

GAMING

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

This Month's Featured Interviews:



Rebecca Paul Hargrove

President and CEO,
Tennessee Education
Lottery Corporation



Margaret DeFrancisco

President and CEO,
Georgia Lottery
Corporation



Gerald Aubin

Director,
Rhode Island
Lottery



*Kevin Mullally, General Counsel
and Director of Government Affairs
for Gaming Laboratories
International, Inc. (GLI)*

Congratulating the 2008 Hall of Fame Inductees:

Ray Bates, Consultant and former CEO,
An Post Lottery, Ireland

William Behm, Consultant and former Sr. Vice-President,
Scientific Games Corp.

Lynne Roiter, General Secretary and Vice-President,
Legal Group, Loto-Quebec

John Walsh, Sr. Vice-President,
Global Sales and Services, Scientific Games Corp.

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Our industry news gets reported here as soon as it hits the wires. If it's lottery and gaming news you need, you can surf the web yourself to find it, or you can come to our website and get all your industry news in one place.

PGRI's Morning Report is our weekly electronic newsletter. It is sent out to your e-mail address every Monday morning. This provides you with a brief synopsis of the previous week's industry news. In addition to the news items, our editor, Mark Jason, follows up to get commentaries and quotes from the news makers themselves. Join your colleagues (15,000 of them) and subscribe to *Morning Report*. E-mail your request to subscribe to sjason@PublicGaming.com.



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From the Publisher

By Paul Jason, CEO, Public Gaming International Magazine

Topics of the Day:

❖ **NASPL Conference:** I hope to see you all in Philadelphia on September 23, 24, and 25. The NASPL Conference always delivers the most rewarding learning and networking experience of

the year (along with the bi-annual World Lottery Association Conference being held this year in Rhodes, Greece. See the ad' for the WLA Conference on page 31 of this magazine). 'Revolutionary Thinking'...the theme of the conference captures the spirit of Philadelphia and our industry. Our NASPL association is truly stepping up to be a valued partner in the drive to position ourselves for growth and prosperity in the coming years. That will require nothing short of the revolutionary thinking always in evidence at the panel discussions and break-out sessions of this conference. Another great stimulus for revolutionary thinking is the NASPL trade-show floor. There you'll find the most knowledgeable professionals in the industry poised to talk with you about your needs, industry trend lines, and strategies to keep you ahead of the curve.

❖ **Lottery Industry Hall of Fame:** There are currently 26 members of the Hall of Fame. Once a year, these members select three new members to be inducted into the Lottery Industry Hall of Fame. Last year inductees were Constantinos Antonopoulos, Reidar Nordby, and Jan Stewart. This year there was a tie in the vote so there are four new members to be inducted. Public Gaming, the Hall of Fame membership, and our lottery industry colleagues are pleased to congratulate Ray Bates, Bill Behm, Lynne Roiter, and John Walsh for their election to the Lottery Industry Hall of Fame. Read more about these newest members on page 16. The Lottery Industry Hall of Fame Induction Ceremony will be held at:

Date: Thursday, September 25, 2008

Time: 1:15 pm to 2:00 pm.

Place: Room 203B in the Philadelphia Convention Center

❖ **Interviews:** This is a special month of interviews. Check it out — you will not want to miss what Rebecca Paul Hargrove, Margaret DeFrancisco, Gerry Aubin, and Kevin Mullally have to say on all varieties of topics. Prospects for growth, opportunities for retail channel expansion, adapting to the expectations of the 'Myspace/text-messaging/Internet' generation, public relations and brand image, changes to come in video gaming, the need for common standards and IT platforms that enable more flexibility and inter-operability, regulatory issues like game classification and the challenge of integrating new concepts like skill games and new technology into the regula-

tory framework, and much more...Remember, the majority of the text is actually not printed in this magazine and can only be found on www.PublicGaming.com.

❖ **Articles:** Philippe Vlaemminck, Peter DeRaedt, GTECH Retail Strategy Team, Michael Koch, contributed fantastic articles that are more timely and relevant than ever.

❖ **www.PublicGaming.com:** Synopses and excerpts of Panel Discussions and Interviews posted on our website.

❖ **Charter Membership Program:** Please check out our website www.PublicGaming.com. For one thing, that is where you will find the continuation of the interviews and articles in this magazine. In addition to the most organized and comprehensive news resource, you will also find a wealth of compelling original commentary providing context and insight to the news. The general news continues to be free. You do not need a membership to access the most comprehensive roster of news in our industry. It's updated daily and it's free so check in frequently at www.PublicGaming.com. What's also free is the weekly newsletter, what we've dubbed the "Morning Report." Just send your e-mail address to sjason@publicgaming.com to receive the Morning Report. But we do need to charge a membership fee for access to premium content. The Charter Membership rate is just \$99 for a 12 month subscription. This discount rate is extended to the first 500 members, at which point the subscription rate will be \$395 for 12 months. I do hope you'll join. Continual improvement is our daily modus operandi. I promise to over-deliver and exceed your expectations in every way, and am an e-mail or phone call away if I miss the mark.

This industry is changing in quite dramatic ways. It is entirely possible that over the next 5 years, the macro-economic structure of the gaming industry will be wholly transformed. Public policy is being formulated right now that will have profound and long-term implications for our industry and the public. We are referring to issues like monopoly versus free-market competition, free and open borders versus national right to self-determination, international regulatory policy pertaining to Internet and Mobile gaming, and much more. Public Gaming is dedicated to giving a voice to the insights and perspectives of leaders of the industry; and to contribute to the body of knowledge that will hopefully inform and enlighten the shapers of public policy, the leaders of our industry, and the public whom we all serve.

Thank you all for your support. We need it and depend upon it and are dedicated to working hard to earn it. I welcome your feedback, comments, or criticisms. Please feel free to e-mail me at pjason@publicgaming.com. ♦

Paul Jason

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An Interview with Rebecca Paul Hargrove

President and CEO of the Tennessee Education Lottery Corporation

(The majority of this interview is continued online. Please go to www.publicgaming.com to see this interview in its entirety.)



Rebecca Paul Hargrove

Rebecca Paul Hargrove is a 24-year lottery industry veteran and has served as the Chief Executive of four lotteries. In three of those four states she led the start-up, and remains one of the most respected, experienced leaders in the field. Ms. Hargrove is especially known for her marketing savvy; and in fact it was while working as a television marketing professional in Illinois that she was first asked to lead a lottery. Her initial post as Director of the Illinois Lottery began a career that has led to her current position as CEO and President of the Tennessee Education Lottery, where she is celebrating her fifth year at the helm with a track record of raising more than \$1.2 billion for education programs.

Paul Jason, Public Gaming Magazine: Will the U.S. lottery industry ever achieve double-digit growth in top line revenue again? How about net sales or profits?

Rebecca Paul Hargrove: At any given time there are different things that impact different jurisdictions, so I certainly think it's possible. Higher prize point games and higher payout games often see double-digit growth in sales, but that kind of growth in profits is a slightly different issue. If you look at any given year when you have multiple huge jackpots in either of the multi-jurisdictional games, that will drive both double-digit growth and double-digit profits—both of those games are a 50% payout. There have been times in the past where there wasn't double-digit growth and then it came back and then it went away and then it came back...so each year is different in each state.

Public Gaming: But the fact that a jackpot can contribute to an individual jurisdiction's sales revenues does not translate into a blueprint for an industry-wide growth strategy. It could even create downward pres-

sure if the consumer is trained to wait for high jackpots to actually play.

R. Hargrove: The industry as a whole has enjoyed double-digit growth in the past, but the main reason for that revenue growth was that new states added new lotteries. The growth rate of additional lotteries has slowed as there became fewer states left that don't have a lottery.

Public Gaming: Are you saying that the traditional games never really achieved double-digit, year-over-year growth organically, that the growth rate was really a result of adding new lotteries?

R. Hargrove: Of course there were certainly some individual states that achieved higher growth rates in certain years, but I

*We won't get there tomorrow, but hopefully
we will get there in the 10 years it takes
for the 20-year-old to turn 30.*

don't believe that the industry as a whole ever grew at double-digits from one year to the next, apart from the additional revenues brought in by a new lottery. You'd have to go back and analyze it year by year, but from probably the mid-1970s to the early 1990s there was hardly ever a year that at least one or two lotteries weren't launched.

Public Gaming: What differences do you see in the industry between today and 1985, when you began working at the Illinois Lottery — anything that has particularly surprised you?

R. Hargrove: I don't know that I have been surprised. There have been interesting changes, but the evolution came slowly. If you look back to 1985 when most jurisdictions were selling one instant product at a time and they did four tickets a year whether

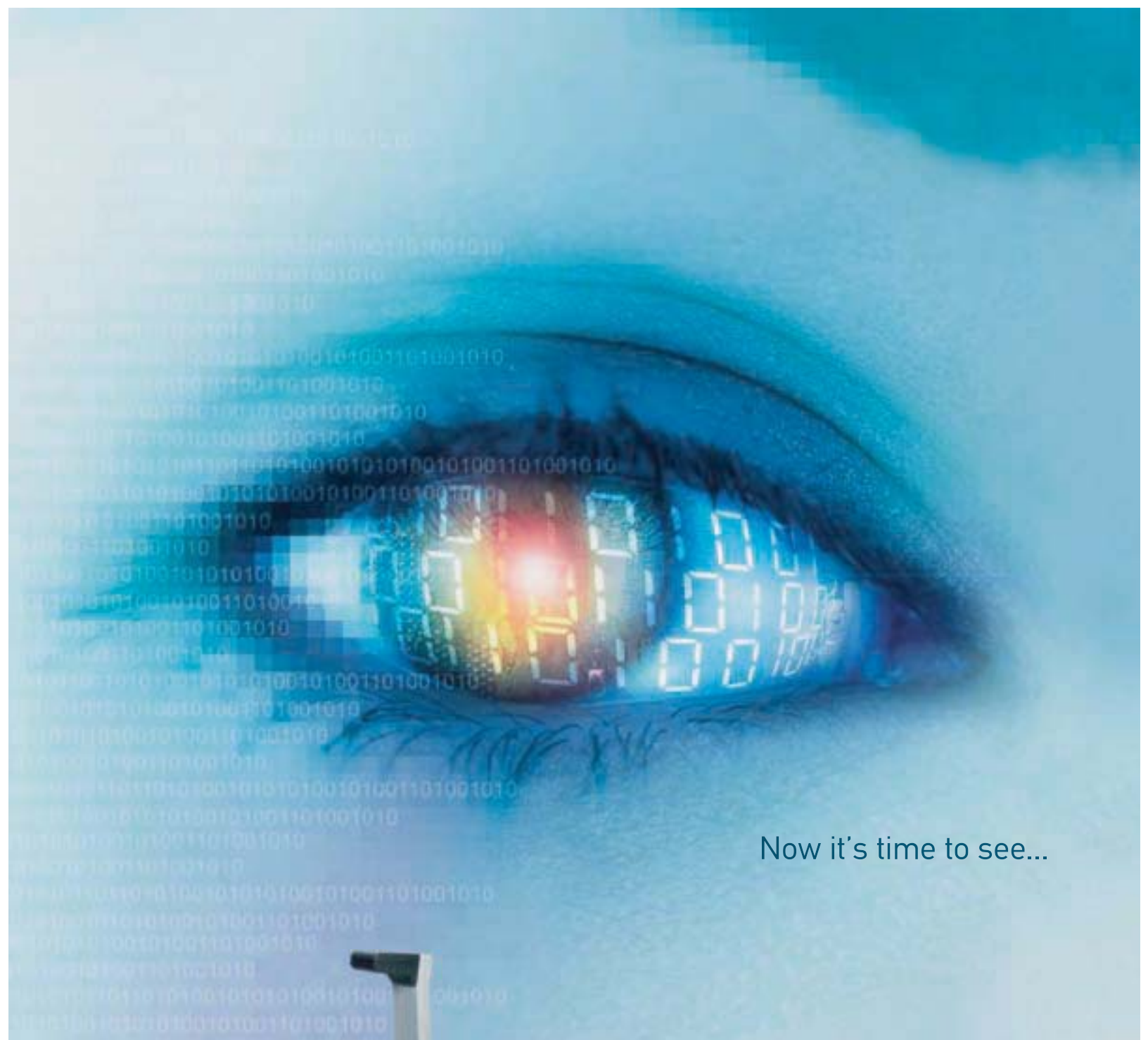
...continued on page 24

1985: Appointed by Governor James Thompson to lead the Illinois Lottery. Under her management, Illinois Lottery sales climbed to more than \$1.3 billion annually.

