: What is the purpose of offering “promotional games with no cash prizes?”

MKC: There are prizes; the idea is to initially offer the games as a promotional feature with “play money.” The play money can then be converted to buy a variety of offered prizes. In the future it is possible that play money earned through promotional games can be converted into real money and the player would be likely to play a money game

with this money, thus putting it back in the lottery.

PGI: How does anyone make money from that? And if the lottery or operator doesn’t make money, why do it?

MKC: Revenue today is earned through several streams – banner advertising, pay per play (download), subscription, buying-in fee for tournaments, sale and rake of play money and raking in real money... The lotteries may not choose all revenue streams but the option is there.

Also, since loyalty is high once players become part of a community it results in a high rate of returning players. I am convinced that the operators in the lottery industry will benefit a lot by developing a community with skill and casual multiplayer gaming. The lotteries today spend a lot of money to attract new and old players through traditional advertising channels such as print media and television. If they were to allocate only a small amount from their marketing budget and develop a skill and casual gaming community, the value for the Lotteries will in the long run be much higher.

The benefits of a community are not only loyalty in terms of returning players, but also players are ambassadors for the community, they tell their friends and family to join and news spreads through word-of-mouth.

PGI: Which lotteries have implemented community and interaction based programs and how it has worked and how they have benefited from it?

MKC: I don’t believe any lottery has implemented a skill and casual gaming community as the one we are developing. However, creating a community is far from a new idea because the structure of the Internet makes creating communities a perfect way of having interaction between players, which is what the Internet started out as being – a social and communications tool across the globe.

If you want to refer to any communities that come close to this skill and multiplayer dynamic take a look at Yahoo Games or Pogo Club. Additionally, the latest start could be the pioneering work undertaken by the Danish national lottery, Danske Spil which has taken the first step by launching interactive Bingo on its website www.dankespil.dk.

The Certus Games portfolio of multiplayer games is over 40 games and an English version of their games can be found on www.certusgames.com. ♦



Corporate Social Responsibility, WLA & Facilitating Change... continued from page 6

build the programs you need, based on the rules and regulations in your jurisdiction, as well any cultural or regional differences. The framework is made up of: our seven principles, four program elements, four levels of achievement, action items for each level, support tools and WLA administration. The four levels were developed to reflect varying levels of RG program developments within the WLA memberships, as well as to encourage continuous improvements.

PJ: *Even though the exacting standards of the media can be burdensome to lotteries, it seems like it could also provide a competitive advantage, insofar as you are better able to meet those high standards than gaming operators in a less regulated environment.*

MC: Recent Canadian research indicates regulated, safe gaming does provide a competitive advantage. Sweden is a great example of this – online players are choosing the government regulated and approved site over the unregulated sites. WLA may develop a standard, something like an ISO standard, that members should use to indicate that this is a safe, regulated site. It does create a competitive advantage. However, in the transition period we are in right now, it can create a competitive disadvantage. The regulated industry is held to a high level of accountability and to third party scrutiny. This ensures regulated gaming operators protect the public, the player and the integrity of its games. The unregulated operator is not held to such a high standard, and so does not have to incur the costs of meeting that higher standard, and putting us at a disadvantage in the short-term. How the regulated gambling industry makes money is much more important than how much money we make.

PJ: *But if the public expects gaming to be operated with CSR as a top priority, and you develop superior CSR programs, then what was a cost liability in the transition stage will become your strategic advantage in the next stage – wouldn't it?*

MC: Absolutely right. Take the Nike story – Phil Knight and the textile industry. He raised the bar in terms of how Nike operated, produced their product, and paid for labor. In the beginning the increased costs put Nike at a competitive disadvantage since the competition was operating with lower costs and could sell at a lower price. Nike's strong brand equity was able to survive the transition period. Nike raised the bar, forcing other major textile companies to conform to a higher standard of labor practices, and in the end, the cost of complying with those higher standards did in fact become a Nike advantage.

PJ: *But in order to have that happy ending, it would be imperative that at some point everyone be expected to comply with the same high standards or the opposite could just as easily happen, gravitating to the low cost but inferior business model.*

Mike Randall (MR): The public expects us to be more socially responsible. I think all of us in the gaming industry need to have that broader discussion with the public about the consumer disadvantage on the deregulated side. We need to increase the public's awareness of how and why a regulated gaming industry is good and why deregulation of this industry would create problems. We need to increase awareness that the money played on unregulated sites does not go back to public spending. We need the player to be made aware of the risks of playing poker on an unregulated site. We need the public to know the things

we do to protect the integrity of the game, how we balance the goals of delivering exciting and fun games with the goals of being socially responsible and minimizing problem gambling.

MC: A good example of how the public is getting educated and how that does become an advantage is SVENSKA SPEL. When they introduced Bingo and then Poker online, they went directly up against unregulated competition. And yet, they have been very successful in taking market share from offshore companies and moving it into SVENSKA SPEL. They did this without growing the total market. Now the players have a responsible gambling alternative with the benefit of the money staying in Sweden for good causes, making a difference to the people of Sweden.

MR: The industry has to be as innovative, as entertaining, and more rewarding as our unregulated competition, but it has to be done responsibly. So a big part of the challenge for us is to engage the public in this discussion. Once we start to communicate better as an industry about the advantages to society and to the players of a regulated gaming environment, then it becomes a true competitive advantage for the regulated industry.

PJ: *So it's partly just about public awareness. A good way to preserve the regulated gaming environment is to give more attention to public relations...*

MR: No question. It's interesting. We just celebrated our 30th anniversary and found that only 11 percent of Atlantic Canadians had any idea how much the lottery contributed. Once it became known that \$5 billion dollars was returned back into the economy over the last 30 years, and \$4 billion was won in prizes, public approval grew. Atlantic Canadians embracing the lottery because of what it does for the entire social community is an important advantage. Once we inform people about what we are and what we do, how we do it, and what we contribute to society, the lottery is viewed very positively.

