

# GAMBLING COMMISSION

## **Review of Monetary Limits for Society and Local Authority Lotteries**

Berkshire House  
168-173 High Holborn  
London WC1V 7AA

T 020 7306 6253  
F 020 7306 6267  
[www.gamblingcommission.gov.uk](http://www.gamblingcommission.gov.uk)

## INTRODUCTION

1. During the passage of the Gambling Bill earlier this year, Lord McIntosh, the Minister responsible for policy on gambling at that time, said that the Government would expect the Gambling Commission to review and provide advice on the monetary limits for society lotteries every three years and that they would expect the first such review to be conducted by the end of 2005. DCMS officials subsequently wrote to the Gaming Board, now the Gambling Commission, on 10 May 2005 to set that review in train.

2. The Commission wrote to interested parties on 22 June seeking their views on the current monetary limits and on proposals for the future. A copy of that letter is at Annex A and the list of consultees at Annex B.

3. The Commission asked those participating in the review to provide strong and detailed justification for any proposed increases. The Commission also posed a number of specific questions:

- Why is an increase in the monetary limits necessary?
- How might an increase affect the overall proceeds of society lotteries?
- How would an increase benefit players?
- Would an increase result in more problem gambling?
- What might be the effect of an increase in monetary limits for society and local authority lotteries on the National Lottery?

4. Six responses were received from organisations or people involved with society lotteries: the Lotteries Council (Annex C), the Hospice Lotteries Association (Annex D), the Institute of Fundraising (Annex E), Lord Corbett of Castle Vale (the Vice President of the Lotteries Council (Annex F) and two External Lottery Managers registered with the Commission, Littlewoods Gaming (Annex G) and Sissons Marketing International (Annex H). The first two of these requested and had meetings with Commission officials. Two responses were received from those involved with the National Lottery: the National Lottery Commission (Annex I) and Camelot (Annex J).

## CURRENT POSITION

5. The current monetary limits for society and local authority lotteries were set in June 2002, when they were doubled over previous levels. They are:

- The maximum price of a ticket or chance may not exceed £2.
- The total value of ticket or chances sold in a single lottery may not exceed £2,000,000. As a result the maximum single prize (which is limited to £25,000 or 10% of the proceeds) may not exceed £200,000.
- The total value of tickets or chances sold in all lotteries on behalf of one society or local authority in a calendar year may not exceed £10,000,000.

6. The 2001 Gambling Review Body Report (the 'Budd' Report) recommended that "the limits on the size of prizes and the maximum annual proceeds should be removed for society lotteries". The Government's response in a "Safe Bet for Success" did not agree with this recommendation that there should be no monetary limits on society lotteries, for the reason that "the removal of limits would allow charities to compete head to head with the National Lottery". Subsequently the Parliamentary Joint Scrutiny Committee on the Gambling Bill concluded that "the Budd recommendation to remove financial limits on lotteries has merit and we recommend that it should be achieved progressively over time". The 2005 Gambling Act retains the limits on proceeds and prize levels but will abolish the limit on ticket price. As mentioned earlier, the Government's current view is that these limits should be reviewed triennially.

7. The total proceeds (ticket sales) for society and local authority lotteries registered with the Gaming Board in 2004/05 was £141.1 million. From these proceeds, £29.9 million (21%) went on prizes, £36.2 million (26%) went on expenses and £75 million (53%) went directly to the purposes of the societies, the 'good causes'. This compares with total proceeds from the National Lottery of £4.8 billion, of which 28% goes to good causes, although (unlike society lotteries) the National Lottery is subject to Lottery Duty at 12% of sales.

8. There are 661 society lotteries registered with the Gambling Commission. No society registered with the Commission has ever reached the current maximum cumulative proceeds limit (£10 million) in a year. From an analysis of the lottery returns made by societies, examples are given below of some of the largest lotteries conducted in 2004:

	<u>Total proceeds</u>
	£
PDSA (14 lotteries)	5.4 million
National Trust (2 lotteries)	1.1 million
Newcastle United FC (52 lotteries)	1.1 million
Barnardo's (3 lotteries)	0.7 million
British Heart Foundation (2 lotteries)	0.6 million

#### **REPRESENTATIONS RECEIVED DURING THE REVIEW**

9. Unsurprisingly, the representations the Board received reflected the opposing interests of the respondents. The responses from representatives of the society lotteries sector all favoured substantial increases in the monetary limits and indeed reiterated their support, in line with the Budd Report and the views of the Joint Scrutiny Committee, for complete abolition of all limits. The National Lottery Commission and Camelot oppose any increases because of the impact they believe they will have on the National Lottery.

10. The Lotteries Council (see Annex C) provided the most detailed justification for the increases they are seeking, which are:

- The maximum stake limit (£2) should be removed now;
- Increase in the maximum prize limit in a single lottery from £200,000 to £1 million;
- Increase in the maximum proceeds of a single lottery from £2 million to £10 million; and

- Increase in the maximum annual aggregate limit from £10 million to £100 million.

11. They helpfully addressed each of the Commission's five questions (see paragraph 3 above) in turn. Their response to each can be summarised as follows:

- Increased limits are needed to give society lotteries greater flexibility and ability to respond to market changes; would allow them to compete better with all other areas of the market, including unregulated prize competitions, which can offer substantially larger prizes, including in high streets, in newspapers, on TV, and via the internet; and would allow them to keep pace with inflation.
- Proceeds for good causes, including a number of high-profile charities, would inevitably increase as it is generally acknowledged that the size of prizes, especially the top prize, impacts on the success of lotteries. For many good causes, their funding is critically dependent on lotteries.
- Buyers of lottery tickets would benefit from greater choice and, as increases would preserve society lotteries, this would allow participants to continue to support in this way the charities of their choice.
- All the evidence suggests that society and other lotteries are at the 'soft' end of gambling and are a minimal cause of problems for those who participate.
- Increases would have no negative impact on the National Lottery, both because the Lottery has a firmly established and unassailable position and because it would still be able to offer very much bigger prizes than any society lottery.

12. The Hospice Lotteries Association proposed (Annex D):

- An increase in the maximum prize in a single lottery from £200,000 to £2 million;
- An increase in the maximum proceeds of a single lottery from £2 million to £20 million; and
- An increase in the maximum annual aggregate proceeds from £10 million to £100 million.

They explained how the increases would in particular allow the sector to seek to mount a joint venture covering the country as a whole, thereby raising both the profile of and funding for the movement. In responding briefly to the Board's five questions, they generally made similar points to the Lotteries Council, albeit also saying that increases were needed to allow the sector to cover rising costs.

13. The Institute of Fundraising (Annex E) proposed that the maximum stake limit be either removed or raised to £10 and that prize and proceeds limits should be removed. They emphasised the added flexibility this would allow; the increases in funds and awareness that would be generated; and that returns on investment which in 2004 were £2.95 for each £ invested in lotteries compared with an average of £5.29 for other fundraising, would improve. The other three respondents from the sector (Annexes F, G and H) all also supported substantial increases in the limits.

14. Both the National Lottery Commission (Annex I) and Camelot (Annex J) emphasised the unique position that Parliament has established for the National Lottery as a protected institution designed to maximise revenue for the good causes designated by Parliament and the Government's continuing policy commitment to this aim, especially in the context of raising funds for the 2012 Olympics. Both believe that increases in society monetary limits would risk blurring the distinction with the National Lottery and seriously damaging the Lottery and its beneficiaries; the National Lottery Commission reports some research evidence to back its concern. Each therefore opposes any increases in monetary limits and argues that any decision to the contrary should only be taken after careful research. The National Lottery Commission further argues that it would expect "any relaxation in the level of [society] prize limits to be reflected in greater accountability" and lists six examples of what this might cover.

#### **GAMBLING COMMISSION'S CONSIDERATION AND CONCLUSIONS**

15. The Commission considered the points made by the National Lottery Commission and Camelot. It concluded that decisions on the extent to which the National Lottery

should be protected from competition from the society lottery sector were ones for the Government, not it, to take.

