

PRIME MINISTER

LOTTERIES

You will recall the confusion earlier in the summer when the National Hospital Trust sought to launch a scheme purporting to combine 100 "separate" local lotteries but linked together so that a large national weekly prize was offered. The promoters withdrew it when challenged by the Crown Prosecution Service.

There were various internal exchanges at the same time about Ministers' attitudes towards different types of lottery. Your view was that smaller lotteries at the local voluntary level geared to specific projects were more appropriate than national lotteries.

You will wish to be aware of Douglas Hurd's letter of 28 September attached and of the three part statement that he proposes to make as soon as possible:

(1) stating the intention to make regulations to clarify that "multiple" lotteries of the National Hospital Trust type are unlawful;

(2) balancing this with the "carrot" of the intention to increase financial limits on single lotteries;

(3) promising a green paper in due course on the question of national lotteries.

I imagine you will have no difficulty with the first element. You will want to consider whether you are happy with the second and third points.

PLG.

(PAUL GRAY)

30 September 1988

I see no reason for a green paper on national lotteries.

Agree (1) & (2) no



QUEEN ANNE'S GATE LONDON SW1H 9AT

28 September 1988

Dear John,

LOTTERIES

*attached
yes pl. - request
p.*

with request of request

You will recall that I included proposals to make 'multiple' lotteries unlawful by regulation, and to increase financial limits on lotteries promoted in accordance with the spirit and intention of the Lotteries and Amusements Act 1976, in my letter of 2 August. Those proposals have received agreement in principle from all the colleagues who have so far been able to reply to that letter (Peter Walker, Norman Lamont, James Douglas-Hamilton, Richard Needham and Richard Luce).

I should now be grateful for the urgent agreement of colleagues that I should, as soon as possible next week, announce an intention to make regulations to put beyond doubt that 'multiple' lottery schemes, which may offer big national prizes, are illegal. My announcement would couple this with the intention to make an order increasing the financial limits on single lotteries promoted under the current legislation and would confirm that this action does not affect the question, which the Government is still considering, or a national lottery or lotteries. The reason for urgency is that the promoters of the "National Health Service" multiple lottery, which foundered in May, may re-launch their scheme at any time and we should make such an announcement before that. The reason for making regulations urgently is that to allow schemes of this type would afford great scope for fraud and serious mismanagement of the lotteries involved.

Revival of the 'NHS' Scheme

You will recall that in April the National Hospital Trust (NHT) and Loto Ltd announced a scheme purporting to combine 100 separate lotteries with the chance of a weekly first prize of £200,000. The Chairman of the Gaming Board for Great Britain referred the scheme to the Director of Public Prosecutions, and the promoters withdrew it when they were informed by the Crown Prosecution Service (CPS) that the Director considered that, in

/its form at

The Rt Hon John Wakeham, MP

its form at the time, the scheme clearly contravened the law. Last month solicitors acting for the NHT/Loto sent a revised scheme to the CPS. On 21 September the CPS replied that, in their view, the scheme would not be unlawful and, provided it were conducted under arrangements which the solicitors had described, the CPS would not bring any prosecution in respect of it.

The CPS's letter to the solicitors added that their decision binds no court, and that it must not be assumed that the CPS would intervene to stifle any private prosecution of the promoters if they launched the scheme. This caution and the possibility of a private prosecution may be why the promoters have yet to announce a re-launch. But we must plan on the prospect of such an announcement, and on the assumption that it will be made sooner rather than later. It seems likely that they have found a way round the law.

The crime prevention objection of 'multiple' lottery schemes

'Multiple' lottery schemes could attract, and offer great scope to, the fraudulently-minded because of the comparatively vast sums in proceeds which could pass through their hands, subject only to vetting and accounting procedures which have already been shown to be inadequate for the conduct of lotteries limited to much smaller amounts.

The 1976 Act, under which the NHT/Loto Scheme, and any others like it, would operate, has been criticised in this respect virtually since its inception. The report of the Rothschild Royal Commission on Gambling in 1978 found evidence of fraud and other misappropriation of funds, and the report of the Gaming Board in the same year recommended tightening the law. Since then there have been numerous police investigations of serious offences arising from the running of lotteries, many of them leading to prosecution and substantial penalties, including terms of imprisonment.

