

		1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
Societies' Lotteries	Total ticket sales £m	24.6	32.77	45.34	61.62	86.01	73.94	113.08	126.44	106.93	106.3
	No. of lotteries	686	1049	1044	1086	1091	1062	2499	3070	27,304	4821
Local Authority Lotteries	Total ticket sales £m	2	2.11	1.41	1.39	5.73	9.6	9.26	6.21	6.11	6.89
	No. of lotteries	196	149	106	88	99	47	39	11	6	4
TOTAL	Total ticket sales £m	26.6	34.88	46.75	63.01	91.74	83.54	122.34	132.65	113.04	113.19
	No. of lotteries	882	1198	1150	1174	1190	1109	2538	3081	27,310	4825

Figure 10.iii: Societies' & Local Authority lotteries

Source: Gaming Board for Great Britain

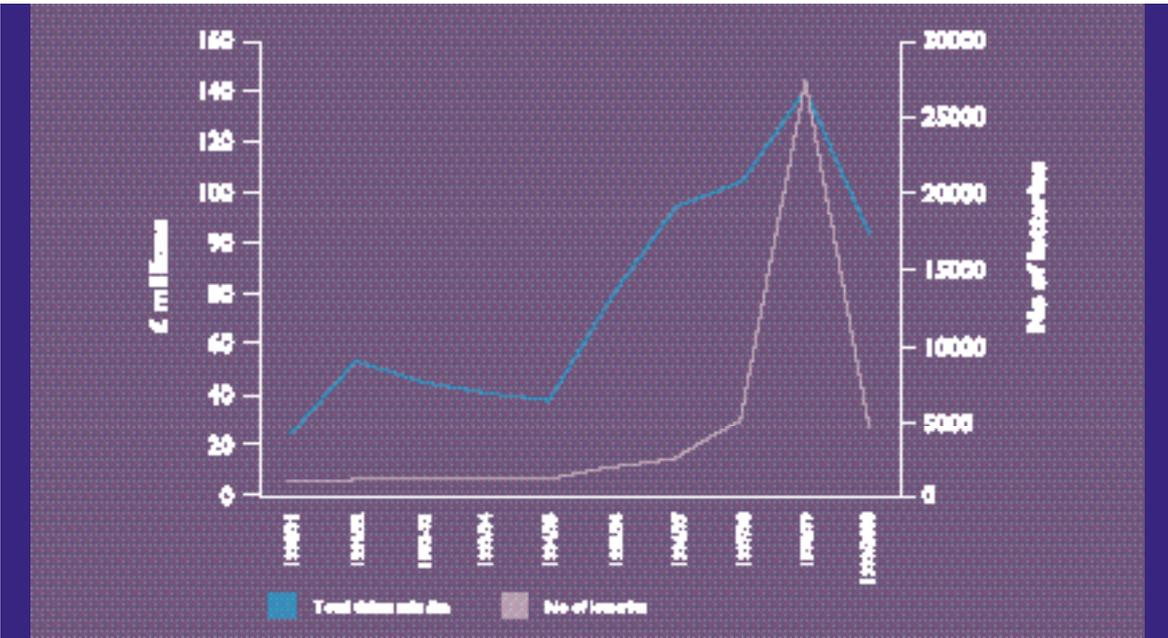
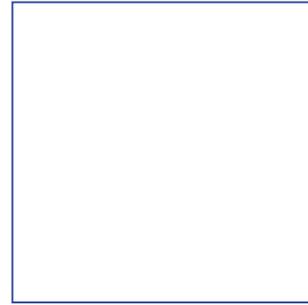


Figure 10.iv: Societies' Lotteries

Source: Gaming Board for Great Britain



Local Authority lotteries

10.21 Over the last decade, the number of local authority lotteries has shown a consistent downward trend. Two local authorities were registered to operate schemes in 1999-2000. The Gaming Board reports that the total number of local authority lotteries fell from 148 in 1990 to four in 1999-2000. Trends in turnover have followed a similar pattern to that of local authority lottery numbers. In the decade between 1990 and 2000, proceeds dropped from £2m to £80,000. The period between 1990-91 and 1991-92 was the only year that saw an increase when turnover rose from £2m to £2.11m. Figures 10.iii and 10.v show the numbers and turnover of local authority lotteries.

The National Lottery

Industry structure and size

- 10.22** In 1978, the Rothschild Commission recommended "a single national lottery for good causes". The National Lottery was finally established in 1993 following a private members' bill in 1992 and a government White Paper – A National Lottery: Raising Money for Good Causes.¹⁵ The first draw was held on 19 November 1994.
- 10.23** The current operator of the National Lottery in the United Kingdom is Camelot plc, who have run it since it started. Camelot currently run two types of lottery: on-line lottery draws in which the player can choose his own numbers and can win in a variety of ways, and Instants, an instant lottery in which a player rubs off a seal to reveal if he has won a prize.

10.24 Draws are held twice a week, on Saturday and Wednesday (the first midweek draw was on 5 February 1997). The cost of entry has been £1 since the launch. A player chooses 6 out of a possible 49 numbers, or plays a 'lucky dip' when the computer randomly selects 6 numbers. A player wins when he or she matches between 3 and 6 numbers. A 'rollover' occurs if no-one matches all six numbers; the jackpot will rollover to the prize pool for the following draw. Superdraws have to be approved by the National Lottery Commission but are guaranteed minimum jackpots. The National Lottery now includes other games such as Thunderball, a third type of draw played on Saturdays with a maximum prize of £250,000, and Lottery Extra, which is only open to those playing the National Lottery game.

10.25 The National Lottery instant scratchcards, *Instants*, were launched on 21 March 1995. It is described by Camelot as "the UK's leading impulse brand".¹⁶ New games are launched regularly and offer different levels of prizes, prize structures, game designs and odds of winning. The odds of winning are normally around 1 in 5. They now represent around 96% of the scratchcard market.¹⁷

10.26 The latest figures available from Camelot state that there are 24,600 National Lottery retailers and 10,800 Instants only retailers.¹⁸ The retailers are a mix of large and small outlets but include a variety of shops, newsagents, supermarkets and garage forecourts. About two thirds of the retailers are independents and one third are multiples. Choosing the retailers is a matter of commercial judgement for the operator who has the discretion to decide how to meet local patterns of demand.¹⁹

