

Date: 12th January 2004.

Re: Joint Committee review of planned legislation for Gambling.

From: Richard Simmonite Commercial Manager St Giles Hospice (Promotions) Limited.

Dear Mr Fabricant,

Peter Holliday, our Group Chief Executive, has mentioned your support for St Giles Hospice, especially in cases where government is in danger of unintentionally harming our work. I wanted, therefore, to draw to your attention just such a situation which is causing us great concern.

I'm sorry that my first correspondence with you is one requesting your assistance but changes are being made to the Gambling Act that will have a major impact on all Charity and Society Lotteries in the UK.

In February 2003 I took over the running of St Giles Hospice (Promotions) Limited and the weekly lottery draw that Vince Owen started in 1997. Over the years Vince and the team successfully developed the lottery to maximise the profits to the Hospice.

In April 2003 we passed a record £1 million to the hospice and reinforced our position as the most successful hospice lottery in the UK. Now every Charity and Society lottery in the UK face a threat to their good work from new legislation that will allow an increase in the number of "prize competition" style lotteries known as pseudo-lotteries or hybrid-lotteries which operate purely for personal gain and not for the benefit of a good cause.

A hybrid-lottery is the technical term to describe games in which the chance to win a prize depends upon answering a simple question or completing a task, with a subsequent lottery stage randomly selecting a winner from those who successfully completed the task or challenge. This form of competition usually involves the participant entering via a premium rate telephone call.

Potentially, the Government's new Gambling legislation offers the UK public greater choice and brings the 1976 Lotteries and Amusements Act up to date, with provision for the use of modern technology. For us at St Giles Hospice (Promotions) Limited this is not the issue and in fact we support the basic legislation as we too look for new areas of support and the Internet affords us this opportunity.

Our concern is that the proposed legislation identifies lotteries as gambling and prize competitions as a non-gambling entertainment. Prize competitions, therefore, are not being included in the review and no legislation will be put in to place to regulate them.

If the legislation is passed it opens the floodgates allowing none regulated “prize competition” style lotteries to operate legally. The key issues we raise are:

- 1 The challenge level (Skill level) is not and will not be defined in law. This means there is no basis in law in which to set a definition and thus it would prove difficult to make a legal challenge to anyone potentially breaching the new legislation. This in truth is an issue with the current legislation and prevents the Gaming Board for Great Britain from taking action against existing hybrid-lotteries. Current legislation, however, does not actively encourage “prize competition” lotteries and therefore the number operating within the UK is relatively low at present.
2. No upper limit will be set for the cost per entry; therefore a premium rate telephone entry could be costly to the player and not fully appreciated until the telephone bill is received some time after the event. Restrictions to our lottery would remain in place limiting us to a maximum of £2 per entry and an upper limit for the annual number of ticket sales.
- 3 No restrictions have been placed as to where promotions for competition lotteries can be placed. This allows those with financial backing to conduct blanket coverage of the UK or a particular area. Currently legislation restricts lotteries such as ours to approximately 30% total expenses per game and this will remain in force under new legislation and would limit our marketing potential against other competition.

Summary of key differences between lottery gambling and prize competitions;

Society Lotteries	Competitions
Require registration	No registration required
Have to operate within limits on stake money, prizes and expenses	No limits
Have to submit returns	No returns or accountability
Have to pay at least 20% to the good cause	No donation required
Cannot be sold to or by a person under 16	No restriction on age
Cannot be sold in the street or public place unless from a kiosk	No restrictions apply
Lottery offences – even minor ones – can carry criminal convictions	Very unlikely competition infringements will be treated as criminal offences – other than fraud

The new legislation should be there to support organisations such as ours who follow the rules and register with the Gaming Board for Great Britain (Gaming Commission from 2005). Unfortunately, we are being restricted further and paying a tax for the privilege whilst those who are not subject to supervision are legally encouraged to take for themselves what they want.

We are not the only organisation to realise this bias that we are not on the same level playing field with this legislation. The Lotteries Council, of which St Giles Hospice (Promotions) Limited is a member, has advised us that the current Government's view is that we must demonstrate that we will lose out financially by the new legislation before they will consider revising the bill. This seems unreasonable as once the legislation comes into force the impact it has may take weeks or even months before it hits our profits to the hospice and even then it would take time to action our concerns to the Government and instigate change. This route could well see the demise of many small essential Charity and Social lotteries in the UK.

We suggest that the proposed Bill has fundamental weaknesses, which need to be addressed before being passed. If no definition is given to a skill or challenge then the weakest of competitions will be able to operate without regulation when in reality they are pure lotteries, the prize element merely being a device to circumvent legislation.

In our view the following should be considered and included in the Bill.

1. A definition in legal terms is required for a "Lottery". Define how many participants are required for a draw to be classified as a lottery.
2. Define "Competition" to determine that a winner can only be found by a process of elimination working down from many participants to one ultimate winner through a series of skills being correctly completed with a skill to finish and not by the process of one skill allowing many to proceed through a lottery selection.
3. Define "level of skill".

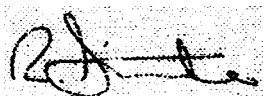
If the legislation fails to control prize competitions then we are seriously considering changing the format of our existing lottery to enable us to operate legally as a prize competition. This would release us from the control of the Gaming Commission and thus save us from paying our fees. If we and other organisations do this then the Gaming Commission role would become redundant, as it would have no income and no lotteries to oversee. However, we don't want to go down this route we need the support and protection of the Gaming Commission and would prefer that other lotteries would continue to benefit from a Government body overseeing all forms of gambling.

The Joint Committee are hearing evidence into the Gambling Bill on February 3rd 2004 at which The Lotteries Council will be giving oral evidence.

Please help us give the new Gaming Commission when it is created in 2005 a chance to have teeth to control responsibly. Please help us to push with The Lotteries Council and other lottery operators in the UK for a definition in terms and afford us the opportunity to operate on an equal status with competition operators.

Thank you for your time. I hope we can discuss this further and receive your support in lobbying the Joint Committee on February 3rd. Peter and I would be pleased to meet with you to discuss this further if that would be of help to you in advancing our cause.

Yours sincerely,



Richard Simmonite
Commercial Manager.

Further information can be found on the Internet at the following sites:

http://www.culture.gov.uk/global/publications/archive_2003/gambling_bill_cmnd5878.htm

http://www.parliament.uk/parliamentary_committees/parliamentary_committees36.cfm

http://www.parliament.uk/parliamentary_committees/jcdgb/jcdgb_pn_181203_no_2_january_evidence_sessions.cfm

C.C. Peter Holliday St Giles Hospice Group Chief Executive.