

Economic Development  
Regulator Services

Response to White Paper Consultation:  
**The National Lottery**

# Consultation Response

This paper reports on the responses received by Regulatory Services on the White Paper consultation on the possible extension of the UK National Lottery to Jersey and the likely effect it would have on the Channel Islands Lottery.

Please address any enquiries concerning this consultation, responses and recommendations to:

**Dr Jason Lane**  
Director of Regulatory Services  
Regulatory Services  
5 Library Place  
St Helier  
Jersey  
JE2 3NL

Tel + 44 1534 448133  
Fax + 44 1534 448171  
[j.lane@gov.je](mailto:j.lane@gov.je)

# **Consultation Response**

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## **Background**

On 1 March 2005 the States debated the modernisation of the gambling law and agreed that the former Economic Development and Finance and Economics Committees be tasked with negotiating the introduction of a new public lottery to be operated jointly for the benefit of the public and charitable institutions in the Island. To that end, officials from Economic Development are negotiating with the relevant UK Authorities regarding the possible extension of the National Lottery to the Island.

In November 2007 the Assistant Minister for Economic Development, Deputy Alan Maclean agreed to go out to public consultation on the extension of the National Lottery to the Island and the future of the Channel Island (CI) Lottery in general.

This report details Islander's views and comments to this consultation and will be used to inform policy regarding both the CI and National Lotteries.

## **Summary of Questions**

This short consultation posed three questions:

- Would you like to see the National Lottery extended to the Island?
- If the National Lottery is extended to the Island, would you object if the CI Lottery had to close?
- If the CI Lottery continues, should it be combined scratch card system with Christmas Draw, or would you suggest some other method?

## Overview of Respondents

The consultation returned some 34 responses of varying degrees of detail, with the charitable sector providing a more contextualised response regarding funding issues.

The responses can be categorised into the following sectors:

- 15 Private individuals
- 9 Anonymous responses
- 6 Charities
- 2 Businesses
- 1 Association
- 1 States Department

## Summary of Responses

### Would you like to see the National Lottery extended to the Island?

25 respondents said they would like to see the extension of the National Lottery however some were hesitant and qualified their agreement with caveats e.g. general secured funding for good causes, no reduction in funding and so on.

5 were against the extension, 2 on the grounds that the consultation raised more questions than it answered.

4 did not directly answer the question either way, opining on ways to support the present system.

The responses showed broad support for current policy and highlight the need for greater clarity in good causes funding. This will be addressed as negotiations continue.

### If the National Lottery is extended to the Island, would you object if the CI Lottery had to close?

12 respondents objected to the loss of the CI Lottery to the Island.

18 stated that they would not object to the cessation of the lottery.

4 did not address the subject.

Although a slight majority would not object to the CI Lottery being discontinued there would seem to be a reasonably solid core of support which

the Public Lotteries Board and the Minister will consider when making final recommendations.

**If the CI Lottery continues, should it be combined scratch card system with Christmas Draw, or would you suggest some other method?**

24 respondents were in favour of continuing the Christmas draw or a combination of this and other limited draws.

5 respondents stated that retention of the CI Lottery in any form in the wake of the National Lottery's extension would be a redundant exercise.

5 other responses did not deal with this question.

Again this response would suggest support for some form of local lottery to continue along side the National Lottery.

## **Feedback: Context of Responses**

### **Funding for Good Causes**

The prime concern running through the majority of responses was the worry over continued funding for good causes; some respondents felt that they had not been provided with sufficient information to make a qualified judgement on whether the National Lottery would bring funding benefits or perhaps match that already raised by the CI Lottery and, in turn, the sum awarded to and distributed by the Association of Jersey Charities (AJC).

From the outset the Department made it clear that the mechanics of the extension had not been agreed or finalised; the figures were broadly illustrative based on percentages under discussion with the UK Department of Culture Media and Sport (DCMS). Conservative projections do suggest that the purse available for good causes would increase, but it is important to recognise that these projections are dependant on predicted ticket sales. Even with the successful extension of the lottery, ticket sales may peak and trough and, therefore, no revenues can be guaranteed. In relation to the CI Lottery, the Minister for Economic Development instituted a funding safe guard in the form of a Contingency Fund, with 20% of lottery profits retained to ensure that the AJC could rely upon continued funding in times of ticket shortfalls. The use of this contingency fund was principally envisaged during the advent of National Lottery tickets and scratch cards.

### **Good Causes**

While accepting the importance of the role and funding of the AJC, it is accepted that the basic structure of the National Lottery if extended, would replicate as far as possible, that of the UK. This means that the availability of grants must be extended to meet the wider public benefit in the form of Sport, Heritage and Culture. It should be noted that a tenet of extending the National Lottery to Jersey is the broadening of the scope of potential beneficiaries as well as benefiting traditional charitable good causes.