MC: You are touching on an interesting question that most of us avoid. Are regulated gaming companies here to grow the markets or to meet the demands of a market that is already there? Or should the focus be on growing the market as well as meeting demand? There is a distinction. In Canada, we've usually entered a market that has already been occupied. It happened in the 70's when government stepped into what had always been the non-profit domain. In the early 90's, government determined prohibition wouldn't work and introduced a regulated VLT program displacing the grey market. Internet gaming is a similar situation. The demand has been created by an unregulated market and once again government is faced with a decision – do you protect the public and benefit from the revenue or do you turn a blind eye to the problem?

At one end of the spectrum the U.S. government has opted toward prohibition of internet gaming, whereas the UK has created legislation that implies they are open for business. Canada and Sweden are somewhere in the middle. Three different approaches in meeting regulated gaming's obligation to protect the public.

MC: I think the initiative that WLA has undertaken and approved unanimously to apply the responsible gambling principals and bring

them to life through the approved framework is the first step. It speaks volumes about what is happening in our industry: 139 companies in 75 countries with diverse cultures, different regulations and legislation found common ground on CSR. CSR is not just a program. It is a foundation for the entire business, integrated into everything we do, from how products are developed and taken to market, to how we deal with the environment, our employees and our communities.

PJ: *So, couldn't CSR be held up as an important justification for governments to preserve control over gaming?*

MC: That's precisely what is happening in Europe today. The argument against liberalization and deregulation, as I understand it, is that gaming is a unique economic activity because it has the potential to have a negative impact on society. That's why governments are involved today. CSR is a distinct advantage that the European lotteries offer as to why the market shouldn't be opened up and why their monopolies should be protected. So now the unregulated operators are implementing their idea of CSR programs. But how credible will their attempts at CSR be? At the end of the day, who are they accountable to? I think that the regulated companies can definitely turn this into a competitive advantage on many fronts because they are held accountable and are required to demonstrate that. However, no competitive advantage replaces the need to have relevant products!

What governments do have today are best practices developed by WLA to use when developing and refining gaming policies at the jurisdictional level. There are world-wide standards that should free governments from the "governments are addicted to gambling" label.

MR: ALC just did a fairly comprehensive study about what makes a good socially responsible company. Number one in importance by a factor of 2 to 1 was the ability for the lottery to give back to the community and for the lottery to be part of the community. For instance, in Georgia, when people think of education, they think of the Georgia State Lottery. Camelot has demonstrated significant commitment to the public good. Svenska Spel understood community and ran a competition to 'Swedenize' online poker by coming up with non-American terms for poker. They were able to "bring it home" and give it a sense of community and ownership and belonging. Integrating the game into the social fabric in this way creates value, and this too is a product of corporate social responsibility. The result is to benefit the people of Sweden rather than unregulated offshore operators.

MR: It's the difference between having one bottom line and a triple bottom line. The economic bottom line is vital, but social and environmental responsibility are bottom line requirements that are just as important.

MC: There is a shift and the first aftershocks are occurring after the U.S. government took a strong stand. The big internet companies are vacating the U.S. market and some will relocate into markets where they are or would be considered legitimate. The worrisome aspect is this will leave a huge gap between supply and demand.

MR: Without suitable alternatives, prohibition just creates more problems.

MC: I think over the past two years companies like ALC, Camelot, Belgium, Queensland and Kentucky, just to name a few, have really wrapped their minds around the role of social responsibility and more

specifically responsible gambling. It has been demonstrated that prohibition is not effective and experts in the field of problem gambling have advised a preventative approach – one that is reliant upon education, awareness and commitment to ensuring that those at risk are making informed choices. The best definition the WLA CSR committee created to define problem gambling is harm-minimization. Camelot is a stellar example of that. Nova Scotia is a great example of that here in Atlantic Canada and there certainly are others worldwide who have started to get ahead of the curve as opposed to late adapting. It's just good business. The advantage to WLA members is there are substantial best practices and models to learn from and use.

PJ: *What aspects of an effective CSR program are least understood, perhaps overlooked, or the importance of which underestimated?*

MC: The video lottery program is a good example since it does have more inherent risks than lotto. At one time, it was assumed that intervention was the right approach so we experimented with putting clocks on screens, timeouts or changing credits to dollars so it creates more awareness for players regarding their play. All site holders and retailers were educated. The biggest surprise was when the RG experts came out and said the solution is about informed choice, i.e., prevention. Now Nova Scotia is researching the informed player choice management system. This will provide the player with information about all their activities, enabling the player to track what was spent and where it was spent, length of play - strictly for the player's own use and confidential. The academics really feel that creating a context of informed choice is the best way to manage problem gambling. Nova Scotia brought the Ontario program "Caught In the Game" to high school students. There is a university program called "Know the Score." Nova Scotia also created a Responsible Gambling Awareness Week several years ago. This year NASPL will be involved in U.S. National Gaming Awareness Week. There are many proactive initiatives. What will be effective and have the desired result? Time will tell. Educating our youth and offering regulated, responsible alternatives will be important parts of any successful CSR program.

PJ: *Does addressing challenges like problem gambling conflict with our desire to avoid bringing attention to anything negative?*

MC: Yesterday I would say yes – today, no. Three years ago, the WLA conducted a survey of its membership to determine the priority CSR was given in each organization. There were jurisdictions which did not see this as a priority. When the data was studied there was a direct correlation between importance and where companies were in their lifecycle. Today, there is recognition that it makes good business sense. It's the right thing to do.

