

**UNIT EC480, LEVEL 2**

**THE UK NATIONAL**  
**LOTTERY**

## **ECONOMICS OF COMPETITION**

**Semester 1**

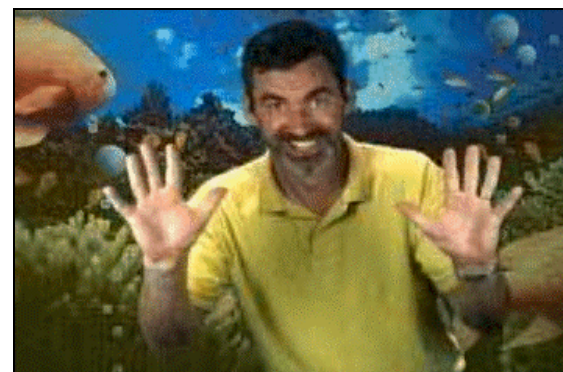
**Lecturer: K. Hinde**

**Room: 403 Northumberland Building**

**Tel: 0191 2273936**

**Email: [kevin.hinde@unn.ac.uk](mailto:kevin.hinde@unn.ac.uk)**

**Web Page: <http://www.kevinhinde.com>**



## **Competition Issues and the Regulation of the National Lottery**

A paper by me which was published in the Review of Policy Issues, Winter 1997.

### **Aims**

- To utilise and develop existing theoretical work by examining the case of the UK National Lottery.
- To draw parallels with the privatisation and regulation of public utilities

### **Objectives**

You will

- be able to provide information on the institutional characteristics of the National Lottery.
- identify and explain the actual and potential bidding schemes associated with the establishment of the National Lottery.
- explain the competition issues associated with the regulatory process.

### **Further Activities**

- Test whether you can fulfil the objectives set out above.

## **Abstract**

This paper examines the supply of the National Lottery with a specific focus on the role of the regulator, OFLOT. The question addressed is how can the current regulatory process be improved to allow greater distance between the regulator and the operator, Camelot? This question arises because the regulator was a prime mover in determining how the operator was chosen as well as regulating its activities. Moreover, subsequent events have shown that anti-competitive tensions prevail. Parallels are drawn with public utility regulation because Camelot owns and controls a large network. The solution lies in providing the regulator with greater competition powers as in the public utility case. Further, when the licence comes up for renewal serious re-consideration must be given to the strongly vertically integrated structure.

## **Introduction**

The revenue raising potential of the UK's National Lottery (NL) has surpassed expectations. Since its launch on 14th November 1994 the opportunity to win a fortune and help a worthwhile venture has struck at the very heart of the British psyche. Nearly 30 million people regularly play the NL each week, spending about £68 million on the weekly on-line draw and £20 million on scratchcards making it the "largest lottery in the world" (1). In 1995 around £5 billion was realised from ticket sales: 50% of this is returned in prize money; 28% goes to the National Lottery Distribution Fund which is then allocated to "Good Causes"; 12% goes to the Treasury in tax;

and the remaining 10% is split equally by the retailer and Camelot plc, the operator.

Much that has emerged so far about the NL has concerned the demand side. Expenditure on the lottery exceeds that of spending on consumer items such as newspapers, magazines and confectionery. It has also displaced expenditure from traditional sources. For example, some charities have noted problems with fund raising; pools operators have faced direct competition in the long-odds gambling market and jobs have been subsequently lost; betting on greyhound racing has fallen dramatically because the NL taps deeply into its customer base; small retailers who do not sell NL tickets have found falling sales whilst those who do state that customers become more aware of the other products sold in the outlet (2). However, little has been written about supply side issues. This paper redresses the imbalance by showing that whilst the NL has been successful in selling tickets there are still public policy concerns about the institutional arrangements which need to be examined. One particular question is addressed: How can the regulatory process be reformed to ensure greater distance between the regulator and operator? This issue arises partly because of the 'two hats' worn by the regulator, that involved in choosing the operator and then regulating them. It also arises because of the monopolistic position achieved by the successful bidder and subsequent developments. The solution, it is argued, lies in stronger regulation, particularly in respect of competition powers, as well as a re-consideration of the future industrial structure of the NL. Some might argue that the regulation of the NL is

more rigorous than that generally applied in the gaming market. However, the creation of the NL offers the monopoly right of supply across a national network, drawing more parallels with the privatisation of public utilities in the UK. It is in this context that the regulation of the NL must be compared. Thus, the NL is a case study of monopoly and regulation set against the background of the privatisation debate.