1987: Chosen to launch a lottery in Florida, where she set industry records for first-year sales. After this, she worked as a consultant, developing strategic plans and advising lotteries across the U.S. and abroad.

1993: Selected by the Georgia Lottery Corporation to launch the Georgia Lottery. During the first year of operation, she once again set new industry sales records. During her 10 years in the Peach State, the Georgia Lottery generated more than \$6 billion for education and scholarship funds.

2003: (SEPTEMBER) Hired as the first CEO and President of the Tennessee Education Lottery Corporation, where she led a start-up that began just four months later.



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An Interview with Margaret DeFrancisco

President and CEO, Georgia Lottery Corporation

And, James Hutchinson, Vice-President of Marketing, Georgia Lottery Corp.

(The majority of this interview is continued online. Please go to www.publicgaming.com to see this interview in its entirety.)



Margaret DeFrancisco



James Hutchinson

Mark Jason, Public Gaming: *Is the younger player more attracted than previous generations to games of skill? What does this mean for the future of traditional lottery games?*

Margaret DeFrancisco: This is certainly a lock for which we are all trying to find the key.

James Hutchinson: Absolutely, younger players are more attracted to games of skill. This generation is completely accustomed to games of skill through all the various games they play and purchase. They are probably the most competitive ever, because of the technology. And, because of this pop-culture phenomenon, they are always looking for the interactive opportunity to challenge each other.

Public Gaming: *What you are alluding to is the difference between thirty years ago when people might play solitaire, whereas now they play fully-inter-*

active Grand Theft Auto.

J. Hutchinson: Or the little buzzing electric football games.

M. DeFrancisco: Even with solitaire, that is played in groups online, competitively.

We don't want to be the U.S. car industry back in the early 1970's, refusing or unable to develop new products, incapable of adapting to a new world, a new environment... There needs to be a revolution in thinking.

Public Gaming: *At the SmartTech conference, Mrs. DeFrancisco, you said "Young players are looking for experiences." Could this concept be a key to future lottery success? What does this statement imply about the types of games and prizes offered?*

M. DeFrancisco: Absolutely. In fact, we keep trying to urge our vendors with licensed properties to change the model. Rath-

er than giving away money or stuff, prizes could provide winners with experiences that they couldn't necessarily get on their own. A couple of years ago we were able to get tickets to the Masters Golf tournament. Nobody can get those on their own. When we announced that was going to be one of the prizes, there was a lot of excitement. We've given away Mega Millions road trips to another Mega Millions state to watch baseball. People would be hard-pressed to do these things on their own. And I think young people are constantly looking for experiences. Look how many of them are very well traveled in their early to mid twenties.

The opportunity to sell in-lane at grocery stores is vitally important.

J. Hutchinson: In addition to that, which I agree with 100%, I think there is the opportunity for prizes that are very targeted to the behaviors of that demographic. I think there still can be relevance there, and it makes good sense for lotteries to consider what they do and how they do it, what types of prizes would appeal to and fit with their lives and lifestyles.

Public Gaming: *That focuses on the prizes. Does this concept imply anything about how the games themselves can change and mature?*

M. DeFrancisco: Oh sure. We know that young people do like to scratch, they do like instant games. I think the evolution of games will have to reflect the taste of the up-and-comers, while at the same time continuing to offer to the current player base. We have to appeal to a broad market, just like any product that's marketed. We certainly can't concentrate all of our energies and efforts on just the emerging market. We have to be totally aware of that market and develop for it, but at the same time we can't forget about the folks who are loyal to what we do, and are willing to try the new stuff.

Public Gaming: *I know that you've been in lottery for quite some time. Have younger players always shied away from playing lottery, then become more engaged as they grow into their thirties, with more disposable income?*

M. DeFrancisco: I believe there's been some of that. But, let's go back to the group called 'the Millenials'. Since birth, they have used technology, electronics. That's how they get their information. That's how they communicate with their friends, whether it's through instant messaging, cell phones, or text mes-

saging. It's the way they play. They multi-task, using more than one electronic device at the same time. That's how they do research for school. It's unbelievable to me. If they would see an L.P., they wouldn't know what to do with it, maybe use it as a Frisbee.

So I think this up-and-coming crowd is different from all coming before it.

The vendor community could develop all the games in the world. But if lotteries don't then recognize and embrace what they have developed, the games will sit on shelves.

J Hutchinson: And I don't know how willing they are to adapt to our ways. They are very independent. They embrace companies that embrace them. We as an industry have to find what they do, how they do it, and apply that in ways that are relevant to what we do.

M. DeFrancisco: They certainly have disposable income, from whatever source. They certainly seem to have money to spend. I think that all of the various constraints and restrictions that have been put on lotteries through statutory legislation, all will have to be set aside if lotteries want to continue to thrive as this group ages.

Public Gaming: *So you would say that this group shows a difference in kind from prior groups of similar age based on the technological manner in which they've been brought up.*


M. DeFrancisco: Right. And the behavior that then is exhibited as a result of this upbringing.

Public Gaming: *And the second side is that your opinion would be lottery must be able to make use of technology to reach this generation, or the generation simply won't be reached, because technology is what they do, who they are.*

M. DeFrancisco: Yes. And they are so used to getting things immediately that waiting for a drawing wouldn't even occur to them. Well, maybe if the jackpot gets high enough in Mega Millions, they might play and wait for the drawing. Maybe. They want immediate, they want graphics. Look at how they have avatars in their games, virtual worlds in which you can actually create your own world. And I'm certain that there are plenty of folks within the gaming community trying to develop things. It will be interesting to see how we break through the various restrictions to get there.

Public Gaming: *Would you say that this relates primarily to the scratch games?*

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An Interview with Gerald Aubin

Director of the Rhode Island Lottery

(The majority of this interview is continued online. Please go to www.publicgaming.com to see this interview in its entirety.)



Gerald Aubin

Gerry Aubin was appointed Director of the Rhode Island Lottery in May of 1996. Prior to this appointment, Director Aubin served as Executive Director of the Rhode Island Municipal Police Academy, and prior to that as Deputy Chief of the City of Providence following a 21 year career in law enforcement.

Gerry Aubin is Past President of NASPL, Chair of NASPL's Security Subcommittee, and is a member of NASPL's Retail Subcommittee. He serves as ex officio to NASPL's Standards Initiative Steering Committee. In addition, he is Past President of the Multi-State Lottery Association (MUSL), Past Chair, MUSL PowerBall Group, Chair, MUSL Cashola Group, Chair, MUSL Development Committee, and Member, MUSL Executive Committee.

Paul Jason, Public Gaming: *You came from law enforcement, but actually your areas of responsibility there weren't entirely different than what you're doing now in the sense of managing, organizing, and leading a large state-owned organization?*

One of the things we need to do is create more options and more variety that are in sync' with the tastes and fashions and preferences of this 'MySpace' generation which is so used to rapid change and product development.

Gerald Aubin: It was very interesting at the time, because I obviously had no knowledge of the lottery and lottery operations when I first assumed this position. However, I did have extensive knowledge of budgets and operations, with 600 people reporting to me during my last several years in the police department. Of course, I was very familiar with the kinds of issues that we deal with as a part of state government, and so was quite prepared for those aspects of running the lottery. But I did have to learn about the business of actually developing and selling products as opposed to serving the public in law enforcement.

Public Gaming: *In terms of "serving the public," how difficult is it to integrate the political agendas formulated by legislators and the governors office with the business of developing and selling products?*

G. Aubin: Well, that's actually the aspect of the job that I am most familiar with. I have spent the last 35 years working in state government and so have a pretty clear understanding of how it operates and what I need to do to operate successfully within that

We have table games, but they're just an extension of an existing VLT... They are still individual VLTs since they operate from a random number generator.

system. Working within guidelines that are established by a political process is something I'm quite used to. The more interesting transition for me was integrating sales and profit objectives into our mission. It's vital, though, that we stay focused on our role as serving the people because every dollar we generate from the lottery, and I continuously tell our people this, benefits many, many people in the state, and is an extremely important contributor to the state's fiscal goals. And lottery revenues make it possible to not raise taxes more than necessary, which is so important in these difficult financial times we're facing.

Public Gaming: *Our lottery and gaming industry would seem to have an interesting combination of lots of potential and opportunity to expand and grow, but challenged by highly political issues and concerns about social costs. How difficult is it to juggle the different constituencies and sometimes conflicting agendas?*

G. Aubin: I am fortunate to have a very, very supportive Governor as well as House and Senate that realize the value of the lottery. We've been here since 1974 and are the third largest revenue generator for the state. So everyone realizes how very important it is that we be successful, and I just don't encounter resistance to pushing hard to grow revenues and make the lottery as successful as possible. Of course, we all have to work within constraints and established guidelines, but we are encouraged by most everyone to make money for the benefit of the people of Rhode Island.

Public Gaming: *Does your relationship with the governor's office and the legislature allow you to take a proposal to them, to propose an initiative that might require legislative approval or statutory amendment?*

G. Aubin: The legislation doesn't really hinder us in many ways from implementing new and aggressive types of games, so

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An Interview with Kevin Mullally

General Counsel & Director of Government Affairs for Gaming Laboratories International, Inc. (GLI)

(The majority of this interview is continued online. Please go to www.publicgaming.com to see this interview in its entirety.)



Kevin Mullally

Kevin Mullally is the General Counsel and Director of Government Affairs for Gaming Laboratories International, Inc. (GLI). Formerly the executive director of the Missouri Gaming Commission, Mr. Mullally helped create Missouri's reputation for strict but fair regulation as well as developing a number of innovative practices that are being used in regulatory jurisdictions around the world. Mullally now serves as GLI's primary liaison to

elected officials at the state and federal level, regulatory agencies, key organizations devoted to developing gaming and casino policy as well as senior level executives of gaming equipment manufacturing companies.

As the worldwide leader in testing and certification for the gaming industry, GLI offers their services around the clock from eight laboratories on four continents, working to advance the science of testing gaming, but also working to advance the science of service. As technology transforms the gaming industry, the role of GLI to help integrate the agendas of legislators, regulators, gaming operators, and commercial suppliers, is more important than ever.