The position has remained the same for want of a legislative opportunity and because of the tight financial limits which the 1976 Act imposes - which 'multiple' schemes are designed directly to circumvent. In addition, the 1976 Act provides for some scrutiny of accounts and other financial handling of lotteries by the Gaming Board, where a lottery is promoted by a local authority or, in the case of a society lottery, the proceeds are to exceed £10,000 (and the first prize £2,000). (At present, the highest maximum on proceeds, for a long-term lottery, is £120,000 with other maxima of £60,000 for a medium-term lottery and £30,000 for a short-term lottery.) Even so, in correspondence at the turn of last year, the Chairman of the

/Gaming Board

Gaming Board told us, following a sample programme of inspections of societies' lotteries by his Inspectorate, that without further statutory powers the Board could give no assurance that the lotteries they attempt to supervise were being conducted in accordance with the law.

Public lotteries promoted by societies where the proceeds are not to exceed £10,000 do not come to the Board at all. As to financial supervision, all that is required is the submission to the local authority, three months after the date of the lottery, of the simplest of financial returns, which the local authority has no duty to check or otherwise to enquire into. And it is precisely such 'small' lotteries which the NHT/Loto scheme, and any other imitative promoters, would combine.

To take the NHT/Loto example, they envisage running each week one hundred lotteries in the name of societies registered with a local authority with the aim, therefore, of proceeds of £1 million a week (100 x £10,000). The Gaming Board are concerned that their greater powers can be inadequate to supervise a weekly lottery with maximum proceeds as low as £30,000. It may be that the promoters of the NHT/Loto scheme, if it runs, would handle the proceeds totally scrupulously, although the first opportunity even to begin to check that would be inspection of minimal financial information required to be submitted to the local authority only three months after the first lottery. But there can be no guarantee that imitators would be scrupulous and some reason to fear that they would not. In short, the law is inadequate to protect the public even now, and the dangers if the sums involved were increased on the scale envisaged by NHT/Loto would be formidable.

Nature of regulations

I am advised that it does seem likely that an effective regulation can be devised to make the promotion of such schemes unlawful. The effect of the regulations would be to prevent the promotion of lotteries where a person, who has tickets or chances in them all, if he wins in one is certain to win in all. This would catch not only the NHT/Loto scheme, but also variants which other promoters in the lotteries industry have devised, but not launched, in the past.

Timing of regulations

Such regulations could not take immediate effect. The 1976 Act requires prior, external consultation, with the local authorities as well as the Gaming Board, for which a reasonable period will need to be allowed and, when made, at least 21 days

/should be allowed

should be allowed before the regulations come into force. This suggests regulations taking effect possibly not until early next year.

I would like to announce an intention to make regulations before the NHT/Loto scheme is re-launched. That might cause the promoters to withdraw their plans. If they ignored such an announcement, or re-launched the scheme before it could be made, it would become unlawful three months after the regulations took effect. This would be messy, not least presentationally, but in view of the crime prevention considerations involved with schemes of the type, I believe I should proceed with regulations whether or not the NHT/Loto promoters get under way before my intention is announced.

Increases in financial limits

But in my view we need a carrot as well as a stick. Colleagues, including Norman Lamont in particular, have asked that I should put any detailed proposals for modest increases in the financial limits on single lotteries to them before proceeding to outside consultation (including with the lotteries industry and the local authorities) and I shall do so soon. The prospect of such increases has been widely forecast in the press, and I believe it important that this firm intention, though not the detailed proposals themselves, should be confirmed in the announcement about action to render 'multiple' lotteries unlawful. We should offer encouragement to those ready to work within the spirit and intentions of the 1976 Act as we move against schemes aimed to circumvent the law.

The particular complaint of the lotteries industry has been that the maximum prizes which may be offered in lotteries promoted under schemes registered with the Gaming Board are too low. There is less concern about the limits on proceeds. For colleagues' information, what I have in mind, therefore, is the possibility of worthwhile increases made by Order in these prize maxima (perhaps of 100 to 150%) with lesser, or possibly even no, increases in the related limits on proceeds, and no increase in the limits on the schemes which avoid registration with the Gaming Board. This would take into account the Board's most acute concerns. But in any event, my announcement would be confined to making public the intention to consult interested parties about proposals for increases in limits.