PJ: *So the notion of creating informed choice is a cornerstone of CSR. How about community partnership programs, are they working?*

MC: Yes, and that's why working with stakeholders is one of the principles. Sharing responsibility for the solution is why engaging local stakeholders is paramount to success. Each has a role to play, from prevention to intervention and treatment; therefore, it is important to create synergy. A coordinated effort among stakeholders – such as health departments, researchers, addictions services, etc. – is important as it provides clarity of roles, eliminates potential conflict and ensures every-

one's agenda is clear. This is a very complex issue and requires team work. Community Partnership Programs have been successful. Absolutely! Creating relationships with folks that are problem gamblers can also be helpful. They have had good discussions with our staff. This can really help our organization begin to understand this very complex problem. In fact, without an active partnership program, the local groups are just as likely to think that the lottery is just a bunch of greedy folks who are themselves a part of the problem. Partnership programs are a vital part of educating the public about the gaming agenda. For instance, in Video Lottery the industry has done many things. Games were created that did not appeal to those who are at risk; stop buttons were removed; speed of play was slowed down. ALC's bottom line, for the first time in 30 years showed a decrease in profit from VLTs and that's fine. Healthy, productive relationships with our players and all of our constituencies are key to our success.

MR: No program will work unless you embrace every stakeholder. ALC implemented a community partnership program two years ago where grass roots community programs are funded that are geared to responsible gambling through addiction services.

MC: You asked about misconceptions and there is an important one. There is money being spent on mass marketing campaigns, many of them quite creative. These campaigns might make us feel like we are doing something constructive to solve the problem. However, researchers dedicated to problem gambling tell us they don't work because they are simply not reaching the right audience. Don't waste your money. To effectively connect with those at risk players, you must do very specific, targeted campaigns. It might even cost more but let's stop wasting money on elaborate television or mass media campaigns that don't really address the problem. In addition, imagine the confusion to players caused by the sheer amount of mixed messaging delivered from outside a jurisdiction by satellite television, internet sites, even satellite radio.

MR: High visibility campaigns might be great for accountability, creating the appearance that the lottery is doing all it can, but it doesn't do anything for the problem.

[In mid-December] the opposition in Prince Edward Island launched a motion saying the ALC should spend 'X' amount of money on television ads to help people with problem gambling. ALC actually does spend that amount but it's directed at community partnerships and in the places and media that will reach the targeted audience.

MC: Another question we are continually asked is why isn't government spending more money to solve these problems? I don't think it's about how much – I think it's about how. It's a complex problem and there is no easy solution. But there are important initiatives that we know do work and they do cost money. These include informed player choice programs and educational programs to reach youth, to name just a few.

PJ: *Your experience with getting the membership of WLA to come together in this CSR effort would seem to give you some insight into another topic that was brought up in Singapore. A World Lottery would seem to have so many wonderful benefits in so many different ways. Do you think it is a good concept, is it a realistic possibility, and could the WLA be the catalyst?*

MC: I think the WLA could be an effective mechanism to organize a world lottery. There is no technological reason why it could not be

done. Currency issues, different times zones, jackpot size, etc. – all of these issues have been solved. There could be a political challenge with the process of determining where the money goes if earmarking a world cause was a key to success. It would require leadership, a big idea and probably somebody like Bill Clinton to join the ranks. But it is possible. Right now there doesn't seem to be a compelling business need to do it. You need a problem to get everybody in the groove and get together and talk about it. We've looked at a world lottery more from the basis of how collectively bigger jackpots could be offered or collectively how critical mass could be created on the internet to do things that couldn't otherwise be done.

MR: The lottery could actually become a mechanism, a tool by which you are uniting awareness on some global front.

MC: I couldn't agree with you more. Positioned that way, it becomes a viable possibility and the business does have compelling reasons to do that – world hunger, AIDS, the environment.

PJ: *A world lottery would be a fantastic way to engage the interest and support of the international community and organizations like the WTO and EU.*

MC: It's like anything – it needs a champion. And then you can make something happen if you get the right folks together that believe in the dream and share the vision and have the tenacity to stay with it.

MR: I think the one thing we've learned by trying to implement the principles and framework for responsible gambling is that it will have to be about something more than just bigger jackpots. It must have a cause that transcends cultures and borders and oceans. Everyone is concerned about the environment and world hunger, and AIDS, and global warming. You could raise millions because people care.

One of the most positive aspects of bringing the world together for an important cause like Michelle and Dianne have done with CSR, is that we may actually have more answers than we know. Having the international community work together, pooling our knowledge and having the process informed by the different cultural and political perspectives, will make such a difference.

MC: That's the transformational role that the WLA could have, providing a unifying mechanism to engage all of us in a more meaningful dialogue, addressing very specific challenges. There really is so much more that we could do.

It's a huge opportunity – speaking to 139 lotteries in 75 countries and bringing all this together. One of the things we are finalizing now is rolling out the CSR framework and allowing companies to qualify to set up peer groups where they can access leaders in the industry, getting guidance so that they don't have to reinvent the wheel.

And more participation from NASPL is needed. I think it behooves us to overcome whatever barriers, perceived or real, and this just might be a way to do that. In my discussions at NASPL in Chicago, there was tremendous support and interest from NASPL members about the WLA and the work that WLA is doing.

PJ: This has been such a pleasure, Michelle and Mike. Thank you so much for taking the time to share your views and insights with our readers. I know CSR will always be closest to your heart, but I look forward to the next big picture project you might tackle and look forward to supporting you in whatever way we can. ♡

The Future of the Lottery Industry: An interview with Scientific Games CEO Lorne Weil... continued from page 8

cantly in the years ahead as content is developed that fully exploits the rapidly expanding technical capabilities of PCs, but more importantly, mobile phones. The power of new mobile phones and networks coupled with the “anytime, anywhere” nature of these devices will very likely lead to a new era of lottery content excitement, content that leverages our understanding of how to deliver “instant” gaming experiences to players. SG is the market leader in how to create instant-win gaming experiences. We think this experience is transferable to this medium. SG will be a leader in providing cutting edge products and services in this realm as the opportunities unfold.

PJ: *How will the growth of SG/MDI in North America compare to the growth outside of North America?*

LW: We see numerous opportunities to replicate the growth of the last decade in North America in other parts of the world. One of our prime focuses is developing our Cooperative Services model for instant tickets in lotteries throughout Europe, and, in fact, throughout the world. We have had some early success in Germany and look forward to continuing our initiatives in the months ahead. The Asian market, particularly China, is beginning to open up and provide opportunities for U.S. based vendors. Scientific Games is at the forefront of those efforts.

