

PO-CH/NL/0308

PART A

Part A

CONFIDENTIAL

(Circulate under cover and
notify FEGISTRY of movement)

Begins : 27/10/86.

Ends : 23/12/87.



PO -CH /NL/0308



PART A

Chancellor's (Lawson) Papers :

PROPOSALS FOR A EUROPEAN
LOTTERY

DD's : 25 Years

D Anderton

25/10/95

80308 /NL/0308

-CH

PO

PART A

~~Mr CW Kelly~~

I understand that lotteries are your subject. The wider share

Mr ~~Dett~~ ownership angle to this proposal is some way away from our usual approach to the question, + the idea of the proceeds to the (Swiss) inventor outrageous.

Europ-Lottery + paying 2% of the

Is this a subject

M.

27/x

on which you or Mr Hall might be willing to advise, in consultation with us?

AGJE

24 X

Mr Radstrom *SRH (see note below.)*

FROM: C W KELLY

DATE: 28 October 1986

I am writing to the Home Office.
In the meantime, could you
please check with EC what

MR I RECH

the form is on X. My immediate
reaction is that we recommend
a Private Secretary acknowledgment

cc Mr A Edwards
Mr N J Ilett

A EURO LOTTERY

*and then see Mr M. as a joint
Home Office/Treasury official team. LR²⁵/x*

I would be grateful if you could look at the bizzare suggestion
in the papers below and suggest how we might respond to them.
You will presumably need to consult the Home Office. It is not
clear to me whether we need to ask Chancellor to send more than
x | a brief acknowledgement. EC can probably advise on this. But
we are warned that Mr Mariotte will be approaching us with a view
to a discussion. I suppose we will have to see him? If so we
had better prepare ourselves.

Mr Bich spoke further to Miss Simpson
for more background. LR³⁰/x

ew

C W KELLY

Miss Simpson (EC2) confirms that
a brief Private Secretary acknowledgment
would be all that is required.

The previous papers (from 1985) are
flagged on the attached file NSP M/135/01 B.

*S.F. Radstrom
28/10/86*

FROM: IAN RICH

DATE: 3 November 1986

1. MR KELLY ^{h.u.}
2. PS/CHANCELLOR

cc: PS/CST
 PS/MST
 Sir P Middleton
 Sir G Littler
 Mr F E R Butler
 Mr Lavelle
 Mr Monck
 Mr A Edwards
 Mr Mortimer
 Miss Simpson
 Mr Crabbie
 Mr Cropper

Ch/OK to acknowledge
 as below?
 DWK
 4/11

OK

A EURO LOTTERY

1. The letter of 17 October ^{below} from Carlo Ripa di Meana and the paper attached to it revive a proposal which was canvassed early in 1985, but had cold water poured on it by the UK and some of our EEC partners. MG is the lead division on national lotteries. The following has been prepared in consultation with EC.

2. Some brief background may be helpful. Signor di Meana is the junior Italian commissioner. He has a range of responsibilities, including institutional questions, cultural affairs, tourism and "a citizens' Europe". The Euro-Lottery proposal has been developed in the latter context, through the ad hoc Committee on a Peoples' Europe set up by the Council of Ministers. The ad hoc Committee's general task is to make Europe "more relevant". It has put forward several other proposals aimed at symbolising Europe as an entity. These include frontier measures, an ECU coin and cultural activities. Few have been received enthusiastically.

3. The proposed Euro Lottery seems a most unlikely starter. It would cut across national lotteries already run by several partners, including France, Germany and Spain, and seems bound to meet stiff resistance from them for that and other reasons. In our case, the balance of financial and social considerations which have so far persuaded successive Governments not to introduce a national lottery would also apply to the Euro Lottery. These

include Treasury scepticism whether significant new money could be attracted into gambling. The more likely scenario is diversion from the many existing sources, including National Savings, which contribute to Government revenues. The Home Office are also opposed, mainly on the general social ground that it is undesirable to add to the wide range^{of} existing gambling facilities. A further objection to the proposed Euro Lottery is that the "authors" would receive 2% a year of the proceeds.

4. The next stage of Signor di Meana's programme is a series of visits by the "manager" of the proposed lottery (a Mr Mariotte) to the appropriate authorities in each member country to explain the scheme further. It may be rather tiresome to see him, but we do not see how we could very well refuse if he approaches us. In this event, we suggest a small team of officials from MG and EC should meet Mr Mariotte to listen to what he has to say and explain our current policy. The Home Office will need to explain their views. We will ask them whether they would like to join in, or see Mr Mariotte separately.

5. We see no need at this stage for Treasury Ministers to correspond with Signor di Meana about the substance of proposals, and recommend a Private Secretary acknowledgement. A draft is attached.

Ian Rich

IAN RICH

DRAFT LETTER TO

Signor Carlo Ripa Di Meana
EEC Commission
Brussels

A type
+ covering letter
to D. Boothock
(UK REP)

The Chancellor of the Exchequer has asked me to thank you for your letter of 17 October enclosing a proposal for a European Lottery.

He has noted that Mr Mariotte intends to undertake a round of exploratory discussion in member countries. UK Treasury and Home Office officials ^{will be ready to discuss this.} ~~are aware of the proposal~~

AWK

PRIVATE SECRETARY

A Edwards
Wants reply sent via
David Boothock UK REP in
Brussels.
Final sentence amended.

PS/CST
 PS/MST
 Sir P Middleton
 Sir G Littler
 Mr F E R Butle
 Mr Lavelle
 Mr Monck
 Mr A Edwards
 Mr Mortimer
 Miss Simpson
 Mr Crabbie
 Mr Kelly
 Mr Rich
 Mr Cropper



ES

Treasury Chambers, Parliament Street, SW1P 3AG
 01-233 3000

7 November 1986

D J Bostock Esq
 Counsellor (Economics and Finance)
 Office of the United Kingdom Permanent Representative
 to the European Community
 Rond-point Robert Schuman 6
 1040 Brussels
 Belgium

Dear David

I would be grateful if you could forward the enclosed letter from the Chancellor of the Exchequer to Signor Carlo Ripa Di Meana.

Yours ever,

Tom

A W KUCZYS
 Private Secretary



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

7 November 1986

Signor Carlo Ripa Di Meana
EEC Commission
Brussels

Dear Sir

The Chancellor of the Exchequer has asked me to thank you for your letter of 17 October enclosing a proposal for a European Lottery.

He has noted that Mr Mariotte intends to undertake a round of exploratory discussion in member countries. UK Treasury and Home Office officials will be ready to discuss this.

Yours faithfully
A W Kuczys

A W KUCZYS
Private Secretary

PIERRE MARIOTTE
Villa Verre en Pais
Chemin de l'Arche
Boulevard du Maréchal Juin
Cap d'Antibes
06160 Juan-les-Pins

Secrétariat :

28 Rue de Lisbonne
75008 PARIS

Tél : 45 61 11 37

Telex : 280324 Piermar F

Y/Ref. RT4.39

CH/EXCHEQUER	
REC.	25 NOV 1986
ACTION	MR A. EDWARDS
COPIES TO	E.S.T., M.S.T.
	SIR P. MIDDLETON
	SIR G. HITTLE
	MR F.E.R. BUTLER
	MR LAVELLE

MR MONCK
MR MORTIMER
MR CRABBIE
MR CROPPER

b/f with
advise (at
4/12) (6)

Paris, 21 November 1986

Mr. A W KUCZYS
Private Secretary
of the Chancellor of the
Exchequer

Treasury Chambers,
Parliament Street,
SW1P 3AG
LONDON U.K.

Dear Sir,

- EuroLoto Development for Jobs -

I have the honour to refer to your letter of 7 November addressed to Signor Carlo Ripa Di Meana.

I have sent yesterday through the English Embassy a letter sent to the Chancellor of Exchequer in order to organize an appointment with the Authorities concerned.

I shall be very pleased if you could let me know which day these Authorities will be ready to receive me after having arranged by phone the date of the meeting.

Besides, I shall appreciate knowing the names of the Officials.

Yours very sincerely,

Pierre MARIOTTE

Encls.

our letter to the British Embassy in Paris and the letter addressed to the Chancellor of the Exchequer.

PIERRE MARIOTTE

*Villa Verre en Pais
Chemin de l'Aurole
Boulevard du Maréchal Juin
Cap d'Antibes
06160 Juan-les-Pins*

Paris, le 20 novembre 1986

Secrétariat:
28 rue de lisbonne
75008 PARIS

Tél : 45 61 11 37

Telex : 280324 Piermar

Son Excellence
Monsieur l'Ambassadeur
de GRANDE-BRETAGNE
35 rue du Fbg. St.-Honoré
75383 PARIS Cedex 08

Réf: Euroloto Développement
pour l'Emploi

Monsieur l'Ambassadeur

J'ai l'honneur de vous remettre ci-joint un pli destiné au
Ministre des Finances de votre Pays.

Cette lettre est la suite normale de celle qui a été adressée
à votre Ministre des Finances par Monsieur RIPA DI MEANA, com-
missaire de la Communauté Economique Européenne. Ci-joint une
copie.

Si je me permets de faire appel au concours de vos services
c'est pour être sûr que ce pli lui parviendra personnellement.

La mission dont je suis chargé par la Communauté Européenne
m'oblige à établir rapidement un programme de rendez-vous avec
les douze pays de la C.E.E.

D'avance je vous remercie et,

Vous prie d'agréer, Monsieur l'Ambassadeur, l'expression de ma
considération très distinguée.


Pierre MARIOTTE

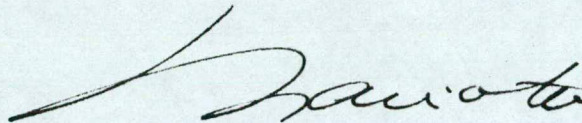
They may also contact me at the following address:

M. Pierre MARIOTTE
28 Rue de Lisbonne
75008 PARIS
France

Phone (1) 45 61 11 37
Telex 280324 PIERMAR F

This is to thank you in advance for the attention
you may bring to this matter, and looking forward
to your reply, I have the honour to be, Mr. Minister,

Most respectfully yours,



Pierre MARIOTTE

Encls.

CARLO RIPA DI MEANA

Commissario delle Comunità Europee

Brussels, 17. X. 1986

1159

Sir,

As a result of the proceedings of the ad hoc Committee on a People's Europe, whose recommendations were approved by the Milan European Council in June 1985, the Commission was instructed to examine the possibility of organizing a European Lottery to finance cultural activities.

As part of the preliminaries, Mr Pierre MARIOTTE has submitted a proposal, which I have given careful consideration. This fairly novel scheme has two main advantages :

- it would help generate new investment by small businesses by providing them with fresh capital supplied by the player-investors; numerous jobs could be created as a result, making the scheme instrumental in combating unemployment;
- as advocated by the European Council, some of the proceeds would be earmarked for the Community to finance cultural activities.

The Commission has invited Mr MARIOTTE to contact the appropriate authorities in each Member State to examine the feasibility and modus operandi of the proposed scheme.

I enclose a memo summarizing the underlying philosophy and outlining how the scheme would operate.

I should be grateful if you would look at the proposal and inform the appropriate authorities that Mr MARIOTTE will arrange a meeting with a view to explaining his scheme.

Yours faithfully,

Carlo Ripa di Meana

Rt. Hon.
Nigel LAWSON
Chancellor of the Exchequer
Parliament Street

SW1P 3AJ L O N D O N

CARLO RIPA DI MEANA

Commissario delle Comunità Europee

Dear Sir,

I have now examined the documentation you sent the Commission in the light of the decisions taken by the Milan European Council in June 1985. I would appreciate if you could assemble all the information needed to assess the feasibility of your Euro-Loto scheme and let me have it within six months.

The scheme looks very interesting and would certainly be a novel way of helping to reduce unemployment. Moreover, the revenue earmarked for the Community could be used to promote measures in the cultural sector as recommended by the Adonnino Committee.

I propose to inform the appropriate Ministers of my favourable verdict, indicating that you will be in touch with their staff to explain your scheme.

Yours faithfully,

signed : Carlo Ripa di Meana

Mr Pierre Mariotte
28, rue de Lisbonne
75008 PARIS



BRITISH EMBASSY
PARIS

25 November 1986

~~Ref pps of~~
b/f with
advice (of
4/12) 107

A W Kuczys
PS/Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON SW1

CH/EXCHEQUER	
REC.	26 NOV 1986 ✓ 24/11
ACTION	MR A EDWARDS
COPIES TO	EST MST SIR P MIDDLETON SIR G LITTLE MR FER BUTLER MR LAVELLE MR MUNK MR MORTIMER MR CRABBE

MR CROPPER

Dear Kuczys,

EURO-LOTTO DEVELOPMENT FOR JOBS

- 1. I enclose a letter addressed to the Chancellor by M. Pierre Mariotte, which was delivered to the Ambassador with a request that it be forwarded.