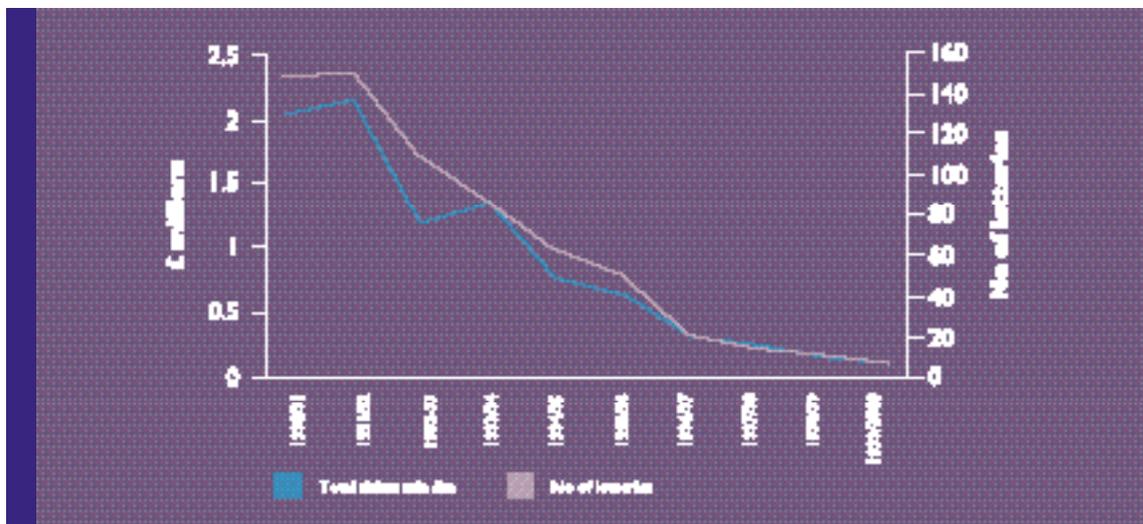
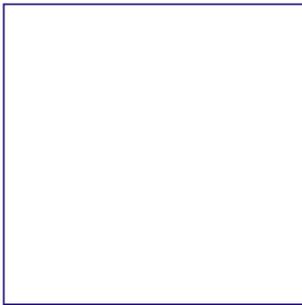


Figure 10.v: Local Authority lotteries

Source: Gaming Board for Great Britain



National Lottery Turnover

- 10.27** Between the first draw in November 1994, and the following April, the National Lottery took £1,157m. Proceeds increased for the next three years, to a peak of £4,713m in 1997-98. The greatest percentage increase was in 1996-97, the launch year of the Wednesday draw, when turnover increased by 22.5%. Turnover has fallen slightly since then.²⁰
- 10.28** Turnover on National Lottery instant scratchcards peaked the year after their launch in 1995/96 at £1,523m but has since declined every year. The steepest loss occurred in 1996/97 when proceeds fell

by 42% to £877m.²¹ Figures 10.vi & 10.vii show the National Lottery data.

- 10.29** Retailers selling National Lottery tickets receive commission linked to sales. Retailers receive 5% of ticket sales plus 1% commission on prizes paid out above £10 and below £200. The average annual commission for an on-line independent retailer is £8,187.²² The total amount paid out in commission peaked in 1997-98 when retailers received £282m. Since the launch, retailers have received £1,373m in commission.²³ According to Camelot, 94% of the population live or work within a couple of miles of a lottery outlet.²⁴

	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
On-line Draw £m	1,157	3,204	3,947	4,713	4,394	4,524
Year on year % change			4.1	22.5	-3.3	-2.1
Instant £m	34	1,523	877	981	645	563
Year on year % change			-42.4	-6.7	-16.5	-13.8

Source: National Lottery Commission

Figure 10.vi: National Lottery Sales figures

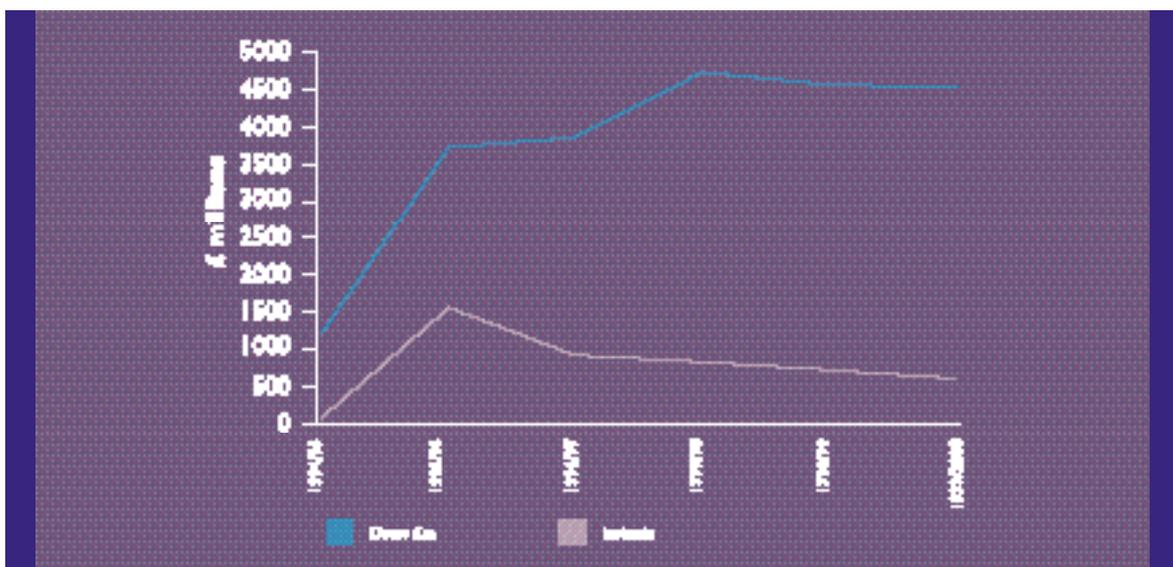


Figure 10.vii: National Lottery Sales figures



10.30 The National Lottery is the only type of lottery that is subject to excise duty. It is currently taxed at a rate of 12% of the amount staked.²⁵ The details can be found in figure 10.viii. Data from Customs and Excise show that until April 1995, in its first few months of operation, the National Lottery paid £103.9m in duties. The amount paid peaked in 1997-98 at £674.5m and declined in the following years. It paid duties of £609.2m in 1999-00. Since the first full year of play, duties from the National Lottery have made up between 39-43% of all gaming and betting duties.