Additionally, the MDI business is aggressively seeking licenses that have worldwide appeal or specific interests in various countries around the world. 2007 should see the introduction of MDI’s merchandise model for Europe and Latin America as the popularity of licensed games begins to grow across the globe.

PJ: *How are game styles and preferences different throughout the world?*

LW: Our research is cumulative and built on over 30 years of global experience. It suggests that the key determinants of demand are similar country to country, continent to continent. In fact, when lotteries adopt and integrate learned and proven best practices, their performances are often remarkable. Cultural differences may be integrated into game designs. For example, symbols may be used in one culture and numbers in another (where even the numbers themselves might have quite different meanings). However, product value, distribution, merchandising and trust in the games are universal. There is also a developmental curve that we have come to appreciate over the years. Since consumers learn what lottery products teach them over time, product and marketing continuity are crucial. The most successful products are those that are part of an integrated strategy whereas inconsistent, ever-changing, game-by-game marketing tends to erode or limit the development of knowledgeable consumers and agents and so limits financial performance.

PJ: *Could you help us get clearer on the meaning of “convergence?”*

LW: One definition of convergence is when technology or products evolve and combine to create a new solution, while still maintaining the advantages of each initial component, therefore heightening the advantages of the new product.

Certainly, the convergence of Instant and Online games as well as the ability to deliver this content over new channels is one way that we have worked to meet demand for entertainment and excitement.

However, in addition to the technology solutions that enable this type of content, convergence is also about how the games work together and how they are positioned together to effectively reach the consumer. We see this type of convergence as a marketing as well as a technology issue – a way to seize gaming opportunities across a variety of mechanisms that have user involvement. The question is, how to maximize revenue from these gaming opportunities, not just how to enable the new technology solution. We understand the consumer needs and the marketing programs that can make new technology and the convergence of games more productive.

PJ: *At NASPL, a director asked the panel why more resources have not been allocated towards making on-line more fun and exciting. MDI revolutionized Instants in this respect. Will SGI do the same for on-line?*

LW: In the last three years, SGI has already taken a proactive stance to implement new online game content and game categories that deliver better value and excitement to players. The online lottery game portfolio has traditionally included matrix games, numbers games, and outside the U.S., sports-betting games. It has been our mission to create new gaming categories through our Scientific Games Game Generation Group, SG3, which includes a dedicated team of Game Design talent. Similar to instant tickets, many of our new on-line games can be integrated with licensed properties.

PJ: *Can you give us any clues about the on-line content initiatives of your Game Generation Incubator?*

LW: Through the SG3 effort we have developed at least six new categories of games to include Extension, Instant Win, Interactive, Branded, Probability and Monitor games. And, we are not done yet. Some of the better known implementations from these categories include the Match 6 game in Pennsylvania, Mix & Match in Indiana, Multi-Win Lotto in Delaware, Add-A-Play and Palmetto Cash 5 in South Carolina, Triple Play and Add-A-Play in Tri-State (Maine, Vermont and New Hampshire), just to name a few.

PJ: *Is it difficult to enhance entertainment value while staying compliant with regulations?*

LW: For many reasons, it is true that traditional on-line lottery games historically have been less entertaining than skill based games and other games of chance. The reasons include:

- **Environment** – Although lottery products are carefully posi-

tioned as fun and entertaining, the traditional on-line distribution network is predominantly comprised of grocery and convenience stores, environments that, for the most part, are neither fun nor entertaining. One need only to look at the success of keno, Racetrax and video lottery to appreciate the magic that occurs when gaming products are available in places where people go to relax and have fun. As competition from other gaming venues continues to increase, it is crucial that lotteries expand their distribution networks into social environments. To this end, SGI is investing heavily in the development of a variety of entertaining monitor games tailored to these environments.

- **Instant tickets** enjoy many advantages over on-line products within traditional retail environments.
- **Availability** – Instant tickets are more accessible. Colorful banks of instant ticket dispensers at multiple registers effectively merchandise the games and often place them within arms reach. It is part of Scientific Games strategy to place on-line products “within arms reach” of consumers through a variety of mediums. In-store, this includes employing traditional as well as self-service terminals. The internet and mobile phones unquestionably offer much greater availability as proven by our European customers. In the near future, you will see more domestic lotteries use these technologies to reach new and existing customers in ways that are fully compliant with legal requirements.
- **Variety** – Instant tickets offer players a great variety of themes, prizes, price points and play methods, and rapid game turnover provides a sense of freshness for players and retailers alike. There’s always something new to look for. In contrast, traditional on-line games tend to be static. They are introduced far less frequently, and unless there is an unusually large jackpot, there is little spontaneity or urgency to make a purchase. This is another reason Scientific Games has expanded the online portfolio to provide players with new games that entertain and offer variety, as well as provide instant gratification. Our years as a leader in instant game design has enabled us to apply this know-how to on-line game design.
- **Infrastructure/culture** – Lotteries are designed to accommodate instant games, their most labor intensive product. Creating new games, managing the mix, managing retailers, warehousing and distributing tickets, processing returns, refreshing point-of-sale materials and installing ticket dispensers are never ending challenges that require a well trained sales force. As a result, lotteries have a very real sense of control – that they can directly and positively impact sales. On-line products do not provide the same sense of control. Although lotteries are involved in the design of on-line games, the slow rate of change limits their ability to influence sales especially on a short-term basis. A current exception appears to be the new found popularity of Raffle games in which lotteries can create exciting marketing events designed to satisfy

strategic needs. It is our plan to continue developing additional content that further taps into this type of consumer demand.

What traditional on-line games do best – better than any other gaming venue anywhere – is offer \$300 million prizes for just one dollar. Players expect this and have become spoiled - as have we. In many ways, we are victims of our own success, and though it is difficult to imagine new on-line games that are not jackpot driven, it is not impossible. While some new games may indeed require going “outside of the box,” we also believe viable new games also exist well within the box.

