Culture, Media and Sport Committee

Oral evidence: Society Lotteries, HC 615

Tuesday 16 December 2014

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Written evidence from witnesses:

- Camelot (i)
- Camelot (ii)
- Camelot (iii)
- Camelot (iv)
- Department for Culture, Media and Sport
- Gambling Commission

Watch the meeting

Members present: Mr John Whittingdale (Chair); Angie Bray; Conor Burns; Tracey Crouch; Philip Davies; Mr John Leech; Steve Rotheram; Jim Sheridan; Mr Gerry Sutcliffe

Questions 88-201

Witnesses: Andy Duncan, Chief Executive Officer, Camelot, Daniel Dyball, Head of Policy and Regulatory Affairs, Camelot, Dawn Austwick, Chief Executive, Big Lottery Fund, Carole Souter, Chief Executive, Heritage Lottery Fund, representing the Lottery Distributor Forum, gave evidence.

Q88 Chair: Good morning, everybody. This is the second session of the Committee's examination of society lotteries. I would like to welcome first, in his new capacity, Andy Duncan, Chief Executive of Camelot, and the Head of Policy and Regulatory Affairs, Daniel Dyball. I should perhaps put on record that Daniel is a former member of staff of the Committee—very pleased to see you in front of us rather than behind us this morning. Also, I would like to welcome Dawn Austwick, Chief Executive of the Big Lottery Fund, and Carole Souter of the Heritage Lottery Fund.
Perhaps we could start off with you, Andy. Looking at the figures, Camelot is doing pretty well. Returns generally to lotteries have been increasing steadily. Is there a problem?

**Andy Duncan:** I would not say there is currently a problem. I think there is a problem brewing. If you take the last few years, we have done well: we have ebbed and flowed a bit with luck, as the lottery world does, and we have had some one-off, significant things that have helped grow sales. For example, we expanded our retail terminal estate by 8,000 terminals; we have had a significant innovation on Lotto, the main game, where we doubled the price and doubled the prizes—more than doubled the prizes. There have been some big one-off things that have helped. Overall, we have done very well over the last few years, but we can really see, especially in the last year or so, a number of very significant threats, competitively, that we think will cause damage going forward, unless there is some form of addressing of those issues.

**Q89 Chair:** Why do you think they definitely will?

**Andy Duncan:** Well, we are very concerned that they will. I would not say it is 100% certain, but if you look at the model that we have had for 20 years in the UK, the National Lottery has done incredibly well, essentially as a one national lottery model. The Committee will be well aware that over 20 years £32 billion has been raised for good causes and more than 450,000 projects have been funded, working out, on average, as 144 different projects per postcode in Britain—a remarkable number of good causes the length and breadth of the United Kingdom—essentially because you have had this one national lottery. That is the model that has been shown around the world to be the most successful model for maximising returns for good causes for society, and it is the one that the World Lottery Association and European Lotteries, both of which I sit on, strongly support as the best way of maximising those good causes.

Let me give an example from the last few years. The Health Lottery emerged three years ago. Based on the modelling work that Frontier did of the counterfactual—what would have happened had they not been there—we think 60% of their sales have come from the National Lottery, and in fact many players think it is from the National Lottery. That is clearly money that otherwise would have been made for National Lottery good causes.

We are worried about the last few years. If you look at the overall gambling and lottery space, gambling has grown slightly its share and lotteries has slightly reduced its share, and within lotteries as a whole, we have seen large society lotteries push from 6% to 9%, and the National Lottery has gone from 94% to 91%. If that was to accelerate, I think that would be very worrying.

Just in the last year, we have seen massive activity in the Health Lottery—they have been innovating with gambling products, they have introduced Health Jackpot and other things like that—and we have seen rapid expansion of the People's Postcode Lottery, which is growing rapidly. Both of those companies have very large marketing budgets. I would see them as national competitors to the National Lottery and I think that is how they see
themselves. We have seen Coral, a big gambling group, introduce a society lottery scratchcard giving 20% to good causes. It is not clear how much goes to prizes and how much goes to them, but that is a very major and worrying development. We have seen Morrisons, one of the big retail groups, launch its own-label scratchcards through society lotteries legislation. You can see that this is becoming a very attractive space. A number of foreign companies are also doing online lotteries. Our worry is that, either through society lotteries legislation or through gambling products masquerading as lotteries, we think that that will over time most likely significantly take sales from the National Lottery.

It is certainly causing consumer confusion and clutter in the marketplace, and that is also damaging to the reputation and clarity of what the National Lottery is. In our mind, we have a delicate ecosystem. There is one national lottery, clearly there to maximise money for good causes, with big jackpots, very heavily regulated, responsible play and very strong on propriety; we have a regulator that monitors that very carefully and it has its own Act of Parliament. Then you have smaller society lotteries that are fundamentally there to raise money for those small good causes and have a little bit of fun along the way. We think that that clear blue water has worked very well and served the system very well for 20 years, and we think the confusion now, in the middle, is very likely to cause damage.

Q90 Chair: You have no problem with society lotteries? You talked about the confusion in the middle, but at the moment, how many are you putting in that? You mentioned the Health Lottery, the People's Postcode Lottery and also Morrisons. How many are there out there that you think are going beyond what the legislation intended?

Andy Duncan: I have to choose my words carefully. I think that the vast majority of society lotteries—hospice lotteries, air ambulance service type lotteries—as far as we can see, absolutely do a great job in the spirit of what the legislation intended. I think the evidence from DCMS and the Gambling Commission says the same—that they are essentially there as a way of giving money to those good causes. That is the deal that the buyer of a raffle ticket knows, or a hospice society lottery game knows. In many cases, people do not do it to win the prizes; they win the prize to give the prize back; it is all about giving money to a local cause. I would certainly say that the Health Lottery and People's Postcode Lottery are very different models, through society lottery legislation. They are about winning prizes. I think they would both like to see the prizes increased.

I do not know whether the Committee is aware, but if you look at the People's Postcode Lottery, for example, they have €600 million of sales in the Netherlands, which is 60% of the size of the national lottery there; €400 million of sales in Sweden, which is 40% of the size of the national lottery there. In UK terms, pro rata population, that would make them a £3 billion lottery. They offer multi-million pound prizes in those countries and they do not have a level playing field: they are able to put over 25% of their money into marketing, and it is not transparent where all that money goes. We know that 5%, for example, goes as a management fee back to somebody in the
Netherlands who owns the licence—5% of turnover, that is. It is likewise with the Health Lottery. We know that although they declare a lot, a lot of their money actually goes into marketing—over a third of their money goes into marketing—most of which, as far as we can see, is recycled back into Northern & Shell’s parent owner titles.

We think you have this emergence of two significant players who absolutely are competing nationally with the National Lottery in their marketing and in the way they are promoting the top prizes. I then think you have a category of gambling companies coming into that space that—Coral were the first to do that as a society lottery. It is very early days, but if that became a trend, it would be very worrying. The gambling and betting online products that are bets but masquerading as lotteries is a different category again. But specifically on the society lottery point, I would say, at the moment: Health Lottery, People’s Postcode Lottery, potentially Coral and big supermarket groups like Morrisons.

Q91 Chair: Thank you. Dawn Austwick and Carole Souter, you are both beneficiaries of the National Lottery. Do you share the concerns Andy Duncan has been expressing?

Dawn Austwick: Where we are coming from is that we only exist to improve the lives of people in the UK, so our whole raison d’être, as is the raison d’être of the National Lottery, is to be able to funnel and maximise returns that can then be used for good causes. Where we sit at the moment is that we see a quite delicate funding ecology that goes beyond lotteries, obviously, in the funding of the charitable sector, and that the relationship between the National Lottery and small society lotteries is a very complementary one. We recognise that we do rather different things, obviously, as part of that ecology and mixed funding pattern. Where we would be concerned is if that ecology were to be disrupted in a way that ultimately put at risk that flow of funding. I think that in these sorts of scenarios there are laws of unintended consequences. We would be concerned that it is unclear what impact certain actions would take. We would want to have some reassurance that there was protection of that flow of funds, because fundamentally, as I say, the only reason why we exist is to get our money out into local communities to address significant social problems, and to increase the diversity and vibrancy of civil society in the UK.

Carole Souter: From our point of view, we have 20 years experience of the need for funding for sports, arts, heritage, in the charitable sector. We are all significantly oversubscribed in terms of the applicants for our funding, so we, as Dawn says, would simply have a question about any unintended consequences of changes in the regulatory framework. We absolutely know that the society lotteries very often, at a local level, are contributing to projects that we might also be funding and organisations that we might also be funding. That mixed economy is very important, and from our point of view, the most important thing is to be really clear about what any change might do, and what the intention would be behind any change in the regulation of other lottery forms.
Q92 Tracey Crouch: Can I just get some of the facts clear in my head? Lottery sales have increased, and continue to increase over recent years. Is that correct?

Andy Duncan: We peaked in 2012-2013, boosted by the Olympics, where we had a significant amount of additional activity, and also we had a couple of very extraordinary EuroMillions rollover series. Sales last year fell back again in terms of the National Lottery. This year they have bounced back a bit, but I would say they have been broadly even for the last two or three years.

Q93 Tracey Crouch: But they are still higher than when it was first launched?

Andy Duncan: Yes.

Q94 Tracey Crouch: Roughly around about 70% play the National Lottery, I think it says in my brief notes. That has remained stable?

Andy Duncan: Correct. Yes.

Q95 Tracey Crouch: The amount of money that you have given to charity continues to increase, year on year?

Andy Duncan: That has gone down slightly again in the last year, compared to the year before—

Q96 Tracey Crouch: But that was because of the unusual circumstances?

Andy Duncan: It is broadly in the same area.

Q97 Tracey Crouch: So when the People’s Lottery and the Health Lottery argue that the growth of society lotteries has not resulted in the National Lottery losing any revenues, that is a correct statement.

Andy Duncan: No, we do not believe it is a correct statement, because you have to compare it with what would have happened had they not been there. So the counterfactual—

Q98 Tracey Crouch: But you have increased. You just have not increased as much as you would like?

Andy Duncan: Correct. But—

Q99 Tracey Crouch: But you are still increasing?

Andy Duncan: It depends if you take last year or the year before. But the counterfactual is, we would have grown by even more, let us say, two years ago, or we would have done more last year than we did—
**Q100 Tracey Crouch:** But good causes themselves are arguably not losing out on any revenue, because you are still continuing to provide money for good causes, as are they. Could it not be argued that people are still playing the National Lottery, they are just also doing other lotteries as well?