16. Equally the Commission does not have the expertise to judge whether increases in society monetary limits would impact on the National Lottery in the way these two organisations suggest. Any such proper assessment would need a major piece of research. The Commission would however make the following points. On the figures available to the Commission the proceeds from the National Lottery are in excess of 30 times the whole of the society lotteries sector: its advertising and marketing powers are thus enormous. Given the limited scale of the vast majority of society lotteries, prizes of £1 million in such lotteries, if permitted, are likely to be fairly infrequent and limited to a few annual draws. Even at a figure of £1 million, the prizes will not compare with the much larger prizes available in some National Lottery games. There seems little to suggest that the doubling of society monetary limits in 2002 had any impact on the National Lottery. Further the Gambling Commission believes that the level of regulation proposed in the 2005 Gambling Act, which enables it to impose more stringent licence conditions on higher value lotteries should this appear necessary, is reasonable and proportionate for the societies' lotteries sector, regardless of the monetary limits which apply. It would not therefore support the National Lottery Commission's proposals on greater accountability.

17. In respect of the case made by the societies' lotteries sector, the Gambling Commission considered it appropriate to have regard to its duties under the 2005 Act to permit gambling in so far as it "thinks it reasonably consistent with pursuit of the licensing objectives", which are, in summary, to keep crime out of gambling; to ensure gambling is conducted fairly and openly; and to protect children and the vulnerable.

18. In all these regards, the lotteries sector has always been considered fairly 'low risk'. Any increases, the Commission believes,

- seem unlikely to lead to any significant increases in criminality, although there has always been some concern that the wide distribution of paper lottery tickets could be a potential source of fraud where recipients sell

tickets but do not return the counterfoils and money. The charities listed in paragraph 12 for instance mainly operate paper ticket lotteries, although they send only limited numbers of tickets to each potential participant thus minimising risk.

- will not impact on the fairness or openness of the lotteries.
- are unlikely to have any significant impact on problem gamblers as long odds, infrequent prize gambling is considered to be very much at the low end of 'risk factors'; or to lead to any significant increase in underage gambling, of which there is little evidence of abuse for the societies lotteries sector.

19. Thus, aside from any considerations about the impact on the National Lottery and the justification for taking such factors into account which are matters on which Government will need to form a view, the Gambling Commission is content to recommend that:

- The maximum proceeds limit in a single lottery is increased to £10 million, thereby permitting a maximum prize of £1 million. A prize of this size does seem likely to increase the attractiveness of any lottery which can afford it.
- The maximum cumulative annual proceeds are increased to £50 million and the maximum ticket price to £10, thereby maintaining the ratios between these and the current individual proceeds and prize limits. The maximum ticket price is in any case going to be abolished under the 2005 Gambling Act.



The Gaming Board for Great Britain, Berkshire House,  
168-173 High Holborn, London WC1V 7AA.

Telephone 020 7306 6205

Fax 020 7306 6266

Our ref: L01/14/8

Date: 22 June 2005

Dear

**REVIEW OF MONETARY LIMITS FOR SOCIETY AND LOCAL AUTHORITY LOTTERIES**

Following a commitment made by Lord McIntosh, the responsible Minister at the time, in Parliament during the passage of the Gambling Bill, the Department for Culture, Media and Sport has written to the Gaming Board asking that it set in train a review of the monetary limits which apply to society and Gaming Board registered local authority lotteries. This letter starts that process.

The scope of the review will cover the maximum ticket price (although there will be no maximum under the Gambling Act 2005), the total value of tickets or chances that may be sold in a single lottery and the total value of tickets or chances that may be sold in a calendar year. The last increases took place in June 2002. The current limits are:

- The maximum price of a ticket or chance may not exceed £2.
- The total value of tickets or chances sold in a single lottery may not exceed £2,000,000. As a result, the maximum single prize (which is limited to 10% of the proceeds) may not exceed £200,000.
- The total value of tickets or chances sold in all lotteries on behalf of one society or local authority in a calendar year may not exceed £10,000,000.

The Board wishes to seek the views of interested parties before reaching its conclusions and making recommendations to the DCMS. Accordingly I am writing to invite your organisation to submit any proposals or views which it would like the Board to take into account in the context of the review.

The Board will wish to see strong, detailed justification for any increases sought in the current review.

In presenting any case for an increase the Board would ask you to please address the following questions, supporting your answers wherever possible with independent, quantified evidence:

- Why is an increase necessary ? It would seem that on present evidence very few society lotteries registered with the Gaming Board approach the current maximum proceeds limit.
- How might an increase in these limits affect the proceeds of society lotteries and thus the monies available to the 'good causes' that the societies represent ?
- What benefits or advantages would accrue to buyers of lottery tickets as a result of any increases ?
- Would any issues surrounding problem gambling and/or consumer protection be raised by any increases ?
- What might be the effect of an increase in society and local authority limits on the National Lottery ?

Any submission that you wish to make should be sent to me in writing by **30 September 2005** either to the above address or by e-mail to [cliffyoung@gbgb.org.uk](mailto:cliffyoung@gbgb.org.uk). The Board will wish to make all correspondence publicly available. If the Board subsequently has any queries or wishes to seek further information on your material, I will contact you.

Yours sincerely

Cliff Young  
Head of Lotteries & Machines Section

**REVIEW OF SOCIETY & LOCAL AUTHORITY LOTTERY LIMITS 2005 –  
CONSULTEES**

Mark Harris  
Chief Executive  
National Lottery Commission  
101 Wigmore Street  
London W1U 1QU

Dianne Thompson  
Camelot Group Plc  
Tolpits Lane  
Watford  
Herts WD18 9RN

Garth B Caswell  
Chairman  
Hospice Lotteries Association  
Ty Hafan Children's Hospice  
Hamard House  
Cardiff Road  
Barry  
South Glamorgan CF63 2BE

Alan Austin  
Chairman  
The Lotteries Council  
The Croft  
Church Road  
Little Leigh  
Northwich  
Cheshire CW8 4RR

Katherine Smith  
Policy Officer  
LACORS  
10 Albert Embankment  
London SE1 7SP

Robin Burgess  
Secretary  
Responsibility in Gambling Trust  
38 Grosvenor Gardens  
London SW1 0EB

Jill Davidson  
Chief Executive  
Gamcare  
2 & 3 Baden Place  
Crosby Row  
London SE1 1YN

John Kennedy  
Churches Together in Britain & Ireland  
Bastille Court  
2 Paris Gardens  
London SE1 8ND





HON. SECRETARY: PETER JONES  
 2 REGAN ROAD, MOIRA, DERBYSHIRE DE12 6DS  
 TEL: 01283 229811 FAX: 01283 229810  
 WWW.LOTTERIESCOUNCIL.ORG.UK

CHAIRMAN: ALAN AUSTIN

EXECUTIVE OFFICER: JUDITH HORNER  
 TEL: 01925 710880  
 E-MAIL: JUDITH@LOTTERIESCOUNCIL.ORG.UK

VICE PRESIDENTS: LORD CORBETT  
 DAVID AMESS MP  
 MICHAEL EDWARDES-EVANS  
 TONY SHAW

Cliff Young Esq  
 Head of Lotteries and Machines  
 The Gaming Board for Great Britain  
 Berkshire House  
 168 - 173 High Holborn  
 London WC1V 7AA

29<sup>th</sup> September 2005

Dear Mr Young,

**Review of monetary limits for society and local authority lotteries**

Following your letter of 22<sup>nd</sup> June 2005 I am writing to you regarding the review of monetary limits for society and local authority lotteries. The Lotteries Council and its members welcome the opportunity to give their input and thank the Gaming Board for Great Britain for the invitation to do so.

**Introduction**

As you will know, the Lotteries Council is a not-for profit association whose membership currently totals over 150 organisations licensed to operate lotteries either by the Gaming Board or local authorities. The growth continues to be in the charitable sector, although we are working on recruitment among sport-supporting organisations. The Lotteries Council looks forward to continuing its positive working relationship with the Gaming Board and Gambling Commission over the coming years.

**Terms of Reference**

The Lotteries Council would appreciate clarification on two issues. The first concerns the statutory basis of the review and the second the policy assumptions underlying the Board's approach to the review.