Yours sincerely
Roger Garside

R R Garside
Counsellor (Financial & Commercial)

PIERRE MARIOTTE
Villa Verre en Saix
Chemin de St. Louis
Boulevard du Maréchal Juin
Cape d'Antibes
06160 Juan-les-Pins

Paris, November 18, 1986

Secrétariat :

28 Rue de Lisbonne
75008 PARIS

Tél : 45 61 11 37

Telex : 280324 Piermar F

Rt. Hon.

Nigel LAWSON

Chancellor of the Exchequer
Parliament Street

SW1P 3AJ L O N D O N

Ref: Euro-Loto Development
for Jobs.

Mr. Minister,

I have the honour to refer to a letter dated October 17 which was addressed to you by Mr. Ripa di Meana, Commissioner of the European Economic Community, regarding the subject project.

The letter requested you to kindly designate the appropriate persons so that I might expound the project in detail, with a view to study in what manner Euro-Loto could be run in your country. I need scarcely stress the interest there would be in it for your country, Mr. Ripa di Meana having already done so in precise terms.

Attached hereto, please find the charter I have received in this matter from the EEC.

I should be grateful if you could let me know the names and telephone numbers of the persons concerned so that I may arrange to meet them in the shortest possible time.

./.

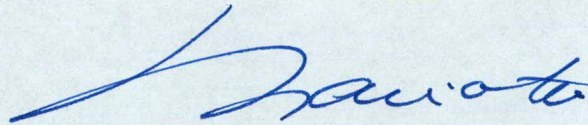
They may also contact me at the following address:

M. Pierre MARIOTTE
28 Rue de Lisbonne
75008 PARIS
France

Phone (1) 45 61 11 37
Telex 280324 PIERMAR F

This is to thank you in advance for the attention you may bring to this matter, and looking forward to your reply, I have the honour to be, Mr. Minister,

Most respectfully yours,



Pierre MARIOTTE

Encls.

CARLO RIPA DI MEANA
Commissario delle Comunità Europee

Brussels, 17. X. 1986

1159

Sir,

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As part of the preliminaries, Mr Pierre MARIOTTE has submitted a proposal, which I have given careful consideration. This fairly novel scheme has two main advantages :

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- as advocated by the European Council, some of the proceeds would be earmarked for the Community to finance cultural activities.

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I enclose a memo summarizing the underlying philosophy and outlining how the scheme would operate.

I should be grateful if you would look at the proposal and inform the appropriate authorities that Mr MARIOTTE will arrange a meeting with a view to explaining his scheme.

Yours faithfully,

Carlo Ripa di Meana

Rt. Hon.
Nigel LAWSON
Chancellor of the Exchequer
Parliament Street
SW1P 3AJ L O N D O N

CARLO RIPA DI MEANA
Commissario delle Comunità Europee

Dear Sir,

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I propose to inform the appropriate Ministers of my favourable verdict, indicating that you will be in touch with their staff to explain your scheme.

Yours faithfully,

signed : Carlo Ripa di Meana

Mr Pierre Mariotte
28, rue de Lisbonne
75008 PARIS



cc CST
MST
Sir P Middleton
Sir G Littler
Mr F E R Butler
Mr Lavelle
Mr Monck
Mr A Edwards
Mr Mortimer
Mr Crabbie
Mr Cropper
Mr Sutton (Home Office)

Treasury Chambers, Parliament Street, SW1
01-233 3000

R R Garside Esq
Counsellor (Financial and Commercial)
British Embassy
PARIS

3 December 1986

Dear Garside

EURO-LOTTO DEVELOPMENT FOR JOBS

Thank you for your letter of 25 November. I enclose a reply to M Mariotte, and should be grateful if you would arrange to have it forwarded to him.

Yours sincerely
Tony Kuczys
A W KUCZYS
Private Secretary



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

M Pierre Mariotte
28 Rue de Lisbonne
75008 PARIS

3 December 1986

Dear M. Mariotte

EURO-LOTTO DEVELOPMENT FOR JOBS

The Chancellor of the Exchequer has asked me to thank you for your letter of 18 November.

The officials it would be best for you to meet are Mr I Rich (Treasury) and Mr K Sutton (Home Office). Mr Rich will co-ordinate arrangements for a meeting. Perhaps I may ask you to contact him direct to arrange a convenient date. His telephone number is 01-233-7969 until 12 December, and 01-270-4679 from 15 December.

Yours sincerely
A W Kuczys

A W KUCZYS
Private Secretary

FROM: IAN RICH
 DATE: 3 December 1986

PS/CHANCELLOR

cc: CST
 MST
 Sir P Middleton
 Sir G Littler
 Mr F E R Butler
 Mr A Edwards
 Mr Lavelle
 Mr Monck
 Mr Mortimer
 Mr Crabbie
 Mr Cropper
 Mr Sutton (Home Office)

EURO-LOTTO DEVELOPMENT FOR JOBS

1. The letter of 18 November from M Mariotte - sent on by our Embassy in Paris - follows up an approach to the Chancellor by the junior Italian commissioner. My minute of 3 November refers. Your private secretary reply of 7 November said that Treasury and Home Office officials would be ready to discuss the proposals.

2. My minute of 3 November outlined the reasons why the proposal seemed a most unlikely starter, both here and in other EC countries. The purpose of the meeting requested will be to listen to M Mariotte's further exposition, and to explain the Government's present position on a national (and by extension a Community wide) lottery.

3. Mr Kelly, Mr Edwards and I have discussed how to take this forward, and also sought advice from UKREP. We agreed that I should represent the Treasury and meet M Mariotte with a representative from the Home Office. They have a major interest and responsibility in this field, and have kindly agreed to attend. It would also be helpful to have advice on protocol from EC; this could be written or they may also wish to attend.

4. I attach a draft reply to M Mariotte, to ^{go} via the Embassy. It is best not to offer a date. This can be settled when M Mariotte contacts us.

Ian Rich

IAN RICH

DRAFT LETTER TO

R R Garside Esq
Counsellor (Financial and Commercial)
British Embassy
PARIS

A1 type for
my sig
(2 letters)

EURO-LOTTO DEVELOPMENT FOR JOBS

Thank you for your letter of 25 November. I enclose ~~for your~~
~~information~~ a reply to M Mariotte, and should ~~also~~ be grateful
if you would arrange to have it forwarded to him.

AWK

DRAFT LETTER TO

Rue
M Pierre Mariotte
28 ~~Rue~~ de Lisbonne
75008 PARIS

EURO-LOTTO DEVELOPMENT FOR JOBS

The Chancellor of the Exchequer has asked me to thank you for your letter of 18 November.

The officials it would be best for you to meet are Mr I Rich (Treasury) and Mr K Sutton (Home Office). Mr Rich will co-ordinate arrangements for a meeting. Perhaps I may ask you to contact him direct [~~telephone 01-213-7969~~] until 15 December; ~~(01-270-4679)~~ to arrange a convenient date. His telephone number is 01-233 7969 until 12 December, and 01-270 4679 from 15 December.

AWK
P - S

CARLO RIPA DI MEANA

Member of the Commission of the European Communities

Brussels, 15.07.87*003656

EV/ti

copy

88

Dear Sir,

In Milan in June 1985 the Heads of State and Governments, in adopting the Adonnino Report, decided to back the organization of a Community-wide lottery which they saw as a good way of promoting the European idea and financing a European Culture Fund.

The Commission was instructed to consider the feasibility of such a scheme and called on Mr. Pierre Mariotte, an independent consultant, to make a study.

After careful consideration the Commission has decided to opt for the idea of a 'pre-established' or numbered-ticket lottery which has the merit of combining a novel way of helping in the fight against unemployment with support for cultural activities. Mr. Mariotte's study is enclosed for your consideration. I am sure that you will appreciate that a scheme along these lines could do a lot to make Europeans a part of the Community.

**WITH ATTACHMENT 2 & B*

CH/EXCHEQUER	
REC.	27 JUL 1987
ACTION	MR. RICH*
COPIES TO	CST PMG SIR P. MIDDLETON SIR G. LITTLE MR F.E.R. BUTLER MR MORTIMER MR LAVELLE MR CASSELL MR A EDWARDS MR MORTIMER MR CRABBE MR CROPPER

RT. Hon
Nigel LAWSON
Chancellor of The Exchequer
Parliament Street
SW1P 3AJ LONDON

The Commission is aware of the legal and budgetary problems that the advent of a new lottery could pose in some Member States. But a European lottery, along the lines proposed here also offers definite advantages which should encourage us to overcome any difficulties. The popular and spectacular aspects of the venture mean that it could catch on quickly. Media publicity given to a socially rewarding and economically profitable game could soon prove beneficial, financially and otherwise, in all Member States.

Tax revenue accruing from other games might show a relative decline initially, despite the compensating arrangements suggested in the report. But this would be offset as new sections of the population and the business world become involved and, subsequently, by traditional revenue generated by the operation.

Giving Europeans as a group a chance to do something worthwhile, to become player-investors in the venture by 'having a flutter', to contribute to the fight against unemployment, is certainly an original idea worthy of support.

The Commission, which is prepared to sponsor this venture, is therefore submitting this project to you with its strongest recommendations and would ask you to give it your kind consideration as soon as possible. An answer some time in September would be appreciated. Mr. Mariotte will supply any further information you may require, including a translation of his report in your language should this prove necessary.

Yours faithfully,

Carlo Ripa di Meana

CONFIDENTIAL

Bf next papers

FROM: IAN RICH
DATE: 31 July 1987

1. MR KELLY ^{31.7}
2. FINANCIAL SECRETARY

- cc: Chancellor ←
 Chief Secretary
 Paymaster General
 Economic Secretary
 Sir P Middleton
 Mr F E R Butler
 Sir G Littler
 Mr Cassell
 Mr Gilmore
 Mr Peretz
 Mr Scholar
 Mr Turnbull
 Mr Gieve
 Mr Romanski
 Mr Sutton
 Mr Cropper
 Mr Tyrrie

Ch
(I gather Mr Luce raised this with you)

Ym - I wd like to have a wind a Prayers Mr this.

Without enclosure
Mr Wilmott (C&E)

NATIONAL LOTTERY

1. At your meeting on 2 July, you asked for further work to be done on two main options. First, a national lottery run by the public sector; and the extent to which the spending financed by such a lottery could substitute for existing programme spending, and how the money might be allocated. Second a national lottery run by the private sector, supervised by an IBA-type public body which would also decide how the proceeds were to be allocated.

2. A paper by GEP on these issues is attached. It discusses the public expenditure implications - in particular the criteria for classification and the scope for substituting lottery - financed expenditure for other public expenditure.

3. We also briefly discussed at your meeting the "pool" from which money for a national lottery might be attracted. You may like to know in this context that:

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- (a) The amount staked on betting and gaming in the UK, less the money returned as winnings, is estimated at around £2 billion a year. Total money staked is rather more than this, but much of it is thought to be recycled.
- (b) Gross sales of premium bonds are currently around £200 million a year.
- (c) The tax take from betting and gaming duty in 1987-88 is estimated at around £800 million.
- (d) Total income of charities in 1984 (the latest year for which figures are available) was £10 billion, of which about £0.7 billion come from voluntary personal donations.

4. As well as the public expenditure issues, one of the key matters we will have to address if the idea of a national lottery is to be taken further is the extent to which it would develop a hitherto untapped market rather than simply divert expenditure away from existing gambling and charitable giving. To the extent that expenditure was diverted from taxed forms of betting and gaming, we would lose revenue unless the Government take from the lottery was as high as the average tax rate on betting and gaming. Expenditure could also be diverted from existing charitable giving, in which case we could expect considerable opposition from the charities lobby.

5. Overseas experience does not appear to be a very useful guide. Lotteries in some other countries are quite large. For example, ticket sales in Spain are said to total the equivalent of some £4 billion a year. But these may also reflect the limited number of alternative gambling opportunities available by comparison with the UK, where virtually every other form of gambling is permitted.

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6. I think you had it in mind to discuss with us again before approaching Home Office Ministers.

Ian Rich

IAN RICH

CONFIDENTIAL

NATIONAL LOTTERY AND PUBLIC EXPENDITURE

This note discusses

(a) in what circumstances the expenditure financed by a national lottery will count as public expenditure (classification)

(b) in what ways a national lottery could be designed to help reduce (other) public expenditure or to reduce pressure for increases (ie to maximise substitution).