Paul Jason, Public Gaming: *Your clients are primarily governments, gaming operators and regulators who depend on you to test the equipment and systems to ensure that they meet a set of specifications, correct? What other consultative services do you provide to them?*

Kevin Mullally: GLI works for regulators to ensure regulatory compliance. We are a full-service technical and regulatory resource for our government clients. The regulator is the client while we look at manufacturers and operators as consumers of our service. However, we are careful to always protect our independence and keep firmly in mind that our mission is to independently test gaming hardware and software to evaluate compliance with standards established by government regulators. In addition, GLI views itself as an essential communication link between the manufacturer and the regulator. GLI's worldwide presence allows it to keep abreast of developments in gaming technology and communicate with our clients about regulatory issues that may arise because of new technology. As such, we are able to keep them ahead of the technology curve and allow them time to consider and plan for the implementation of new technology. Moreover, GLI has an extensive offering of training services to

provide regulators with an economical way of learning about new technology as well as other compliance related issues. GLI has separate departments for training, quality assurance, technical compliance, development (customer service), communications (that organizes GLI roundtables and training events) legal and government relations, as well as a highly specialized engineering groups having expertise in devices, systems, math, communication protocols, software programming and forensics. As a result, our regulatory clients have access to highly trained and specialized professionals who are very knowledgeable about how regulatory issues are being addressed around the world. Finally, GLI plays an important role in assisting its regulatory clients in dealing with instances where technology goes awry. Our dedicated forensic team can be dispatched instantly whenever a technology glitch or customer complaint requires the regulators immediate attention and investigation.

Public Gaming: *To what extent do regulators invite your input on the development of regulatory standards and restrictions?*

K. Mullally: GLI's technical compliance department fields dozens of calls daily from our regulatory clients around the world who seek advice on the development, interpretation, and implementation of a wide variety of technical standards. The GLI standards series is the most well-known library of technical standards in the world and has been used as a template by hundreds of regulatory jurisdictions. The standards now cover 14 subjects ranging from hand held bingo devices to lottery monitoring systems to server based gaming and wireless handheld devices. Currently GLI is in the process of updating the standards for Internet gaming systems at the request of some of our international clients, particularly in Europe and in Canada.

Public Gaming: *So GLI is highly focused on rendering assessments and appraisals and evaluations in a concrete and scientific way. But regulatory standards and restrictions sort of by definition seem to overlap with less measurable and quantifiable public policy questions. Are you ever asked to consult on questions or concerns that aren't easily quantifiable and shoved into the scientific method?*

K. Mullally: While it is ancillary to GLI's core mission of providing independent technical testing resources to regulators, it is certainly part of the package of services that we offer to our regulatory clients. Based on demand from our clients, we occasionally provide some non-technical regulatory consulting on issues relating to ensuring the integrity of gaming. It's not something that we specifically market or look at as part of GLI's core business. However, since the GLI staff includes former regulators

who have experience dealing with public policy issues, we are able to assist regulators with these types of issues if they request GLI's assistance.

Public Gaming: *Could you give me an example of a situation where a regulator has requested GLI's advice regarding non-technical issues of public policy?*

K. Mullally: Sure. Keep in mind that in all our dealings with our regulatory clients, we generally do not advocate a specific public policy. What we try to do is inform the client about strategies that have been used in other jurisdictions and what the outcome has been and let them ultimately make the policy decision. We are very clear that we are a resource for the regulator and ultimately the regulator sets the standards; the regulator determines what devices are approved in their jurisdictions. The regulator sets the public policy, not GLI. GLI just serves as a technical expert, a lot like an outside legal counsel, for instance.

A specific example that I personally have been involved in relates to the challenge that regulators have in performance measurement. It is one of the more difficult areas for regulatory policy because how do you measure the impact of the deterrent effect? How do you measure how many violations were avoided because of effective regulatory practice either through good communication and education about what is required or the proac-

tive presence of a regulator? A key regulatory skill is the clear conveyance of expectations and responsibilities to gaming operators and manufacturers with the goal of attaining high levels of compliance. Because of my experience managing a gaming regulatory agency, I am able to appreciate and understand the various complications our clients face in trying to deal with these issues. We must keep in mind that every jurisdiction is different and they all have their own unique historical, political and cultural issues. The challenge is to take what we have learned from our experience in jurisdictions throughout the world and communicate it in way that allows the regulator to make good, informed choices that are appropriate for their particular circumstances. Regulators often turn to a variety of GLI personnel who have experience not only as former regulators but who also have experience helping regulators solve important problems all over the world. In essence, we become a communications resource that adds value to the GLI array of technical services.

Public Gaming: *Well, let's take something like casino security and personal identification cards - whether and how to implement measures to secure the physical premises as opposed to the more typical thing you do with respect to the technology of the machines and the boxes themselves, do you ever get involved in areas like that?*

...continued on page 32

SALES MATTER.

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Beth Vige, a Connecticut Lottery retailer since 1988, is now seeing this *focused, purposeful mission* play out in her store. The owner of Vige's Convenience Store, in Naugatuck, loves her WAVE™ terminal and, in her own words, says *sales are higher* since its deployment:

"My husband looks at numbers a lot and he has looked at last year's sales and our lottery sales seem to be a lot higher than last year's."

Her players are happy. Her commissions are higher. And so too is her contribution to the greater cause: Connecticut Lottery beneficiary programs.



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Lottery Industry Hall of Fame 2008

The Lottery Industry Hall of Fame is an award established to recognize and honor a select group of professionals for their accomplishments and contributions to the Lottery Industry. New members are voted in by the current membership of the Hall of Fame. PGRI, the 26 members of the Hall of Fame, and our peers in the world lottery industry, extend our heart-felt congratulations to **Ray Bates**, **Bill Behm**, **Lynne Roiter**, and **John Walsh**, the 2008 Inductees of the Lottery Industry Hall of Fame. See www.PublicGaming.com for complete bio's and other information about the Lottery Industry Hall of Fame.

Lottery Industry Hall of Fame Induction Ceremony

Date: Thursday, September 25, 2008

Time: 1:15 pm to 2:00 pm.

Place: Room 203B in the Philadelphia Convention Center

The NASPL Convention is being held at the Philadelphia Convention Center at the exact same time. The ceremony is in between scheduled conference events and so is especially convenient to attend. Please check www.PublicGaming.com for updates. See you there!



Ray Bates

Ray Bates

Consultant

Honorary President of the European Lottery Association

Former Chief Executive Officer
An Post Lottery Company,
The Irish National Lottery

Ray Bates joined the National Lottery in its start-up in 1987 as Head of Information Technology, and was appointed Irish National Lottery Director in 1989. He was appointed

to the Board of Directors of the National Lottery in November 1991. He led the Irish Lottery through 18 years of continuous growth and developed it into its position as a National Institution, much admired and respected by the Irish people. Under his careful and sensitive guidance, playing the National Lottery in Ireland has become a normal and accepted part of Irish life by all strata of society.

In 1995, Mr. Bates was elected President of the European State Lotteries and Toto Association for a four-year term, at the end of which he led a team that merged two European Lottery associations into a single unified body called European Lotteries (EL).

In 1999 he was elected as first President of the newly formed EL for a period of two years. In 2001 he was nominated as Honorary President of EL. From 2001 to 2006, Mr. Bates was an active member of the Executive Committees of EL and WLA.

Mr. Bates retired from his position as National Lottery Director in June 2003 and has since been engaged in consultancy work with a number of State Lottery Companies in Europe, as well as being engaged in committee, working group, seminar and conference activities under the auspices of EL and WLA.

William F. Behm

Currently: Consultant to Scientific Games

Previously: Senior Vice-President Hardware Engineering and Manufacturing, Scientific Games Corp.

Executive Vice President, Scientific Games International



William F. Behm

In his 30 years with Scientific Games, Mr. Behm was involved in developing numerous products and technologies, several of which became industry standards. He was involved in both marketing and research and development activities, including game design, demographic research, creating methods to print secure tickets, developing bar code technology, developing instant ticket validation hardware and software, and creating on-line system and terminal designs.

Most recently, Mr. Behm was responsible for the Scientific Game's family of lottery terminals and devices. He developed, consulted and advised on new products, processes and security features for both the Systems and Printed Products groups. Recent examples include the company's newest Lottery and Racing terminal families, Keyed Dual Security and keyless validation technologies including the Orion, Scratch-to Cash and SciScan. Additionally, Mr. Behm was responsible for the development of Terra 2000, Scientific Games' environmentally friendly, recyclable instant ticket. Mr. Behm also developed Scientific Games' bar code technology; making ink-jet printed bar coded tickets a reality. He improved instant ticket security by developing secure printing inks and ticket testing protocols. Many of the protocols became industry standards that are still used today.

He worked on a team that developed Scientific Games' original on-line system, including the central site, terminal and communications system technology. He was also involved in developing ZIP code-based demographic sales analysis of lottery products, which was the industry's first use of cluster analysis demographics, and developed targeted direct mail programs for the Michigan, New York and Pennsylvania lotteries.



Lynne Roiter

Lynne Roiter

General Secretary and Vice-President

Legal Group, Loto-Quebec, Canada and
General Secretary, Montreal Office – W.L.A.

Ms. Roiter has been the Secretary General and Vice President Legal Group for Loto-Quebec since 1996. Prior to that appointment, she was the Director of Legal Affairs for Loto-Quebec. Ms. Roiter's contributions in those assignments include:

Lead on establishing permitting Loto-Québec to diversify its activities to casino, lottery video and satellite bingo; Lead on class action by lottery video players; Corporate Secretariat (Loto-Québec and all its subsidiaries); Problem Gaming Research and

Prevention Department; Internal audit and Development of risk management policy and control assessment; Board Member of Loto-Québec subsidiaries: Ingenio, filiale de Loto-Québec inc., Société des casinos du Québec inc., Resto-Casino inc., Société des loteries vidéo du Québec inc., Société des bingos du Québec inc., Casiloc inc.; Board Member of Loto-Québec's joint holding Manoir Richelieu Limited partnership.

Ms. Roiter serves as Chairman of the Board of the Interprovincial Lottery Corporation. In that role, Ms. Roiter was the lead on the case heard by the Supreme Court of Canada which established that Canada's provincial lotteries have exclusive rights to implement Internet gaming in Canada.

Ms. Roiter has served as General Secretary of the Montreal Office — WLA (World Lottery Association) since 1999. Prior to that, she served as General Secretary to the predecessor of WLA (which was AILE). Ms. Roiter was a member of the transition team for the dissolution of AILE and INTERTOTO and the creation of WLA.

John Walsh

Senior Vice-President, Global Sales and Services, Scientific Games

John Walsh is a 27-year lottery industry veteran and one of the chief architects of the Cooperative Services Program (CSP) concept, a performance-based business model in which a lottery supplier's compensation is based on helping lotteries grow their sales and value



John Walsh

added services. Long a proven business model among U.S. lotteries, CSP is now being successfully implemented in Italy, Germany, Ukraine, and China. China represents the largest CSP start-up in lottery history.

A native New Yorker, Mr. Walsh joined Scientific Games in 1986 following a five-year stint with Control Data Corporation where he managed the New York Lottery's online sales support. This early-career experience gave him a deep understanding and appreciation

for the connection between operations and logistics efficiency and a lottery's sales and revenue success.

Between 1986 and 1993, Mr. Walsh was Scientific Games' General Manager for the New York Lottery CSP (the birthplace of the CSP concept). In 1993, Mr. Walsh was named Vice President, Cooperative Services, then Senior Vice President — Marketing and Operations in 2000, and is currently Senior Vice President, Global Sales and Services. Today, he focuses all of his time and energy on the development and enhancement of the intricate, interrelated components that comprise Cooperative Services, as well as on providing comprehensive operations support to the company's expanding global base of CSP customers. ♦

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Is the Current Concept of “Public Order” Adapting to the Changing Gambling Environment?

By Philippe Vlaemminck



Philippe Vlaemminck

In different places of the world, one can see the legal battles surrounding lotteries and other forms of gambling increasing exponentially. Internet has certainly been one of the major reasons for this battle. Indeed, Internet has created an enormous new world for consumers around the globe where they can meet, learn, buy, play...and gamble.

