

The Lotteries Council written response to Digital, Culture, Media and Sport Select Committee Inquiry on the Future of the National Lottery

August 2019

1 About The Lotteries Council and the charity lottery sector

- 1.1 The Lotteries Council is the membership body which brings together over 400 members who either run charity lotteries or provide services to support the running of charity lotteries.
- 1.2 The Charity Lottery sector raised over £314 million for good causes in the year to September 2018 according to Gambling Commission statistics.
- 1.3 The latest Gambling Commission figures for the percentage return to good causes show that the Charity Lottery sector returned 44.7% to good causes in the year to September 2018.

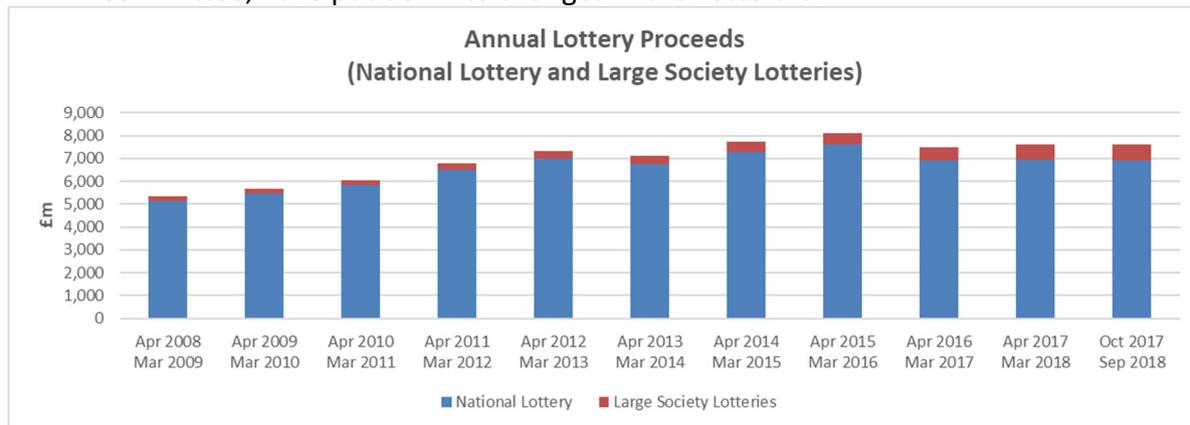
2 The Lotteries Council view on the Committee's Inquiry

- 2.1 The Committee seeks views on six questions. The Council has no views on questions 1, 2, 4 and 6 and seeks to provide evidence on:
- Question 5: What has been the impact of society lotteries, or other changes to the lottery market, on the main National Lottery draw? Sections 3 to 6 below refer.
 - Question 3: How should the next licence be structured to maximise returns for good causes? Section 6 below refers.

3 Charity Lotteries and the National Lottery

- 3.1 It is clear from the Government's consultation document published in July 2018 and the accompanying Gambling Commission advice to Government on this issue that the protection of the National Lottery's ability to raise funds for good causes is an important objective of the Government in considering reforming the law on charity lotteries. The Lotteries Council shares this objective and believes that the win-win for the country is for the Government to put in place a legal and regulatory landscape which helps grow both charity lotteries and the National Lottery.
- 3.2 Gambling Commission official statistics show that charity lotteries and the National Lottery have grown in tandem for most of the last decade, as the graph below shows. The only dips in the growth of the lottery sector during this decade have been in 2013-14, which reflects 2012-13 being boosted by lottery products linked to the London Olympic Games, and 2016-17 – which many commentators including the

Gambling Commission, Camelot, and the House of Commons Public Accounts Committee, have put down to changes in the Lotto draw.



- 3.2.1 The House of Commons Public Accounts Committee said: *“We asked Camelot whether these contradictory game changes had contributed to people spending less on the Lotto game. Camelot accepted that, after a short-term boost to sales, these game changes had contributed heavily to a disappointing year in 2016-17”* (page 10, House of Commons Public Accounts Committee Report *“The future of the National Lottery”* April 2018).
- 3.3 The Gambling Commission has considered the issue of the relationship between the National Lottery and charity lotteries in significant depth and has developed an economic model on the factors influencing the National Lottery. The Gambling Commission stated, in a letter to The Lotteries Council dated 16 March 2018, that the model showed that *“Society Lottery sales were not determined to be a material driver of National Lottery sales demand.”*
- 3.4 This position is reinforced in the Gambling Commission’s *“Review of society lotteries advice”* provided to the Government in October 2017 and published on 29 June 2018. It says (page 1) that despite well over 100% growth in the charity lottery sector over the past five years *“there is no further evidence of impact on National Lottery sales.”*
- 3.5 It goes on to point out the significant difference in the size of the two markets – which is also evident from the chart in paragraph 3.2 above. On this point the Gambling Commission says: *“although a significant growth for the society lottery market, that growth is comparatively low in terms of actual spend against that of the National Lottery. It would have been unlikely to have made a significant impact, even if all of those sales had been at the expense of the National Lottery.”*
- 3.6 On page 3 of the same document, it also highlights that the Commission had reviewed previous forecasts relating to National Lottery demand and charity lottery demand and it found *“that there was no statistically significant effect of society lotteries affecting National Lottery sales.”*