2. Although the two issues are connected, they are distinct. For example, it would be possible to design a lottery the distribution of whose proceeds would count as public expenditure but which would entirely displace other public expenditure. Alternatively it is easy to imagine a lottery in the public sector whose spending was entirely additional to other programmes.

Classification

3. The financial flows associated with a lottery would be classified to the public sector:

a. if the body operating the lottery was a public sector body;

b. if the body was in the private sector but was acting as agent of the Government (ie had little or no discretion in the operation of the lottery/distribution of the proceeds).

4. In discussing the public expenditure consequences, it may be helpful to focus on three alternative models:

(d) Lottery run by public sector bodies

1. Integrated public sector: the lottery is run by a Government department (or by a contractor as agent for

Government) and the proceeds net of prize money are surrendered to the Consolidated Fund, thus allowing an equal sum to finance public expenditure programmes. The proceeds net of prize money are government income and the expenditure they allowed would be public expenditure. (Administrative costs, including the costs of paying an agent, would probably have to count as public expenditure.)

2. **Public sector quango:** the lottery is run by a new quango operating under statute and the quango allocates the net proceeds to good causes on the basis of its statutory aims and duties. The quango would probably be a trading body. Its net proceeds would count as government income and the expenditure they allowed would be public expenditure.

(b) Lottery run by private sector bodies

3. Central government licenses (or sets up a quango to license) a charitable body (which may be established particularly for this purpose) to supervise the running of the lottery and to distribute the net proceeds in accordance with its own defined aims and purposes; the licenses would be for a fixed term and the department's (or quango's) main role would be to decide on the licensees in the light of the statute and to check that they acted in accordance with their declared aims. It seems likely that in order to win a license new charities or consortia would be formed, as single purpose bodies would not be likely to win on their own. So long as the definition of the purposes for which the lottery could raise finance were not too restrictive, so that the operators of the charity retained significant discretion as to the disposal of the proceeds and would not therefore be acting simply as the agent of the Government, the expenditure of the charity's net proceeds would not be public expenditure (though the expenses incurred by the department/quango in licensing and supervision would be).

5. Even in the last case, however, the use of any funds provided to a public sector body could count as public spending (and the

donation as income). This would be the case where the funds were provided as a general subvention to help finance the normal work of the public body. If the funds were given to finance a particular project or purchase, however, they would probably be treated like a gift of equipment and would not show up as income or expenditure. For example, if the lottery proceeds were simply channelled to a hospital to help it reduce waiting lists they would increase public spending but if they were given to finance a project or facility designed in association with the charity concerned they would not.

Substitution for public expenditure: method

6. Clearly models 1 and 2 would lead to increases in public expenditure except to the extent that the expenditure from the lottery was on projects and services that would otherwise have to be financed by government. The question is how and to what degree this could be achieved. A similar issue arises for model 3, although in that case substitution would decrease public spending.

Models 2 and 3

7. The ways of seeking to channel the lottery's funds to reduce (other) public spending would be much the same for models 2 and 3. In both cases, it would be necessary to rely on the definition of good causes in the legislation. These might include, for example, financing arts activities of national and local importance, aid projects, health care (whether in public or private sector), or care for the disadvantaged [see paragraphs 16-17 below for discussion of suitable areas].

8. Given the uncertainties of the proceeds, the body running the lottery would need to avoid committing too great a proportion of its funds to continuing programmes and would have to allocate a good part to finite short-term projects. It would be difficult, therefore, for the government to predicate its plans on any given distribution of finance from the lottery. However over time, it is possible that a lower growth of (other) public spending programmes would be possible.

9. There are risks, however, that rather than reducing other public programmes a lottery would exacerbate pressures for increases. The trustees, whether in a quango or a private sector charity, would probably seek to ensure additionality; and they might insist on 'matching' funds from the Government - "we will meet 50% of the cost of building a new AIDS hospice"; and they would be likely to finance buildings or the setting up of research and other teams, leaving the taxpayer with the continuing running costs. Moreover, to the extent that a lottery diverted funds from existing charities and forced them to withdraw from some services, there could be pressures on the Government to step in.

10. On models (2) and (3), therefore, substitution would be difficult to ensure. The best chance of achieving it would be for the Government to withdraw entirely from certain areas of activity. Even in the obvious possible areas - like the arts - it would be difficult for the state to avoid the role of funder of last resort.

Model 1

11. On model (1), substitution could be "designed in" to the scheme more effectively. At its simplest, the lottery could be run and presented simply as an alternative to taxation. The net proceeds would be paid into the Consolidated Fund and used to help finance the public expenditure programmes agreed by Ministers in the normal way (ie the annual Public Expenditure Survey). Substitution should be 100%, provided Ministers were willing to acknowledge clearly that this was the aim.

12. However there is likely to be strong opposition to the introduction of a national lottery simply to raise finance for the Government so there would be great pressure in Parliament and elsewhere for the lottery to finance additions to spending. The question is whether model 1 could be adapted to appear to offer additionality while in fact achieving a greater degree of substitution than is likely on model 2 or 3.

13. It would almost certainly not be sufficient for the Government to rely on the line that the existence of the lottery proceeds enabled faster growth in public spending than would otherwise be the case (the line we adopt on EC receipts). Nonetheless, the fact that cash spending in most areas does increase each year should allow the Government to point to additional spending (ie over previous levels and plans) while actually achieving substitution (ie no greater additions than would have been inevitable in the absence of the national lottery).

14. The chances of successfully achieving this presentation would be increased if:

a. the lottery was linked to some specific services eg a lottery for health (as suggested in the Economist);

b. the introduction of the lottery coincided with a large increase over existing plans; and

c. a special decision procedure was identified separate from the normal Public Expenditure Survey (although, of course, the latter could take account of the likely decisions of the former).

15. Attempting to move down that route would require nice judgement of the likely proceeds. If the lottery proved unexpectedly successful initially, public spending would be higher than planned. There would be a risk, too, that the lottery would be popular initially and thus finance a rapid increase in spending but that proceeds would fall later leaving taxation to pick up the cost. *

Potential public sector beneficiaries

16. The table below sets out the current levels of central Government expenditure on services which might qualify among the good causes for which a lottery could be established.

1987-88 £m

Central government expenditure

Aid	1,235	
NHS	19,348	
Education	2,648	
Sports Council	43	
Arts and Libraries	339	
Historic Buildings (national/heritage)	76	
Voluntary bodies (excluding MSC)	224	(1984-85)

By comparison it is estimated that total spending by charities in Britain is over £10 billion a year.

17. If a national lottery's net proceeds were towards the upper end of the estimates that have been made, it would be important to channel some at least of the money into the larger areas of public spending above namely the NHS, education and Aid. The other obvious candidates ie the arts and sports and historic monuments could only absorb a small proportion of such proceeds. The grants to voluntary organisations cover a wide range of projects including the urban programme and it would unrealistic to expect to replace all of them by a national lottery.

Conclusions

18. If a national lottery is set up within the public sector so that the distribution of proceeds counts as public expenditure, the key question is how best to maximize "substitution" ie to use the proceeds to finance programmes which the Government would have to meet anyway.

19. The most effective way of doing this would be to introduce a national lottery simply as an alternative source of revenue. On the assumption that that is not practical, the best way of maximising substitution might be to link the lottery explicitly with a single fast growing area of expenditure - perhaps the National

Health Service - to hypothecate the net proceeds to that service and to take account of the likely proceeds when setting the "normal" public expenditure programmes in the Survey. An alternative might be to set up a quango on model 2 above with a remit to fund projects in a number of areas eg the arts, emergency aid, sport, national buildings and monuments, and at the same time to withdraw central government's direct grant aid for these purposes. Either route would have a cost in terms of administrative clarity and uncertainty on proceeds but both should help to meet the pressures for more public spending. However, in neither case would substitution be 100% so public spending would be increased

20. The alternative, model (3) would not directly increase public expenditure and to the extent that it reduced the pressures for public programmes it could lead to a net reduction. The way of achieving substitution in this case would be to include in the list of "good causes" a number of areas largely catered for by public expenditure, notably health, aid, and education. It would probably not be possible to make direct reductions in public expenditure programmes since the Government could have no certain basis for forecasting the size or distribution of lottery proceeds. Over time the lottery should help to reduce calls on the public purse by meeting some of the pressures for better services but it would also introduce new pressures by diverting funds from other charities and by insisting on matching of finance etc. It is difficult to forecast the balance of these effects.

21. To the degree that substitution were achieved on any of the Models, the Government would be able to reduce taxation below the level it would otherwise have to be. In effect, the public would finance part of the public sector (or services which would otherwise have been provided by the State) by a form of gambling/voluntary giving. This could bring the supply side benefits of reduced direct taxes (although probably by little more than would a switch from direct to indirect taxation). However, it would not reduce the level national resources used by the services concerned nor would it subject them to greater market disciplines.

PERSONAL AND CONFIDENTIAL



OFFICE OF ARTS AND LIBRARIES
Great George Street
London SW1P 3AL
Telephone 01-270 5929

From the Minister for the Arts

C87/3367

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
11 Downing Street
LONDON SW1

CH/EXCHEQUER	
REC.	24 AUG 1987
ACTION	FST
COPIES TO	

for v limited circulation
20 August 1987

Dear Nigel

I was very glad to have a chance the other day for a general chat about funding the arts, looking to the longer term.

We discussed a national lottery. As you know, I think that this is an idea which it would be very valuable to examine thoroughly. I was therefore glad to hear that your officials are preparing a paper which will cover the essential groundwork. I did offer to do a paper for you on this but, in the light of the work which your officials are doing, it might be best for me to wait to hear from you how I could most usefully contribute.

There was some Ministerial correspondence on the subject of a national lottery earlier in the year, following a letter which I wrote to Willie Whitelaw as Chairman of H Committee; but I think you and I were agreed that it was best not to raise these issues again with a wider group of Ministers until we are clear ourselves whether there is a workable proposition which you could put to our colleagues.

On the other issues that we discussed, you know of course that I want to see a climate in this country where individuals as well as corporations are encouraged to give to charities much more than we do at present. To that end I believe that the American system of tax relief for individuals who give to charities is likely to be the most effective. But in the meantime, I agree that it is important for the arts world to exploit to the hilt the recent tax incentives on charity giving which you have introduced. I am encouraging arts bodies to get on with it. It is also important that we give a lead by getting the payroll scheme introduced quickly within the Civil Service. While I realise that it is early days, I have received representations about the payroll giving scheme and its scope that I must bring

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PERSONAL AND CONFIDENTIAL

~~to your attention.~~ I have serious doubts that the payroll giving scheme has even begun to take off and it may be that it needs some adjustments to help this, including perhaps a much higher limit for deduction at source.

RICHARD LUCE

✓
Rule 3

CONQUEROR

MI

PERSONAL AND CONFIDENTIAL

Tony L
Personal folder



Sears plc

40 Duke Street London W1A 2HP

PRIVATE & CONFIDENTIAL

LS/bp

7th September 1987

CR 11/9

Rt. Hon. Nigel Lawson MP,
Chancellor of The Exchequer,
11 Downing Street,
LONDON SW1

Dear Nigel,

Pierre Mariotte - Euro Loto Pour L'Emploi et la Culture

I am sorry to trouble you but my firm is dealing with the above and we have explained to our client that it would need an amendment to our laws relating to gambling.

I understand that Mr Ripa di Meana who is a member of the Commission of the European Communities has written to you on 15th July last, and our client Mr Mariotte, who has had much communication with the Treasury has asked me to see you if possible.

I imagine that you have not personally seen any of the papers but if you could get someone to find them and I could see you for a few minutes or if you could write to me on this matter, I would be most grateful as Mr Mariotte has expressed a wish to see Mrs Thatcher to press his suit.

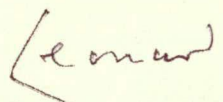
The difficulty which we have found is that the scheme which Mr Mariotte is putting forward is one which apparently falls outside the permitted gaming facilities and he is of the view that you or Mrs Thatcher can manipulate things to give him an entrée into this field.

If it were possible for your people to find a way out, it would be most helpful although I doubt it.

I hope you have had a good summer.

Kindest regards to Theresa.

Yours sincerely,


LEONARD SAINER

Telephone 01 408 1180

Telex 263649 (Thrift G)

Fax 01 408 1027 (groups 2 and 3)

Registered Office 40 Duke Street London W1A 2HP
Registered in England No. 120271

Official advice +
draft reply?

Tony L
Please deal

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CONFIDENTIAL



FST

X P 2 .

