

# Tight budgets push state owners to consider privatising their lottery and gambling operations

*Article by Martin Oelbermann*

**MECN published the 2nd edition of its landmark report “Privatisation of State-Controlled Gambling Operators”**

London/Munich – Exactly four years after the first edition, MECN is now issuing the long awaited 2nd and updated version of its landmark report “Privatisation of State-Controlled Gambling Operators”. In this report, MECN and co-authors, such as investment bank Sal. Oppenheim, analyse the topic of privatisation in unprecedented depth and detail. In addition, the study includes the results of a survey of more than 50 industry experts who offered their unique insights and assessments.

The topic of privatisation is “more topical than ever” – mainly because of tight state budgets

Ever increasing legal pressures (e.g., in most EU states), increasing liberalisation (e.g., in France), and tight state budgets (e.g., in the US) are putting pressure on state owners to evaluate a potential privatisation of their gambling assets. Currently foremost tight state budgets are driving this re-evaluation according to more than half of the surveyed experts. Because of their budget situation, many states must at least consider privatising their gambling operations quickly. Martin Oelbermann, director of MECN, adds, “Indeed, recent privatisations and the heated discussions in many jurisdictions worldwide about pros and cons of privatisations show that the issue is more topical than ever.”

Drastic increase of likelihood that state gambling operations will be privatised

In comparison to the first edition of the report, MECN now found a drastic increase in the likelihood that some key state gambling operations will be privatised soon. For example, the number of experts surveyed who believe that some of the top state lotteries/operators will be privatised in the coming 2-3 years nearly doubled compared to MECN's 2005 analysis. Currently, on average nearly 60% of the surveyed experts find it likely that key lotteries, such as La Française des Jeux or the California State Lottery, will be privatised.

Several privatisations are expected – significantly more privatisations expected in the US despite federal legal opinion

In addition to perennial “hot” privatisations, such as the UK tote and Milli Piyango, many others are currently under discussion. According to our survey, several potential privatisations are expected to be at the top of the list: several Australian and US lotteries/operators, the Hungarian State Lottery, ... to name just a few.

The majority of the experts (83%) still see Western Europe as the key region for privatisation – but the US is catching up quickly. Although US federal jurisdiction on the whole opposes privatisation of state lotteries according to a recent legal opinion, 40% of the experts surveyed believe that North America would be among the nations most likely to see privatisation of gambling operations. This represents a nearly threefold increase compared to MECN's 2005 study.

Some of the biggest state lotteries could be worth up to USD 20-25 billion

Experts see some state-controlled operators' worth already reaching several billion USD, but Mr. Oelbermann sees even more potential: "If the same valuation multiples of privatised

and public companies, such as Greek gambling heavyweight OPAP, were applied, some of the biggest state lotteries could be worth up to USD 20-25 billion – this could be quite tempting for some ministries of finance.”

MECN’s report analyses and discusses the most relevant issues

The updated report includes the most recent developments and information as well as answers to the most relevant questions associated with the privatisation of state gambling operations:

- Analysis of selected potential privatisations and overview of state operators most likely to be privatised in the near future.
- Case studies of already privatised lotteries/operators.
- Valuation of relevant state-controlled gambling operators.
- Discussion of advantages, disadvantages, and options for privatisation. Including questions such as: Are state-controlled companies inefficient compared to private operators and does privatisation lead to increased market expansion and problematic gambling?

In total, the second edition has nearly 100 pages and 36 graphs/exhibits

The study can be obtained at <http://www.privatisation.mecn.net>