Relationship to 'National' Lotteries

It will be important to emphasise in any announcement about regulations that they are dictated by considerations separate

/from the question

from the question of our position on 'national' lotteries (whether a state national lottery, or privately run national lotteries with appropriate regulatory machinery). I continue to intend, as envisaged in my letter of 2 August to you, to circulate a paper to colleagues exploring the arguments about this in some detail. Some colleagues who have replied to that letter have explicitly supported the need to consider this in longer time, for example away from publicity about the review of NHS funding, and to avoid the impression that there would be swift legislation.

But an announcement on regulations will invite questions about our broader policy. I believe we should respond by saying that we certainly intend to make known the fruits of our careful consideration of the issues, to which there will be an opportunity to respond, in due course, whilst discouraging expectations of any statement of our views and intentions this year. In my letter of 2 August, I suggested a Green Paper as one option. I believe it could be helpful now to announce an intention to publish such a Paper, to confirm the thoroughness of our consideration and openness to the wide range of interests and views.

Summary

In the hope that we might still be in time to act before the NHT/Loto scheme is re-launched, I should be grateful to know as soon as possible, and by close of play on Monday 3 October at the latest, if colleagues agree that:

- (i) as soon as possible next week, I should announce an intention, following the statutory consultation required, to make regulations rendering 'multiple' lotteries unlawful, in order to close-off the opportunity for fraud and mismanagement;
- (ii) the announcement should also include an intention to proceed by regulation to make some increases in financial limits on single lotteries, again subject to consultation;
- (iii) in making the announcement, it should be emphasised that neither set of regulations represents a decision on the question of 'national' lotteries, that we continue to consider this and will publicise our views in due course in a Green Paper;
- (iv) the announcement should be made whether or not the NHT/Loto scheme has been re-launched.

/I am copying

I am copying this letter to the Prime Minister, other members of H Committee, the Attorney General, the Minister for Arts and Libraries, the Chief Whips in both Houses and Sir Robin Butler.

Yours,

Douglas.



CSA

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

10 October 1988

NBM
RCL
13/10

Dear Douglas

at Pop

Thank you for your letter of 28 September seeking H Committee's agreement that regulations should be introduced to outlaw multiple lotteries, that the monetary limits on single lotteries should be increased and that you should announce an intention to bring forward a Green Paper on the question of national lotteries.

The Prime Minister, through her Private Secretary, indicated that she was content for multiple lotteries to be prohibited and for the monetary limits on individual lotteries to be increased but that she saw no reason for a Green Paper on national lotteries. Nicholas Ridley, Kenneth Clarke, Norman Lamont and Richard Luce wrote conveying their agreement to your proposals.

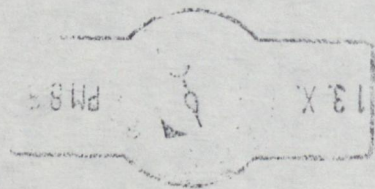
No other colleague commented and this is to confirm that H Committee agree your proposals on multiple lotteries and on the monetary limits for individual lotteries. I understand that, in the light of the Prime Minister's comments, you do not intend to pursue the suggestion of a Green Paper.

I am copying this letter to the Prime Minister, colleagues on H Committee, Patrick Mayhew, Richard Luce and Sir Robin Butler.

JOHN WAKEHAM

The Rt Hon Douglas Hurd CBE MP
Home Secretary

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From: THE PRIVATE SECRETARY

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HOME OFFICE
QUEEN ANNE'S GATE
LONDON SW1H 9AT

5 October 1988

mhm

Dear Alison,
hap

RLC
6/10

On 28 September the Home Secretary wrote to the Lord President seeking the urgent agreement of colleagues to the announcement this week of an intention to make regulations to make 'multiple' lotteries unlawful and, at the same time, by Order to increase monetary limits on individual lotteries.

The Home Secretary's colleagues agreed that such an announcement should be made, and I enclose for information a copy of the text which was issued as a Home Office Press Release today.

I am copying this letter and the Press Release to the Private Secretaries to the Prime Minister, the other members of H Committee, the Attorney General, the Minister for Arts and Libraries and the Chief Whips in both Houses, and the Private Secretary to Sir Robin Butler.

Yours sincerely,

P J C MAWER

Ms Alison Smith



Home Office

NEWS RELEASE

50 Queen Anne's Gate London SW1H 9AT
(Night line 01-273 4595)
Contact Number:

5 October 1988

01-273 4600

PROHIBITION OF 'MULTIPLE' LOTTERIES; AND INCREASES IN MONETARY LIMITS ON INDIVIDUAL LOTTERIES

The Home Secretary, the Rt Hon Douglas Hurd CBE, MP today announced that he proposes to make regulations under the Lotteries and Amusements Act 1976 to prohibit 'multiple' lotteries and, at the same time, by Order to increase monetary limits on individual lotteries under the Act. These measures are expected to take effect early in the New Year. They are separate from the question of 'national' lotteries.

