

ANNEX M

MARKET RESEARCH

The following data update and supplement the information previously given in the box at the bottom of page 11 of Annex I to the draft Invitation to Apply.

Figures are extracted from sample surveys carried out by Camelot Group plc and are reproduced with their permission.

Table 1: Key Indicators by Game Type⁽¹⁾

	Main Online	Thunderball	Instants
	(% of adults aged 16 or over)		
Trial: (% who have ever played)	94	16	48
Frequency:			
Play every month	65	N/A	15
Played last week	52	N/A	6
Participation: (in last week)			
Saturday	51	7	6 (weekly)
Wednesday	25	N/A	N/A
Both draws	24	N/A	N/A
Demographics: (see Table 2)			
Cross Purchase:			
% of Saturday players who play on Wednesday	47	N/A	N/A
% of Wednesday players who play on Saturday	94	N/A	N/A
Syndicate Play:			
(% of adult population playing weekly in a syndicate)	17 ⁽²⁾	N/A	N/A
Average Spend (per week):			
Saturday	£2.24	N/A	N/A
Wednesday	£1.83	N/A	N/A
Weekly total (average)	£3.38	£1.40	£1.44 ⁽³⁾

Notes

- (1) Figures are for the period 20 June to 11 September 1999.
- (2) One third of those playing on Saturday.
- (3) Measurement is 'for each time played' or sales value per transaction.

Table 2: Demographics⁽¹⁾

	UK Population	Saturday Players	Wednesday Players	Instants Players
Age group:				
16-24	15	12	9	21
25-34	21	23	24	28
35-44	19	21	22	18
45-54	18	18	19	15
55-64	14	14	15	10
65+	13	12	11	8
Social class:				
AB	23	21	20	20
C1	26	25	25	27
C2	23	26	27	29
DE	28	28	28	24
Sex:				
Male	50	50	51	46
Female	50	50	49	54

Note

(1) Figures are for the period 20 June to 11 September 1999.

ANNEX N

CO-OPERATION IN THE EVENT OF A HANDOVER

In the course of discussions that the NLC has had with the present licensee, the NLC has put certain questions about the position of Camelot Group plc in the event that it is not awarded the next Section 5 licence. This is against the background that the present licence contains no arrangements in the event of a handover from one licensee to another. The NLC has received the responses shown below. They may be helpful to applicants in considering their response to chapter 21 in the Invitation to Apply.

The responses are additional to Camelot's undertaking to co-operate fully and professionally in planning and supporting a transition (see chapter 21) and to references in chapter 10 to the payment of outstanding prizes and in chapter 13 to information about retailers and to signage.

Would Camelot be prepared, in principle, to co-operate in a phased handover of the main online game:

(a) with a new operator running a game on Camelot's system before 1 October 2001 under an independent Section 6 licence, or

(b) with Camelot continuing to run its game after 1 October 2001 under an independent Section 6 licence?

It should be assumed that in either case the games would be identical with the present main online game and that arrangements would be made for the results to be combined, with prize payout ratios adjusted as necessary so that all players would effectively be playing the same game.

Would Camelot's suppliers (and in particular GTECH) be prepared to co-operate in a phased handover? Is GTECH able, from its experience of handovers elsewhere in the world, to make software available which would allow a transition from its own systems and terminals to those of another supplier (for example, by parallel processing)?

Camelot response: Camelot recommends using the well-tried handover method involving the parallel running of systems during a period leading up to the handover on 30 September 2001.

In this method, the new supplier's network of terminals would be built and tested during the 15 months between announcement of 'preferred applicant' and 30 September 2001. Until this date, only the current systems would be operational in selling and validating tickets.

At an agreed interval (several days or perhaps weeks) before 30 September, a 'cut-off' date is established at which all relevant files are transferred from Camelot's to the new supplier's systems. These files are converted on the new system so that it mirrors the status of the Camelot systems at the cut-off date. From then on, all transactions on the Camelot system are also applied to the new system so that it is kept up-to-date with information.

On the handover date (30 September 2001), the new system needs to process only those transactions that occurred the previous day on the old system. The new system is then ready to take over live processing.

The steps to achieving this method of handover are as follows:

- Write programs to convert files from Camelot format to new format. Camelot has agreed to meet the reasonable costs of this conversion for prize data files.
- Write a program to convert the transaction log from the Camelot system to a format suitable for input to the new system.
- Each day prior to handover, re-process the transactions from the Camelot system into the new system. Perform all processing and reporting on the new system as if it were live, including, for example, winner selection and invoicing. Balance the new system reports with those produced by the Camelot system.
- For any change to the Camelot system that is not in its transaction log, for example, retailer updates and adjustments, make the same change to the new system – or, alternatively, freeze these types of changes during the parallel running period.

