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December 19, 2016

To: New Jersey General Assembly
From: Sal Risalvato, Executive Director

Re: OPPOSE A-3904/S-2370

On behalf of the several hundred lottery retailers, convenience stores and gas stations specifically, represented by the New Jersey Gasoline, Convenience, Automotive Association, I ask that you oppose A-3904/S-2370 in its current form.

After careful consideration of this issue in the time since it was first introduced, NJGCA must regretfully oppose this bill in its current form. To be clear, we do not object to the fundamental issue in the bill, the legalization of a genuine lottery courier system. Like the sponsors, we would be happy to see a way for those individuals unable or unwilling to travel to a physical retailer to purchase a lottery ticket in person gain a way to become customers of the State's Lottery program. This a customer base that would not be taken out of any retailer's store.

However, I fear that without some changes to the current language of this bill, it could in effect **turn into a backdoor way of creating an internet lottery program**, which would primarily leech ticket sales away from thousands of small business owners, and do so with no benefit to the State. Indeed, testimony before the Assembly Gaming Committee last week by the supporters of this legislation indicates that is exactly their intent.

Our real concern is not for the loss of the ticket sale itself, which brings just a few cents in commission. Our concern is for the loss of that customer, who in addition to buying a lottery ticket may also purchase a cup of coffee, or a bottle of water, or any of the other products that are actually what keep this retailer's store in business. Without this walk-in traffic these businesses won't even have the opportunity to try and make a sale.

Our concern stems from the fact that the lottery tickets purchased on a customer's behalf are not required to be delivered to that customer. Without that requirement, it is not truly a courier service since nothing needs to be transported or delivered.

The fear is that a big company will move into the state, charge a penny transaction fee for each ticket and allow customers to purchase lottery tickets through a webpage without ever seeing them. I have no doubt that the target audience for such a service would not be limited to those unable to travel to a physical retailer, but also to heavy lottery players who may no longer stop in to their

local convenience store if they can make their purchases from their home for just a few pennies more. This would not only hurt countless small businesses, it would be of no benefit to the State since these are all customers already buying lottery tickets. It would even be a net negative to the State, since a decline in the profits of retailers would lead to a decline in the tax revenue they generate.

I believe the best way to fix this issue and prevent this from happening would be to add a provision to the bill requiring the courier service to physically deliver to a customer all tickets sold. Delivery would not need to be immediate or even in advance of the drawing, just within a reasonable timeframe; I would recommend within seven days of the purchase of the ticket (or perhaps within five business days).

This solution not only ensures that we are legalizing genuine lottery *couriers*, I think everyone will also find it preferable to the alternative, which would be to fix a minimum fee (such as 25% of the ticket price) by statute. This gives the private courier companies the flexibility to work out the best practices to maximize their profits and set fees that the market will bear.

Requiring that someone from the courier company travel to a physical address would also further cut down on the potential for fraud, especially among minors.

In the absence of such an amendment, I ask that you vote NO on A-3904/S-2370.

Sincerely,

A handwritten signature in black ink, appearing to read "Sal Risalvato". The signature is fluid and cursive, with a large initial "S" and "R".

Sal Risalvato
Executive Director
NJ Gasoline, C-Store, Automotive Association