FROM: J J HEYWOOD

DATE: 9 September 1987

MR RICH

cc PS/Chancellor
 PS/Chief Secretary
 PS/Paymaster General
 PS/Economic Secretary
 Sir P Middleton
 Mr F E R Butler
 Sir G Littler
 Mr Cassell
 Mr Gilmore
 Mr Peretz
 Mr Turnbull
 Mr Gieve
 Mr Kelly
 Miss Sinclair
 Mr Michie
 Mr Sutton
 Mr Cropper
 Mr Tyrie
 Ms Call
 Mr Wilmott - C&E

CR
1 v. with spec on
Comm

NATIONAL LOTTERY

The Financial Secretary held a meeting yesterday to discuss your minute of 31 July and the attached paper prepared by GEP.

2. The Financial Secretary felt that the front-runner at this stage seemed to be to set up a national lottery run by the public sector. The Financial Secretary thought that various considerations were important.

- (i) If the lottery were run by a private sector body which had sufficient discretion over the use of proceeds for its expenditure to be classified to the private sector, then, by definition the Government would have very little control over how the proceeds would be used.

(ii) There would be a danger that the private sector body would seek to press the Government to put money into projects which it had decided to contribute to (ie "we will put money in if the Government pays the other half").

(iii) Ultimately, the chances of getting "substitution" would be greater with a public sector body, although in the short term there would be strong pressure for higher overall public spending.

3. Nevertheless, the Financial Secretary thought that it was still worth keeping open, at this stage, the option of a private sector body. The crucial point was that, whether the lottery was private - or public-sector run, the money had to be used for particular, stated causes - the health service, the arts, overseas aid, or whatever. The Financial Secretary is sure that without this feature a national lottery would not catch the imagination.

4. The Financial Secretary thought that before we could approach Home Office Ministers and other Departments we needed to do further work on the following areas:

(i) The potential size of the market;

(ii) The likely effects on tax revenues from other forms of gambling and upon the level of charitable giving;

(iii) The mechanics of how a public sector lottery would be run: for example, the scope for involving commercial organisations;

(iv) The problems likely to arise from the inherent unpredictability of proceeds;

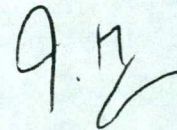
(v) The possible mechanisms for deciding how to spend the proceeds in any particular period.

Probably worth having a quiet word with Home Secretary before sending anything round.

Yh N/A

5. The Financial Secretary authorised you to speak to Rothschilds who had on their own initiative sent in a paper, to take their mind on some of these questions. He also passed on to you a volume prepared by G-TECH.

6. It was agreed that you would use these and other readily available sources to work up as soon as possible a detailed proposal based on the public sector model, but also covering the private sector variant as a back-up option.



JEREMY HEYWOOD
PRIVATE SECRETARY



20

FROM: J J HEYWOOD
DATE: 15 September 1987

APS/CHANCELLOR

cc PS/Chief Secretary
PS/Paymaster General
PS/Economic Secretary
Sir P Middleton
Mr F E R Butler
Sir G Littler
Mr Cassell
Mr Gilmore
Mr Peretz
Mr Turnbull
Mr Gieve
Mr Kelly
Miss Sinclair
Mr Michie
Mr Rich
Mr Sutton
Mr Cropper
Mr Tyrie
Mr Call
Mr Wilmott C&E

NATIONAL LOTTERY

1. The Financial Secretary has seen your note to me of today.
2. He has commented:

"That is obviously right, but we are a long way from finalising our proposals yet."

JEREMY HEYWOOD
Private Secretary

UNCLASSIFIED



FROM: MISS J L CAMP

DATE: 15 September 1987

MR RICH

cc: CST
PMG
Sir P Middleton
Sir G Littler
Mr F E R Butler
Mr Monck
Mr Lavelle
Mr Cassell
Mr A Edwards
Mr Mortimer
Mr Crabbie
Mr Cropper

... The Chancellor has received the attached letter from Sears plc on Euro Lottery. Would you please provide advice and a draft reply which should be no longer than the letter from Sears.

Thank you

Janet Camp

MISS J L CAMP



Sears plc

40 Duke Street London W1A 2HP

PRIVATE & CONFIDENTIAL

LS/bp

7th September 1987

Rt. Hon. Nigel Lawson MP,
Chancellor of The Exchequer,
11 Downing Street,
LONDON SW1

Dear Nigel,

Pierre Mariotte - Euro Loto Pour L'Emploi et la Culture

I am sorry to trouble you but my firm is dealing with the above and we have explained to our client that it would need an amendment to our laws relating to gambling. I understand that Mr Ripa di Meana who is a member of the Commission of the European Communities has written to you on 15th July last, and our client Mr Mariotte, who has had much communication with the Treasury has asked me to see you if possible.

I imagine that you have not personally seen any of the papers but if you could get someone to find them and I could see you for a few minutes or if you could write to me on this matter, I would be most grateful as Mr Mariotte has expressed a wish to see Mrs Thatcher to press his suit.

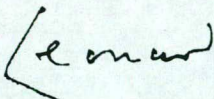
The difficulty which we have found is that the scheme which Mr Mariotte is putting forward is one which apparently falls outside the permitted gaming facilities and he is of the view that you or Mrs Thatcher can manipulate things to give him an entrée into this field.

If it were possible for your people to find a way out, it would be most helpful although I doubt it.

I hope you have had a good summer.

Kindest regards to Theresa.

Yours sincerely,



LEONARD SAINER

Telephone 01 408 1180

Telex 263649 (Thrift G)

Fax 01 408 1027 (groups 2 and 3)

Registered Office 40 Duke Street London W1A 2HP
Registered in England No. 120271

RU



FROM: CATHY RYDING
DATE: 15 September 1987

PS/FINANCIAL SECRETARY

cc PS/Chief Secretary
PS/Paymaster General
PS/Economic Secretary
Sir P Middleton
Mr F E R Butler
Sir G Littler
Mr Cassell
Mr Gilmore
Mr Peretz
Mr Turnbull
Mr Gieve
Mr Kelly
Miss Sinclair
Mr Michie
Mr Rich
Mr Sutton
Mr Cropper
Mr Tyrie
Mr Call
Mr Wilmott - C&E

NATIONAL LOTTERY

The Chancellor has seen your minute to Mr Rich of 9 September.

2. The Chancellor thinks it would be a good idea for him to have a quiet word with the Home Secretary before our proposals are circulated to other Departments.

CR

CATHY RYDING

CONFIDENTIAL (PARAGRAPH 5)
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FROM: IAN RICH
DATE: 18 September 1987

- 1. MR KELLY ^{CSI} 189.
- 2. PS/CHANCELLOR

cc: CST
 FST
 PMG
 EST
 Sir P Middleton
 Sir G Littler
 Mr F E R Butler
 Mr Monck
 Mr Lavelle
 Mr Cassell
 Mr A Edwards
 Mr Mortimer
 Mr Crabbie
 Mr Cropper
 Mr Call

Letter to issue?

CR 21/9

*OK in (you in
 Case (include).*

EURO LOTTERY

1. You asked for advice on the letter of 7 September from Mr Sainer of Sears Plc to the Chancellor about this proposal.
2. This is one of several possibilities suggested in 1985 to the European Council by the ad hoc Committee on a People's Europe. The aim was to help "make Europe come alive for the Europeans".
3. The Euro lottery suggestion got a lukewarm reception by the Council. The UK member noted that such a lottery would not be in line with UK practice of not operating State lotteries. The Council made no commitment to the idea; it agreed merely that the Commission could study it.
4. The Commission took this up. They asked M Pierre Mariotte to draw up and report to them on a possible scheme. In the process, M Mariotte visited officials in all Member countries to explain the scheme and discuss its possible reception. He arranged a meeting of those officials in Brussels for a round up of views. I participated in both events. A Home Office

CONFIDENTIAL (PARAGRAPH 5)
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representative joined me when M Mariotte visited London. In general, the message M Mariotte was given was that support for the scheme would be most unlikely.

5. The Commission have come out in favour of the idea. They wrote to all Finance Ministers in July seeking support, and requesting responses by the end of September. We are consulting UKREP in Brussels and the Home Office, and will very shortly be advising the Economic Secretary, who has been asked to reply, not to offer UK support. Apart from anything else, a Euro lottery would undermine the prospects for a UK national lottery for which we are working up proposals at the FST's request.

6. M Mariotte's role was to devise a possible scheme and report to the Commission. The task is now complete. The proposal will be pursued through EEC channels. M Mariotte's continuing efforts to keep in the forefront are tiresome, but not surprising because he would get 1% of the takings if the scheme were introduced. There is no need for Ministers to see M Mariotte (or Mr Sainer on his behalf) to go over the ground yet again.

7. I recommend a private secretary reply, and attach a draft.

Ian Rich

IAN RICH

DRAFT LETTER TO:

Leonard Sainer Esq
Sears Plc
40 Duke Street
LONDON
W1A 2HP

PIERRE MARIOTTE: EURO LOTO

Who will be asked on Govt business for the next few days.

1. The Chancellor, has asked me to thank you for your letter of 7 September, and for your good wishes. He is aware of the proposal for a Euro lottery, and of M Mariotte's discussions with officials from all EC Member countries.

2. There is no commitment by the EC collectively, or by any Member country, to a Euro lottery. It is simply one of several ideas for promoting the concept of Europe to the individual which the European Council has agreed the Commission could study. They decided to do so, and invited M Mariotte to devise a possible scheme. He completed his task earlier this year.

3. The matter is now for consideration through the EC machinery. The Commission have commended the idea to Finance Ministers of all Member countries. ~~They~~ ^{The Commission} will decide the next steps in the light of responses. We expect to send our own shortly.

Legal implications are among one of a number of considerations that have been taken into account.

4. M Mariotte's scheme has been explained very fully both in his meetings with officials and in the material which the Commission have asked all Member countries to consider. This has been most helpful. The Chancellor does not think it necessary for Ministers to meet M Mariotte to go over the ground again.

PRIVATE SECRETARY



FROM: MISS J L CAMP
DATE: 15 September 1987

MR RICH *18/11* ↙

cc: CST
PMG
Sir P Middleton
Sir G Littler
Mr F E R Butler
Mr Monck
Mr Lavelle
Mr Cassell
Mr A Edwards
Mr Mortimer
Mr Crabbie
Mr Cropper

... The Chancellor has received the attached letter from Sears plc on Euro Lottery. Would you please provide advice and a draft reply which should be no longer than the letter from Sears.

Thank you

Janet Camp

MISS J L CAMP



Sears plc

40 Duke Street London W1A 2HP

PRIVATE & CONFIDENTIAL

LS/bp

7th September 1987

Rt. Hon. Nigel Lawson MP,
Chancellor of The Exchequer,
11 Downing Street,
LONDON SW1

Dear Nigel,

Pierre Mariotte - Euro Loto Pour L'Emploi et la Culture

I am sorry to trouble you but my firm is dealing with the above and we have explained to our client that it would need an amendment to our laws relating to gambling.

I understand that Mr Ripa di Meana who is a member of the Commission of the European Communities has written to you on 15th July last, and our client Mr Mariotte, who has had much communication with the Treasury has asked me to see you if possible.

I imagine that you have not personally seen any of the papers but if you could get someone to find them and I could see you for a few minutes or if you could write to me on this matter, I would be most grateful as Mr Mariotte has expressed a wish to see Mrs Thatcher to press his suit.

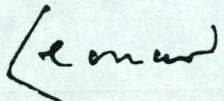
The difficulty which we have found is that the scheme which Mr Mariotte is putting forward is one which apparently falls outside the permitted gaming facilities and he is of the view that you or Mrs Thatcher can manipulate things to give him an entrée into this field.

If it were possible for your people to find a way out, it would be most helpful although I doubt it.

I hope you have had a good summer.

Kindest regards to Theresa.

Yours sincerely,


LEONARD SAINER

Telephone 01 408 1180

Telex 263649 (Thrift G)

Fax 01 408 1027 (groups 2 and 3)

Registered Office 40 Duke Street London W1A 2HP
Registered in England No. 120271



Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

cc CST
FST
PMG
EST
Sir P Middleton
Sir G Littler
Mr F E R Butler
Mr Monck
Mr Lavelle
Mr Cassell
Mr A Edwards
Mr Mortimer
Mr Crabbie
Mr Kelly
Mr Rich
Mr Cropper
Mr Call

22 September 1987

Leonard Sainer Esq
Sears Plc
40 Duke Street
LONDON
W1A 2HP

Dear Mr Sainer,

PIERRE MARIOTTE: EURO LOTO

The Chancellor, who will be abroad on Government business for the next few days, has asked me to thank you for your letter of 7 September, and for your good wishes. He is aware of the proposal for a Euro lottery, and of M Mariotte's discussions with officials from all EC Member countries.

