

# chapter thirty five

## Implications for the National Lottery

35.1 Our terms of reference state the following:

- In conducting this review, the body should not consider changes to the National Lottery. But it will need to look at the impact on the Lottery of any proposed changes, including an assessment of the potential effect on the income to good causes.

35.2 We have not considered changes to the National Lottery but we have inevitably considered the effects that it has had on the gambling environment. The National Lottery is, by some margin, the most widely experienced form of gambling. It also differs in important ways in the regulation that controls it. In common with other lotteries, the minimum age for participation is 16 rather than 18. National Lottery tickets are available in unlicensed premises. (There are approximately 24,600 outlets.) It is widely advertised. It is also a legally protected monopoly. It is argued that this exceptional treatment is justified because

- the proceeds are for good causes
- the National Lottery is not really gambling and is not so regarded by those who participate in it.

35.3 The first argument is a matter of public policy which we do not question and, indeed, our proposals in relation to other lotteries recognise their special role in raising funds for good causes. For example, we assume that commercial lotteries will continue to be illegal. We can also understand why, despite a general preference for competition, the National Lottery operates as a monopoly (with competition for the right to provide the service). Evidence suggests that, given the attractiveness of a life-transforming win, a monopoly will provide an effective way of maximising proceeds for good causes since it increases the size of the prize fund.

35.4 We are less convinced by the second argument. The ONS survey suggests that people do regard the National Lottery as gambling.<sup>1</sup> Also it is noteworthy that the industry that suffered most from the introduction of the National Lottery was the football pools, which offered a similar (though inferior) opportunity for big prizes. We accept that the National Lottery, in its present form, is a soft form of gambling. However we also believe that it competes with other forms of gambling. That belief must also underlie the request to us to consider the effects of our proposals on the income to good causes. If the National Lottery were not gambling the issue would not arise. Although we have been asked to consider the effects on income

for good causes, we have not assumed that we should be inhibited from making proposals which harm it.

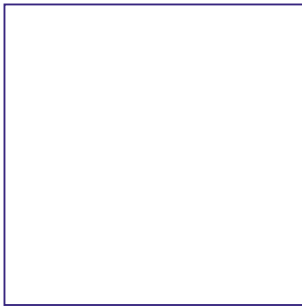
35.5 Apart from income, there are two other ways in which our proposals may have implications for the National Lottery. The first is that we are proposing a single regulator for gambling. If it were ever proposed that the regulatory role of the National Lottery Commission should be separated from its sponsoring and commercial roles, then it might also be argued that the regulation should be undertaken by the Gambling Commission. The argument would have greater force if, as appears possible, the National Lottery operator is permitted to provide games which more closely resemble those provided by other commercial operators. The second is that we have received considerable support in the submissions for the raising of the minimum age for all forms of gambling to 18. We sympathise with this view for the forms of gambling considered in this Review. If such a change were made it would presumably include the National Lottery.

35.6 The following proposals may affect income to good causes:

- permitting "free" lotteries
- allowing money prizes for small lotteries
- raising the prize limit for other lotteries
- allowing rollovers and removing prize limits for bingo
- allowing rollovers on football pools
- allowing unlimited prizes on casino slot machines
- allowing bets on National Lottery numbers
- allowing regulated provision of on-line gambling.

35.7 The general question for all these proposals is to what extent punters think of the various activities as substitutes for the National Lottery. If they are, a small change in their relative attractiveness may have a large effect on the proceeds of the National Lottery. We believe that the main characteristic of the National Lottery is that it offers the small chance of a life-transforming event. Those who would be content with a smaller prize would not rationally buy lottery tickets. In other words, there are far better odds available for the chance of winning £10 (the reward for picking three correct numbers in the National Lottery). If we are correct in this belief, the National Lottery will

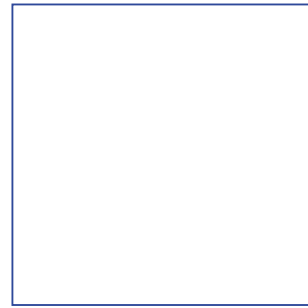
<sup>1</sup>Office of National Statistics (2001)



suffer to the extent that our recommendations increase the opportunities to win large prizes. We recognise that for some punters the most important feature of the National Lottery is that its proceeds go towards good causes. To that extent the National Lottery will suffer if the relative attractiveness of other lotteries for good causes is increased. However in all this discussion it is important to remember that, according to the Prevalence Survey, 85 per cent of those who participated in the National Lottery Draw within the past year only participated in that activity.<sup>2</sup> That may suggest that National Lottery players are exclusively interested in the National Lottery and are not considering alternatives. It would take a big change to get them undertaking other forms of gambling. Camelot is proud of the fact that the per capita spend on the National Lottery is low relative to the total stake, compared with other countries. That does suggest that it has been able to tap a new set of punters (while diverting some spending from other forms of gambling). In brief, the National Lottery, as currently designed, is reasonably well insulated from other gambling activities.