### **Institutional Framework**

The explicit aims of the new NL, as set out in the 1992 White paper and enshrined in the 1993 National Lottery Act, are the protection of player's interests and maximisation of revenues going to the National Lottery Distribution Fund (NLDF) so that 'Good Causes'- sport, art, national heritage, charity and millenium projects - can be supported. In establishing a NL the government created a new institutional framework. Mechanisms had to be instigated so that money could be re-directed from ticket sales toward worthy capital projects. Arrangements had to be made so that the lottery could be supplied by a private operator. Finally, a body was required to regulate the operator and protect the consumer.

### *Quangos*

To re-direct funds new 'quangos' have been created - The National Lotteries Charities Board, The National Heritage Memorial Fund and The Millenium Commission. These each receive 20% of the NLDF. Existing non-departmental public bodies such as the various national Sports and Arts Councils

receive the remaining 40%. The most positive aspect of the 'quango' is that appointees usually bring with them qualified expertise. However, questions about accountability and independence are often to the fore (3). Whilst in theory such bodies answer to Ministers, and thus to Parliament, in practice the strategic and operational decisions of such bodies are made privately so that the link to democratic accountability is tenuous. It is also suggested that many appointments to boards occur through ministerial patronage and that a web of appointees has developed with similar political and cultural views. A specific issue in relation to the NL quangos is whether they have acted equitably in distributing funds. Large sums have been spent on projects deemed of 'national importance' but which many argue only serve a small portion of the population. There is a clear spatial maldistribution across the regions that may partly reflect this (4). Citizens of London spend, on average, £1.10 per week on the lottery and get back almost £0.70 for every pound spent which when added to the £0.50 handed back in prize money makes London the largest net gainer from the NL. At the other end of the scale, the East Midlands spends £1.38 per head each week on the lottery but only receives about £0.09 for every pound spent on NL tickets.

#### *Private Ownership and Regulation*

The White Paper and Act emphasised the importance of a national lottery being supplied by a private concern; a unique characteristic when compared alongside similar European lotteries. The emphasis on the private sector controlling the

NL is very much at the heart of the Conservative Party's position on public expenditure and state ownership. The Government has recognised the need for large scale capital projects in hitherto neglected areas but has de-emphasised the State's role in providing them. Raising revenues for capital projects via traditional taxation mechanisms is considered inappropriate given the possible 'crowding out' effects created by the burgeoning state sector. A privately owned and controlled NL in which individuals are free to choose whether they want to buy a lottery ticket is considered philosophically sound and fiscally prudent. The Treasury have, to date, assumed the NL to be 'revenue neutral', i.e. the fiscal revenues raised from ticket sales offsets the loss of indirect tax from expenditure displaced, but predicted that the Public Sector Borrowing Requirement will be reduced by several hundred million pounds in each year to 2001 (5). This is due initially to the lag between income and expenditure on the NLDF: money realised has not been spent yet. Over the medium term the exchequer forecasts gains mostly because the tax inflows from employment in 'worthy causes' will exceed the tax foregone from jobs lost in sectors affected by expenditure displacement.