There is no commitment by the EC collectively, or by any Member country, to a Euro lottery. It is simply one of several ideas for promoting the concept of Europe to the individual which the European Council has agreed the Commission could study. They decided to do so, and invited M Mariotte to devise a possible scheme. He completed his task earlier this year.

The matter is now for consideration through the EC machinery. The Commission have commended the idea to Finance Ministers of all Member countries. The Commission will decide the next steps in the light of responses. We expect to send our own shortly. Legal impediments are merely one of a number of considerations that have to be taken into account.

M Mariotte's scheme has been explained very fully both in his meetings with officials and in the material which the Commission have asked all Member countries to consider. This has been most helpful. The Chancellor does not think it necessary for Ministers to meeting M Mariotte to go over the ground again.

Yours sincerely,
Cathy Ryding

CATHY RYDING
Assistant Private Secretary

**CONFIDENTIAL
COVERING UNCLASSIFIED**

Papers A30.
pup

FROM: IAN RICH
DATE: 29 September 1987

1. MR KELLY ^{can} _{22.9.}
2. FINANCIAL SECRETARY

cc: Chancellor ←
CST
PMG
EST
Sir P Middleton
Sir G Littler
Mr F E K Butler
Mr Monck
Mr Lavelle
Mr Cassell
Mr A Edwards
Mr Mortimer
Mr Crabbie
Mr Cropper
Mr Call

EURO LOTTERY

1. Signor Ripa di Meana wrote to the Chancellor (and all other EC Finance Ministers) on 15 July seeking support for a European-wide Lottery, the net proceeds of which would finance job creation projects and a European Culture Fund. I am sorry for the delay in submitting advice. UKREP undertook some enquiries and research for us, and have only just completed them. However, Ripa is relaxed about the reply timetable; he is hoping for replies sometime in September. This submission takes account of the UKREP advice, the views of the Home Office and comments from the EC Group here.

2. Ripa is a junior Italian commissioner. His responsibilities include the ad hoc Committee on a People's Europe, which aims to "make Europe come alive for the Europeans". A Euro lottery is one of several possibilities which this Committee suggested (in its so-called "Adonnino Report") to the European Council in Milan in 1985.

3. It is fanciful of Ripa to claim that the Council adopted the idea. In fact the Council agreed only that the Commission could examine the scope for a lottery. This limited remit was

Further criticism
of M. Mariotte and
Signor di Meana

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qualified further by a dissenting footnote by the UK, which said that a Euro Lottery would not be in line with UK practice of not operating State lotteries. There is no individual or collective commitment to the concept.

4. The Commission decided to undertake a study. They asked M Pierre Mariotte to draw up and report to them on a possible scheme. Last winter M Mariotte visited officials in all Member countries to explain the scheme and discuss its possible reception. He also arranged a meeting of these officials in Brussels for a round up of views. A Home Office representative and I met M Mariotte in London. I attended his meeting in Brussels. On that occasion, representatives of most Member countries told M Mariotte that support for his scheme would be most unlikely.

5. The scheme is described in the report from M Mariotte enclosed with Signor Ripa di Meana's letter. It is a turgid document. In broad summary, the proposed lottery would be run by a headquarters organisation in Luxembourg in whose name all tickets (denominated in ECUs) would be issued, and which would decide which of the nominated projects should be financed. A national organisation in each Member country would sell tickets, nominate candidates for financing, distribute prizes, and monitor progress of those national projects which the Luxembourg headquarters had decided to support. The purpose of the projects would be job creation. Generally, they would be grants for high risk propositions run by specially formed venture companies. Such schemes would be unacceptable to banks etc for normal market lending. Some of the proceeds would go direct to the EC for a cultural fund. The proceeds would be allocated as follows:

Prizes	35%
Projects	35%
Culture Fund	10%
Central Administration	17%
Local Administration	3%

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6. The provision for central administration includes a personal take of 1% for M Mariotte. This explains why he has dismissed as minor technicalities reservations of major substance put to him by us and officials in many other Member countries. It also explains his efforts to secure audiences with Ministers to promote his scheme, even though he completed his task when he submitted his report to Ripa.

7. Against this background, it is surprising that Ripa appears to commend the scheme so strongly to EC Finance Ministers. UKREP's enquiries of the Commission show the reality to be otherwise. It seems that the letter has been sent purely to gauge reactions. It will depend on the nature of these reactions whether the Commission thereafter propose a Directive for Council action. Thus there is no formal Commission proposal and Ripa's statement that the Commission has decided to opt for a particular type of lottery is incorrect. At present, a reply to Ripa himself in all that is expected.

8. UKREP have no new information about the attitude of our partners. But when I attended M Mariotte's meeting last February, most said their Governments would be strongly opposed. France, Germany, the Netherlands and Spain argued forcibly that a Euro lottery would compete directly with and undermine their own national lotteries.

9. In our case, the immediate competition would be rather different, but the myriad small lotteries run for individual good causes by local authorities, charities, hospitals and so on would be at risk. Present Home office policy is to meet the existing gambling demand, but not encourage it. We shall need to challenge this stance in taking forward the idea of a UK national lottery for which you have asked us to develop proposals. A Euro lottery would undermine the prospects for this. In the official level exchanges on the Mariotte proposals, we have concentrated on existing policy constraints and the potential loss of revenue from taxable forms of gambling.

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10. The Mariotte proposals are also flawed in other ways. In particular they rest on unresearched and grandiose assumptions about ticket sales; displacement of revenue for taxable gambling is dismissed as inconsequential; the suggested prize allocation (35%) is very low and would not be popular with lottery punters who expect 50% of proceeds to be paid in prizes; the machinery for allocating proceeds to national or EC projects would be a recipe for wrangling and chaos.

11. In the light of paragraphs 9 and 10, we recommend against UK support for a Euro lottery. I attach a draft reply. Usual practice is to ask UKREP to pass such correspondence on to the EC, and for this purpose a draft Private Secretary letter is also attached.

Ian Rich

IAN RICH

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DRAFT LETTER TO:

D J Bostock Esq
Office of the UK Permanent Representative
to the European Community
Rond Point Robert Schuman 6
1040 Brussels

EURO LOTTERY

I should be very grateful if you would arrange to pass on to Carlo Ripa di Meana the attached letter from the Financial Secretary.

PRIVATE SECRETARY

DRAFT LETTER TO:

Signor Carlo Ripa di Meana
Commission of the European Communities
BRUSSELS

A COMMUNITY-WIDE LOTTERY

1. I am now in a position to give the UK Government's response to the proposals in your letter of 15 July to the Chancellor of the Exchequer. I understand you wrote similarly to all Finance Ministers in Member States.

2. The UK Government, in common with our European partners, is of course fully committed to further reductions in unemployment. There are encouraging signs that we are beginning to succeed. As for a Community-wide lottery, the UK Government played a full part in the preliminary discussions with M Mariotte. It was most useful for officials to meet him in London, and subsequently with officials from other Member States in Brussels, both to learn details of the proposed scheme and to explain our present policies.

3. You referred in your letter to the Adonnino Report, which in 1985 suggested to the European Council the possibility of organising a Community-wide lottery. When this was considered by the Council, the UK representative noted that such a lottery would not be in line with UK practice of not operating State lotteries. The Council made no commitment, but agreed that the Commission could be invited to consider the scope for a such lottery. The Presidency note of 25 November 1985 records that:

"The Commission has been given a brief to examine this question."

4. It is against this background that the UK Government has given very careful consideration to the scheme devised by M Mariotte.

5. Present policy in the UK is to meet the existing demand for gambling, but not encourage its extension. A very wide range of facilities, including lotteries for manifold purposes, is available. In order to prevent abuse, all these activities are regulated by the UK Government. For example, there is legislation which stipulates the maximum size of lotteries. And some other forms of gambling are subject to licensing. Some are also subject to taxes or duties and the UK GOVERNMENT receives an appreciable revenue in this way.

6. A Community-wide lottery would not be feasible within the UK policy and legislative framework described above. Neither in the view of the UK Government is there sufficient evidence of demand here to warrant the introduction of legislation to permit an additional gambling facility of the kind proposed. The more likely response would be diversion of funds, with consequent loss of Government revenue and support for the manifold causes which depend on lotteries. Moreover, the official level correspondence and discussions with M Mariotte suggested that many other Member States, particularly those operating national or state lotteries, would be unwilling to support a Community-wide lottery.,

7. I am sorry to have to say that the UK Government cannot see its way to supporting this proposal.



pmj

FROM: J J HEYWOOD
DATE: 7 December 1987

PS/CHANCELLOR

cc PS/Chief Secretary
PS/Paymaster General
PS/Economic Secretary
Mr Cropper
Mr Tyrie
Mr Call

NATIONAL LOTTERY

The Financial Secretary has noted that the Royal Colleges of respectively Physicians, Surgeons, Obstetricians and Gynaecologists have asked for a national lottery (press article attached).

2. The draft 'H' paper commissioned by the Financial Secretary will be coming forward later this week, and the Financial Secretary hopes to be able to put firm advice to the Chancellor before Christmas.

9.12

JEREMY HEYWOOD
Private Secretary

ENC

NHS cash crisis angers top 1 doctors

By Pearce Wright

Leading medical organizations yesterday launched a bitter attack on the Government's policies on health, on the eve of the second reading today in the Commons of the Health and Medicines Bill, which would impose charges for eye tests and dental checks.

The Government also faces a growing revolt among its own backbenchers about the scheme.

The unprecedented and blistering criticism came in a statement on the "crisis in the NHS" from the presidents of three senior medical colleges: Sir Raymond Hoffenberg, of the Royal College of Physicians; Mr Ian Todd, of the Royal College of Surgeons; and Mr George Pinker, of the Royal College of Obstetricians and Gynaecologists.

They said: "Each day we learn of new problems in the NHS. Beds and operating rooms are not available, emergency wards are closed, essential services are shut down in order to make financial savings. In spite of the efforts of doctors, nurses and other hospital staff, patient care is deteriorating.

"Acute hospital services have almost reached breaking point. Morale is depressingly low.

"It is not only patient care that is suffering. Financial stringencies have hit academic aspects of medicine in particular, because of the additional burden of reduced University Grants Committee funding. Yet, the future of medicine depends on the quality of our clinical teachers and research workers.

"Face-saving initiatives such as the allocation of £30 million for waiting lists are not the answer. An immediate overall review of acute hospital services is mandatory. Additional and alternative funding must be found."

The British Medical Association added its voice by denouncing proposals to charge for eyesight tests. The association, which includes 900 medically qualified ophthalmic practitioners, says payments will deter people from taking the tests.

It is concerned about a number of eye diseases that will go untreated because without tests they have no obvious symptoms. The most numerous condition is glaucoma, occurring most commonly after the age of 50 when pressure within the eye rises and destroys the visual nerve fibres.

The doctors say that screening and diagnosis for particular problems of ageing, such as diabetic retinopathy and senile retinal degeneration, will be seriously jeopardized if older people are charged for eyesight tests.

Expressing backbench discontent, Mr Peter Fry, Conservative MP for Wellingborough, has said that he will abstain from voting on extra charges for dental and eye checks unless a £100 million are made available for struggling health authorities.

Similarly, Mr Conal Gregory, MP for York, said he will

defy a three-line whip and abstain from voting on the second reading.

Mr Jerry Hayes, MP for Harlow, predicted the Bill would be "mauled" during its committee stage unless controversial aspects are removed.

Mr Fry has expressed his deep concern over the underfunding of health authorities to Mr Tony Newton, Minister for Health.

He said yesterday: "Kettering Health Authority, for example, plans to cut operations by 20 per cent and it is calculated some 2,000 non-urgent operations will not be carried out until well into next year.

"An injection of at least £300,000 is needed.

Mr Gregory said the eye test was the main means of detecting glaucoma. "While there are 130,000 diagnosed sufferers in the United Kingdom, there are an estimated 150,000 unaware they have the disease who are slowly losing their sight".

Mr Robin Cook, Labour spokesman on health, said it takes a government with a really thick skin to ask the Commons for further reductions in spending when the NHS is in such a crisis.

Daily Telegraph

Doctors call for an NHS lottery

By David Fletcher
Health Services
Correspondent

A NATIONAL sweep-stake and a health tax on tobacco and alcohol to help pay for the NHS were proposed yesterday by senior doctors.

The Royal College of Physicians, the Royal College of Surgeons and the Royal College of Obstetricians and Gynaecologists, led by Mr George Pinker, the Royal gynaecologist, said in a statement that urgent action was needed to save the health service.

"In spite of the efforts of doctors, nurses and other staff, patients care is deteriorating," it says.

"Acute hospital services have almost reached breaking point. Morale is depressingly low."

It dismisses the Government's allocation of £30 million to cut hospital waiting lists as a face-saving measure.