Cost of Licences and Registration

10.31 Licence fees are payable on Gaming Board registered lotteries. In April 1990, fees for the registration of a society or local authority scheme ranged between £120, for those with a turnover below £10,000 and £420 for those with a turnover over £10,000. The fee for each lottery promoted ranged between £36 and £90.²⁶ In 1999-00, the fee for a society registration was £650 and £70 for a renewal. Lottery fees ranged between nil for those with a turnover less than £2,000 and £585 for those with a turnover exceeding £200,000.²⁷ The cost of registration and renewal for local authority registered schemes has been £35 and £17.50 respectively since December 1991.

Lottery Limits and Good Causes

10.32 Lottery legislation sets limits to ensure that good causes receive a significant percentage of money raised by societies' and local authority lotteries, and thus maintains the purpose of the lottery as being for a deserving cause. Current regulation specifies that up to 55% of proceeds may be spent on prizes for society lotteries registered with the Gaming Board, although prizes donated or free of charge do not count towards the 55%. No prize may exceed £25,000 or 10% of total ticket sales in value, whichever is greater. Lotteries with proceeds up to £20,000 may use up to 35% for

expenses although those with proceeds over £20,000, may use only 15% as of right, but more if approved by the Gaming Board, again up to 35%. More importantly, at least 20% of proceeds must go to the deserving cause. Figures for Gaming Board registered lotteries show that deserving causes received 47% of proceeds in 1999-00.²⁸ There is no legally prescribed amount that must go to good causes from the National Lottery. The amount is agreed between the operator and the National Lottery Commission. Good causes received £1,671m in 1998-99 and £1,581m in 1999-00 (nearly 31% of proceeds).²⁹ This is subdivided between the New Opportunities Fund (health, education and environment), the arts, sport, heritage, charities and formerly millennium projects, and distributed by independent organisations.

10.33 Society lotteries are also subject to upper limits. The total value of tickets sold in a single lottery must not exceed £1m and the total raised by a charity in any one calendar year must not exceed £5m. No such limits apply to the National Lottery.

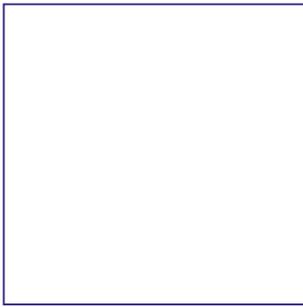
Employment

10.34 There are virtually no data available on the number of people employed in the lotteries sector or the indirect employment created by the money raised by lotteries. There are two main reasons for this. Firstly, in the case of many lotteries there is no requirement to register with a statutory body, and in the case of local authority registrations the data are not collated. Secondly, societies' lotteries are often a fundraising mechanism. In the case of the largest charitable lotteries, a promoter or team of people may be employed but volunteers often operate lotteries. The Henley Centre estimated that the National Lottery would generate or secure 110,000 jobs in its first seven years of operation in areas such as construction, retailing, and managing and staffing new complexes which are being built with the help of lottery grants.³⁰

	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
Duty rate	12%	12%	12%	12%	12%	12%
Duty collected, £m	103.9	211.9	674.5	674.5	609.2	609.2

Figure 10.viii: National Lottery duty rate and amount collected

Source: Customs & Excise



chapter eleven

Pool Competitions

- 11.1 Pool competitions involve pooling the stakes of the participants, deducting a proportion of the stakes to cover expenses, tax and operator's profits, and, when the result is known, sharing the remainder of the prize pool among the winners.
- 11.2 The most common form of pools, or pool competition in Great Britain is the football pools. The horseracing Tote and the totalisators at greyhound tracks are forms of pool betting and are discussed in the chapter on betting.
- 11.3 Regulation of pools competitions is governed by the Betting, Gaming and Lotteries Act 1963. Only people who are registered pools promoters can run pool competitions. The promoter must be registered with the local authority, which appoints an accountant to supervise the promoter's operations. The 1963 Act also outlines the requirements for conduct of the business, including that stakes and winnings should be wholly in money. Once a person is registered, the registration continues until revoked although a continuation fee becomes payable each year.¹
- 11.4 Football pools are often collected by door-to-door collectors and submitted by post. Under the 1963 Act, no premises could be used to retail pool competitions. This restriction was widely ignored by local shops. Section 56 of the National Lottery Act 1993 and a deregulation order in 1997 amended the 1963 Act to allow pools competitions to be sold in retail premises, although they are required to feature at least four association football matches. Only pools based on football were given this allowance which was intended to help reduce the impact of the introduction of the National Lottery. The 1993 Act also enabled rollovers. If no player wins the first prize, then the pool promoter can roll over the prize to the next competition.

Pool Competitions Act 1971

- 11.5 Before the legalisation of small lotteries, some promoters ran small pool competitions in a very similar way with entrants keeping the same numbers for each draw. Many were designed to raise money for charities, clubs and sporting associations.² Even when lotteries were legalised, a few continued to operate as pool competitions because there was no limit on turnover or the size of the prizes that could be offered. Those that were running pools competitions in this particular way in 1970 were permitted to continue to do so under the Pool Competitions Act 1971, which was given an initial life of five years. When the Rothschild Commission reported in 1978, there were only seven

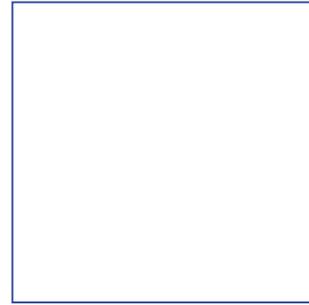
organisations operating under the Act. The Rothschild Commission could not see a case for allowing the Act to continue.³ It finally expired in July 1987.⁴

Types of pool competitions

- 11.6 Pool competitions operate on a pari-mutuel basis. The entry fee or stake goes into a pool. Once the issue on which the money was staked has been determined, the prize pool, minus a deduction for expenses, duty and profit, is divided between the winners. The level of individual prizes depends on the number of winners and cannot be predicted with any accuracy in advance. Players must be 16 and over.
- 11.7 Most weekly competitions are based on the results of football matches. All football pools work in a similar way, operating a point system. Most points are awarded for score draws (three points for example), then no-score draws (two points) and then a win (one point). The weekly pools coupon lists 49 football matches which have yet to be played. There are variations but simply, the player decides how many matches he or she would like to pick as likely to end in a score draw. In 1998, the cost of a standard entry ranged from 60 pence for ten matches to £85.80 for 15 matches. The matches are played and the entry is scored. If at least eight matches end in score draws that week and a player scores 24 points, he wins the jackpot.⁵ If several people have picked the correct eight, the jackpot is shared. If fewer than eight score draws result that week, the jackpot can be won with fewer points.

