2nd PART

ECONOMIC STUDY

CHAPTER 1

INTRODUCTION

The purpose of this analysis is to examine the current state of the major gambling services industries in the European Union (EU), and to comment on market and ownership structures in terms of their impacts and implications on the quality, quantity, price and availability of gambling services presently available to consumers within and beyond the EU. The Report discusses the size and economic dimensions of the major sectors of the gambling services industry among the Member States of the EU, and comments on and estimates the welfare implications of these circumstances. A number of alternative scenarios are developed which explore the implications of alterations in the regulatory and ownership regimes, noting how these might affect various welfare considerations in the context of EU consumers, EU Member State companies involved in the provision of gambling services, and overseas companies which might potentially offer gambling services to customers in the EU. Revenue distribution implications for Member State governments that rely on gaming services sectors to generate significant revenues for general fund revenues, “good causes,” financial support for Non-Government Organizations (NGOs), or other quasi-governmental activities, are also examined.

As with commercial and government-owned gambling industries in other parts of the world, the gambling services industries in the Member States of the European Union have a number of unusual or unique attributes that lend themselves to economic analysis and discussion. The following are the general characteristics that will be examined throughout this analysis.

Demand for gambling services in the early 21st century and for the past half-century in the European Union – as well as in most other parts of the world – has been and is expanding rapidly, for a number of reasons. Among the more important reasons are:

a. Increasing amounts of discretionary income among the general population of the EU, especially in the post-World War II era for Western Europe, and since the collapse of the Soviet Union for the former Soviet bloc and Eastern European countries. A significant portion of discretionary income has been allocated to the leisure and entertainment sectors of economies;
b. An increased willingness of national and regional governments to authorize and exploit commercial and/or government offered gambling services over the past fifty years for a variety of reasons. These reasons include a greater social acceptance of gambling as a recreational activity among their constituencies, a desire to combat illegal gambling activities and related adverse consequences, and a willingness to exploit and capture economic rents that can emerge from legally sanctioned but market constrained gambling services;
c. A general liberalization in moral and ethical attitudes about gambling, including a weakening of the influence of organized religions over their congregations in their criticisms or condemnations of gambling as an immoral or socially destructive behavior;
d. The increasing integration of gambling with other activities that have been growing in popularity – such as professional sporting events, horse and automobile racing, and various contests of skill and luck – into mainstream entertainment outlets, such as television, cinema, print media, and modern electronic communications media;
e. The explosion of computer, internet, and telecommunications technologies that have permitted the development of new gaming services (such as internet based tournaments, spread betting markets, and betting exchanges,) as well as a wide variety of new delivery channels for gambling services and related activities.

In spite of recent changes in laws in many Member States regarding permitted gambling, many national gambling services industries remain characterized by a vestige of prohibitions, constraints, and conditions that make them highly protected and sometimes eccentric constructions. As a result, many gambling services industries are organized in ways that set them aside from other industries that are subject to European Union principles of harmonization, or “free and fair” trade. These exceptions to EU principles are sometimes justified on the need to protect the public from adverse consequences associated with gambling;

Because of a legacy that had been characterized by prohibition and proscription until quite recent times, most gaming services industries are under-supplied in comparison to what would occur in free, competitive, and unobstructed legal markets in gaming services. This creates a situation where those legislative and regulatory bodies that authorize and oversee legal gambling services can be highly influential in determining the size and extent of permitted gambling in their jurisdictions, as well as in determining the ultimate benefactors (besides consumers) who share in the rewards created by the legal and organizational structures and revenue distributions of gambling service industries. This suggests that the determination of legislative and regulatory terms governing gambling services industries are likely to be characterized by processes that are disproportionately political;

As a result of this political dimension, gaming service providers – and other designated beneficiaries, such as Treasury Departments, Ministries of Finance, amateur sporting organizations, or other specified benefactors or “Good Causes” – can capture substantial economic rents from the excess profits generated in the provision of these services. It also suggests that such beneficiaries will actively participate in “rent seeking behavior” to protect or enhance their shares of the distributions;

In an unconstrained competitive free market, the presence of excess profits acts as an inducement for new competitors to enter the market, and offer comparable services at better terms in order to capture a share of the market. Applied to gambling services, the resulting increase in supply would reduce the extent of economic rents available for suppliers and other beneficiaries. However, it would also create various economic benefits for consumers, including lower prices, a greater variety of product and service choices, and a more dynamic and responsive marketplace. Because of the constrained and protected nature of most of the EU’s gambling services industries – specifically because of the constraints and prohibitions on the gambling services industries themselves, as well as the limitations on organizations or entities that are authorized to provide such services – this typical free market response process is thwarted;

If such competitive market processes were allowed to occur (for whatever reason), it is likely that the aggregate demand for gambling services within the European Union would increase, perhaps substantially. The international experience suggests that the marketplace can be very responsive to changes in availability, attractiveness, promotion, pricing, and variety of gaming services, in terms of how much is expended in the aggregate on such services. This issue is discussed below under the heading of Market Potential.

It should be noted that social well-being, or aggregate social welfare, of a given Member State or region is not necessarily optimized by permitting a totally free market in gambling services. (The measurable social costs associated with such adverse consequences are only partially understood, as is discussed below.) Because of this, it is reasonable for policy makers to constrain the extent of gambling services in such ways as to better balance the benefits from consumption and authorized provision of gambling services against the unintended adverse consequences associated with greater levels of consumption.

Motivations of policy makers that have created the rules that govern and constrain gambling services industries have been mixed and often inconsistent. On the one hand, there are typically attempts **to protect** consumers from fraud and criminal activities, as well as from consumers’ potential vulnerabilities from excessive gambling. Such protections can be made in a variety of ways, usually through imposed constraints on who can gamble, when, and under what circumstances, as well as which games can be played, under what set of rules.

On the other hand, policy makers often strive **to maximize economic rents** that can accrue to the various specified benefactors such as national, regional, or local government coffers, earmarked purposes (such as education, health, or sports), or "Good Causes." Indeed, it is because of such conflicting objectives that the European Court of Justice in court decisions such as Gambelli or Lindman made the argument that violations of the principles of harmonization for gambling services can only be justified in the context of providing public protections against the adverse consequences of gambling; it is inadequate to justify such violations solely in order to fulfill the objective of maximizing economic rents.

The typical pattern that has occurred in Member States has been an evolution of gambling services from illegal to legal status in the following manner. Initially, gambling services are authorized, but with substantial constraints. That is followed with relaxations on some of the constraints brought about by pressures from the gambling services industries themselves, the fiscal or financial needs of earmarked beneficiaries, changing social norms, and/or the development and imperatives of new technologies. This might be countered in the political arena by groups or interests who are concerned about increased potential or actual adverse social consequences associated with a greater availability of gambling services.

Since, historically, gambling has generally been viewed as an immoral or socially undesirable activity, many policy makers presently view gambling as an undertaking with limited or ambiguous value for society at large. Many policy makers and members of the general public adhere to the view that gambling activities can pose significant risks to society in the form of adverse social impacts such as personal and family disruptions caused by excessive or "problem" gambling, increases in criminal activities (i.e. loan sharking, money laundering, organized crime activities, embezzlements, theft related to gambling, etc.), and links to corruption of public officials. Most gaming industry analysts acknowledge that if gambling activities were prohibited – especially after periods of widespread legal availability of gambling services – the result would be to create black or grey markets of illegal or questionably illegal gambling, so the option of prohibition is one that would have to be evaluated in terms of the social and economic costs that would follow from trying to enforce laws against activities that have a strong inherent demand among the general public.

Because of these kinds of concerns, legislative bodies might authorize specific forms of gaming or wagering, but place a variety of constraints on their offerings. Examples of constraints would be limitations on who could participate, where such gaming could be offered, hours of operation, specific games that could be played for money, the maximum size of wagers permitted and the maximum amounts of payout, the speed of play, who could offer the games, and who would ultimately benefit.

The presence of constraints, along with the general under-supply of gambling services, creates incentives and opportunities for ongoing illegal gambling activities (which may remain significant in society at large), and in particular within ethnic communities or among youth, who may be excluded from participating in legal gambling opportunities. Such conditions may also encourage the pursuit of loop-holes by legal operators searching for lucrative new gambling services or opportunities (as has occurred with FOBT machines in Licensed Betting Offices in the UK in the past few years.)

In some cases, policy makers may impose high excise tax rates on gambling services, for the purpose of discouraging potential patrons from participating or preventing the gambling services sector from growing larger than is deemed appropriate. When this occurs, the tax revenues generated may be allocated to general fund revenues, to specific benefactors, or to "good causes" who then benefit as a by- product of the gambling activities.

Some jurisdictions have established exclusive franchise arrangements so that only a single entity will have legal authorization to offer a particular type of gambling service. This is often justified on the basis that having a single purveyor of a gambling service increases the likelihood that cohesive and realistic protections can be implemented and enforced. However, with exclusive franchise monopolies, the ability to earn substantial economic rents is also enhanced. This creates the environment conducive to conflicting objectives for Member States who are attempting to simultaneously provide protections for consumers and maximize economic benefits for fiscal and financial beneficiaries of gambling services.

As a result of the aggregate of constraints imposed on gambling services and restrictions on entities authorized to supply them, the demand for gambling services is dampened (in comparison to less constrained, more competitive alternatives.) Because of the inconveniences and limitations on consumer choice, this leads to a loss of consumer satisfaction or consumer surplus. Based on the experience of other countries, consumers would likely choose to expend greater time and effort on purchasing of gambling services under competitive free market conditions than is the case with the presence of the constraints. How much greater such expenditures would be is one of the important empirical investigations of this report.

CHAPTER 2

DIMENSIONS OF THE LEGAL GAMING SERVICES INDUSTRIES IN THE EUROPEAN UNION

Based on our best estimates of the size of the commercial gaming industries among the 25 Member States of the European Union, the combined sectors of lottery, casinos, gaming machines, betting services, and bingo generated Gross Gaming Revenues (gross winnings after payment of prizes, represented in the text as GGRs) of €51.5 billion in 2003. (See Table 1.) This compares to the legal American gaming industries which in 2003 generated Gross Gaming Revenues (GGRs) of US$72.8 billion (€60.7 billion[1, 2].)

Researchers were unable to find adequate data or published descriptions to establish the size and characteristics of the media games, charity gaming, and promotional games sectors among Member States of the EU. Neither published government sources nor submissions invited from stakeholders in the preparation of this report yielded information or data adequate to provide reasonable estimates of these particular sectors of Member State economies. Therefore, no comparable figures can be presented for these gambling services sectors.

Based upon a review of other studies on remote and internet gaming – as well as survey data collected as a portion of this study – our best estimate of the size of the European Union remote and internet gaming sector (that sector which offers gambling services via the internet, through mobile phone services, and through interactive television wagering) represented between €2 billion and €3 billion in GGRs from EU consumer expenditures in 2004, and growing rapidly. The global remote and internet gaming industry is forecast to grow from about US$9 billion (€7.5 billion) in 2004 to US$25 billion (€20.8 billion) in 2010.[3]

Though aggregate GGRs are similar between the US and EU as of 2003, their composition differed considerably between the European Union Member States as a group and the United States. For example, in the United States, commercial and tribal casinos generated about US$42.1billion (€35.1 billion) of the total US GGRs in 2003 (58% of the US total), whereas in the EU, casinos comprised only about €7.5 billion of GGRs, 15% of the EU total. In the United States, gaming machines (also referred to as slot machines, Electronic Gaming Devices, or Video Lottery Terminals) outside of casinos are still relatively uncommon; in 2003, such devices generated GGRs of US$3.9 billion (€3.2 billion), 5% of the US total whereas in the European Union, gaming machines generated GGRs of €9.7 billion, 19% of the EU total. Lotteries in the United States generated GGRs of $17.4 billion (€14.5 billion) (excluding Video Lottery Terminals), 24% of US GGRs, whereas in the EU, lottery GGRs were €23.0 billion, 45% of the EU total. Betting services, including on-track and off-track betting on horses and sports, amounted to only US$3.9 billion (€3.2 billion), 5% of US GGRs, whereas in the EU, the comparable statistic was €8.9 billion, 17% of the EU total. Finally, bingo services and charitable gambling generated about US$4 billion (€3.3 billion), 5% of US GGRs, and in the EU, bingo services were also a relatively small component at €2.4 billion, or 5% of the EU total.