PJ: *How do SGI game development initiatives deal with those challenges?*

LW: Although skill based games can add a dimension not currently available to lotteries, random based games such as keno, Racetrax and video lottery are also capable of delivering large doses of entertainment. However, transitioning from a mega-jackpot mentality to an entertainment mentality will require some out-of-the-box thinking by vendors and lotteries alike. Together we must be:

- Willing to implement premium priced games;
- Willing to feature higher-than-normal prize payouts;
- Willing to penetrate new and perhaps non-traditional retail environments e.g. social environments, internet, etc.
- Willing to accept a controlled and reasonable level of risk with new game concepts;
- Willing to increase the number of games in the on-line mix, i.e. do not necessarily pull one game to make room for another
- Willing to nurture new games and educate players;
- Willing to modify or enhance new games if necessary; and
- Willing to compensate vendors and/or third parties for creative new and/or proprietary game content.

Many of these steps have already begun. We are beginning to see some premium priced on-line games with higher payouts (up to 65 percent in some cases). To complement higher payouts and price points, Scientific Games’ game development team is dedicated to enhancing the entertainment value of those games. We have found that even without the application of skill, it is entirely possible to create new play actions and game designs that deliver a great playing experience. Given the implementation of \$20 on-line Raffle games, we believe the future will include higher price-points, payouts, and unique game designs.

PJ: *Is the Racetrax monitor game a result of the Game Generation Incubator?*

LW: While Racetrax is a third-party product, the idea of offering multiple types of monitor games in a social environment is one that was born out of our SG3 process. Racetrax provides a terrific product solution to the idea of a “Racing Channel,” in addition to a “Keno Channel,” in social venues.

PJ: *How is this content and the way it is distributed new, different, and important?*

LW: Racetrax and keno tickets are sold at the same terminal. The Racetrax game is displayed on one monitor and keno on a separate monitor. Players can watch animated horseraces or keno drawings or both. The distribution of this content is important. We focus on utilizing effective technology that allows for quick distribution of new monitor games as well as other important game content.

PJ: *Is there anything you can tell us about the future of monitor games, either in general or SGI's plans?*

LW: Scientific Games will be implementing, together with our customers, a variety of other monitor game channels. In the near future we will launch games like Hold Em Poker as well as branded monitor games. With our strong licensed property portfolio, we can provide lotteries with new and exciting content for the monitor game environment.

PJ: *You've said, "...to grow the on-line market, lotteries must step outside the traditional on-line product game mix." Is it possible to be more specific about what is meant by that?*

LW: As mentioned, we and our customers must embrace bold, new game initiatives that will keep players interested. To do so means implementing new, perhaps non-traditional products that offer variety and deliver good winning experiences.

PJ: *What kinds of new games?*

LW: Our game portfolio offers players unique new play styles, new mediums, and prizes they will "talk" about. There is much more to come...stay tuned.

PJ: *It seems like RFP's over-value attributes that don't differentiate the bidders. Any suggestions as to how to improve the way the real drivers of lottery success are measured and can thereby be built into the RFP?*

LW: Looking at the industry, it does not take long to appreciate that the method for selecting major vendors places more value on the price of the service than the significant revenue generation from sales. One need only look at the result. Over the last ten years are there more vendors or fewer? Is there significant innovation? Have we well observed and discussed industry opportunities been aggressively developed? Have RFP's called for vendor investment in new distribution channels, new games and new products, and more importantly, provided scoring that reflects the significance of these investments? Industry consolidation and limited development are the attributes of a mature commodity based industry. Vendors will invest when the return on investment is promising. Unfortunately, government RFP's do not encourage this. In recent years, improvements in vendor returns have occurred primarily as a result of cost reductions and these savings have been passed on to lotteries in the form of lower prices. This

is the result of a process that was designed to procure equipment versus revenue generating goods and services.

The solution is actually quite simple. The evaluation of the vendor must include the dollar value of the potential revenues generated from products and services. This captures the total value to the state. Revenue value minus price equals net revenue value to the state.

PJ: *Along the same lines, how do you measure (in an RFP) the ability of the vendor to engender that spirit of collaboration and partnership between lottery and vendor that is so critical to operational success?*

LW: I think a track record of sales performance is as effective measure as any. For example, our full service CSP accounts rank in the highest growth in revenue year after year. This is the result of a strong partnership and a focus on the full potential of the business.

PJ: *How can the anxiety that retailers feel about alternative distribution channels (mobile, internet, etc.) be defused?*

LW: Through the effective use of technology as a delivery solution, we believe it is possible to keep retailers involved in the transaction so they retain their participation in game sales. Implementation of the right solutions to do this will require a strong partnership with lotteries and retailers alike.

PJ: *Tell us about Global Draw.*

LW: Global Draw operates a wide area gaming network of approximately 9000 gaming machines located in approximately 3000 licensed betting shops in the UK. The machines are linked via a satellite network which both "centrally determines" the outcome of each play cycle, and "downloads" new content into the machines as appropriate. Global Draw owns the entire system including the machines and the network, provides onsite maintenance, and develops proprietary content, and is compensated on the basis of a percentage of the machine "win". We believe that wide area gaming networks of this type will be one of the fastest growing segments of the gaming industry going forward, and that within this market, government sponsored gaming will be particularly important.

PJ: *Are there any other SG/MDI initiatives that you are able to tell us about?*

LW: One of the prime initiatives that we are working on is the development of handheld electronic games, such as Electronic Game Card, which has been successfully introduced in Iowa and Kansas. We have come up with two complementary products, PushPlay and the Electronic Scratch Ticket that enables these handheld games to be recharged by inserting a paper ticket using conductive ink to activate the electronics in the card. We feel that this can be an important new category of lottery games.

We have numerous other products under development as lotteries seek to keep their product line fresh and attract new players in social settings. ♣

Public Order and European Jurisdictional Issues... continued from page 10

monopoly is normally an inefficient way to manage economic activity because it reduces the availability of products and services for the consumers. But as it relates to gambling, the effect of diminishing economic activity is actually a benefit to society.