Punters

- 11.8 The Prevalence Survey found that around 9% of those asked had played the pools in the past year, which was slightly more than bingo and scratchcards.⁶ The ONS survey produced a similar figure of 7%. Both surveys found that pools were twice as popular among men than women: the Prevalence Survey reported a larger disparity between men (13%) and women (5%).
- 11.9 Both the Prevalence Survey and the ONS survey found the lowest levels of participation in the youngest and oldest age groups. The highest level of participation was 13% of those aged 55-64 years according to the Prevalence Survey and 13% of those aged 21-24 years according to the ONS survey.
- 11.10 According to the Prevalence Survey, those in social classes I and V were less likely than average to play the football pools. It was most common in social class IIIM.⁷



11.11 Participation by region ranged between 3% and 9%. The ONS survey found that those living in London were the least likely to play the football pools. They were most popular in Scotland (9%).

Number of players

11.12 Littlewoods Pools is currently the largest pools operator in Britain with an 80% share of the pool competition market. It has around 1.4 million entries per week. Littlewoods told us that prior to the introduction of the National Lottery, it received around 8 million entries per week.⁸

Average spend

11.13 The Prevalence Survey examined the amount staked on gambling activities in the last seven days. The average amount spent on football pools or fixed odds coupons was £3 per week. On average, men spent more (£3.30) than women (£2.00). Over 90% of people spent less than £5, 3% spent between £10.01 and £20 and 1% of men spent more than £50.⁹

The Industry

Trade Association

11.14 The Pools Promoters Association was established in the 1930s. Its members are Littlewoods Promotions Limited, Vernons Pools Limited and Zettlers International Pools Limited.¹⁰

Industry size and structure

Turnover and duty

11.15 The total amount staked on football pools in 1996 was £493m. The gross gaming yield was £363m.¹¹ By 1998, the amount staked had decreased by about a quarter to £370m with a gross gaming yield of £255m.¹²

11.16 Pools have been subject to some of the highest levels of gambling taxation. In 1990, pools were subject to a duty rate of 40% which yielded £304m in that year. In the last decade, tax yields peaked in 1993-94 at £347m but have declined every year since. By 1999-2000, the tax rate had been reduced to 17.5% and tax yield was an eighth of its level ten years earlier, at £38m.

11.17 The Pool Promoters Association told us that the introduction of the National Lottery had a huge impact on the UK gambling industry, particularly the football pool betting sector.¹³ Following the launch of the National Lottery, the pool competition duty rate was reduced from 37.5% in 1994-95 to 27.5% by December 1995. Even though the duty rate was reduced by around a quarter, duty yield fell by around 45% suggesting a significant fall in pool competition stakes.

Good causes

11.18 A number of the original small pool competitions were operated for good causes, sports and charities. This fact was credited with bringing about the Pool Competitions Act 1971. Despite the expiration of the 1971 Act, pools continue to be associated with sports and good causes and have raised a significant amount of money for them over the years. The Football Trust, now the Football Foundation, was originally founded by Littlewoods in the 1970s. The Football Trust was established to encourage and develop involvement in football. The Foundation for Sports and the Arts is another UK discretionary trust, established by Littlewoods in 1991, with the aim of encouraging and developing involvement in general sports activities and the arts. The Moores Family Charity Foundation is a charitable trust established in 1968.

11.19 In 1999, the Football Trust and Foundation for Sports and The Arts both received £6.1m from the Littlewoods Organisation. In the previous year, the Football Trust received £8.4m and the Moores Family Charity Foundation received £1.1m.¹⁴ Littlewoods told us that it had raised over £450m for football at all levels from its own contributions to the Trust and from fixture payments and sponsorship to the football authorities. The Foundation for Sport and the Arts has received over £270m in funding from the company's football pools.¹⁵

Employment

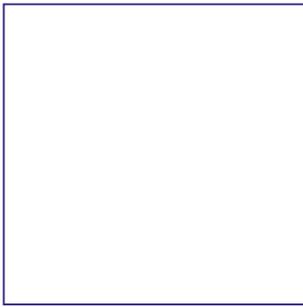
11.20 Littlewoods told us that there are 30,000 self-employed collectors handling Littlewoods Pools products in addition to office and call centre staff.¹⁶ BISL estimated that around 1,140 people were directly employed in the football pools industry.¹⁷

	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000
Duty rate %	40	37.5	37.5	37.5	37.5	27.5	26.5	26.5	26.5	17.5
Duty collected	£204m	£214m	£318m	£347m	£242m	£191m	£137m	£59m	£70m	£38m

Figure 11.i: Duty rates, 1990-2000

Source: Customs & Excise

8- Information supplied by P Hughes, Littlewoods Leisure plc, 23 May 2001 9- Sproston, Erens & Orford (2000) 35 10- Pools Promoters' Association (2000) 11- Data provided by the Centre for Gambling & Commercial Gaming, University of Salford 12- BISL (2000) 61 13- Pool Promoters Association (2000) 1 14- Littlewoods Organisation plc (1999) 42 15- Littlewoods Leisure (2000) 5 16- Ibid, 4 17- BISL (2000) 65



chapter twelve

On-line Gambling

12.1 We have used the term on-line gambling to refer to gambling services that use a telephone connection. This includes services that are accessed via the internet, interactive television and mobile phones. Much of the current focus tends to be directed at gambling on the internet and increasingly via interactive television. The terms that others have used to describe the same activities include internet gambling, virtual gambling, interactive gambling and so on, as well as on-line gambling.

12.2 Generally on-line gambling is characterised in two ways: on-line betting and on-line gaming. Betting, pools and (some) lotteries which receive entries on-line but where the event, draw or competition occurs off-line are referred to as on-line betting. The gambling event actually takes place and the result is independently verifiable i.e. the on-line system does not generate the result, it is used simply as a conduit for communicating information. The internet is often an alternative to other means of entry such as the post or telephone. On-line gaming is used to refer to gambling services conducted purely on-line which rely upon some kind of random number generator. It may appear as virtual casinos, (some) lotteries and electronic gaming machines.

Regulation

12.3 As the Gaming Board has stated, gambling legislation – apart from that setting up the National Lottery – is all over a quarter of a century old and was enacted at a time when the power of the internet could not have been imagined. The legislation therefore impinges on on-line gambling in ways which were unintended and are erratic.¹

12.4 The current legislation is thought to apply as follows:

- casino, bingo and machine gaming. It is illegal to set up on-line sites in Great Britain. Operators licensed by the Gaming Board to offer casino gaming, bingo and gaming machines must do so on licensed and registered premises. In particular, the persons taking part in the gaming must be on the premises at the time gaming takes place. The Gaming Board have advised that no licence could be obtained by an operator wishing to offer on-line gaming services and that to set up such a site would be illegal.
- betting. A bookmaker may accept bets on-line. Some bookmakers have chosen to operate offshore to avoid paying general betting duty, rather than because there is any legal difficulty in operating

on-shore. Since bookmakers are able to take bets via the telephone, it is accepted that they can take bets on-line.