The more specific argument for a privately operated NL embraces Public Choice and Property Rights theory (6). Thus, any state run enterprise will be subjected to productive inefficiencies because those who manage or control them act to fulfil their own rather than the public interest; only private ownership brings effective accountability so the argument goes. The underlying assumption is that the capital market is

perfect and that inefficiencies can be eradicated by the transfer of shares. The privatisation programme has emphasised the need for wider share ownership to encourage this end. Sales of public sector assets to private bidders, via management buy-outs and direct sales, were limited to small scale entities or single companies who traded on the stock market. However, the NL is large scale project, as the opening paragraph shows, and all the bidders were consortia. No one could buy shares directly in any of the bidding organisations and so efficiency could, at best, only be weakly guaranteed by shareholders from one of the contributing firms.

As the provider of the NL would obtain a monopolistic position in supplying the NL, regulation was required. Like other public utility privatisations the government created a regulator - the Office of the National Lottery (OFLOT) - headed by a Director General (DG). However, unlike previous privatisations which involved a transfer of an existing business from the private to the public sector this was a new venture. The Government therefore placed an additional responsibility on OFLOT, that of choosing the operator as well as regulating its activities. This 'twin-hatted' role of the regulator, raises questions about the current regulatory framework, particularly the prevention of possible anti-competitive practices. To understand regulation of the operational phase of the NL it is necessary to examine the bidding scheme. As well as providing important background information about the bidders and the bidding method adopted it has a direct bearing on the resulting structure of the industry.

## **Bidding for the Lottery**

The DG of the NL invited bids in late 1993 for a Section 5 licence from private commercial organisations deemed 'fit and proper'. The winner would have sole control over the technical, retailing and marketing infrastructure of the lottery. Infrastructure bidders were also required to submit details of the 'on-line' and scratchcard games that would be played and for these a Section 6 licences would be granted. There were 10 initial bids though only 7 met the initial application requirements and so subjected to the complex evaluation procedure undertaken within the DG's office. Applicants were asked to submit bids showing the present value of expected total revenue and revenue retention at alternative revenue scenarios. Adjustments, based upon independent econometric forecasts and surveys, were made to account for variations in voluntary contributions to the NLDF, launch dates, the number of proposed retail outlets involved, prize payouts, jackpot size and rollover frequency as well as intended marketing and advertising expenditures.

Table 1, taken from the National Audit Office enquiry into the bidding process (7), shows how the various bidders fared. Camelot plc offered the highest contribution to the NLDF by a significant margin; it planned to use some 27,000 outlets compared with its nearest rival, LotCo plc, who proposed 19,000 outlets; and it offered the lowest operator retention over most revenue scenarios. Even where alternative assumptions were made about *this* bidding method, the

National Audit Office concluded, that "the differences fall within the normal range of variation in professional judgement and, more important, would not influence the outcome of the process, i.e. the choice of the successful applicant" (8). Camelot plc, a consortium made up of Cadbury Schweppes, De La Rue, GTech, ICL and Racal, was awarded a section 5 licence to develop and manage the infrastructure of the NL in July 1994. This licence terminates on 30 September 2001. Camelot was also awarded a Section 6 licence until 31 December 1997 to run an on-line game. Further Section 6 licences have been subsequently granted to Camelot to run Instant scratchcard games, the first launched in March 1995.

The application process for the NL was unusual in that it did not involve a bid indicating a price applicants would be willing to pay for the monopoly rights of supply. The theory of Chadwick-Demsetz auctions explains that such bidding schemes should leave the winner only earning a normal rate of return and similarly maximise the gain for the contract seller (9). The granting of independent television and radio franchises, for example, have involved 'sealed' bids with the winner offering the highest price to provide the service. This method was subject to criticism at the time as the number of bidders for some licences was small; there was only one bidder for Central TV network, for example. When the number of likely bidders is small an 'open-bidding' scheme is preferable. McMillan, for example, shows that since the Moscow Olympics in 1980 the Olympic organisers have maximised their return from the sale of exclusive television

rights of Olympic coverage by informing the 3 major U.S. television networks of each others bid (10).