PJ: *That sounds quite logical. Is that the analysis that you think the EU Commission will take when looking at the Germany situation?*

PV: There is a second case in the EFTA Court, namely the Nordic Ladbrokes case. Where the question is – is it appropriate to allocate the profits to whoever controls the gaming operations or is that indeed not the right way? That question has not been addressed properly yet. Germany was indeed obliged by a ruling of the Constitutional Court to take necessary measures to reduce gambling. According to the Constitutional Court the way the different German Länder are organizing it right now is not in line with the jurisprudence of the European Courts; however, the Constitutional Court did grant the states some time to take the necessary legislative steps to do so. One of the steps that has been taken by the different jurisdictions is to decide where is the most risky part of gambling... internet gaming. It ended up by prohibiting it so the most negative side of gambling would indeed be stopped. Whether that is a good solution is still something that one has to evaluate, because total prohibition may not really lead to less gambling. My view is that it in fact does not lead to less gambling – instead it leads to non-transparent gambling and then to illegal gambling. If you prohibit internet gaming as a whole then you will not implement transparent controls, so you in effect oblige the people who want to gamble through the internet to go to the illegal world. My view is that it is much better to make a government controlled internet gambling offering within the jurisdiction with all the necessary controls and limitations. That is the case in France where only at La Française des Jeux and PMU are entitled to go on the internet and sanctions are imposed on all of the other people. In the Netherlands only the state-owned casino operator, Holland Casino, which has a monopoly on casino operations, is also entitled to go on the internet with very strict rules within a transparent way. And the German solution... you prohibit internet gambling as a whole.

PJ: *This question relates to the UIGEA, which seems to effectively cut off the supply but leaves important questions unanswered. Do you have any examples that would illustrate how it might not be a good thing to do one side of the equation, the supply side, without coming to grips with the demand side of the equation.*

PV: The UIGEA does say that you can organize internet gambling within a single jurisdiction or state as long as you set up tools and techniques to prohibit minors and people outside your jurisdiction from playing. This is at least a very good beginning. It does not positively provide all the answers, but at least it tells the states that if you want to organize it then these are the borders, regulate it within your own jurisdiction. That is something very good and something we are missing in Europe. Stay within your own borders. UIGEA does not positively address demand because that has to be covered state by state. How does each state in its own social, economic, cultural and political environment want to address this?

My preferred solution is that indeed you organize it as a monopoly.

Let's make sure games are made available on the internet through the state controlled or owned monopoly operators. You have to make the assessment in your own jurisdiction as to what kind of games people are indeed playing the most and how to regulate them properly. In the Netherlands they said that the only people we will allow to offer internet gambling is the state-owned casino, not the state lottery. In France, the state will offer internet gambling. In Austria, the state lottery will offer gambling. There are indeed different solutions. In Finland, Veikkaus has been entitled for many years to offer internet gambling, but they have properly regulated it. People who want to play must physically prove their ID – prove who you are and that you are Finnish – then pre-register to play. They also put limitations on how much players can have on their internet gambling account, how much they can play each week, and they receive warnings if they play too long. There are many ways to properly regulate. But it is important to at least make an offer that responds to the demand.

PJ: *Will the European Commission come up with a single set of rules as it relates to the control and regulation of gaming in all the different jurisdictions? Or will this be an ongoing process of dealing with each case separately?*

PV: Let us be clear that there is no political consensus at the moment inside the EU because there are some jurisdictions like UK and Malta who believe that the internet is a free world and therefore should be freely available all over the world as long as it is properly controlled in the jurisdiction where the operator is licensed. That is conflicting with the ideas of France and Finland, the majority of the European states and the United States. They hold that just because you are regulated and licensed in the UK should not mean that you are allowed to offer your games throughout the entire global world. We don't know today what the European commission will do. What we do know is that following a study by the Swiss Institute of Comparative Law, which is 1500 pages from every state in Europe, they came to the conclusion that there are restrictions everywhere. They also understand that in every state the restrictions are different. You cannot say that France is equal to Belgium and they are both the same as Luxembourg. Every state has different restrictions which are historically linked. The result is that the Commission, and especially the commissioner in charge, Mr. McCreevy, is saying that it is far too difficult to get a political consensus, so currently it is left to the courts to rule on it. I think that this is not a responsible way. A regulator, a legislator, needs to intervene when there are a number of court cases indicating that this not a single dispute but an issue that involves all the member nations and therefore requires an overall discussion of the market. We cannot continue to live in an environment where we run from litigation to litigation. We need to have a stable legislative environment in which we look not only at questions of freedom of services but we also look into every single aspect of gambling.

PJ: *Is there any progress towards creating an international legal approach to resolving these issues?*

PV: I think there is a need for that. All people who are looking at this in a serious way admit you cannot regulate the internet in your own jurisdiction alone. You need to have a global view whereby you come to agree-

ments on an international level about how to tackle specific problems. One of the major problems in internet gambling is that many of these supplier companies are operating from off-shore jurisdictions. How do you stop that? How will you stop criminal organizations from setting up internet gambling sites which serve as money laundering devices? That is one of the issues that the U.S. Congress mentioned in the UIGEA, where they suggest that we look within the context of the Organization for Economic Co-operation and Development (OECD) and more specifically within the Financial Action Task Force (FATF) which is the device within the OECD that looks at money laundering. The U.S. has recognized that if you want to tackle money laundering, which is very important in the context of internet gambling, you cannot do it on your own. You must do it within an international context like the OECD.

PJ: *Is there any likelihood that it will be done that way?*

PV: I think so. There are numerous European states including France and Germany as well as organizations like Europol, the European Police Authority, who indeed believe that money laundering is important in relation to internet gaming. Europol acknowledges in its latest report on organized crime that there is an increasing involvement of organized crime in gambling. All criminal aspects must be tackled and everybody, including the U.S. authorities, must understand that internet gambling is used by organized crime as well as terrorist organizations to fund their operations. That's why international cooperation is so extremely important.

