

Chris O'Brien

From: Leonard Lopes <llopes@victorgroupllc.com>
Sent: Monday, July 13, 2020 6:15 PM
To: Chris O'Brien
Subject: SCIENTIFIC GAMES - testimony with respect to H-7523 SubA
Attachments: Analysis of Senate Bill 2337 - House Bill 752 in Relation to Instant Ticket Lottery Program.pdf

Dear clerk of the House Finance Committee:

Attached please find a memo with respect to the aforementioned legislation. In a nutshell the memo sets forth a desire and interest from Scientific Games to bid on the instant ticket program in Rhode Island. Please circulate to the members of the committee for their consideration and review.

Regards,
Lenny

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ANALYSIS OF SENATE BILL 2337/HOUSE BILL 7523 IN RELATION TO INSTANT LOTTERY TICKET PROGRAM

The above referenced bills would legislate a no-bid, exclusive contract for a wide scope of lottery and gaming operations in the state, including instant ticket printing and related services.

Last year, the House commissioned a report, "Evaluation of a Proposed Contract Extension with Rhode Island's Current Exclusive Lottery Vendor" by Christiansen Capital Advisors ("the Legislative Report"). The Legislative Report makes clear that without competition, the Instant Program presents fewer options for consumers, less revenue for Rhode Island programs, and far fewer sales for retailers such as convenience stores and markets. The report, presented to the legislature in January, makes these findings:

- **The current instant ticket program "measurable[y] underperforms compared to its New England peers". P45**
- **"Sales per retailer for instant tickets in Rhode Island...is below average and meaningfully below its New England peers" P49**
- **The "difference is stark. On a per adult basis Rhode Island is significantly underperforming its neighbors". P53-54**
- **Without competition, "Rhode Island is not only leaving potential instant sales on the table, that spending is being exported to Massachusetts." P62**
- **Rhode Island instant tickets at \$93.3 annual sales per adult lag Maine (167.00), Vermont (167.00) New Hampshire (176.1), Connecticut (204.5), and Massachusetts (520.50). Exhibit 12.1**
- **Rhode Island instant tickets sales per retailer at \$83,573 lag Vermont (163,724), New Hampshire (165,329), Maine (181,855), Connecticut (255,052) and Massachusetts, (439,367) and the state ranks 33rd of 41 lotteries reviewed by the Legislative Report. Exhibit 12.4**
- **"Scientific Games was the first company to introduce a secure instant lottery ticket, in 1974, and they still lead that industry today. Scientific Games currently supplies more than 70 percent of lottery instant games in the U.S. and provides games, technology and services to more than 150 lotteries worldwide in 50 different countries, including nearly every North American lottery." P38 "Qualifications of Other Potential Vendors"**

An analysis of publicly available information shows that these lost opportunities are substantial.

- **If the Rhode Island Instant Ticket program performed at the average of the New England State Lotteries, the state would realize an additional \$254 million per year in top line sales, which generates an additional \$51 million per year in**

General Fund Contributions, \$13 million additional in retailer commissions and an additional \$178 million in prizes to the players. [Based on New England average of \$6.46 weekly per capita sales vs current Rhode Island \$1.78 weekly per capita].

- **Over the last 10-years this is equivalent to \$2.5 billion in lost opportunities in top line sales, \$510 million in General Fund Contributions, \$130 million in retailer commissions and \$1.78 billion in prizes that have not been generated due to the performance metrics described by the Legislative Report.**

Two additional points are worth noting as the Legislature considers whether to pursue a competitive bid process for the Instant Ticket program.

- **The original 2003 legislation which the current legislation would replace did not include the Instant Ticket program. The decision to fold the Instant Ticket program into the current bill and not compete the program would be a departure for the State from its own practices and that of other states.**
- **While job retention in Rhode Island is a primary concern behind this bill, under the current Instant Ticket program all scratch-off tickets are already printed at an out of state facility. Competing this program would have no impact on jobs in Rhode Island but presents substantial new revenue opportunities for the state.**

If the Legislature decides to award a comprehensive Instant Ticket program through a fair and full competition, Scientific Games would be delighted to compete for the opportunity to provide our award winning products and services to increase revenues, expand consumer choice, and help Rhode Island retailers increase their profits.