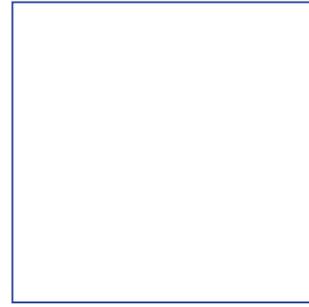
- lotteries. Tickets for lotteries can be sold almost anywhere other than the street, however they cannot be sold by machine. The Gaming Board has approved two applications to run lotteries on the internet, having satisfied itself in those cases that the sale of tickets would be effected by sales staff and not machine
- pool competitions. Football pools accept entries by post and can therefore also use e-mail.
- National Lottery. The National Lottery Act allows the sale of tickets from an attended machine.
- punters. Although operators are restricted by current legislation, no regulation prevents players accessing gaming or betting sites anywhere in the world. Nor is it illegal for overseas operators to offer on-line gambling to British residents (though there are restrictions on advertising).

Punters

12.5 The data available suggest that to date, only a tiny percentage of people have gambled on-line. The Prevalence Survey found that less than 0.5% of respondents had gambled over the internet.² Similar percentages have been reported overseas. Australian data suggest that in 1998-99 about 0.6 per cent of adults, nearly 90,000 Australians, gambled on the internet.³ It has also been reported that of the 90 million web users in the United States, some 5% have gambled on-line.⁴

12.6 Identifying the type of person likely to gamble on-line is highly speculative. The betting industry told us that the profiles of telephone punters and betting shop punters are different so it would not be surprising if a typical on-line gambler also differed from his off-line counterparts. The profile of an on-line gambler may be similar to that of a current e-commerce customer which is in turn based on analysis of internet users. The typical e-commerce consumer in the UK is said to be a 34 year old male, in social class ABC1, who lives in the South East and has at least one degree.⁵ Industry analysts have commented on the ability of interactive television to reach novice punters, such as women, younger people and ABC1s who would not normally enter a betting shop.⁶

1- Gaming Board for Great Britain (2000) 109 2- Sproston, Erens & Orford (2000) 11 3- Senate Select Committee on Information Technologies (2000) 13
4- Sutherland, J. (16 April 2001) 5- Retail E-Commerce Task Force (2000) 6 6- Broadband Media (9 April 2001) 5



12.7 There are varying estimates of the current number of people with on-line access via a PC, mobile phone or digital television, or likely to have access in the next few years. About 34% of households in the UK have internet access and around 30% of households have digital television, though only 10% of these use it for internet access and 15% for e-mail.⁷ Current mobile phone penetration exceeds 70% though most phones are not internet enabled.^{8,9}

12.8 Forecasts of the growth in on-line users are highly speculative but suggest that by 2005 mobile phone penetration could exceed 80% (and most of these phones will be able to access the internet) and penetration of digital TV could reach over 60%. In addition, individuals are already able to access the internet from their workplace and public locations, such as internet cafes and libraries and this is likely to become more commonplace. The availability of on-line services is likely to increase rapidly over the next five years such that anyone who wishes to access them should have no trouble in doing so.

Number of users

12.9 There are limited data available on the number of people registered with on-line gambling sites. Blue Square, which was launched in May 1999, reportedly has about 110,000 users registered on its onshore internet site.¹⁰ Over the Grand National weekend, it is thought that it received over 70,000 (worldwide) bets on-line.¹¹ By March 2001, the interactive television site Open, had signed up more than 20,000 betting customers.¹² On-line betting sites apparently rank among the most visited entertainment sites.¹³

The Industry

12.10 On-line gambling services accessed by consumers over the internet, via a mobile phone or digital TV network are a relatively new development. In the latter two cases bespoke gambling services may be offered instead of or in addition to services available on the internet. In time, other devices such as games machines, personal digital assistants (PDAs) etc will provide connectivity to the internet and so potential access to gambling services.

12.11 Whilst the telephone is readily available, it is only suitable for transactions (e.g. placing bets or buying lottery tickets) in situations where the gambler already has a considerable amount of information about the gambling event. The interactive transmission of text and visual information offered by other networks/devices, in particular the internet, allows a much wider range of gambling services, including gaming as well as betting, to be provided.

Operators

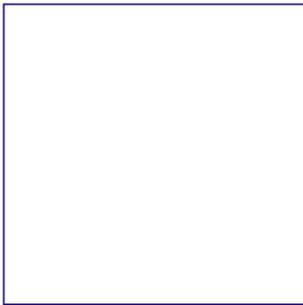
12.12 It is difficult to say how many on-line operators exist because there is no requirement for registration. Theoretically all on-line sites are accessible by punters based in Britain. Many betting operators with bookmaking permits have offshore sites. Currently, they may use British-registered web addresses and divert the punter to an offshore site.

12.13 Although on-line casino gaming is not legal in the UK, British residents have access to the sites wherever they are. Some estimates suggest that there are around 1,500 on-line casinos in the Caribbean alone.¹⁴ Overall, there are already hundreds and possible thousands of gambling websites around the world, all potentially accessible by British punters with internet access.

Estimated Turnover

12.14 Present and future on-line gambling revenues are difficult to estimate because of the lack of verifiable public data.¹⁵ Europe Economics estimated the value of the UK internet betting market to be in the region of £100m in 1999. This compares to a betting office turnover of £6,563m and telephone betting of £729m onshore and £250m offshore.¹⁶ BSKyB announced that it made £33m from gambling in the second half of 2000, generated by the Surrey Group internet site and via Open, the TV-based e-commerce platform, which currently carries Blue Square.¹⁷ Reports suggest that less than 5% of betting in the UK has gone on-line.¹⁸ Other commentators have suggested that on-line betting now makes up 2-3% of the UK gambling market.¹⁹ It is possible that very few people are betting on-line but it is the higher spending punters doing so.