For example, in the United States, commercial and tribal casinos generated about US$42.1 billion (€35.1 billion) of the total US GGRs in 2003

Some of the variance in the above comparisons may be attributable to different consumer preferences between US and EU customers for games and wagers. However, most of the differences are probably due to the various restrictions, constraints, and prohibitions – as well as permitted market competitive conditions – involving gambling services in the US and

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1 Computed at an exchange rate of €1.00 = US$1.20. This exchange rate is used throughout this report.

2 Christiansen Capital Advisors, “Gross Annual Wager of the United States 2003,” extracted from www.cca-i.com

3 Extracted from www.cca-i.com and Deutsche Bank, “Online Gaming: Real or Surreal Returns?” 19 July 2005.

EU. For example, because of the paucity of gaming machines permitted in venues outside of casinos in the United States, much of the demand for machine gaming in America takes place within casinos. That is not the case with the EU. American casinos tend to be much more accessible than those in the EU; there are, for example, virtually no casinos in the United States with entrance fees, identification requirements, or dress codes, whereas such conditions are all more or less standard for European casinos. Many American casinos have substantial provision of – and capital investment in – non-gaming facilities, such as hotels, restaurants, retail outlets, spas, convention centres, entertainment venues, and outdoor recreational facilities such as golf courses, tennis courts and swimming pools. For the most part, these amenities are still not typical in European casinos.

Another area of difference between the United States and the European Union can be found with provision of betting services. In the US, sports wagering (on events such as football games, baseball games, the Olympics, etc.) is prohibited in every state except Nevada (with a few minor exceptions, such as sports parlay cards offered by state lotteries in Oregon and Delaware.) Over 20 states permit betting shops in the form of off-track betting parlors. However, in contrast to EU countries such as the UK, these betting shops are restricted to a limited number of licensed facilities which are permitted to take bets only on racing. Furthermore, there are only limited legal remote and internet wagering opportunities allowed in the US, and then only on racing.[4] In the EU, many Member States allow off-track bookmakers to operate in betting shops, and have allowed remote and internet sports and race wagering to evolve in a number of ways. Subsequently, the size and economic viability of such wagering markets tend to be greater in the EU in comparison to the US.

Furthermore, there are stronger links in the EU than in the US between gaming services related to sporting events – such as wagering on horse racing and football – and a variety of other economic sectors, such as television, radio, print media, and the internet. Advertising for gaming services via the media and internet is often a major expenditure on the part of gaming services providers, as well as a major revenue source for the media outlets themselves. The availability of legal gaming and betting options on such sporting events also enhances the demand for, attendance at, and the following of sporting activities. Similar legal betting opportunities in the US are far less available than in the EU, and therefore the cross-industry linkages are weaker.

Table 1 presents Gross Gaming Revenue by sector for the 25 Member States of the EU. Reasonably accurate data were gathered for Casinos, Lotteries, Gaming Machines (outside casinos), Betting Services, and Bingo. For the other sectors designated in this study (Charities and Non-Profits, Media Gaming Services, and Sales Promotion Services), data were not readily available. This is discussed in greater detail in the Methodology section of this Report.

[4] In spite of internet gambling's illegal or questionably legal status in the United States, American customers contribute nearly half of all consumer expenditures to the global remote and internet gambling sector. Deutsche Bank, op. cit., p. 5.

TABLE 1
GROSS GAMING REVENUES FOR MEMBER STATES BY SECTOR, 2003
(€ thousands)

Table 1 presents Gross Gaming Revenue by sector for the 25 Member States of the EU. Reasonably accurate data were gathered for Casinos, Lotteries, Gaming Machines (outside casinos), Betting Services, and Bingo. For the other sectors designated in this study (Charities and Non-Profits, Media Gaming Services, and Sales Promotion Services), data were not readily available. This is discussed in greater detail in the Methodology section of this Report.

COUNTRY	TOTAL	CASINOS	LOTTERY	GAMING MACHINES	BETTING SERVICES	BINGO SERVICES
AUSTRIA	€ 893,539	€ 217,951	€ 595,000	€ 0	€ 80,588	n/a
BELGIUM	€ 679,306	€ 47,478	€ 485,734	€ 136,767	€ 9,327	€ 0
CYPRUS	€ 72,584	€ 0	€ 34,060	€ 0	€ 38,523	n/a
CZECH REPUBLIC*	€ 593,400	€ 66,300	€ 109,200	€ 346,700	€ 34,300	€ 1,900
DENMARK	€ 829,549	€ 43,624	€ 428,859	€ 220,824	€ 95,973	€ 40,268
ESTONIA	€ 24,730	€ 18,187	€ 6,544	n/a	n/a	n/a
FINLAND	€ 1,240,874	€ 22,000	€ 485,000	€ 571,000	€ 157,000	€ 5,874
FRANCE	€ 7,603,200	€ 2,546,000	€ 3,085,200	€ 0	€ 1,972,000	n/a
GERMANY	€ 8,420,817	€ 958,673	€ 4,991,217	€ 2,335,000	€ 135,927	n/a
GREECE	€ 1,068,203	€ 88,721	€ 474,000	€ 0	€ 505,482	€ 0
HUNGARY	€ 580,180	€ 36,957	€ 278,240	€ 235,851	€ 23,529	€ 5,603
IRELAND	€ 1,143,638	€ 0	€ 264,900	€ 242,692	€ 608,914	€ 27,132
ITALY	€ 6,204,712	€ 616,744	€ 4,502,000	€ 0	€ 974,981	€ 110,987
LATVIA	€ 66,611	€ 7,114	€ 4,159	€ 52,831	€ 1,155	€ 1,352
LITHUANIA	€ 40,724	€ 13,517	€ 24,688	€ 492	€ 2,028	n/a
LUXEMBOURG	€ 96,584	€ 77,907	€ 18,676	n/a	n/a	n/a
MALTA	€ 113,921	€ 23,269	€ 23,884	€ 0	€ 65,923	€ 845
NETHERLANDS	€ 2,064,500	€ 699,400	€ 783,200	€ 564,000	€ 17,900	n/a
POLAND	€ 432,408	€ 44,535	€ 295,393	€ 52,703	€ 37,691	€ 2,085
PORTUGAL	€ 1,434,379	€ 301,006	€ 801,976	€ 200,666	€ 10,647	€ 120,084
SLOVAKIA	€ 216,150	€ 95,479	€ 71,000	€ 49,644	€ 27	n/a
SLOVENIA	€ 264,478	€ 193,227	€ 38,192	€ 33,059	n/a	n/a
SPAIN	€ 4,886,812	€ 320,912	€ 1,126,400	€ 2,550,000	€ 62,259	€ 827,241
SWEDEN	€ 1,583,200	€ 124,900	€ 664,200	€ 224,100	€ 506,700	€ 63,300
UNITED KINGDOM	€ 10,972,019	€ 950,007	€ 3,389,000	€ 1,858,834	€ 3,525,962	€ 1,248,216
	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0
	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0
TOTALS*	**€ 51,526,518**	**€ 7,513,908**	**€ 22,980,723**	**€ 9,675,162**	**€ 8,866,836**	**€ 2,454,887**
PERCENT OF TOTAL	**100.0%**	**14.6%**	**44.6%**	**18.8%**	**17.2%**	**4.8%**

Source: Data Provided by Stakeholders and GBGC Report (shaded entries)
*Total includes € 35,000 in "other".

DISCUSSION

Lottery operators in Member States of the EU are more extensive in their offerings and typically more aggressive in their strategic positioning than is the case for lottery organizations in the United States. American lotteries are all operated under a state lottery ownership structure (with government appointed lottery commissions and civil service employees,) where many of the operational details (instant ticket printing, on-line systems operations, game design, etc.) are contracted out to private sector companies. Furthermore, most of the lottery services sold are in the form of traditional Lotto tickets, instant tickets, or variants of these services. Only a few states (i.e. Oregon, South Dakota) permit electronic gaming devices (Video Lottery Terminals or VLTs) operated under the auspices of the state lottery at widespread locations throughout their states. A handful of other states permit relatively large numbers of VLTs to be placed at pari-mutuel racetrack (*racino*) locations (Delaware, Rhode Island, West Virginia, New York). In these latter cases the lottery operator does not own the pari-mutuel racing-casino gaming facilities but rather regulates the VLTs with the racetrack-casino operators acting as lottery agents.

In contrast, in some EU Member States, such as Sweden, France and Germany, lottery operators have moved into other gambling sectors, such as bookmaking, casinos,[5] operation of gaming devices (Video Lottery Terminals) in convenience locations, and remote gambling operations. Many EU lotteries have recently involved themselves in remote or internet strategies for the sales of their services or the development of new games or wagering options.

Nonetheless, the total amount of Aggregate Personal Income spent on gambling services by residents of the European Union and the United States are similar. Total gaming spend as a percentage of Gross Domestic Product for all EU Member States was estimated to be approximately 0.52% in 2003. For the United States, the comparable figure was 0.65%. By way of comparison, the ratio of Gross Gaming Revenues to Gross Domestic Product in Australia in 2003 was approximately 1.93%, and New Zealand was 1.45%.[6] In Canada the ratio of Gross Gaming Revenues to Gross Domestic Product was 1.11% in 2003.[7] In all of these jurisdictions, there is a considerably greater availability and accessibility of many gambling services, especially gaming machines, than is the case in either the US or the EU. Furthermore, gaming machines that are readily available have more popular features than, say, the limited prize Amusement with Prize (AWP) style machines that can be found outside casinos in many Member States. This suggests that the demand for gambling services in general is highly elastic with respect to a variety of measurable factors, including availability of specific gaming services and services, quality of gaming offerings, accessibility, convenience, and price. This issue is discussed at greater length later in this report.

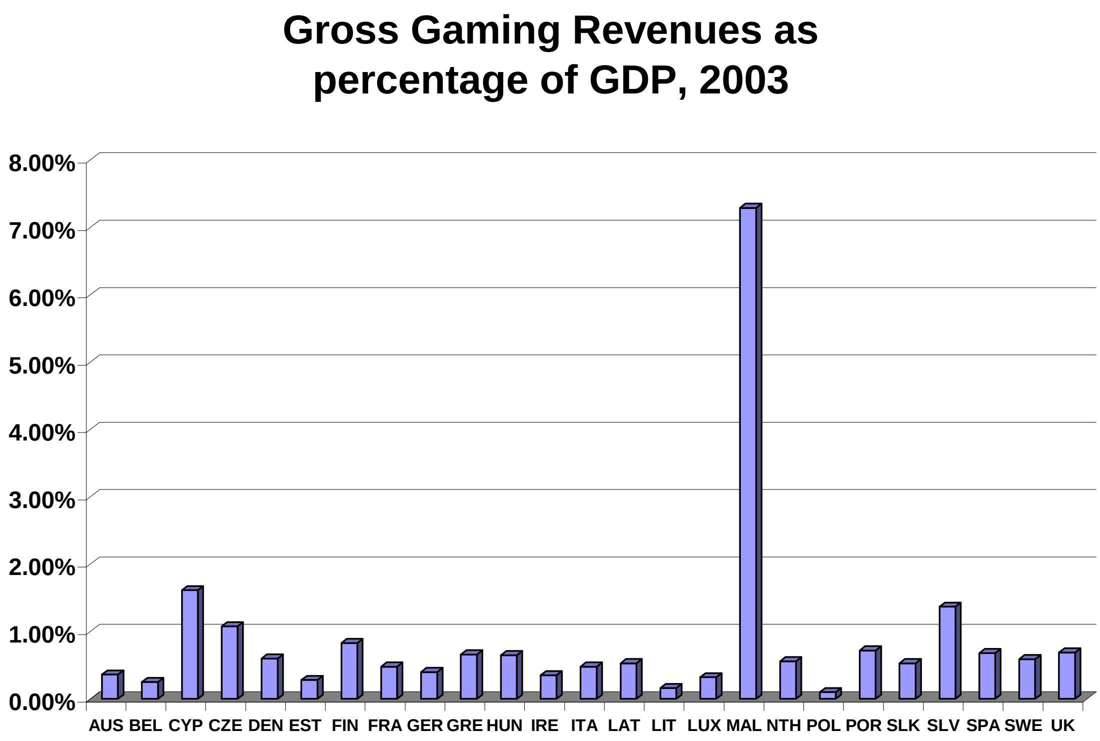
Figure 1 presents the ratio of Gross Gaming Revenues to GDP for the 25 Member States for the year 2003. It is noteworthy that the ratio remains under one percent for all Member States except for Malta, which has a disproportionate amount of remote gaming services within its Betting Services sector; and Cyprus and Slovenia, both of which have casino industries that attract a significant portion of their GGRs from cross-border custom or international tourism.