Is Camelot prepared to indicate prior to the issue of the final ITA whether it intends to terminate its agreement with BT if it loses the licence? If not, when would Camelot be prepared to indicate its position on this point.

Camelot response: The network would remain with Camelot and options for alternative uses of the network would be reviewed by Camelot if it was not successful in being awarded the next licence.

Is Camelot prepared to indicate prior to the issue of the final ITA whether it would be prepared to make the local tails available for the purpose of testing by a new operator during the last three months of the present licence? If not, when would Camelot be prepared to indicate its position on this point?

Camelot response: The current network has a mixture of terrestrial, satellite and radio connections and it is most unlikely that there would be a close match with the network topology of another applicant. Even where there was overlap, the complexities of attempting to switch tails between terminals and network connections would make sharing impractical. In our opinion, the only way to preserve the integrity of the network and revenues for the NLDF is for the new operator to install their own network tails and associated equipment. However, we would expect to discuss with the new operator how to facilitate the testing of their connections to existing retail outlets and to do so as part of the transition planning.

What arrangements would Camelot agree to for the transfer of signage to a new licensee?

Camelot response: Camelot would be prepared to negotiate terms for the transfer of signage, along with other negotiations that Camelot would be prepared to engage in during a handover. Camelot would expect these negotiations to be on a commercial basis with the objective of obtaining a fair value for the products. Subject to agreement on the identity of an arbiter and on the methodology applied, Camelot would be willing to accept an arbitrated settlement on a fair value if it was unable to reach an agreement bilaterally.

Is Camelot prepared to indicate prior to the issue of the final ITA whether it would be prepared to sell its stock of Instants tickets to a new operator on the termination of the existing licence? If not, when would Camelot be prepared to indicate its position on this point?

If Camelot were so prepared, what handover arrangements would need to be put in place for the stock? In particular:

- (a) How would stock volumes and game balancing be handled?*
- (b) How would the tickets be validated?*
- (c) What software would be made available to facilitate validation and stock control?*

Camelot response: Unlike lotteries in other jurisdictions, where instant games are owned by the lottery, in the UK they are owned by the operator and continuation of the games would require agreement between the two operators at the point of handover, to balance prize funding and to determine stock holding and valuation.

Because this is breaking new ground in transfer of instant games on handover, we suggest that the precise method of ticket transfer should be discussed between the two operators as part of the handover discussions that would proceed after selection of a different preferred applicant. The 15 months allowed for handover should be sufficient for the technical and financial arrangements to be agreed. In principle, Camelot would be willing to consider all appropriate options and to facilitate a transfer provided acceptable commercial terms could be agreed.

ANNEX O

AMENDMENT TO ANNEX E – DRAFT SECTION 6 LICENCE FOR MAIN ONLINE GAME

Condition 9 (Sale of Tickets outside the Permitted Territory) is replaced with the following:

- “9. (1) Tickets or entries in the licensed lottery shall be offered for sale on a national basis, throughout the United Kingdom and the Isle of Man, and shall be available in all outlets at which online facilities are available.
- (2) The licensee shall not sell or offer for sale, and shall use reasonable endeavours to ensure that no other person shall sell or offer for sale, any ticket or entry in a licensed lottery outside the Permitted Territory without the prior consent of the Commission, provided always that the licensee may (itself or through its duly authorised agent) whether within or outside the Permitted Territory sell or offer for sale any ticket or entry to a person reasonably believed to be a member of the armed forces of the Crown in a post outside the United Kingdom.
- (3) The licensee shall not sell or offer for sale, and shall use reasonable endeavours to ensure that no other person shall sell or offer for sale, any ticket in a licensed lottery outside the United Kingdom or Isle of Man, but within the Permitted Territory, without the prior consent of the Commission.
- (4) For the purposes of this condition, a ticket or entry shall be treated as sold outside the United Kingdom or Isle of Man if
- (a) it is sold or offered for sale at or from premises located outside the United Kingdom or Isle of Man;
- (b) it is delivered or sent to a participant at a place outside the United Kingdom or Isle of Man;
- (c) at the time of the sale of the ticket, the person by whom the ticket is sold reasonably believes that payment of any prize in respect of the ticket is to be made to a person or for the credit of an account at a place outside the United Kingdom or Isle of Man.”

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