7- Ofitel (2001) 8- Mobile Communications (20 March 2001) 9- It is conceivable that mobile phone penetration could go over 100% in time particularly as it includes pre-pay phones no longer used.
10- Broadband Media (9 April 2001) 5 11- Racing Post (13 April 2001) 12 12- Broadband Media (9 April 2001) 5 13- Ibid, 5 14- Sutherland, J. (16 April 2001) 15- Kelly, J. M. (2000)
16- Europe Economics (2000) 28 17- Broadband Media (9 April 2001) 5 18- Ibid, 5 19- Merrill Lynch (2001)



12.15 The National Gambling Impact Study Commission (NGISC) Report on gambling in the United States quoted estimates that internet gambling revenues were \$651 million (£434 million²⁰) for 1998, more than double the estimated \$300 million (£200 million) from the previous year.²¹ The Netbets report stated that approximately 14 corporations were involved in on-line gambling in Australia in March 2000 and that much of their turnover was generated by overseas gamblers. One of the corporations reported a turnover of \$100 million (£40 million²²) in 1998-99.²³

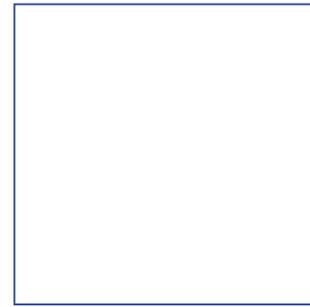
12.16 Commentators suggest that there will be a massive growth in revenues from internet gambling in the next few years but predictions of the likely size of the market vary enormously. A report produced by the National Office for the Information Economy in Australia estimated that the global market could be worth between \$11 billion (£7.3 billion) and \$110 billion (£73 billion) in annual turnover.²⁴ In their evidence to us, Christiansen Capital Advisors LLC estimated that internet gambling expenditure would be in the region of \$2.2 billion (£1.5 billion) in 2000 and \$6.4 billion (£4.3 billion) in 2003, as in figure 12.i. Whatever the exact figure, there is a significant internet gambling market both globally and in the UK.

	1999	2000	2001	2002	2003
US Dollars, millions	\$1,167	\$2,207	\$3,119	\$4,546	\$6,342
(£ equivalent) ²⁵	(£778)	(£1,471)	(£2,078)	(£2,981)	(£4,121)

Source: Christiansen Capital Advisors LLC (2000)

Figure 12.i: Estimated Actual Internet Gambling Expenditures 1998-2003

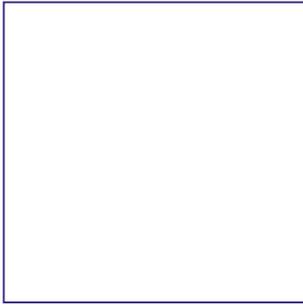
20- Using a conversion rate of (US)\$1.50 to (GB)£1. 21- National Gambling Impact Study Commission (1999) 22- Using a conversion rate of (AUS)\$2.50 to (GB)£1. 23- Senate Select Committee on Information Technologies (2000) 3 24- National Office for the Information Economy (2001) 25- Using a conversion rate of (US)\$1.50 to (GB)£1.



chapter thirteen

Relationship with the Underlying Activities

- 13.1 Our terms of reference require us to concentrate on gambling; they do not require us to consider the health or prosperity of the activities on which gambling may be based. The Rothschild Commission¹ was particularly required to consider
- The contribution made from the proceeds of gambling towards the support of other activities (including sport), the means by which this might be enhanced, and the conditions to be imposed.
- 13.2 One might suggest that the change between the two sets of terms of reference reflect the changes that have taken place in the view of the appropriate role of the state over the past twenty or so years.
- 13.3 Despite this injunction, the Rothschild Commission reflected a robust attitude to the issue. It is worth quoting their arguments in relation to horseracing at some length:
- The proposition that bookmakers and punters ought to contribute to racing is widely regarded as self-evident. In a joint submission from a number of racing organisations we were told that one of the main problems confronting racing was “whether the proceeds of gambling can be made to supply a large enough injection of finance into horseracing”. The Tote went even further. It declared that “so long as bookmakers are allowed to extract huge sums of money every year from the horseracing industry, the industry will never be healthy”. The implication is that the profits of bookmakers belong in some sense to racing.*
- We do not agree with this approach. Racing and betting are separate economic activities. Of course the one is dependent on the existence of the other, but then so are many economic activities. The fact that bookmakers have chosen to make their living in a way which depends upon other people being willing to run horse races means that prudent self-interest might lead them to make a contribution to the maintenance of the sport. But it cannot create a moral obligation. If the bookmakers prefer to see racing decline and take the consequences, that is their business. The same goes for the punters. They may wish to help racing but they are under no obligation to do so.*
- 13.4 We find it hard to improve on those conclusions and believe they apply generally. We make no recommendations directed at regulating the relationship between gambling and the underlying activities. We believe that should be a matter for bargaining and negotiation between the gambling industry and the related activities, subject to the normal concerns of the competition authorities. We note that the Tote will be transferred to the horseracing industry and that it will be allowed to retain its monopoly of pool betting. That implies a public policy decision on which we do not comment although we have commented on its effects on the punter.
- 13.5 The greyhound racing industry has, understandably, asked for parity with horse-racing in terms of a levy paid by the bookmakers. It claims that less than 0.4% of all greyhound bets were returned to the greyhound industry via a voluntary levy, compared to around 1.5% of all horseracing bets.² As we have already said, it is not for us to make recommendations regarding the relationship between gambling and the underlying activities. The relationship is a commercial one and therefore any levy should be voluntary. Notably, the Home Office has already signalled its intention to abolish the horserace betting levy scheme, having “identified no overriding reason why the assessment, collection and apportionment of a levy on horserace betting should be a proper function of the public sector”. Similarly, there is no statutory basis for the relationship between the football pools and the money it donates to the Football Foundation (formerly the Football Trust), as a discretionary trust, and the Foundation for Sports and The Arts, which is also a discretionary trust.³
- 13.6 There is a related issue on which we have received a number of submissions, namely the welfare of greyhounds. Although we believe that this too lies outside our terms of reference, we have some sympathy for the arguments. We were told that of a minimum of 10,000 greyhounds retired or discarded each year, only some 1,800 are re-homed. There are many documented instances of the inhumane fate of the remaining 8,500 dogs. It is the responsibility of the industry to put its own house in order. However, they are no doubt aware that there are pressures on the government to act on animal welfare issues which can evoke strong public emotions.



chapter fourteen

Attitudes To Gambling

Historical perspective

- 14.1 Much of the existing legislation in the UK reflects an attitude that gambling is, at best, something to be grudgingly tolerated and contained, rather than allowed to be encouraged. This attitude is based either on the belief that gambling is bad in itself (the moral argument) or that it can lead to serious harm (the danger argument). It is for this reason that the concept of “unstimulated demand” (enshrined in the 1968 Betting and Gaming Act) has such a central role.
- 14.2 In considering the historical background, it is worth noting that when, prior to the 1960s, many forms of gambling were illegal in the UK, a great deal of illegal gambling took place. The legislation of the 1960s was introduced at least in part to regulate a form of activity that the law was unable effectively to suppress. Consequently, the UK is unusual in that the primary purpose of its existing gambling legislation is social control. In other jurisdictions, such as the US and Australia, gambling has been used as a tool for economic regeneration. But in the UK, at least until the advent of the National Lottery in 1994, commercial and economic interests took a secondary place in determining the nature of legislation.