The Lotteries Council assumes that the review is taking place under the 1976 Act because the 2005 Act is not yet in force. It notes, however, that this results in an anomaly as regards stake limit because any limit on these is abolished in the 2005 Act. It seems to the Lotteries Council undesirable that a review at this stage should disregard this important development and proposes that the stake limit be removed at this the first opportunity.

As regards policy, the Lotteries Council would welcome an undertaking that the review will be held in the context of recent discussions. The Budd Report, Joint Scrutiny Committee Report and the discussions generated during the passage of the Gambling Act 2005 all helped develop a more up to date understanding of the role played by society lotteries in the UK.

As such the Lotteries Council believes that they should frame the context of the review. Furthermore, the Council would draw attention to the importance of ensuring that the review does not disregard the will of Parliament, as provided by these discussions and reports.

In particular, the Lotteries Council notes that the Board will wish to see a strong detailed justification for any increases. It feels entitled to ask in return how this firm request is reconciled with the quite liberal recommendations of Budd and the JSC on the question of limits and on what policy criteria the Board propose to evaluate the case for an increase in limits.

In particular, the Lotteries Council would like to take this opportunity to draw attention to the following:

*"The limits on the size of prizes and the maximum annual proceeds should be removed for societies' lotteries"* - Gambling Review Report (Budd)

*"We believe that the Budd recommendation to remove financial limits on lotteries has merit and recommend that it should be achieved progressively over time."* – JSC report

### **The Lotteries Council's Position**

The Lotteries Council supports removal of the monetary limits imposed on society lotteries subject to a stated minimum proportion of revenues going to good causes, as recommended by the Budd report (see above). The Council believes that this would provide optimum flexibility for good causes to develop schemes best suited to their specific requirements and survival in the longer term. This was the view adopted by the Council during the passage of the 2005 Act, and in its view the considerations of principle remain valid.

However, the Lotteries Council recognises that a concern exists about a complete removal of the limits and accordingly, the Council urges consideration of other options. If abolition of all limits is ultimately deemed unacceptable, the Lotteries Council would suggest that the following proposals should be given careful consideration. In the Council's view they represent the minimum necessary to secure its members' position.

- **An increase in the prize limit (from £200,000<sup>1</sup>) to £1 million**
- **An increase in the limit on proceeds of a lottery (from £2 million) to £10 million**

The Lotteries Council also supports an increase in the annual aggregate limit on society lotteries. The Council would be grateful for an explanation from the Gaming Board of the necessity for a specific annual limit.

In addition, in the spirit of providing explanations for the reasoning behind the existence and specific levels of limits, the Lotteries Council would ask the Gaming Board for an explanation of why the (jackpot) prize limit is set at 10% of pool size. The Council believes that this explanation is important towards ensuring the limits are not perceived as wholly arbitrary.

---

<sup>1</sup> 10% of the maximum lottery proceeds

The Council would, at this point, like to take this opportunity to draw attention to the Government's policy regarding unnecessary regulation, as stated by the Better Regulation Task Force, which requires that unnecessary or obsolete regulations be removed from the Statute Book. Despite frequent enquiries the Lotteries Council knows of no purpose served by either annual limits or the 10% prize limit and, in the absence of any explanation, these regulations should be removed, in fulfilment of government policy.

Furthermore, the Lotteries Council does not believe, given the regulatory safeguards contained in the new Act, that these increases would have negative implications. In particular that they would not increase levels of problem gambling nor damage the National Lottery (see later paragraphs). Our members' operations would continue to be dwarfed by the rest of the Gambling industry and the pay-to-enter prize competitions market. A more detailed explanation of this view appears later in this letter.

The Lotteries Council (given that the powers are to be exercised under the 1976 Act) again urges that the current limit on stakes be revised to reflect as far as possible the fact the 2005 Act removes these limits completely.

The following paragraphs deal with the specific issues raised in your letter.

**Why is an increase necessary? It would seem that on present evidence very few society lotteries registered with the Gaming Board approach the current maximum proceeds limit.**

As you will know, society lotteries play a key part in generating essential funds for a number of charities. Over the years, society lotteries have contributed towards the provision of a number of amenities, ranging from hospices, through sports clubs to scout huts. It is therefore essential that the long-term survival of these lotteries is assured.

The Council recognises that few of its members *currently* push the limits. However, it believes that increases would act as an important safeguard for the future of society lotteries:

- **Increased limits would give society lotteries the flexibility to develop lotteries suited to their specific requirements and respond to market changes.**
- **Increased limits would help ensure that society lotteries were able to avoid losing out to pay to enter prize competitions by offering an attractive product (see below). Increased limits would occur in the context of massively increased prizes in all areas of the market, such as pools, bingo, National Lottery and unregulated prize competitions, all of which offer substantially larger prizes on high streets, in newspapers, on TV, and via the internet.**
- **Increased limits would provide society lotteries with the ability to offer a product that retains its value in the face of inflation, although still not one that competes with those currently offered by the National Lottery, or unregulated pay-to-enter prize competitions.**

In addition, and in order to understand fully the importance of increases at this stage, it is important to note that in the past eleven years there have only been two sector-wide, review processes in which the Lotteries Council has had the opportunity to participate. Both of these were hard-fought-for and catalysed by the benevolent involvement of Peers and MPs on behalf of society lotteries. This situation has been particularly challenging for the Lotteries Council which, as a not-for-profit association, does not have the facility to dedicate resources to this aspect of its work on an ongoing basis. In addition, the Gambling Act 2005 does not provide for a systematic review of the limits. Therefore, the Council cannot understate the importance of this review for society lotteries and the good causes they support, in the increasingly difficult world of fundraising.

Furthermore, in the absence of any negative consequences the Lotteries Council believes that increasing the monetary limits is a sensible course of action.

**How might an increase in these limits affect the proceeds of society lotteries and thus the monies available to the good causes that the societies represent?**

The funding of many good causes, including a number of high-profile charities, is critically dependent on the success of their lotteries. To survive, society lotteries need the flexibility to compete effectively within the market place and the Council believes that increased monetary limits would significantly improve their ability to do so.

There is overwhelming evidence that in order to be viable, a lottery relies upon the attractiveness of its prizes, and in particular its headline jackpot, where most marketing and retail advertising is focused. This is why the National Lottery is more heavily advertised when the jackpot is increased by roll-overs, which in turn increases sales. Increased prizes would significantly improve society lotteries' ability to attract widespread support. This is particularly true when viewed in the context of the wider market, which is saturated with unregulated prize competitions, routinely offering prizes well in excess of £25,000 and frequently up to £1million. You only need open the paper, turn on the television or logon to a betting site for examples of the competition that society lotteries face.

In this context the Council would like to draw attention to the figures Philip Circus, Fellow of the Institute of Sales Promotion, supplied during the JSC process: the unregulated prize competition market in the UK is in the region of £5 – 7 billion.<sup>2</sup>

Furthermore, society lotteries are an extremely small part of the overall gambling industry. Therefore the proposed increases would not have a sizeable impact on the overall composition of the sector. Statistics show that in 1998 expenditure on lotteries other than the National Lottery accounted for approximately 0.3% (£133,900,000) of the entire market. Put in context, this is relative to 44% (£18,547,300,000) for casinos and 20% (£8,404,300,000) for betting<sup>3</sup>.

Therefore the Lotteries Council believes that the increases it supports would help safeguard the future of a number of good causes that rely on society lotteries for funding.

**What benefits or advantages would accrue to buyers of lottery tickets as a result of any increases?**

The Lotteries Council believes that by increasing the monetary limits on society lotteries ticket buyers would benefit from increased choice. In addition, increases would help preserve society lotteries and the good causes they fund, thus allowing participants to continue to support the good cause of their choice.

**Would any issues surrounding problem gambling and/or consumer protection be raised by any increases?**

The Lotteries Council and its members fully support the Gaming Board's commitment to tackling problem gambling and to ensure consumer protection. Members of the Council are proud of their record for consumer protection and lack of association with crime.

