

People's Postcode Lottery submission to the Digital, Culture, Media & Sport Select Committee inquiry on the Future of the National Lottery.

30 August 2019

1. About People's Postcode Lottery

- 1.1 People's Postcode Lottery is a not for commercial gain External Lottery Manager owned by a social enterprise and licensed by the Gambling Commission.¹ We manage 50 large charity lotteries on behalf of a wide range of good causes including, Dogs Trust, Maggie's, Royal Voluntary Service, Breast Cancer Now, The Wildlife Trusts, Ramblers, Canal & River Trust and the Woodland Trust.
- 1.2 People's Postcode Lottery operates with the sole purpose of helping to raise funds for good causes. Charities are at the heart of everything we do.
- 1.3 Since People's Postcode Lottery launched in 2005, players have raised over £462 million for over 6,500 good causes, including many local community organisations across Britain. We have worked with many Parliamentarians to raise awareness of the Community Funding Programmes.
- 1.4 A minimum of 32%² of the value of each ticket goes to good causes, well above the statutory 20%. This compares to the return of 21.7% from the National Lottery, according to the latest annual industry statistics published by the Gambling Commission.³
- 1.5 Our players now raise approximately £11 million for good causes every month.
- 1.6 The charity lotteries we manage have together supported charities and good causes in a wide range of sectors. These include over 80 larger charities working in the areas of:
 - support for older people, young people, homeless people and people living with health problems;
 - environmental protection;
 - animal welfare and wildlife conservation;
 - sport, culture and the arts; and
 - international development and human rights.
- 1.8 The type of funding provided is very important to our charities, with the majority focused on unrestricted and regular funding. This means that charities can use funding for

¹People's Postcode Lottery is the trading name of Postcode Lottery Limited which is regulated by the Gambling Commission under licences number:000-000829-N-102511 and 000-000829-R-102513. Our registered office is: Titchfield House, 69/85 Tabernacle Street, London, EC2A 4RR. It is part of the Novamedia Group and ultimately owned by the Novamedia Foundation Trust.

² *Raising the limits on society lottery funding*, People's Postcode Lottery, 2018.

³ *Industry statistics, April 2015 to March 2018*, Gambling Commission, 2018.

core costs if desired or indeed for further fundraising – using these funds to leverage more income. This flexibility can often complement project based funding such as that provided by the National Lottery Community Fund. The value of this model is explained in the report “*Fundraising for Impact*” published in April 2018 by nfpSynergy.⁴

2. Inquiry Questions: Below we set out the view of People’s Postcode Lottery on the six questions set out in the inquiry Terms of Reference.

3. What lessons should be learnt from the previous licence periods in designing and managing the fourth National Lottery licence?

3.2 We believe that the profits of the National Lottery licence holder should be linked to the giving of funds to good causes and not to sales as is the case in the current licence.

3.3 This was an issue that came up in the December 2017 National Audit Office inquiry which showed that Camelot’s profit increased by 122% over a period when funds to good causes increased by 2%, but sales increased by 27%.⁵ We believe it is concerning that the current licence incentivises the operator to focus on sales not funds to good causes. This is particularly concerning where different National Lottery products return different amounts to good causes.

4. Is there need for greater flexibility to enable the license to respond to changing consumer habits?

4.2 There has been a discernible change in consumer habits with an increasing number of people opting to play National Lottery scratchcards and online instant win games.

4.3 It is recognised that scratchcards and online instant win games have more risks related to problem gambling than draw based lotteries, including the ability to immediately chase losses. This has resulted in Camelot deciding to withdraw some scratchcards.⁶

4.4 The ethical considerations of scratchcards and online instant win games should be considered during the awarding of the next National Lottery licence, including the provision to change the provisions of the licence during the licence period to respond to concerns around problem gambling.