Have attitudes to gambling changed?

- 14.3 The argument that attitudes towards gambling have changed, and that it is no longer generally the subject of disapproval, is an argument widely used in written submissions to us. It is based on the fact that so many people in the UK now gamble by means of the National Lottery. Yet the effect of the National Lottery on social attitudes to gambling is hard to determine, and may be readily exaggerated. So while it is often repeated that social attitudes to gambling have changed in the UK, we have not been presented with any firm evidence to this effect. Whilst most of those making submissions shared the view that attitudes had changed, there were dissenters. One submission claimed that suggestions that attitudes have changed were based on self-serving industry wishful thinking¹ and another that gambling should not be thought of as part of a wider leisure industry.² We decided to test the assertion that attitudes have changed by commissioning a survey by the Office of National Statistics (ONS), the results of which are discussed below. We also wanted to test the general assumption that the

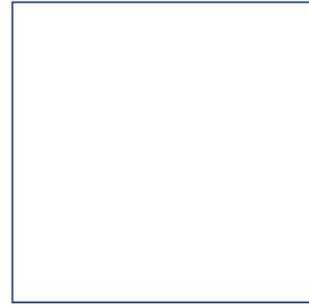
advent of the National Lottery had revolutionised attitudes towards gambling, and to test whether our emerging views were in tune with those of the general public.

Sources of information

- 14.4 We have used a number of other sources to complement the data about attitudes in the ONS survey. We derived information from the Prevalence Survey,³ the MORI survey in the BISL report “The Economic Value and Public Perceptions of Gambling in the UK”⁴, a survey conducted for the Home Office on attitudes to the controls on gambling and drinking⁵, and several surveys conducted for contributors to the review about their areas of activity. We also looked at surveys conducted abroad.

Survey on Attitudes to Gambling commissioned by the Gambling Review Body

- 14.5 The survey was conducted by the ONS over two weeks in January and one week in February 2001 as part of their January omnibus survey. A random sample of 3,000 private households in the Great Britain was selected and stratified by region, by the proportion of households renting from local authorities, and by the proportion in which the head of the household is in Socio-Economic Groups 1-5 or 13 (that is a professional, employer or manager). 1,678 face to face interviews were conducted with people aged 16 or over. Details of the methodology of the survey and tables of the data collected are annexed to this report.
- 14.6 The survey aimed to measure public attitudes in four areas:
- changes in attitudes towards gambling
 - attitudes towards the availability of fruit machines in places not usually associated with gambling
 - attitudes towards allowing children to play on the type of fruit machine commonly found in seaside arcades
 - whether people considered the National Lottery to be a form of gambling.



Do people think the National Lottery is gambling?

- 14.7 So that they were not prompted into considering the National Lottery as a form of gambling, respondents were asked by the ONS whether they had played the National Lottery before they were asked about their views on gambling. People were asked if their attitudes had changed over the past 10 years, because we wanted to use a period which would include the introduction of the National Lottery without making it obvious that this was one of the aims of the question. 80% of people surveyed thought that doing the National Lottery was gambling. 73% had bought a lottery ticket or scratch card in the last year.

Have attitudes to gambling changed in the last 10 years?

- 14.8 The results of the ONS Survey seem to indicate that the National Lottery has not changed attitudes to gambling. The vast majority (80%) said that their attitude was unchanged over the last 10 years. The percentage of people who said their attitude had become more negative towards gambling over the last 10 years (15%), was higher than the percentage who said their attitude had become more positive (6%). The percentage of those who said their attitude had become more negative towards gambling over the last 10 years (21%) was higher in London than anywhere else in Great Britain. The percentage of those who said their attitude had become more positive (11%) was higher in Scotland than anywhere else in Great Britain.
- 14.9 Early in 2000, the Home Office commissioned an ONS omnibus survey to look at attitudes to the regulation of gambling and drinking – both areas in which the legislation was under review.⁶ That survey involved 1,753 interviews. Respondents were asked if they thought they knew what the controls on gambling were, and if they replied that they did, they were asked whether they thought the controls should be relaxed. 27% of those questioned thought that they knew what the controls were. Of that 27%, 96% did not want the controls relaxed. In the light of this result, it is interesting to note Dr Rachel Volberg told us that surveys in the U.S. show that although gambling participation has increased, attitudes have not changed very much. She referred to a 1999 Gallup survey which revealed that 47% favoured the status quo on regulation, 29% a reduction or ban on gambling, and 22% expansion.⁷
- 14.10 We asked those making written submissions to us to comment on whether attitudes to gambling had changed since the 1960s. The views of those who answered this question differed from the results of the

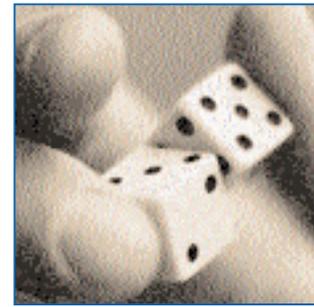
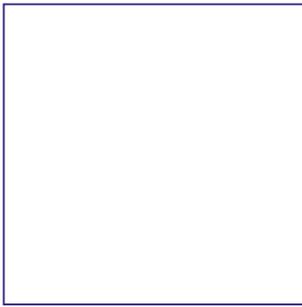
ONS Survey. 38% of those who made written submissions responded to this question. Of those, 98% thought that attitudes had changed. Their comments suggested that they thought gambling had become more acceptable. This difference could be accounted for by one or more of the following factors:

- the periods of time covered by the questions are different
- people may have answered the question on the basis of their impression of attitudes in general rather than their personal attitudes
- the sample was smaller and self-selecting, and the majority of those contributing to the review who answered the question on attitudes were from the gambling industry.