Many jurisdictions, especially in the Western hemisphere, refused to set specific legal borders to the Internet environment. Ubiquity is the basic word that lawyers tend to use to circumscribe that there is no clear connection with classic legal concepts and systems.

Does it mean that there are no rules, and that governments can no longer regulate? Certainly not, although some believe that Internet did create a borderless world that governments cannot control. Consumers indeed are benefiting from fewer constraints on the Internet, but more risks at the same time. The risks are largely due to the fact that the absence of constraints for the consumers, do concurrently and equally create fewer constraints for the organised crime.

In recent reports on organised crime, Europol explicitly mentioned that there is an increasing involvement of organised crime in legal gambling. As such, this must provide enough reasons to consider further and stronger regulation of gambling services which are, thanks to the Internet, more largely available than ever before.

Where gambling is regulated, the number of operators and what they are permitted to offer is limited. Under rules of international law, like under European law and US law, the arguments for defending such structures are driven by original concepts and views on ‘public order’ as existing in those jurisdictions. We need to ask if these concepts have changed over the recent years. Has technology changed how these concepts should be applied to the gaming industry?

Although the views on public order can be different from jurisdiction to jurisdiction, the underlying reasons and the limits of the concept are becoming increasingly international. Case in

point: In the Antigua case, the USA invoked for the first time the GATS public order exception under art. XIV GATS in relation to Internet gambling.

The only point of reference with regard to cross border supply of gambling services was and still is the jurisprudence of the European Court of Justice. In the European Trade Barriers case introduced by the British Remote Gambling Association against the United States, European Lotteries insisted upon the fact that the USA was defending the same “public order” principles as the European Member States. According to European Lotteries it could not be in the interest of the EU to start a new WTO dispute on Internet gambling services against the USA, only because the USA was applying its laws against illegal remote gambling operators from the UK. It is therefore useful to look a little bit more in detail at how the public order principle and the right

European Lotteries insisted upon the fact that the U.S.A. was defending the same “public order” principles as the European Member States.

to invoke it has developed over the different gambling cases that the European Court has addressed over the last years.

Reasons of public order can only be used when the measures intended to be in place for such reasons are strictly necessary for the aims pursued. In the Gambelli case the European Court narrowed this down by stating that only policies aiming at a genuine diminution of gambling opportunities fulfilled this criterion. Later, the European Court broadened the concept in the Placanica case (which was afterwards endorsed by the EFTA Court in Ladbrokes) by declaring that a policy of controlled expansion in the betting and gaming sector may be entirely consistent with the objective of drawing players away from clandestine betting and gaming (Placanica ruling) or highly addictive games (Ladbrokes ruling) to activities which are authorised and regulated.

Today however, as a result of further legal battles, the concept of public order is still questioned. Is public order opposed to multiple operators and operators offering services on a cross border basis? Is it possible to have different systems, a monopoly for lot-

teries, licenses for casinos, etc... co-existing? Can a monopoly be operated by a private operator? All those questions are currently emerging through different court cases.

Private operators do believe that the Placanica judgement opens the road for a number of licensed operators rather than monopolies. In new cases they do challenge the way that the single or multiple licenses are allocated and require that the license allocations follow transparent and non-discriminatory procedures.

In the European Parliament, a group of Members of the European Parliament is looking for a study to find out whether prohibition and/or restrictions at the national level could not be reeking for a competitive environment. The European Commission endorsed this. At the other end one can find anti-trust authorities questioning the operational models based upon public order and insisting that gambling services operate under full competitive conditions.

To get a better understanding of these developments, the French Presidency of the European Council invited all EU Members States to participate in a Working Group to address mainly the regulatory problems surrounding remote gambling.

At the same time, the discussions between the USA and the EU on the impact of the UIGEA on the British remote gambling operators (members of the Remote Gambling Association) will continue. According to the RGA, the USA enforces its laws in a discriminatory way. For this reason they request that the criminal actions initiated against their members be discontinued. Such demand can fundamentally undermine the public order model promoted by the EU Member States and the USA. For this reason, European Lotteries, supported by the WLA and NASPL, are vigorously opposing the RGA request. Still, the outcome is far from certain.

Looking at all these developments one can only conclude that it could be necessary to revisit the current concept of public order in gambling to provide adequate answers to technological changes. It is this challenge that governments all over the world are facing.

The International Association of Gaming Regulators is meeting in Rome in September 2008. Internet gambling is on the agenda. The undersigned is invited to chair this session. Let's see how regulators come to terms with it and whether they can propose solutions to their respective governments. ♦

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GSA's Open Standards: A Fear or Blessing for Lottery Operators?

Part 1 of a 3 part series.

By Peter DeRaedt, President, Gaming Standards Association (GSA), www.gamingstandards.com



Peter DeRaedt

Established in 1998, the Gaming Standards Association is the leading standards setting forum in the gaming industry. GSA creates benefits for gaming manufacturers, suppliers, operators and regulators. GSA facilitates the identification, definition, development, promotion, and implementation of open standards to enable innovation, education, and communication for the benefit of the entire industry. GSA's standards are the foundational technology on which the gaming

industry is building its future. They will enable networked gaming and drive significant innovation into the gaming industry justifying the ROI for deploying these new technologies/infrastructure.

The communications technology deployed in the lottery jurisdictions today is mostly based on single vendor, proprietary solutions that severely limit the agility of the lottery operators. This technology is currently available through the execution of long-term contractual obligations locking operators into one set of features, one development path and one manufacturer's gaming products. Operators are unable to 'quickly' react to their unique market requirements and are therefore not able to offer game content, marketing features and new functionality from different providers. This significantly restricts their ability to respond and capitalize on new opportunities making it very hard to compete. In order to drive revenue, they need to be able to make prudent investments that provide them with the highest level of flexibility allowing them to grow in directions they determine to be right for their jurisdiction.

For the lottery jurisdictions, open communication standards are profoundly important. In order to ensure the most financial benefit for their constituents, it is key that the lottery be able to strive towards flexible technology that allows them to continuously grow state revenue. Open standards provide this by allowing them to make prudent investments in scalable solutions and by allowing them to offer the latest products. The result is that, since the open standards provide increased flexibility and reduced time to market, lottery directors have more options and can try new products easier. Also important is that they can evaluate new products and features in their jurisdiction on a small "trial" scale. They can see the results of their decisions quicker and have the ability to increase or remove their stake in the new features based on actual results in their jurisdiction. This is a huge advantage for lotteries as they can make choices based on real results

instead of on marketing information and theoretical return statistics. Additionally, a smaller initial stake greatly reduces the chance of making a mistake that could cost the jurisdiction money or adversely affect the jurisdiction's reputation. It also puts the lottery on par with land based casino operators as open standards enable the state to adopt new capability at the speed of business instead of at the pace of a single manufacturer's design schedule. By allowing the directors to trial or "phase in" new technologies, open standards assists them in shepherd-ing the taxpayers' funds as decisions can be made on more actual data and on a smaller scale. With GSA's open standards, the long-term contractual commitments lottery operators typically are offered are optional and no longer a requirement. This helps lottery operators adopt new technology, in a timely manner in a way that improves the operator's ability to protect the public interest.

The industry's adoption and support for these new open standards puts those executives who are charged with entering this new gambling space in an enviable position! In the past, lottery operators felt 'behind the 8-ball', charged with implementing everything on short timelines with too little direction and guidance. The competitive environment was intimidating. Today they will have the ability to skip an entire generation of technology; moving right into the next generation without the ball and chain of capital investments that are obsolete before they have completely paid off.

Their competitors are saddled with the onus of convincing shareholders and capital markets to pony up large sums of money to replace infrastructure that still works fine. They get to skip all of that nettlesome discussion and breeze right into the future with the latest and greatest.

One of the many benefits of the new GSA standard technologies, besides being open, flexible, and interoperable, is that they enable responsible gaming functionality much more effectively than the old technology. Communication, interaction between operator and player, is enhanced in ways that open up a whole new way of thinking about how to help your players enjoy the recreation and entertainment value of gaming while minimizing the possibility that their patrons will develop this destructive behavior. Additionally, enhancements in Responsible Gaming capability are currently under development in GSA protocols. These new features are based on research and requirements from GSA's lottery and casino gaming member companies in Europe and North America. GSA is very aware of the concern of public gaming operators and is taking steps to provide even more options than are already in the existing standards. ♦

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Welcome to www.PublicGaming.com. Our website and weekly electronic newsletter (dubbed 'Morning Report') have changed dramatically over the past year. Check in frequently because the news is updated daily. The general news and Morning Report continue to be free. However, we are now investing time and resources into the development of the most robust news and information resource in the gaming industry and need to charge a modest fee for membership to support this initiative. The first 500 subscribers are entitled to the Charter Member discount rate of just \$99 for 12 months access to all sections on the website and a host of other benefits. (We'll still invite and encourage membership after we meet our 500 Charter Member goal, but the subscription rate will be \$395 instead of \$99).

Check out the website. Sign up for free Morning Report (over 16,000 of your colleagues receive it now). We already carry the most comprehensive and best organized daily news service in the gaming industry. But in addition to that, you'll find a wealth of commentary from industry leaders, original editorial intended to cut through the industry 'spin', and our own reporting on the hottest news of the day. These two pages include a small sampling of excerpts from articles appearing only on www.PublicGaming.com.

Paul R. Sternburg, V.P. of Sales & Marketing for the Connecticut Lottery, discusses last year performance and plans for the future

The Connecticut Lottery showed increases in both the scratch and online games this year. *Excerpts:*

"Connecticut is a very successful lottery, and has been doing very well for a long time. The only twist is that when I arrived (in January 2008) the lottery was offering 69 games per year, which I thought was very high. I felt that reducing the number of games from 69 down to 48, including the baseline games, would allow us to do three or four games every few weeks, and allow us to do effective marketing campaigns, so the POS would tie in with the tickets and effective tv and radio advertising. At 68 or 69 games, we did too many games to have an effective marketing effort, to get the most out of the advertising dollars. Second, we figured it would be easier for the retailers to reduce the number of games they had to deal with. And third, we felt it would be less confusing to the players. Looking at a wall of 69 different games can be a little intimidating. We wanted to make it easier for the players to decide on a particular game, more user-friendly all the way around.

"So, reducing the number of games had a number of positive effects. One, we reduced our costs by doing larger runs in a smaller number of games. This year our costs will be down a million dollars in this alone. Two, we can have larger prizes, since we are offering larger runs in the games. If you move from a game having a two or three million ticket run up to a game having a nine million ticket run, you have a lot more money available for the prize pool.

"...the majority of lottery sales are impulse buys. The last figures I have indicate that 28% of the players go into the store to buy lottery tickets. The rest, 72%, purchase on impulse, as an additional buy to what they came into the store for. Obviously, POS is important. But as important as that is, the clerk, the manager of the store, how they feel about lottery, how they present lottery, how helpful they are

to the customer, is huge. When you consider that 72% of the sales are impulse buys, and the last person they see is the clerk, whether the clerk has a good feeling about lottery, talks about lottery, asks for the sale, goes a long way toward determining whether a sale is made. That's probably the most effective way to sell tickets."

Marketing Traditional Games to the MySpace Generation

Buddy Roogow, Maryland Lottery Director, talks about new initiatives to appeal to the emerging market.

"We are competing against the Internet, which provides not only gaming but very high levels of interactive entertainment. That's what we are really trying to do as lotteries, compete in the entertainment market, not so much the gambling market. So, we've got to compete with the internet, and compete with the various facilities that are available in other states for gaming. Fortunately, we've had a tremendous amount of latitude here in Maryland regarding how we operate the Lottery. We do operate at the highest levels of security and integrity. But also I think most people would say we are about as cutting edge as any state lottery in the country."