4. How should the next license be structured to maximise returns for good causes?

⁴<https://www.postcodelottery.co.uk/uploads/media/default/0001/04/21e7a6069b078f0ebfe3b760d5a6e0710d3b5a75.pdf>

⁵ National Audit Office. ‘Investigation: National Lottery funding for good causes’ 13 December 2017. <https://www.nao.org.uk/report/investigation-national-lottery-funding-for-good-causes/>

⁶ Retail Newsagent 23.08.19 ‘Problem Play’ cards withdrawn.

4.1 We note that it was the aspiration of Government that the National Lottery return 28% of its annual sales to good causes but that this has not been achieved in any of the years during the current license.

4.2 We think there is a lack of transparency and a lack of public awareness over what returns are made to good causes by the National Lottery and note that the National Audit Office December 2017 report ‘Investigation: National Lottery funding for good causes’ stated that National Lottery scratchcards can have a return to good causes as low as 5%.⁷

4.3 We believe that the statutory minimum returned for good causes of 20% which currently applies to society lotteries should also apply to all National Lottery products in order to maximise returns to good causes and maintain public trust.

4.4 We urge that the new licence also includes provisions to increase transparency and public awareness of the return to good causes of each National Lottery product.

5. What challenges will the next operator of the National Lottery face, and what can the Government and the Gambling Commission do to mitigate against them?

5.1 No comment on this question.

6. What has been the impact of society lotteries, or other changes to the lottery market, on the main National Lottery draw?

6.1 People’s Postcode Lottery is strongly supportive of the National Lottery, not least because many of the charities our players help to fund also receive funding from the National Lottery. We consider the two funding sources to be complementary, an approach shared by the Gambling Commission and the Department for Digital, Culture, Media and Sport, whose Single Departmental Plan highlights their desire to see both types of lottery “thrive”.⁸ We believe that allowing both types of lottery to thrive is in the national interest.

6.2 We note that the latest Camelot sales figures, published in 22 August 2019, show healthy growth for the National Lottery. Sales for June 2019 were up £102million (16.3%) on June 2018, and Sales for Q1 FY19/20 were up £180.7million (10.8%) on Q1 FY18/19.⁹

⁷ National Audit Office. ‘Investigation: National Lottery funding for good causes’ 13 December 2017. <https://www.nao.org.uk/report/investigation-national-lottery-funding-for-good-causes/>

⁸ Department for Digital, Culture, Media and Sport: Single Departmental Plan 2019. Section 5.1. <https://www.gov.uk/government/publications/department-for-digital-culture-media-and-sport-single-departmental-plan/dcsm-single-departmental-plan-2019>

⁹ Camelot Sales Performance <http://www.camelotgroup.co.uk/about-us/reporting>

6.3 We welcome the comments of the then Sport and Civil Society Minister, Mims Davies MP, in her foreword to the DCMS ‘Government response to the consultation on society lottery reform’ where she said, *“responses to the consultation have reminded us of the significant contribution made to life in this country by both society lotteries and the National Lottery and in particular the reliance of many organisations on funding from both sources. It is of fundamental importance that both can continue to flourish in the years to come.”*¹⁰

6.4 We note that there is some evidence suggesting that strong charity lotteries help National Lottery sales, through what is known as “marketing spillover”. This is detailed further below.

Evidence showing there is no negative impact of charity lotteries on the National Lottery

6.5 It is clear from significant evidence from numerous sources, including the sector regulator, The Gambling Commission, that charity lotteries have had no negative impact on the National Lottery, and indeed there is evidence that there has been a positive impact – both on the National Lottery itself and on charities funded by the National Lottery as well as the wider charity sector.

6.6 The Gambling Commission, as the official regulator of both the National Lottery and of charity lotteries has, on three separate occasions, looked in detail at whether charity lotteries have impacted on the National Lottery. On each occasion they found that they did not.