**Andy Duncan:** I can understand why they would make that argument and, obviously, I am sure this is partly why the Committee is looking at this issue now. We are firmly of the view that 60% of Health Lottery sales do come from the National Lottery. We have not done a similar analysis on the People's Postcode Lottery, but if they were to get to anything like the scale that they have reached in Sweden or Holland, I am absolutely certain a significant chunk of that would come from the National Lottery.

As I said earlier, with other people coming into that space—it is an attractive space from other people's point of view—as I understand it, the intention of society lotteries and lotteries generally is not about commercial gain. It is not about making money, but is about maximising money for good causes. What is troubling for me is that a number of these entrants appear to have commercial motives in what they are doing. There is no doubt that there is money being raised for good causes. The question is: is it maximising good causes for society as a whole? We are very worried over the next few years it will not. Also, there is the lack of transparency about where that money is going—the amount of money that goes into marketing or goes back to management fees and gets recycled back to mysterious holding companies.

I would say it has to be the case that if you have a number of other people coming in, or if they carry on spending at the level they are spending at, that must damage National Lottery sales. Let me give you the marketing comparison, for example. We spend 1% of our revenue on marketing. Of the £7 billion National Lottery, that is still a significant amount of money, but in media terms, we manage to spend about £40 million a year on media, because there are a number of the other marketing costs—promotions, in-store activity, play stations, and things that we have to keep active. The Health Lottery spends over a third of their revenue on marketing, most of it on their own titles and, when they owned a TV station, the TV station. People's Postcode Lottery put 25% of their revenue into marketing. Those two organisations alone already are spending almost the same as we are in media.

**Q101 Tracey Crouch:** But they do not have the advantage that you have, which is that the BBC pay you for the lotto show every week. So presumably, they are having to put more into marketing because you are being paid by the licence-fee payer anyway to have the lottery run on the BBC channels?

**Andy Duncan:** No. The BBC do not pay us for the lottery. It is deemed to be, and has been for 20 years, a programme of national interest, to have the results. It is a much shorter programme than it used to be. It is now 10 minutes. The BBC pay a contribution to the production costs for that programme and, obviously, it is fantastic that the National Lottery is of such
national interest it has remained on the BBC on a Saturday night for 10 minutes. We no longer have a Wednesday night show. But there is no payment that takes place.

**Q102 Tracey Crouch:** One of the things I still remain confused about is your contention that if you open up the National Lottery to competition, then it will affect your sales or revenue, when it quite clear that you have increased sales and the revenue is still going towards the charities. Surely it is up to the person who buys the ticket which good causes they support? If they want to carry on supporting the National Lottery, they will do so, but they may also wish to support their local hospice or their air ambulance service through their lottery system. Why is this a threat to you?

**Andy Duncan:** I would totally agree with what you just said. We would be very supportive, incredibly supportive, of the traditional society lotteries. As I said earlier, we have an ecosystem of one national lottery, which is your big prizes, available to the whole nation, very clearly there. It is efficient in terms of operating costs—only 4%. It is efficient in terms of marketing—only 1%. That is what allows 90% to go back to society in prizes and good causes and lottery duty. It is an incredibly efficient way of generating that money, which is why so much goes to good causes. Alongside that, the small society lotteries, where people absolutely are almost deciding what cause they are supporting—"I want to help my air ambulance service"—that is fantastic.

**Q103 Tracey Crouch:** You just do not like the People's Postcode Lottery?

**Andy Duncan:** No. I am not singling those out. What worries me is the organisations that see themselves as national competitors; that have publicly said they are commercial organisations that see themselves as competing with the National Lottery; that are pushing to see prize limits increased, which has been one of the mechanisms Governments and Parliament use to keep this ecosystem there; that are spending so much money on marketing and not so much on good causes; and that are not transparent in where that money goes, so the player is not clear that 5% of that money is going to the management fee, or that 30p of their pound is going back to the parent owner's media titles.

We are in favour of the ecosystem. We would be very supportive of seeing the burden of regulation reduced for some of the small society lotteries. We are on record as saying we would be prepared to help in terms of anything we could do with our expertise around digital or other areas to help them. Some of the ideas out there of the 80-20 rules being spread over three years, and perhaps looking at gift aid for small society lotteries—all those things, we are strongly in favour of. We are very worried about creating a series of national competitors for the National Lottery, which also becomes an attractive space for other people to enter into. That is what we are concerned about, not society lotteries as a whole.
Q104 Tracey Crouch: Some of those issues could be dealt with in more detail, but why would higher thresholds for ticket sales and prizes harm the smaller, more local lotteries?

Dawn Austwick: Our concern, I guess, comes back to that ecosystem. Some 70% of all National Lottery grants are for £10,000 or less, so we are very much in the business of getting money out at that local level, that grassroots level, and that is where the small society lotteries operate. They tend to be small organisations, they tend not to have a very fixed and strong cost base, and they are the fabric of the neighbourhood. Our concern would be if they found themselves unable to compete with larger players who would be able to put more money into operating at a higher cost base in order to promote higher prices. Our concern comes back to that ecology point, and protecting the grassroots organisations that play such a key role.

Q105 Mr Sutcliffe: I start by saying I am a supporter of the National Lottery and I am a supporter of society lotteries. It is interesting that the beneficiaries are here today, because when the beneficiaries were here with the Health Lottery, they told us that the proceeds from the Health Lottery went into schemes that the National Lottery did not support. I would just say I have examples of that in my own constituency too, so I know that that is true. Andy, are we comparing like with like? I think Camelot have had a good run in the last 20 years, and I think Governments of both persuasions have protected the National Lottery as best as they are able. You talked about the doubled price of the Lotto ticket from £1 to £2. The minimum online play is £10 now, which is an issue in terms of gambling. I want to work out the differentiation between scratchcards and the lotto games themselves. How important is scratchcards to you, and what percentage of the business is it?

Andy Duncan: We have had two product categories from very early on. When the National Lottery first launched, it was just the National Lottery Game, which is now Lotto, so, one game on a Saturday night. Scratchcards came in less than a year later, and mobile instant games came in just over a decade ago. Of the overall sales, draw-based games are approaching between £4.5 billion and £5 billion—it varies slightly by year—and instants are now over about £2 billion.

They are both important. They have always been part of the proposition, and they are slightly different. From a consumer point of view, they are slightly different propositions. From a draw-based games point of view, our two big games are Lotto and EuroMillions. You buy your ticket and then you wait for the draw. It is a big national moment, although maybe not quite a big national moment as it once was, because it is more fragmented. With instant, you obviously get more of the instant thing, and we have found that both have a role to play, and they are both obviously important for good causes as well.

Q106 Mr Sutcliffe: All right. But your earlier point about the gambling companies and perhaps some of the supermarkets coming into the marketplace, is that more based on scratchcards than it is on games?

Andy Duncan: No. The Health Lottery is a draw.
**Q107 Mr Sutcliffe:** No, that is different, Health Lottery and People's Postcode Lottery. You talked about Coral, and Morrisons.

**Andy Duncan:** Coral, Morrisons; at the moment, they are scratchcard products.

**Q108 Mr Sutcliffe:** I would accept that there is an issue around scratchcards. I think there is something that needs to be looked at. One of the difficulties—it is not a difficulty for you—is the fact that people can buy scratchcards at 16 but cannot go into a betting shop until they are 18. That is an issue that we might come to with the Gambling Commission a little bit later. Do you see difference between the People's Postcode Lottery and the Health Lottery? Do you see any difference between those two?

**Andy Duncan:** Clearly, there are differences. The People's Postcode Lottery is a subscription model. The Health Lottery is largely a retail model, although they do do some online sales. But in some ways, it is the similarities that are more striking. Clearly, one ultimately is an international fundraising organisation and the other is owned by a UK media owner, but as I said already, both organisations see themselves as national brands trying to compete nationally with the National Lottery.

I would point out that we are the mere operators of a national asset. The National Lottery does not belong to Camelot. We have competed three times for the right to win the licence to operate the National Lottery, but we see ourselves very much as a steward of a national asset. One of the clever things around having the one national lottery is that, effectively, we are doing that for less than 1% of revenue, in terms of any money we make as an operator. If you look at both Northern & Shell, as the owners of the Health Lottery, and the People's Postcode Lottery, there is the national competition with us, there is the amount of marketing that they are spending, and there is the relatively limited amount that goes back to society compared to the National Lottery, so the amount that goes on expenses; and I think there is a lack of transparency in both cases.

I was surprised to hear that the Health Lottery, when they were in front of you, were not able to confirm how much of their spend goes into their own media titles, although it is publicly available information that in the last 12 months well over 90% has gone back into their own titles. That is publicly available. I am not sure why they could not tell you that.

**Q109 Mr Sutcliffe:** That is something the Government can deal with through legislation. Because you talk about transparency, and that is very important in terms of where people are not under the confusion that you said earlier that some players have about who they are playing for.

On transparency, why does Camelot split itself into Camelot UK Lotteries, Camelot Business Solutions and Camelot Strategic Solutions? Why the need to split up? Is there not a bit of a lack of transparency there, in terms of how much the company makes through the National Lottery?
Andy Duncan: No, not at all. The reason that that was set up, which was a few years ago now, was because our shareholders, the Ontario Teachers' Pension Plan, who have invested a lot of money even since the acquisition of Camelot, are also looking to do activities elsewhere in the lottery world. For example, they have recently bid and won a 20-year lottery licence in Ireland, and Camelot Strategic Solutions are providing some of the services into the Irish lottery.

Mr Sutcliffe: But you pay them for services they contribute to the National Lottery, to Camelot's profit?

Andy Duncan: I would argue the opposite. I would argue that it has been very helpful. Camelot UK is the regulated lottery company. That is the company I run, which basically runs the UK National Lottery, which is very clear and transparent in everything that we do. Camelot Business Solutions Limited is the back-office service company—essentially, finance, HR, legal, tax, and so on. They primarily offer services to the UK, but they also do some services for our international activities, and that has given us a direct cost saving in terms of the UK. Then Camelot Strategic Solutions are a software development and testing organisation, so they essentially provide technology solutions, primarily technology solutions.

Q110 Mr Sutcliffe: What I am trying to get to is that the ordinary person that buys a ticket will not know of the breakup of the company in that way, even although each has a contribution from the National Lottery.

Andy Duncan: First of all, for anyone who is interested, all the information is publicly available and completely transparent. Secondly, it has brought some benefits to our ability to run the UK lottery even better. But the key thing to look at is that Camelot UK and Camelot Business Solutions—our back office functions—are the organisations that run the UK National Lottery, and the way that the accounting works, and the money works, and the fact that we make less than 1% in terms of profit, all of that is completely transparent. It is available on the website. It is in our published accounts. There is nothing that is not transparent or publicly available.