5 Casino Cosmopol is a subsidiary to Svenska Spel, the government owned company that operates the lottery and other gaming in Sweden. Casino Cosmopol opened its first casino in 2001, and presently offers four casinos in Sweden.

6 Queensland Government 2005, Australian Gaming Statistics 2005; New Zealand Department of Internal Affairs, Gambling Expenditure Statistics, 1981-2005

7 Canadian Partnership for Responsible Gambling, Canadian Gambling Digest 2003-2004

FIGURE 1


Gross Gaming Revenues as percentage of GDP, 2003
8.00%
7.00%
6.00%
5.00%
4.00%
3.00%
2.00%
1.00%
0.00%
AUS BEL CYP CZE DEN EST FIN FRA GER GRE HUN IRE ITA LAT LIT LUX MAL NTH POL POR SLK SLV SPA SWE UK

CHAPTER 3

GENERAL ECONOMIC OBSERVATIONS

The commercial and government owned gaming industries of the European Union are organized under a wide variety of ownership regimes and market structures. Ownership and market structures are affected by numerous factors, including Member State laws and regulations; restrictions on product types, characteristics, points of sale, availability, and marketing effort; economies of scale; network effects; and impacts of new technologies. Generally speaking, most EU commercial gaming industries are significantly constrained by law and regulation, as well as by ownership structures and statutory objectives. As a result, they operate in ways that – in comparison to what unrestricted free markets in gambling services with reasonable allocations of property rights and provision of legal protections would bring about – adversely affect the quality, quantity, price, and availability of gambling services.

Different sectors of gaming services possess different economic characteristics. Those that are most important in terms of welfare implications are:

a. **Monopoly franchises.** In order for a supplier to have an effective monopoly, there must be substantial barriers that would prevent potential competitors from legally or economically servicing that same market. Furthermore, in the eyes of consumers, there can be no close substitutes, i.e. there are no other products or services available that can be purchased that meet the same needs as the product or service in question. With a monopoly franchise, a service provider potentially can capture monopoly profits (economic rents) through a strategy of offering available products or services at prices that are high relative to marginal costs of production.

b. **Absence of competition.** In more competitive environments, the presence of above-normal profits would attract other product or service providers who would attempt to capture market share by following strategies of price reductions, market segmentation, product differentiation, or broader offerings. Established product or service providers would then have to respond to such competitive efforts with their own product positioning and pricing strategies. Generally speaking, moving from a monopoly situation to an increasingly competitive one has the effect of benefiting consumers (increasing so-called “consumer surplus”) by lowering prices, increasing quality and variety, and expanding market volumes of the goods or services being offered. Profit rates in competitive environments tend to get bid downward, and consequently economic rents accruing to the aggregate of providers diminish or disappear.

The absence of competition for gaming related services created by legal restrictions or prohibitions – as has been the case in many EU Member States – has the dual effect of limiting choice to consumers and insulating service providers from a variety of competitive pressures. Furthermore, because of the absence of effective competition, service providers typically do not have to be – and often will not be – as diligent in catering to the wants and needs of consumers with respect to the quality or variety of offerings.

Thus, as a result of a legally mandated monopoly and competitive restrictions or prohibitions in gambling service offerings by alternative service providers, this has the effect of keeping prices higher than they otherwise would be; limits the variety and quality of choice available to consumers in the marketplace; and encourages the producer to be less diligent in responding to consumer wants and needs. Furthermore, a monopolist has less incentive and ability to note and act upon changes in either production technologies or consumer trends.

c. **Welfare implications:** In general, the welfare implications of monopoly for society at large include a loss of consumer well-being as a result of reduced consumer surplus due to higher prices and dead-weight losses; as well as additional dead-weight losses caused by inefficiencies associated with monopoly, partly from resource misallocation caused by the differential between the marginal cost of providing additional commodities in comparison to the marginal value of the commodities, and partly from inefficiencies associated with monopolists not being as diligent as competitive organizations would be in monitoring inputs relative to outputs in the provision of gambling services. The extent of welfare loss is a function of a number of factors, some of which are empirically measurable, including price elasticities of demand, cross-elasticities of demand with respect to related products and services, and the extent of waste of resources in the production of the goods and services.

d. **Network effects:** For some products or services, the value to the individual consumer is enhanced when a greater number of consumers purchase the product. When this occurs, the phenomenon is known as a "network effect."

Network effects are found with a number of modern products and services, such as telecommunications systems, where the greater the number of participants, the greater the number of possible linkages to others, and therefore the greater the value to any individual consumer; widely understood languages that enhance communication; software platforms, such as Microsoft Windows, that allow for efficient sharing of computer-generated files; and network systems that permit the linking of computers within a company or among a broader interest group.

With respect to gambling services, the presence of pari-mutuel wagering pools such as those offered in Lotto – where the top prize offered grows in proportion to the number of customers participating in purchasing the offering – enhances the value and attractive-ness of the gaming offering. Competitive tournaments become more popular with greater participation because of the greater ratio of prizes to the price of participation that can be offered. Betting exchanges benefit with larger numbers of participants because participating in any particular betting market will likely be greater, insuring more transactions can be covered. Lotto games are generally more successful when they have larger populations into which to sell their offerings, because the increased number of customers purchasing chances for a fixed odds, very low probability prize allows game designers to offer even longer odds contests that will drive up the amount of money in the prize pool. The greater value of the prize pool in turn makes the product more attractive to other customers, creating a "virtuous circle."

e. **Economies of Scale:** It the average cost of producing a commodity decreases as the volume of production increases, then that particular commodity experiences economies of scale. Many industrial sectors in modern economies are characterized by economies of scale. This implies that the greater the volume of commodities sold, and the larger the organizational network that provides goods or services, the lower will be the average cost of production. Economies of scale can be created by large production facilities, multi-plant operations, extensive distribution outlets, the ability to allocate overhead expenses over a larger volume of output, and the streamlining of such activities as marketing, accounting, security, and personnel. Industry consolidation is often a sign of the presence of economies of scale.

Some gaming services sectors are particularly prone to economies of scale. For example, there is compelling evidence that economies of scale have long prevailed in the casino industry, especially in the United States.[8] Recent consolidation and the growing trend toward concentration of ownership in casino industries, gaming machine manufacturing, and even the emergence of multi-state or multi-nation lotteries in the United States, the European Union, and elsewhere lend further evidence to the strength of this factor.

f. **Geographic constraints:** Some Member State laws and regulations restrict the regions into which gambling services can be sold, or prohibit the marketing of gambling services of their own or other Member States' gambling services within their borders (i.e. the advertising of casinos in an adjacent Member State; sales of lottery tickets cross-border.) These constraints have the effect of limiting product offerings and the information available regarding alternatives to consumers, thus restricting choice, lowering competition, and thwarting the extent of network effects and economies of scale that would otherwise take place. For government owned and operated lotteries, for example, exclusive franchise privileges granted to a Member State's national lottery imply consumers within that jurisdiction are only able to purchase lottery services from that one entity.

Interestingly, recent strategic cooperative agreements among a number of national lotteries in Europe has resulted in the creation of a multi-country lottery product called ***EuroMillions***. This product, which was launched in February 2004, is the result of cooperative agreements initially among the United Kingdom, Spain and France, and now also including Austria, Belgium, Ireland, Luxembourg, Portugal, and Switzerland (not an EU Member), which permit marketing EuroMillions to their citizens along with a sharing of the lottery's net revenues. This lottery product (as with the multi-state lottery services Power Ball and Mega Millions in the United States) has the capability of overcoming the disadvantages for lotteries inherent in constraints against cross-border marketing and sales of their services. EuroMillions has apparently been successful; in 2005, it generated gross sales (before payment of prizes) of over €3 billion, and GGRs of about €1.5 billion (nearly 3% of total GGRs for all EU Member States.)

g. **Regulatory constraints:** In general, commercial gaming industries throughout the world operate under regulatory regimes that are designed to protect the general public from a variety of real or perceived threats that could occur as a by-product of legally sanctioned gambling activities. Many regulatory constraints are motivated by law enforcement considerations, i.e. to assure that gambling takes place within a legally safe and protected environment, that the likelihood of criminal activities within gaming operations is minimized, that a variety of consumer protections against fraud are in place, and that individuals and organizations associated with gambling enterprises are "fit and proper persons" to provide such services. Such regulations often deal with background investigations of owners and key employees of gaming enterprises, permitted practices and reporting/audit responsibilities for enterprises, and rules governing the fairness and integrity of games and wagering opportunities offered. One justification sometimes used for government ownership of gaming enterprises is to ensure greater control over the fit and proper nature of owners and key employees.

[8] Eadington, W. R. (1999), "The Economics of Casino Gambling," Journal of Economic Perspectives, 13(3), 173-192.

h. **Cross subsidization:** In many countries, gambling services industries – when privately owned – are taxed at relatively high rates either to generate revenues for state, regional, or local governments, or to direct revenues to "good causes" or to other identifiable beneficial purposes. Alternatively, ownership of gambling services companies by State enterprises is often structured so that the residual profits are earmarked either for general fund revenues or for specified purposes. In this manner, the constraints that are put into place to limit supply of gambling services and/or to grant exclusivity to particular entities have the effect of creating economic rents that can then be directed to support publicly desirable programs or initiatives. The desirable programs or initiatives could include sporting organizations, national Olympic committees, cultural activities, education, or medical research. The extent of such cross-subsidization is determined by the political decisions within the various Member States.

Another set of regulatory constraints, more relevant to this particular analysis, are intended to provide protections for gambling consumers from adverse consequences related to excessive gambling. Within this context are many of the restrictions that dampen demand, limit competition, and otherwise affect price, quality, variety and availability of the gambling services options available to consumers. Of particular importance to the issue of whether legal monopolies with exclusive franchise privileges to offer certain gambling services, restrictions on other Member State organizations or enterprises from offering their services in a particular Member State, and other conditions inimical to the principles of "free and fair trade" under general EU principles are whether particular regulatory constraints have any mitigating or otherwise beneficial effects in terms of protecting gambling consumers from adverse consequences related to excessive gambling. For the most part, such constraints are usually put into place based on the beliefs or prejudices of the policy makers, rather than well-developed scientific evidence. This is largely because of the absence of significant social science research that would establish a causal relationship between certain kinds of regulatory constraints and actual reductions in adverse impacts such as problem and pathological gambling. This issue is addressed later in the Literature Review section of this report.

Another area where the extent of commerce and resulting allocation of resources can also be affected is with respect to tax policy. Tax structures can cause pricing and output distortions with respect to gambling services. When operated by privately owned companies, and especially when gambling services are offered in a protected market environment, there is a tendency in the EU for government imposed excise taxes to be exceedingly high, in comparison to standards that are applied to other entertainment and leisure industries, or in comparison to other commercial offerings in general. One rationale for such tax treatment is the belief that gambling is a commodity that carries with it inherent socially undesirable attributes, and therefore its consumption should be discouraged.

By charging high tax rates on suppliers of gambling services, the economic effects are to reduce profitability, increase product price, and therefore limit the aggregate consumption of such services. This has sometimes been offered as a "consumer protection" rationale for justification of such tax rates. Gambling should be kept relatively unattractive, so it is argued, because if it is made more attractive, more people would get into trouble because of excessive spending on gambling. Of course, high tax rates on gambling services can also create substantial revenues for governments, which suggest that it may be difficult to separate the government's motivations for such policies.