6.7 In their advice to Government on society lotteries, published on 29 June 2018 The Gambling Commission state: *“In 2012, and 2015 the Commission asked researchers to construct an econometric model to identify key drivers in National Lottery demand and the impact of society lottery growth. The Commission asked the researchers in February 2017 to update this forecast with current data. They reached the same conclusion as in the previous work done for the Commission – in that there was no statistically significant effect of society lotteries affecting National Lottery sales.”*¹¹

6.8 The Gambling Commission have also confirmed as recently as 22 July 2019, when asked about the impact charity lotteries have on the National Lottery that: *“We have given the advice we gave around the recent society lotteries consultation, where our judgement is that that does not infringe on the unique features of the [National] lottery, like life changing prizes.”*¹²

¹⁰ DCMS ‘Government response to the consultation on society lottery reform’, 16 July 2019.
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/817544/Response_to_Consultation_on_Society_Lotteries_PDF.pdf

¹¹ Gambling Commission ‘Advice provided to DCMS on society lotteries’ Published 29.6.18.
<https://www.gamblingcommission.gov.uk/PDF/consultations/Society-lottery-advice-provided-to-DCMS-002.pdf>

¹² House of Commons, Digital, Culture, Media and Sport Committee, Oral evidence: Immersive and addictive technologies, HC 1846, Monday 22 July 2019.

6.9 Ministers in the Department for Digital, Culture, Media and Sport have also repeatedly made clear that charity lotteries have not impacted negatively on the National Lottery. Most recently, on 16th July 2019, DCMS Minister in the Lords, Lord Ashton of Hyde, said: “*The Gambling Commission have confirmed that there is no evidence so far that society lotteries have affected the National Lottery. Indeed over the years both sectors have increased.*¹³”

6.10 DCMS in their July 2019 Report, ‘Government response to the consultation on society lottery reform”, state: “*We have looked carefully into the relationship between society lotteries.*” “*The Gambling Commission has advised that competition between society lotteries and the National Lottery to date has been minimal and at the margins. Society lotteries are generally characterised by lower prize, low frequency draws. This contrasts with the National Lottery, with its life-changing jackpots and high frequency draws.*”¹⁴

6.11 Numerous other reports and enquiries have also found that there is no negative impact of charity lotteries on the National Lottery. Examples are quoted below:

6.12 The National Audit Office report (December 2017) states: “*The Department has stated that it is not aware of any evidence of significant substitution of sales between the [National] Lottery and society lotteries to date.*”¹⁵

6.13 The Culture, Media and Sport Select Committee report on Society Lotteries (March 2015) said: “*We do not consider that there is any indication that the [National] Lottery is being significantly affected by any of the society lotteries currently operating.*”¹⁶

6.14 The Centre for Economic and Business Research, in their February 2014 report, found: “*overall, there is little evidence to support the notion that society lotteries undermine the National Lottery*”¹⁷

6.15 The 2012 NERA Economic Consulting report, commissioned by the Department of Culture, Media and Sport and the Gambling Commission did not find evidence to

<http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/digital-culture-media-and-sport-committee/immersive-and-addictive-technologies/oral/103954.pdf>

¹³ Hansard 16.7.19 Lotteries Regulation <https://hansard.parliament.uk/Lords/2019-07-16/debates/7EFF784B-64C0-4F04-B0E5-E7F05D0E501B/LotteriesRegulation>

¹⁴ DCMS ‘Government response to the consultation on society lottery reform’ 16 July 2019. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/817544/Response_to_Consultation_on_Society_Lotteries_PDF.pdf