Mr Hurd said:

"The trouble about these suggested 'multiple' lotteries is that they could easily attract fraudulent operators who would cheat the public. That is no criticism of any particular proposed scheme, but the danger is clear. At the same time as preventing this abuse we propose to increase again monetary limits on individual lotteries and are consulting about how this should be done".

'Multiple' lotteries

The Home Secretary proposes to make regulations under section 12 of the 1976 Act having the effect of prohibiting the joint promotion of a group of public lotteries where a person who has entered several lotteries at the same time is certain to win a prize in them all if he wins in one.

Although such 'multiple' lottery schemes could appear to be an attractive way of offering very large cash prizes, in excess of the limits on prizes under the law, they could also result in combined proceeds vastly exceeding the amounts of money for which the regulatory provisions of the 1976 Act were designed. No such 'multiple' lottery schemes are known to be operating at present, but a number of proposals for them have been made. The existing regulatory provisions could not be adapted to

subject such schemes to adequate, independent financial accountability. However well any particular such scheme were run, there would be no bar to others being set up offering great scope for fraud and serious mismanagement of the funds involved at the expense of the public and the intended beneficiaries.

The 1976 Act requires prior consultation about such regulations with the Gaming Board for Great Britain and local authority interests. Other lottery interests including the Lotteries Council, will also be consulted before the regulations are made.

Increases in monetary limits

The same consultations will include proposals to increase current monetary limits on individual public lotteries. The aim is to respond to concern on the part of some of those ready to work with the spirit of the legislation that a number of those limits are too low to enable the successful conduct of lotteries as the Act intended. An Order increasing monetary limits would be made at the same time as regulations to render 'multiple' lotteries unlawful.

'National' lottery or lotteries

The Lotteries and Amusements Act 1976 provides essentially for modest lotteries. The Government is considering separately the arguments for a large lottery or lotteries on a national scale, either a state lottery, or privately run national lotteries subject to necessary regulatory machinery, for which fresh legislation would be required. The complex issues involved are being considered carefully.

NOTE TO EDITORS

1. The Lotteries and Amusements Act 1976 imposes monetary limits on the permitted maximum prizes and turnover of, and maximum cost of a ticket or chance in, societies' and local authority lotteries. The provisions of the Act, in addition to establishing monetary limits, impose a structure on the allocation of money received from the sale of tickets or chances (the 'proceeds'): no more than 50% may be set aside for prizes and no more than 25% for expenses. There is a power, under section 18 of the Act, to vary the monetary limits, but not these proportions, by Order.

ECON POL: Domestic Monetary Policy P119





ce PU

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

NBRM
Rec
5/10

My ref:
Your ref:

The Rt Hon Douglas Hurd MP
Home Office
Queen Anne's Gate
LONDON
SW1

- 5 OCT 1988

Dear Douglas

flap

Thank you for copying to me your letter of 28 September to John Wakeham on 'multiple' lotteries.

I am content with your proposals that, following statutory consultation, regulations be made rendering such lotteries unlawful. I agree that an early announcement to this effect should be made and that this announcement should also include an intention to increase the financial limits on single lotteries and an undertaking to continue to consider the question of national lotteries.

I am copying this letter to the Prime Minister, other members of H Committee, the Attorney General, the Minister for Arts and Libraries, Chief Whips in both Houses and Sir Robin Butler.

Nicholas Ridley

NICHOLAS RIDLEY



ELON POL

Dom. Monetary Policy

pt 19



cc file



Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Douglas Hurd CBE MP
Secretary of State for the Home Office
Home Office
50 Queen Anne's Gate
LONDON
SW1H 9AT

*MSM at this stage.
Rec'd
3/10*

3 October 1988

Dear Douglas
LOTTERIES

WITH R!

I have seen your letter of 28 September to John Wakeham, and agree that you should proceed as you propose.