Q111 Mr Sutcliffe: When you speak of the Health Lottery, notwithstanding the point you made about the national publications, and the People's Postcode Lottery, they say they are equally as transparent?

Andy Duncan: I was surprised. We found it quite hard. We spent a lot of time trying to understand both businesses better. We were quite interested to know about this 5% management fee of turnover that goes back to the Netherlands. We do not know whether that was drawn to the Committee's attention. We were surprised by how big a percentage of money goes into marketing. We are surprised that both organisations have publicly said they see themselves as competitors to the National Lottery, which is not the kind of rhetoric you would hear from an air ambulance service or hospice society lottery.
When you look at the size and scale of the People’s Postcode Lottery in Sweden and the Netherlands, it has caused such issues in the Netherlands. I am not saying they are not a good organisation and are not raising good money. That is not the issue. The issue is what sort of system does Parliament want within the United Kingdom and we would argue strongly that after 20 years of success one strong national lottery, of which you have a professional steward, if you like, under very clear regulated terms making very little margin, and a series of lots of small society lotteries. We would love small society lotteries to do better. We would love them to grow. We would love them to have regulation relaxed.

What we are concerned about is this murky middle territory of organisations; their motives are about offering big prize jackpots. That is what they want to do. They want to see the prize jackpots increase. That is what they do in Sweden and the Netherlands, and that for us is very different to how the very delicate ecosystem was designed 20 years ago and has worked very well for the last 20 years.

**Q112 Mr Sutcliffe**: But things move on and the argument would be that you have had 20 years of good times. There is an opportunity now for some competition. Why should you be scared of that, given there is an inbuilt protection for the National Lottery from Government?

**Andy Duncan**: We are certainly not against competition. We have thrust ourselves into very significant competition three times to win the right to be the steward of the National Lottery. We have to compete every day of the week for the public’s time, attention and ultimately money and we love a model where a lot of people spend a little bit of money. The fact that 70% of adults still play the National Lottery is in large part due to the fact we have innovated. We went from one game 20 years ago to draw-based games, instant games and scratchcard games. We now have 20% of our sales online. We have adapted with the times and that is part of being a good steward of the National Lottery. We are not against that.

What we are against is unintended competition that is not on a level playing field. If Government decided and Parliament decided to forget having one national lottery, we want to have six national lotteries and we think we can raise more money for society, and if that was the conclusion of a debate, fair enough. But certainly based on all the evidence we have seen that is not what we think would maximise money for good causes, and all the time that we think having one national lottery making very little money because you had a competition, putting most of that money back into society, and we are concerned about national competitors to a National Lottery.

**Q113 Mr Sutcliffe**: I take the point about the scratchcards. I do think that is an issue and we need to return to that.

Going back to the Lotto games, what sort of legislation would you like to see, then? Would you like to see a cap on expenses? What type of legislation do you think we should recommend to Government in terms of protecting where you are but allowing for some growth in the society lottery area?
Andy Duncan: On the helpful side we think that many of the proposals that are being made by some of the smaller society lotteries make a lot of sense. The idea that you have an 80/20 rule over a three-year period to give small start-up society lotteries a chance to establish themselves; potentially looking at gift aid for some of the small ones where quite clearly there is a gift to a charity, just a bit in a slightly more fun way; the idea of maybe having a common remote and online single licence that would simplify things—we would be in favour of all that bureaucracy reduction type activity and proportionate deregulation.

We would be in favour of retaining—this is not any change—the current prize and turnover limits. They were put there very clearly for a purpose: to keep one big national lottery with big jackpots and the ability to be that universally appealing national lottery. Then the smaller society lotteries we think increasing the prize limit and turnover limits would inadvertently help the national competitors to National Lottery to grow bigger and would also attract more new entrants. That is not a change. We are just saying we would like to keep what is there because we think it was there for a good reason and it serves its purpose well.

We do think there should be a return to a cap on expenses. Through the Gambling Act for the large lotteries it was 15%, which we think should be more than enough, and the fact that over a quarter of the People’s Postcode Lottery and over a third of the Health Lottery’s money goes into marketing we think is very inefficient in terms of raising money for good causes. We think a cap on expenses would first of all moderate people’s motivations for coming into the space and also help ensure as much money as possible goes back to good causes. We also think it would be sensible, coming at it the other way, to perhaps look at guidance for how much does go back to good causes, so we said if you were to take the 20% good causes minimum and a proxy of the 12% lottery duty we pay, perhaps set a 32% minimum, and we think a cap on expenses and a 32% minimum going back to society could be a very helpful way of making sure organisations in that space are true to what the original intentions were.

On your scratchcard point, I would just like to add that we are as conscious of the need to be managing the scratchcard side and the instant side of the National Lottery and the draw based games in terms of responsibility. I suspect the regulator later might add to this but we have incredibly clear guidelines about player protection, about propriety, about the way we ask for regulator approval on things, and we think the instant area of the National Lottery has the same levels of integrity and it is all classes, all ages, all members of society, and we think it is a very good way of raising money for good causes, just in a different field. One of the arguments of having one national lottery is you do keep higher standards of responsible play.

Q114 Chair: Just clarify for me—the 32% minimum: would that be imposing lottery duty on the other lotteries?

Andy Duncan: Not necessarily, no. We are certainly not saying this for the smaller ones where the economics might be different. We are saying for a
large-scale society lottery perhaps a proxy of the 20% that goes to good causes at the moment and—

**Q115 Chair:** Plus your 12.

**Andy Duncan:** Not necessarily lottery duty. It may be just another 12 into the good causes.

**Q116 Chair:** I see, so you are not arguing they should necessarily pay lottery duty. They should just give a bigger proportion.

**Andy Duncan:** It would probably be better if it goes to good causes.

**Q117 Chair:** It is not as much as you pay in lottery duty but they would say that your inclusion of lottery duty in your return to society—they do pay tax through VAT, for instance.

**Andy Duncan:** So do we. We pay VAT.

**Q118 Chair:** They would say that they should be treated similarly and that should be included in their returns to society.

**Andy Duncan:** Being very transparent about it, I think the areas where one would look to make savings are how much they spend on marketing and how much they pay themselves. That would free up quite a lot of money to go into good causes, tax, prizes, generally back to society.

**Q119 Chair:** If one was being very suspicious one might suspect that the motivation for the Health Lottery in spending all that in marketing was to support the publications owned by its proprietors, but why should People’s Postcode Lottery be spending all that on marketing?

**Andy Duncan:** I think it is the way their model works. If you look at what they do in the Netherlands and Sweden they spend a lot of money on marketing, they have, in those cases, much higher jackpot prizes and they are very substantial scale operations in those countries. I do not think we are quite clear why the 5% management fee gets paid back. On the accounts you cannot see what that is for, what services are being provided. I think it is a licence, so maybe it is for the person who originally had the idea; I do not know. But as a general point, it is the lack of transparency. Does it really need so much being spent on expenses? They are certainly spending a very large sum, more on marketing than goes to good causes.

**Q120 Angie Bray:** Can I clarify one point? Effectively the ecosystem, as you call it, at the moment does limit what they can offer in the way of prizes, which makes them less competitive, and they do not have the same access to selling through outlets the way you do, so they are seriously circumscribed in comparison to what you can do. You are saying how worried you are about them catching up when they operate under much stricter limits than you do. You have had this advantage of being set up over the years, you are established—you are
established in virtually every garage; everywhere you go there you are—so is it not a good thing to have a bit of competition and to allow them a little bit of leeway? They are not asking to have a huge amount of extra leeway. They are asking just to be able to increase their prize money and be able to make themselves just that little bit more attractive. What is so wrong with that?

**Andy Duncan:** First of all, when you say “we”, the National Lottery belongs to the nation. It is a national asset, so the availability of it everywhere is—

**Q121 Angie Bray:** But so does charity belong to the nation and that is what they are offering. I do not see that is a relevant point.

**Andy Duncan:** We happen to operate it and won a licence last time out to operate it on the basis of it being the primary way to maximise money for good causes. I said earlier on, if you were to increase the prize money—taking that head on—I think you would dilute sales of National Lottery income because more people would find the People’s Postcode Lottery attractive because it has higher prizes.

**Q122 Angie Bray:** But why would they? Their prizes still are not going to be anywhere near the size of yours, so on the basis of big prizes yours are still going to easily beat them on that one.

**Andy Duncan:** It depends what you increase it to.

**Q123 Angie Bray:** What they are asking for?

**Andy Duncan:** As I understand it there has been some call for prize limits to be increase to £5 million. On the prizes the current limit is £400,000. I am certain they would like to get to at least £1 million. Some weeks we have between £1 million and £2 million as the main Lotto jackpot.

**Q124 Angie Bray:** Quite a lot of weeks you have a lot more than that.

**Andy Duncan:** Our Thunderball game is £500,000 maximum jackpot, for example. Some of the scratchcards have £100,000 or £250,000 prizes. It is ultimately what Parliament wants. If Parliament wants a mixed ecology with lots of competition and to have a bit of a free for all, a bit of a wild west, which is one model—that certainly is not what was intended 20 years ago; it is not what the basis of the last licence was but if that was what was intended then fine—all the analysis I would say from round the world and in 20 strong years of UK success demonstrates that it may not be the best way of maximising money for good causes.

I think our point would be: go into that intentionally, not by accident. We would be very clear in saying the original reason that prize cap was there was to effectively keep an ecosystem and if you change the prize cap and increase the prizes you are by definition going to have more competition from, in this case, the People’s Postcode Lottery, it would also make it more attractive for other people to come into that space and just be very clear about the potential risks that involves.
Q125 Angie Bray: It does not necessarily have to be the wild west, does it? It would be properly regulated.

Andy Duncan: Anybody can apply for a licence though, and we have already seen that.

Q126 Angie Bray: But it is up to who gets the licence.

Andy Duncan: You would need to check with the Gambling Commission but as I understand it anybody can apply for a licence and provided that they meet the conditions they get a licence. Hence Coral have their licence for a society lottery and Morrisons have their licence for a society lottery.

Q127 Angie Bray: Perhaps what has also changed in the last 20 years or so is that there is a greater demand now, there is a greater need for charitable giving, whether it is the church roof at the most local level right up to a hospice or something else. The National Lottery cannot and does not meet all those needs—it would be interesting to hear from the others who have not said so much—but I would have said there is a greater demand now for the opportunity to raise money for some of these things that the National Lottery simply cannot meet, and to allow these other charities to be able to grow their wings a bit and be able to fly and provide that big society. When did I last hear that? There is a demand out there that has to be met and I do not think the National Lottery is necessarily always going to be able to fulfil all those demands. Would you like to say something about that?