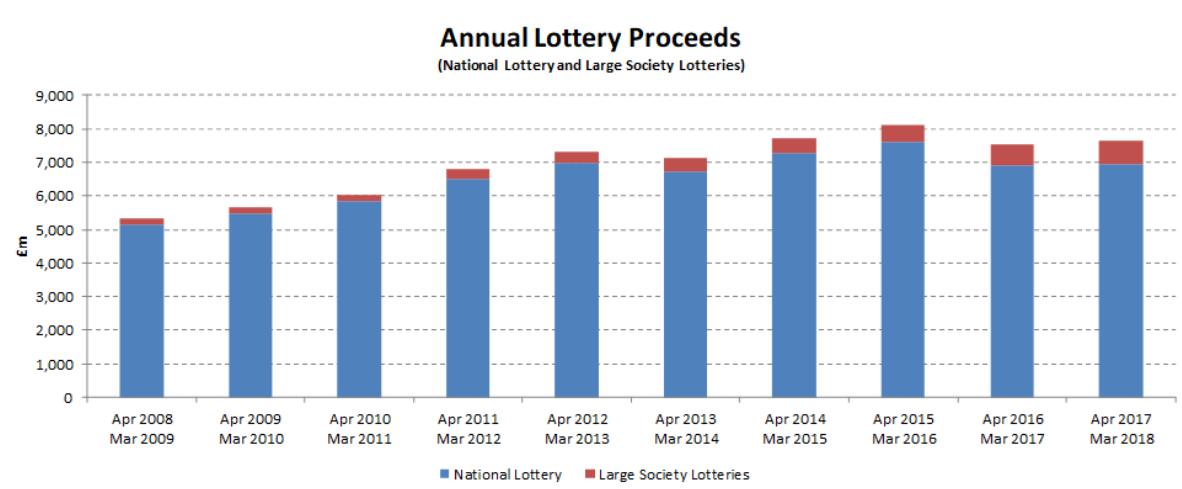
¹⁵ National Audit Office Department for Digital, Culture, Media & Sport Investigation: National Lottery funding for good causes HC 631 Session 2107-19, 13 December 2017.

¹⁶ House of Commons Culture, Media & Sport Committee Society Lotteries, Fifth Report of Session 2014-15, 25 March 2015.

¹⁷ *What have we got to lose? How society lotteries could do even more for good causes: An analysis of the contribution of the sector and the potential impacts of regulatory change*, Cebr, February 2014.

support an impact of charity lotteries on the National Lottery. Instead it found the impact of deregulation of charity lotteries would likely “*be an increase in total proceeds available for good causes.*”¹⁸

6.16 Gambling Commission official statistics show quite clearly that charity lotteries and the National Lottery have grown in tandem for most of the last decade. (See table below). Indeed 2017-18 (the most recent year of Gambling Commission annual statistics) was the 3rd best for sales and the 4th best for funds for good causes since the National Lottery was established in 1994. Furthermore, the latest statistics from the Gambling Commission show that National Lottery sales continue to grow.¹⁹



6.17 There was a drop in National Lottery funds to good causes in 2016/17, however it has been acknowledged by academics, Camelot themselves, the Gambling Commission, and the House of Commons Public Accounts Committee, that the reason for this drop was a result of changes to the National Lottery game by Camelot.

6.18 In February 2017 the Gambling Commission said: “*Despite remaining the most popular gambling activity there has been a continued decline in participation in the National Lottery draws coinciding with, amongst other factors, the increase in ticket price from £1 to £2 which was introduced in October 2013.*”²⁰

6.19 In September 2017 Camelot stated: “*the main reason for the fall in sales last year was the disappointing performance of the National Lottery’s core draw based games – especially Lotto, with player confidence in the game still fragile following the recent game changes.*”²¹

¹⁸ Assessment of Lottery Market Issues, Draft Report for the National Lottery Commission, the Department for Culture, Media and Sport and the Gambling Commission, NERA Economic Consulting, 17 April 2012.

¹⁹ Gambling Commission ‘Industry Statistics April 2015 to March 2018’, published November 2018.

²⁰ Gambling Commission: ‘Gambling participation in 2016, behaviour, awareness and attitudes.

<https://www.gamblingcommission.gov.uk/PDF/survey-data/Gambling-participation-in-2016-behaviour-awareness-and-attitudes.pdf>

²¹ ‘Lottery funds start to dry up as habits alter’, Financial Times 2.9.17

6.20 In January 2018 Dr Carolyn Downs of Lancaster University stated: “*There has been a drop since the price went up and a further drop when they increased the number of balls in the draw from 49 to 59, which of course made the odds of winning much lower, so it’s a 1 in 45 million chance of winning the jackpot now. So that was an issue for people as well.*”²²