'Desperate position'

"An immediate overall review of acute hospital services is mandatory. Additional and alternative funding must be found."

The statement, following a similar plea from the British Medical Association last week, unites all sections of the medical profession behind the belief that the NHS is failing for want of money.

Such unprecedented unity eaves the Government increasingly isolated in its often repeated view that the health service is treating more patients and is being given more resources than ever before.

Mr Pinker, who is president of The Royal College of Obstetricians and Gynaecologists, said: "I have never put my name to anything like this before, but the position of the health service is desperate."

Sir Raymond Hoffenberg,

president of The Royal College of Physicians, called for a health tax on tobacco and alcohol to provide a new source of income for the NHS, as well as more money through taxation.

"The country must decide what sort of health service it wants. If, as I believe, it wants a decent service it will have to find a way to pay for it," he said.

Mr Ian Todd, president of The Royal College of Surgeons, urged the Government to cancel further tax cuts and use the money to support the NHS.

The time had also come to introduce new forms of funding, such as a national sweep stake, he said.

Last night Mr Newton, the Health Minister, said he would examine the proposals put forward, although it had no plans for a health service lottery.

But the intervention of the surgeons was seen as proof of the critical condition of health service finance by Mr Robin Cook, Labour's Shadow Health Secretary.

'Adverts' on uniforms

Mr John Branczik, general manager of the West Middlesex hospital, has angered nurses by suggesting they wear soccer-style adverts on their uniforms to raise money for the cash-starved hospital. He said later it was not a serious idea.

71/B

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*I sympathise with Peretz's
proposal to deregulate/
privatise lotteries (for charitable purposes).*

RA - 9/12

8 DEC 1987

From : D L C Peretz
Date : 8 December 1987

FINANCIAL SECRETARY

cc Chancellor
CST
PMG
EST
Sir P Middleton
Mr Anson
Sir G Littler
Mr Cassell
Mr Kemp
Mr Scholar
Mr Culpin
Mr Gilmore
Mrs Lomax
Mr Odling-Smee
Mr Spackman
Mr Turnbull
Mr Gieve
Mr M Richardson
Miss O'Mara
Mr Parsonage
Mr Rich
Mr Cropper
Mr Call

A NATIONAL LOTTERY

Following your meeting in September you asked us to work up a more detailed proposal for a public sector lottery, in the form of a paper that could be circulated to colleagues.

2. In preparing this you asked us to consult with Rothschilds, who had indicated that they had carried out considerable background work which it would be useful for us to draw on.

3. As you know, I contacted Michael Richardson at Rothschilds early in September, and he promised that he and two colleagues would be ready to discuss the issue within a week or so. In the event, we heard no more from Rothschilds at all - for entirely understandable reasons - until last week's letter from Michael Richardson. By then we had decided to forget about drawing on Rothschilds' advice, and were more or less ready to put a paper to you. We have delayed this by a few days to see if

there is anything in the paper now sent in by Rothschilds that we should take into account.

4. I am now attaching a draft paper, which in fact is not very different from the one we had been planning to put to you before Mr Richardson's letter of 2 December arrived.

5. I have also taken the opportunity of the delay to have a further discussion with GEP. This note and the attached draft reflect their comments; but I should record that the public expenditure side of the Treasury have considerable reservations about the whole idea of a national lottery.

Rothschilds' paper of 2 December

6. The Rothschilds' paper notes five points of interest.

i) It suggests that in current circumstances a national lottery could attract funds from individuals who would otherwise have become small shareholders, now disenchanted with the equity market after its recent collapse. If this were true I would see it more as a reason for not proceeding with the proposal. Indeed part of the argument for it, in economic terms, is that it would tap funds that would otherwise have been spent rather than saved. In fact I find it difficult to believe that a lottery would be tapping the same flows of finance that would otherwise go into acquiring equities. ✓

ii) Reputable financial institutions would be prepared to put up money for a national lottery operation. This is perhaps not very surprising for something that would presumably be a licensed monopoly, so long as the take permitted for the operator was large enough.

iii) It advocates substantial Post Office participation. We ourselves had thought that the best approach would be to contract the operation out to a private sector body,

operating under licence : but I suppose it would be open to the contractor to use Post Office counter outlets, for a fee.

- iv) Rothschilds' proposal to get around the problem they see of "hypothecation" looks attractive, but not very realistic. Their idea is that the Treasury would take the proceeds, and decide how they are to be used. We rather doubt whether a lottery set up on this basis would have the public appeal needed to raise significant amounts of money or, if decisions lay with the Treasury, be very acceptable to colleagues.
- v) Televising the draw might provide an extra source of revenue. I suppose there might be a number of extra financial spin offs of this kind. We would need to do more work to estimate how substantial they were likely to be in terms of money receipts.

Key issues

7. The process of writing the paper up has highlighted three key issues.

8. First, there is the fundamental question of **whether the proceeds are to be used to increase spending on the chosen causes; or to allow a given level of spending to be financed with a lower burden of taxation or borrowing.** The proposal in the draft paper assumes that there would be an increase in spending on the chosen causes, but suggests that it might be possible in practice to contain that increase to achieve some reduction in taxation (or borrowing). We think this has to be accepted if the idea is to attract the support it would need; and for it to be a success.

9. Second there is the question of **whether the proceeds would increase public expenditure; or whether we could confine it to a private sector operation,** supporting causes in the private sector (but thereby reducing pressures on Government funding). This is interlinked with the question of how much Treasury/Government

control there would be on distribution of the proceeds. The recommended scheme, in the paper, is the approach you favoured at your last meeting; clearly in the public sector, though with allocation decisions slightly at arms length from central government.

10. Whether this scheme would add to public service provision depends on whether the proceeds are channelled to public service activities (the NHS) or to private sector causes (Covent Garden). But in both cases it would add to the public expenditure planning totals.

11. Beyond that the public expenditure side of the Treasury are concerned that there is a fair chance that any board or commission set up to administer the proceeds would create new pressures on conventionally funded public spending. There would be pressures for departments to provide funds to match lottery support; if lottery proceeds fell short of expectations and projects could not be supported, departments would be pressed to make good the difference; and any financing of capital projects could lead to a continuing need to finance running costs from departmental programmes.

12. The third key issue is **the amount likely to be raised**. This is course very uncertain. Potential promoters have mentioned quite large sums. But I find the estimates (updated) made by the Royal Commission on Gambling more persuasive. These suggest that net proceeds might amount to only £100m a year after 5 years of operation. Such a pattern implies, for example, that a quarter of the adult population buys a £1 ticket every fortnight. After allowing for a tax to be levied to compensate HMG for loss of tax revenues on alternative forms of gambling, this would be a net £75m a year. The net amount would be lower still if allowance were made for loss of other indirect tax revenue. Given the objections to be overcome, and the inevitable bureaucratic problems of passing legislation and getting a single national lottery operation going, this does perhaps raise the question of whether the game is really worth the candle.

A different approach?

13. Personally, I remain attracted to the rather different approach of a radical freeing up of restrictions on the operation of private lotteries. At present the Government places a £10,000 limit on the size of regular small lotteries; with big national societies allowed to run lotteries of up to £120,000 provided they are only infrequent - perhaps annual - events. Why not abolish or at least greatly increase these limits? This would allow specific causes (opera houses, sports facilities, or even local health authorities etc) to raise significant sums through operating lotteries, thereby perhaps reducing some of the pressures that they place at present on public spending/tax revenues.

14. There would need to be some arrangement for approving or licensing such operations, to make sure they were properly run, raising money for desirable causes. There might also need to be some procedure to avoid market congestion. Moreover with this approach we would probably simply have to accept some loss of tax revenues; and would face some of the public expenditure pressures mentioned in paragraph 11. Against that it would preserve a degree of choice, and competition between operators; lotteries could be associated with individual causes, and this might make them more attractive; and the change could probably be made without new legislation.

Handling and next steps

15. You will no doubt want to discuss these issues, and the draft paper, with us; and consider the public expenditure implications with the Chief Secretary. After that, Treasury Ministers will presumably want to clear their lines with the Home Office (and No. 10) before approaching other colleagues. Although we assume the Treasury would need to put a paper to H Committee in due course, the number of spending Ministers represented on that Committee suggests there might be a case for taking work forward in a rather smaller inter-departmental working group first, composed of, say, Treasury, Home Office, Customs, and perhaps Scottish officials only.

16. I should draw attention to one particular minor issue : whether we want to open up for discussion with other departments the implications for the premium bond scheme, or whether to keep this as an in-house Treasury issue. In a sense it is separate, in that premium bonds tap the gambling instinct to help with Government borrowing, rather than to raise revenue.

17. Finally, in case there is any doubt, I should say that we are fairly clear that it would take a significant piece of legislation to establish a national lottery. The single clause in the 1979 Finance Bill was inserted purely as a way of giving the opportunity for a general Parliamentary debate on the issue.

DLCP

D L C PERETZ

A NATIONAL LOTTERY FOR THE UK

Case for a national lottery

The Royal Commission on Gambling (chaired by Lord Rothschild) recommended in 1978 that a national lottery for good causes should be set up. We decided not to adopt its recommendation when Parliament debated the issue the following year. Instead, we concluded that it was best to encourage and improve local lotteries. In this climate, many local lotteries have been established and some have achieved outstanding success. Nevertheless, there has been continuing steady support for a national lottery. There is no organised lobby or pressure group, but many corporate organisations and private individuals have urged Treasury and other Ministers to establish a national lottery. Its advocates believe it would command widespread public enthusiasm and raise a worthwhile amount of extra revenue for use on such popular causes as the health service or the arts.

2. Many other countries run successful national or state lotteries of this kind, although it is true to say that some have fewer alternative forms of gambling than the UK. While we should not assume that success elsewhere would guarantee success here, commentators believe the general indication from overseas experience is encouraging.

3. This paper therefore seeks colleagues' agreement in principle to considering the idea of a national lottery further; identifies the objections the proposal is likely to encounter; outlines a possible scheme and lists some important questions which officials should be invited to address in working up the details.

4. Likely difficulties

(i) It has been the Government's longstanding policy to meet current demand for gambling but not to stimulate it. Whether or not the establishment of a national lottery is seen to conflict with this would probably depend in practice on the type of cause to which the proceeds were devoted.

(ii) The establishment of a national lottery would require primary legislation. The Business Managers will be able to advise in due course on how this might best be fitted into the current programme.

(iii) The concept is likely to encounter Parliamentary opposition from the anti-gambling lobby and from those who will claim it is an inappropriate way of financing a higher level of services. Parliament has debated the idea twice in the last 20 years. In 1968 a Finance Bill clause providing an opportunity for debate on a national lottery was defeated on a free vote; in November 1979, we ourselves in a debate on the Royal Commission's report decided not to adopt the recommendation for a national lottery on the grounds that it would require major legislation, be highly controversial and would be far too competitive with local lotteries. However, support for the concept has continued since then.

(iv) The proposal would also be bound to be opposed by the existing gambling industry and by local authorities and voluntary organisations running their own small lotteries in support of local good causes. Both groups would be concerned that a national lottery would attract funds away from them but their fears may well be exaggerated. There would also be opposition on moral grounds eg from some in the churches.

(v) A national lottery could divert resources away from other forms of gambling and consumer spending and so reduce the tax take from them. This point is explored in more detail in Annex 2.

(vi) Difficult issues also arise on the public expenditure treatment of the projects a lottery would finance and the fact that its very existence could give rise to additional pressures on spending departments' programmes (see paragraphs 9 and 10).

Outline of a possible scheme

5. Overseas experience suggests that to attract and maintain adequate support, about 50% of the lottery takings would have to constitute the prize fund, and that the size of the prizes would be more important than the number. It is likely that 10% of the takings would be required to meet administrative costs. This would leave about 40% as a pool of finance for potential projects, or a lower percentage were it decided to levy a tax on stakes or prize money (eg to compensate for loss of tax revenue).

6. The actual operation of a lottery would almost certainly best be carried out by a private sector organisation, under licence or contract. Since it would be a licensed monopoly, we should need to ensure that there were adequate arrangements for supervision and reporting to Parliament; and it might be sensible for the contract/licence to be put out to competitive tender at suitable intervals (say 3 or 5 year periods). There is a separate question about how decisions would be taken about the allocation of the net proceeds. We have identified four possible approaches.

(i) The operation could be supervised by a Government department and the proceeds could be paid directly into the Exchequer as general revenue. It seems unlikely that this approach would secure much public or Parliamentary support, or catch the public imagination in the way required to secure success.