An Upgraded Security Initiative: a talk with Bill Hertoghe, Director of Security and Law Enforcement for the California Lottery

In June, the California Lottery began an intensive initiative to validate the honesty and integrity of its retailers. Bill Hertoghe led that initiative, and discusses the game plan, implementation, and some of the results that were found.

"Big Box" – Florida Lottery contracts with K-Mart

Tom Delacenserie lays out the process through which he and the Florida Lottery landed Kmart as a retailer. The two-year selling process consisted of many stops and starts. Mr. Delacenserie talks about the objections, ways these objections were overcome, and the implementation process. ♦



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Check out our website and weekly electronic newsletter (dubbed “Morning Report”). They’ve changed dramatically over the past year. Following is a small sampling of excerpts of what you’ll find there. The news changes daily, so check in frequently.

SmartTech 2008: Gordon Medenica’s Panel discussion “Beyond Privatization: Lottery Financial and Ownership Structures”

The term “privatization” continues to be discussed and written about in overly simplistic ways. Lotteries and state-owned gaming operations are huge and complex assets. The business of extracting maximum value from those assets; the business of assessing how these complex assets can contribute the most to a state’s fiscal objectives, both short-term and long-term, is quite an interesting issue. With a panel of experts from the financial services sector, private business, legal, and lottery, the Director of the New York Lottery explores alternative monetization strategies, the possible impact of various lottery business and ownership modeling, and more.

SmartTech Conference Panel Discussion: The Impact of Federal Regulatory Policy on State Lotteries

Bill Murray, General Counsel and Deputy Director of the New York Lottery, leads a panel of legal authorities, technology experts, and lottery executives in discussing the impact of federal law and regulatory policy on the use of technology by lotteries. In particular, the Unlawful Internet Gambling Enforcement Act (UIGEA) and its impact on the rights of state-owned lotteries to use Internet and cell phone technology is analyzed.

SmartTech Conference Panel: Innovations and Distribution: “Big Box” initiative and more...

Lottery and industry executives, led by Georgia Lottery CEO Margaret DeFrancisco, discuss opportunities in distribution, including pursuit of the great distributional potential of the national retail chain stores. Linh Nguyen from California talks about CVS; Tom Delacenserie of Florida discusses Kmart.

SmartTech Conference Panel: Success Strategies and Innovations in the Marketing of Traditional Lottery Games

Minnesota Lottery Executive Director Clint Harris leads a panel discussion with lottery marketing executives. All lotteries are focusing on increasing the growth of traditional games, making them more interesting and exciting to get the attention of players who are being confronted with an increasing variety of entertainment alternatives.

Sustainable Development

A series of articles investigating the meaning and implications of Sustainable Development, from the first use of the term to United Nations statement of principles. With a preface by PublicGaming.

“The term sustainable development (SD) was coined in the 1987 United Nations Report Our Common Future. The most widely quoted definition of sustainable development from the report is development that “meets the needs of the present without

compromising the ability of future generations to meet their own needs.” Applied to the gaming industry, Sustainable Development is fast becoming an important component to public and regulatory policy. Forward thinking operators and suppliers are integrating these considerations into their approach to optimizing a portfolio of business objectives that includes much more than maximizing revenues and profits...

US House Financial Services Committee deadlocks on two vital internet gambling votes; the UIGEA remains unchanged

On June 25, the US House Financial Services Committee voted on two proposals that would have mandated clarification of the term ‘Internet gambling’, and prevent implementation of the UIGEA until such clarification. This vote deadlocked along partisan lines. With a preface from Public Gaming, both proposals are presented, along with an article explaining the proposals and voting results. Included also are responses from the Poker Players Alliance, Rep. Spencer Bachus, and an interview with Michael Waxman of the Safe and Secure Internet Gambling Initiative.

The following item regarding the German Court ruling is a press release that did appear in other news sites as well as ours. But not nearly as many as the press releases from JAXX, Tipp 24, and other private interests which invest hugely in PR campaigns that spread misinformation. In the interests of providing our readers with all points of view, even those inconsistent with the interests of state-owned gaming, we posted some of those press releases. But we included a caveat to refer you to this press release from the German and European Lotteries for the more accurate description of the Court’s decisions.

Like many issues confronting the gaming industry, the political and regulatory environment in the European gaming industry is dynamic in the extreme. Nowhere will you find a team more dedicated to intelligent reporting on these complex issues than your correspondents at Public Gaming Institute.

German Federal Court of Justice reinforces state-owned lottery companies

The German Lotto and Toto Block (DLTB), Deutscher Lotto- und Totoblock, issued a press release explaining the August 14, 2008 German Federal Court of Justice ruling.

“The German Federal Court of Justice (Bundesgerichtshof, BGH) today reinforced the federal gambling structure designed to protect gamblers.”

“We welcome the decision”, said Dr. Friedhelm Repnik, Managing Director of Staatliche Toto-Lotto GmbH Baden-Württemberg and Head of the German Lotto and Toto Block (DLTB). “The leaders of the Federal German States have decided against a commercial gambling model in Germany. Protection of gamblers takes priority.” ♦



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An Interview with Rebecca Paul Hargrove ...continued from page 6

you needed to or not — if you told me in '85 that 24 years later you'd be selling 60 instant tickets at a time, I definitely would have been surprised by that. But we didn't go from four to 60; we went from four to six to eight to 12. The evolution happened over a period of time so it wasn't that surprising, but I don't know that I could have predicted 25 years ago that we would be selling this large a variety of games and products.

Public Gaming: *In talking with our European colleagues like Lottomatica, they deliberately reduced the number of games, finding that the consumer gets familiar with a few games and doesn't necessarily want all the variety. But you find that it does serve a useful purpose to have that large a number of products and games and launches?*

*Public opinion doesn't always find its way
into public policy.*

R. Hargrove: I think it again depends on the individual jurisdiction, the age of the lottery and/or the sophistication of their retailer base. A four-year old lottery is going to be very different from a lottery that's 10 years old. Lottomatica is decades old and is a national lottery. The U.S. is, of course, separated into different jurisdictions, all of which have their own unique set of circumstances. Each state is at a different point in its evolution, and so does things differently from other states. It also depends on your player and on what the competition is at your borders.

Public Gaming: *How does the age of the lottery or the stage in the life cycle of the market or product relate to the number of games that is the optimal to run?*

R. Hargrove: When you are a new lottery, your player doesn't get bored quite as quickly. For example, when we (in Tennessee) tested extended-play games, they didn't test well. However, if you test an extended-play game in a jurisdiction where their players have been playing instant tickets for 35 years, it's likely they are ready for a different kind of play-style than a new player, who may be easing their way into learning to play lottery games.

Public Gaming: *It was not too many years ago that lotteries thought of themselves as separate and apart from the rest of the gaming and gambling industry, and now many lotteries are expanding into casino-type gaming. Do you think of the traditional games like Lotto and scratch-offs as being distinct and different from other forms of gaming or from a strategic and marketing point of view, is there now some overlap? Do you see lotteries as being in competition with these other forms of gaming?*

R. Hargrove: Again, it depends on where you live. If you look at what other forms of gaming offer, there is quick action, there's the ability to multiply what you win, the ability to win more if

you spend more. Players win on the turn of the card, the throw of the dice, the horse crossing the finish line...it's different. In our traditional drawing games, you bought a ticket on Friday and you found out Saturday whether you won or lost. Even if you played a daily game, you bought a ticket that morning and the drawing wasn't until 7 o'clock that night. In a lotto game your odds may have been one in 14 million if you bought one ticket, two in 14 million if you bought two tickets — you couldn't appreciably change how much you won based on how much you played. So I do believe the traditional draw kinds of games are quite different than other forms of gaming. Obviously the states who have gotten into video or keno or even to some degree instant tickets that have more instant gratification, that's where you may be getting closer to the destination gaming concept.

Public Gaming: *It is obviously extremely challenging to manage a lottery, with each lottery having its own unique set of opportunities and challenges. The dynamics of this business are really quite different from anything else in the world, with no operator manual to help you figure it out.*

R. Hargrove: I believe that if you look at my colleagues across North America, you'll find that they are very sophisticated, not only in the business world but in understanding their player. And even those who are new to our business, generally they are in states where the professional staff has been there, in some instances, for 20 to 30 years. You don't get appointed to the position without having an accomplished resume yourself. And in this job you learn very quickly or you don't survive.

Public Gaming: *So the newly appointed director whose background doesn't include a wealth of lottery experience usually has an experienced staff to help them adjust?*

*I believe an ITVM is better suited when your
lottery is a few years older than ours is right now.*

R. Hargrove: The new director brings professional experience that's very, very beneficial, and sometimes the fact that they come from outside of our industry can be a good thing. They introduce a fresh perspective by stepping into a well-oiled machine and perhaps saying, "Hey, wait a minute, why are you doing it this way?" Sometimes we can't see the forest for the trees because we've done it the same way for so long that it's really good to step back and ask that question, "Why exactly are we doing this?" I've had that challenge moving from jurisdiction to jurisdiction — sometimes you can get really comfortable and not challenge yourself as frequently as you would when you jump in with both feet. For example, while I certainly understood the gaming industry when I came to Tennessee, there was much about this state

that I didn't understand. So, I had a learning curve in spite of my lottery experience. I had to learn how to do business and operate in Tennessee. Likewise, a director who understands business and knows the state, knows the people and how to operate in a state, would have a less steep learning curve than I had in that regard but would need to learn the gaming side of what we do. And there are very different nuances in every jurisdiction. So everybody brings something different and you surround yourself with people who complement your strengths and weaknesses.

Public Gaming: *There's a cliché: "Every year lottery players get a year-and-a-half older." What do you think can be done to reenergize traditional games, making them more exciting for the younger generation?*

R. Hargrove: I think that whatever business you're in, you need to make sure that your distribution channels are reaching your potential customers, that the product you offer is what your potential customers want. I think that changes over time.

Public Gaming: *Are there any products or marketing initiatives that are particularly forward leaning that you're excited about implementing and that you envision the lotteries doing in the coming years, or that you envision doing in the next 12 months?*

R. Hargrove: We move closer to that direction very slowly

every day. I think everything the industry has done over the last several decades has very slowly moved us there. Examples include everything from keno and Hot Trax Champions to the way our instant tickets are distributed, to the licensed property games that offer something that appeals to somebody who maybe isn't a lottery player but may be attracted to that particular licensed property. I don't think it's something that's going to happen overnight. However, every day we must hone the ability to operate in-tune with the 21st century and to appeal to the 20-year-old 10 years from now. We won't get there tomorrow, but hopefully we will get there in the 10 years it takes the 20-year-old to turn 30.