As demonstrated by reported arguments in the UK press, funding can be a highly divisive issue. Comment received from one charity expressed apprehension that some associations already rely too heavily on lottery funding including grants from the AJC as guaranteed rolling annual income. It is important to recognise that this cannot simply be taken for granted.

The majority of charities highlighted concern that a wider beneficial remit could have a negative impact on the funding they receive through the AJC. A representative of one charity recommended that 50% of the funding received should automatically be awarded to the AJC, with the remaining 50% earmarked for arts, sport, heritage and education. Another respondent thought the AJC should be enhanced to become the distributing body for the whole of the proceeds, which is a proposition discussed later in this report.

One charity stated that it owed its success to funding through the AJC and, relying on continued support, was wary of an enlargement of entitlement categories. They argued that multiple bidding for portions of the pot could lead



to fluctuation in funding and possible erosion of monies available to the AJC and its members, concluding that some thought should be given to ensure the future financial stability of the AJC and, therefore, its members. Another charity put forward the idea that any decline in one area of funding, in this case the supposition of reduced lottery income, could promote and inspire independent fund raising and cited the success of the Jersey Hospice summer lottery of 2007 offering a £1 million prize.

However, another respondent provided an alternative view:

- *If no CI Lottery whatsoever is held, it would I am sure only be a matter of time before a large local charity like Jersey Hospice, for instance, moves into the gap with a large Draw which we know they are quite able to organize. Whilst I wholeheartedly support the initiative and work of the Hospice, the success of their recent Draw rather proves that "local" can be successful and perpetuating at least one of the CI Lotteries would give the small players a chance.*

### **Impôt/Duty**

The consultation paper provided the following information, illustrating the appropriation of pence in the 'lottery pound' by the National Lottery Commission:

- 50p is paid to winners in prizes;
- 28p is given to good causes;
- 12p goes to the government in lottery duty;
- 5p is paid to retailers on all National Lottery tickets sold;
- 5p is retained by the operator to meet costs and return to shareholders.

While accepting that the States covered the expense of managing the CI Lottery, some respondents made the point that if the CI Lottery were to cease, being replaced by the National Lottery, this cost would end while the States would still receive a benefit of 12% of the value of ticket sales. One respondent proposed:

- *'... in view of the nature of this income it would be reasonable, as well as popular with a significant proportion of the population, to allot some of this windfall to charities... It would be unsatisfactory if the introduction of the National Lottery to Jersey were to benefit the States to an extent greater than the allocation of funding to local good causes.'*

Similar replies were received from other charitable organisations insisting that the 12% should be recognised as augmenting public spending on good causes and not be perceived by the States as replacing ear-marked funds:

- *The States must forego the 12% duty received on the National Lottery sales and instead pass this on to our local Charities to try to partially*

*make up the shortfall (as we will not receive the full 28% that is available to UK good causes) in the long term.*

- *As it seems that a substantial number of Islanders already play the National Lottery, it would make sense for us to officially participate if the States of Jersey will receive 12% of the proceeds of locally sold tickets, albeit that none of this will benefit local charity.*

It is important to clarify two presumptions raised by this consultation. First being that the payment of the 12% duty to Jersey is guaranteed and second that the fate of this percentage has already been decided. While the Department is working on the notion that 12% duty will be remitted to the Island, this is by no means assured and is the subject of ongoing a negotiation. The collection of National Lottery duty, as with other Impôt, is governed by separate legislation and cannot be dispersed other than as prescribed without amending further legislation. This is not envisaged.

With reference to the 5p retained by retailers, one respondent raised concerns over terminal allocation:

- *The National Lottery is available to players through electronic terminals. It is probable that the Lottery Operator will wish to allocate terminals on a commercial basis. This may conflict with public or States wishes and the Jersey Competition Regulatory Authority may wish to exercise some control.*

Camelot has set criteria for choosing retailers to sell its products, based on footfall and population distribution; the process for vetting operators is set out in a publication entitled 'Camelot's Retailer Selection Policy'. At this stage it is not anticipated that Camelot should be asked to change its business model.

### **Applications for Funding**

Although the option exists to direct applications to the Big Lottery Fund to access Jersey's share, respondents did raise concerns over the complexity of the application process as it exists in the UK. Alternatively there is a clear argument to enhance the functions of the Public Lotteries Board to adopt a broader distributory role, accepting and granting funding through a dedicated Jersey Fund with a much simplified application process. Indeed, this role was undertaken by the Public Lotteries Board prior to the current agreement with the AJC.

Some respondents proposed that the AJC should act as distributor for all proceeds:

- *If the Channel Islands are fortunate enough to benefit from distributions from the National Lottery, there is no indication that the funds would go to a central local body, such as the Association of Jersey Charities who could distribute it to deserving causes. It could well be that funds would*

*go straight to well known larger charities and the small ones would be overlooked, albeit equally as deserving*

However, such a move would require the AJC to evolve into a very different creature and to remain as an association in its present form would not be tenable.