(ii) The lottery could be supervised by a Government department, with the net proceeds kept separate from general revenues, and allocated to deserving projects by the responsible Minister. This would retain the fullest Government control over distribution of the proceeds, while allowing the lottery takings to be associated with particular items of public expenditure. But such a close degree of Government involvement might not achieve the kind of public support needed to ensure success and the method of finance would, of course, breach the general principle of the non-hypothecation of revenue.

(iii) A new independent board or Commission could be established, with the functions of licensing and supervising the operator, and allocating the net proceeds within broad guidelines set by the Government (which could, if necessary, be reviewed annually). This would distance the Government from individual decisions, but preserve a broad influence over the use of the proceeds. The guidelines would probably include a figure for the target amount to be raised each year.

(iv) A private sector body might be licensed not only to operate the lobby but also to decide on the allocation of the proceeds. Broad guidelines might be set in the enabling legislation but otherwise decisions would be for the operator.

7. In terms of ensuring the popular appeal and general success of the operation, options (iii) and (iv) appear to offer the best approach.

Public or private sector?

8. An important aim would be to relieve some of the pressures on planned spending programmes and taxation by providing a supplementary source of revenue to support particular projects. These should therefore either be activities within the public sector, for example, particular improvements in the health service; or activities in the private sector, for example, in the field of arts or sport, that would otherwise have claims for support from public expenditure programmes.

9. If allocation of the proceeds was determined by a public sector body (Government department or publicly appointed Commission), the spending it financed would be classified as public expenditure and be included in the planning total. We should not accept that the proceeds should be allowed to add pro rata to the public expenditure planning total. We should examine carefully how far the lottery proceeds could be used to substitute for planned expenditure that it had previously been assumed would have to be financed by conventional revenue and borrowing. Nevertheless, in practice the existence of a lottery could well add to pressures on spending programmes, either by highlighting areas where the public thought more should be spent or by supporting capital projects which gave rise to substantial future running costs. Moreover, the total lottery proceeds in any year would inevitably be uncertain: it would be important to be cautious in planning the amount likely to be available, and to guard against the assumption that any shortfall would be made good from conventional sources of finance.

10. The scheme described in paragraph 6(iv) minimises public sector involvement in the allocation of proceeds and so avoids counting project support as public expenditure. But there remains a risk that the Government might come under pressure with a private sector operation of this kind to match lottery financing of projects with support from general government revenues. There is also the

possibility that the licensed operator might support politically contentious projects.

11. While it would be premature to discard any options at this stage, it seems best to concentrate on the approach outlined in paragraph 6(iii) under which project support would be classified as public expenditure.

Expected proceeds and cost

12. If we want to proceed, a good deal of further work is needed to establish the feasibility of a national lottery, and the details. Although somewhat dated, we have the work carried out for the 1978 Royal Commission to draw on. And in recent months the Treasury has received a number of submissions from potential lottery operators and other interested parties.

13. The three most important issues are:-

(a) Likely size of proceeds available for distribution

Estimates for potential turnover range from £200million to £3billion a year. If the net proceeds were 40% (see paragraph 5) the amount available for projects would therefore range between £80million and £1.2billion a year. There is general agreement that turnover might start at a relatively low level, and increase substantially over 3-4 years. For example, a turnover of £1billion (net proceeds £100million) a year would require 10 million people (25% of the adult population) each to buy a £1 ticket, once every two weeks. A turnover of £2.5billion (net take £1billion) would require 10 million people each to spend £5 on tickets every week. Annex 1 describes estimates of potential take made by extrapolating the estimates of the 1978 Royal Commission; and other estimates made separately by Rothschilds on the basis of overseas experience. It should be possible to refine these estimates further;

but nevertheless any estimate is bound to be subject to substantial uncertainty.

(b) Loss of tax revenues

This is an important issue which could crucially affect the viability of any scheme. At present, total gambling expenditure is around £2billion a year. Some of this gambling is taxed and yields revenue of around £800million a year. Annex 2 gives details. A first broad indication is that for each £100million of turnover in a national lottery, there might be a loss of about £10million revenue from other forms of gambling. To the extent that expenditure on lottery tickets substituted for consumer spending on taxed goods, there would be a loss of VAT too, although this would be partly offset if the winnings themselves were devoted to taxable expenditure. There are various ways to compensate for this. One would be to levy a tax of, say, 10% on national lottery stakes but this would mean reducing either the prize fund and/or the net proceeds available for supporting chosen projects to that extent. A further option would be to levy a tax on winnings. Any such action might affect the lottery's popularity.

(c) Setting up and running costs

We would need an assessment of these costs and how they would be met. The running costs would have to be financed from the allocation for administration (suggested to be around 10% in paragraph 5). Such an assessment would also be crucial in establishing the minimum turnover necessary for a viable lottery

14. Further investigation of these issues would enable us to put together an overall financial analysis, in order to judge whether the results we could expect showed a national lottery to be worthwhile.

Use of proceeds

15. We need to consider in detail the kind of projects that might sensibly be supported by the proceeds and the guidelines that might be laid down in legislation. The Royal Commission on Gambling advocated a national lottery ^{in support of} sport and the arts. The mix and definition of other areas for support should, they suggested, be left to the supervising authority. Other potential candidates might include the health service, as proposed most recently by the Royal College of Surgeons.

Other matters for further study

16. There are some broader social questions on which further work is also required.

(a) Impact on charitable giving. Charities at present receive £1.5 billion a year from personal donors. They already face reductions in covenanted income as income tax rates have fallen. A national lottery would be seen as a competitor.

(b) Assessment of likely objections. See paragraph 4.

(c) Type of lottery. Ticket selling agencies etc.

[(d) Premium bonds. If a national lottery were established, it might be sensible at the same time to wind down the premium bond scheme operated by the Department for National Savings.]

Next steps

17. If colleagues see attractions in pursuing this idea further I suggest we establish a working group of officials charged with preparing detailed proposals which we could consider at an early stage. I see no need to make any public announcement, pending this further work.

A NATIONAL LOTTERY: ESTIMATES OF POTENTIAL TAKE

1. It is difficult to say what would be the total turnover of a national lottery. There are major unknowns, such as public demand; price of tickets; frequency of draws or games; and whether public enthusiasm could be maintained or increased.

2. Some estimates have been made. The Royal Commission in 1978 believed that a national lottery would have a turnover of £100 million in year 1, rising to £120 million in year 5 at constant prices. Updating these figures by reference to the RPI gives a range of about £200-250 million. This can be expressed in various ways, but, for example, it implies expenditure of around 50p a week by 25% of the adult population. The amount available for projects on this scenario would be £80 million (year 1), rising to £100 million (year 5).

3. Rothschilds' estimate of turnover (made in December 1986) is much higher. It is informed by overseas experience, particularly in Australia where the turnover of some newly established state lotteries has increased substantially. It assumes spending per capita of the population of £14 a year in year 1 and £56 a year in year 3. The annual turnover on this basis would rise from £784 million to £3,136 million, yielding £313 million rising to £1,254 million for projects over this period.

4. To achieve a turnover of £780 million, a lottery would, for example, require 10 million people (a quarter of the adult population) each to spend £1.50 a week on tickets. If the turnover were to increase fourfold over 3 years, it would, for example, require expenditure of £6 a week by the same group, or £3 a week by 20 million people.

5. The Royal Commission studied overseas lotteries in some detail. They acknowledged that large lotteries could be run efficiently and fairly; and that they had potential for raising substantial sums of money for good causes. But they also pointed out that overseas experience should not be taken as a sign that a national lottery would be successful in the UK.

A NATIONAL LOTTERY: EFFECT ON REVENUE FROM BETTING AND GAMING

1. During the 1980s, the volume of spending on gambling has remained fairly constant at around 1% of total consumer expenditure. Total gambling expenditure is now about £2 billion a year. Tax revenue is about £800 million a year, mainly from the following sources:

	<u>Tax Take</u> <u>£ million</u>
General betting duty	320
Pool betting	235
Gaming	150
Bingo	50

A national lottery is likely to siphon off some spending on existing taxed gambling. A crucial task before a national lottery was established would therefore be to ensure there would be no net loss of revenue. (Some forms of gambling - including lotteries and newspaper/magazine competitions - are not subject to tax.)

2. From these figures, a crude and very approximate extrapolation suggests that that the main loss would be from pool betting, which is subject to the highest rate of duty (42½%). If there were a national lottery, about a third of current spending might switch. If racing and other general betters (duty rate 8%) split stakes 50:50 between racing and a national lottery, it can be inferred that there might be an overall switch of about a third. A small switch might also be made by bingo players. It seems unlikely that there would be a marked effect on gaming duty, most of which comes from hard gambling in casinos etc.

3. It is impossible to give a precise estimate of tax loss from such broad assumptions and dated material. But an order of magnitude can be derived. If a national lottery annual turnover were £100million, it might accrue from £65million new money/untaxed gambling and £35million taxed gambling (about a third, rounded up slightly for bingo etc - see paragraph 2). Assuming the £35million was switched in equal proportions from pools and general betting, the tax loss at current rates would be about £9million a year.

4. On top of this, there would be a further loss of VAT revenue to the extent that a lottery diverted resources from consumer spending on taxed goods. For illustrative purposes, if half the £65million mentioned in paragraph 3 came from this source, the VAT loss might be as much as £5million but in practice some of this is likely to be offset by winners spending their prize money on taxable goods.

bf to m. 16/12

FROM: MISS M P WALLACE

DATE: 14 December 1987

MP

PS/FINANCIAL SECRETARY

cc PS/Chief Secretary
PS/Paymaster General
PS/Economic Secretary
Sir P Middleton
Mr Anson
Sir G Littler
Mr Cassell
Mr Kemp
Mr Scholar
Mr Culpin
Mr Peretz
Mr Gilmore
Mrs Lomax
Mr Odling-Smee
Mr Spackman
Mr Turnbull
Mr Gieve
Mr M Richardson
Miss O'Mara
Mr Parsonage
Mr Rich
Mr Cropper
Mr Call
Mr Tyrie (with Mr Peretz's
minute of 8 Dec)

A NATIONAL LOTTERY

The Chancellor has seen Mr Peretz's minute of 8 December. Before any paper leaves the Treasury, he would like the views of Ministers and advisers (in writing) and will then hold a meeting.

MPW.

MOIRA WALLACE

CONFIDENTIAL

~~bf to m 17/12~~

FROM: JOHN GIEVE
DATE: 15 December 1987

prop.

FINANCIAL SECRETARY

cc **Chancellor**
CST
PMG
EST
Sir P Middleton
Mr Anson
Miss Mueller
Sir G Littler
Mr Cassell
Mr Monck
Mr Kemp
Miss Peirson
Mr Scholar
Mr Culpin
Mr Gilmore
Mrs Lomax
Mr Odling-Smee
Mr Spackman
Mr Peretz
Mr Turnbull
Mr Richardson
Miss O'Mara
Mr Parsonage
Mr Rich
Mr Cropper
Mr Call

LOTTERIES - PUBLIC EXPENDITURE CONSEQUENCES

I attach a note prepared in GEP which seeks to draw together the expenditure issues raised by the proposal for a national lottery (or a more general liberalisation of the regime for large lotteries). It expands on the material we put to you earlier in the autumn and on the expenditure paragraphs in Mr Peretz's submission of 8 December. You may wish to take it at your forthcoming meeting on Mr Peretz's submission.

John Gieve

JOHN GIEVE

LOTTERIES: PUBLIC EXPENDITURE CONSEQUENCES

This note falls into two parts. The first describes the various ways in which a new lottery or lotteries could effect public expenditure. The second discusses how a lottery could best be reconciled with public expenditure policy.

2. Much of the note is inevitably speculative. There is no experience of large scale lotteries in GB to draw on and we have little idea how successful they might be. In particular without knowing whether the net proceeds will be in £10m or £100m it is impossible to estimate the size of the various possible effects on public expenditure.

1. IMPACT ON PUBLIC EXPENDITURE

3. A lottery (whether national or local) may increase public expenditure both:

a. directly because the spending of the proceeds itself counts as public expenditure, and

b. indirectly because the manner of the allocation of proceeds increases pressure for public expenditure.

4. Substitution To the extent that lottery proceeds are used to meet claims that would otherwise have been met by Government out of normal revenues, the net increase in public expenditure will be diminished.

Direct public expenditure effects

5. Whether or not the spending of the proceeds itself counts as public expenditure depends both on the control over the lottery and the use of the proceeds.