CHAPTER 4

OBSERVATIONS ON THE EU CASINO GAMBLING SECTOR

Casino industries in the EU Member States operate under tax regimes, ownership structures, and regulatory constraints that affect the industries' size, market power, ability to service customers, and ability to attract financial capital. In many Member States, casinos are granted regional monopoly status with geographic exclusivity granted for particular cities, towns, or thermal areas (i.e. France, Italy, Germany, Portugal, Spain.) In other Member States, there are only a limited number of authorized licenses (Slovenia.) In some Member States, only a single entity is permitted to operate casinos, and that entity is wholly or largely owned by the Member State (i.e. Austria, the Netherlands, Finland, Sweden.) In other Member States, ownership of the casinos is a mix of public sector and private sector entities (i.e. Slovenia, parts of Germany, Italy.) Private sector ownership of casinos can be found in the United Kingdom, Portugal, Spain, France, Malta, Hungary, Estonia, Luxembourg, Belgium, Latvia, Lithuania, the Czech Republic and Slovakia. There are at present no permitted casinos in Ireland, and casinos operate only in that portion of Cyprus not controlled by EU law (Northern Cyprus.)

In those jurisdictions where private ownership of casinos prevail, and even in jurisdictions which have partial or complete ownership by the State, there are typically very high tax rates applied to Gross Gaming Revenues. (Table 2) These high tax rates have the effect of making the Member State effectively a partner as they become the dominant revenue benefactor of such operations. But this financial model also makes it difficult for casino companies to justify significant capital investment at levels that have become common in casino industries elsewhere in the world. Capital investments in such diverse international jurisdictions as Las Vegas, Atlantic City, Connecticut, South Africa, Australia, New Zealand, and Macau, as well as the newly authorized but not-yet-operating industry in Singapore, typically run into the hundreds of millions, if not billions, of Euros. There is nothing yet in the EU that even comes close to this international phenomenon.

TABLE 2
MAXIMUM PERCENTAGE TAX RATE ON CASINO GGRs

MEMBER STATE	HIGHEST PERCENTAGE TAX RATE ON GGRs (2004)
AUSTRIA	80% for tables; 48% for EGMs*
BELGIUM	44% for tables; 50% for EGMs*
CYPRUS	N/A
CZECH REPUBLIC	31% for tables; 20% for EGMs*
DENMARK	75%
ESTONIA	60%
FINLAND	All profits accrue to State
FRANCE	80%
GERMANY	92%
GREECE	33%
HUNGARY	34.5%
IRELAND	N/A
ITALY	72%
LATVIA	25%
LITHUANIA	Unit tax on tables and machines
LUXEMBOURG	
MALTA	40%
NETHERLANDS	33.3%
POLAND	50%
PORTUGAL	50%
SLOVAKIA	27%
SLOVENIA	50%
SPAIN	61%
SWEDEN	All profits accrue to State
UNITED KINGDOM	40%

* The acronym EGMs stands for electronic gaming machines, which could be the equivalent of gaming machines, video lottery terminals, or amusement with prize machines.

CHAPTER 5

METHODOLOGY AND DATA GATHERING

There has long been a need to do original research on the economics of gambling in the EU countries. Following the Gambelli case, policy makers in the European Union, as well as many in the EU's gambling services industries, have moved to the position that there is a need for a better understanding of the economic foundations of the EU's gambling industries, in order to provide clarification for the legal and economic challenges the industries will encounter in the future.

This project was commissioned by the European Commission with a view of analysing the existing situation in the gambling market in the European Union. One of the main tasks of this report is to assess these markets might change if the internal trade barriers within the EU were significantly altered or abolished.

The researchers involved in this project have made a variety of attempts to gather reliable data from both primary and secondary sources. First of all, several mailings were sent to over one thousand gambling industry stakeholders throughout the EU[9], such as officers of private companies, officials with gaming industry trade associations, heads of government bodies, regulators, representatives of consumer protection agencies, and media and publishers establishments, on both national and European levels. For the economic portion of the report, respondents were asked to comment on the past and current gambling market structure, tax regimes and "good causes" contributions, employments induced by the industry, linkages with other sectors, recreational and problem gambler profiles, policies and strategies in effect for protection of the vulnerable and against money laundering, and any other specific characteristics for their markets. The stakeholders were also asked to comment on expected developments in their market sectors over the next five years. The large amounts of financial data that were supplied had to be converted to Euro currency, corresponding to each year's exchange rate[10] and/or the rate provided by the submitter of information.

In addition to this data gathering exercise, existing published literature, both in peer-reviewed professional journals and in commercial and government publications, were reviewed and utilised[11]. Where economic data from the primary sources were not available in relation to the brief, the data were sought from secondary sources, both published as well as sources that were made available to the researchers on a confidential basis, in order to fill in gaps to the best of their ability. Most of the information from the secondary sources had to be adapted for the needs of the report by converting financial data to Euros and extrapolating specific indicators from the aggregate data. Nonetheless, this is an area where it is very difficult to compile accurate data, for a variety of reasons.[12] Where realistic estimates could have been made on the basis of only partial information available, they have been made and their basis was indicated. Where no usable information was available, this fact was recorded.

All organisations and stake-holders that were contacted were informed that the information they submitted will be in public domain, but that the submissions would then be combined into a single report, and specific sources for the information included would not be revealed. In addition, some organisations specifically requested anonymity. This obviously poses challenges for users of the report in validating the accuracy and veracity of the presented information – both financial data and other statements made – that was so submitted.

The overall response rates for the legal and economic parts of the survey for this project were about 20%. The response rate specifically for the economic part of the project was

9 See Appendix 2 for a list of organisations that were contacted.

10 www.xe.com

11 See Appendix 1, "Lists of Secondary References".

12 For a discussion of these issues, see Christiansen, Eugene Martin, "Global Gambling Revenue," Insight: the Journal of the North American Gambling Industry, Vol. 3, No. 10, p. 1 ff.

even lower. This posed a difficulty for the researchers of this report in trying to fill large gaps in information that was needed but not forthcoming from primary sources. Such information would be necessary in order to provide complete and meaningful economic analysis and to develop comprehensive models of the EU gambling market. One area of particular difficulty was in gathering information on three of the gambling services sectors specified in the Terms of Reference for this report: Media Gambling Services, Sales Promotional Gambling, and Charity Gambling. Indeed, very little information was submitted for these sectors, and researchers also discovered that there was very little published research or financial data that existed from secondary sources as well. In addition, there was much less information supplied about the Bingo sector than about the remaining four sectors (Lottery, Casino, Gaming Machines outside of Casinos, and Betting Services.)

Most of the respondents covered several of the identified sectors in their submissions, but they indicated that they had no information available in regards to the Media Gambling Services, Sales Promotional Gambling and Charity Gambling sectors. Almost all of the government entities who responded to the questionnaires indicated that they do not have data about charitable gambling licenses because these are typically granted on a decentralised and temporary basis. Unfortunately, the EU gambling markets in the areas of charity, media and sales promotional gambling are not properly documented at present.

Some charity gambling activity is included in other gambling sectors. For example, information on charitable lotteries is included in lottery sections, and bookmaker's charitable subsidies for horseracing are classified in the betting sections of the country reports. Essentially, charities and non-for-profit organisations are just a form of ownership and organisation, but they often are classified under one or another of the four main identified gambling services sectors (Lottery, Casino, Gaming Machines outside of Casinos, and Betting Services.)

Media gambling and sales promotional gambling are even more difficult to analyse. The responses were so few that it is very difficult to make any meaningful comparisons and analysis of EU-wide market in these sectors. Some of the stakeholders who did respond regarding these sectors provided conflicting information, which is probably due to the absence of systematic information gathering regarding these sectors, as well as other uncertainties that surround these sectors.

One of the reasons why the response rate was so low is probably because many gambling operators have a negative perception of the possible outcome from this study. One gaming association official stated the following:

> "We expected a higher turnout for the questionnaire as we highlighted to our operators the benefits of demonstrating that this is an industry of great economic interest for Europe. Unfortunately, most of the operators responded to this negatively in the sense that Europe might react with harsher regulations on publication of the results."

However, national lotteries exhibited by far the best response rate than any other sectors. Together with other reasons, this could be due to the efforts of the European Lottery Association, who encouraged their members to participate in this study.

A large number of stakeholders submitted their input significantly after the stated deadlines, which imposed additional difficulties in compiling the draft report and its economic analysis. Overall, substantial efforts were made to include as much as possible of current data received from primary courses and researched from secondary sources.

The primary responsibility for the National Reports section of the Economic Study (which immediately follows) was that of the Centre for the Study of Gambling at Salford University. Survey data from stakeholders and Member State submissions were collected, assembled, and reported by the Centre at Salford University. However, due to the relatively low response rate to the surveys and problems of missing data, the Centre often had to consult secondary sources for data on turnover and gross gaming revenues (GGRs) by gaming sector (and other pertinent information) for the country-by-country National Reports section when such data were not available from prospective survey respondents.

All secondary sources have been cited in the first Appendix to this report. For future studies, it would be better if response rates and submission content by appropriate governmental bodies within Member States, as well as other stakeholder submissions, would be more complete and therefore reduce the need for such reliance on secondary data sources.

The principal economic investigators of this report were primarily responsible for all the remaining sections of the Economic Study. Summary data from the National Reports section were utilized and incorporated into the economic analysis, when appropriate.

It was also decided by the research team that, as a summary measure of the size and growth of gambling services sectors, primary emphasis would be placed on the measurement of "Gross Gaming Revenues" or (GGRs) for the Member States. This is intended as a basis for gauging the absolute and relative sizes of gambling services sectors among the Member States. ***Gross Gaming Revenues*** is defined as total amount wagered less payment of prizes by operators. Alternatively, Gross Gaming Revenue may be defined as the product of "price" and "quantity" measures (as used by economists) where "price" is the equivalent of "house advantage" (i.e. win percent) or "takeout rate" and "quantity" is the equivalent of "turnover" or "handle."[13] In any event, GGRs is the equivalent to total net spending by consumers on gambling products, or net consumer losses.

When possible, turnover – which measures total amount staked, total amounts wagered, or total sales before payment of prizes – was collected. By itself, turnover measures consumer demand for the gaming product. It is useful in investigations of the effects of changes in factors such as price of wagering (e.g. win percent, takeout rate) on gaming demand. Results of the effects of factors affecting turnover from scientific investigations in the published literature are given in Chapter 8. These scientifically estimated relationships between turnover and factors that determine it such as price of the gaming product (win percent, takeout rate) and prices of competing products, are used to develop scenarios of future growth as reported in Chapter 11.

However, turnover was not considered as useful a measure as GGRs in comparing statistics between countries as reported in the Chapter 6 which follows for a number of reasons, including:

– The inability to meaningfully compare turnover in gambling services sectors with gross sales in other sectors of the economy.
– The fact that in some sectors, such as casinos and table games in general, there is no systematic way to measure turnover.
– The fact that while GGRs are always reported, turnover may not be reported.
– The fact that since GGRs is the product of price (win percent, takeout rate) *and* turnover it allows for a standardized comparison between gaming venues which may have relatively high turnover and relatively low price with those that may have relatively low turnover and relatively high price.

13 For further discussion on these definitions and concepts, see William R. Eadington, "The economics of casino gambling," in Journal of Economic Perspectives, vol 13, no. 3, August, 1999, pp. 173-192.

It should be noted that in some gambling services sectors, such as lottery, betting, or keno, it may be more common to discuss turnover than Gross Gaming Revenues. That notwithstanding, Gross Gaming Revenue is the measure that reflects the gross revenues of a gambling services enterprise after it has made adjustments for the winnings of its customers.

The summaries of submissions made at the request of the researchers for the report, the collected primary sources, as well as secondary sources noted in the first Appendix, are the basis for the following twenty-five Member State Reports.

CHAPTER 6

NATIONAL REPORTS

The summaries of submissions made at the request of the researchers for the report, the collected primary sources, as well as secondary sources noted in the Appendix, are the basis for the following twenty-five Member State Reports.

AUSTRIA

I. INTRODUCTION

The total legal gambling market in Austria is only represented by two state monopoly companies. Their recent gross gaming revenue is shown below:

Austrian Gambling Industry GGR for 2004:

Company	**2004 GGR**
Österreichische Lotterien GmbH:	€ 618,325,910
Casinos Austria AG:	€ 204,999,016
Total Gambling Industry:	€ 823,324,926

Source: Submission to the Enquiry from Austrian Ministry of Finance

Casinos Austria holds a monopoly on offering casinos services in Austria, and it operates with 12 licenses. The National Lottery has just one license, and Bingo and some sports betting is included in this license. Gaming machines outside of casinos are prohibited in Austria, though in recent years the lottery has introduced Video Lottery Terminals (VLTs). There is a limit on the number of casino properties that Casinos Austria can open; however, there is no limit on sport betting licenses. The Ministry of Finance is responsible for licensing Österreichische Lotterien and Casinos Austria and all other forms of gambling except slot machines, where each individual länder decides on what to have and how to regulate them.