6.21 In April 2018 the House of Commons Public Accounts Committee stated in their inquiry report: “*We asked Camelot whether these contradictory game changes had contributed to people spending less on the Lotto game. Camelot accepted that, after a short term boost to sales, these game changes had contributed heavily to a disappointing year in 2016-17.*”²³

Positive impact of charity lotteries on the National Lottery

6.22 In addition to the above evidence that charity lotteries have not negatively impacted on the National Lottery, there is also some evidence that the growth of charity lotteries has boosted the National Lottery. This was one of the findings of the April 2012 report ‘Assessment of Lottery Market Issues’ produced by NERA Economic Consulting and commissioned by the Department of Culture, Media and Sport and the Gambling Commission. It said: “*the economic literature also provides some examples where existing games have benefitted from market entry or improvements in a competitor’s game, probably reflecting marketing spillovers*”.²⁴

6.23 The 2014 Centre for Economic and Business Research report ‘What have we got to lose? How charity lotteries could do even more for good causes’, backed up this view. It said: “*the academic literature reports some evidence of complementarities – where demand for one lottery boosts demand for another lottery. This is due to factors such as marketing spillovers, which occur when advertising boosts demand for rival products.*”²⁵

6.24 The Association of Charity Lotteries in the EU (ACLEU), referenced in the DCMS publication ‘Government response to the consultation on society lottery reform’ notes “*that the introduction of charity lotteries in Sweden and Spain has resulted in a positive impact on state lotteries, and boosted overall returns to good causes*”.²⁶

Maintaining the unique position of the National Lottery

²² Dr Carolyn Downs of Lancaster University. BBC Radio Wales interview, 24.1.18.

²³ House of Commons Public Accounts Committee report ‘The future of the National Lottery’, April 2018.

<https://www.parliament.uk/business/committees/committees-a-z/commons-select/public-accounts-committee/inquiries/parliament-2017/decline-national-lottery-17-19/>

²⁴ ‘Assessment of Lottery Market Issues’ NERA Economic Consulting (commissioned by the Department of Culture, Media and Sport and the Gambling Commission), April 2012.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/78198/NERA_lottery_research.pdf

²⁵ Centre for Economic and Business Research report ‘What have we got to lose? How society lotteries could do even more for good causes’. 2014.

²⁶ DCMS ‘Government response to the consultation on society lottery reform’ 16 July 2019.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/817544/Response_to_Consultation_on_Society_Lotteries_PDF.pdf

6.25 There are numerous differences between charity lotteries and The National Lottery, in terms of regulation, operation and motivation to play.

6.26 Legislation: The National Lottery is regulated under the 1993 National Lottery etc Act and the National Lottery Act 2006, whilst charity lotteries are regulated under the 2005 Gambling Act.

6.27 Sales limit: There is no limit on National Lottery sales, whilst there are strict limits on charity lottery annual and per draw sales.

6.28 Prizes: There is no limit on National Lottery prizes, whilst there is a strict limit on charity lottery prizes, at a level which is much lower than that of the Lotto and Euromillions prizes.

6.29 Geographic area: The National Lottery operates in Great Britain, Northern Ireland and the Isle of Man, whilst charity lotteries licenced under the 2005 Gambling Act cannot operate in Northern Ireland or the Isle of Man.

6.30 Motivation for playing: People play charity lotteries for a variety of reasons. However according to the Gambling Commission charitable giving is a greater motivation for players of charity lotteries while a life transforming win is a greater motivation for players of the National Lottery. *"Of those who bought tickets for a charity lottery or other lottery, 55% reported gambling to support good causes. This compares to 15% who bought tickets for the National Lottery draws, and 5% of those who purchased scratchcards".²⁷*

7. How can lottery funding distributors be better supported to manage changing trends in receipts for good causes?

7.1 No comment on this question.

Ends.

²⁷ Gambling participation in 2018: behaviour, awareness and attitudes, Gambling Commission Annual report, 2019. <https://www.gamblingcommission.gov.uk/PDF/survey-data/Gambling-participation-in-2018-behaviour-awareness-and-attitudes.pdf>