

Lottery firm looks at legal action after Camelot wins bid

The decision to name Camelot as winner of the competition to operate the National Lottery for a third consecutive term could be heading for a challenge in the high court after Sugal & Damani, the sole rival bidder, said it was considering seeking a judicial review.

The Delhi-based conglomerate, with interests in jewellery, hotels and stockbroking as well as lotteries, attacked the decision this month by the National Lottery Commission to select Camelot as preferred bidder for the 10-year monopoly licence, starting in 2009. It claimed the decision meant the game had become „a licence to underperform“.

S&D has written to the commission asking it to „review“ its decision only to receive a terse response turning down the request. A spokesperson for the NLC confirmed letters had been exchanged, saying: „After a rigorous evaluation process, the commissioners unanimously agreed to select Camelot as the preferred bidder and Sugal & Damani as a reserve bidder and this decision has not changed.“

Asked if S&D would take its objections to the courts, Kamlesh Vijay, chief executive, said: „We are considering all our options.“ The firm is believed to have already spent more than GBP 10m on its bid – a price that deterred other potential bidders.

It would not be the first time the commission's decision had faced a legal challenge. The contest for the current National Lottery licence ended up in the courts seven years ago when Camelot challenged a decision by the NLC to exclude its bid – a move that would have left the way free for Sir Richard Branson's People's Lottery. The fiasco led to the resignation

of NLC chairman Dame Helena Shovelton who was replaced by Lord Burns. He went on to judge the People's Lottery's sales projections to be over-optimistic and handed the licence back to Camelot, which had run the draw since it was started in 1994.

Central to Camelot's bid was a claim it could raise GBP 15bn for good causes over seven years. It has so far raised GBP 8.5bn and is now expected to finish the licence in 2009 having raised GBP 10.5bn to GBP 11bn.

Mr Vijay claims this missed target should have been taken into account by the NLC when considering Camelot's projections for the third lottery licence. „They are short by about 30% of their own quoted figures,“ he said. „It [the NLC] is not willing to give a chance to another company that has a track record that is not failing in India. We feel they have rewarded underperformance.“

Giving its reasons for awarding Camelot preferred bidder status, the NLC this month said, at comparable sales levels, the incumbent operator's business plan would release more cash to good causes than S&D. But the principle forecasts for the two bids suggest S&D would be the more generous, returning 28% of ticket sales to good causes, compared with 27.8% from Camelot.

„The commission fails to justify how Camelot will be more generous when it is failing on its own targets,“ Mr Vijay said. He claimed that, after stripping out unclaimed winnings and other exceptional contributions, Camelot had never returned more than 26% of sales to good causes during its 13 years of running the National Lottery.

A spokesperson for the NLC pointed out that the competition for the lottery licence precluded commissioners from taking into account past performance of bidders. This was intended to provide a level playing field for new entrants.

Mr Vijay's criticisms echo attacks on the licence competition by Sir Richard. He said: „We told the commission the basis on which we would bid, but with the structure they used it was inevitable that Camelot would win. The government needs to conduct an urgent postmortem to ensure this farce is not allowed to happen again.“

Camelot said: „We are happy to stand on our record, but questions about the reasons for the licence decision are a matter for the NLC, not its preferred bidder.“