In Austria, there is a specific hospital “De La Tour” that specialises in treating gambling addicts for a number of years.

II. GAMING SECTOR ANALYSIS

1. Lotteries

Österreichische Lotterien (Austrian Lotteries), was founded in 1986. The following table summarizes gross sales, payment of prizes, and Gross Gaming Revenues (GGRs, or revenues after payment of prizes) in millions of Euros for the Österreichische Lotterien for 2000 to 2004.

Austrian Lottery Market Summary (€ million)

	2005 (estimates)	**2004**	**2003**	**2002**	**2001**	**2000**
Gross Sales (Turnover)	1720.5	1557	1349.5	1290	1241	1.172
Prize payout	-1099	-939	-754	-684	-611	-532
GGRs	621	618	595	605	631	639

Source: Adapted from the Submission to the Enquiry from Austrian Ministry of Finance

The following table presents more detailed information for the years 2000 to 2005 (estimates) broken down by category of games and product offerings, in the format of Gross Sales

(Turnover), Prize Payouts, and GGRs, measured in Euros. The top rows represents 2005 (estimated) gross sales, followed by prize payouts, followed by GGRs. Note that the products of Electronic Lottery and VLTs make the comparisons of Gross Sales over the years somewhat distorted because of the low ratio of GGRs to Gross Sales (turnover or handle.). A more reasonable figure for comparisons is therefore Gross Gaming Revenues (the third row of each block of information in the following table.)

Products	Lotto 6/45	Toto	Torwette	Joker	Zahlenlotto	Scratch Tickets
2005 (estimation)						
Turnover	597.000.000,00	14.800.000,00	1.000.000,00	157.000.000,00	5.500.000,00	136.200.000,00
Prize pay out	-259.572.900,00	-6.462.700,00	-436.700,00	-67.580.500,00	-1.478.600,00	-71.505.000,00
GGR	337.427.100,00	8.337.300,00	563.300,00	89.419.500,00	4.021.400,00	64.695.000,00
2004						
Turnover	639.299.109,00	14.328.056,40	1.082.679,00	160.675.553,00	5.826.583,00	134.952.475,00
Prize pay out	-278.247.794,98	-6.250.335,51	-472.592,97	-69.447.941,47	-1.355.844,27	-70.454.167,49
GGR	361.051.314,02	8.077.720,89	610.086,03	91.227.611,53	4.470.738,73	64.498.307,51
2003						
Turnover	623.006.563,63	16.261.491,10	1.131.271,60	154.658.987,00	6.537.419,50	145.902.201,50
Prize pay out	-271.085.855,30	-7.094.778,82	-493.839,82	-66.389.062,53	-1.810.562,34	-76.898.660,49
GGR	351.920.708,33	9.166.712,28	637.431,78	88.269.924,47	4.726.857,16	69.003.541,01
2002						
Turnover	640.031.916,00	18.804.575,00	1.101.925,00	160.963.994,00	7.045.810,00	158.333.988,00
Prize pay out	-278.454.321,71	-8.205.552,57	-480.993,24	-69.586.121,37	-1.832.306,41	-82.818.117,56
GGR	361.577.594,29	10.599.022,43	620.931,76	91.377.872,63	5.213.503,59	75.515.870,44
2001						
Turnover	677.038.457,08	19.397.267,21	1.141.297,21	151.568.196,62	6.818.423,29	179.874.317,06
Prize pay out	-294.712.439,57	-8.466.997,17	-498.279,41	-65.267.592,73	-1.928.346,84	-93.861.942,94
GGR	382.326.017,52	10.930.270,04	643.017,80	86.300.603,90	4.890.076,45	86.012.374,11
2000						
Turnover	655.136.316,36	19.092.219,50	1.540.718,44	153.784.386,17	7.270.890,17	200.843.295,57
Prize pay out	-285.268.530,10	-8.329.467,53	-672.643,57	-66.268.669,53	-2.105.256,06	-105.321.925,53
GGR	369.867.786,26	10.762.751,97	868.074,88	87.515.716,64	5.165.634,11	95.521.370,04

Klassenlotterie	Breakopen	Bingo	Keno	Electron. Lott.	ToiToiToi	EuroMillions	VLT
35.600.000,00	26.000.000,00	13.500.000,00	270.000,00	470.000.000,00	17.200.000,00	80.000.000,00	166.432.000,00
-19.974.000,00	-10.621.000,00	-5.400.000,00	-112.900,00	-451.905.000,00	-9.666.900,00	-40.000.000,00	-154.448.900,00
15.626.000,00	15.379.000,00	8.100.000,00	157.100,00	18.095.000,00	7.533.100,00	40.000.000,00	11.983.100,00
39.249.696,00	28.568.397,00	15.720.527,00	256.513,00	427.952.478,60	24.563.110,00	22.439.899,00	41.970.132,51
-19.526.617,58	-11.759.830,37	-6.315.840,65	-108.321,03	-411.329.084,96	-13.173.993,44	-11.204.984,07	-38.911.949,29
19.723.078,42	16.808.566,63	9.404.686,35	148.191,97	16.623.393,64	11.389.116,56	11.234.914,93	3.058.183,22
42.482.406,00	30.036.948,50	15.091.490,00	299.425,00	281.357.082,40	32.762.668,00		
-23.154.956,82	-12.431.786,75	-6.018.218,65	-124.045,78	-270.151.717,98	-18.431.656,48		
19.327.449,18	17.605.161,75	9.073.271,35	175.379,22	11.205.364,42	14.331.011,52		
52.898.470,00	30.453.162,00	15.104.862,00	177.000,00	205.089.638,60			
-27.868.386,77	-12.599.990,00	-6.045.898,32	-73.113,25	-196.103.903,08			
25.030.083,23	17.853.172,00	9.058.963,68	103.886,75	8.985.735,52			
63.758.715,29	34.346.199,57	14.504.782,60	198.423,00	93.270.311,97			
-37.652.299,01	-13.962.969,56	-5.845.535,09	-81.714,42	-88.740.886,05			
26.106.416,28	20.383.230,02	8.659.247,51	116.708,57	4.529.425,92			
73.564.566,18	38.655.118,71	20.487.064,96	231.377,95	11.255.125,25			
-40.458.698,79	-15.716.873,18	-8.174.759,85	-94.808,25	-10.129.612,73			
33.105.867,39	22.938.245,53	12.312.305,11	136.569,70	1.125.512,53			

Source: Submission to the Enquiry from Austrian Ministry of Finance

All gambling operators pay 20% VAT tax on their operating expenditure. The National Lottery pays 13.5% fee on sales plus 19.8% concession fee. The amount of government revenues generated with these taxes is shown below:

Government Gambling Tax Revenue 2000-2004 (in € million):

Year	Tax Revenue
2000	396.01
2001	389.76
2002	375.80
2003	369.01
2004	381.52

Source: Submission to the Enquiry from Austrian Ministry of Finance

The gambling industry's expenditure for good causes include contributions to sport and culture. The Austrian Sport Federation, for example, depends largely upon revenues from Austrian lotteries. In 2004 it received almost €38 million in donations from Austrian lotteries. Due to the change in the Austrian Gambling Act, the amount the Austrian Sport Federation receives has been increased to €46.8 million in 2005. Social contribution for the recent years is summarised below.

Social Contribution 2000-2005 (in € million):

Year	Social Contribution
2000	152.52
2001	151.34
2002	147.06
2003	146.02
2004	150.61
2005 (est.)	164.35

Source: Submission to the Enquiry from Austrian Ministry of Finance

Additionally, the Austrian lottery has two designated charities:

Austrian Lottery's Designated Charities:

Name:	Country Of The Treasures	Rubbel Champion
Date of introduction:	March 2001	April 2002
Sum of the lots:	4 millions	5 millions.
Sold lot:	74%	40%
Expected:	EUR 10.7 million	EUR 6.0 millions.
Deliveries:	EUR 2.9 millions	EUR 1.6 millions.

Source: Submission to the Enquiry from Austrian Ministry of Finance

The total amount of full-time employees in the gambling industry and the number of lottery outlets have been quite stable for the past five years and they are not expected to change significantly in the near future.

The Number of Austrian Lottery's Full Time Employees 2000-2004::

Year	*Number of FTEs*
2000	352
2001	375
2002	388
2003	406
2004	415

Source: Submission to the Enquiry from Österreichischen Lotterien

The number of Austrian Lottery outlets 2001-2005:

	2001	**2002**	**2003**	**2004**	**2005 (November)**
On-line acceptance places	4,034	3,883	3,867	3,872	3,904
Rubbellos sales offices	8,032	7,494	7,309	7,241	6,961
Brieflos sales offices	8,378	7,845	7,644	7,577	7,090
Total	20,444	19,222	18,82	18,690	17,955

Source: Submission to the Enquiry from Österreichischen Lotterien

There are no significant changes planned in the number of outlets for the Austrian National Lottery in 2006-2010. The Austrian lottery On-line-acceptance places divide their operations between sales of tobacco goods, newspapers and sales of lottery products. Legislation authorizing on-line gaming services in Austria was passed in 1998.

Until 2005, only isolated cases of problem gambling had been identified in the area of instant and classical lottery products. According to the Austrian Lotteries, in the range of online games, as well as other responsible gaming measures, a constant monitoring of all gaming participants with high stakes is performed. The Responsible Gaming concept for internet games that is implemented implies that the weekly deposit amount is restricted to €500 and only one account per participant is permitted. In addition, implementing of this concept resulted in closer monitoring of 6-7% of the online gaming participants in the years 2000-2005. According to the Austrian Lottery, restrictive procedures had to be taken on only 0.12 % of the internet casino ***win2day*** users in these years. Currently, the Responsible Gaming concept for the online sports betting game ***tipp 3*** is under preparation by the Austrian Lottery.

2. Casino Gaming

Austria’s first two casinos opened in 1934, in Semmering and in Baden. At present, there are 12 casinos, all operated under the state monopoly company Casinos Austria AG.

Summary of Austria's Casinos:

Property	Date Opened	Location	No of Tables	No. of Gaming Machines
Casino Bad Gastein	1937/Jul-50	Bad Gastein	9	44
Casino Baden	1934/Jul-55	Baden	37	353
Casino Bregenz	1975	Bregenz	27	209
Casino Graz	Oct-84	Graz	22	159
Casino Innsbruck (Hotel Hilton)	Dec-92	Innsbruck	20	102
Casino Kitzbuhel	1934/Dec-54	Kitzbuhel	14	62
Casino Linz	Mar-82	Linz	18	202
Casino Kleinwalsertal	Dec-72	Reizlern	10	80
Casino Seefeld	Jun-69	Seefeld	17	91
Casino Velden	Jul-50	Velden	19	182
Casino Wien	Apr-61	Vienna	22	208
Casino Salzburg	1934/Jul-50	Wals-Siezenheim	23	117
Austria Total			238	1,809

Source: Adapted from the GBGC Report

The basic statistics of the Casino Austria AG are shown in the table below:

Austrian Casino's Statistics 2000-2004:

	GGR	Visitors		Employees
	2004			
Table Slot Machine	65,520,386 139,478,630	Natives Foreigners	1,574,694 834,728	
Total	204,999,016	Total	2,409,422	1,738
	2003			
Table Slot Machine	71,656,098 146,294,876	Natives Foreigners	1,607,120 845,421	
Total	217,950,974	Total	2,452,541	1,776
	2002			
Table Slot Machine	81,339,030 146,434,969	Natives Foreigners	1,753,201 889,868	
Total	227,773,999	Total	2,643,069	1,787
	2001			
Table Slot Machine	80,340,674 141,233,052	Natives Foreigners	1,941,194 900,876	
Total	221,573,726	Total	2,842,070	1,769
	2000			
Table Slot Machine	81,936,620 136,376,456	Natives Foreigners	1,974,654 928,612	
Total	218,313,076	Total	2,903,266	1,751

Source: Submission to the Enquiry from Austrian Ministry of Finance

All gambling operators pay 20% VAT tax on their operating expenditure. The Austrian license stipulates a 1.5% tax on the turnover. A tax is also paid based on the customer winnings depending on the odds for the bet. The tax is calculated by the following table:

Austrian odds based gambling taxes:

Odds	**Tax level**
3-6 times the money	1 % tax
6-11 times the money	3 % tax
11-15 times the money	5 % tax
15-21 times the money	10 % tax
21-25 times the money	20 % tax
25 times the money or more	25 % tax.