However, the regulator argued that a fee based approach was inappropriate. In the invitation to bid phase there was great uncertainty as to the UK's propensity to purchase lottery tickets. It was argued that the additional burden of a fee would reduce the number of bidders and not necessarily maximise the returns for the NLDF. The DG instead preferred a "risk sharing" approach. If ticket sales were below expectation then a fixed licence fee would not create any further pressures on the operator. If ticket sales were greater than expected then economies of scale would allow applicants to offer higher proportions to the NLDF when submitting their bids. The evaluation of the NL by the National Audit Office considered the application procedure for the method used as "a sound approach" (11). However, it did not consider whether other bidding schemes would have offered greater returns to the NLDF in the longer term. Subsequent events have shown that Camelot has made profits in excess of what theory would constitute as 'normal'. Whilst an increase in ticket sales produces increases in amounts to 'Good Causes', a fee based approach with an appropriate sliding scale to accommodate the vagueries of sales, may have committed more to the NLDF rather than Camelot. This type of scheme is used, for example, to award television contracts for coverage of the Olympics, with fees increasing as advertising revenue rises.

The legacy of the bidding scheme has raised some controversy because the operator has made some unanticipated gains. The National Audit Office recently showed that interest accrued to Camelot in ways which were not specified in its initial bid (12). The sum involved totalled around £7 million in the year ended 31 March 1996. Around £6 million reflects the degree to which Camelot has fallen short of its Section 5 licence target to pay a specified level of prizes. This undistributed prize money is calculated on an annual basis and then paid in to the NLDF, in the interim Camelot can make financial gain from the shortfall. The rest of the 'unspecified' interest earned by Camelot resulted largely from the timing of its payments of advanced ticket sales into The Player's Trust, an intermediate institution which handles prize money payouts and payments to the NLDF, and established in the event of Camelot's financial collapse.

The National Heritage Committee (NHC) recommended that Camelot should pay interest earned on the prize shortfall into the NLDF (13). However, a retrospective re-negotiation of the Section 5 licence to incorporate changes in payments to the NLDF is unlikely at present. First, any changes to the Section 5 licence would require Camelot's consent, which seems unlikely, and this may lead to the possibility of other parts of the licence being re-negotiated. Second, the DG and the Government argue there is no guarantee that 'Good Causes' would benefit from any change (14). This may be so but, if the process of regulation is to work properly, players should be the recipients of unanticipated benefits not Camelot. The

lessons from this and other bidding schemes must be incorporated into the Section 5 licence renewal.

### **Competition and the regulatory framework**

An important issue is whether the regulatory framework is sufficiently effective to protect players interests and maximise revenues for the NLDF. The NHC considered that these twin duties may be compromised because of OFLOT's unique position of choosing the operator and then regulating it. Thus, having chosen the operator they might act so as to justify their choice at the regulation phase. The NHC recommended that the Government separate these two functions before the licence comes up for renewal and in reply the Government stated that it would be considering this (15). However, this is not likely to occur until the next millennium. So the issue of 'regulatory capture' remains.

One way of addressing this in the interim would be to allow independent assessment of the whole regulatory process. The National Audit Office went to great lengths to explain that its powers under the National Audit Act of 1983 did not permit it to examine Camelot's financial records, quoting the Public Accounts's Committee recommendation that it do so and the Treasury's rejection of such a proposal (16). The tone of the National Audit Office report in this respect was one of frustration in that they could only verify the efficiency and security of payments to the NLDF via OFLOT and that Camelot's role in this process could only be assessed indirectly, i.e. via information they gave to the regulator. Thus,

independent evaluation of the regulatory process was based, to some degree, on the trust between Camelot and OFLOT rather than hard facts.

Another (possibly complimentary) method would be to increase the regulator's powers, particularly with respect to competition. OFLOT's current powers are rather limited in scope. Under Section 9 and Section 10 of the Act OFLOT can take out a high court injunction to prevent a breach or revoke a licence. To date though only warnings have been issued for technical breaches and sales to under 16s.