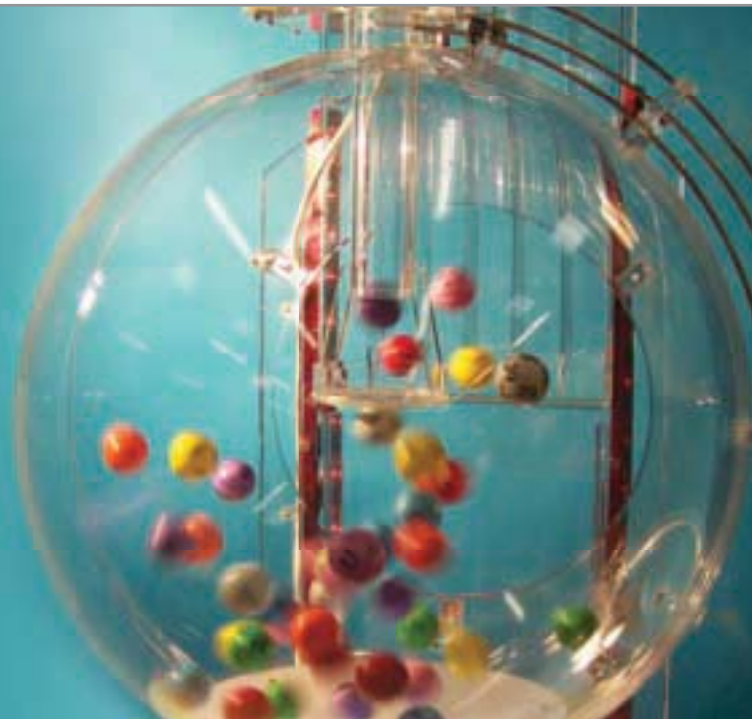
Public Gaming: *It seems like the operative concept that you just said was that progress doesn't necessarily have to happen quickly in order to keep up with the marketplace and you're confident that the lotteries will be able to change at a rate that will, in fact, keep up with and meet your customer needs.*

R. Hargrove: I think it's important to follow the trends and watch what happens around the world. Certainly, Europe has been much quicker to embrace technology changes that reach out to that younger player than the U.S. And actually, the U.S. lotteries would all like to adapt more quickly, but public policy-

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makers are the ones that decide how quickly we can evolve our games and distribution.

As you watch the success — and sometimes failure — in overseas jurisdictions, and not just Europe, but Australia and elsewhere there are a number of places that have been very, very innovative in what they're doing. Some have succeeded far more than others. I think we can use that as a platform upon which to base our decisions about which directions are proving to be more successful. Moving a little slower than the rest of the world gives us the advantage of assessing what works well. Too, we have the benefit of using those overseas examples to help us explain our positions and ideas to our own public policymakers. Our legislators, governors, boards, etc., whomever your oversight committee is...it helps when we can show exactly how something worked in a lottery elsewhere, even if it is overseas. If we can point at specific results that were achieved without social costs or other problems, then it becomes easier for public policymakers to understand and approve.

Public Gaming: *So domestic U.S. public policy makers would actually be willing to learn from the experiences in gaming jurisdictions outside of the U.S.?*

R. Hargrove: In my experience, yes. It depends, though, on how you present your case. If you've done your homework and you've got the documentation and you present a well-researched case, the examples and case studies could be from Canada, or Europe, or from the state next door. But the more thought-out and in-depth your proposal is, the better chance you have of it actually being approved.

Again, you can't use a broad brush because the United States is comprised of many jurisdictions that all operate completely different from one another. Policymakers are different in every jurisdiction and the needs are different as well. So you really don't want to oversimplify and apply a broad brush to the U.S. lottery business. I can assure you that public policymakers in New York are different from California and they're both different than Tennessee. And the way they react to proposals is going to be different. You've been talking to national lotteries like the U.K., Spanish National Lottery, and Lottomatica, which covers all of Italy. It's important to recognize that the U.S. market is not a national market like those examples.

Public Gaming: *In Europe they have a profound challenge because the EU is attempting to apply a broad brush stroke to all the different member countries, as if there shouldn't be any differences between them, requiring that all the markets be treated in the same way from a regulatory point of view. Tjeerd Veenstra of the Netherlands pointed out to me that compared to the dramatic cultural and historical differences between European countries; the differences found between U.S. states are quite minimal.*

R. Hargrove: Imagine going to the governor in Tennessee and

saying, "Oh, by the way, you have to pass the same law that was passed in California?" on any topic, let alone something of significance like lottery and regulatory policy.

Public Gaming: *How much is the view of legislators affected by public opinion?*

R. Hargrove: I'll just use Tennessee as an example. It was over 20 years ago that 70% of the people wanted to vote on whether or not to have a lottery and it took the legislature 20 years to even get it on the ballot. The legislature kept it off the ballot for all that time even though 70% of the people of Tennessee wanted the right to vote on whether or not the state should have a lottery. So public opinion doesn't always find its way into public policy. Of course, I'm sure it does sometimes, but certainly not all the time. But remember, all politics are local.

Public Gaming: *Why aren't elected officials more responsive to the will of the voters? Aren't they concerned about getting voted out?*

R. Hargrove: If you say to somebody, "Would you like the right to vote on a lottery," their answer would be, "Sure." But they don't usually care enough about it or are united enough for it to be a political driver. There are far more driving issues in terms of why someone would or would not vote for a legislative candidate. Again, it depends on where you are, but if you went down a list of the 10 things most important to you as an individual that determine whom you're going to vote for, the list would include things like whether you're pro-life or pro-choice, do you support senior citizen issues, how you voted on education, are you going to raise taxes, your position on economic issues, immigration, foreign policy, those kinds of issues. If you look at a litmus test of why you would or would not vote for someone, the candidate's position on lottery probably isn't on the top 10 issues that you care most about, and so is not likely to have much influence on the legislators' actions with respect to the lottery. This is one of the reasons why I don't believe a lottery referendum is ever passed in a special election; it's just not a high priority for the voters.

Public Gaming: *Do you have a position on the Internet Gaming Act — on the issue of states' rights to regulate and control gaming within their own borders?*

R. Hargrove: Like NASPL, I believe that it should be a states' rights issue. If a state believes it's appropriate to be able to buy lottery tickets on the Internet, the state ought to be able to do that. I don't think that should be determined by the federal government. I think local politicians, not lottery directors, but local public policymakers and elected officials in each state should have the authority to determine what's right for their state.

Public Gaming: *States set their lotteries up in different financial structures. Tennessee and a few other states are set up as corporations owned by the state. Most lotteries are a form of state agency. How does the financial structure influence the degree of freedom and mana-*

gerial control the director has and how does that translate into results?

R. Hargrove: The last two jurisdictions I had the opportunity to work in were both in the corporate structure. Again, each public policymaking body analyzes what they think is best for their jurisdiction. I personally prefer this structure because I believe you have the opportunity to excel at raising profits for the public purpose for which you've been formed and you're also held accountable. There is, I think, more accountability directly, but you get most of the praise and the blame and I've always been very comfortable with that.

Public Gaming: RNG, random number generator, versus mechanical: Do you have an opinion on one as being more reliable than the other?

R. Hargrove: I think there can be issues with either type of drawing. I think what's important is that you protect as best you possibly can the integrity of whichever process you choose. There have been as many issues with mechanical drawings as there have been with RNGs. Certainly people who for whatever reason don't like RNGs will exaggerate the problems when it happens with an RNG, but how often over 25 years have we read about a number was left out of a mechanical drawing? You just need to work very hard to ensure the accountability of whichever

method you choose.

Public Gaming: Do you have any comments on the recent complaints about top prizes being awarded prior to termination of the game? Of course, we did see that you have what seems to me to be a really great solution, just making sure that one of the top prizes be held until the game ends and awarded thereafter.

R. Hargrove: Our Play it Again! program is an exciting solution. The issue itself, in my opinion, is a Catch-22, since some players are upset if you sell tickets after the top prize is gone, but there are others who will be upset that you ended the game too soon, denying them the right to play for the other prize levels. I think it's difficult to keep every player happy all the time, but I do believe the solution we've come up within our program works well and keeps everybody happy.

Public Gaming: Do you agree that small retailers are more dedicated and motivated sellers than larger ones since lottery sales comprise a larger share of their overall sales?

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An Interview with Margaret DeFrancisco ...continued from page 9

M. DeFrancisco: Oh no. I think it applies to everything, all the gaming offerings.

J. Hutchinson: This almost becomes a third area. There's on-line, there's instants, then there's...something else.

Public Gaming: *In a sense, you both are kind of throwing down the gauntlet to the vendor community to start getting inventive, develop games with extended play, develop games to appeal to this generation.*

M. DeFrancisco: Mark, it's more than the vendor community. They could develop all the games in the world. But if lotteries don't then recognize and embrace what they have developed, the games will sit on shelves.

J. Hutchinson: We don't want to be the US car industry back in the early 1970s, refusing or unable to develop new products, incapable of adapting to a new world, a new environment.

M. DeFrancisco: We don't want to be our grandfathers. (laughs) We want to be the gaming version of the hybrid or the Smart car. We want to be on the leading edge of fun.

Public Gaming: *What kind of new and interesting things are you planning for the next couple of years?*

J. Hutchinson: As we discussed earlier, one of the things that is important is to address that Generation Y group. We are exploring some options, some different plans on how to reach them in an effective way, a way we think will encourage them to not only play, but also have a better relationship with the Lottery as a whole. That's still in development, but is definitely an important part of our plans.

Certainly exploring the opportunity to sell in-lane at grocery stores is vitally important. We know that people will make a purchase if they aren't asked to make a second stop on their way out of the store. The grocery store business has been very successful and we've done a great job. But there is room for growth there. So we are going to continue to explore those relationships, as well as developing more chain-specific relationships with the grocery store industry as well as other national chains.

That "soccer Mom" may not be the convenience store shopper. But she may be the grocery store or Target shopper. We've heard women say that they don't purchase from a convenience store. They will also say that they don't always think to stop at the customer service counter to make the purchase at grocery stores. That is an area that we are definitely focusing on, to make our products more visible and more accessible, and create promotions that are more engaging.

Public Gaming: *The grocery store industry is much more fragmented than the national retail chains. Would that make this distribution more accessible?*

M. DeFrancisco: For sure. But, because it's so fragmented, you have to kind of pick them off one at a time. Because of a great willingness by the Kroger folks, we've been concentrating on them, trying to do some Kroger-specific in-store promotions, paying real attention to their ITVMs, making sure that their in-store clerks are trained and given attention. With the grocery store chains, we have found that a champion at the corporate level builds a champion at the store level. And those are the stores that do very, very well. Because you have people who actually care.

Public Gaming: *I've heard that from other lottery sales people too. You work and work and work, but until you find that one person to embrace the product, you don't get far. Then, when you do find that one 'champion,' everything happens quickly.*

M. DeFrancisco: Yes. And they recognize that lottery is a traffic-builder, that our customers are their customers, and that they can have incremental income, earn commissions. The more they sell, the higher the commissions. And it certainly pays for the clerks' time, and the ITVM's footprint. The ones who take the time to recognize these things really do very well. As James said, what we're trying to do now is to increase our in-store sales of all the various chains. If it means store-specific or chain-specific promotions, we'll do that. We did a gas promotion last summer with three different small chains. They loved it. Part of that was that they loved having the attention.

Public Gaming: *Would you care to speculate on what the lottery industry will look like five years from now?*

M. DeFrancisco: I think about it all the time. And I worry. There needs to be a revolution.

Public Gaming: *In the use of technology?*

M. DeFrancisco: Well, yes. But there needs to be a revolution in thinking. I guess we'll leave it that I'm 'hopefully worried'. How's that?

J. Hutchinson: I tend to think that lotteries will continue to get more and more pressure to generate more and more revenue and return.

M. DeFrancisco: With more and more restrictions...

Public Gaming: *Hopefully legislatures will begin to appreciate and understand that there are trade-offs between what is they allow the gaming operator to do and the ability to generate revenue and return.*

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An Interview with Gerald Aubin ...continued from page 10

I'm not sure what changes I would want or need to propose. We are a state that already has keno, already has video lottery with multi-monitor games presently going on. I cannot recall a situation where I have needed to request permission other than maybe asking for higher payouts in keno to encourage more sales. The Rhode Island House and Senate fiscal staff are pretty savvy and understand the value that prize payouts have to motivate people to play and to want to play again. They know that improving the odds of winning usually results in increased revenues and increased profits for good causes.