Source: Submission to the Enquiry from Austrian Ministry of Finance

For the upper Austrian license, the following fees apply: License fee (ten year license): €70,000; License fee per shop: €3,000.

Beside the payments of the GGR taxes above, there is: the "entertainment tax", which Casinos Austria AG must pay at the discretion of the local government. In Vienna the monthly amount must be €1.308 pay per play automat.

Austrian GGR Based Tax and Entertainment Tax 2000-2004 (in Euro):

Year	GGR tax	Entertainment tax
2004	99,169,858	9,764,195
2003	106,244,435	9,178,460
2002	110,972,350	8,491,930
2001	107,822,447	8,406,370
2000	106,073,627	8,442,077

Source: Submission to the Enquiry from Austrian Ministry of Finance

In addition, Casinos Austria AG has a variety of sponsor commitments in Sport, Culture, Tourism and Charity. It amounted to €4.5 million in 2004. Also, Casinos Austria AG has a special department for Responsible Gaming and supports the largest self-help groups for pathological gamblers. This amounted to €1.07 million in 2004.

Casinos Austria launched its Internet casino in association with Österreichische Lotterien during December 2000. The virtual casino is to be found at at http://www.win2day.at/. Players must be over 16 and have a bank account in Austria.

Money laundering is an important consideration for Austrian casinos. All gamblers have to register in order to play and casino operations are in general very transparent to the law.

The casino winnings are linked with the name of the player so it is easy to follow who won what and how much. There are also video cameras in the entrances and at cashiers' desks, where money is exchanged for playing chips. If a large sum is exchanged, the customers are specially supervised and controlled. The data from all twelve casinos can be viewed in the central company administration building in Vienna. If they notice a specifically high amount or some disproportionate expenditure, or people arriving often with a high amount of cash, they evaluate the situation and check the financial background of the persons involved. This is justified from a player protection point of view, as customers should not endanger their financial position, and from a money laundering position as well.

In Austria, casino customers can change any currency for euros or playing chips. However, the money is changed by banks, which are financial institutions and therefore this activity falls under money laundering protections in those establishments. If there are any suspicious transactions they will immediately inform the central office in Vienna and also inform the authorities.

Interactive gambling via the internet is at a higher risk of money laundering as it is more anonymous. However, the stake limits are restricted to €500 per week. In addition, players are required to give bank and email accounts. If incorrect details are given, the player is excluded from the game. Each player is allowed only one account.

3. Machine Gambling Outside Casinos

Casino-style gaming machines outside of casinos are not permitted in Austria. Only gaming machines with small stakes (50 cents maximum) and winnings (20 euros maximum) are permitted as they are considered to be a soft form of gambling. These are not authorised by the national government, but rather each individual länder decides whether to legalise them. To date, out of nine länder, only three have allowed this type of gaming, while the other six have prohibited it. The Austrian Lottery has run Video Lottery Terminals since 2004, according to their submissions.

4. Betting

Sports betting licenses are outside of the games of chance monopoly in Austria, and up to ten sports betting licenses can be issued throughout the country. The largest license holder is the company Admiral Sportswetten, which was founded in 1991. In 2002, they had a total of 68 betting shops in Austria. Other betting companies include Wettpunkt, Magna Entertainment, and Österreichische Sportwetten Gesellschaft.

Österreichische Bets Placed 2002:

Product	Tickets Sold (m)	% Tickets Sold	No. of Bets Placed (m)	% Bets Placed	Ave Value of Tickets sold (€)
Football pools and goal bet	3.1	2.10%	32.6	3.10%	6.42

Source: Adapted from the GBGC Report

The betting fee for all games of the Austrian Lotteries is 16% of stakes or gross income from games. In the case of WebClub at its GGR is subject to a tax of 40%, consisting of a betting fee of 16% and a license fee of 24%.

Sports betting in Vienna pays taxes on federal, regional and local levels. The Vienna state levies 90% of the amount of federal tax in addition to the normal federal tax paid by the betting operators. Vienna's tax collections amount to between €200,000 and €300,000 per year for sports betting.

5. Bingo

Bingo was begun in 1999 by Österreichische Lotterien, which broadcasts televised Bingo live in Austria on Saturday evenings.

Österreichische Tickets Sold 2002:

Product	Tickets Sold (millions)	% Tickets Sold	No. of Bets Placed (millions)	% Bets Placed	Ave Value of Tickets sold (€)
Bingo	5	3.40%	10	0.90%	2.8

Source: Adapted from the GBGC Report

The license fee for bingo in Austria is 27.5%.

6. Media Gambling Services

During June 2003 Österreichischen Lotterien launched an SMS service for Lotto 6/45. Austrian UPC Digital TV subscribers can now receive an interactive gaming platform from Israeli Zone4Play Interactive Gaming Technology. The platform consists of four games: slots, video poker, blackjack and baccarat. Players acquire points through a premium telephone system.

Any other media gambling is not permitted in Austria due to the state monopoly.

7. Sales Promotional Gambling

This type of gambling is infrequent and insignificant in Austria, as the state has a monopoly on any significant stakes games.

8. Charity Gambling

This type of gambling is infrequent and insignificant in Austria, as the state has a monopoly on any significant stakes games.

III. NATIONAL SUMMARY

Year	Total (€ million)	Lottery (€ million)	Casino (€ million)	Gaming Machines (€ million)	Betting (€ million)	Bingo (€ million)
2001	901.82	631.00	221.57	0.00	49.25	n/a
2002	893.64	605.00	227.77	0.00	60.86	n/a
2003	893.54	595.00	217.95	0.00	80.59	n/a
2004	823.32	618.00	205.00	0.00	n/a	n/a

Source: Data Provided by Stakeholders and GBGC Report (shaded entries)

Year	GDP (€ million)	Propensity to gamble (%)	Spending per person (EURO)
2003	226,076	0.36%	101.04

Source: Centre for the Study of gambling, Salford, own analysis.

BELGIUM

There are five classes of legal gambling in Belgium, each with licenses offered that are valid for fifteen years. The categories of licenses are:

– Class A – Casinos;
– Class B – Amusement Arcades;
– Class C – Public Houses (drinking establishments – pubs);
– Class D – Licenses an individual for professional activity in a casino;
– Class E – 2 types of licenses:
  (1) Permits the holder to sell, rent, lease, supply, import, export, produce, maintain or
  (2) repair equipment associated with games of chance. (GBGC Report).

Until 1999, casinos in Belgium were tolerated but were technically illegal. Since that time, they have been given legal status. There are presently nine casinos licensed in Belgium. Under the 1999 law, credit cards are not permitted to be utilised for gambling, except in casinos.

The Belgium Gambling Commission estimated that there were 16 million euros involved in money laundering in Belgian gaming establishments over the prior twenty year period. This figure is based especially on the money laundering during the past 20 years by the Casino of Namur and marginally on other businesses.

II. GAMING SECTOR ANALYSIS

1. Lotteries

The Belgian National Lottery dates back to 1963, and is under the authority of the Minister who has the public business undertakings within his attributions. It exclusively organises numbers and instant lotteries via on line terminals in physical points of sales. No lotteries are currently commercialised via the internet or other interactive media, nor is sports betting. A new multi-Member State cross border lottery, ***Euromillions,*** was launched in the EU in 2004, and included Belgium as one of the participating countries. However, the game is organised by each state lottery on its own territory, each with its own rules, there is no cross-border marketing nor sale and only the prize pool for the prizes in the highest prize tier and the draw are common features;

A tombola, a special kind of physical lottery, can be authorised by the competent authority on the condition that it is organised exclusively by a non-profit organisation and that the gross gaming revenue exclusively goes to good causes for the benefit of which it has been organised. Tombolas are authorised by the public authority for each territory. There are more or less 50 organisations involved in the sales of tombolas at the national level in Belgium.

The Number of Tombolas in Belgium 2000-2004 :

Year	No. of Tombolas
2000	51
2001	47
2002	46
2003	51
2004	57

Source: Submission to the Enquiry from Belgian Gaming Commission

There are absolutely no statistical data about the number of organisers of tombolas authorised at provincial or local level[14] (respectively authorised by the "permanent deputations" and by the "Bench of Mayor and Aldermen"). However, the market share of tombolas other than those at national level is negligible. As a result of accounting only for national tombolas, the totals and percentages of market shares are approximate.

Belgian Lottery Market by Share 2000-2004 (in €) :

	2000 (€)	2001 (€)	2002 (€)	2003 (€)	2004 (€)
Belgian National Lottery	1,030,108,547	989,170,244	948,636,475	987,929,341	1,078,047,038
National tombolas	13,324,856	19,959,369	17,535,289	16,015,994	17,634,115
Totals	1,043,433,403	1,009,129,613	966,171,764	1,003,945,335	1,095,681,153
Market share National Lottery	98.72 %	98.02 %	98.18 %	98.40 %	98.39 %
Market share national tombolas	1.28 %	1.98 %	1.82 %	1.60 %	1.61 %

Source: Submission to the Enquiry from Belgian National Lottery

Gross sales of lottery products in Belgium have remained relatively stable over the period 2000-2004, with gross sales in 2004 at €1,078 million. Gross sales for Tombolas were considerably less, as is shown in the tables below.

Gross Sales (Turnover) of Belgian National Lottery 2000-2004 (in €) :

YEAR	INSTANT LOTTERIES	ON LINE DRAW GAMES	EURO-MILLIONS	TOTAL
2000	267,541,196	762,567,350	-	1,030,108,547
2001	256,095,337	733,074,907	-	989,170,244
2002	215,898,485	732,737,989	-	948,636,475
2003	212,196,191	775,733,149	-	987,929,341
2004	239,832,746	809,489,788	28,724,504	1,078,047,038

Source: Submission to the Enquiry from Belgian National Lottery

[14] Communal tombolas.

Belgian Lotteries (Tombolas) Authorised by Ministry of the Interior 2000-2004:

Year	Number of draws	Money collected following the sale of the tickets (turnover)
2000	51	€13,324,856
2001	47	€19,959,369
2002	46	€17,535,289
2003	51	€16,015,993

Source: Submission to the Enquiry from Belgian Gaming Commission

The Loterie Nationale de Belgique's current sales network includes on average 6500 outlets.

Belgian Lotteries GGR (in €):

	2000	2001	2002	2003	2004
National lottery	487,935,295	471,350,554	461,249,751	476,124,282	524,093,872
Tombolas	7,994,914	11,975,621	10,521,173	9,609,596	10,580,469

Note: The Tombolar GGR is approximate and calculated as 60% of turnover.

Source: Submission to the Enquiry from Belgian National Lottery

The lotteries in Belgium are not liable for VAT taxation. They pay VAT and duties on the goods and services they purchase (including on the commissions paid to the intermediaries of the commercial network) (21%). The Belgian National Lottery annually pays a so-called "monopoly levy" to the national Treasury at about 8% of Gross Sales. It is, however, important to note that the legal lottery monopoly was abolished in April 2002.

National Lottery's «Monopoly Levy» contributions 2000-2004:

Year	Monopoly Levy
2000	€61,973,381
2001	€86,762,734
2002	€86,762,734
2003	€86,763,000
2004	€86,763,000

Source: Submission to the Enquiry from Belgian National Lottery

In addition, the Belgian National Lottery is liable for all taxes and duties applicable to all legal entities in Belgium. The Loterie Nationale has contributed €12,147,581 to the ***Fondation Roi Baudouin*** charity in 2004. It has been a continuous sponsor of this charity since 1989. In general, National Lottery of Belgium contributes regularly to good causes, as was specified in the management agreement between the Belgian State and the National Lottery of Belgium.