<sup>2</sup> Oral evidence to the Joint Scrutiny Committee, 24<sup>th</sup> February 2004

<sup>3</sup> Gambling Review Report, 2001

The Council believes that different forms of gambling result in varying degrees of problem gambling and that, along with the National Lottery, society lotteries sit at the 'soft' end of gambling. This view was strongly supported by the Budd report, Joint Scrutiny Committee (JSC) report and passage of the Gambling Bill.

In this vein the Council would like to draw the Gaming Board's attention to the discussions surrounding monetary limits during the passage of the Gambling Act: At no stage were concerns expressed about the possible implications of an increase on the level of problem gambling; the sole concern raised related to a potential impact on the National Lottery.

The Budd report states: "we have not received evidence to suggest that such lotteries give rise to fraudulent activity on a scale that would justify anything other than a light touch (of regulation)." GamCare's statistics<sup>4</sup> (referenced in the JSC report) show that only 1.4% of first-time callers engaged in scratchcards or National Lottery (12.8% market share) or society lottery games (0.3% market share). The JSC report goes on to say: "The National Prevalence Study, supported by GamCare's statistics, also indicated that these activities are not significant factors in problem gambling. The Government has similarly used the argument that these are relatively low risk to justify the lower age limit."

The Council therefore believes that an increase in the limits would have no adverse effects as regards the incidence of problem gambling, and that the same high standards of consumer protection in the sector would continue.

#### **What might be the effect of an increase in society and local authority limits on the National Lottery?**

The Lotteries Council strongly supports the work of the National Lottery in raising funds for good causes across the UK. The Council does not believe that the increases it supports would have any negative impact on the revenues of the National Lottery.

The position of the National Lottery relative to society lotteries is firmly established and, the Council would argue, unassailable. Statistics for 1990-2000<sup>5</sup> from the Office of National Statistics indicate that the National Lottery accounts for 63% of the average household weekly expenditure on gambling. Other lotteries account for just 2.9%.

The Council would remark that the limits it is seeking are no way comparable to the jackpots now available from National Lottery games and would therefore not permit them to compete head-to-head with the National Lottery (eg c.£79 million was available in the EuroMillions game on 29<sup>th</sup> July 2005). In addition, the National Lottery benefits from a sustained and well-funded national advertising campaign, which the multiplicity of society lotteries is in no way able to replicate.

---

<sup>4</sup> GamCare Care Services Report 2002

<sup>5</sup> Gambling Review Report, 2001

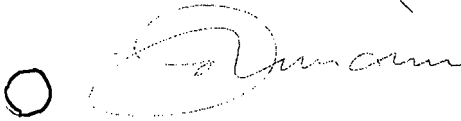
**Conclusion**

The Lotteries Council would like to reiterate its thanks for the opportunity to give its input and to underline the importance of the review towards ensuring the long-term future of society lotteries, and therefore a number of the good causes they support.

The Council hopes that it will be possible to meet to discuss the review and the points raised in this letter. Perhaps I can telephone your office to arrange something convenient.

Best wishes.

Yours sincerely,



**Alan Austin**  
Chairman  
The Lotteries Council

Please reply to: The Croft  
Church Road  
Little Leigh  
Northwich  
Cheshire CW8 4RR  
Telephone: 01606 891477  
Email: alan\_austin@talk21.com

# Hospice Lotteries Association

Mr Cliff Young  
 Head of Lotteries & Machines Section  
 Gambling Commission  
 Berkshire House  
 168-173 High Holborn  
 London  
 WC1V 7AA

6<sup>th</sup> October 2005.

Dear Mr Young,

## Ref: Review of Monetary Limits.

Thank you for giving the Hospice Lotteries Association (HLA) the opportunity to comment on the review of monetary limits. Whilst our association members as individual hospices do not find the current limits problematic our concern relates to the future and any collaborative ventures any group of hospices or indeed group of society lotteries would choose to do.

The HLA is considering a joint venture in which it could collectively run a national lottery draw. In principle this could raise the profile of the hospice movement and afford greater public support not only for the lottery but also in terms of long-term giving.

A national charity finds it is far easier to operate a national promotion for a raffle or lottery and obtain the required support to make the exercise viable. For a small regional charity it is a lot more difficult to raise its profile outside of its catchment area and offer a lottery prize structure that is viable and attractive to the player. In order for regional charity lotteries such as those operated by our members to operate viably on a national scale we need to combine our efforts and provide a national lottery draw. This would obviously exceed the level of monetary limits set under current regulations.

However if the monetary limits were increased then the project is viable. We have discussed the possibility of 50 hospice lotteries combining their efforts and if this was the case we would need to consider the following:

Example: 50 Hospice Lotteries each with an average of 10,000 in their membership wish to join forces. Experience of Hospice Lotteries' annual draws shows that two entries are purchased for every letter sent out, so it follows that 1,000,000 potential entries at just £1 could be sold. With potentially another 1,000,000 sales from past/lapsed members who may wish to be entered in to a national draw. Furthermore, by contacting the existing donors of each charity an additional 25,000 ticket sales could emanate from each hospice.

**Chair - Garth Caswell**  
 Ty Hafan Children's Hospice  
 Barry, S, Wales

**Secretary - Julie Hughes**  
 Severn Hospice Lottery  
 Shrewsbury

**Treasurer - Colin Martindale**  
 Katharine House Hospice  
 Stafford

# Hospice Lotteries Association

This would mean that there would be in-excess of two million sales as a reasonable expectation.

Even if they are to be sold at £1 with the previous legislative prize limit of 55% of proceeds it is a realistic expectation that such a lottery could offer a £1million prize fund.

However a more likely ticket sale price would be £5 (permissible under the new Gambling Act) and would therefore generate proceeds in excess of £10million and under the current 10% limit would support a single prize of £1million.

In the context of the new act with no maximum on the ticket value, if the ticket sale price was £10 then the proceeds are considerable more than £20million.

The HLA following a successful pilot scheme may well plan to replicate the venture on a bi-annual basis.

The HLA therefore recommend that the limits should be no less than £20million for any individual lottery and not less than £100million in any one year.

We therefore recommend the following:

The total values of tickets or chances sold in a single lottery may not exceed £20million. As a result, the maximum single prize (which is limited to 10% of the proceeds) may not exceed £2million.

The total value of tickets or chances sold in all lotteries on behalf of one society or local authority in a calendar year may not exceed £100million.

The HLA believe these limits are realistic and would lead the way to a total removal of limits in the future.

- We believe that the increases would allow for growth and keep society lotteries ahead of cost.
- We would have the ability to generate more revenue for our charities and compete on a national scale.
- Having a worthwhile prize fund will help raise the profile of the charity.
- There is no known evidence from either the National Lottery or from society lotteries that such increases would cause a change in the level or incidence of problem gambling or indeed have any adverse effect on the perception of consumer protection.
- There is no evidence to suggest that the increase in society limits would affect the National Lottery.

---

**Chair – Garth Caswell**  
Ty Hafan Children's Hospice  
Barry, S, Wales

**Secretary – Julie Hughes**  
Severn Hospice Lottery  
Shrewsbury

**Treasurer – Colin Martindale**  
Katharine House Hospice  
Stafford

# Hospice Lotteries Association

We believe that in future with the protection afforded to consumers by the Gambling Act 2005 these limits could be removed completely and at no risk to the National Lottery's current monopoly.

Yours sincerely,

Richard Simmonite  
Working Party Leader  
Hospice Lotteries Association  
Tel: 01543 442980  
email: [rsimmonite@stgilespromotions.co.uk](mailto:rsimmonite@stgilespromotions.co.uk)

C.C. The Lotteries Council.

---

**Chair – Garth Caswell**  
Ty Hafan Children's Hospice  
Barry, S, Wales

**Secretary – Julie Hughes**  
Severn Hospice Lottery  
Shrewsbury

**Treasurer – Colin Martindale**  
Katharine House Hospice  
Stafford

## Institute of Fundraising response to Gaming Board for Great Britain Consultation on Society Lotteries.

### 1.0 About the Institute of Fundraising

The Institute of Fundraising (registered charity number 1079573) is a membership organisation committed to the highest standards in fundraising management and practice. Members are supported through training, networking, the dissemination of best practice and representation on issues that affect the fundraising environment. The Institute of Fundraising is the largest individual representative body in the voluntary sector with 4000 individual members and 200 organisational members throughout the UK. Membership reflects income to the sector of some £5 billion per annum and delivers more than £12 billion service-output covering all areas of social activity.