Carole Souter: I would agree entirely that the National Lottery cannot always meet all fundraising needs and there is a tremendous demand for fundraising right across the charitable sector. As it happens we are currently running a fund for church roofs so I would be very happy to talk to any members who are interested in how to apply for that. That is with Government money. But I think it is very important that we are clear that particularly the smaller society lotteries are a straightforward fundraising mechanism for those small, very often grassroots charities. It is important to them and they need to be able to run them successfully. I think the question of where the balance lies is one that needs testing and needs a lot of analysis and that is all that we would say, that there is no absolute here but if there is to be a change it needs to be worked through and analysed and modelled properly.

We also know that a number of the organisations that we support will also have had funding from some of these other lotteries that work on a much larger scale. I would argue that we are very clear about what we fund. We were set up to fund certain things. We have very clear limits on what we can spend on overheads and expenses. Andy was talking about the National Lottery, for example. We operate on a 5% operational costs cap. The National Lottery clearly is never going to be the answer to everything but it was very explicitly set up 20 years ago to fund those areas that Government funding was never going to be able to resource completely and I would argue it has done that really rather successfully.
Q128 Angie Bray: Absolutely, but there are now other areas as well that seem to be.
Carole Souter: There are other areas.

Q129 Angie Bray: Dawn, did you want to add anything?
Dawn Austwick: I endorse what Carole has said. I suppose again, our concern is about really understanding the consequences of certain choices around regulation. If you want to increase your sales, at what point does the gap between the increase in your costs in order to increase your sales start to narrow and therefore the return you are making reduce? That is an interesting question that one would need to tease out.

The National Lottery is quite unique as a funder because it can fund those fantastic, long-term, wonderful projects, of which Heritage and Arts have funded many. The investment in our sporting stars and so on, which require sustained funding over periods of time and, my goodness, we have seen the success of that in London, Glasgow and Sochi, et cetera. We fund some significant investments in 10-year programmes to address complicated social issues. For example we have a Better Start programme at the moment just looking at 0-3s and it is a 10-year programme; it is getting on for £200 million. We are looking at a high degree of evaluation, research and so on to see if what we are doing by working in partnership with others is to change the dials on those problems.

But that funding also goes right down to those very grassroots organisations and I think we need to talk to Mr Sutcliffe because I know there are over 300 grants that have gone into your constituency. As I say the majority of our funds are for grants of less than £10,000 and I think that what we can do—

Q130 Angie Bray: I have my list here.
Dawn Austwick: Yes, absolutely. Good.

Angie Bray: I brought it with me.

Dawn Austwick: But it seems to me that what we can do is play across the broad tee of the big strategic investments that have that national significance and create national treasures. My career 20 years ago began when I was appointed as the project director for Tate Modern and I remember very clearly the day, standing above the fax machine when the letter came through from Jenny Page at the Millennium Commission saying that the Tate had been awarded £50 million to develop Tate Modern. At that point it had raised £2.15 million towards £134 million. That letter, that investment, made the Tate Modern possible and the rest is history, as it were.

But we also, and I absolutely know this having joined the Big Lottery Fund just over a year ago, our money is trickling into every neighbourhood and we have the huge advantage of being able to join that very, very nuanced local funding that can transform an individual life or a community life with some of these bigger things, and I think that is what is unique. I suppose the counter
argument to your point about we cannot cover it all, of course we cannot but the National Lottery is a national success story.

**Q131 Angie Bray:** Absolutely. I do not think anybody would disagree with that.

**Dawn Austwick:** We want to preserve that alongside recognising that times have changed.

**Q132 Angie Bray:** Absolutely, but the problem is sometimes you only preserve by keeping down other good things and that is—

**Dawn Austwick:** It is about the balance, is it not?

**Q133 Angie Bray:** Exactly.

Putting a completely different question to you, do you think the people who buy the tickets are too bothered about where the money goes and how it is spent?

**Andy Duncan:** I think it is very clear that the primary reason why people buy a lottery ticket in the case of National Lottery is they want to win money. That may not be the case for the small society lotteries where you might just accept it is a mechanism through which you are giving some money, but I would say it is an incredibly important part of the way the National Lottery works. Six million people win something every week and six millionaires are created every week but it may not be you, and if it is not the fact that you know some of that money has gone somewhere it a very important part of the mechanism. Dawn and Carole can probably comment more on this but I do think the fact that there is an increasing knowledge of where that money is going is a really helpful thing.

**Dawn Austwick:** Can I come in there? We run a funding programme called People's Millions that involves voting via ITV—we have been running it for many years—and in looking at that we did do a little bit of research where we asked lottery players what their engagement was. Over a third of them came back to say that they were actively interested in where the money was going and would be interested in the choices as to where that money goes, so I think there is an engagement.

It is very interesting. I came into this role just over a year ago and I came from a private charitable foundation, one of the larger ones, and there is a very different thread between both those who apply to funding and the beneficiaries and their relationship with the funder, between that of a private charitable foundation, a charitable trust, part of the charity sector, and the National Lottery funders. I think there is a sense of ownership and a line that is tighter between the general public and the National Lottery than I certainly perceived in my former role. It is manifested in all sorts of ways, not least the lovely letters we receive from folk like you on behalf of constituencies—I cannot say I received very many of those when I was running a charitable foundation—about our funding choices and about the degree of openness and
transparency, as all our grants are available in open-data format so that anyone can manipulate the statistics and do their own interrogation of them, giving that sense of how are you spending the money and does it come directly to me? I think that is a different environment and it is a different expectation and ultimately that is a fantastic thing because it is about a sense of ownership and it is that sense that this is a national institution and it belongs to everybody and I think we take that stewardship very seriously in our thinking about the choices we make and also how we make them and how we engage with people because I think that is a significant difference.

**Q134 Angie Bray:** Clearly, as you already discussed, transparency is a really important part of this and you have said that you think it is very important that there is as much transparency as possible in exactly how the money is divvied up.

Can I put a slightly different question to you that is along the same lines? If the Government does come forward with new proposals and the ecosystem is slightly tweaked in whatever direction it might be, do you think that it would be important that the Government, Ministers, should review the operation every two or three years to make sure that it is working properly so that more tweaks can be made if the ecosystem is breaking down, as you suggest it might do? Do you think that would be a useful thing for interventions by Government every two or three years to review the system?

**Carole Souter:** Given that all aspects of the system are so open and transparent at the moment, it would be a relatively straightforward and entirely beneficial thing to have a regular report on how the system is changing; where the balance of play is; where the balance of funding to good causes is coming from; how it is changing over time and so on. That would help and reinforce the point you were making about people understanding where the funding is coming from and what benefits it brings to their local community. One of the things that I know we all do as distributors is try to encourage that transparent understanding of what has been funded in various areas. We, for example, have local committees who take decisions and I know most distributors have delegated grant-making at various levels so I can see no difficulty at all doing that. I think it would be helpful.

**Q135 Angie Bray:** Would that be saying it would meet with your support?

**Andy Duncan:** Yes. I welcome the fact that there is political interest in lotteries. Certainly 20 years ago it did not seem to have much interest. It is an incredibly important part of national life and the point was made that demand exceeds supply in terms of good causes. In a fast changing world, regularly looking at how to maximise money being raised for good causes, how to make sure there is transparency and accountability, would be very welcome. I would very much welcome conversations along those lines.
Q136 Angie Bray: A final question for you. How many times have representatives of Camelot met with Ministers since 2012?

Andy Duncan: I can tell you that to my knowledge we have not had a meeting with the Secretary of State in that time. Dianne Thompson and I had a short meeting with Helen Grant earlier this year, primarily as a sort of farewell handover—a goodbye to Dianne, hello to me sort of meeting—and that is it.

Q137 Angie Bray: Just the one meeting, you say, since 2012?

Andy Duncan: To my knowledge.

Angie Bray: Thank you very much.

Andy Duncan: There may have been something last year.

Q138 Steve Rotheram: It is just supplementary, Chair, to what Carole was saying. Is there any geographical balance in the amount of funding that is raised in a certain area and the money that goes to good causes in that same area?

Carole Souter: We do not have information on where the money comes from in terms of play and Andy might want to explain the reasoning behind that, but speaking just for the Heritage Lottery Fund for a minute, we do distribute money for grants up to £2 million on a per capita basis across the nations and regions of the UK and above that level people apply to a national funding pot in competition. So we have an absolute level of per capita geographical distribution and then additional grants on top of that, but as distributors we do not have the information about who plays where.

Andy Duncan: In terms of sales it is very evenly spread geographically, demographically et cetera. We do not collect by constituency or publish sales data by sales area, partly because it would be a significant cost of collecting all that data and partly because of commercial confidentiality, but certainly in terms of where the money gets spent, that is available. It can also be misleading. You might have a particular good cause in one area—if you take Sustrans national bike track, for example, it all goes into Bristol but in reality that is a national scheme so it can also be misleading as well.

Dawn Austwick: It is worth saying all that data is publicly available via the website and I think all the lottery bodies, the for a. We collate that and look at it, and look at it over a period of time because obviously sometimes you spend more in one area in one year and so on. I think we are all very mindful of getting a good balance both as on a per capita basis but also looking at particular areas of disadvantage or need. For example, we have one of our bigger demand-led programmes where we look at areas of deprivation in terms of scoring them more highly in terms of the funding. All the distributors will be mindful of those sorts of issues and we all have programmes for what we call cold spots, where we will then look at outreach activity to try to both increase the level of applications but potentially also increase the level of capacity in the community.
For example, we have a programme called Big Local that is operated by the local trust. It is a £200 million programme and it is putting £1 million plus into each of 150 different ward areas and each of those communities will, over a 10-year period, decide where the money will be spent. What their local trust provides is some help to them in terms of facilitating that decision-making process. I think that is a neat example of what we will do to particularly address that issue of distribution.

**Carole Souter:** As Dawn says, we will all have mechanisms for identifying where we have not put as much funding into an area as we would have expected, and using development staff to talk to local authorities, CBSs, the people who can help encourage applications to our funding streams. It is something we all keep a pretty close eye on. We are aware of what we have spent in all areas and why, and why we are not funding in some areas and we will try to address that.

**Q139 Steve Rotheram:** I understand the commercial confidentiality and I know it is not exact science. For instance, if there is a national centre, that might be distributed locally. But I would have thought you would have, instead of a cold map, a heat map of where the sales are generated, and I am sure do you have that. Whether you are prepared to share that, that is a different issue but I am sure you have that. In regards to the distribution of funding, we just want to see whether there is any correlation between areas where lots of money is raised and good causes are supported.