Public Gaming: *It sounds like your legislature doesn't feel the need to get involved and impose severe limits on marketing and the manner and method in which you go to market?*

*The video world, it seems to me,
is just waiting to burst open.
The opportunities and potential are huge.*

G. Aubin: No. During my first ten years as director, I worked for the legislature, and my commission was made up of legislators and three public members. So they were the eyes and ears for the legislature for me. We have since become part of the Department of Revenue, which is part of the executive branch and very, very involved in the fiscal operations of both the House and Senate which develop the budget and revenue estimates. I still have an oversight committee which meets on a monthly basis, and they are made up of existing sitting legislators. Many of those are prior commission members who are at the legislature, and they're members of both the majority and minority party, both Republican and Democrats of ranking positions. So I interact frequently with these members of the oversight committee, and they may bring certain issues to the attention of their colleagues in the state House and Senate. They may propose to their colleagues ways to increase lottery revenues.

Public Gaming: *The Department of Revenue is directly involved in the challenge to balance the budget and generate income. And so it's probably a benefit to them to have your organization be a part of their organization as a vehicle to look for opportunities to increase those revenues?*

G. Aubin: Absolutely. They and we are always encouraged to find new and innovative ways to raise money.

Public Gaming: *How are electronic table games classified? Is one electronic table game counted as one station? Or is it counted as more than one station because it has more than one player seated at it and playing the game? The difference in classification would seem to have a significant effect on the number of electronic table games you are allowed*

to implement and therefore the amount of revenue you can generate.

G. Aubin: It's interesting. In 1974 when the constitutional amendment established a lottery, it addressed establishing existing games and in 1992 then developed VLTs in the state as well as keno. In 1994 when there was potential expansion going on there was another constitutional amendment that said that only existing games would be allowed in the state. Video had already been established. To go to mechanical reel games is considered constitutionally illegal. To do that you would have to go back with a vote before the public and change the constitution.

It also prohibits new types of gaming. The issue is about how the games are interpreted. To have casino-type table games would require going back to the public and voting as a constitutional amendment. However, I guess to answer your question regarding the table games we have now, these do not actually have dealers and so are not your typical casino "table games". We have tables, but they're just an extension of an existing VLT. They still are operated by a random number generator, they operate with no human being interaction controlling the cards, and they have multiple seats at the table. They are still individual VLTs that operate from random number generator.

Public Gaming: *So it isn't really thought of as being classified as a table game because it's really a VLT. The experience might feel one way to the player, but in actuality it really is simply displaying randomly generated results just like a VLT.*

G. Aubin: That is correct.

Public Gaming: *Would the revenue and profit potential be enhanced by increasing the number of gaming stations?*

G. Aubin: It certainly would enhance the revenue, but not necessarily the profitability. We don't want to over-saturate and over-expand. The machines cost a lot of money. Neither the vendors nor we want to have empty seats, so we don't want to install more stations than there are players to play at them. IGT's Digideal and Shufflemaster, which is contracted by GTECH, have a minimum number of seats right now and we don't want to expand until we're sure that the income is sufficient to pay the lease or payment on those machines.

Public Gaming: *So the limitation is not so much statutory or regulatory, it is more driven by the economics and the desire to control costs and not have supply exceed demand? As far as you're concerned, at least at this point in time the number of stations you have is really an optimal number from a business point of view, and you don't feel a compelling need to have more stations.*

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An Interview with Kevin Mullally ...continued from page 13

K. Mullally: I think that's a very good example because it is clearly an area where the regulator needs to make some policy decisions. We can assist by advising them what technology is available to achieve the objective they choose establish. We have the technical expertise to help them sort out and clarify the options and we can advise them what other regulators are using to address similar policy issues. We can advise how a particular technology can be tested to ensure that it meets their expectations and discuss the standards the regulator puts in place for the implementation of that technology.

Public Gaming: *I'm thinking that a question that might come up would be the notion that players might be reluctant to have the veil of anonymity pierced by having personal identification cards. How do you deal with that kind of issue?*

K. Mullally: What we generally do in those instances is try to provide our regulatory clients with some understanding of what other jurisdictions are doing, while focusing on letting the regulators speak for themselves. So if that question were to arise, we would say, okay, here's how they dealt with that in Illinois. And here's how they handle it in New Mexico which has a different nuance to its law — that sort of thing. We will then provide them names of contacts with those regulatory agencies. Our preference is to let the regulatory bodies speak for themselves as to what the pros and cons of the implementation were. GLI's focus is to provide information about specific technical issues; to explain the ramifications and potential regulatory issues relating to the implementation of a specific technology.

Public Gaming: *So GLI has a brain trust, has knowledge and information that can be so helpful to many people, and yet it seems to me that it's a challenge to free up that resource in ways that do not compromise or interfere with your mission to stay focused on objective measurable data and to avoid conflicts of interest and rendering opinions on things where the scientific basis for them isn't as strong.*

K. Mullally: We really look at it as a business decision to stay true to our core mission, which is to be an independent technical resource for regulators. We have grown because we have acquired people with many, many years of good experience in regulatory practice. As a consequence, the fact that we can add value to our core mission on occasion by offering additional knowledge and the advantage of our staff's experiences to our regulatory clients is simply a value added benefit.

We also look to regulators to help set the agenda as to what type of information they need from us. GLI's resources are so vast; sometimes it is difficult to grasp it all. That is why we ask regulators to participate in setting the agenda for our annual Regulators Roundtables so that we are able to focus on issues that are of interest to them.

Public Gaming: *Games of skill versus games of chance. The business of testing equipment seems to be so objective, measurable and concrete in process. Conversely, the business of determining what level of skill qualifies something as being a skill game seems, well, to be subjective, fuzzy, and not so concrete. For instance, I read that GLI advised the Arkansas Racing Commission that Keno could be considered a game involving skill, and therefore legal within the Arkansas regulatory framework. And to some of us Keno would seem to have a very small skill component and a much more predominant component of chance. So how is that determination made? How do you draw the line? What portion of play must involve skill for it to be considered a skill game?*

K. Mullally: Actually, we are very careful to point out that GLI does not "approve" anything. We certify to standards established by regulators. The Arkansas Keno game has a skill element and our report describes the level of skill by analyzing the expected return for the ultimately skilled player versus a totally unskilled player and a player of average skill. Based on our report, the regulator makes a determination as to whether the game meets the minimum legal requirements. North Carolina also has approved a version of Keno with a skill element as a game of skill.

I would tend to agree that there are a wide variety of legal opinions based on statutes and court decisions in the various jurisdictions, but our role in that process is really very simple. GLI's role is to examine the device and provide a detailed report as to how the device functions. This may involve a discussion of the features of the device that require decisions or actions by the player. However, ultimately it is up to the regulator and their legal advisors as to determine whether those player actions or interventions involve the level of skill meeting their jurisdiction's legal threshold for skill. Quite simply, GLI's role is to examine the machine and report on its functionality.

Public Gaming: *So, Arkansas would ask you to determine if this is a game of skill or a game of chance. And then you would reply that we have to get a little more specific - we have to concretize this discussion a little bit more. I still have a hard time understanding how that discussion would go?*

K. Mullally: GLI will examine the device and write a report and explaining in detail how the game functions. What elements require player input and what determines game outcome? The regulator then evaluates which of those elements they believe to be skill and whether that is sufficient to render the game legal in that particular jurisdiction. Again, our role is very clear and very defined.

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Getting the Most Out of In-store Lottery Solutions - Adapting Retail Tools for Increased Sales

By the GTECH Retail Strategy Team: Sue Strouse, Matt Mansfield, Larry King and Connie Laverty O'Connor

A well-recognized strength of lottery gaming has been its convenience and accessibility for the broad player base compared to other forms of gaming. In fact, among the top U.S. sales volume lotteries the distribution parameter appears to be a 1:1,000 ratio of retailer per thousand population.

This pursuit, however, does have its limitations if retailers simply added for network expansion goals are low sales performers. In view of continually changing conditions, the challenge to lotteries is how to maximize the quality of the retailer sales performance and not just rely on quantity to deliver numbers.

Not surprisingly, one size or retail model no longer fits all.

- Maturity of lotteries and familiarity with lottery retail operating requirements
- Retailer demand for easier, less labor intensive management of lottery sales
- Competitive retail approaches offering location and one-stop shopping convenience versus more personalized service
- Economic factors impacting player shopping patterns such rising gasoline and food prices
- Varying player demands, those seeking personal exchanges with retail staffs and others comfortable with more expedient ways to do their shopping

A broad suite of lottery sales configurations is necessary to meet different retailer expectations and visions for how lottery fits into their product offering mix. This approach does not mean that equipment has to be customized for each trade style, or retailer. Rather, the selection of clerk-activated, self-service and third-party lottery equipment tools needs to be combined differently to optimize sales results.

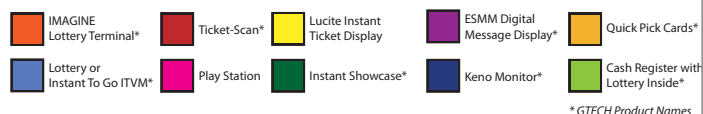
Key considerations for the development of a lottery retail floor plan are:

- Business type and player expectations, e.g. a terminal in particular but any lottery equipment typically signals full service capability such as validating, cashing, offering the full game menu, etc.
- Full service versus limited or specialized service such as primary focus on Keno sales
- Convenience versus destination service where players are encouraged to stay longer through more game displays, quick reinvestment of "churn" prizes, dedicated player areas, seating, food or beverage amenities
- Separation of lottery transactions from general transactions at check out
- Multi-lane versus single lane check out set ups
- Player flow during the day; daytime social players versus end-of-day working players
- Retailer attitude toward lottery as indicated in use of signage, updating game information, creating "signature displays", player recognition and publicity

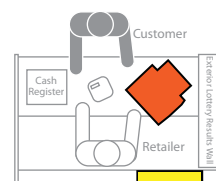
After countless field surveys in different jurisdictions by GTECH, the number one differentiator between high and low volume retail performance is a positive, proactive retailer attitude toward lottery sales and its potential to increase store traffic.