This submission represents the views of the Institute on behalf of its members, which includes the largest voluntary and community organisations (VCOs) with voluntary income of tens of millions through to small charities with income of less than half a million.

### 2.0 Charities use of Society Lotteries

Society lotteries are important fundraising tools for charities. They allow charities to engage with their supporters by asking them to sell tickets on their behalf and incentivise individuals to purchase tickets with the attraction of a possible high value prize. However, the current limits on ticket prices, prize funds and limits on lottery proceeds are restrictive. Removing these limits would give charities more flexibility in designing society lotteries, allowing them to select a ticket price and prize fund that is most likely to attract their target audience. This in turn would allow charities to sell more tickets and thereby increase the fundraising income from each lottery as well as raise awareness of their cause with more individuals.

The Institute of Fundraising's benchmarking project, Fundratios, run in partnership with the Centre for InterFirm Comparison, considers the fundraising activities of more than 40 charities. The latest project in 2004 shows that income from raffles and lotteries accounted for 1.7% of voluntary income for this group. This figure includes small and private lotteries as well as other forms of gaming. The Institute believes that removing the limits on society lotteries would significantly increase fundraising income, as well as increasing the return on each pound invested in running lotteries (£2.95 in 2004, compared to an average of £5.29 for all forms of fundraising activities). It would not be the case that charities would always offer a relatively high value prize or sell tickets at high prices, but removing current limits would give charities the flexibility to do so.

The Institute of Fundraising understands that the pay-to-enter prize competition market is estimated to be in the region of £5 - 7 billion and

frequently offers prizes in excess of £1 million. It is inequitable that charities are not able to compete alongside commercial companies.

### **3.0 Lottery ticket prices**

Charities stated that preferably there should not be any limits on the price of society lottery tickets. The current limit of £2 is relatively low, when compared to entry prices charged for commercial competitions. If a maximum price for tickets does have to be set, then the maximum should be £10.

Increasing the ticket price would increase the fundraising income from society lotteries due to the following reasons:

- A higher limit would allow charities to pick the appropriate ticket price depending upon the audience and prize offered
- Would allow charities to choose a price that is administratively cheaper (e.g. Notes are lighter than coins)
- The spend per supporter would be increased.

**Recommendation: Limit on ticket price is removed.**

### **4.0. Prize limits**

Charities believe that the limits on prizes should be removed, again to allow charities to design society lotteries to be most appealing to the target market. Such lotteries might require higher value prizes.

**Recommendation: Prize limits removed.**

### **5.0 Limits on the proceeds of society lotteries**

Respondents to the Institute's consultation believe that limits on the proceeds of society lotteries should be removed. This would allow charities to market society lotteries as a way of making large sums for good causes and would encourage increased participation. The current limit of £10 000 000, coupled with the maximum price limit, does not encourage charities to invest in lotteries. The Institute believes that it would be appropriate to set minimum percentages that should be remitted to the charity.

**Recommendation: Limits on proceeds of society lotteries removed.**

**Institute of Fundraising  
October 2005**

**For further information please contact:**

**Laura Thomas  
Policy and Standards Officer  
Institute of Fundraising  
Park Place  
12 Lawn Lane**

London  
SW8 1UD

Tel: 020 7840 1000

Email: [laurat@institute-of-fundraising.org.uk](mailto:laurat@institute-of-fundraising.org.uk)



House of Lords  
London SW1A 0PW

Mr Cliff Young  
Head of Lotteries  
Gambling Commission  
Berkshire House  
168-173 High Holborn  
London WC1V 7AA

13 October 2005

*Dear Mr. Young,*

**Re: Gaming Board review of cash limits for society lotteries**

I want to urge upon you the strong case which society lotteries have to increase the maximum cash prizes which can be offered. These are the grass roots lotteries which support hospices, animal welfare, senior citizens and many other good causes which the public support.

These lotteries need the ability to set prize levels up to the maximum which best suit their social goals in an increasingly pay-to-enter prize competition market.

It is fanciful to believe any of these society lotteries can impact on the National Lottery, which accounts for 63 per cent of average weekly spending on gambling against the tiny 2.9 per cent of other good causes lotteries. In any event society lotteries are more local, both geographically and in interest terms, than their national sister.

more/....

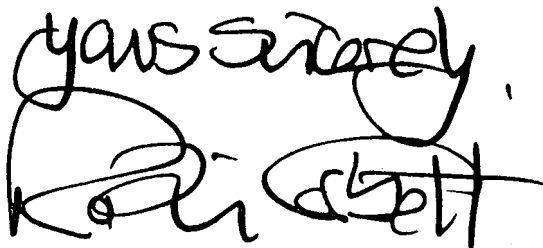
Perhaps the strongest argument for increasing the maximum prize money is that 53p in every pound raised by society lotteries goes to good causes while just 25p of National Lottery money goes that way.

You will recall that the Budd report recommended that limits on the size of prizes and the maximum annual proceeds should be removed for society lotteries.

The Lotteries Council is asking only for the prize limit to be raised from £200,000 to £1 million and for an increase on the limit on proceeds from £2 million to £10 million.

It is, of course, for each society lottery to decide what is appropriate for its target market but I do strongly urge they should be given the flexibility which they seek.

Thank you for your consideration.

Yours sincerely,  


Lord Corbett of Castle Vale  
Vice President  
Lotteries Council

# Littlewoods Gaming

*moving the game on*

C Young Esq  
The Gaming Board for Great Britain,  
Berkshire House,  
168-173 High Holborn,  
London WC1V 7AA

26 September 2005

Dear Cliff,

## **Review of Monetary Limits for Society and Local Authority Lotteries**

I write in response to your letter regarding the Review. Thank you for the opportunity to contribute to it.

As you know, Littlewoods Gaming has been heavily involved in the operation of Society Lotteries for many years as an External Lottery Manager. Although we have recently closed down that part of the organisation which sold scratchcards through high street retailers, we still sell scratchcards to football pools customers, and the Lotto game across a range of distribution channels.

We lobbied both the Budd team and the Pre-Legislative Scrutiny Committee established to review the Bill for a removal of all monetary limits, and with some success. The Government rejected this option, however, preferring to maintain in the Gambling Act 2005 the stance it has adopted throughout:

*"While the National Lottery clearly involves gambling, the unique support that it provides for good causes has led the Government to conclude that it should not be exposed to direct competition that could undermine its role. Lotteries for commercial gain will continue to be prohibited by law; and the Government remains committed to ensuring that the law should broadly maintain the National Lottery's current competitive position in relation both to commercial gambling and other lotteries."*<sup>1</sup>

With the scene thus set, it is refreshing that calls for an increase in limits have been heard to the extent that the Gaming Board is conducting this review.

I have numbered and paraphrased your five questions, for ease of response.

- i) *Why is an increase necessary? Very few lotteries approach the maximum proceeds limit.*

<sup>1</sup> 'National Lottery Licensing and Regulation Decision Document' (DCMS.- July 2003) Section 1.3.



The statement following this question begs the question! The Board will not see lotteries approaching the maximum proceeds limit because lotteries of a commercial scale (**not** for commercial gain) are very difficult to develop within the current and continuing arbitrary and artificial constraints. Littlewoods Gaming's experiences, quantified if not independent, are evidence enough. The best way to enable good causes to adopt this approach to fundraising on a commercial scale is to remove the monetary limits. If limits are a sine qua non, then raise them to a level significantly higher than those currently applying.

- ii) *How might an increase in these limits affect the proceeds of society lotteries?*

Tinkering with the limits will have no effect. If they were to be set at a significantly higher level, increased from the current levels by a factor of five, for example, a much more serious approach to society lottery operation would be taken by good causes and their partners, and players. This, combined with a more relaxed stance from the regulator on roll-overs, as allowed for in the Act, should lead to significantly larger amounts being raised.

- iii) *What advantages would accrue to buyers?*

There would be more money available for prizes, presumably, and they would play in the clear knowledge that they would be contributing to a major source of funding to a good cause.

