

Economic Development White Paper

National Lottery

5th November 2007

PURPOSE OF CONSULTATION The purpose of this consultation paper is to give the public the opportunity to express their views regarding the extension of the National Lottery to the Island. The consultation paper sets out the differences between the National Lottery and the Channel Island Lottery (CI Lottery). The paper also asks questions on the future of the CI Lottery. It is important that you express your views and that you take the time to read and answer the questions set out in this paper.

DEADLINE FOR RESPONSES 4th January 2008

SUMMARY / QUESTIONS TO CONSIDER

The Assistant Minister for Economic Development, Deputy Alan Maclean committed to go out to public consultation regarding the extension of the National Lottery to the Island.

The Assistant Minister is interested in your views on:

- the extension of the National Lottery to the Island;
- the benefits to the Island and Islanders;
- the disadvantages to the Island and Islanders; and
- the future of the CI Lottery.

FURTHER INFORMATION This paper is available from www.gov.je (Government web site), the States bookshop, the public library and the Economic Development Department at the address below. Comments received by the 4th January will be analysed and used to inform the Assistant Minister for Economic Development on how to proceed or not with the extension of the UK National Lottery to the Island.

SEND COMMENTS TO

Director of Regulatory Services Economic Development Department Regulatory Services Liberation Place St. Helier JE1 1BB	Tel.+44 (0)1534 448150 Fax. +44 (0)1534 448170 Email gambling@gov.je
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This consultation paper has been sent to the following individuals / organisations:

The Public Consultation Register

Public submissions - Please note that responses submitted to all States public consultations may be made public (sent to other interested parties on request, sent to the Scrutiny Office, quoted in a final published report, reported in the media, published on a States of Jersey website, listed on a consultation summary etc). If a respondent has a particular wish for confidentiality, such as where the response may concern an individual's private life, or matters of commercial confidentiality, please indicate this clearly when submitting a 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 have been negotiating with the relevant UK Authorities regarding the possible extension of the National Lottery to the Island.

Channel Island Lottery

The Jersey Lottery was first introduced in the 1960s and while initially successful, its popularity declined so that by 1975 the only viable way to keep it running was by joining with Guernsey to form the Channel Islands (CI) Lottery.

Ticket sales remained steady until the advent of the National Lottery in the United Kingdom in 1994. From that point onwards, ticket sales have been in general decline, leading to a change in January 2004 from monthly lottery draws to a scratch card lottery. The advent of scratch cards restored the fortunes of the CI Lottery for some time but since the beginning of this year ticket sales have once again begun to decline. Notwithstanding this, it remains true that the traditional Christmas ticket draw is very popular across the Islands and indeed provides the bulk of the year's profits.

The way that the profits from the CI Lottery are awarded is different in each Bailiwick. In Jersey, the States has historically awarded all profits to good causes and latterly to the Association of Jersey Charities. In Guernsey, the profits from the Christmas draw are given to the Guernsey Association of Charities, with all other revenues going into general revenues which have historically been used against the running costs of Beau Sejour.

National Lottery

The first National Lottery draw took place on 19th November 1994. Since then, the National Lottery has raised over £19 billion for good causes.¹

The National Lottery has registered over 2.7 million people playing interactively and current sales, via these channels are above £5 million, making the National Lottery the most successful interactive lottery in the world².

The National Lottery is currently operated by Camelot, and its main statutory duty is to operate the National Lottery in a socially responsible way while maximising the return for good causes.

The current licence to operate the National Lottery expires on 31st January 2009. The lottery regulator, the National Lottery Commission, has gone out to tender and has now awarded the licence to Camelot to continue to operate the National Lottery from February 2009 until 2019

¹ <http://www.natlotcomm.gov.uk/client/content.ASP?ContentId=20>

² UK National Lottery operator website - <http://www.camelotgroup.co.uk/aboutcamelot/ourstrategy.html>

