

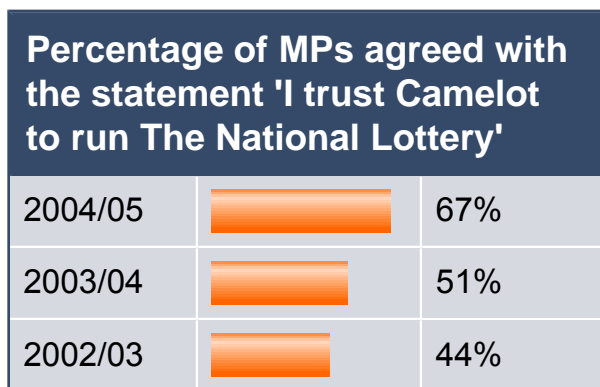
Our future

We are active participants in the public debate over the future of The National Lottery. We aim to inform and help shape public policy issues relating to the future of the lottery in particular, and our industry in general.

The outcome of the debate about the future licensing and regulation of The National Lottery is clearly of great significance to us and could have a major impact on all our stakeholders.

In determining our public policy positions we consult with our shareholders, retailers, the National Lottery Distribution Fund, the Department for Culture, Media and Sport, the Treasury, MPs and public interest groups. We also seek advice from the World Lottery Association. See [Consulting and responding](#).

We provide a regular Lottery Briefing to MPs and the Government and monitor the perception MPs have of the way Camelot is running The National Lottery. In the Winter of 2004, 67% of MPs agreed with the statement "I trust Camelot to run The National Lottery."



The National Lottery Bill

We welcomed the publication in November 2004 of the National Lottery Bill and the accompanying Government policy document on the licensing and regulation of The National Lottery.

The National Lottery Commission (NLC) had proposed to Government that it should be given powers to break The National Lottery into multiple-operator licences for the third lottery licence. We believe that a multiple-licence system would pose a number of significant risks to the operation of the lottery, and would not be in the interests of players or Good Causes. Some of our key stakeholders have also expressed their concerns.

We were pleased that the Government endorsed the single licence approach and that the NLC was asked to consult on a wide range of measures to improve the next bidding process. In January 2005 the NLC published a discussion document - A Lottery for the Future: Shaping the Structure of the Third Competition - seeking input from interested parties.

Camelot responded formally in April 2005, following extensive consultation with its stakeholders. We endorse and support a number of the proposals in this discussion document. For example, we are in favour of extending the licence period up to 15 years to create continuity and certainty of investment. We committed to enter the next bid process in May 2005.

The Gambling Act

The Gambling Act states that The National Lottery should continue to be regulated by the NLC and that it is outside the scope of the Gambling Commission.

We believe that extensive, frequent and regular consultation with the NLC and others is vital to ensure that regulation is fair and consistent throughout the industry, taking account of the issues and challenges facing The National Lottery.

We believe, for example, that if we are to continue to maximise returns to Good Causes, regulation must take account of the potential impact of other gambling activity which does not contribute 40% of its revenues to society, as the lottery does.

We are playing an active part in the debate around the codes of practice developed by the Gambling Commission. We argue that the codes of practice for the industry should be consistent with those governing our operations, in areas such as advertising, protecting children and young people, and ensuring high levels of propriety.

We take the view that the "harder" forms of gambling can have significant negative social impacts and that regulation is needed to protect young and vulnerable players. See industry initiatives in [Responsible gaming](#).

Gross Profits Tax

Whilst The National Lottery pays duty at a rate of 12%, the deregulated gambling sector has migrated to a more flexible Gross Profits Tax (GPT) regime.

This means that The National Lottery - with by far the highest returns back to society - is denied the opportunity to vary prizes in order to compete with other forms of gaming. Increasing prizes could increase sales and therefore returns to Good Causes.

Independent quantitative research indicates that GPT for The National Lottery would result in increased long-term revenues for both Good Causes and the Exchequer. Camelot's operating costs and profit would remain at 5% of the lottery pound.

We will continue to consult with the Government and NLC on this issue.

Olympics 2012

Camelot was strongly supportive of the bid to win the Olympic Games for London in 2012.



We support the Government's request to raise some of the necessary funding for infrastructure development. Half of this would come from the existing National Lottery Distribution Fund, the other half from new games with an Olympic theme.



We're confident that the lottery's involvement in the 2012 games would make fundamental sense to players and the public. We have commissioned research which shows people feel that involvement in the games would be entirely appropriate for The National Lottery.