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QUEEN ANNE'S GATE LONDON SW1H 9AT

Prime Minister<sup>2</sup>

28 June 1990

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*Geoffrey*

I am writing to bring you and colleagues on H Committee up to date with the position on Skilball and the paper which I have in hand on whether or not we should envisage changing the law to allow one or more major lotteries, on a national scale. In short, principally because Skilball was launched later, and on a more modest, initial scale, than forecast, it is premature to attempt now to assess its implications for the policy on major lotteries. I intend, therefore, to circulate the paper on these issues, for subsequent collective discussion, after the forthcoming recess.

PREVIOUS CORRESPONDENCE

The principal correspondence on this rests with my letter of 21 December to you and your reply of 5 February. I proposed deferring a firm decision on major lotteries until the possible implications of Skilball - a new "skill" competition in some respects arguably akin to a lottery - were clearer. Your reply confirmed the agreement of H Committee to my proposals, whilst noting both the interest which some colleagues had expressed in discussing major lotteries in due course, and that at that time I hoped to circulate a paper on the lottery question this summer.

DELAY WITH SKILBALL

At the time of our earlier correspondence, the public plan of the promoters of Skilball was to launch the competition at the beginning of April, with participation via an initial network of some 2,000 sub-contracting retail outlets. In the event, Skilball was launched only on 14 May, it seems through an initial network of some 200 outlets only.

\CURRENT ASSESSMENT

The Rt Hon Sir Geoffrey Howe QC MP  
House of Commons  
LONDON  
SW1A 0AA

## CURRENT ASSESSMENT

The early indications are that Skilball is struggling to find a market. The promoters have failed to maintain a widespread initial advertising campaign and there are suggestions, for example from the absence of advertisements of major prize winners, that turnover, and so prizes, are very low.

## VALUE OF LATER ASSESSMENT

It would, nonetheless, be premature to assume that Skilball is destined to fail. It was launched with substantial risk capital on a prospectus which explicitly made provision for initial losses. Reserve or additional funds may be available to the promoters, who include professional marketers and people with experience in running the very successful Irish National Lottery. In addition, for the present at least, the promoters seem to have a clear run under the current law. The legal advice to me is that it would, on the information about the operation of Skilball which is available, be difficult to refer it to the Crown Prosecution Service as prima facie falling foul of the social law on "skill" competitions. I also understand that, whilst they have yet finally to settle their consideration of the matter, Customs and Excise may conclude that there is no practicable scope for seeking to make Skilball's turnover liable to pool betting duty (such liability would probably kill off the competition).

It cannot now be guaranteed that a final, reliable, commercial verdict on Skilball will be pronounced by the early autumn. But it is reasonable to suppose that a much clearer picture and assessment of Skilball's success or failure will be available if we wait for it until, say, October.

## NO EVIDENT EXTERNAL PRESSURE FOR EARLY DECISION

The advantage of deferring this H business to the early autumn is that the paper, and so the discussion, on it can both be better informed. There is no external pressure for an earlier decision on major lotteries to set against this. As foreseen in my letter of 21 December, the campaign for a national lottery for the arts, sport and the environment continues. There was a debate on it in the Lords on 28 February, initiated by Lord Birkett, and a Private Member's Bill to establish such a lottery, introduced by Ken Hargreaves under the Ten-Minute Rule procedure, is currently before the Commons - and, with L Committee's agreement, blocked there. I am not aware of any Parliamentary or public groundswell of support for this "national" lottery or any variant of it. We receive only a trickle of correspondence on major lotteries. The last Parliamentary Question to me on the subject was in January.

The other potential source of pressure is from developments in the European Community. But there, if anything, there might possibly be incidental advantage in deferring a firm decision on

\our lottery

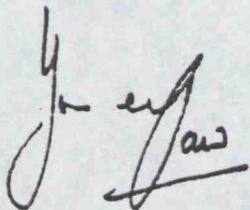
our lottery law to the early autumn. We understand that the generality of other Member States and, formally, the Commission, share our view that domestic, national legislation on gambling in compatible with EC law. Without derogating from its formal position on this, the Commission has commissioned a private sector company to study and report on the law on, and market in, gambling in each Member State. That report itself, although almost certainly not the Commission's reaction to it, may be available by the early autumn.

The other EC factor is the attempted promotion, by "mail shotting", of West German lotteries here. We are acting to curtail this, including both by representations to the West German authorities and by Customs and Excise impounding substantial quantities of the promotional material. The legality of our prohibition on EC lotteries may be tested in court, in forthcoming proceedings against Customs and Excise instituted by a West German lottery agent. The judgement in the initial proceedings, if not of any subsequent appeal, may again be available in time to be taken into account in a few months' time.

#### CONCLUSION

I trust that you and colleagues will understand, in light of this letter why I judge it better to circulate proposals on major lotteries for discussion after the recess - my current aim is to circulate a paper in October.

I am copying this to the Prime Minister, other members of H Committee, Douglas Hurd, Richard Luce, Tim Renton and Bertie Denham, and to Sir Robin Butler and First Parliamentary Counsel.

A handwritten signature in dark ink, appearing to read "John G. Law". The signature is written in a cursive style with a long, sweeping underline.

ECON POL: Domestic Monetary Policy Pt 22