- 14.11 If gambling participation rates are any indicator of attitudes towards gambling, a comparison of the results of the survey conducted for the Rothschild Commission in 1978⁸ with the ONS Survey in 2001 would indicate there has been very little change. The 1978 survey reported that over 94% of adults (some 39 million people) had engaged in some form of gambling. The ONS Survey reported that 90% (some 41 million people) had participated in an activity which they regarded as gambling over the past 12 months. (The Prevalence Survey⁹ in 2000 reported a lower participation rate of 72%, but it did not include categories such as premium bonds which were included in the surveys of 1978 and 2001.)

Attitudes to gaming machines

- 14.12 The ONS Survey found a high level of disapproval for fruit machines in places like cafés and taxi cab offices. 66% would like to see either none or fewer in such places. 33% would like to see the same number, and only 1% would like to see more. This finding illustrated an interesting correlation with the results of the MORI survey for BISL¹⁰. MORI asked people about their perceptions of the social acceptability and seriousness of gambling activities. The least acceptable activities were fruit machines in cafés and takeaways.¹¹ Local authorities have the power under the 1968 Gaming Act¹² to impose blanket bans on machines on unlicensed premises. A report in 1993 (the most recent information available) indicated that over 100 local authorities had chosen to impose blanket bans, in premises including fish and chip shops, taxi cab offices and launderettes.¹³
- 14.13 The ONS Survey sought views on children playing on fruit machines with a prize limit of £5, which are most commonly found at the seaside. 42% of respondents disapproved of children playing on these machines.



41% approved so long as an adult accompanied the child. 13% neither approved nor disapproved and only 4% approved of children playing on these machines. There was a higher level of disapproval in Wales (54%) and Scotland (56%) than in England (40%). The percentage of the youngest respondents (16-20 year olds) who approved so long as the child was accompanied by an adult was 49% – a higher percentage than the average, and the highest of all the age groups. The percentage of the youngest respondents who disapproved of children playing on these machines was commensurately lower – at 24%, the lowest of all the age groups.

14.14 In assessing how these perceptions should affect our recommendations, we have considered how changes in the law could affect seaside towns where family amusement centres with these machines are located. We therefore also took into account a survey of visitors to seaside towns and amusement arcades commissioned by BACTA and BALPPA.¹⁴ In a survey of 1,000 visitors to seaside resorts and 1,000 people who had visited seaside amusement arcades, just under 62% of the visitors considered amusement arcades to be either quite important or very important to seaside towns.

14.15 The MORI survey revealed that if machines in cafés and takeaways were the least socially acceptable form of gambling, the next least acceptable form of gambling was fruit machines in inland arcades. This lack of public enthusiasm is similar to the results of a national survey commissioned by the Australian Productivity Commission.¹⁵ In response to the question “should numbers of gaming machines be increased, decreased or stay the same?”, 51% thought they should be decreased, 41% thought they should stay the same and 1.7% thought they should be increased.

Social aspects of gambling

14.16 There seemed to be some conflict in the evidence about the extent to which sociability is an important feature of gambling. MORI¹⁶ found that one of the key benefits felt by gambling participants was the sociability associated with gambling. The Bingo Association commissioned a survey of the views of the public and of bingo players.¹⁷ 69% of the public and 83% of bingo players agreed with the statement that “playing bingo in a bingo club was more of a social activity than gambling”. However, according to the Prevalence Survey,¹⁸ the reply to the statement, “I have made good friends through gambling” was:

- 63% never
- 5% rarely and
- 5% sometimes.

It is of course possible that the respondents to the Prevalence Survey did not have bingo in mind when they answered the question. Moreover, for 35% of respondents in the Prevalence Survey, their only gambling activity was the National Lottery, and buying a National Lottery ticket is not an activity which we would expect to be conducive to making good friends.

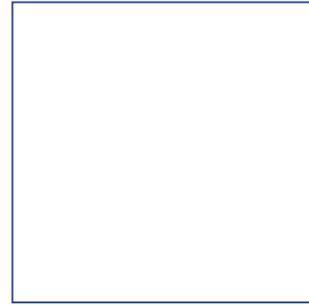
Gambling to benefit charity

14.17 The ONS survey revealed that the vast majority of the 90% of people who gambled in the past 12 months had participated in the National Lottery and bought raffle tickets. 73% of people played the National Lottery, and 58% bought raffle tickets. The next highest level of participation in a gambling activity (buying scratch cards) was much lower at 20%. Gambling which mixes public benefit with potential private gain is clearly the most prevalent form of gambling. By comparison, a far smaller proportion of people bet on horses and greyhounds (15%) play bingo (14%) and play on fruit machines (13%). MORI reported that small lotteries were perceived as the most acceptable and least serious form of gambling, closely followed by buying premium bonds and doing the National Lottery. The fact that so many people do the National Lottery¹⁹ does not lead us to conclude (as some have argued) that people would welcome exposure to other forms of gambling in all places where the National Lottery is available.

Range of attitudes in submissions to the Review Body

14.18 We received over 200 written submissions covering a broad range of views from individuals, representative organisations and the industry. Most thought the time had come for change, but there were considerable differences in the degree of change advocated. Only one submission proposed that legislation should be introduced to prohibit all forms of gambling.²⁰ At the other end of the spectrum, one submission put the case for radical change in forthright terms, “current anachronistic restrictions should be lifted to enable the industry to access untapped markets of potential gamblers”.²¹ 20% of those who made submissions answered the question “what influence should a change in attitudes towards gambling have on the regulatory structure?” Just over half thought that regulation should reflect current attitudes and just under half thought caution should be exercised in regulation.

14.19 We do not believe that there is any indication in any of the surveys we have seen that the attitude of the public to gambling has undergone radical change since the introduction of the National Lottery. Attitudes about the acceptability and seriousness of the various forms of gambling do not lead us to believe that there is a



public desire for unrestricted access to gambling. The survey which the ONS conducted for us indicates that most people would prefer less accessibility to fruit machines in non-gambling locations. We think that public attitudes should play a part in our recommendations, and we interpret the survey data as encouragement for our view that there should be a cautious approach to relaxing the controls on gambling.

14.20 We have noted that in Australia radical change to gambling legislation resulted in a rapid proliferation of gambling opportunities. The Australian Productivity

Commission reviewed the effects. Among the surveys it commissioned was a national survey on community attitudes to gambling, which found widespread concern about the expansion of gambling. Around 70% of respondents (including a majority of regular gamblers) considered that gambling does more harm than good.²² At 2.3%, the rate of problem gambling in Australia is the highest noted in the international comparisons given in the British Gambling Prevalence Survey. We think that the Australian experience offers reinforcement for a cautious approach.