- iv) *Would any issues surrounding problem gambling arise?*

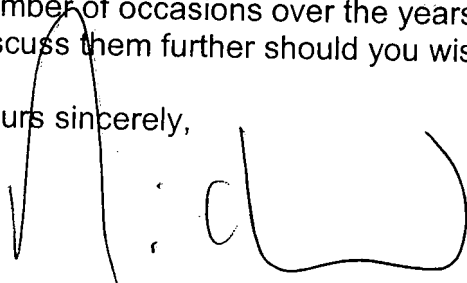
This is highly dependent on the degree to which the limits are increased. Under the approach put forward in ii), there is always that risk, although the gambling industry has made significant progress in the past few years in addressing these dangers in a serious way, to provide the protections which we all want to see. It is also dependent on the types of lottery mechanic adopted, following approval by the Gaming Board/Gambling Commission. Rapid draws have a degree of risk which isn't associated with weekly draws, for example. Scratchcards probably fall somewhere between the two.

- v) *What might be the effect on the National Lottery?*

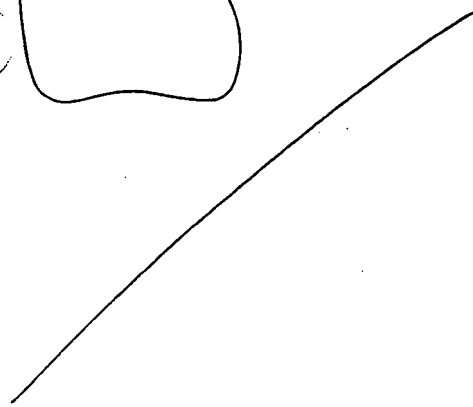
Whatever the scale of the increase in limits, it is hard to see how the National Lottery would be affected in any material way. It enjoys access to the UK population through premium retail and media channels to a degree which would be very difficult for others to replicate.

My responses will not surprise you; we have discussed the matter on a number of occasions over the years! As always, I would be very happy to discuss them further should you wish to do so.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Richard Boardley'. The signature is fluid and cursive, with a large initial 'R' and a long, sweeping tail that extends to the right.

Richard Boardley

A long, thin, diagonal line drawn in black ink, extending from the lower right towards the upper left, crossing the signature area.

**S.M.I.**

Licensed by The Gaming Board for Great Britain

8<sup>th</sup> September, 2005

Mr. Cliff Young  
The Gaming Board for Great Britain  
Berkshire House  
168-173 High Holborn  
London WC1V 7AA

Dear Mr. Young,

With reference to your letter of 22<sup>nd</sup> June, 2005, your reference LO1/14/8, with regard to a review of monetary limits for Society and Local Authority lotteries, we would like to submit the following comments.

While it is true that in 2002 when the monetary limits were last increased there were very few societies and organisations that had to worry about going over the monetary limits, things have changed dramatically in the last few years. There are several large charities that have found the weekly draw to be a new source of revenue, and we understand their gross sales are already reaching several million pounds per year. While we do not know whether this method will reach the maximum of £10,000,000 per year through this one form of fundraising, we do know it will impact on their other forms of charitable gaming.

These same charities have an opportunity to be part of a lottery scheme that is being proposed. This gives 52 charities an opportunity to have five lotteries per year with a maximum income of £2,000,000 each which, if fully subscribed, will put them at their £10,000,000 limit and earn them close to £3,000,000 per annum. One would then have the situation where the charities would have either to give up the revenue from their weekly draws or give up one or two of their opportunities per year of earning £600,000 from this scheme. They would also have to give up selling scratchcards and any other form of society lotteries they might be involved in. We are wondering why there are limits at all. The limits currently in place only serve to prohibit other fundraising opportunities for these charities.

There is another situation evolving where these same charities could be involved in selling scratchcards through a network of over 30,000 retailers. These retailers could each easily sell over 100 scratchcards per week on behalf of societies. With these retailers selling over £3,000,000 per week or £156,000,000 per year, it becomes apparent the charities involved could face the possibility of going over the limits that are currently imposed. Again, if they have to stop selling because they are reaching their limits, it seems very unfair that they would not be able to raise the extra money to help their cause when the opportunity is there.

The advantage to the buyers of lottery tickets or chances in the proposed schemes discussed is that the purchaser has the opportunity directly to support a chosen society. The expanding opportunities for more charities to earn more money through society lottery schemes should allow more people to participate and to know exactly where their money is going. This has been proved by the National Lottery's efforts to allow people to have more say in where their money is allocated.

We are of the view that scratchcards and weekly lotteries are a form of "soft gambling" and that there would be no new issues surrounding problem gambling raised by any increases and limits.

We have seen a tremendous growth in online betting in the last few years and also in the number of internet casino sites available, and neither of these seems to have affected the National Lottery. It is our understanding that their online revenue is increasing dramatically. We do not think that a society lottery has any intention of affecting, nor is it likely to affect, the proceeds of the National Lottery. We feel that by increasing or eliminating the limits it would provide an opportunity for those charities that believe in raising money in society lotteries to increase their revenues.

On the issue of the maximum price of a ticket or chance, we feel that it is unfortunate that a £2 limit has been set. By increasing this amount it would increase the opportunity for many charities to run smaller lotteries with a higher price of a ticket or chance. For instance, if a charity is hosting an event with several hundred supporters in attendance, they would have a good opportunity to sell many of the participants a £10 or £20 ticket and increase their revenue from that event.

There is an electronic game card that is being marketed in North America quite successfully but which cannot be sold by charities in the UK because of the cost of the game card itself. It could easily be marketed for £5 to £10 but because of the £2 limit this is not permitted.

We have never understood why these restrictions were put in place to inhibit the opportunity for charities to earn money to support their causes. Some have suggested that it is to protect the National Lottery. We would certainly hope that is not the case because we do not agree that raising the monetary limits will be a threat to Camelot or any other National Lottery operator. All it does is restrict the opportunity for charities to earn more money from society lotteries.

Hopefully, the issues raised in this reply will give some insight as to the problems that these monetary limits cause. The maximum price of a ticket or chance should really depend on what the public is willing to pay. Removing the monetary limits will not only go a long way to facilitating the accounting but will also increase the opportunities for charities to raise more funds by means of society lotteries.

Yours sincerely,



TERRY SISSON



## National Lottery Commission

National Lottery Commission  
101 Wigmore Street  
London W1U 1QU

Tel +44 (0)20 7016 3400  
Fax +44 (0)20 7016 3401

[www.natlotcomm.gov.uk](http://www.natlotcomm.gov.uk)

Cliff Young  
Head of Lotteries & Machine Section  
The Gaming Board for Great Britain  
Berkshire House  
168-173 High Holborn  
London  
WC1V 7AA

6 October 2005

00  
Dear Cliff

**Re: Review of monetary limits for society and local authority lotteries**

Please find attached the Commission's submission on the Review of Monetary Limits for Society and Local Authority Lotteries. A soft copy was sent earlier today by e-mail.

We understand that the Board will wish to make this submission publicly available.

Yours sincerely

A handwritten signature in black ink, appearing to read 'C Forrester', with a horizontal line underneath.

Catherine Forrester  
Director of Performance & Communications

**Consultation by the Gaming Board of Great Britain on the Review of Monetary Limits for Society and Local Authority Lotteries**

**RESPONSE FROM THE NATIONAL LOTTERY COMMISSION**

**1. Introduction**

1.1 The National Lottery Commission (NLC) is the regulator of the National Lottery and has a responsibility to exercise its functions in the manner most likely to secure:

- that the National Lottery is run with all due propriety, and
- that the interests of players are protected, and
- subject to the two duties above, that the proceeds raised for good causes are as great as possible.

1.2 The good causes supported by National Lottery funding include projects in the areas of the arts, heritage, sports, health, education, and now the Olympic Games in 2012. Grants have reached over 190,000 projects, covering everything from local scout groups to landmark buildings and nationwide cancer support networks.

1.3 The National Lottery is now 10 years old. This is sufficient time to become established as a national institution – and have expectations placed upon it – but still young enough not to take anything for granted in terms of its place in players' choices and on-going sales success.