OFLOT has no specific authority to promote competition, unlike the regulators of public utilities. However, OFLOT was a prime-mover in the design of the bidding scheme and so shaped the resulting industry structure. Crucially, the 1993 Act does not pre-suppose that a Section 5 and Section 6 licensee are one and the same organisation (17). So, by combining the licence to run games with ownership of the network at the bidding stage OFLOT has facilitated a strict vertically integrated structure for the on-line game and vertical integration with the possibility of network access on scratchcard games.

Competition in the networked scratchcard market has not yet occurred though substantial spare capacity via such a computerised system would not seem unrealistic. The Director General of OFLOT states that he has made numerous approaches to potential Section 6 licensees but that the margins available are probably insufficient to attract

entry into the scratchcard market (18). Further, he argues that Camelot comply with all information requests and that the very existence of the NL has stimulated the scratchcard market in general (19). However, it is also the case that any Section 6 licensee has to be in accordance with a Section 5 licensee. "The Act does not empower the Director General to impose a Section 6 licensee on an unwilling Section 5 licence holder" (20). Thus, the power to deter entry exists and the current regulatory framework would offer only weak resistance should it be tested.

The opportunity to currently exercise monopoly power in a weakly regulated, vertically integrated, market is further underlined by Camelot's control over retail outlets in the running of both games. Shop owners have complained that Camelot's selection procedures have been arbitrary and unfair. OFLOT, however, has no statutory responsibility in respect of retailer choice. In response, the National Heritage Committee recommended "that, since Camelot has a monopoly in the choice of outlets, OFLOT should be given the responsibility to ensure that decisions on granting and refusing lottery terminals are made in a fair and open manner" (21) Such a proposal would put it in line with the Irish Republic's lottery regulator but it was a recommendation the Government does not wish to implement (22).

Camelot won the monopoly rights to supply the on-line game and have become a dominant firm in the scratchcard market because of their exclusive use of a national network. For the year ended March 1996 they declared after-tax profit of £51.1

million (23). Camelot presents this by stating that after-tax profit is slightly less than 1.5 % of every ticket sold. An alternative view, based on the statutory distribution of the proceeds realised, is that this represents almost 30% of Camelot's retention from every ticket sold. The NHC recommended that Camelot "giv[e] a suitable proportion of their additional, unanticipated, profits to charity" (24) as one way of alleviating public concern about the monopolistic position acquired by Camelot. The government though will not change the regulatory framework; profits will not be regulated and Camelot can make its own decisions about charitable donations (25).

Competition regulations have no place in the current regulatory regime. The belief is that by allowing Camelot to maximise its profits returns for 'Good Causes' will be similarly maximised. But, competition and maximisation of the NLDF are not mutually exclusive. Competition does not mean zero profits, rather a 'normal' rate of return. Presently, Camelot's profits are excessive, hence the NHC's call for an increase in charitable donations. Addressing these sorts of competition issues before the licence is renewed, perhaps by allowing each side to refer issues to the Monopolies and Mergers Commission as is the case with some public utility regulation, would protect players and the NLDF as well as providing further distance between the regulator and operator.

To address the regulatory capture issue over the longer term the Government will have to consider the case for vertically separating the NL in the licence renewal phase. Not to do so

would leave Camelot with unassailable monopolistic advantages. When the Section 5 licence is due for renewal in 2001 Camelot will have had 7 years experience in running the lottery and will still have a substantial and viable, mainly sunk, infrastructure. These two factors are likely to deter rivals from bidding. If a rival were to make a higher bid than Camelot then it may face the 'Winner's Curse', i.e. paying a price that makes the running of the lottery unprofitable. Camelot's experience may provide it with the opportunity to exploit this fear. In addition, it makes sense from society's viewpoint not to duplicate scarce resources but there is a valuation dilemma. If any rival were to win they would have to satisfy themselves they were obtaining a fair price for any assets transferred. A bilateral monopoly problem exists and there is no equilibrium point in respect of price. If Camelot had no alternative use for the assets it would accept their scrap value whilst if a rival had no alternative source it would pay as much as their replacement value. This difference in possible asset valuation requires hard bargaining which may not be possible before the bids have to be submitted. The existence of these potential bargaining costs may therefore act as a deterrent to any rival bid (26). Thus, OFLOT must consider methods to encourage rival bids for the Section 5 licence. This may require some drastic action. The State or an independent private firm (perhaps Camelot) could control the sunk cost element and there could then be competition for network use. Any transfer of assets would naturally require an arbitration framework to overcome valuation differences. Further, in separating both functions the Government would also have to ensure independent regulation of both sectors.