- 3.7 Numerous other pieces of research have examined the connection between charity lotteries and the National Lottery and have found that there is no negative impact on the National Lottery from charity lotteries.
- 3.7.1 The April 2012 NERA Economic Consulting report, "Assessment of Lottery Market Issues", which was commissioned by the then Department of Culture, Media and Sport and the Gambling Commission, did not find evidence to support any impact of charity lotteries on the National Lottery. Instead it found the impact of deregulation of charity lotteries would likely *"be an increase in total proceeds available to good causes."*
- 3.7.2 The May 2013 nfpSynergy report, "A Chance to Give", said: *"We believe we can create regulations that minimise the regulatory burden for all organisations using society lotteries (without any conceivable impact on the National Lottery) and maximise the amount of money that is raised for good causes."*
- 3.7.3 The February 2014 report by the Centre for Economic and Business Research, "How Society Lotteries could do even more for good causes", said: *"there is little evidence to support the notion that society lotteries undermine the National Lottery."* It also said: *"If regulations were to be relaxed, the potential increase in society lottery-donated funds to good causes would, in all likelihood, complement rather than detract from those provided by the National Lottery."*
- 3.7.4 The March 2015 House of Commons Culture, Media and Sport Committee report "Society Lotteries", said: *"We do not consider that there is any indication that the [National] Lottery is being significantly affected by any of the society lotteries currently operating."*
- 3.7.5 The December 2017 report by the National Audit Office, "National Lottery funding for good causes", said: *"The Department has stated that it is not aware of any evidence of significant substitution of sales between the Lottery and society lotteries to date."*
- 3.8 The market for lottery products is capable of further growth, and indeed has been growing for many years. The Department for Digital, Culture, Media and Sport and Camelot have made this point in regard to whether other products sold by the National Lottery take sales away from Lotto sales and say that they do not. Logically that must therefore be the same for charity lotteries.
- 3.8.1 Giving oral evidence to the House of Commons, Public Accounts Committee on 24 January 2018, Sue Owen, Permanent Secretary at the Department for Digital, Culture, Media and Sport said: *"It is important to note that the different bits of the lottery are not competing, we don't think, against each other. Many players do both. Half the Lotto players also play other games and, of the ones who play scratch cards, I think about a quarter also play the lottery, so we don't think the different games are cannibalising each other."*

- 3.9 Camelot has consistently opposed any reform to charity lotteries and has encouraged its supporters to do likewise. The evidence given in this section shows an overwhelming volume of support for the view that charity lotteries and the National Lottery can co-exist and, even, are good for each other.
- 3.9.1 There is a myth that £1 more spent on charity lotteries is £1 less spent on the National Lottery. This is no more true than saying that £1 spent on British Gas is £1 less spent on the National Lottery. When The Health Lottery launched in 2011, Camelot issued the direst of warnings that this would erode National Lottery proceeds and, therefore, returns to good causes. In fact, charity lottery proceeds rose, National Lottery proceeds rose, and returns to good causes rose. The only times National Lottery proceeds have fallen, as shown in 3.2 above, has been due to decisions made by Camelot. Arguably, a greater threat to the National Lottery has not been charity lotteries, but Camelot!
- 3.10 As well as the huge difference in scale there are many other significant differences between the National Lottery and charity lotteries. These are:
- they are subject to different legislation and regulatory regimes;
 - the National Lottery, unlike charity lotteries, has no draw, annual turnover or prizes limits;
 - the National Lottery, unlike GB charity lotteries, operates across the whole of the nation, including Northern Ireland and the Isle of Man. Charity lotteries regulated by the Gambling Commission can only operate in England, Scotland and Wales.
 - Charity Lotteries have to give at least 20% of ticket income to good causes. This is not the case for the National Lottery with National Lottery scratch cards giving only between 5% and 16% to good causes, according to the National Audit Office. The most recent annual Gambling Commission statistics (year to September 2018) show that the National Lottery returns 21.9% to good causes from sales of all of its products. The average for charity lotteries for the same period, as already stated, is 44.7%.
- 3.11 Motivations to purchase are also different. The National Lottery model now is based on rollovers generating tens of millions of pounds in prize offerings, not on the original habit of a family ticket with the opportunity of winning a few millions of pounds every week. Purchasers of charity lottery tickets do so to support good causes. The Gambling Commission report “Gambling participation in 2018: behaviour, awareness and attitudes” published in February 2019 states: *“Of those who brought tickets for a charity lottery or other lottery, 55% reported gambling to support good causes. This compares to 15% who brought tickets for the National Lottery draws, and 5% of those who purchased scratchcards”.*
- 3.12 Many of the good causes supported by charity lotteries are also supported by the National Lottery. However, the latter tends to support specific projects. Charities tend to use lotteries to raise unrestricted funds – those that can be applied to the general running costs of the organisation and which are often difficult to raise funds for. Hospices and Air Ambulances, services which would otherwise require a great

deal of public money to run them, rely on their lotteries to provide significant proportions of their running costs, as do a large number of other charities.