PJ: *So it's a realistic possibility that France and Germany will work with the U.S., and perhaps other countries, to get control of internet gaming?*

PV: Yes, I think so. I think especially today because of this battle that is continuously going on whereby the bookmakers are trying to open up the markets. The political feeling is growing that we need to regulate that and therefore we need to regulate it at the international forum where we can combat the harmful effects of uncontrolled gambling.

PJ: *The conflict between some German states, like Saxony, which are imposing bans on certain kinds of betting and the Commission that has told German states that they have to open up to more of a free market – how will this unfold?*

PV: Let me be very clear – there is disagreement between European Commissions Services and some of the major member states. And it's not just about Germany. The European Commission disagrees with France and the way France wants to organize it. But that is a typical political situation. I would say it will probably be a very hard battle, but knowing the way that both France and Germany and other states are looking at it I think at the end of the day we need to find a common solution. The European Commission has to understand all of this. To understand this better, we all need to cooperate and study this more. I think the EC does not completely and fully realize all of the negative impact and effects that gambling can have. That's indeed a question of understanding each other more and talking with each other more and embracing a more international, cooperative approach.

PJ: *You have said that it is important for professionals in the lottery sector in the U.S. to invest more time to understand what's going in Europe and visa versa.*

PV: Everybody has to cooperate because it is an international problem. It is a problem that is affecting all democratic societies.

First, we are facing international crime and terrorism and internet gaming is abused by those organizations so we need to co-operate and work together to fight it.

Second, even outside the framework of international crime, gambling remains an abnormal activity. It remains a 'special sector,' an activity that can hurt social life and society. Too much gambling can destroy family life, can destroy employment, and can have all varieties of negative societal impacts. That is not the way we ethically and morally want to address our life. We need to find solutions whereby we offer first of all the least addictive games, then to fulfill that demand, the need that people have to want to play, but to do it in a way that ensures that public operators are ethical, that minimizes gambling problems, and that we redistribute back into society what people are losing in gambling. An important benefit of gambling, even if it is not the main objective, is that we organize things so that the money is brought back to society for good causes and humanitarian purposes. I think this is an important aspect that has to be taken into consideration.

The third aspect is that we need to learn from each other because we are all looking for solutions and all of us have part of the knowledge, but not all of the knowledge. In a democratic society knowledge is not based on the knowledge of one single person but upon our ability to communicate and share knowledge with each other. Your magazine and others like it are important tools that help to develop knowledge and awareness in a democratic society. That communication is what can lead to a better understanding of the problems, the ways to regulate gambling, and finding technological solutions between different stakeholders, the beneficiaries, the society, the regulator, the operators, the suppliers – all of them have to be involved in that discussion on both sides of the Atlantic. In the U.S. you can also learn something in particular. We in Europe have been facing this battle for a long time. The U.S. is surprisingly only facing this battle recently, namely in the WTO where finally the public order concept in international law was helping them stop the supply from Antigua into the U.S. The WLA, especially former President Reidar Nordby and myself have worked together with USTR in Washington to support the U.S. government in its dispute with Antigua. I think that it is extremely important that European lotteries and the WLA continue to help the U.S. in that battle.

The U.S. could face an internal battle that has not been started yet, and that is based upon the (Dormant) Commerce Clause discussion. The impact of the Dormant Commerce Clause is similar to the European discussion on the freedom of interstate business that can only be limited for reasons that are necessary and proportionate. You must have serious reasons to limit the interstate business and those reasons must be necessary, must be required by the circumstances and must be appropriate. The Dormant Commerce Clause has not been applied to gambling, but it has been applied to the supply of alcohol whereby this reasoning has been elaborated. Maybe European jurisprudence and case history can provide the U.S. with some insight into how to address cross border or interstate business issues. Perhaps in this debate over the constitutional freedom to regulate things within your own state the U.S. might be able to learn something from the way these problems are being dealt with in Europe. On the other hand, the U.S. has taken an incredible step in the right direction with the UIGEA and this can definitely help Europe. Interaction, communication, and mutual support are critical in my view. ♣

Could a World Lottery Work?

An interview with Guy Simonis, First President of the WLA and former CEO of British Columbia Lottery Corp.

As former President of the BC Lottery and founding father of the WLA, Guy Simonis' position is informed by a wealth of experience steeped in the international politics of the gaming sector and his unparalleled accomplishments in our industry.



Guy Simonis

Paul Jason (PJ): At WLA in Singapore, the concept of a 'world lottery' was endorsed by a substantial number of lottery directors participating in the debate. You appeared to be one of the few skeptics among that group. Wouldn't a world lottery have a huge potential to bring the members of WLA together in a common game?

Guy Simonis (GS): In Singapore I questioned the meaning of the word "world." I think the feeling of that debating group was that for lottery purposes Europe,

Anglo North America and the Antipodes constitute the world. Not many on that stage in Singapore appeared to give a thought to the dozens of jurisdictions whose Muslim majority would never concede to a lottery of any kind. China and India would be difficult to engage in such a typical Western initiative. The lesser developed nations of South America and Africa might make deserving recipients of any lottery revenue, but cannot be counted on as contributors to the eventual lottery pot. It would be farcical to call such a limited – basically Western – led enterprise a world lottery; although, the concept of a lottery scheme including multi-national jurisdictions such as the existing Viking Lotto of the Nordic countries and Euromillions would be workable.

My second point is that a multi-jurisdictional lottery for a "noble cause" is the proverbial emperor without clothes. It is great as a common pretense but when the realization sets in that net revenue from gaming is in principle the state's taxation revenue from games of chance, the question quickly changes to why should we, as a state, give our rightful income to an external cause?

If the state's position would be that it will support the 'noble cause' from the taxpayers' kitty, then why do we have to go through a painful mechanism of creating an international lottery? Why not send a check from the state treasury?

PJ: Important judgments are being made by governments and international organizations, regarding the reasons why gambling should be treated as a 'special sector' and governments allowed to retain regulatory control over this sector. It seems to me that there is a lack of awareness on the part of the public everywhere as to why government control

of this industry is an important thing. One reason to create an international lottery is to increase that awareness and convert that awareness into political support for our cause.

