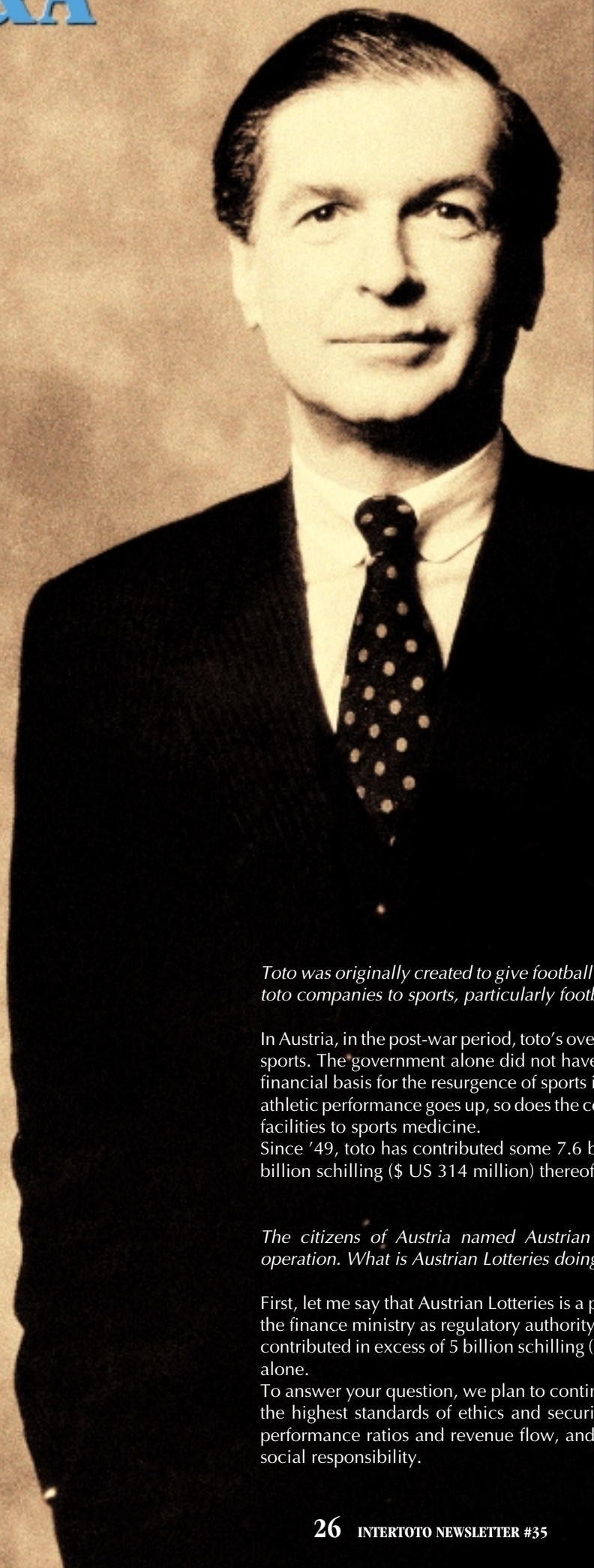


Q&A

with Friedrich Stickler



Friedrich Stickler has been a strong supporter of Intertoto and its members for many years. He is a true gentleman and the wisdom of his views and utterances have made his counsel highly sought after in the industry, and with regulatory bodies and industry suppliers. His diligent behind-the-scenes work in Intertoto's Executive Committee and working groups, and the European Football Pool, has made him a great asset to the industry. We recently asked him a series of questions about topics of interest to our readers.

As European Football Pool president and member of the UEFA Intertoto Cup Commission, how important do you think is the UEFA Intertoto Cup to participating toto companies?

The UEFA Intertoto Cup is a bigger and better version of the old International Football Cup. Participating teams could for the first time qualify for the UEFA Cup in '95. This attracted well-known teams such as Sampdoria Genua, FC Valencia, Crystal Palace, Werder Bremen and AJ Auxerre, and made summer toto more attractive to players than ever.

As members of the UEFA Intertoto Cup commission, Yvonne Schnyder and I helped shape the format and framework of the competition and last April co-signed a two year extension of the agreement with UEFA.

Thus the UEFA Intertoto Cup continues to nicely bridge the summer gap with an attractive series of games, not to mention that a full playing season is important given growing competition from bookmakers, particularly those operating in the new media.

Toto was originally created to give football clubs a shot in the arm. Are contributions from toto companies to sports, particularly football, still needed in these affluent times?

In Austria, in the post-war period, toto's overriding objective was the support of all amateur sports. The government alone did not have the means and toto's launch in '49 created a financial basis for the resurgence of sports in my country. But sports still needs money. As athletic performance goes up, so does the cost of staging sports, from better equipment and facilities to sports medicine.

Since '49, toto has contributed some 7.6 billion schilling (\$ US 597 million) to sports, 4 billion schilling (\$ US 314 million) thereof since Austrian Lotteries took over toto in '86.

