



State of New Jersey

Department of the Treasury

For Immediate Release:
December 23, 2008

For Information Contact:
Tom Vincz
(609) 633-6565

Lottery Contract Award Announced *New Pact to Save State \$133 Million over Seven Years*

TRENTON – The Division of Purchase and Property today issued a Notice of Intent to Award a new seven-year contract for the New Jersey Lottery Gaming System and Support Services. The award to the prevailing bidder, GTECH Corporation, culminates a multi-year, exhaustive process that set new standards of procurement objectivity, transparency, integrity and best industry practices, and at the same time, will deliver a 50 percent cost savings over the current contract.

The re-bidding followed a lengthy process in which the original award, in November 2005, was contested by the only other bidder. Based on information presented at hearings designed to break a protracted deadlock over the procurement, then-Treasurer Bradley Abelow announced a re-bidding in 2006, and ordered a series of reforms that materially restructured the procurement process. Key elements of those reforms included:

- The development of a new Request for Proposal (RFP) without reference to or reliance on the prior RFP. An outside consultant with specialized industry experience helped prepare the new RFP which included up-to-date provisions used in Lottery procurements throughout the United States since 2005 which were familiar to potential bidders.
- Requirement for all bidders to sign a non-contact agreement, under which they and their agents would refrain from all direct and indirect contact with Executive Branch personnel during the procurement process. The Lottery RFP is the first state procurement to contain this prohibition against inappropriate contact with Executive Branch personnel.

- Establishment of inclusive and straightforward bidder qualifications in the RFP to provide an opportunity for all potential bidders to compete. The RFP required “at a minimum, that any proposing Bidder has one or more current U.S. clients to whom it has supplied a Lottery Gaming System.”

GTECH and INTRALOT submitted proposals in response to the new RFP. The winning vendor was selected by an evaluation committee that applied a pre-disclosed formula weighing both cost and technical merit. GTECH received the higher total score based on the combined price and technical evaluation. The full evaluation committee report is posted on the Division of Purchase and Property web site, <http://www.state.nj.us/cgi-bin/treas/purchase/showspecialnotices.pl?id=106>

“This contract achieves the joint goal of conducting a major procurement with impeccable integrity and achieving an unprecedented level of savings from the award process,” said Treasurer David Rousseau.

The New Jersey Lottery is currently charged approximately \$26 million per year by the current gaming contractor for lottery gaming services and approximately \$8 million per year for terminal communications by the communications contractor for a total estimated cost of approximately \$34 million per year. These costs are paid fully by Lottery proceeds.

The new RFP asked the bidders to propose a price to operate both the gaming and communications systems, and to use the most up-to-date communications technology to bring New Jersey’s system more in line with industry standards. The winning bidder proposed a communications network which would connect 99 percent of the approximately 6,200 lottery retailers using satellite technology.

Under the new contract award, the total operational and communications costs would fall to approximately \$15 million per year, or about one half of one percent of net ticket sales. Accordingly, the new contract should result in a saving of \$19 million per year and an approximate savings of \$133.1 million over the seven year term of the contract.

To put the estimated cost of this contract into perspective, the Fiscal Year 2008 New Jersey Lottery net total sales of \$2.5 billion resulted in the payment of \$1.5 billion in prizes, a contribution to the state budget of over \$882 million for aid to education and state institutions, and the payment of \$141 million to retailers for commissions.

Both vendors were advised today of the Intent to Award. Absent the filing of a valid protest over a 10 day period, the contract will be formally awarded.