Good Causes Contribution by Belgian National Lottery 2000-2004 (in €):

Year	Amount of Contribution
2000	€184,680,675
2001	€182,821,474
2002	€210,590,507
2003	€240,191,000 (an additional €30 million was requested by government)
2004	€210,590,510 (€210,191,000 + €399,510 for the fight against gambling addiction),

Source: Submission to the Enquiry from Belgian National Lottery

The management agreement 2003-2008 between the Belgian State and the Belgian National Lottery stipulates that the total annual amount of contribution paid by the National Lottery of Belgium will remain at €210.2 million up to and including 2008. Since 2004 an annual amount of €399,510 has been allocated to finance the fight against gambling addiction. In addition, Belgian authorities have the possibility to request additional funding from the National Lottery every time there is an exceptional situation. The National Lottery of Belgium has for instance, at the request of the government, contributed €2,000,000 to the disaster relief efforts for the victims of the 2004 tsunami, debited from its 2005 budget.

Most of the people employed in the tombola sector in Belgium are volunteers. The number of persons employed full time in the National Lottery of Belgium is given below.

The Number of FTE in the National Lottery in Belium 2000-2004 :

Year	Number of FTEs
2000	329.5 FTU + 11 under self-employment contract
2001	309.9 FTU + 12 under self-employment contract
2002	301 FTU + 10 under self-employment contract
2003	322.7 FTU + 10 under self-employment contract
2004	321.1 FTU + 0 under self-employment contract

Source: Submission to the Enquiry from Belgian National Lottery

The distribution network has about 6,565 POS terminals and on average one person employed per terminal. Hence the Lottery argues another 6,500 people are indirectly employed in distribution of lottery product (though it is difficult to discern whether they are Full Time Equivalents.) In addition, personnel in the sponsored non-for-profit organisations account for about 10,000.

2. Casino Gaming

Eight casinos have long operated in Belgium in spite of the technically illegal status of casino gamin gin the country prior to 1999. All were located in coastal towns or in spa towns, Parliament finally passed a law in 1999 that legalized their status, and created a Gambling Commission (Commission des Jeux de Hasard) under the authority of the Minsitry of Justice. It further authorized a ninth casino to be opened in Brussels, and that casino, the Grand Casino Brussels, opened in 2005.

Summary of Belgian Casinos 2003:

Location	**Owner/Operator**	**No. of Tables**
Dinant	Accor Group	10
Namur	Private Ownership	17
Knokke	Groupe Partouche	20
Chaudfontaine	Belcasino (60% Partouche/40% Verdonck Family)	11
Spa	Belcasino (60% Partouche/40% Verdonck Family)	9
Oostende	Belcasino (60% Partouche/40% Verdonck Family)	23
Middelkerke	Rank Group	19
Blankenberge	Rank Group	19
Total		128

Source: Adapted from the GBGC Report

Number of People Employed in Belgian Casinos 2002-2003:

Casino Location	**2002**	**2003**
Oostende	112	103
Namur	138	133
Spa	40	39
Middelkerke	74	96
Blankenberge	75	106
Knokke-Heist	129	107
Dinant	54	56
Chaudfontaine	74	69
Total	696	709

Source: Submission to the Enquiry from Belgian Gaming Commission

Number of Gaming Machines in Belgian Casinos 2003-2006:

Casino Location	**2003**	**2004**	**2005**	**2006**
Knokke	**50**	50	73	73
Middelkerke	34	55	70	70
Oostende	40	54	66	66
Blankenberghe		50	64	64
Brussel			206	206
Chaudfontaine			43	52
Dinant		50	50	60
Spa		47	47	61
Namur		52	50	84

Source: Submission to the Enquiry from Belgian Gaming Commission

Casino GGR in Belgian 2002-2004 (in Euro):

Casino Location	2002	2003	2004
Oostende	12,212,000	11,401,000	5,717,000.00
Namur	10,114,000	8,997,000	0.00
Spa	2,423,000		3,892,513.31
Middelkerke	4,540,000	6,546,000	9,929,000.00
Blankenberge	5,316,000	7,166,000	8,441,000.00
Knokke-Heist	5,377,000	5,027,000	7,369,000.00
Dinant	2,634,000	2,518,000	3,913,000.00
Chaudfontaine	6,210,000	5,823,000	5,873,000.00
Total	**48,826,000**	**47,478,000**	**45,134,513.31**

Source: Submission to the Enquiry from Belgian Gaming Commission

The gross gaming revenue in 2002 was €48.8 million in the casino sector in Belgium, falling to €47.5 million in 2003 and €45.1 million in 2004. Since the law change in 2004, casinos are permitted to operate fifteen jackpot machines for each table operated for more than five hours per day.

Currently casinos are paying separate taxes for table games and slot machines in operation in Belgium. The gaming tax rates vary depending on the region and type of table game. Please refer to the Belgian National Legal Report for the complete explanation of the Belgian gambling fiscal system.

Casino Table Taxes:

Wallonia:	4.80% on Chemin de Fer and Baccara
	2.75% on roulette without zero
	11% others
Brussels:	4.80% on Chemin de Fer and Baccara
	2.75% on roulette without zero
	15% others
Flanders:	5.3% on the winnings of the banker with Chemin de Fer and Baccara
	3% on roulette without zero
	33% on other games provided that the prize is < 865.000 euro
	44% on other games provided that the prize is > 865.000 euro

Source: Submission to the Enquiry from Belgian Gaming Commission

Casino Gambling Machine Taxes:

Wallonia:	0% on the winnings	
	900 euros per machine	
Brussels:	0% on the winnings	
	3,570 euro per machine	
Flanders :	if the profits are between:	
	0 and 1,200,000 euro	20%
	1,200,000 and 2,450,000 euro	25%
	2,450,000 and 3,700,000 euro	30%
	3,700,000 and 6,150,000 euro	35%
	6,150,000 and 8,650,000 euro	40%
	8,650,000 and 12,350,000 euro	45%
	more than 12,350,000 euro	50%
In addition: €3,570 per machine		

Source: Submission to the Enquiry from Belgian Gaming Commission

The limit of nine casinos in Belgium is fixed by the coordinated law of May 7, 1999. In addition to the existing properties, the 1999 legislation provided the opportunity for the opening of a ninth casino within the Brussels area, a property which would obviously provide a strong market, particularly given the status of the city as home to much official European business. During 2001 the first phase of the casino's development concluded that the property should be located within the centre of Brussels.

Casino Austria International was awarded the Brussels license during June 2004. The company will initially develop a property including 30 tables and 300 slot machines opened in temporary premises in December 2005. A €30m, 4,000 sq ft, permanent facility is being developed in the new Anspach Centre with 50 tables and 500 slots.

For the purposes of combating money laundering, casinos in Belgium are obliged to declare a number of operations to CTIF-CFI (Cellule de traitement des informations financiers), such as:

- number of playing chips bought by clients who used false identifying documents
- sale/exchange of casino chips with other casinos
- the purchase of casino chips by client, by cash or credit card if the value exceeds €10,000
- the purchase of casino chips by client, by cash or credit card if the value exceeds €2,500 equivalent in foreign currency
- the purchase of casino chips by client, by cheque if the value exceeds €2,500
- clients who attempt to buy more casino chips than allowed
- any suspicious looking clients can also be reported
- when clients are obliged to have to prove that they bought casino chips from the casino

Declarations Made by Casinos to CTIF-CFI 2000-2004:

		2000	2001	2002	2003	2004
Number of declarations	Casinos	49	34	25	22	11
Number of declarations	Total	798	985	1035	784	664
Monetary value (€000s)	Casinos	6,953	7,067	9,383	3,734	3,080
Monetary value (€000s)	Total	1,121,41	806,87	2,758,95	1,154,34	600,21

Source: Submission to the Enquiry from Belgian Gaming Commission

There was a decrease in the number of declarations related to possible money laundering made since 2002, which is linked to the introduction of euro due to the fact that there are now fewer people buying casino chips with foreign currency. Casino de Namur was closed in 2004 because of money laundering allegations.

3. Machine Gambling Outside Casinos

A variety of gaming devices are permitted outside of casinos (which hold category A licenses) by way of category B licenses for arcades and category C licenses for establishments with liquor licenses (drinking establishments). Furthermore, there were about 208 suppliers/repairers under the license E category in Belgium in 2004, out of which 18 organisations produce gaming machines. Category C pubs cannot have more than two bingo machines on their premises. For the type A (casinos) and type B (gaming arcades) licenses, the legislature imposed a maximum number of licenses at nine type A licenses and 180 type B licenses.

A maximum of thirty gaming machines are permitted in arcades. Since the maximum number of 180 gaming arcades has been reached, no further licenses can be issued. All new applicants are put on a waiting list. The Belgian Gaming Commission is pursuing a severe control policy. Violation of the law may lead to suspension or even cancellation of any individual license. There are no GGR numbers available for the AWPs in gaming arcades. However, the approximate turnover (handle) of gambling machines operated in gambling establishments outside of casinos was €110.8 million in 2004 (not counting bingo machines), based on survey data from 153 out of the 180 type B licensed establishments. (Stakeholder submission.)

The number employed in gaming arcades is around 720 people and there are about 7,500 people working in alcohol licensed premises, which operate gaming machines. All together, there are 8220 people working in premises where gaming machines are available.

Taxation of AWP machines (denoted as Category A and Category B) are given below:

Gaming Machines Taxation in Belgium (Per AWP) by Region:

Category	Flanders	Wallonia	Brussels
A	€3,570	€1,365	€3,570
B	€1,290	€895	€1,290

Source: Adapted from the GBGC Report

Where Category A machines are:

– bingo machines and one balls;
– amusement machines allowing the player, even occasionally, to win back his stake in cash prizes or tokens and/or to win prizes in kind with a commercial value of at least €6.20.

And Category B machines are:

– The same machines as in category A, but operated in seasonal arcades.

4. Betting

Both on-track and off-track betting are legal in Belgium, and customers can bet with bookmakers at fixed odds or participate in pari-mutuel pools. According to the Belgian National Bank and betting operators, the turnover of the sector for 2005 was €231.4 million euros, as reported by the Belgian Gaming Commission. This figure does not take into account the operations of illegal bookmakers.

There are four companies in Belgium acting as bookmakers for foreign horse racing and other sports. ***PMU Belge*** has a monopoly for running the totalisator on Belgian horse racing. The bookmakers are agents of ***PMU Belge***. The approximate market share for the companies active in the betting sector in Belgium are shown below:

Belgian Betting Market:

Company	Market Share
Ladbrokes	70%
Tierce Franco Belge	25%
Dumoulin	4%
Vincennes	1%

Source: Submission to the Enquiry from Ladbrokes, Belgium.

There are also 10 to 15 companies currently offering sports betting. They range from companies with one/two outlets to the ones that have over 100 outlets (***Belgabet***) or with a stated objective to have over 100 outlets in the near future (***StanleyBet***).

In addition, there are a number of foreign internet operators that are targeting the Belgian market and taking bets from Belgian residents.

Ladbrokes are the largest betting shop operator in Belgium with approximately 300 betting shops in 2005, having increased the number from 208 since they last reported in 2002. Ladbrokes accepts bets on foreign horse racing and other sports, as well as acts as an agent for Belgian horse racing. These three elements are treated separately by law.

Belgium has a complex betting tax system, where the amount of tax required to pay depends on the type of betting as well as the region where the bet is made. Overall, the Belgian betting market is stagnant and no growth is expected.