That there is no divorce between network ownership and network use is very much against the trend in respect of public utility privatisation. For example, in the recent privatisation of the railways the Government created a company called Railtrack that manages the national network of lines, signals, stations and earthworks (tunnels and bridges). It then allowed competition for the railway market by franchising routes and timetables. By vertically separating the industry and providing independent regulation over both aspects of railway provision the Government hopes to avoid monopoly pricing and strategic entry deterrence. The principle of policy consistency suggests there would seem a case for vertically disintegrating the NL when the licence is renewed. On the other hand, an assessment of the costs and benefits of alternative industry structures may suggest that the present strongly vertically integrated framework should remain. If this is so then the Government should ensure that sunk cost elements are excluded from bids at the licence renewal stage. An arbitration process will have to remain for the possibility of asset transfer and stronger competition regulations put in place. Whether such arrangements would create 'a level playing field' and foster competitive bidding at the licence renewal phase is a moot point. However, at the very least, it would signal to the general public that the regulator was distancing themselves even further from the operator.

## Conclusions

The lottery has been successful in generating sales but there are still policy concerns on the supply-side that need addressing. The particular focus of this paper has been whether the regulatory process is sufficiently rigorous to avoid the possible charge of regulatory capture. Concern has emerged over the twin-hatted role of the regulator, OFLOT, who chose and regulates the operator. This has been exacerbated by the monopolistic position of the operator, Camelot, and by some of its practices. One way of providing greater distance between the regulator and operator is by allowing the former to have powers to prevent anti-competitive behaviour. Competitive outcomes from the NL currently require altruistic behaviour on the part of the operator. There are few incentives to abstain from anti-competitive practices. The capital market cannot guarantee productive efficiency from a consortium in which shares can only be purchased indirectly. Allocative efficiency is unlikely if the regulatory framework is impotent to deal with abuses on a network or satisfactorily transfer substantial sunk costs at the end of the licence. And both forms of inefficiency are probable if regulatory capture is present.

This paper has further argued that, when the Section 5 licence is due for renewal, there will have to be an arbitration process available to overcome asset valuation problems in the event of the transfer of the substantial sunk costs. This will permit greater competition in future bids for the Section 5 licence and signal to the general public that there is substantial distance

between the regulator and operator. By not addressing competition from the outset the NL has developed a strongly vertically integrated industrial structure, a structure spurned in recent privatisations. Thus, there may well need to be vertical separation of network ownership and use at the licence renewal stage.

The powers of the regulator have to be much more like that provided for in public utility regulation. Although gambling and public utility products are very different, the scale of this national, largely addictive, game is such that it can be treated as a necessity good. The regulators of the public utilities have relatively strong powers and there is clear distance between them and the operators. There is also clear recognition that the regulation framework should act as a safety net, to be there if things go wrong. The NL net needs to be stronger and wider than is currently the case.

### Notes

1. The information contained in this paragraph comes from 2 sources: H.M. Treasury (1996) *Economic Briefing*, no. 9, HMSO, London, and from the internet address <http://www.connect.org.uk/lottery>. The quotation is from the Treasury.
2. National Heritage Committee (1996) *Second Report. National Lottery, minutes of evidence*, Volume 2, House of Commons Paper 240 ii-ix, Session 1995-96, HMSO, London.