GS: Paul, you are an idealist and a wonderfully kind person, but the political reality is that in regulating games of chance it's about "Show me the money." People in Italy – to pick one example at random – are far more interested in supporting local, regional and national projects in sport and recreation. If that isn't enough to get the consent of the Italian people to continuing the monopoly of the current gaming licensees, diverting revenue from yet another game to "noble causes" will not save the day. The argument to create a lottery to support a noble international cause will founder on the rocks of politically selfish behavior.

Another niggling problem is that "Foreign Aid" for most countries is within the purview of the national government. There are a substantial number of rich lottery jurisdictions that would most likely not be able to consider any international assistance program on the basis that such aid is the responsibility of their senior level of government.

A multi-jurisdictional lottery of linguistic, cultural or geographic soul mates would work. For example, a linguistic combination consisting of some U.S. state lotteries, the Australian states, New Zealand, the Canadian provinces and perhaps South Africa and some Caribbean nations. Such an alliance could have a reasonable chance of coming about *provided* that each jurisdiction gets to keep its own net revenue for whatever priorities they may settle upon.

PJ: What other obstacles are there?

GS: Game design for one. What's appealing in the form of game design and structure, promotional campaigns, etc. varies significantly from culture to culture. I lay claim to having been a driving force in the creation of two inter-jurisdictional lotteries (Western Canada and the Canadian Inter-provincial) and I can tell you the haggling and compromises to please every ego around the negotiating table is one of the reason for my balding pate. And this was within our own country! For a multi-jurisdictional, multi-cultural lottery structure one must add the problems of language, time zones, fluctuating exchange rates and incompatible legislation and presto... you have a snake pit of problems that are not insoluble but would demand the talents of a highly skilled negotiator. My final question would be "Who among the potential participants would

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Letter to the Editor

By Michael Edmonds, Director, Wisconsin State Lottery and Co-Chair of Legal/Legislative Committee of NASPL

U.S. Internet Lottery Sales

A recent article in your November 2006 issue (Digital Convergence and Strategic Implications for the U.S. Lottery, p.18) claims that the recently-passed Unlawful Internet Gambling Enforcement Act of 2006 (UIGEA) “gives a U.S. Lottery the ‘green light’ for an intrastate Internet sales channel.” Whether the UIGEA allows state lotteries to sell their products over the Internet is an open question. However, even if the light is green, state lotteries still have a bit of a problem: there is a cop standing in the middle of the intersection, with his arm extended and palm facing up.

The article notes that “unlawful Internet gambling” does not include wagers “initiated and received... within a single State.” 31 U.S.C. 5362 (10) (B). In addition “the intermediate routing of electronic data shall not determine the location in which a bet or wager is initiated, received, or otherwise made.” 31 U.S.C. 5362(10) (E). It is this language, the article claims, that gives state lotteries the “green light” for Internet sales.

Not so fast. The cop in the intersection is none other than the United States Department of Justice (DOJ). Moreover, DOJ has interpreted the Wire Act, 18 U.S.C. 1084, to prohibit the sale of state lottery products over the Internet, even where the wager is placed inside the state but the transmission is routed outside the state.

Mixing metaphors, the article counters that the “intermediate routing” language of the UIGEA provides state lotteries with a “Safe Harbor” from the Wire Act. The problem with this assertion

is that the UIGEA states, as a rule of construction, that “No provision of this subchapter shall be construed as altering, limiting, or extending any Federal or State law... prohibiting, permitting, or regulating gambling within the United States.” 31 U.S.C. 5361(b). Under this language, it seems that DOJ remains free to continue to interpret the Wire Act as prohibiting Internet sales.

The situation reminds me of the children’s game of Red Light – Green Light. One part of the UIGEA seems to allow for Internet sales (green light). Another part states that the UIGEA does not change the Wire Act (red light). The penalty for getting caught in Red Light – Green Light is that you are out of the game. The penalty for violating the UIGEA is a bit more severe: up to five years in prison. 31 U.S.C. 5366.

My own state does not allow lottery sales over the Internet. Even if it did, I would wait for the cop in the intersection to motion me through before taking my foot off the brake.

Sincerely,

Michael J. Edmonds

Note: Michael Edmonds is the Director of the Wisconsin Lottery. He has a B.A. from Lawrence University and a law degree from the University of Wisconsin-Madison. He is the Chair of the Legal/Legislative Committee of the National Association of State and Provincial Lotteries (NASPL). The views are his own. ♣

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these exclusive or near exclusive right to conduct these activities in a highly regulated fashion and with the highest degrees of public accountability, integrity, and social responsibility. At the same time, we must capitalize on our significant, individual, and collective brand equity, and continue to produce competitive products that provide entertaining experiences to our players.”

In part due to Gleason’s leadership roles with the WLA and NASPL, the organizations have decided to hold a joint conference in 2007. The Kentucky Lottery Corporation will host the joint

NASPL/WLA World Meet 2007 Conference in Louisville next October. Approximately 1,200 delegates from these organizations are expected to participate in the conference scheduled for October 3-6.

“It’s good to see the rest of the world realizes what a tremendous leader we have right here in Kentucky,” said KLC’s Board of Director’s Chairman George Demaree. “Arch has brought a tremendous amount of skill, expertise, and integrity to the Kentucky Lottery, and I have no doubt his influence will continue to be felt all across the world.” ♣

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provide this kind of leadership and why?” If the motive is increased levels of income for state programs, this may prove to be a lesser incentive than a survival tactic against the misguided urge toward liberalization in the EU.

PJ: Do you mean the drive to increase net revenue is less important than the goal of avoiding de-regulation and liberalization of the industry?

GS: In saying that, I invoke the Garbage Can rule that holds that preserving something is a stronger incentive than future profits, fear of loss a much bigger driver than hope for gain. The test? Wake a sleeping man and ask him if he wants to make \$20 right now and he’ll tell you to leave him alone. Wake him to report that someone is stealing the lid of his garbage can and he’ll rise in fury. ♣

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