**Andy Duncan:** As I said, on the sales side we have broad data and the National Lottery has 70% of adults across the United Kingdom playing. It genuinely is incredibly broadly spread. You do have difficult issues like you might have a particular retail head office for some of the smaller retailers where the sales go through that head office, which is not where the actual store location is. And nearly 20% of our sales—18% and growing—are interactive sales, so they are spread all over the United Kingdom and we do not necessarily know where people live. Even if it were available there is the issue of commercial confidentiality. I think in terms of where the money is spent, as has been said, that is very transparent.

**Chair:** Indeed you will be aware that the Committee has recently recommended that in the case of one distributor it should be spread rather more widely than it currently is.

**Q140 Philip Davies:** Andy, I was intrigued by your request that there should be a limit on what proportion of a ticket price is spent on marketing, because of course you used to work in marketing—that is where you made your name—so I am presuming that you understand the dynamics of marketing pretty well. I am sure you used to argue for them when you were in that role. Presumably you realise that if you spend money on marketing, you can grow your business. You are pretending that the pie is a certain size and therefore more of that pie should be spent on good causes rather than marketing. It sounds great in theory but, of course, what presumably these other organisations want to do is to increase the size of the pie so there is more
money that goes to good causes as a result of it. When you were marketing Flora margarine or “I can’t believe it’s not butter” or whatever it was, I am sure you used to argue the same thing—that we should not just spend a certain proportion of our money on shareholders, but if we spend more money on marketing we can build the amount that we return. You are trying to argue cutely, thinking that we are all stupid here, for something when you know what you are doing is you are trying to argue to stop these organisations from being able to grow, aren’t you? That is really what you are arguing for.

**Andy Duncan:** It is certainly not what I am arguing for. Of course I am pro marketing—as you say, a large part of my career has been spent in that area—and I am pro competition. I think that is not the issue here. The issue here is: what is the most efficient way to maximise returns for good causes? That is the exam question: what system is going to maximise the amount for good causes? One of the benefits of having one major national lottery is efficiency; there is no doubt about that. You have scale. You are able to have big jackpots. You are able to have only 1% of turnover on marketing. One of the disadvantages of a competitive system, if you had a bit of a free for all, is what is beginning to happen would happen, which is you would have 10%, 15%, 20%, 25% of revenue being spent on marketing. By definition, that money is coming from somewhere and that is essentially going to be either money that could be going in prizes or money that could be going to good causes.

I think you also have the issue of how many brands you want to have in a marketplace. In most marketplaces, whether it be television or margarine or whatever it might happen to be, having lots of choice is a good thing. One of the peculiarities of the National Lottery model is the ultimate purpose of it, which is to maximise money for good causes. That is why we have a National Lottery there in the first place. There is only one purpose. You are saying not how can you build brands, not how can you maximise money for a shareholder, but how can you maximise money for good causes. It is straightforward economics. If you are spending 25% or 35% of revenue on marketing that is money that is taken away from other things like good causes.

**Q141 Philip Davies:** Is that what you used to argue when you used to work in marketing?

**Andy Duncan:** No, but it is a different model.

**Q142 Philip Davies:** No, it is not. It is exactly the same. Marketing is a key way of increasing the size of the pie. What good causes presumably want is as much money as possible going to them. I would argue that a charity in my constituency, if you give them a choice, “Would you like 100% of £1,000 or would you like 10% of £1 million?” which are they going to go for? What is important to them is that the maximum amount of money is raised for good causes, not the proportion that goes to the good cause. It is the amount. You must know better than anybody, I would argue, that marketing things is the best possible way to promote something, to increase the size of it and,
therefore, to generate more money—it might not be a bigger proportion but more overall money—for good causes. Surely that is what the priority should be. **Andy Duncan:** I would totally agree with you the priority should be how you maximise the absolute amount of money for good causes. I would totally agree with that. It is not about the percentage, it is about the absolute amount of money. It does come back to the philosophy of what model you think is going to maximise that amount of money. I do not think it is any coincidence that the vast majority of countries around the world have a single national lottery model. It has a specific carve-out in European Union legislation that supports national lotteries having a single model because that is the way that you end up being able to get to bigger jackpots. It is the way you end up with avoiding substitution. It is the way you do end up with more of a proportion going to the good causes, which in absolute terms also translates.

My argument is not about not having competition. We welcome lots and lots of small society lotteries. It is about being very intentional about whether you are having a free for all or not. I think our argument would be you have had 20 very successful years of the existing model working incredibly well and it would be a very profound thing indeed to decide now that we are going to move away from the model that still operates in most of the rest of the world and highly risky to the assumption that you will end up with more for good causes. That assumes that people have a whole load more money to spend. Already I think we are competing for time, money, attention in the modern world with mobile apps, casual gaming, all sorts of other ways that people can spend their money. What we are looking for is basically a lot of people spending a little bit on the National Lottery out of their discretionary income. If you end up with a bit of a free for all, you might see total sales go up a bit—it is not at all clear to me that you will—but I doubt you will see good causes go up in absolute terms. You will certainly have a lot of consumer confusion. The points have been made about where the money goes. This is not like a normal grocery product. This is generating £1.75 billion for good causes that then gets put back into society. Part of the deal as a player is I know that money is going somewhere I can trust. I can trust the National Lottery funding distributors to spend that money wisely. It is a very different proposition, I think, to a tub of margarine, to be honest.

**Q143 Philip Davies:** What about your unfair advantages that you have? For example, earlier this year you borrowed £75 million from your good causes fund in order to support a relaunch. Other lotteries will not have the opportunity to borrow £75 million from their good causes fund in order to boost their business. What about tackling some of your unfair advantages? **Andy Duncan:** Camelot has never borrowed money from the good causes. On most of our games—stick with EuroMillions for a moment: part of the percentage of the prize fund on EuroMillions goes into a reserve pot and that reserve pot is then able to do significant promotions. For example, at the end of November for our 20th birthday we did a 10 millionaires promotion. At Christmas we are doing another big promotion. Lotto never had a reserve fund, and when we relaunched it recently we wanted to create a reserve fund.
It was all within the Lotto prize fund. We actually accelerated some of the prize money, so we gave players more promotional activity at the relaunch moment, which is a good thing to do when you have a lot of changes going on. Then we will rebalance that, are rebalancing that, over time with more money going to good causes. Over time, everything balances out exactly but it was balancing within the game the amount of money that went to players in prizes and the amount of money that goes to good causes. Already good causes is £240 million better off by the end of March 2015 than it would have been had we not made that game change. Camelot has not touched any of that money. That has stayed within the game.

Q144 Philip Davies: Has it been paid back?
Andy Duncan: Within the game, it is about halfway towards being rebalanced and by the end of 2017 it will have been completely rebalanced. But already the extra sales that have been generated off the game have created nearly quarter of a billion pounds more for good causes than would otherwise have been generated. From a funding point of view, already a lot more money has been spent than would otherwise have been the case.

Q145 Philip Davies: You see, you all talked a lot about transparency. I kept hearing the word “transparency”. The thing is if I buy a lottery ticket I have no idea where that money is going. It could be going anywhere—often in the past it was going to some politically correct organisation that I have no support for whatsoever. I am going into something that someone else decides where the money is going. I have no say. If I play the Health Lottery, there is much more transparency, because I know it is going to a health-related charity. If I want my money to go somewhere specifically, surely you would not argue that the Health Lottery is much more transparent? When I play the game or hand my money over, it is much more transparent to where that money goes than to where money from the National Lottery goes because it could be going anywhere. I have no say over that. Some worthy people are deciding for me where it goes. I have no say.

Carole Souter: Well, let us start with where it goes. It is clear from all of our online material, our published material, what areas we each fund, so heritage for me, art, sports, charitable sector. All of the people who take the decisions are out there, can be seen, our trustees, our committee members, our staff. What we do not do is say, “Buy this ticket and fund that project,” because we are rolling programmes, so that at any given time there will be lots of people applying for a lot of different projects. The absolute transparency is where the money has gone to and that is clear for all of us. It can either be accessed through the DCMS database or through our own websites. Everything we fund is out there.

Q146 Philip Davies: We are not disputing that. Nobody is arguing that. What I am saying is at the moment you play you have no idea where the money is going. All of that is retrospective to see where my money went. When I am about to play, it is much more transparent on the Health Lottery where my money is going to end up than it is on the National Lottery. You have been
banging on to us, all of you; you have been the ones saying how important transparency is. What I am saying is that the Health Lottery is much more transparent about where the funding is going than the National Lottery.

**Andy Duncan:** I would agree in part and disagree in part. I would agree that one of the advantages the Health Lottery has is it is a single cause issue. It says it on the tin that the money is going to health. One of the great things about the National Lottery is the breadth of where all the funding goes, but that is a more difficult message to get across. I would say the public have partial understanding of where all that money goes but there is sufficient appreciation that it is a good thing and it is a good thing for the nation that they keep coming back to buy tickets.

Where the Health Lottery is not transparent is making it clear at the point of purchase that more than the 20% that goes to good causes is going to the parent company through advertising on their own titles. Where they are not transparent is how little actually gets paid out in prizes, which is only 20% typically. I think they are about 25%. It is transparency on one side of the coin and not on the other. It slightly takes us back to the debate that we had earlier. It comes back to philosophically does the fact that 20% of people who buy the Health Lottery think it is the National Lottery adding some sort of confusion? If it was completely clear at the point of purchase where the breakdown of the pound was going I think it would be very helpful.

**Q147 Philip Davies:** You would be at that point happy that it could market as much as it likes, it could do what it wanted, it could have whatever prize fund it wanted, as long as all of that transparency was there? Ultimately, presumably, you must accept the view that if it is all there and it is all transparent and it is there for everyone to see, how people decide to spend their £1 or £2 or £10 if they are going online, or whatever it is, is up to them. If they want to give £10 to the Health Lottery, knowing where it is all going, presumably you would be happy that that was then their free choice because it is their money after all. It is their hard-earned money and they can choose how to spend it how they like.

**Andy Duncan:** Certainly, I would not change the prize limit, as was mentioned before. In fact, they are currently only offering £100,000 prize so they are nowhere near the £400,000 limit anyway. As we said earlier, I think that having a cap on expenses and potentially some minimum amount that goes back to good causes in society as a whole could modify the potential incentive for people to be doing something for commercial gain, which I think is not what the intention of the lottery ecosystem was. I certainly think that you could look at the fact that nearly 50p goes to themselves in expenses and question what the actual motivation is.