I agree that you must act quickly to close off opportunities for fraud and mismanagement in "multiple" lotteries. I also agree that at the same time you will need to announce an intention to make some increases in financial limits on single lotteries. Our officials are in touch about the size of these increases, and I note you will consult colleagues separately on this. Finally, I believe it will be positively helpful to announce an intention to publish a Green Paper in due course on the question of "national" lotteries.

I am copying this to the Prime Minister, other members of H committee, the Attorney General, the Minister for Arts and Libraries, the Chief Whips in both Houses and Sir Robin Butler.

Yours
Norman
NORMAN LAMONT



Rue shk
cbs

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

3 October 1988

Dear Catherine,

LOTTERIES

The Prime Minister has seen the Home Secretary's letter of 28 September to the Lord President.

The Prime Minister is content for the Home Secretary to announce the intention to make regulations rendering "multiple" lotteries unlawful and the intention to proceed by regulation to make some increases in financial limits on single lotteries. However, following the doubt she expressed earlier in the year about national lotteries, she sees no reason for a green paper on this issue.

I am copying this letter to the Private Secretaries to members of H Committee, the Attorney General, the Minister for Arts and Libraries, the Chief Whips in both Houses and Sir Robin Butler.

*Ye
PA*

(PAUL GRAY)

Miss Catherine Bannister,
Home Office.

shk



CONFIDENTIAL
DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Richmond House, 79 Whitehall, London SW1A 2NS

Telephone 01-210 3000

From the Secretary of State for Social Services

cc/PU.

NBBH & his steps

Recd
3/10

The Rt Hon Douglas Hurd CBE MP
Secretary of State for the Home Office
Home Office
50 Queen Anne's Gate
LONDON SW1H 9AT

3 October 1988

Dear Douglas,

NATIONAL LOTTERIES AND POLICY ON LOTTERY LIMITS

In your letter of 2 August on this topic you sought the views of colleagues on your proposal to

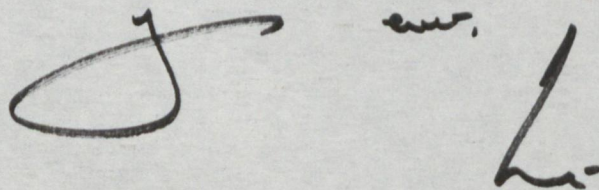
- (i) increase the present monetary limits on "local" lotteries,
- (ii) put the illegality of multiple lotteries beyond doubt, and
- (iii) instigate a review of the arguments for and against a non-State, national lottery.

In general I would have supported each of these proposals - and I am grateful for, and would heartily endorse, your suggestion that we keep this well away from the NHS Review.

Your further letter of 28 September was, however, received before I had been able to reply to your earlier one. It proposes further, swift action to make Regulations to stop the Loto Ltd scheme and I agree that this is the best course of action in all the circumstances. I am grateful that you are seeking to act before the lottery is relaunched but it is for urgent consideration whether the Trust should be approached now to give them warning of our intentions and, if so, in what manner and by whom.

In the meantime you may like to know that, in the event that there is a relaunch, we intend to maintain a neutral public line similar to that taken at the time of the original launch - that we welcome schemes in support of the NHS as long as they are run responsibly within the law.

I am copying this letter to the Prime Minister, other members of H Committee, the Attorney General, the Chief Whips in both Houses and to Sir Robin Butler.



KENNETH CLARKE

010

call



CABINET OFFICE
OFFICE of the MINISTER
for the CIVIL SERVICE

*NBM
PRC
3/10*

The Minister of State
Privy Council Office
The Rt. Hon. Richard Luce MP

Horse Guards Road
London SW1P 3AL
Telephone: 01-270 5929

C88/4748

The Rt Hon Douglas Hurd MP PC
Home Secretary
Queen Anne's Gate
LONDON
SW1H 9AT

30 September 1988

Dear Douglas
WITH PC

Thank you for copying to me your letter of 28 September to John Wakeham outlining your proposal to announce next week's measures to clarify the legal status of multiple lotteries.

I am writing to say that I am content to agree to the action summarised in the penultimate paragraph of your letter.

I am copying this letter to the recipients of yours.

W
Richard

RICHARD LUCE

ccp
MSA

REC

11/8

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Douglas Hurd CBE MP
 Secretary of State for the Home Office
 Home Office
 50 Queen Anne's Gate
 LONDON SW1H 9AT

31 August 1988

John Douglas

NATIONAL LOTTERIES AND POLICY ON LOTTERY LIMITS

I have seen a copy of your letter of 2 August to John Wakeham summarising colleagues' views and proposing further action. I have also seen Richard Needham's reply of 18 August and James Douglas-Hamilton's of 19 August.