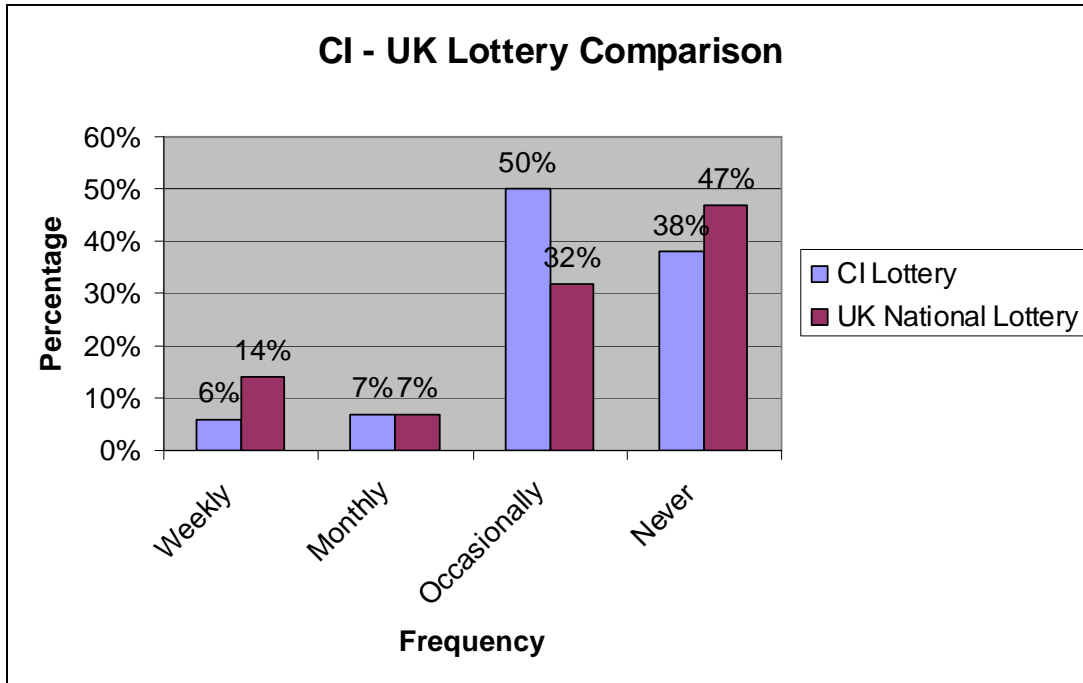
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Player Base

Currently, the CI Lottery is the only commercial lottery allowed in the Island. Lotteries run by charities, clubs or societies are also allowed, but all monies raised during the event must benefit good causes.

The graph below shows already that Islanders on a weekly basis play the National Lottery more often than the CI Lottery. On a monthly basis the level of play is roughly the same for both the CI Lottery and the National Lottery.

The percentage of Jersey residents already playing the National Lottery would suggest there is a healthy demand for the extension of these games to the Island, especially given the fact that, for a Jersey resident, it is considerably more difficult to purchase a National Lottery game than a scratch card for the CI Lottery.



Graph source based from the JASS 2005, based on a sample rate of 3,500 households with a 50% return.

The Assistant Minister is of the opinion that the player base will increase with the extension of the National Lottery to the Island and he would welcome your thoughts on the subject.

Distribution of Prizes

Currently, the CI Lottery returns 60% of all its takings to players in prizes, 10% more than the National lottery which returns 50% to players. Of course because of economies of scale, the prizes returned to UK players are much higher.

£325,764 in profit raised by the Jersey portion of the CI Lottery in 2006 was awarded by the States to the Association of Jersey Charities for distribution. A further £81,441 was retained in a special fund with the agreement of the Association. These funds have been designed to meet the needs of the Association in the short-term should the public decide that it wished the Minister to recommend extension of the National Lottery to the Island. Although the Association would be expected to continue to

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benefit from good causes funding via the National Lottery, it would not be the sole beneficiary and for this reason the Minister believes that it is prudent to build up a fund to guarantee the Association's finances during any future transition.

The National Lottery Commission allocates funds in the following way³:

- 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 National Lottery retailers on all National Lottery tickets sold; and
- 5p is retained by the operator to meet costs and return to shareholders.

The Assistant Minister would like your opinion on the prize distribution differences between these two methods? Do take into consideration that the CI Lottery has better odds but smaller prizes and the National Lottery has better prizes but bigger odds.

It is also important to point out that Jersey would NOT expect to benefit from the full 28% of good causes funding. This is because 14% is divided between a number of UK agencies⁴ that Jersey is not a member of and could not, realistically expect to join.

Jersey would expect to benefit from the 14% awarded through the Big Lottery Fund and the UK Parliament has already legislated to make this possible.

Sales

Over the last 3 years the CI Lottery has enjoyed a slight resurgence, and while there was a slight increase in scratch card sales (now apparently receding), the bulk of sales generated by the CI Lottery comes from the Christmas draw. The sale of scratch card tickets over the last 3 years is as follows:

- 2004 – 1,126,000 scratch card tickets sold.
- 2005 – 1,344,000 scratch card tickets sold.
- 2006 – 1,364,000 scratch card tickets sold.

This year, 2007, Jersey has sold 1,040,000 tickets to date which is a 25% decrease over 2006.

Extending the National Lottery to the Island and thus making it easy to play will almost certainly impact upon CI Lottery sales. To what extent, however, remains uncertain. What the Minister wishes to avoid is the slow demise of the CI Lottery in the face of switching public demand for the National Lottery. To that end, he thinks that it could be more dignified for the CI Lottery to cease on a successful level and be replaced by the National Lottery if that is accepted.

In your view, if the National Lottery is extended, should:

- a) The CI Lottery be completely discontinued?