**Q148 Philip Davies:** Just a final point. You want a cap on marketing that they can spend, a cap on prizes, all of the transparency. Basically, what you are wanting is a protection racket for Camelot.

**Andy Duncan:** Not Camelot.
**Philip Davies:** For the National Lottery, which happens to be Camelot at the moment.

**Andy Duncan:** Parliament set up a system of one national lottery and smaller society lotteries. We would love the smaller society lotteries to be helped as much as possible with proportionate deregulation. I think it is our duty to point out the significant risks if a series of national competitors to the National Lottery are allowed to grow bigger in scale.

Q149 **Chair:** We have two Ministers waiting so we need to move on. I want to ask you one question, if you could answer briefly. We have not talked about betting. Would you just say how you regard betting and whether or not you think it should be banned?

**Daniel Dyball:** Do you mean betting on lotteries?

**Chair:** Yes.

**Daniel Dyball:** We regard betting on lotteries as also a big threat in addition to society lotteries. Betting on the National Lottery has been banned under the Gambling Act, but what is not banned is betting on other lotteries like society lotteries. We see a product, Health Lottery Bet, which is Coral partnering with the Health Lottery to offer a bet on the outcome of the Health Lottery. We see companies like Lotto Network offering bets on the outcome of foreign lotteries, often in conjunction with big brands and sports clubs. We see companies like Lottolabd who are now fronting with an advertising campaign led by Chris Tarrant offering bets on the outcome of EuroMillions in foreign countries. We think the big risk here is ultimately to sales but in the short term it is consumer confusion. We think a lot of people who are participating in these products are thinking that they are a lottery when, in fact, they are a bet. We have conducted some research on the Chris Tarrant EuroMillions product. Only 14% of people could understand that it was a bet, while 61% of people thought that it was playing EuroMillions, which is completely incorrect.

Q150 **Chair:** Do they think that they were benefiting good causes by playing it?

**Daniel Dyball:** They thought they were playing UK EuroMillions, the lottery, so one would assume all the things that went along with that, including a return to good causes.

Yes, we are very concerned about these products as well. We have suggested in our evidence that one solution would be to extend the current prohibition that you have for betting on the National Lottery to close this EuroMillions loophole of being able to bet on EuroMillions in a foreign country, which is technically a separate licensed lottery but is actually all part of the same game, and a prohibition on betting on society lotteries in general.

There are some other solutions that could address this betting on lotteries problem. One of them is around the increased transparency of making sure that they are labelled properly as bets. A lot of these products have small print, but notwithstanding the small print I think our research shows that a lot
of people are confused about them. We do think that betting on lotteries is a risk to the National Lottery ecosystem and we do have some solutions around prohibition and better labelling that we think could address it.

Chair: Okay. I think we should stop there since I do not want to keep the next group waiting. I thank all four of you very much.

Witnesses: Mrs Helen Grant, Parliamentary Under-Secretary of State for Sport and Tourism, Department for Culture, Media and Sport, Mr Rob Wilson, Minister for Civil Society, Cabinet Office, and Jenny Williams, Chief Executive, Gambling Commission, gave evidence.

Chair: Can I welcome for our second session this morning the Parliamentary Under-Secretary at DCMS, Helen Grant, the Minister for Civil Society, Rob Wilson, and the Chief Executive of the Gambling Commission, Jenny Williams? Angie Bray is going to start.

Q151 Angie Bray: DCMS told us just last year that the reason why the inquiry into the regulation of society lotteries had not started or taken place as had been originally planned was because it had become apparent that this was a far more complex subject than perhaps had originally been thought. We now hear that you are planning to launch this consultation, so what has changed between then and now?

Mrs Grant: It has been launched. It was launched on 11 December. I did drop a note to the Committee to tell you that we had done that, but you are quite right in saying that, yes, we did say that we would consult. We started the consultation. We were originally going to consult on increasing the minimum 20% for good causes, but as we started to prepare the consultation it became very obvious, as you say, that there were other factors. Our concern was if we had proceeded along that line it could have been quite narrow.

Just to elaborate a bit further, the types of emerging issues that we were concerned about were, for a start, the expansion of online products and commercial gambling products that looked like lottery products, felt like lottery products, but were not lottery products—certainly, there was no statutory obligation to give any money at all to good causes. In addition, we have all seen the growth of the National Lottery. We have seen the growth of society lotteries without any apparent negative impact on the National Lottery. It was for all those reasons that we thought, “Let’s get this right. Let’s take advice from the Gambling Commission,” which we did, and as a result of that we launched the call for evidence on 11 December.

Q152 Angie Bray: The complexities have now been taken on board and you feel you are ready to take a look at the bigger picture?

Mrs Grant: We are indeed.
Q153 Angie Bray: Okay. We are close to the end of the Parliament, so what assurances can you give us and the sector that you are going to get something done before May?
Mrs Grant: We will certainly make progress before May. A change of law before May is much less likely.

Q154 Angie Bray: What will you get done?
Mrs Grant: We will consider the call for evidence. It is a 12-week consultation. The lottery has a huge impact on the voluntary sector, which I know you will be well aware of. Millions and millions of pounds has gone to the voluntary sector and the Government have a compact with the voluntary sector that says that we are supposed to give them 12 weeks to respond. I felt that was the right thing to do. We do not want to rush this. We do not want to make a mistake. I do not see lottery as a partisan issue. As I say, it is a national asset. If we make any change at all, it has to be the right one.

Q155 Angie Bray: By leaving it so late, even though I understand you wanted to try to make sure you had sorted out all the complexities, you are leaving it probably to the situation where we are not going to deliver anything for anybody this side of May. You are going to go into the uncertainty of a general election and then who knows what sort of priority it will have if it has not been done this Parliament.
Mrs Grant: My attitude in life has always been to do things properly and try to get them right—

Q156 Angie Bray: Or end up not doing them at all.
Mrs Grant: —rather than bringing things forward, rushing it, getting it wrong and making an error. You have to remember, too, the National Lottery is doing extremely well at the moment. We are looking at probably having some of the highest ever figures for good causes this year. Last year was second highest for sales.

Q157 Angie Bray: But it is the society lotteries—
Mrs Grant: Well, the society lotteries as well returned increasing levels to good causes last year. They went up from £154 million to £175 million. All of this is against a backdrop of two very good success stories. Society lotteries, money is going up and returns to good causes is going up; the National Lottery, sales are going up and we also hope to have a very, very good year for good causes. If there were problems, then I may well have taken a very different approach, but there are not. It is going very well.

Q158 Angie Bray: I think you must be aware that there is significant frustration among the society lottery sector that they are being held back. The regulation is now making it impossible for them to do as well as they could do in a time when we are very keen to do even better than the figures that you have
quoted, because we need this money for all sorts of projects and largely the sort of projects that the National Lottery does not reach. We need this money and they are being held back. You surely have been aware how frustrated they are that this Government has taken so long to even getting around to put out a call for evidence.

Mrs Grant: I sympathise with the frustration but would again point to the fact that society lotteries are doing extremely well. They had record sales last year. They are returning record levels to good causes. Yes, I am not disagreeing that deregulation may well assist them to do even more, and that is one of the reasons why we have published a call for evidence. At the same time, I am not necessarily convinced that it will not impact on the National Lottery. We must be very careful not to hurt the National Lottery. We equally must be very careful not to damage or hinder smaller lotteries—for example, local charity lotteries and hospice lotteries, who really do depend on making their funds from this type of mechanism. We have to get it right.

Q159 Angie Bray: I think we would all agree with that. The point that I am making is that by the Government dragging its feet, we have now left it so late that nothing may well happen at all. It is not about getting it right; it is about getting anything done at all. I think that everybody is aware that there has been a lot of frustration and a lot of talk about the fact that they were desperate for this Government to get going earlier. You say there were complexities, but we have now left it to the point where it is unlikely we are going to get anything done at all.

Mrs Grant: I just do not accept that at all, I am afraid. The call for evidence will be wide ranging. We are looking at a number of very, very complicated issues, as I have set out: the rise of commercial gambling products, the rise and emergence of online products, and this very, very fine relationship between the success of society lotteries and the success of the National Lottery, which over the last 20 years has returned £32 billion to good causes. I just do not accept that we have delayed. I think it is absolutely right that we proceed—

Angie Bray: We were due to have this some time back.

Mrs Grant: —along a very careful and considered route.

Q160 Angie Bray: With 12 weeks of evidence coming in, that takes us up to when?

Mrs Grant: Well, 12 weeks from 11 December. Somebody can certainly add that up.

Q161 Angie Bray: There is not going to be any time to do anything with the evidence that you bring in, is that the point?

Mrs Grant: It really does depend what evidence comes in and what we feel once we have considered it.
Q162 Angie Bray: You are expecting quite a lot.

Mrs Grant: What I do not want to do is short change the voluntary and charitable sectors when we have an arrangement with them, a very clear arrangement, that we have said we would give them 12 weeks in order to respond to the consultation. This will have a huge impact on them and I do not want them to feel they have been rushed.

Q163 Angie Bray: They are the ones that feel that we should have got on with this a bit quicker. Anyway, we are where we are. If there were to be changes made and implemented, perhaps in the next Parliament rather than this, would you see a statutory duty on Government being a good thing to review the way things are working every two or three years? Should that be one of the changes?

Mrs Grant: Well, this is one of the issues certainly that we will look at through a call for evidence. I also think reviewing limits, caps, whatever they might be, is a good and prudent and sensible thing. Whether there should be a statutory obligation on Government to do it, that is not clear at the moment but we will certainly look at such issues within the consultation.

Q164 Angie Bray: My point is a slightly different one. It is that once these changes were implemented, do you think it would be a good idea for there to be regular reviews, say every three years or so, of the way things are working?

Mrs Grant: Yes, I do think it would be a good idea for there to be regular reviews, but to answer your question, no, I am not convinced there should be a statutory obligation on Government to review.

Q165 Angie Bray: Can you clarify whether society lotteries are the only types of fundraising that have limits imposed on how much they can raise for good causes?

Jenny Williams: I am not aware of any other.

Q166 Angie Bray: Okay. That is an interesting point, isn’t it? In terms of raising money for good causes, it is only the society lotteries that have this.

Jenny Williams: The reason for it was explained in the earlier session, which was it was a deliberate Government policy to give a monopoly of life-changing events to the National Lottery, so in a sense it does not apply in other areas.

Q167 Angie Bray: Everything was done in the interests of a monopoly?

Jenny Williams: Yes, that was a very clear basis for doing that, keeping clear blue water between the market sector that the National Lottery operated in and other lotteries to other gambling products.
Q168 Angie Bray: Just to be absolutely clear, society lotteries have been limited in what they can do in order to protect the monopoly of the National Lottery?