- 3.13 All of these differences and distinctions with the National Lottery would remain in place with the charity lottery reform package supported by The Lotteries Council, protecting the unique and distinct operating environment of the National Lottery. This allows the Government to meet its third objective of protecting the National Lottery.
- 3.14 The Lotteries Council is concerned that Camelot continually blame charity lotteries whenever they have any problem with their own sales, when the overwhelming evidence – including that stated above – is that their sales problems have been of their own making, and when regular studies by the Gambling Commission have found that there is no problem.

4 National Lottery and Charity Lottery advertising

- 4.1 Camelot, the current licence holder of the National Lottery, has previously raised the issue of Share of Voice in the lottery market, claiming that National Lottery Share of Voice has decreased by 25% (source: Hansard, House of Commons Public Accounts Committee meeting 24 January 2018). The Lotteries Council's understanding, using information sourced from Nielsen AdDynamix, is that Camelot's share of voice did reduce between 2015-16 and 2016-17 but by 9% not 25%. However, this coincided with a reduction in their media spend by 13.9% in this period. The 9% reduction in share of voice would therefore seem attributable to Camelot's own decision to reduce their media spend by 13.9% over that period.
- 4.2 In the area of Share of Voice, it is also worth noting evidence that marketing spend by different lotteries can have the effect of boosting the whole market. This was one of the findings of the April 2012 report "Assessment of Lottery Market Issues" produced by NERA Economic Consulting and commissioned by the Department of Culture, Media and Sport and the Gambling Commission. It said: *"the economic literature also provides some examples where existing games have benefitted from market entry or improvements in a competitor's game, probably reflecting marketing spillovers."*
- 4.3 The 2014 Centre for Economic and Business Research Report "What have we got to lose? How society lotteries could do even more for good causes", backed this position up saying: *"the academic literature reports some evidence of complementarities – where demand for one lottery boosts demand for another lottery. This is due to factors such as marketing spillovers, which occur when advertising boosts demand for rival products."*
- 4.4 The removal of the National Lottery's BBC TV Saturday evening televised draw, is also likely to have impacted on National Lottery Share of Voice, something the Council hopes has at least partly been rectified as a result of the draw now being shown primetime on ITV.

5 Threats to the lottery sector

- 5.1 The Lotteries Council see a greater threat to the sector coming from gambling companies offering products that masquerade as lotteries but, in fact, are bets on the outcome of particular lotteries – generally overseas ones (specifically not the National Lottery or Euromillions, betting on which is illegal).
- 5.2 Charity lotteries can offer a maximum prize of up to £25,000 per draw or, if greater, 10% of proceeds. This cap was introduced in the National Lottery etc Act 1993. At that time, the National Lottery was offering jackpots in the region of £5-20 million. Today, National Lottery prizes can exceed £150 million with no increase in the amount that can be offered by charity lotteries.
- 5.3 British consumers have many options to win £1 million for an outlay of £1 or up to £3, quite apart from the National Lottery. The sources include established gambling companies (Coral), newspapers (Sun), TV companies (Sky) or a range of companies offering the opportunity to bet on the outcome of various lotteries. It is perverse that charity lotteries alone have a law stopping them from entering that space.
- 5.4 The Lotteries Council has seen a drift of members (especially football clubs) turning away from the highly-regulated charity lottery sector and to the uncapped area of offering bets on lotteries. This has the effect of pushing consumers towards placing their £1 with gambling products offering higher prizes, with all the risks of problem gambling that those entail, rather than charity lotteries.
- 5.5 While no such limits apply to the National Lottery, these gambling products encroach on, and sometimes exceed, the prize levels offered by the National Lottery and have the potential to damage the returns to good causes.
- 5.6 The Gambling Commission, in their evidence “Society lotteries advice: Phase 2, January 2016” page 7, quotes the 2015 NERA report, “Review of the UK Gambling Market”, which states: *“In the context of society lotteries and the National Lottery in GB the [academic] studies would suggest that whilst society lotteries offer a differentiated product with smaller jackpot sizes, substitution between society lotteries and the National Lottery is likely to remain minimal.”* The proposals that The Lotteries Council supports maintain both a differentiated product and smaller jackpot sizes, and thus this finding from NERA, supported by the Gambling Commission, applies.

6 Structuring the next National Lottery licence to maximise returns for good causes

- 6.1 As demonstrated in paragraph 3.10 above, returns to good causes from National Lottery scratchcards range from 5% to 16%. These percentages were published not by Camelot but by the National Audit Office (“Investigation: National Lottery funding for good causes” published December 2017). There is a lack of clarity and public awareness about the actual returns to good causes, with the public, prompted by

Camelot, believing that 28% of proceeds go to good causes. This number has not been achieved for some years.

- 6.2 The Lotteries Council believes that there should be greater clarity about the returns to good causes by the National Lottery and, further, that all products should be subject to the same 20% minimum that applies to charity lotteries.

The Lotteries Council
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