The citizens of Austria named Austrian Lotteries the country's favorite government operation. What is Austrian Lotteries doing to further enhance its image?

First, let me say that Austrian Lotteries is a private company, licensed to operate games by the finance ministry as regulatory authority. As one of the country's biggest taxpayers, we contributed in excess of 5 billion schilling (\$ US 393 million) to Austria's treasury last year alone.

To answer your question, we plan to continue just what we have been doing: adhering to the highest standards of ethics and security; constantly improving our products, price-performance ratios and revenue flow, and exercising what we believe is a high level of social responsibility.

Friedrich Stickler, 49, a native of Vienna, is married, with two children. A graduate agricultural engineer, he joined Casinos Austria in '82, and has been a member of the board of Austrian Lotteries, in charge of marketing, public relations, and the legal and human resources departments, since '86.

He is also an

- Intertoto Vice President,
- board member of Intertoto's European Section,
- president of the European Football Pool,
- member of the AILE-Intertoto Transition Task Force,
- member of the UEFA-Intertoto Cup Commission,
- chairman of Intertoto's New Technologies Working Group,
- and a former member of Intertoto's Multi-Jurisdictional Games Working Group and of the board of AELLE.

For instance, we are just about to replace our on-line terminals with a second generation of even better equipment, and this coming fall we intend to launch newly developed games on the Internet – accessible only to players inside Austria, of course. In launching new products we want to be sensitive to our customers' needs. The last thing we would wish to do is to flood the market. And we support projects for the common good, mainly in the areas of culture, the environment and sports.

As chairman of Intertoto's New Technologies working group and executive of a lottery in a small country, what do you think will be the effect of cross-border gaming on the Internet?

In the European Union especially, whose member nations are against gaming's liberalization and in favor of keeping it within national boundaries, games whose technology predestines them to cross borders require regulation. The Internet knows no national boundaries. It is up to our legislators to establish rules to prevent the appearance of an unbalanced, uncontrolled and uncontrollable market.

The danger, for instance, of money laundering by unscrupulous private lotteries outside strict government control, is real. The potential for damage to the collective reputations of legitimate lotteries is just as real. Another danger comes from competition from pirate lotteries in low-taxation countries: Lower taxes allow them to offer higher payout rates. To prevail, national lotteries would have to match or exceed them – at



the expense of their national treasuries and other beneficiaries. Lotteries must also limit cross-border betting originating in their own ranks through self-regulation.

The New Technologies working group is currently drawing up basic principles intended to guide legal Internet gaming. Gaming on the Internet and limitation to national boundaries are not mutually exclusive. Electronic lotteries can function and do function well without violating the law. Limitation to national boundaries guarantees a socially compatible, controllable range of games and is a steady source of tax revenue for countries big and small. Regulation is the way lotteries of small countries can avoid being steam-rolled by the bigger ones.

But instead of legislating against cross-border proliferation of gaming, why could small lotteries not compete internationally as equals? They need not become increasingly isolated and irrelevant because clearly, they have the experience and financial resources and, presumably, the innovative powers, to become leading international contenders.

The reason for legal limitation of gaming is not that small countries operate isolated, irrelevant lottery companies. On the contrary, it is market liberalization that will condemn them to isolation and irrelevance because they do not dispose of the financial resources of larger countries. This makes for an uneven playing field in an open market.

As an Intertoto Vice President and European Section Committee member, how do you react to ongoing attempts to liberalize gaming in the EU? Subsidiarity and thus, national lottery monopolies, seem under threat. EU competition commissioner Karel Van Miert was called «a free market zealot» in an article in the January 31 issue of The Economist, entitled The Irritating Commissioner. In the article, Mr. Van Miert was reported as strongly opposing the German government's attempt to exclude sports, especially professional football, from EU anti-trust laws. In fact, he is said to be probing the practices of FIFA and of the FIA, the international motor racing organization. He has also attacked Volkswagen for blocking cross-border sales. Taken together, is this not a potential threat to national lotteries, and if so, how should Intertoto and its members protect against it?

Because car sales are subject to the open market, Volkswagen's situation is different from that of gaming. Van Miert attacked Volkswagen for imposing limits on an otherwise open market by blocking sales in another country. Gaming is different: no outsider may sell lotteries in a country protected by a monopoly. That's why Van Miert's actions in the case of Volkswagen pose no danger to our monopolies.

Nations know that gaming monopolies are an important source of tax revenue and of funding of projects for the common good. Liberalization would threaten these achievements and tax revenues would drop as gaming migrates to low-taxation countries. What's more, only government control can ensure that games are honest and players treated fairly. I believe dishonest operators to be the greatest liberalization danger. With so much money at stake, we cannot tolerate fraud. The protection of the player must come first.

Months of work have gone into an initiative by EU lottery companies to generate the political will among finance ministers to favor the retention of state gaming monopolies at ECOFIN, the forum of European finance ministers. There is good reason to believe this initiative will help preserve state monopolies as we know them, and today's gaming companies along with them. □