1. Control. If the lottery is run by or by an agent of a public sector body (whether a department, health authority,

or quango) or the decisions on the allocation of proceeds are taken by such a body then the net proceeds from the lottery will count as Government revenue and their use will count as public expenditure.*

11. Use. Even where the lottery is run by a private sector body and the distribution of proceeds is not controlled by Government (see paragraph 6(iv) of the draft paper) it may add to public revenues and public expenditure if money is given to a public sector body (eg a hospital which then spends it). There can be difficult borderlines here but generally a gift of a piece of equipment, or finance for a specific piece of equipment, or 100% financing of a project or facility will count in the national accounts simply as expenditure by the (private sector) donor; on the other hand contributions towards the costs of projects or general subventions towards costs of public bodies will count as Government revenue and their use will count as public expenditure.

Indirect public expenditure increases

6. A lottery could increase pressures for "normal" public spending in a number of ways.

1. If it was run by an independent board, that could act as a pressure for more Government spending by seeking matching funding from the Government for its projects, or by financing capital costs but leaving the subsequent running costs to the Government, or by acting as a sounding board for complaints about underfunding.

11. If proceeds fluctuated, Government could be pressed to step in to meet any shortfalls (and would almost certainly be unable to step back again if revenues recovered).

* In general it would be only the proceeds net of prizes that would so count. Whether the administrative costs would also be netted off or would count as public expenditure would depend on the exact constitution of the lottery.

111. If the lottery reduced the income of other charities they might themselves seek Government help or the Government might feel obliged to increase its own spending to provide services which those charities had previously done from their own funds.

Substitution

7. Substitution too can take more or less direct forms.

8. At its most direct and explicit, if the lottery was run simply to raise revenue for the Government to help pay for public expenditure as a whole, substitution could be complete and the lottery would not increase public expenditure at all. Complete or partial substitution might also be achieved by a formal mechanism for taking account of lottery proceeds when setting plans for programmes. One model has been suggested by Rothchilds; namely that the net proceeds would be paid to the Treasury which would allocate them to programmes at the end of the Survey. Mr Peretz's paper argues plausibly that such options would be unlikely to gain support either in Government or amongst the public.

9. However, even were the proceeds used entirely for projects additional to planned public spending programmes they might reduce the pressures for (other) departmental spending either by financing projects which otherwise would have become part of planned public programmes (most clearly, for example, where the effect of the lottery is to bring forward capital projects which would have been financed by Government a few years later) or, more generally, by reducing the need for public spending (eg by reducing waiting lists). This more indirect process of substitution could operate for a lottery whether it was in the public or private sector.

10. It is not clear how to maximize substitution. One approach would be to channel the proceeds into areas of spending where the Government is predominant and where expenditure is rising. The two obvious choices would be health and education. If net proceeds are likely to be less than say £250m a year, however, it is arguable that they would be too small to make much impact on the pressure for more Government funds in such areas. That might point to channelling the proceeds into areas like the arts or sport where they could make a substantial financial impact. In these areas,

however, Government is only one provider among others and the funds might boost areas of activity which Government would not otherwise have supported.

The net effect

11. It is impossible to know what the balance of these effects would be. Not only do we have little feel for the size of the proceeds and how any new organising body would work but the appropriate comparison is with 'what would otherwise have happened'. Even after the event it will not be possible to be sure what the impact has been on public spending.

12. That said, the effect of a public sector lottery on public expenditure seems likely to be positive because the use of the whole of the net proceeds would count as public expenditure. Although in time the increase might be reduced by substitution, this is not likely to be 100% (assuming that no explicit offsetting mechanism is in place). Moreover, whatever attempts are made to limit the indirect effects, they are unlikely to be wholly successful.

13. The impact of a private sector lottery is less clear because the disbursement of its proceeds would not all count as public expenditure. If substitution outweighed the indirect pressures for increasing Government spending and any gifts of money to public authorities, the overall effect would be to reduce public spending.

14. As far as the burden of taxation is concerned, it is the balance of 'indirect' effects and substitution which matters both for private and public sector lotteries (ie the direct effect is financed by lottery proceeds).

2. POLICY RESPONSE

15. Any increase in public expenditure will make it more difficult to achieve the Government's aim of reducing the ratio of expenditure to GDP. If the lottery proceeds are relatively small (under £100m

as suggested in Mr Peretz's paper) this may not be material; if some of the higher estimates of proceeds are nearer the mark it could be a significant factor.

16. Any increase in public expenditure within the planning total will also make it more difficult to hold to the published cash planning totals.*

17. In these ways, a public sector lottery whose proceeds were used to finance additional projects would make it more difficult for Government to achieve its present targets for public spending. However, one of the main aims underlying those targets is to reduce taxation while holding borrowing to prudent levels. In that respect extra public expenditure up to the limit of the net proceeds of a new lottery proceeds would not run counter to the underlying policy. † Indeed to the extent that substitution outweighed the "indirect" increases in expenditure the net increase in public expenditure would be less than the net proceeds and the lottery would actually contribute towards reducing taxation.

18. From a public expenditure point of view, therefore, the main aim must be to maximise substitution and to minimize the pressures for additional spending not covered by the lottery proceeds itself. The following paragraphs discuss what implications this has for the form of the lottery.

The use of proceeds

19. The definition of the purposes for which lottery proceeds could be used would be important in determining substitution. The main options were mentioned in paragraph 10 above.

* Exactly where a lottery would appear within the public expenditure aggregates would need further consideration.

† There is a separate problem about the potential loss of tax revenues which could lead to a lottery having a net fiscal cost.

1. Major growing service in which the Government is predominant - The best bet here is health which is almost wholly a central Government responsibility, unlike education, and which is growing fast. Aid has been mentioned as a candidate but seems less likely to lead to significant substitution than health.

ii. Smaller activities in which lottery would have major impact - Arts seems the best bet here since central Government plays a major role in the field (unlike sports for example).

There may be commercial reasons for adopting a wide range of purposes but that would carry the risk of spreading the proceeds too thinly to create an impact on any service while giving the lottery authorities the best platform for bringing pressure to bear on government for more funding.

A national lottery or many lotteries

20. There may be good commercial reasons for focussing attention on a single lottery. The potential for offering large prizes and for attracting media coverage may give it a decisive edge over the alternative canvassed in Mr Peretz's minute of simply raising the limits on the permitted size of lotteries generally and then licencing a number of lotteries which met specific criteria. However, in terms of the Government's general policy of encouraging diffusion of power, competition and consumer choice there seem advantages in the latter course.

21. If there is a single national lottery, it seems unlikely that Parliament and the Government will be willing to leave the disbursement of proceeds of the scale currently being envisaged entirely to a private sector body. In what follows, therefore, it is assumed that a national lottery would be in the public sector. It is assumed also that it would not be run as a way of raising general Government revenues and that there would be no explicit mechanism for offsetting expenditure of the proceeds against normal public programmes. The most likely model would be a lottery run

by private sector organisation as an agent for an appointed board which would control how the proceeds were disbursed in accordance with purposes laid down in legislation and, possibly, supplementary guidelines from the Government.

22. At the other end of the spectrum, it is possible to envisage, for example, the "Friends of St Thomas's" - which would count as a private sector body - running a lottery to finance particular projects in St Thomas's hospital. If this more diffuse approach is adopted, the Government will need to decide whether or not public sector authorities - for example local authorities or regional health authorities - would be eligible to apply for licences or whether to restrict eligibility to charitable bodies (while acknowledging that these may have close links with the public sector authorities).

23. From a public expenditure view point the following considerations need to be borne in mind in choosing between these approaches (and the many intermediate options).

1. A public sector national lottery will almost certainly increase public expenditure because the spending of the net proceeds would itself count as public spending. While such an increase would not be inconsistent with the underlying aim of policy, for the reason set out above, it would make it harder to achieve current targets for public expenditure and, on those grounds, a private sector approach has attractions.

ii. A board appointed to allocate the proceeds of a national lottery on a national basis may be more likely to finance projects which would reflect the Government's own priorities and, therefore, be more likely to lead to substitution. The more decentralised the approach, the greater the risk that the lottery will channel finance into particular projects which the Government would not choose to support (even if it had extra funds to do so). For example, it seems likely that hospitals with a high national reputation and projects linked to high technology and acute conditions might do better from

lotteries than less glamorous areas of the health service. The risk is that new facilities would be financed in London which would not have been built at all under the NHS.

iii. Private sector organisation, even if dependent on a licence from the Government, may be less inhibited from pressing publicly for greater Government spending in their area of operation. [On the other hand a national lottery board would probably carry more weight should it choose to make any public pronouncements.]

iv. It may be easier for Government to refuse to underwrite shortfalls of receipts or to provide matching funding for decentralised and private sector lotteries than for a public sector national lottery. In particular, it could argue in response to particular hospitals asking for "matched funding" that they were lucky to have raised extra finance outside the NHS and that it would be inequitable to boost their budget further at the cost of other less fortunate hospitals.

v. It should be easier to control the way in which proceeds were disbursed by a national lottery (eg requiring endowments to meet running costs of new capital developments) than for a number of smaller lotteries.

CONCLUSION

24. Any conclusions on the likely effects of lotteries must be highly provisional. However, from a public expenditure point of view it seems sensible to investigate further the possibility of licencing a number of private sector lotteries as well as the idea of a national lottery in the public sector. In further work on both options, attention should be given to ways of preventing indirect pressures for increased Government spending and for maximising substitution. In particular, the possibility should be examined of establishing rules like:

1. the trustees of a lottery cannot call for matching funds over and above what is in plans;

11. capital projects will not be accepted unless provision for running costs had been agreed or an endowment is provided;

111. the government has no obligation to underwrite shortfalls of lottery receipts.



FINANCIAL SECRETARY	
REC	23 DEC 1987
MR Peretz	
PPS	CST PMG EST 22
Sir P. Middleton	
MR Anson MR Culpin	
MR Gilmore MR Turnbull	
Miss Pearson MR Cropper	
MR Tjorne MR Call	

QUEEN ANNE'S GATE LONDON SW1H 9AT

December 1987

Dear Minister

LOTTERIES

Ps/Cte.

You may recall that we corresponded on lotteries before the General Election. We have now given careful consideration to the issues here, in the light of responses to my letter of 25 February, and I want to let you and other colleagues know how I see the prospects.

In my letter I said I would be prepared to look at the case for substantial new legislation on lotteries, and again at the arguments for a national lottery, if there was a general view among colleagues that these issues should be explored. It does not seem to me that the comments received show that a general view on these lines does exist at present. Malcolm Rifkind and Norman Tebbit, while recording a personal interest in a national lottery, reminded us of the potential adverse effects of large lotteries on other sources of revenue and on national savings.

For my part, I am not convinced that there are benefits to be gained here to offset the undoubted unease that we recognise the necessary public consultations would cause among charities, which profit from the present law and which may be ill-equipped to compete with the large lotteries that the better-endowed charities could offer. Recent work undertaken by the Gaming Board has underlined the problems lotteries encounter, both in terms of incompetent management and susceptibility to fraud. It seems clear that, at the same time as deregulating lotteries in the sense of removing some of the monetary limits, other fresh regulations would have to be put in place. This would reduce the potential benefits to charities and sporting bodies, as well as create new calls on resources in providing for the regulation which would apparently be necessary to ensure that standards of propriety were observed.

I intend to see instead if we can raise the present monetary limits, which can be changed without fresh primary legislation. They might provide some useful information against which to test the view that lotteries with bigger prizes will tap a demand not touched by small lotteries at present. We might then return to the wider issue later in the Parliament.

/I think

The Rt Hon Richard Luce, MP

I think this would be a sensible way to proceed and one which recognises that the pressures on the legislative programme are such that it would be unrealistic to think of having a major Bill on lotteries, soon, anyway. I could not give it any priority as against other social topics, including Sunday trading, to which we are committed to return this Parliament.

I am sending copies of this letter to Willie Whitelaw, Malcolm Rifkind, Norman Lamont and Colin Moynihan. I am also copying this to Tony Newton, who may have a view on the part which lotteries could play as an additional source of funding for the National Health Service.

Yours sincerely

Al. Johnson.

(Approved by the Home Secretary as signed in his name)

phoned through to Treasury
m.
12/1



FROM: FINANCIAL SECRETARY
DATE: 23 December 1987

CHANCELLOR

Ch/ Officials have suggested that the FSI's office should acknowledge the Hurd letter and promise a reply "towards the end of the month" [ie after our meeting].
Do you think this is a good idea, or rather gives the game away?

cc Chief Secretary
Paymaster General
Economic Secretary
Mr Cropper
Mr Tyrie
Mr Call
Mr Peretz

! think its OK.
HK can issues
consp
15.

LOTTERIES

I received today a letter from Douglas Hurd which suggests that we should raise the present monetary limits on local lotteries rather than push ahead with a national lottery.

2. The timing is too coincidental. This is clearly a leak and pre-emptive strike. It may affect handling but I am sure we should still address the issue.

A.n

|| NORMAN LAMONT