Jenny Williams: Yes.

Mrs Grant: Yes, and that was the intention when it was originally set up. It was to effectively create a single mass participation lottery with life-changing prizes, and it was felt that on that basis that would be the best way of maximising good causes, which is exactly what we wanted to do. That is exactly what has happened over the last 20 years.

Q169 Angie Bray: We are now looking at the great success of the society lotteries, such as they are, as you just said yourself, delivering a considerable amount of money. Clearly, they are major contributors, are they not?

Mrs Grant: They are and they are flourishing notwithstanding the caps or limitations.

Q170 Angie Bray: Do you have plans to meet with representatives of the society lottery sector in the coming months?

Mrs Grant: It is highly likely that I will and I am very happy to do that.

Q171 Angie Bray: Can I ask the other Minister here today: have you been approached by or met with any representatives of either Camelot or the society lottery sector?

Mr Wilson: Not to my knowledge but I could get my officials to check my diary.

Q172 Tracey Crouch: Can I follow up very briefly on Angie’s questions about the timetable and the timeframe of change? I detect a hint of consensus on certain issues that might require not primary legislation change, but maybe some secondary legislation change, or even just amendments within budgets or pre-budgets—things like gift aid and around the 80/20 rule that might well either have happened or can happen. I wanted to ask the Minister will she look at the record from this morning’s session with Camelot in particular and take that away and see where there is some consensus with the Lotteries Council because I do think that there is agreement that may mean that you can push some of this forward before the end of the consultation on some of the more difficult issues.

Mrs Grant: I am very happy to look at that.

Q173 Tracey Crouch: We all want to increase the amount of money going to good causes. Do you think there is any evidence as to whether the growth of society lotteries has resulted in funds being diverted away from direct charitable giving?

Mr Wilson: As far as we can tell, there is no evidence of that happening at all. Individual charitable giving continues to rise, as do other forms of giving.
by business as well. There does not seem to be any diversion away of funds at the moment.

Q174 Tracey Crouch: We are in quite a healthy position, would you not say, that good causes continue to gain from the National Lottery, we are seeing increases in the amount of money that is going to the good causes, we have society lotteries who are providing extra money for charities, and then we also have a continuation of generous direct giving from individuals? We are in a good position. Do you think, therefore, that the National Lottery should be worried about any changes that may see a growth in society lotteries?

Mr Wilson: It depends what those changes are and I guess that goes back to what the result of the consultation is. Obviously, if the caps were taken off, that would probably have a big impact on the National Lottery and I would not, as the Minister responsible for charities, wish to see the income for the Big Lottery in particular diminished. It currently provides about £670 million a year for good causes. It also does not necessarily always go to the most popular causes that maybe some other lotteries focus on, so it is able to intervene in other types of work that perhaps other society lotteries do not—for example, in some unpopular issues for the public, things like perhaps prostitution or something like that, they can make grants and intervene in areas like that where other lotteries probably could not. I would not want to see that funding diminished by taking the caps off society lotteries.

Q175 Tracey Crouch: Although some might argue that National Lottery should not necessarily be funding things that Government Departments ought to be channelling their funds into.

Mr Wilson: That has been an argument that has been going on since the National Lottery was set up and I have not seen any resolution to that either from this Committee or anywhere else.

Q176 Tracey Crouch: Certainly, there was a significant change in the way National Lottery funding was allocated compared to what it had been originally intended for. Its original intention was for dedication around good causes.

Mr Wilson: Governments have made changes over the years and I daresay Governments in the future will make tweaks again, but in terms of the charity sector I think it would be a very unpopular move if a level of competition were injected that would massively diminish the money going out for good causes.

Q177 Tracey Crouch: Yet the consumer may well be able to have more of a choice about the charities that they fund through their lottery because, obviously, we do not necessarily know where the Lotto money is going, whereas if you get involved in your Health Lottery or your Air Ambulance Lottery you have a direct correlation between your money and the charity that it is going to. Surely this is good competition, it is about consumer choice, but at the end of the day charities are still benefiting.
Mr Wilson: I think there is a very important role for transparency in all lotteries—the National Lottery and also society lotteries. It is particularly important because of the element of public trust that you need. Charities and lotteries need public trust for people to continue to spend their money on them at the scale that we are currently seeing and we wish to see increased in the future. One of the biggest things that people want to know is where their money is going and how much of it is being spent on good causes. In fact, it is the biggest single issue in public trust for people in terms of how they spend their money. I think that transparency is the key to making all this work.

Q178 Tracey Crouch: Do you think it should be a legal requirement, then, for information to be put on the face of a ticket about how much of the ticket is going to good causes?

Mr Wilson: Transparency is absolutely key and whether that were on the face of the ticket or whether it was at a terminal or whether it was on a website would be something that I think the department with responsibility for those matters should consider as part of its consultation.

Tracey Crouch: I do not know if anybody else has any views on providing that information.

Mrs Grant: I would agree with Rob on this. I think transparency is very, very important. I would like to see the sector making moves, taking responsibility for it doing more to improve the situation themselves. If they do not then, of course, there is the option for us to legislate, but I do want it to happen. If we do it, we need to make sure if they do it that we show the whole picture and not just fixate on one particular element. In relation to expenses, for example, increased marketing spend can lead to additional revenue for good causes, which is what, of course, we want. There needs to be a balance and we need to look at everything.

I also would not want any transparency requirements to be too burdensome or too bureaucratic, especially on those smaller lotteries. I think there are things that can be done quite easily. Even just more information on the website would be a start and better, clearer breakdowns of exactly what is being spent where and where proceeds are going to.

Q179 Tracey Crouch: That brings me to my last question to Minister Wilson. If only 20% of proceeds are going to charities while 50% are going on overheads and profits, do you think lotteries should be considered to be commercial activities rather than charitable ones? As a corollary, should such commercial lotteries therefore be subject to gambling tax?

Mr Wilson: The 20% is a minimum level. About 46% of society lotteries goes to good causes, which I think is a very positive message. I think it is about 26% now of the National Lottery. I think that a minimum figure of 20% is about right.
Q180 Tracey Crouch: If they are already giving 46% on average, should we not just increase the 20%?

Mr Wilson: Of course, if you increase the 20% you make it very difficult for smaller charities to enter the market. I know that the NCVO has suggested that you could have some sort of step entry into lotteries, not having to pay the 20% from day one, because it is quite a big hurdle for smaller charities to get over.

Q181 Tracey Crouch: You do not think that 20% going on good causes but 50%-plus going on overheads and profits leads them to be a commercial organisation; that is still a charity?

Mr Wilson: I am not in favour of society lotteries being commercial activities, so if they were to become commercial activities they should be taxed in the same way as the National Lottery should be. That would result in a 12% tax, as you know. As far as I am aware, the large bulk of society lotteries are not commercial activities.

Q182 Mr Sutcliffe: Jenny, Camelot sought judicial review against the Gambling Commission when you gave the Health Lottery the licence. Do you think they are overegging the pudding or do you think there is a direct problem in relation to the likes of the Health Lottery and the People’s Postcode Lottery damaging the National Lottery?

Jenny Williams: You probably will not have had a chance to read it yet, but our market study that is appended to the DCMS call for evidence suggests that we do not think at the moment that they are a significant threat to the National Lottery. This is partly because, as Andy Duncan made clear, the National Lottery maintain the position that only they can offer life-changing prizes, hence the importance that Camelot attaches to the limit on prizes.

We cannot say that in the future it might not be possible for others to come in in the same way, but we think it is unlikely. It is something to be kept under review. We do not think that is the main issue for the National Lottery going forward. We think it is much more the competition for the leisure pound and for time and innovation generally in the leisure market, particularly the digital leisure market. We see that as much more of a problem. Worldwide, national lotteries have had real trouble keeping up the interest in draw-based games and are having to work harder and harder. Again, if you look at the paper that we produced, you will see there is a very interesting diagram showing that the National Lottery has kept on having to introduce a new game. It peaks, then declines. They introduce a new product: it peaks and it declines. The real problem and the issue and why in a sense the call for evidence is so interesting and hopefully is going to give us a lot of help, as it were, is in how the National Lottery, the national asset, is going to go on keeping up its returns for good causes over the next decade or over the next two decades.

Q183 Mr Sutcliffe: The principal games are Lotto, Thunderball and EuroMillions, but then there are the scratchcards. I think Andy said £2 million—or was it £2 million or £2 billion? I can’t remember, whatever the figure was, but
there is a significant contribution by scratchcards. Then he is concerned about the likes of Coral, Morrisons and others coming into that marketplace. On top of that, then, as you say, there is the online issue as well. Is it time now for a review of the Gambling Act in terms of the new products that are coming in that people are getting confused by? The follow-up point to that is then how does that relate to your primary role of protecting people from harmful gambling?

**Jenny Williams:** There are several questions in there.

**Mr Sutcliffe:** Yes, sorry about that.

**Jenny Williams:** Let us deal with the relatively easy one first, which is the confusion point. That is something that we are looking at anyway in terms of both the Government’s review of advertising and our own Gambling Commission look at advertising and marketing. We are already consulting as part of our review of licence codes and conditions on ways of making things clearer to people, so we are concerned that people know what they are doing.

It is not that clear that people mind that much if they are betting on something that has a life-changing event or a large sum of money. It is not that clear that they mind whether it is a lottery or a good cause, but we think people should be very clear they are betting rather than taking part in a lottery. That is something that we are looking at at the moment and we and the department can take action on that within existing legislation, so I think we can deal with the confusion point.

The question as to whether Government wants to redraw the lines, as it were, the market spaces, again that is something that does need some thought; huge potential knock-on implications for the different sectors. As I said, there is undoubtedly overlap now in areas where there used to be clear blue water, so what do you do about that? That is in a sense what the department, with advice from us, will want to look at when we get a bit more evidence in. I think that there are issues there.

Then the third one I think was in terms of protection and our duties. Well, in respect of lotteries and gambling or gambling including lotteries, our primary objective is the protection of the vulnerable, and fair and openness and keeping crime out, that is something that we look at. We look at it with our National Lottery hat on when we look at a new proposal, a new game, an innovation. Is there adequate protection? Of course, when we license, in our licensing codes and conditions, that is what we are looking at the whole time. That we can do at the moment. I do not see at the moment any need for any changes in the Gambling Act. We have very wide licensing powers and the ability to change licence codes and conditions.