That said, here are some planogram examples of lottery equipment and display configurations for different retail needs:

Legend

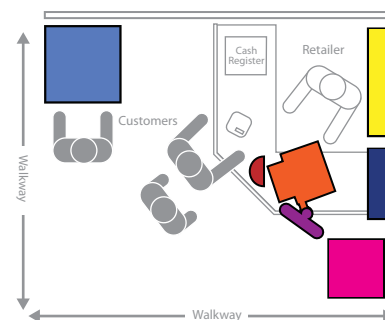


Street Newsstand: Primarily Online and Instant Game Sales
Situation: high volume location, either stand alone or store front, typically in urban environment with limited space for customers and displays

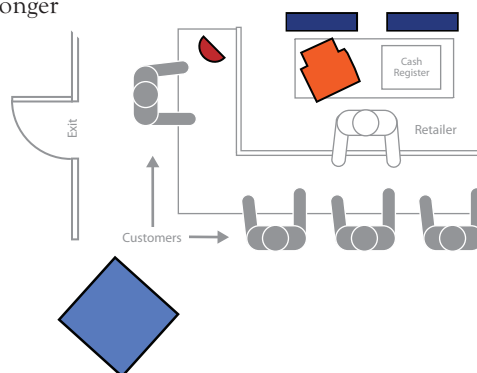


Mall Newsstand: Primarily Online and Instant Game Sales with Keno monitor

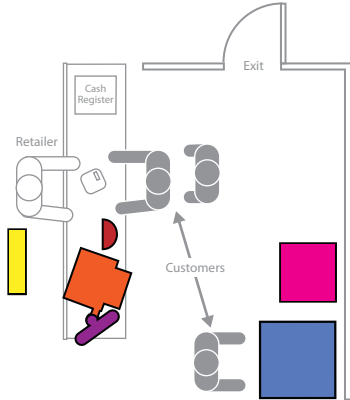
Situation: high volume location within enclosed mall, preferable at a corner to capture two-way foot traffic and use of display screens for games and/or promotional messages to attract customers (customers playing monitor games stand in mall walkways)



Bar/Restaurant: Primarily Keno with some Instant Games
Situation: specialized sales volume situation with limited but dedicated customer traffic and designed to encourage customers to stay longer

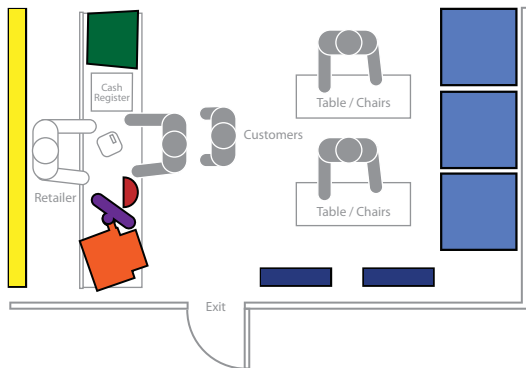


Gas/Convenience: Primarily Instant and Online Games Sales
Situation: low to medium volume location, depending on retailer attitude, with widespread locations in suburban and rural locations and limited space for customers unless a dedicated area for sitting is used for beverages, food, reading and games



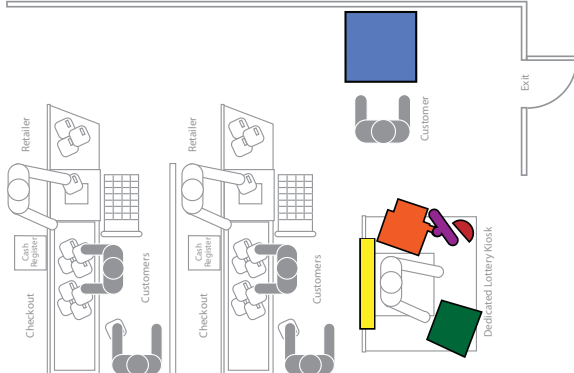
Convenience Store: Full Game Sales, including Keno monitor in separate room

Situation: low to high volume locations in a variety of settings, typically a “neighborhood meeting place,” with customer seating or socializing areas and may provide amenities to encourage players to stay longer (larger operations known as “lottery parlors”)



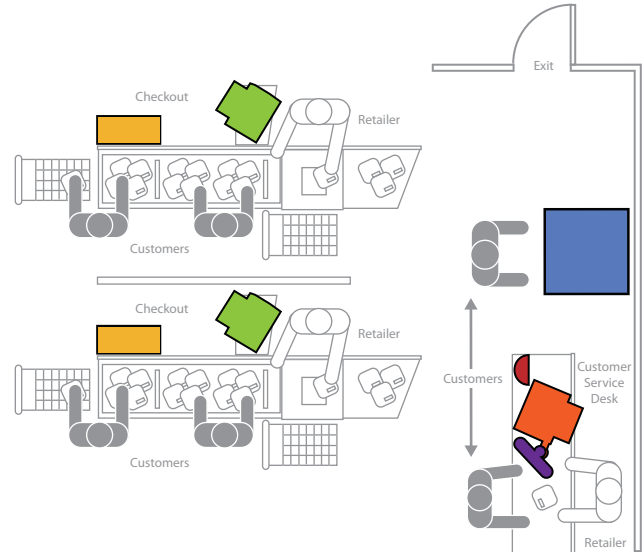
Store within Store: Kiosk with primarily Online and Instant Game Sales

Situation: medium to high volume location with high customer traffic but limited space for customers such as malls, airports or big box stores



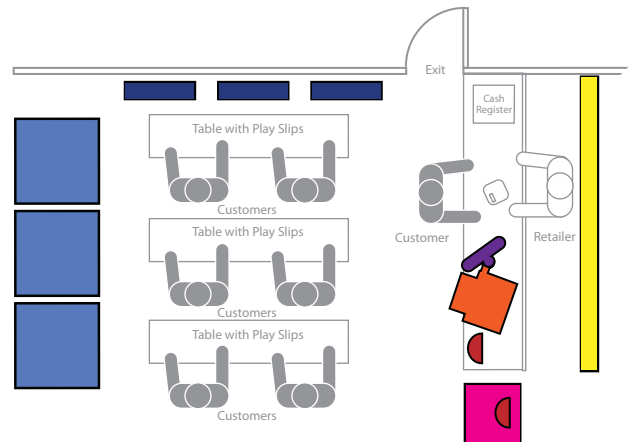
Multi-Lane Store with Customer Service Desk: Primarily Online and Instant Game Sales

Situation: low to medium volume locations, depending on retailer attitude, with any dedicated player areas close to the customer service desk (note: some supermarkets have added Keno and lottery product areas close to the food court or customer service areas) with two possible scenarios: (a) all lottery sales at customer service desk and (b) quick lottery transactions through check out lanes and remaining business at customer service desk



Specialty Store: Full Game Menu with emphasis on monitor games

Situation: retailers willing to dedicated fair amount of floor space to creating social or seating area for lottery players to play monitor games such as Keno as well as traditional online and Instant games – players take care of their own play slips, ticket checking while retail staff mans the terminal and re-stocks supplies



A final note: while these examples demonstrate possible ways to maximize lottery retail sales potential, the most productive way is to work with and encourage the creativity of the retailer. It means being flexible and open to new approaches but the results can be terrific!

PGRI's SMART-Tech 2008 Conference

1. Connie Lavery O'Connor, Zoann Atwood, Tom Delacenserie, Kevin McCarthy, Linh Nguyen, Margaret DeFrancisco
2. Dr. Ed Stanek accepting Lottery Industry Statesman award
3. Ed Trees and Clint Harris
4. Peter DeRaedt
5. Kevin McCarthy and Linh Nguyen
6. Jeff Hyman, Robert Burka, Carl Stent, Nora Ostrovskaya, Craig Scott, Gordon Medenica, Gordon Graves, Sam DePhillippo
7. Pat Koop and Ed Trees
8. SMART-Tech conference audience
9. Zoann Atwood, Tom Delacenserie, Kevin McCarthy
10. Ed Trees, Matt Mansfield, Pat Koop, David Barden, Clint Harris
11. Ernie Passailaigue
12. David Barden
13. Margaret DeFrancisco, Gordon Medenica, Lifetime Achievement Award Recipient Connie Lavery O'Connor, Bill Murray, Matt Mansfield
14. Tony Cooper and Tony McNeil
15. Tom Delacenserie, Zoann Atwood, Kevin McCarthy, Margaret DeFrancisco, Linh Nguyen, Connie Lavery O'Connor
16. Zoann Atwood, Tom Delacenserie, Kevin McCarthy
17. Michael Edmonds, Scott Bowen, Kevin Mullally, Sam Basile, Kim Stein, Paul Mathews
18. Tom Delacenserie, Kevin McCarthy, Linh Nguyen
19. Gerry Aubin, John Musgrave, Ernie Passailaigue, Clint Harris
20. Scott Bowen, Kevin Mullally, Michael Edmonds, Bill Murray, Sam Basile, Kim Stein, Paul Mathews
21. Robert Burka, Gordon Graves, Sam DePhillippo



Connections: Exploring Gaming's New Frontiers

Privacy, Responsible Gaming and Gray Markets — Is SBG Up to the Challenge?

By Michael Koch, CEO, ACE Interactive



Michael Koch

Gaming operators, regulators and manufacturers, in virtually every jurisdiction, grapple daily with the dual issues of operational security and social equity as it relates to problem (or unsociable) gambling. Though their objectives and tactical approaches may differ, the gaming machine industry and its regulators recognize the importance of security, integrity and responsible gaming programs to both their business and society as a whole.

Players want to know that the machines they play are fair and consistent; regulators need to know that the games deployed are operating in a secure manner within their prescribed performance criteria; while operators need constant validation that their gaming venue is configured correctly and fully protected from any form of malicious attack.

As a highly regulated and socially conscientious industry sector, lotteries - both ticket based and online — are particularly effective in implementing and promoting security and responsible gaming initiatives. 'True' Server Based Gaming (SBG) — that is, a gaming environment requiring a terminal to be continuously and securely connected to a central server in order to function - has the potential to provide solutions for the seemingly unrelated goals of security, fair play, enforcement, player entertainment and responsible gaming while sustaining a viable commercial return.

By virtue of the data it collects, true SBG provides a conduit to interact with, and fully inform, a player of their gaming history, time and length of play, monies won/lost in a session, etc. Providing relevant information to the player at the gaming machine, in real time, is the first step in recognizing and dealing with a potential unsociable gambler. Fully informed players are in a better position to decide whether to continue machine play or to stop and seek other forms of entertainment.

True SBG can provide a more targeted alternative to the 'one size fits all' syndrome through rapid dissemination and measurement of responsible gaming initiatives. In addition to targeted game and promotional offerings, customized responsible gaming messages could be directed toward players in specific locales or demographic groups.

Privacy issues are another matter entirely. In principal, regulators and operators alike embrace the idea of employing player identification media at the point of sale because it transparently resolves many issues such as underage gaming, responsible gaming etc.

However, when it comes to the privacy of the

personal data tied to those ID cards, public gaming jurisdictions in North America are bound by provisions of the Freedom of Information and Protection of Privacy Acts — legal tightropes that make public bodies more accountable while still protecting the privacy of individuals.

These nebulous legal privacy tentacles are a major sticking point for player card-based systems installed in public gaming jurisdictions in the U.S. and Canada. A search through the fine print of lottery-sanctioned 'Players' Club' web sites reveals such legal disclaimers as — "We may disclose personal information: to conform with the law, respond to claims or comply with legal process served on (the operator) e.g., a lawful subpoena, warrant or court order."

Now, what is considered public information and who makes that determination? Should a spouse be authorized to request and obtain a data dump of the other spouse's gaming activity as part of a divorce proceeding? Do newspapers have the right to demand a database search to see if public officials, candidates for office, or even judges have player accounts with a lottery or public gaming operator? A careful interpretation of applicable laws is necessary to craft regulations and policies that are both reasonable and legal and, perhaps, even requiring legislative relief to facilitate implementation.

The security benefits of true SBG will be obvious to all in the public gaming sector. Maintaining a constant connection to a central server with 99.99% uptime reliability, true SBG terminals eliminate most, if not all, of the risks associated with the more traditional gaming networks. As these terminals are online at all times, operators and regulators are continuously reassured of their system's security without the problems commonly associated with periods of 'offline' gaming.

An obvious and beneficial byproduct of true SBG is its value to law enforcement in the battle against so-called 'gray market' or unregulated gaming devices, particularly in the bar and tavern markets. Centralized distribution and management of game play overcomes the blight of 'chip swapping' while the inclusion of a 'digital signature' (similar in theory to what is employed in personal banking software) could provide an unmistakable verification marker for regulators. Most importantly, once players begin to recognize that only 'connected' games represent fair play, 'gray market' machines will likely become a thing of the past.

Effective and individualized responsible gaming technologies could provide a distinctive opportunity for the public gaming sector to secure a competitive (and some might argue, moral) advantage over commercial competitors. As jurisdictions expand and modify their gaming offerings to keep pace with market trends, true SBG's capability to deliver security, integrity and effective responsible gaming programs could be an effective public policy consideration — appealing to both lawmakers and voters alike. ♦



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