1.4 We would also like to draw attention to the fact that the Commission is currently engaged in encouraging organisations to bid for the next licence to operate the National Lottery.<sup>1</sup> The rules governing the activities of society lotteries will be of real concern for potential bidders, and clarity in this area is essential so that any new competitive threat can be taken into account when deciding whether or not to bid, and how to frame any bid.

1.5 This submission will support the position that society lotteries and the National Lottery have equally valid roles to fulfil, and that they are intended to do so without being in direct competition with each other. Any increase in the prize limits on society lotteries runs the risk of blurring the distinction with the National Lottery and opening the floodgates to new lotteries that could harm not only the National Lottery but the reputation of lotteries in general.

**2. The purpose of society lotteries**

2.1 It was intended that the ability to run a society lottery would provide funds for local, specific projects with a sporting or charitable basis. In this they have been successful and the resulting support has made a real difference to the work of organisations as diverse as hospices and football clubs.

---

<sup>1</sup> Camelot's licence expires in early 2009 and we need to have concluded the competition in 2007 to allow adequate preparation time for the next licence period.

- 2.2 The National Lottery Commission is among the first to applaud the work done by society lotteries, and we understand the desire expressed by Richard Caborn in June 2002 when the money limits on society lotteries were doubled to their current level that:

“Society lotteries play a valuable role in raising money for organisations up and down the country. The Government want to see these lotteries thrive.”

### 3. The special status of the National Lottery

- 3.1 The National Lottery was set up by Act of Parliament and it is well-documented that it is intended to have a special role and status in national life:

“ While the National Lottery involves gambling, the unique support it provides for good causes led the Government to conclude that it should not be exposed to direct competition that could undermine its role. Lotteries for commercial gain will continue to be prohibited by law, as we as side betting on the National Lottery; and the Government remains committed to ensuring that the law should broadly maintain the National Lottery’s current competitive position in relation to commercial gambling and other lotteries.”

*From the Licensing Review Decision Document,  
Department for Culture, Media and Sport, November 2004*

- 3.2 Although it is delivered through a private company, the National Lottery is fundamentally a public undertaking designed to raise funds for good causes. Thanks to its national reach, the Lottery has made possible not only thousands of smaller local projects but also major investments that are a legacy for our national heritage. These include projects such as the Millennium Stadium in Cardiff, the Eden Project in Cornwall, and the Baltic Flour Mill in Newcastle.

- 3.3 In its *National Lottery Funding Decision Document*<sup>2</sup>, the Government pointed out that it was not only the big, transformational nature of Lottery funding that was important, but also its momentum for innovation:

“The Lottery is different from other sources of funding and it can operate in a different way. It should fund innovation, let people experiment, try new ways of doing things, and accept the risk that sometimes some things don’t work.”

- 3.4 Furthermore, the National Lottery has been tasked with contributing £1.5 billion towards the cost of staging the Olympic Games in London in 2012. This is a critical undertaking where it will be vital to deliver the appropriate funds for the financing of the Olympic Games. This responsibility has increased the Commission’s sensitivity to any additional competition in the marketplace.

- 3.5 Hence, while it is a common bond between all lotteries that they are not run for private gain, there are also clear distinctions. The sheer scale and reach of the operations is different, and this difference was intentional in the

---

<sup>2</sup> Published in July 2003.

legislation covering the creation of society lotteries and the National Lottery. Given the quote in point 3.1 above, there is a steadfast commitment on the part of the Government that the National Lottery's competitive position in relation to other lotteries should be maintained.

- 3.6 ***In summary, we conclude that both society lotteries and the National Lottery are meant to thrive for the benefit of the good causes they serve, but are not intended to directly compete with each other.***

#### 4. The interplay between society lotteries and the National Lottery

- 4.1 The relationship between the sales for society lotteries and the National Lottery has been the subject of high-level thinking within the economics community.
- 4.2 Recent work by Dr David Forrest at the University of Salford on the Family Expenditure Survey reinforces the view that there are weak links between spending on the National Lottery (particularly Lotto games) and spending on other lotteries<sup>3</sup>. Participation in other lotteries is not seen to be a significant determinant of spending on Lotto. In the words of Dr Forrest:

"the principal gambling media serve heavily overlapping markets. However, 'other lotteries' appear not to form part of mainstream gambling and must presumably appeal outside the subset of the population to whom gambling is a normal activity."<sup>4</sup>

***In other words, the two types of lotteries are fulfilling their respective roles without significantly impinging on the sales of the other.***

- 4.3 However, had de-regulation of society lotteries been permitted, other research suggests there would have been a noticeable impact on sales because of the scale of the National Lottery. Economics consultancy NERA was commissioned by the National Lottery Commission to look at the impact of the potential de-regulation of society lotteries as part of our response to the Budd report<sup>5</sup>. While concluding that Camelot's estimates of lost revenues may have been over-stated, NERA accepted that the proposed de-regulation could have posed a **substantive threat** to the National Lottery. At that time, NERA's central estimate was a potential reduction in National Lottery net annual revenues of £168 million.
- 4.4 To take the analysis one step further, the Commission then considered the likelihood of real competitors setting up to take lottery market share from the National Lottery. The Commission took a position that the **sales loss was likely to be greater** than predicted by NERA because of the potential for society lotteries to take advantage of de-regulation. The next section offers an updated view on this question.

<sup>3</sup> Currently unpublished research funded by the Leverhulme Foundation and undertaken by Dr David Forrest, Centre for Gambling Studies, University of Salford and Professor David Gulley of Bentley University, Massachusetts.

<sup>4</sup> These results were derived in the present environment where society lotteries are small and have prize limits, and the rise of a major national society lottery with a large jackpot might alter this situation.

<sup>5</sup> Sent to the Secretary of State on 5 February 2002

4.5 The Government's conclusion, given in *A safe bet for success*<sup>6</sup>, was that

"... removal of the current limits would allow charities to compete head to head with the National Lottery; and large national charities, working with national retailers, might well choose to do so. Competition would probably reduce total income for good causes; prize pools would each potentially be smaller and therefore less attractive to people seeking a life-changing winning amount. This is exactly the argument for recognising the National Lottery as a natural monopoly in the first place; and it still holds good. There is also a clear risk that charities with the most direct popular appeal would benefit at the expense of smaller charities now supported by the National Lottery."

## 5. The Likelihood of Competition

5.1 At the time of the Budd report, our view was that there is a real possibility that a joint initiative by a supermarket chain, a lottery manager and a major national charity would provide a credible and attractive alternative to the National Lottery for a significant number of players. This is important because such a lottery could reach sales levels where they could generate additional sales and compete with the National Lottery.

5.2 We do not consider this risk to have decreased, and would also highlight the potential for:-

- On-line lotteries.
- A regional/national lottery run by a large retailer.
- A strategic alliance of charities to run a regional/national lottery.

***If there is the opportunity to offer higher level jackpots – especially anything that approaches the psychologically significant £½ million or £1 million level – we believe that the society lotteries will find a way to make a step change in the scale of operations.***

5.3 Furthermore, there will be an increasing pool of those with the skills and desire to help society lotteries in this way. The work of the Commission to identify potential bidders for the next National Lottery licence is contributing to the general awareness of lottery opportunities, and flushing out the various capabilities that are needed to run a large-scale lottery. Once the preferred bidder is announced in 2007, there will be a significant pool of ambitious, geared-up lottery talent that had aspired to run a lottery on a national scale.

5.4 Working in favour of such new enterprises, would be the ability to payout at higher percentage in prizes because the society lotteries are not subject to the 12% rate of lottery duty that applies to all National Lottery sales. This fact would place the National Lottery at a competitive disadvantage.

---

<sup>6</sup> Published March 2002

5.5 We are aware that the argument has been made that society lotteries are not realistically in a position to take advantage of higher prize limits, as they do not have the infrastructure to market and distribute the volume of tickets that would be involved. For the reasons cited above we do not support this view.