**Q184 Mr Sutcliffe:** Going back to the confusion point, part of the issue is the merger between the Gambling Commission and the National Lottery Commission and the inconsistency—it is not your fault, but it is there—that you can buy a lottery ticket at 16 but you cannot go into a betting shop until you are 18. I think that sort of issue needs to be looked at and needs to be addressed.
**Jenny Williams:** It is pool betting as well, of course, as you know. It is not just lotteries. The Budd committee, as you know, recommended a common age of 18 and the Government of the time said no, they did not agree with that. We keep all issues of protection of the vulnerable under review the whole time and it is not something that is showing us that anything much has changed since the Government took that decision, any particular worries on that front. If anything, our surveys of under-16 gambling are showing on the whole a slight decline in terms of gambling, possibly because kids have all sorts of other things they can do on their iPads and phones and what have you. It is not presenting as a priority in terms of protection of the vulnerable at the moment. I am much more concerned about young men who are perfectly of an age to gamble.

**Q185 Mr Sutcliffe:** Going back to the lottery legislation and to society lotteries, the evidence that was given by the Health Lottery and by the People’s Postcode Lottery was that they did not see themselves dramatically impacting on the National Lottery and will get into good causes that the National Lottery did not get to, and the Health Lottery is a good example of that. Given the timescale issue, Minister, can anything be done in terms of sorting out some of the issues around the definition of small and large, which I think causes some of the confusion? Is there a will to try to get something done in ministerial terms or are we talking about kicking this into the long grass?

**Mrs Grant:** It is certainly not being kicked into the long grass. The National Lottery is a real success story. I probably am labouring it a little bit, I know, but I mean it when I say it is a national asset: £32 billion. I do not want to make any mistakes. As you will know, it has done an enormous amount of good, transformed communities, transformed sport. You know what we did in Atlanta: one gold in 36. Fast forward: lottery money, London, and third in the league table, 29 gold medals. It has had the most amazing effect on art and film. It has created more than a million opportunities for volunteering and thousands of jobs. We must not make a mistake and I do not see it as a partisan issue. Obviously we all think general elections are very important, but in my scheme of thinking, if it means an extra few weeks to wait for your report, which will also be invaluable in all of this, to do a proper call of evidence, to properly and thoroughly engage the voluntary sector, not rush them, and then come to a firm decision and make some changes if that is what the evidence indicates we should do, then that is the way I want to play it.

**Q186 Jim Sheridan:** Could I just ask a question about the 50% going on overheads and profits? I do not want the exact detail, but what is the difference between profits, for instance, and I take it a large amount of the money will go on salaries and—

**Jenny Williams:** I think it is perhaps misleading to think of the 50% as overheads. That 50% is going into marketing and all the expenses of selling the tickets and paying out the prizes.

**Q187 Jim Sheridan:** Does that include profits as well?
**Jenny Williams:** Again, it depends what you mean by profit. If what you are thinking about is that the fat cats are the people providing the lottery, the position is quite clear. The commercial entity running a lottery for someone can only take reasonable expenses. If they were spending money on holidays in the south of France, that would not be reasonable expenses. When we look at lotteries and when we licence them, we are very clear advising society lotteries that employ a commercial operator that they need to look at what a reasonable expense is and that, as part of their duty as a society lottery, they need to keep an eye on that. With the bigger ELMs, as opposed to the non-commercial lottery managers, we ourselves have a look at what they are doing.

We call both the society lottery that employs the external lottery manager and the external lottery manager to account to say, “Demonstrate that this does look reasonable”, but the issue you have is that if you have a large-scale lottery product there will be a lot of upfront marketing, and maybe IT provision and that sort of thing, expenditure at the beginning. You will have big costs and that comes back to the question of the efficiency or the inefficiency of having lots of big lottery providers competing, or do you have a monopoly provider? There are trade-offs there.

**Q188 Jim Sheridan:** What kind of salary would a chief executive of a big lottery be on?

**Jenny Williams:** Of a big lottery?

**Jim Sheridan:** Yes.

**Jenny Williams:** It is a public figure. I do not happen to know it off the top of my head, so I would prefer not to—

**Jim Sheridan:** £10,000, £100,000, £200,000?

**Jenny Williams:** I think it is a multiple of mine, so it will be in the—

**Mrs Grant:** We can drop you a line.

**Jenny Williams:** Yes, we can drop you a line. I do not want to guess because I could be—

**Q189 Jim Sheridan:** Is that information already in the public domain?

**Jenny Williams:** Yes, it is. The way the licence for the National Lottery works, it does not matter what the CEO is paid because the formula was agreed at the time of the licence, what share of the amount they raise should go to good causes and what should go to Camelot. In a sense it is irrelevant whether he is paid a little or a lot. That is an internal matter for them. We are concerned to make sure that the incentives are properly aligned in the way in which each game is produced. They can charge more for the marginal costs of producing a new game, additional tickets and that sort of thing, but they cannot charge any more. If they pay Andy Duncan more, they cannot get any more out of the proceeds. It is irrelevant from that point of view.
Q190 Chair: Parliament decided originally that you should not be allowed to bet on the National Lottery. Presumably it did so on the basis that it was part of the protection of the National Lottery and there was a risk of confusing consumers between playing the National Lottery and betting on the National Lottery. If that was clearly the view of Parliament, do you accept that the same prohibition should exist on, for instance, betting on EuroMillions Austria or some other country?

Mrs Grant: I think it is important to have that differentiation and I know betting does take place on lotteries. It is legal. It is a legitimate—

Q191 Chair: The question is: should it be legal?

Mrs Grant: It is regulated by the Gambling Commission. The Gambling Commission may well have a view here. It is not something that I would want to see the National Lottery doing. I think differentiation is important. Certainly what is happening at the moment is monitored very carefully, but it is legal isn’t it?

Jenny Williams: As I said earlier, I think one of the things that will be looked at is whether the boundary is quite right as part of this. The EuroMillions is a particularly interesting example. In a sense it is a slight quirk because each country has its own EuroMillions but the life-changing event is common to all. Again, one has to try to work through what the consequences would be and whether sorting out one problem might not produce another problem somewhere else. One of the problems about the whole gambling/lottery ecosystem, as people have said, is that it is all very entwined and if you push one bit you have the worry that you are going to do something you did not intend to do somewhere else. That needs some quite careful looking at.

Q192 Chair: Camelot have made a case that there should be a general prohibition for the same reasons, presumably, that Parliament decided to ban betting on National Lottery in the UK EuroMillions. Is that something you will consider?

Mrs Grant: It certainly is. We will look at it very carefully through our call for evidence.

Q193 Chair: Then we have the advent not only of the Health Lottery, which some are suggesting and obviously Camelot are suggesting is essentially a national lottery, which has exploited the law to establish a national game, but the Health Lottery is now developing in partnership games whereby you can bet on the outcome of the Health Lottery, which essentially means that you are playing the Health Lottery without good causes getting any benefit whatsoever. Are you concerned about that?

Mrs Grant: Yes, of course, and this is precisely the reason why we felt the original consultation was far too narrowly drawn. We took advice from the Gambling Commission. They advised a call for evidence and this is precisely the type of issue that we will take evidence on.
Q194 Chair: In terms of the Government’s general attitude to the Health Lottery, you will recall that when there was a challenge before the courts by Camelot essentially the judge said, “Well, it is legal under the law. Whether or not it should be is a matter not for me. It is a matter for Parliament.” That is clearly something of great concern to some people we have heard from this morning. Do you envisage any change to the legislation that could potentially prevent the Health Lottery and perhaps the People’s Postcode Lottery from operating in the future in the way they are now?

Mrs Grant: As you say, Chairman, the Health Lottery is legal. It was not an intention of the 2005 Act, but it is here. It is legal. It raises some incredibly large sums of money.

Q195 Chair: If it was not the intention of the 2005 Act, then the fact that it is legal is because the Government did not draft the Act properly. If it was not the intention, should Parliament not change the legislation so that the intention is enforced?

Mrs Grant: I think we have to be careful about making any change that would jeopardise the large sums of money that are going to very small, needy hospice charities, local charities and other health charities as well, certainly with the Health Lottery.

Q196 Chair: I do not think anybody is suggesting that any of those would be affected. Indeed, Camelot has been telling us how much they support those. It is the question about the Health Lottery and others of that scale—which are essentially operating on a national basis, not on a local basis—whether or not that was what Parliament intended to allow to happen, which you suggested it was not, and therefore whether Parliament should not change the law to address that.

Mrs Grant: I was not an MP at the time, but I believe Parliament did not intend this. However, it has happened. It does raise very large sums of money for good causes and, again, this is precisely the sort of issue that we will have to look at very carefully through our call for evidence.

Q197 Chair: But, as Angie Bray was suggesting earlier, it does not look at is you are going to be able to look at it in this Parliament. You will get the evidence in, but you are not going to be able to do anything.

Mrs Grant: It may not be this Parliament but we will look at it and we will look at it very carefully.

Q198 Chair: Jenny, did you want to add anything?

Jenny Williams: Parliament did not envisage it. I think it was perhaps more that it did not intend it. If you have a changing environment then the question is whether that sort of initiative is growing the total market and where is the money coming from. Before rushing back to what Parliament thought 10 years ago or whatever it was, having a look to see whether they are competing and cannibalising each other or growing the whole market is a perfectly sensible
thing to do. It may be that if Parliament knew then what it knows now it would have taken a slightly different, more nuanced approach. Who knows? That is part of what we are trying to look at.

Q199 Chair: Are you confident that you will be able to at least carry out some kind of analysis as to whether or not the one is affecting the other or whether the market can grow and accommodate all of them?  
Mrs Grant: At the moment we have seen no evidence that one is hurting the other.

Q200 Chair: What evidence can there be? I am not saying they are right, but Camelot’s proposition is, “Well, if they were not there then our takings would be even higher than they are”. How can you prove or disprove it?  
Mrs Grant: That may well be true and we will certainly look at that through the call for evidence, but my concern is that if there was to be further deregulation, if the amounts for good causes was to change or if the amounts on ticket sale and prizes was to be changed, we are not sure of the impact that might have because we do not have the evidence, notwithstanding an awful lot of research being done all over the world. We just do not understand and cannot accurately predict the size of the market and what motivates people to play, to get involved. We do not know the elasticity of the demand. Therefore, we have to proceed at all times with caution.

Q201 Chair: The evidence is going to be very difficult to accumulate and assess. You are veering towards inaction rather than action. Unless the evidence clearly shows it is a problem, I get the impression that you think it is probably better to leave as it is.  
Mrs Grant: I would only not act if I felt, on the balance of all of the evidence and looking at the situation in the cold light of day, it would be safer for everyone if we took no action. If there is clear evidence that action should be taken then, of course, that is something that I would consider doing.  
Chair: I think those are all our questions. Thank you.