As my letter of 18 July indicated, my thoughts about the next steps are similar to yours. In principle, I very much welcome your proposals.

As far as the monetary limits are concerned, I think it essential to give colleagues a chance to comment on any proposed changes before you consult the Gaming Board and other interests. This will give us the opportunity to discuss the merits of encouraging larger local lotteries, and to weigh them against possible opposition - for example from charities. For my part, I should also want at this stage to consider whether the proposed new limits would be likely to increase the scale of local lotteries to an extent which might significantly exacerbate the difficulties of public expenditure control.

I agree entirely that it would be sensible to introduce, at the same time as changes in the monetary limits, amending Regulations to put beyond doubt the illegality of multiple local lotteries with big national prizes.

Turning to the question of a non-state national lottery, I agree that this is something that we should consider in rather slower time. It seems sensible to defer any public debate until the NHS Review is out of the way. But there is lot of Parliamentary and public interest in and support for lotteries. I suggest therefore that we set ourselves a firm timetable - say publication of Green Paper or a keynote Ministerial speech announcing the Government's intentions by the end of March 1989.

In the meantime, I welcome your proposal to circulate a paper to colleagues exploring the arguments in some detail. I am anxious that this should give adequate cover to two very important Treasury points:

(a) the likely effect on, and ways to protect, revenue (at present £800 million a year) from some existing forms of gambling;

(b) what the public expenditure and value for money consequences would be if the lottery proceeds were devoted to public programmes, and how these aspects should be handled to maintain public expenditure control.

It would be helpful if these matters could be discussed between our officials before your paper is finalised.

I am copying this letter to the Prime Minister, other members of H Committee, the Attorney General, the Chief Whips in both Houses and Sir Robin Butler.

Yours etc
Norman Lamont

NORMAN LAMONT

31. VIII 1988 PM 88

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PTIS



ce:PV
OFFICE OF ARTS AND LIBRARIES
Horse Guards Road
London SW1P 3AL
Telephone 01-270 5929

From the Minister for the Arts

C88/4302

Ms C Bannister
Private Secretary to the Secretary of State
Home Office
50 Queen Anne's Gate
LONDON
SW1H 9AT

NBM
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26 August 1988

Dear Catherine,

LOTTERIES

at flat

My Minister saw your Secretary of State's letter of 2 August to the Lord President when he visited the office briefly during his holiday.

He is content to agree the Secretary of State's proposals and in particular for him to proceed towards raising the monetary limits on "local" lotteries. As he said in his letter of 7 June, he believes that a substantial increase in the limits is desirable if the full benefits for arts bodies and others are to be realized. He looks forward to the wide-ranging paper to be circulated in the autumn.

I am copying this letter to No. 10, to the Private Secretaries of members of H Committee, the Attorney General, the Chief Whips and Sir Robin Butler.

Yours,

Eleanor

MISS E M GOODISON
Private Secretary



ECON Pol : Domestic Monetary Policy 1979

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The Rt Hon Peter Walker MBE MP

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-270 3000 (Switchboard)
01-270 (Direct Line)
From The Secretary of State for Wales

CT/4533/88

22 August 1988

*Yes please
HCC
10/8*

A Douglas

With request if request

Thank you for copying to me your letter of 2 August to John Wakeham on national lotteries and local lottery prize limits.

I am content with your proposals to increase the maximum prize limits on local lotteries and clarify the position on multiple schemes. I am also in favour of the longer term approach to privately run national lotteries you suggest.

I am copying this letter to the Prime Minister, other members of H Committee, the Attorney General, the Chief Whips in both Houses and to Sir Robin Butler.

HCC

The Rt Hon Douglas Hurd CBE MP
Secretary of State for the Home Department



SCOTTISH OFFICE
ST. ANDREW'S HOUSE
EDINBURGH EH1 3DG

APU

W. H. M.

The Rt Hon Douglas Hurd CBE MP
Secretary of State for Home Affairs
50 Queen Anne's Gate
London
SW1H 9AT

19 August 1988

Dear Douglas,

NATIONAL LOTTERIES AND POLICY ON LOTTERY LIMITS

at flat

Thank you for copying to Malcolm Rifkind your letter to John Wakeham dated 2 August. I am replying in Malcolm's absence.

