

# Once again privatization of Turkish National Lottery delayed

*Article by Rob van der Gaast*

On January 6, 2009, the Privatization Administration made an Amendment Announcement for the privatization of the Turkish National Lottery, by granting the license for a 10-year period.

The pre-qualification submission deadline was laid down for February 16, 2009. Games of Chance Data Room and Data Site application deadline was delayed to March 2, 2009 and the Games of Chance Data Room and Data Site access had to be changed from March 6 to March 30, 2009. The bidding deadline for the submission of bids was postponed to April 15, 2009.

This was not the first delay in the ongoing privatization process, which is a serious understatement. According to Metin Kilci, the chief of the Turkish Privatization Administration, the five remaining interested parties have asked for more time to prepare the bid offers. Above that the global credit crunch put a spoke in the wheel. From the very first beginning Ales Kulich – owner of QLot Consulting AB – who advised the authorities, had given a timely warning that the bidding period should have been much longer, but that was preaching to deaf ears. From the beginning of the privatization process GamblingAnalysts.eu advised a much longer period as well.

The Turkish government has its own opinion and this is the same administration which initially said, that Turkey would not be affected by the global financial crisis. This regime also privatized the tobacco industry and liberalized and privatized the alcoholic beverage business. Shortly after those privatizations, new, very significant tax laws were

introduced, hitting the tobacco and beverage manufactures hard. In line with this, it should not come as a surprise when the Turkish government of Recep Tayyip Erdogan, leader of the Justice and Development Party or AK Party, will – after finalizing the tender – introduce a new gambling law and higher tax regime.

The Islam prohibits alcohol, cigarettes, gaming and gambling (,kumar' in Turkish). The main argumentation on gambling and other games like this can be found in the Quranic verses 2 (Bakara)/219 and 5 (Maide)/9091. See also our research study ,The Islamic world and gambling'. Turkey's population consists of approximately 99% Muslims.

Only five companies/consortia have applied for pre-qualifications, meeting the criteria to join a tender for selling the Turkish national lottery. The bidders are:

- Doğan Holding (Turkey) – Lottomatica (Italy) consortium. Doğan Holding announced on February 16, 2009 that the Holding signed a memorandum of understanding (MoU) with Italian Lottomatica in order to establish a 50/50 joint-venture to participate in the National Lottery (Milli Piyango) tender and this consortium applied for pre-qualification as of February 16, 2009. Lottomatica, one of the biggest Italian corporations operating in the field of media and financial services is one of the world's largest commercial lottery operators and a market leader in the Italian gaming industry. It is also publicly traded on the Italian Stock Exchange (LT0).
- Intralot, global integrated gaming systems: design, develop, operate and support custom-made gaming solutions, including numerical, video and sports lotteries, as well as fixed odds betting, pari-mutual wagering and instant lottery games.
- Sans Oyunlari Yatirim Holding A.S., owned by Turkey's biggest mobile phone operator Turkcell. In 2007 Turkcell already had a commission fee coming from betting

activities of 181,3 USD million.

- Austrian Lotteries was founded in 1986 to provide lottery draws, scratch-and-win tickets, sports pools and other lottery-based games to the public. Since then, the highly successful company has continuously expanded its range of products and distribution channels. Casinos Austria AG holds a 68% stake in Austrian Lotteries. Casinos Austria International, founded in 1977, is a leading player in the international casino industry and has recently expanded its portfolio to incorporate the Casinos Austria Group's extensive range of lottery, online gaming, video lottery, slot parlor and sports betting products and services. The company currently operates 76 casinos in 18 countries and on board of 11 cruise liners with another casino also under development in Chile.
- OPAP S.A. – DAF Research and Development consortium, consisting of the following three companies:
  1. Doğuş (Turkey): The Doğuş Group is active in seven core businesses: financial services, automotive, construction, media, tourism, real estate and energy.
  2. Alarco Group of Companies (Turkey): The Group is active in many different fields of investment over a wide range of interests such as manufacturing, trading, engineering and contracting, tourism, land development, construction, energy and seafood. From one room and two people in 1954, today the Alarco Group of Companies is one of Turkey's leading enterprises with more than 3,000 engineers, technicians, white collar personnel and workers.
  3. Fiba Capital Holding (Turkey). Fiba Capital financially sponsors management buy-outs and buy-ins, as well as growth companies, serving the investors both with equity and their value added as active role in management. Fiba Capital aims to create returns by

making substantial investments in best-led and best-positioned companies in Turkey, Eastern Europe and Russia.

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At the moment the most remarkable matters of the privatization are:

- The Turkish Doğan Media Group and the Italian Lottomatica partnership seems to have no chance at all, since the Turkish Prime Minister has a severe feud with the Doğan Group;
- The OPAP consortium does not include an IT provider;
- Intralot as a stand alone, should have very deep pockets;
- Intralot, already winner of the sports betting tender in Turkey of 2008, is still the front-runner for Milli Piyango;
- Nobody knows when the bidding process will be closed.