### **The Future of the CI Lottery**

As the 24 responses indicate, there was some reluctance to the proposition of a complete cessation of the CI Lottery, with the idea of a one off Christmas draw proving the most popular and in some instances, a Jersey only draw marketed as directly supporting local charities. However, the present lottery conducted as a scratch card was roundly understood as insupportable with the advent of higher prize National lottery instant tickets.

Some respondents wanted more regular draws timed with popular Island events such as the Battle of Flowers as well as an Easter and autumn lottery, or spaced out through the year on a quarterly basis. It may be helpful to place these propositions in a historical context. In the late 1990s the CI Lottery was very much failing. Public enthusiasm for the two draws per month palled and despite some success with the introduction in early 1998 of a “partial scratch card” and drawn prize combination, by May 1999 the lottery averaged a loss of £3,600 per month and was suspended.

Although the lottery was reinstated later that year, ticket sales plummeted by 38 percent making it clear that intermittent draws did not capture the public’s imagination. The lottery was overhauled; the conventional drawn lottery was reduced to once a year and larger prizes bolstered by the possibility of an instant win by scratch cards heralded the introduction of continuous games e.g. where the game remains on sale until most tickets are sold before a new one is introduced. In light of this past experience, a return to ‘drawn’ lotteries on a quarterly or key date basis would not make sense; they do not sustain public interest, problems therefore arise in continual guaranteeing of prizes and ultimately conclude in a decrease of funds for good causes.

The Christmas Draw, on the strength of responses, undoubtedly remains the most popular facet of the current CI Lottery. However, some suggestions that unique marketing of the Christmas draw to benefit Jersey Charities would sustain attraction, may strike a contradictory note with the wider public given that a percentage of the proceeds from the Big Lottery Fund would be destined to do the same. A lottery has many appeals and while not demeaning the importance of the ‘cause’, it is a chance to win a substantial prize that drives ticket sales. One respondent tackled this issue, balancing the question of more favourable odds offered by the CI Lottery with the enhanced prizes of the National Lottery:

- *The odds of winning on the CI Lottery differ from those on the National Lottery. Comparison is further complicated by the CI Christmas draw having combined scratch card and main prize tickets. I believe that many players (probably a sizeable majority) have little appreciation of the statistical odds. They are concerned with the size of the major prizes. The chance to win a very substantial sum on a National Lottery 'Rollover' would far outweigh any charitable feelings toward a local lottery where the odds might be better but the prizes much smaller.*

The fact must be faced that the attraction of a Christmas Draw could not compete with that of the National Lottery. The case for this conclusion is clearly made if one examines the state of UK 'Local Authority Lotteries' prior to the advent of the National Lottery. From a total of 148 in 1990, Local Authority Lotteries reduced to four in 2000, proceeds naturally followed the same trend dropping from £2 million to £80,000<sup>1</sup> in 1999/2000 which by 2004/05 reduced to only £8279 worth of tickets sold<sup>2</sup>.

While it may be inaccurate to draw a precise comparison between the CI Lottery and Local Authority Lotteries, the decline remains illustrative of the impact of the National Lottery on these regional undertakings. Given the response for the retention of some kind of Jersey Lottery<sup>3</sup>, however, with the introduction of the National Lottery the true test of public loyalty will decide the continuance of a Christmas Draw.

### **Alternative Suggestions**

A detailed response suggested the introduction of special draws at regular intervals, exchanging cash prizes for a range of other benefits such as a car, a trip in a Rolls Royce, sea cruises and home improvements such as extensions or conservatories. Lesser prizes could take the form of vouchers for items like petrol and groceries. To achieve discounted prizes, the respondent proposed that Jersey should work in combination with Guernsey. These ideas have been considered before and have had to be rejected because of the difficulty of obtaining preferred suppliers which raised competition issues and also because many players simply preferred cash – the value of which against a physical commodity was highly subjective. For these reasons it is unlikely that such a methodology would be advantageous.

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<sup>1</sup> Gambling Review Report, DCMS 2001 citing data drawn from Gaming Board for Great Britain reports 1990-2000.

<sup>2</sup> Annual Report of the Gaming Board for Great Britain 2004/05

<sup>3</sup> Although the Department has not approached Guernsey on the subject of continuing some form of joint lottery, a situation may arise where Jersey operates a lottery for the sole benefit of the Island. In these circumstances the prize on offer would be greatly reduced.

## **Conclusion**

The overall response to this consultation was not large but the depth and value of the replies have been significant nevertheless. Ministers and policy advisors will give particular weight to ensuring that local charities do not suffer (in line with current Ministerial policy) while broadening the range and scope of good causes in Jersey who might benefit.

The distributory body, if the National Lottery is extended, should be locally based and have an understanding of local issues and the methodology for receiving funding should be clear and transparent. Ministers will continue to press for the best possible deal for the Island and good causes of Jersey and will ask the States, in due course, to determine the best course of action.