³ <http://www.natlotcomm.gov.uk/CLIENT/content.ASP?ContentId=20>

⁴ Arts Council England; Awards for All; Arts Council of Northern Ireland; Arts Council of Wales; Heritage Lottery Fund; Millennium Commission; NESTA (National Endowment for Science, Technology and the Arts); Scottish Screen; Scottish Arts Council; Sport England; Sports Council for Northern Ireland; Sports Council for Wales; sportscotland; UK Film Council; UK Sport; Olympic Lottery Distributor

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- b) The CI Lottery continue as now?
- c) Only scratch cards be retained?
- d) Only the Christmas Draw be retained?

Please note that in the event that options b, c, or d are favoured, if CI Lottery tickets were to drop below an uneconomical level it would have to be stopped in a less dignified and orderly manner.

Odds

The CI Christmas draw remains the most profitable, with the last draw reaching £447,500 for the 1st prize with odds of 1 in 1,300,000. This year, the Assistant Minister intends to raise the 1st prize for the Christmas draw. The odds for the 2006 Christmas lottery draw were as follows:

Match	Prize	Approx. odds
1 st Number	£447,500	1 in 1,300,000
2 nd Number	£10,000	1 in 1,300,000
3 rd Number	£5,000	1 in 1,300,000
40 Numbers	£500	1 in 32,500

The above figures do not include scratch cards odds.

The National Lottery awards prize money in the following way:

Match	Prize	Approx. odds
3 numbers	£10	1 in 57
4 numbers	£62	1 in 1,033
5 numbers	£1,500	1 in 55,492
5 numbers + bonus no	£100,000	1 in 2,330,636
6 numbers	£2,000,000	1 in 13,983,816

Source – <http://www.national-lottery.co.uk/player/p/abouthelp.jsp>

The National Lottery has bi-weekly draws, Wednesdays and Saturdays and the draws are based on a “Number Generated” method. This is a method based on six balls numbered from 1 to 49. The balls are pulled out from ball 1 to ball 6, and numbers cannot be drawn twice e.g. there cannot be two 25s. This method does not necessarily result in a winner on every draw, if no winning ticket is matched then the prize money from that draw is added to the next draw creating an accumulated prize.

The CI Christmas Lottery is a single annual draw based on a “Number Drawn” method. This is a method where there will always be a winner. Numbers are not included in the draw if it hasn’t been sold.

The Assistant Minister would like your view on whether the National Lottery odds are so great as to deter people from buying National Lottery tickets, or whether the very high prizes are sufficient compensation?

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Administration

The CI Lottery is currently overseen in Jersey by the Public Lotteries Board on behalf of the Minister and regulated by Gambling Control in Economic Development. If the National Lottery were extended to the Island it is envisaged that all operational and administrative functions would be the responsibility of the National Lottery operator, and regulation would be the responsibility of the National Lottery Commission. This would be an efficiency saving for the States as it would no longer have to provide staff and resource if the CI Lottery was discontinued. There would of course be no saving if the CI Lottery continued.

Sales Duty

Currently the States receives no direct benefit from operating the CI Lottery, awarding all profits to the Association of Jersey Charities. If the National Lottery were to be extended, however, the States would receive a 12% duty on all National Lottery tickets sold locally. This is separate from the good causes money noted earlier.

Based on the report published by the Public Lotteries Board for 2006 and using the agreed sales duty of 12%, the estimated duty based on CI Lottery sales would be in the region of £256,000⁵. Of course, we would expect a higher return than a straight comparison would suggest because there would likely be migration from people who currently buy CI Lottery tickets, together with an undefined but possibly significant increase in new players. Any duty received in this way by the States would mitigate against the need to increase duty or tax in other areas.

Conclusion

The JASS 2005 survey has already identified that there is a bigger weekly player base purchasing National Lottery tickets compared to the CI Lottery and the same percentage on a monthly basis. Therefore, the Island could expect this player base to grow if the National Lottery is extended to the Island.

Because of the very large prizes on offer by the National Lottery it seems likely that many, if not all regular players of the CI Lottery might also buy tickets for the National Lottery. If this happens then the future of the CI Lottery is particularly vulnerable. Based on this scenario, it might well be better for the CI Lottery to cease and be totally replaced by the National Lottery.

⁵ 2,131,000 * 12% (based on Jersey sales only, includes the Christmas draw)

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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 a combined scratch card system with Christmas Draw, or would you suggest some other method?

Please provide any other information that you see relevant to this consultation paper.

Have your say

We would be delighted to receive your views on the questions we have posed, or on any other aspect of this consultation document. The consultation period will close Friday, 4th January 2008.

Please send your responses to our questions, and any other comments you wish to make to the following address

Director of Regulatory Services
Economic Development Department
Regulatory Services
Liberation Place
St. Helier
JE1 1BB

Or click on the link to e-mail us at gambling@gov.je

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