- 35.8** In chapter 28, we discuss activities which resemble lotteries but which do not fall into the categories of permitted lotteries. The main types can be thought of as promotional lotteries (for which there is usually no charge) and "free" lotteries, which typically use premium telephone lines. Where the entry charge, including telephone charges, is trivial (which we define as being no more than about 50p), we propose that that the activities should not be subject to special regulation. These types of "lottery" already exist and we do not expect their numbers to increase significantly. Although they represent a form of gambling, widely defined, we do not believe that people regard them as a substitute for conventional lotteries and would not expect a significant effect on income for good causes. However where the entry charge (typically through a premium line) is above about 50p we believe that they constitute a commercial lottery and should be prohibited. This is because we believe that public policy seeks to preserve lotteries exclusively for good causes.
- 35.9** The second and third proposals may increase the attractiveness of other lotteries, however the effect on income for good causes is unlikely to be significant. The effect will largely be a shift from the good causes supported by the National Lottery to other good causes. The effect on total income for good causes will depend on any differences in the proportion of lottery proceeds paid out for this purpose. At the moment, about 31% of National Lottery receipts are paid out to good causes. Under our proposals at least 20% of lottery proceeds must go to good causes. The average will presumably be somewhat larger.

- 35.10** The fourth, fifth and sixth proposals increase the opportunities to gamble for large prizes. Our arguments suggest that they will therefore harm the income for good causes. We suspect that the opportunity to win larger prizes on bingo will have the largest effect. We note that the linked prizes for bingo are already advertised on television in much the same manner as used to be the case for the National Lottery. Although bingo prizes are unlikely to reach the level of National Lottery jackpots they will become a closer substitute. At the moment about 4% of the adult population plays bingo each week (7% of all gamblers). That proportion could be increased if bingo becomes more attractive, and existing players could be encouraged to spend more.
- 35.11** We have mentioned that the football pools were the main victim of the National Lottery. If larger prizes are available punters could be encouraged back. There could again be a loss to good causes.
- 35.12** As far as casino slot machines are concerned we have suggested that National Lottery players are predominantly only participating in one form of gambling. Although our proposals are likely to increase both the numbers of participants and total expenditure in casinos, we do not believe that the National Lottery is a close substitute for gaming machines. However we accept that there may be some loss of income for good causes.
- 35.13** Betting on National Lottery numbers is forbidden by the Betting, Gaming and Lotteries Act 1963 (as amended by the National Lottery Act 1993). We have proposed that it be permitted. (We regard this as a change to the regulation of betting rather than a change to the National Lottery.) It has been reported to us that there was a loss to the Irish Sweepstake of 20 per cent when betting on the numbers was permitted. We would not expect the same effect here for two reasons. The first is that, as already mentioned, National Lottery players do not, on the whole, participate in other forms of gambling and are unlikely to start going into betting shops etc. (Those who treat their purchase of a ticket as a form of charity would certainly not do so.) The second is that betting on numbers will not be a way of winning a National Lottery-style prize. It will improve the return from getting three or four numbers right, partly because of the better overall payout and partly because the structure of National Lottery prizes is weighted towards the jackpot. However we would expect betting on National Lottery numbers to complement rather than replace purchases of National Lottery tickets.



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**35.14** It is extremely difficult to predict whether the provision of regulated (and unregulated) gaming on the internet and other on-line services will significantly divert spending from the National Lottery. (We assume that National Lottery tickets will also be available on-line in due course.) It has been suggested that on-line gambling will increase participation in gambling, especially among women, who are reluctant to enter betting shops. We can probably deduce that there will be some substitution for the National Lottery and that there will be some reduction in

income for good causes. But the result will depend on how far Camelot is permitted to offer other types of games.

**35.15** We have not attempted to quantify any of these effects. We regard the question of how far income for good causes must be protected as a matter of public policy. Should this be seen as a priority or even as an absolute constraint it will be possible to undertake specific studies of the effects of these proposals.