3. Mulgan G (1994) Democratic Dismissal, Competition, and Contestability among the Quangos, *Oxford Review of Economic Policy*, vol. 10 no.3, pp 51 -60.
4. The information taken for the statistics that follow comes from The Observer, *London never a Lottery loser*, 28 July 1996, p 5.
5. National Heritage Committee (1996) *ibid* volume 2 vi, pp 195-205.
6. There are innumerable references on this issue but as a useful overview in the context of the privatisation debate see Parker D (1991) Privatisation ten years on: a critical analysis of its rationale and results. *Economics*. Vol xxvii, 4, no, 116, pp 154-163.
7. National Audit Office (1995) *Evaluating the Applications to Run the National Lottery*, House of Commons Paper 569, Session 1994-95, 7 July, HMSO, London.
8. *ibid* p 31.
9. See for example Schotter A (1994) *Microeconomics: A Modern Approach*, Harper Collins, New York, Chapter 7.
10. McMillan J (1992) *Games, Strategies and Managers. How managers can use game theory to make better*

*business decisions*, Oxford University Press, Oxford, chapter 11.

11. National Audit Office (1995) *ibid* p 21.
12. National Audit Office (1996) *Payments to the National Lottery Distribution Fund*, Report by the Comptroller and Auditor General, House of Commons Paper 678, Session 1995-1996, HMSO, London, pp 48-50.
13. National Heritage Committee (1996a) *First Special Report. The National Lottery. Government Response to the Second Report from the National Heritage Committee*, House of Commons Papers 58, Session 1995-96. p iii.
14. See footnotes 12 and 13.
15. National Heritage Committee (1996) *ibid* Vol 1 p x. and National Heritage Committee (1996a) *ibid* p iv.
16. National Audit Office (1996) *ibid* pp 8 - 12.
17. National Audit Office (1995) *ibid* p. 4. The technical reason for this agreement is that Section 5 of the 1993 Act requires the licence holder to recover sums due to good causes from the Section 6 licence holder. See National Heritage Committee (1996) *ibid* Vol 2iii, pp 69-70.
18. National Heritage Committee (1996) *ibid* p 70.
19. Director General of the National Lottery (1996) *Annual Report 1995/96*, House of Commons Paper 540. Session 1995/96. HMSO. London.
20. National Audit Office (1995) *ibid* p 4.
21. National Heritage Committee (1996) *ibid* Vol. 1 p xi.
22. National Heritage Committee (1996a) *ibid* p iv.
23. See Financial Times 9th June 1996, p 28.
24. National Heritage Committee (1996) *ibid* Vol 1 p x.
25. National Heritage Committee (1996a) *ibid* p iv.
26. See Armstrong M, Cowan S & Vickers J (1994) *Regulatory Reform. Economic Analysis and British Experience*. MIT Press, London.

**Table 1**

**National Audit Office Calculation of contribution to Distribution Fund over the life of the licence**

	Lot Co plc	Camelot plc	The Lottery (RT) Ltd	UK Lotteries Ltd	The Enterprise Lottery Co Ltd	GBLC plc	Games for Good Causes plc
Raw Contribution	6,305	6,229	6,132	5,997	5,979	5,714	4,959
Profit Donation			61		118		
Escrow Account		55					
Launch Date	(38)		(117)	(30)	30	34	50
Retail Density	252	747	(1349 to 675)	180	60	(171)	(149)
Prize Payout	(315)	436	(491)	(480)	60	(229)	843
Lotto Game Structure	(63)	(125)	123 to 1594	60 to 480	-	(457)	(248)
Marketing Spend	(63)	(498)	123	(480)	(478)	628	545
Adjustments	(227)	615	(1650) to 495	(330 to 750)	(210)	(195)	1041
Adjusted Contribution	<u>6,078</u>	<u>6,844</u>	<u>4,482 to 6,627</u>	<u>5,247 to 5,667</u>	<u>5,769</u>	<u>5,519</u>	<u>6,000</u>

**Figures are present values in £ millions based on the average revenue case.**

Source: *National Audit Office (1995)*