5.6 Finally, we would like to acknowledge that we cannot afford to jeopardise the reputation of lotteries, of any scale. An unsuccessful attempt to run a large-prize lottery and subsequent failure on any dimension would be damaging for the competent society lotteries and National Lottery. Lotteries need their integrity as a bedrock. Even one incident of prizes not being paid, or widespread knowledge of a hiccup in professional underwriting arrangements for large prizes, will harm the reputation of all lotteries.

## **6. Keeping the distinction**

6.1 As far as we can see, society lotteries and the National Lottery are thriving within the boundaries that they have been set. We cannot see a compelling case to begin tinkering with those boundaries. Were there to be any relaxation, it would have to be carefully researched. It would be impossible to take remedial action if one were to encroach on the other, so there must be a clear ex-ante justification for de-regulating society lotteries.

6.2 We would also expect that the outcomes would be analysed to assess the full impacts. Any changes need time to bed down before their full impact can be accurately assessed; this will be a case of years rather than months. Moreover, we would expect any increase in prize limits to be modest and to extend no further than a top prize of a quarter of million pounds on any lottery.

6.3 We would also expect any relaxation in the level of prize limits to be reflected in greater accountability. This might include, but not be limited to:

- Improved sales reporting to the Gaming Board. We track sales and good causes contribution for each National Lottery game down to the last penny because we take integrity so seriously. We would welcome more management information being made available on the society lottery sector.
- Improved transparency of society lottery sales. The National Lottery has an agreed timetable for publishing sales results on the Camelot website. We would encourage the industry to consider what level of transparency will be appropriate for society lottery sales.
- Greater assurance that there are effective procedures in place to prevent and detect under-age play.
- Greater assurance that there are effective procedures in place to prevent excessive play.
- An increase in random compliance checks on society lotteries to ensure that procedures are being followed, records kept and funds passed correctly to the good causes.

- 6.4 Overall, the Commission is currently unconvinced that there is a need to increase the prize limits for society lotteries. If this were to happen, there is a real risk that it would open up an unintended competitive threat that could seriously damage the National Lottery and its beneficiaries. We do not believe this to be the Government's intention, nor in the nation's best interests.

**National Lottery Commission**  
**September 2005**

Cliff Young  
Head of Lotteries & Machines Section  
The Gaming Board for Great Britain  
Berkshire House  
168-173 High Holborn  
London WC1V 7AA



30<sup>th</sup> September 2005

Dear Mr Young

### **Re: Review of Monetary Limits for Society and Local Authority Lotteries**

Camelot is grateful for this opportunity to set out its views on the Gaming Board's review of the monetary limits for society and local authority lotteries, and we note that you will be making all correspondence publicly available.

Camelot has long held the view that society lotteries play a valuable role in raising funds for dedicated good causes and endorses the broad governmental and regulatory approach, which is to create a policy framework of 'peaceful co-existence' between The National Lottery on the one hand and society and local authority lotteries on the other.

The current policy framework works well and Camelot does not believe that there is currently a case for raising the monetary limits for society and local authority lotteries. Any move to do so would seriously undermine the policy equilibrium that has been so successfully maintained to the mutual benefit of The National Lottery and society lotteries. There are three key points that we believe mitigate against a change to the current prize limit for society lotteries: policy history; recent policy developments; and fresh obligations on The National Lottery.

#### **Policy History**

The UK National Lottery was established by Parliament through The National Lottery etc Act 1993. The Act set out three overriding duties of the Secretary of State for Culture, Media and Sport and the regulator, The National Lottery Commission. These are: to ensure fitness and propriety in The National Lottery; to protect the interests of participants; and - subject to these two - the duty to maximise returns to Good Causes.

The National Lottery is distinct in regulation and legislation from other forms of services and gambling provision and UK government policy has accommodated its unique status and role. This distinction also applies to The National Lottery and society lotteries; a point that was reinforced by the Government in debate during the recent passage of the Gambling Bill.

In a written Parliamentary Question on 10 February 2004, Jim Cunningham MP asked the Secretary of State for Culture, Media and Sport 'What the rationale was for the decision not to abolish the maximum stake for lotteries?' Estelle Morris MP replied:

*"In 2002 we doubled the legal limits on the size of prizes and on the maximum proceeds in society lotteries. But the draft Bill provides for such limits to remain, since removing them altogether would allow society lotteries to compete head-to-head with the National Lottery, which would potentially reduce both the overall size of prize pools and amounts raised for good causes."*

Nor do recent Government statements suggest a change in thinking about prize limits for society lotteries. In a written Ministerial statement to the House of Commons on 4 April, 2005, the Minister of State, Richard Caborn, said:

*"The Government acknowledge that society lotteries raise a great deal of money for good causes, in part as a result of the recent increases in maximum prizes permitted prizes and proceeds. In most cases, it seems unlikely that the limits in the Bill will act as a restraint for most lotteries – as few approach the limits on proceeds set out in the Bill."*

So whilst Camelot fully acknowledges the benefits that society and local authority lotteries can generate for nominated good causes, we can find no compelling evidence that would justify a departure from the Government's settled policy position, as so recently expressed by Ministers. Indeed, recent public policy developments would suggest that there is more reason than ever to retain the existing cap on prizes.

### **Recent Policy Developments**

The Gambling Act 2005 will bring major changes to the gambling industry. These changes are likely to have profound effects on The National Lottery. It is imperative that the effects of the current Act are fully understood before any further changes, potentially radical in impact but impossible to quantify at this very early stage, are introduced. At the time of writing, most of these provisions will be the subject of secondary legislation and new codes of practice to be brought forward by the Gambling Commission over the next two years.

Section 256 of the Gambling Act, for example, introduces a formal statutory basis for society lotteries to conduct rollovers. What effect this change will have is unknown. However, in 2004 Camelot commissioned a study by the Henley Centre, part of which involved predicting and projecting sales for society lotteries.

The report assumed that the current limits on society lotteries stakes and prizes would remain static over the duration of the second National Lottery licence. But the Henley Centre report nevertheless concluded that current regular and occasional society lottery players would spend 5% more due to the availability of rollovers, and that over 95% of any increase in society lottery sales would come from a straightforward sales diversion from The National Lottery.

Proposals for further relaxation should not therefore be considered until the impact of this liberalisation in particular - and the broader impact of the liberalising measures contained in the Gambling Act - have been fully implemented, assessed and understood.

### **Fresh Obligations**

Camelot's concerns about the likely effect of an increase in limits on society lotteries have been heightened by the Government's recent request for The National Lottery to raise £1.5bn towards the cost of the 2012 Olympic and Paralympic Games. Of this sum, £750 million will be from hypothecated games, specifically earmarked for the Olympic Lottery Development Fund (OLDF). This in turn will require total Olympic Lottery sales between now and 2012 of £2.65 billion. The funding plan presented to Government is predicated on modifications in a number of policy areas, but assumes no change to the present prize limits for society lotteries or further policy liberalisations.

Our Olympic Lottery Business Plan already contains stretching but achievable targets. Changes to the policy environment that impact on The National Lottery's ability to maximise returns to the NLDF and OLDF can only make meeting these targets more challenging; something which Camelot believes runs contrary to the national interest in hosting the 2012 Games whilst attempting to minimise the impact on the existing Good Causes designated by Parliament.

### **Next Steps**

All the evidence and research, backed by the Gambling Review Report 2001 (Budd Review) shows that the prospect of a single life-transforming prize is what drives lottery ticket sales. It is logical that any significant increase in society lotteries' jackpots would greatly increase their attraction and risk diverting funds from The National Lottery.

The Government's settled position with regard to the policy distinction between The National Lottery and society lottery is clear, and was reiterated in Parliament as recently as April 2005. In the meantime, the cumulative effect on The National Lottery of liberalising measures contained in the Gambling Act in general and for society lotteries in particular cannot yet be accurately assessed. The National Lottery has also been tasked with additional responsibilities for raising £750 million from dedicated Olympic lottery games.

Bearing in mind these key points, and in the absence of compelling evidence of a need for change, Camelot does not believe that prize limits for society lotteries should be increased at this stage.

If you need any more information, or if you would like to discuss the points raised in this letter, please do not hesitate to get in touch.

Yours sincerely



**Mark Gallagher**  
**DIRECTOR OF CORPORATE AFFAIRS**