

2002-2009 THE EVALUATION PROCESS

Basic plan

This was set out in the Commission's Invitation to Apply (ITA) in November 1999. By law the Commission must satisfy itself about player protection and whether the bids are fit and proper. The main consideration thereafter was the prospective returns for the National Lottery Distribution Fund (NLDF). We assessed the bidders' organisational and financial capacity and measured their plans against the key outcomes the Commission expects, as listed in the ITA.

The structure of the evaluation was similar to that of 1994. The National Audit Office concluded that the process then was comprehensive, consistent and led to the result most likely to produce the highest return for the NLDF.

Subject reviews

The process included 'subject reviews' covering consumer protection; bidders' plans for games, marketing and player access; the security of funds and banking; systems and security (both IT and physical); start-up; risk management; and corporate and financial issues. The bidders' business plans were reviewed in the analysis of financial factors. The review involved a thorough examination of detailed and complex sets of documents.

Analysing financial factors

The evaluation team analysed the implications of the bids for the NLDF and their financial viability, using the results of the subject reviews to inform its work. The starting point in each case was the model underlying the forecasts and the sensitivities provided by each bidder in response to the ITA. The bidders were consulted if aspects of their models appeared inconsistent. Consultants not involved with the analysis audited the models used in order to confirm their credibility and integrity.

Site visits

A team comprising Commissioners, staff and a specialist IT consultant visited a number of lotteries where the technology proposed by the bidders was running. In the case of Camelot the lotteries concerned were the Arizona and Massachusetts Lotteries and Camelot itself. In the case of The People's Lottery they were the Florida Lottery, the Hoosier Lottery in Indiana and Norsk Tipping in Norway. The lotteries were chosen after consulting the respective bidders. The visits allowed discussion of a wide range of issues with bodies carrying ultimate responsibility for lotteries. The overseas lotteries visited all had recent experience of conversions from one systems supplier to another or of upgrades of systems and terminals without a change of systems supplier.

Dialogue with bidders

Initial presentations from both bidders were made in March and main presentations in late May lasting for a day in each case. There were separate demonstrations by each bidder of the terminals that it proposed to use. The Commission also arranged technical meetings with each bidder and its suppliers in relation to the bidder's security proposals and its proposals for interactive games. The technical meetings were held at venues chosen by the bidders. In addition, the Commission put a series of detailed written questions, some arising from discussions at the site visits and at the technical meetings, to each of the bidders. Before each main presentation the

Commission sent the bidder concerned a list of broader questions to which the Commission wished to have responses.

Improving the bids

In mid-June the Commission decided in the light of the process described above that, in order to achieve the best results for players and the Good Causes, it wished to seek improvements to both bids. After consulting the bidders, the Commission invited them to make improvements by 17 July in specific areas where their proposals were not sufficiently clear or robust or where the Commission did not regard them as providing the level of confidence that it required in its ITA. The Commission did not allow one bidder to make changes in a way that, if open to another bidder, could have led to the eventual selection being different.

Support for the Commission

The Commission was assisted by an evaluation team of consultants and legal advisers and by a small number of Commission staff who were not involved with work on the current Section 5 licence. The consultants were appointed by competition and are listed in a separate note ('Expert advice'). The team worked under secure conditions in premises separate from the main Commission building. The work to establish that applicants, their suppliers and key employees were fit and proper persons to run the National Lottery was done by a separate team that was not involved in the main evaluation.

A detailed task

There were two bids. Each set of two bids meant 9 boxes of submissions, 62 folders of information, about 8,500 pages of written material, containing over 1,650,000 words, and filling over 8 drawers of space.

The Commission asked for 13 copies of each bid. This is 117 boxes of submissions, 104 drawers of space, and 21 and a half million words. These figures do not include exhibits and appendices, which were also substantial.

The vetting team carried out checks on over 630 individuals and 90 or so corporations. This has meant approximately 3500 individual agency checks and over 330 agency checks on corporations.