As he explained in his letter of 9 June, we remain concerned that a national lottery might direct monies away from smaller charities which rely significantly on income from local lotteries; and we should recognise that the scale of publicity and promotion which would necessarily attach to any successful national lottery would represent a significant departure from our long established policy of providing only for unstimulated demand. This would provoke criticism and opposition from a number of sources. There remains too the worry about the opportunities for fraud and other criminal activity which such a project would provide.

we

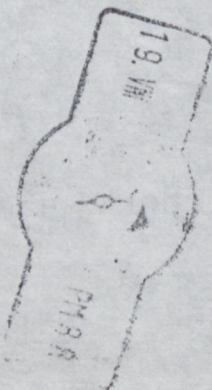
That being said, we must of course be ready to re-examine our policy in the light of changing public attitudes, and of the changes which may be brought about by the Single European Market; and your offer to circulate a paper after the recess is therefore welcome. I would urge, however, that there should be no advance commitment of even a provisional kind towards the publication of a Green Paper until we have had an opportunity to assess public reaction to increased monetary limits for which I have already indicated my support. *we* agree, too, the desirability of a provision putting beyond doubt the illegality of multiple local lotteries.

Copies of this letter go to the recipients of yours.

*Yours
James*

JAMES DOUGLAS-HAMILTON

ECON POL : Domestic Monetary Policy 1979.





cc'd

DUNDONALD HOUSE
UPPER NEWTOWNARDS ROAD
BELFAST
BT4 3SF

The Rt Hon Douglas Hurd CBE MP
Home Secretary
Home Office
50 Queen Anne's Gate
LONDON
SW1H 9AT

16/8

August 1988

nbpm

H70/88.

Rev Douglas Hurd

NATIONAL LOTTERIES AND POLICY ON LOTTERY LIMITS

Your letter of 2 August to John Wakeham on the above subject was copied to Tom King, and I am replying on his behalf.

We are quite content with the proposal that you proceed with arrangements aimed at raising the present monetary limits on "local lotteries" and agree completely that any doubt about the illegality of multiple lotteries with big national prizes should be removed as soon as possible.

We await with interest further details of the precise changes you propose to make by way of subordinate legislation, and also the paper exploring the arguments for and against a national lottery. As Tom explained in his letter of 25 May, we have separate but very similar lotteries legislation in Northern Ireland and I am currently examining the possibilities of raising funds for the Northern Ireland Health and Social Services through lotteries.

I am copying this letter to the recipients of yours.

RICHARD NEEDHAM

ECON POL - Domestic Monetary Policy

pt 19 ●

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CEPU
nbpm



QUEEN ANNE'S GATE LONDON SW1H 9AT

2 August 1988

Dear John,

NATIONAL LOTTERIES AND POLICY ON LOTTERY LIMITS

WILL REQUEST IF REQUIRED

I wrote to you on 13 May inviting colleagues to consider future policy on lotteries in the light of the "NHS" lottery promoted by Loto Ltd. In the event, Loto cancelled their draw in the face of a warning of prosecution by the Crown Prosecution Service. There have been rumours of an imminent re-launch, but it appears that Sir Douglas Black, the Chairman of the National Hospitals Trust in those name the lottery would be launched, has put a stop to this - at least for the present.

You will already have seen colleagues' replies to my letter. Their views differ quite widely, and it may help if I summarise them here before going on to discuss what further action I propose.

A STATE NATIONAL LOTTERY

A state national lottery, the third option in my letter, found favour with Tom King, who is concerned at the loss of funds being drained away from the Northern Ireland economy by the Irish national lottery (Northern Ireland has its own gaming legislation), and Colin Moynihan, who would like the idea to be reconsidered for help to sport. The Prime Minister expressed the view that smaller lotteries at local voluntary level, geared to specific projects, were more appropriate than national lotteries. John Moore was not attracted by the idea of relying on such a state lottery to raise revenue for NHS funding or other public services, and Kenneth Clarke was definitely against it. As I said in my letter, there are strong arguments of policy against this option. It would run against the grain of our commercial policies, even if one were to accept the idea of a national lottery in principle.

**PRIVATELY RUN NATIONAL LOTTERIES,
WITH APPROPRIATE REGULATORY MACHINERY**

Opinion on this option was more evenly divided. Kenneth Clarke tended to favour it, and Norman Lamont and Peter Walker thought it merited further thought. John Moore thought that such ventures might damage existing fund-raising activities without providing a predictable income.

