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# Memery Bank

## How Will an Incoming Conservative Government Affect iGaming?

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Peter Wilson considers the implications of a change of Government for the gambling sector. There are some good clues as to what might or might not be on the cards.

If the Conservatives win the 2010 General Election and form the next Government in the UK will it be good news for the online gambling sector? At the time of writing, the date of the election has not been announced by the incumbent Labour Government and neither party has published its Manifesto that will describe the policies they propose to implement should they win. So, whilst nearly everything said at the moment is somewhat speculative, there are some good clues as to what might or might not be on the cards.

The Conservative Party website has a "Where We Stand" section describing in broad terms the Party's policy in various social and economic areas. The only mention of gambling is in relation to the UK state lottery, the National Lottery, where they say:

*"When John Major established the National Lottery he started a revolution in the funding of the arts, sport and heritage, and provided these vital sectors with a secure financial footing. Labour, though, have continually raided Lottery funds for other government projects – and we would return the Lottery to its original purpose. Our reforms would put an end to any further government interference and **ensure a greater share of Lottery funding goes to the arts, sport and heritage**, allowing them to prosper and thrive."*

The Department of Culture, Media and Sport (DCMS) is responsible for gambling law and policy and Mr Jeremy Hunt is the Shadow Secretary of State so, subject to any Shadow Cabinet reshuffles before or just after the election, he will be the Minister in charge if the Conservatives win. Reading what he has said, it is no surprise that he will be focused on making London's hosting of the Olympic Games in 2012 a big success. Apparently a fan of the lottery, he has praised it and criticised Labour's policy on it in equal measure. He says:

*"Up until 1997, Labour had agreed with us that Lottery funding should be an addition to, not a replacement for, government spending. But in their own National Lottery Act of 1998 they carefully added a new 6th 'good cause' under the reassuringly vague name of the 'New Opportunities Fund' - a distributor of, and I quote, 'grants to health, education and environment projects, UK wide, under initiatives to be specified... by the Government'. Since 1998, Labour has diverted almost £3.5bn away from the original good causes and into its own pet projects."*



Any attempt at legislating gambling is bad karma for politicians. Whilst they might react to heavy pressure from their constituents, legislative reform of gambling has proved to be a double edged sword. You try to please everyone and end up pleasing no one.



The Conservatives plan to abolish the National Lottery Commission to save costs and have the Lottery regulated by the Gambling Commission, who will presumably look upon that particular gift with some misgivings, having just spent the last 2 years wrestling with the introduction of the biggest re-regulation of gambling in 60 years and the re-licensing of all British operators.

The policy on the Lottery may not be the most exciting vote winner yet it is hardly likely to offend any of the electorate, who probably looked upon the extension of the “good causes” as a thinly veiled means to tap into the Lottery fund to support regular Government spending plans.

The National Lottery aside, what do the Conservatives think about other parts of the gambling market? Tobias Elwood is the Shadow Minister for Culture, Media and Sport and a Member of Parliament for the popular seaside resort of Bournemouth. He is more revealing about the policy direction when he complains, *“The Government has been happy to sit idly by and do nothing to stop the surge in unregulated online gambling. With each year that passes more people are getting addicted to these sites which offer little consumer protection. Companies that advertise here must meet the UK’s regulatory standards. We must ensure that online gambling is done in a responsible and safe environment.”*

Obviously, this sort of talk does not bode well for the online gambling sector. Put in context though, it is not surprising. A large number of businesses make a living from land based machine and bingo gambling in Britain at seaside resorts and in urban centres and a considerable number of the voting British public derive pleasure from attendance at such facilities. In contrast, only a small minority of online gambling websites are licensed in Britain, not all of those are British owned, and the number providing sizeable employment opportunities is likely to be wholly insignificant compared to the land based industry.

The land based industry – particularly the bingo and arcade sectors – spend a lot of time and money on the lobbying of MPs and the pursuit of PR campaigns, with some notable successes; such as the recent increases in machine stakes and prizes and the lowering of bingo duty.

Clwyd West MP David Jones reinforces the point: *“Labour is letting down our local community and its economy. Many of these arcades are part of our seaside heritage. This is no way in which to treat the local firms that are so vital to seaside communities. A green light has been given to hardcore gambling, while safer forms of entertainment are being unfairly treated.”*

So to answer the question posed at the start, it does not look good news if the Conservatives get into power. However, looking beyond the political rhetoric, it does not look bad news either. Practically speaking, what are the Conservatives (or for that matter any new Government) going to do to restrict internet gambling? They are hardly likely to reverse the legalisation of remote gambling in the Gambling Act 2005. Any attempt at legislating gambling is bad karma for politicians. Whilst they might react to heavy pressure from their constituents, legislative reform of gambling has proved to be a double edged sword. You try to please everyone and end up pleasing no one.

Whilst the Conservatives do not appear to be fans of online gambling, that is to be expected as it is not a vote winner.

On 7 January 2010, the Sports Minister Gerry Sutcliffe announced that there would be a consultation on proposals to ensure that “*all operators who want to target British consumers must be licensed by the Commission.*” If such proposals are carried into law they could have a dramatic effect on the legality of the advertising by hundreds of online gambling sites that are not currently licensed here but nevertheless rely on Britain as a key market.

In addition, it seems that the Levy payable by British licensees who offer bets on British horse racing will also have to be paid by all other bookmakers who accept bets on horse racing in Britain whether they are licensed here or not.

The proposals would require legislative changes to implement fully and that is highly unlikely to happen before the next election. Would a new Conservative government follow such proposals through? According to the speeches of Mr Elwood and others, they would probably want to do something but it may be a watered down version that does not raise any issues of potential non compliance with European law principles.

The Gambling Commission could broaden its interpretation of what remote gambling equipment meant. That would restrict the ability of offshore operators to run some aspects of their business from Britain (such as marketing, banking etc) and it would not require any new legislation. It would still not tackle the perceived unfairness of allowing operators who are entirely located offshore to take custom from Britain when they do not have a licence or pay taxes here — but isn't that the point of cross border free trade principles?

The Conservatives policy in Europe has previously appeared to favour a European wide approach to regulation. In November 2008 British MEP Malcolm Harbour has argued that regulation was needed because a number of EU governments restrict access to their betting markets on the grounds that they do not want to encourage gambling yet, “*Those same member states are promoting participation in their own national lotteries. Clearly that is inconsistent.*” Realistically, the Conservatives are unlikely to have much impact on the gambling debate in Europe and/or to devote enormous energies to pursuing the liberalisation or European level regulation of online gambling.



Peter Wilson  
T +44 (0) 20 7400 5807  
pwilson@memerycrystal.com

Whilst the Conservatives do not appear to be fans of online gambling, that is to be expected as it is not a vote winner. Bashing online gambling is more attractive in PR terms; however, the reality is that it will probably be very low down on the political agenda and that can only be good news for the industry.

44 Southampton Buildings  
London WC2A 1AP  
T +44 (0) 20 7242 5905  
F +44 (0) 20 7242 2058  
**www.memerycrystal.com**  
LDE No: 156 Chancery Lane

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