MAXIMUM LIMITS FOR CURRENTLY PERMITTED LOCAL LOTTERIES

No strong disadvantages were seen to the continuance of the present policy of allowing only locally-licensed lotteries with relatively small prize limits. Most colleagues favoured consideration of raising the present monetary limits on local lotteries. I am sure this would be right and I propose to consult the Gaming Board and the other interests concerned on the scale of the standard maximum prize: traditionally it has been set at about the price of the average new family car, so it needs to go up on that score anyway. But I would like to raise the limits even further, though there is an implied restriction on the level of maximum I could specify without being at risk of being held at judicial review to have made unusual use of my powers. I will, however, give colleagues an opportunity to comment on detailed proposals before I make an Order specifying the new limits.

CLARIFICATION OF THE ILLEGALITY OF MULTIPLE LOCAL LOTTERIES

There is another interim measure which I think it would be sensible to press ahead with at this juncture. Unless colleagues see any objection, I would propose to see whether, by amending the Regulations, we could insert a provision which would put beyond doubt that multiple lottery schemes with big national prizes are illegal. That was the view of the Crown Prosecution Service on the abortive attempt by Loto Ltd and the National Hospitals Trust to hold such a lottery last May. That fiasco has caused some public confusion (and we are still not certain that all the players have got their stakes back); but, as I have said, rumours of fresh attempts remain. It is clearly unsatisfactory for this uncertainty to continue and I think it would be reasonable - indeed our duty - to put an end to it. If that can be done by amending the Regulations, it might be timed to coincide with the Statutory Order to raise the monetary limits. The two measures should at least be announced simultaneously. Such a move would in no way pre-empt any decision which might be taken, after public discussion, to legalise lotteries with big national prizes.

FUTURE POLICY

Action on this and on existing limits could go ahead without prejudice to any further moves the Government may wish to consider in relation to privately run national lotteries. While it is clear that the Prime Minister and colleagues do not favour a state lottery, a good deal of interest was expressed in a franchised or licensed national lottery. As I said in my earlier letter, there are major issues of policy to be considered before opening the way for a national lottery or lotteries: the effect on charitable giving, the scope for fraud and encouragement to organised crime, the effect on other betting and the fiscal considerations (it could be expected to drain support from football pools, currently contributing £276 million to the Exchequer, or from off-course betting - £346 million duty collected in 1987) and our commercial policies.

Another important factor in all these considerations is 1992. It is claimed by the advocates of a national lottery that the Single European Market (SEM) - coupled perhaps with direct mailing - will open the way for UK residents to participate in foreign lotteries. Much may happen before 1992, or in its wake, but our own conclusion on present information is that there is no precise proposal in the SEM provisions which would affect our present controls. We are looking into this further.

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Meanwhile we face continuing pressure for a national lottery from some quarters in Parliament - as in last Thursday's Consolidated Fund short debate on Simon Burns' motion - and from outside. The Irish Government have set a precedent close to home with their new national lottery, which seems to be running well under the aegies of their post office. The American firm, G.Tech., and Rothschilds here have produced impressive schemes, based on overseas experience and exploiting modern computer technology. The media are keen to keep the issue alive. There are also strongly held views against allowing national lotteries, including by some of the interests who now run locally based lotteries, the charities and the football pools.

CONCLUSION

I think colleagues will agree with me that it would be wise to distance any suggestion that the Government was considering the feasibility of a national lottery well away from publicity about the NHS review. I would not, therefore, propose to move on national lotteries until interest in the results of the review has subsided. But in view of the range of issues involved, I shall circulate a paper to colleagues after the recess exploring the arguments in some detail. We might well then decide that it would be sensible to publish a Green Paper, or at least authorise a comprehensive speech setting out the implications of a licensed, i.e. non-state, national lottery. Meanwhile I should be grateful to know if colleagues are content for me to proceed with steps towards raising the present monetary limits on "local" lotteries (including an announcement at a suitable moment) with a view to putting precise proposals forward as soon as possible, and with the preparation of amending Regulations to put beyond doubt the illegality of multiple local lotteries with big national prizes.

I am copying this letter to the Prime Minister, other members of H Committee, the Attorney General, the Chief Whips in both Houses and to Sir Robin Butler.

Yours,
Douglas.