Belgium Betting Taxes:

Foreign Horseraces Taxes (Bets Taken In Belgium):

Region	Pari-Mutuel BettingTax	Fixed Odds Betting Tax
Wallonia	11%	11%
Brussels	11%	11%
Flanders	22% on pari-mutuel	5.5% on fixed odds bets

Belgian Horseraces Taxes (Bets Taken In Belgium) :

Region	Pari-Mutuel BettingTax	Fixed Odds Betting Tax
Wallonia	20% on pari-mutuel	5% on fixed odds bets
Brussels	20% on pari-mutuel	5% on fixed odds bets
Flanders	22% on pari-mutuel	5.5% on fixed odds bets

Taxes For Other Bets:

Region	Betting Tax
Wallonia	11%
Brussels	15%
Flanders	15%

Taxes For Traditional Games:

Region	Betting Tax
Wallonia:	0% except if the prize > 250 Bef (+/-6,25 euros), otherwise: 11%
Brussels:	0% except if the prize > 250 Bef otherwise: 15%
Flanders:	0% except if the prize > 250 Euro otherwise: 15%

Pigeons:

Region	Betting Tax
Wallonia:	0% except on Saturdays, Sundays, legal holidays or municipality fairs and only for the organiser of the games, otherwise: 11%
Brussels:	0% except on Saturdays, Sundays, legal holidays or municipality fairs and only for the organiser of the games, otherwise: 15%
Flanders:	0% only for the organiser of the games, otherwise: 15%

Source: Submission to the Enquiry from Belgian Gaming Commission

Betting turnover is exempt from VAT. There are no expenses for obtaining bookmaking licenses, although a guaranteed deposit needs to be made as a security for the Ministry of Finance that the betting taxes will be paid. A percentage of turnover has to be paid on all totalisator bets on sport to a government body (ADEPS).

There are currently some 1000 people directly dependent on the bookmakers and PMU for their livelihood. This number is in decline annually and was probably some 20% higher five years ago.

5. Bingo

Bingo is only permitted in the casinos in Belgium (licenses A) under the terms of the Royal Decree of November 24, 2004. It is required that 50% of the collected profits are transferred to good causes. At the moment, however, bingo is rarely played.

The "bingo" is also a type of machine in Belgium and it can be exploited in the bars only after obtaining a license of class C, delivered by the commission.

6. Media Gambling Services

No information was found or contributed by stakeholders approached as part of this research endeavor that allowed meaningful discussion of this sector.

7. Sales Promotional Gambling

Promotional games are important for generating revenues for certain Belgian sports bodies, including the Belgian Olympic Committee. However, the researchers were unable to find, either from published sources or from inquiries made to stakeholders, data on the magnitude of such revenues.

8. Charity Gambling

No information was found or contributed by stakeholders approached as part of this research endeavour that allowed meaningful discussion of this sector. Charitable lotteries are organised on a small scale at national, provincial and local levels.

III. NATIONAL SUMMARY

Year	Total (€ million)	Lottery (€ million)	Casino (€ million)	Gaming Machines (€ million)	Betting (€ million)	Bingo (€ million)
2000	495.93	495.93	n/a	n/a	n/a	0.00
2001	608.11	483.33	31.31	86.35	7.13	0.00
2002	633.82	471.77	48.83	105.77	7.46	0.00
2003	679.31	485.73	47.48	136.77	9.33	0.00
2004	579.81	534.67	45.13	n/a	n/a	0.00

Source: Data Provided by Stakeholders and GBGC Report (shaded entries)

Year	GDP (€ million)	Propensity to gamble (%)	Spending per person (EURO)
2003	269,633.6	0.25%	65.6

Source: Centre for the Study of gambling, Salford, own analysis.
Note: the exchange rate used: 1 EUR = 40.3 BEF

CYPRUS

I. INTRODUCTION

Cyprus is a divided Island. The Government of the Republic of Cyprus has control over the territory of Cyprus, which consists of about 67% of its area, and is inhabited mostly by Greek Cypriots numbering 750,000 inhabitants. About 33% consists of the Northerly part of Cyprus is ruled by what is called the “TRNC” (Turkish Republic of Northern Cyprus). The figures reported here are from the area controlled by the Republic of Cyprus, however, reference to the Northern part of Cyprus drawing on material from Turkish Cypriot newspapers are also made. It is necessary to make reference to the Northern part because within a comparatively small area 22 gambling Casinos are in operation.

The Association Confronting Social Problems (SAKOP) has commissioned a socio-economic research on gambling in Cyprus, where 1010 people were interviewed between the ages of 12 - 65 years. Their results have shown that nine out of ten people has played at least one game of chance in the past. On average each person plays one game twice a week. 90% of people buy scratch cards and lotto, joker and government lottery are also popular since one in two people (including the under-age) play them. Interestingly, every sixth person played at least once in a casino on cruise boats (9% of under-age), abroad or in Northern Cyprus.

On average each person spends C£29 (50.53) per month in total for the various games they participate in (average C£6 (€10.45) to C£15 (€26.13) per month for every game). It is especially worrying that the households with the lowest income per month spend more money on gambling on average per month relative to their income level.

The under-age spend on average C£14 (€24.41) per month which is considered to be a very high level when they are often financially dependent on their parents. Furthermore, 1% of under-age 12-17 year olds stated that they spent on average C£26 (€45.34) to C£75 (€130.79) per month gambling. Below is a breakdown of the frequency of gambling amongst minors, when the question was whether they gambled at least one game, excluding the Government Lottery, the CBC Lottery and the scratch ticket:

- 3% of 12-17 year olds claim that they gamble every day
- 35% of 12-17 year olds claim that they gamble every week
- 26% of 12-17 year olds claim that they gamble every month

When the same question was addressed to adults, the following answers were received :

- 9% of adults (18-65) claim they gamble every day
- 47% of adults (18–65) claim they gamble every week
- 12% of adults (18-65) claim they gamble every month

The main reason mentioned by the majority is that they gamble to make money yet the majority said that in the end they become losers. The games with the highest participation are also the games with the highest losses according to their replies. The majority of the low income classes gamble to earn money. Most minors and women, however, say they gamble for fun.

The majority of the survey participants said that they considered casinos, gambling clubs, horse racing and the Internet as hard gambling and therefore they did not wish to participate, while they participated in other games that were not considered as hard gambling.

Interestingly, there was the universal admission (9 out of 10) that in the long term participation in gambling would lead to financial losses and addiction which by itself would lead to other problems, in particular social problems not only for the gambler himself but also for his family.

1 in 3 people spend C£9 (€15.69) monthly on gambling on average, whilst 5% of participants or 4% of the population spend over C£100 (€174.42) a month (up to C£500 (€872.14) per month each). Out of those aged between 12-17 years 30% spend monthly C£9 (€15.69), 29% spend C£10 (€17.44) to C£25 (€43.60), 9% spend C£26 (€45.35) to C£50 (€87.21) and 1% C£51 (€88.95) to C£75 (€130.82). When looking at the household, those earning C£500 (€872.15) to C£750 (€1,308.22) monthly, spend 27% (C£76 (€132.56) to C£100 (€174.43)) per month on gambling.

II. GAMING SECTOR ANALYSIS

1. Lotteries

The National Lottery, established in 1958, is the main gambling media in South Cyprus. The Government of Cyprus operate Weekly Lotteries, Special Lotteries and Scratch tickets.

The Cyprus Government Lottery Sales (Turnover) 2000 - 2003 in CYP (EUR):

Year	**Weekly Lotteries**	**Special Lotteries**	**Scratch Tickets**	**Total**
2000	2,619,250 (4,568,001)	1,166,500 (2,034,149)	26,547,250 (46,299,667)	30,333,000 (52,915,404)
2001	2,386,000 (4,162,839)	984,150 (1,716,970)	32,101,250 (55,987,218)	35,471,400 (61,878,557)
2002	2,209,020 (3,854,028)	1,158,300 (2,019,930)	38,588,100 (67,301,412)	41,955,420 (73,191,556)
2003	1,990,545 (3,471,639)	1,052,500 (1,835,032)	35,222,750 (61,436,748)	38,265,795 (66,754,258)
TOTAL	9,204,815 (16,056,760)	4,361,450 (7,605,863)	132,459,935 (231,044,525)	115,722,948 (201,850,681)

Source: Submission to the Enquiry from Cyprus Government Lottery

There are 21 people employed full-time in the Cyprus Government Lottery. The lottery tickets are sold in bulk to registered agents with 10% discount. These agents then distribute them through street vendors, kiosks etc. There are over 40 agents in Cyprus, who employ approximately 450 sub-agents, making the total number of people employed in distribution approximately 490.

The Cyprus Government Lottery Returns to the Government 2000 - 2003 in CYP (EUR):

Year	Price Money	Administrative Expenses	Commissions Paid	Net Profit	Net Profit including income from OPAP
2000	15,271,991 (26,635,104)	608,845 (1,061,460)	3,033,300 (5,286,371)	11,418,864 (19,890,901)	17,449,106 (30,385,218)
2001	17,595,764 (30,688,537)	830,322 (1,447,270)	3,547,140 (6,182,248)	13,498,174 (23,514,396)	21,669,902 (37,758,535)
2002	20,571,337 (35,863,601)	1,000,473 (1,743,027)	4,195,542 (7,311,617)	16,188,068 (28,192,732)	23,317,191 (40,628,839)
2003	19,230,680 (33,525,694)	893,888 (1,558,000)	3,826,579 (6,668,474)	14,314,649 (24,932,930)	18,719,621 (32,621,883)
2004	n/a	n/a	n/a	n/a	18,890,233 (32,919,201)

Source: Submission to the Enquiry from Cyprus Government Lottery

The gross profit for the Government over the four year period was C£55,419,755 (€96,650,362) or about 48%. Scratch tickets were sale leaders totalling C£132,459,935 (€230,990,506) out of overall sales of C£115,722,948 (€201,800,958) or 87%. Counteracting the decline experienced in lottery sales in 2000 was mainly attributed to the installation of 150 terminals and a Regional Data Collection Centre on the island that is directly connected with the National Data Processing Centre located in Athens. Even though the Cypriot Lottery is connected and participates in the Greek State Lottery (OPAP-Greek Organisation of Football prognostics) and it remains financially independent, the Cypriot Government believed that the direct involvement of the successful mainland lottery would be good for sales. A comprehensive software package ensures that even though the players in Greece and Cyprus share the winnings, the prizes are paid out in different currencies and with no money transfers between the countries.

Cypriot Government Lottery GGR 2000 - 2004 (in CYP and in €):

Year	Government Lottery GGR (*in CYP*)	Income from OPAP (*in CYP*)	Total (*in CYP*)	Government Lottery GGR (*in €*)	Income from OPAP (*in €*)	Total (*in €*)
2000	12,027,709	6,030,137	18,057,846	20,927,853	10,492,257	31,420,110
2001	14,328,495	8,171,475	22,499,970	24,931,151	14,218,121	39,149,273
2002	17,188,541	7,129,093	24,317,634	29,907,546	12,404,408	42,311,954
2003	15,170,102	4,404,972	19,575,074	26,395,522	7,664,519	34,060,042
2004	13,380,610	6,279,213	19,659,823	23,281,860	10,925,642	34,207,502

Source: Submission to the Enquiry from Cyprus Government Lottery

During August 2003 the Cyprus Government Lottery awarded Creative Games International a two-year contract to supply 94 million instant lottery tickets.

There are no VAT or gambling specific taxes levied on operations of the Cyprus Government Lottery or OPAP. The annual license fee is CYP£1.00 (€1.74) paid by street vendors in order to have the right to sell lottery tickets. The duration of this license is one year. OPAP or its agents pay no license fees.

2. Casino Gaming

There are no casinos in the Republic of Cyprus, though there are 22 casinos operating in Northern Cyprus (the Turkish section.)

On 14/7/2004 the Ministerial Council of the Republic of Cyprus approved the conduct of two surveys, by the Cyprus Tourist Organisation on the effects of tourism and the economy as well as the social consequences which will accrue from a possible establishment of a casino in the southern part of Cyprus. They are as follows:

(a) A study on the social consequences and the ways of confronting the adverse social effects which a casino may bring about in the Cypriot society and

(b) A study on the effects that the setting up of a casino/casinos may have on tourism and the economy.

No decision has yet been reached as to the development of a casino in Cyprus, or by whom or how this is going to be run in the event that such a decision is taken.

3. Machine Gambling Outside Casinos

Gambling machines are not permitted on the Republic of Cyprus section of the island. They are present on the Turkish occupied side.

4. Betting

There are at present 34 licensed betting companies (Receiver of Collective Bets) in the Republic of Cyprus. Each of them can have up to 15 Assistant Receivers and there are about 340 of these. The following types of sports betting take place in Cyprus:

- Formula1
- Billiards
- Tennis
- Track games
- Basket ball
- Horse racing
- Golf
- Boxing
- Cricket
- Rugby
- Baseball
- Eurovision

Number of Betting Shops in each District of Cyprus 2002 and 2004:

District	2002	2004
Nicosia	194	138
Limassol	139	84
Larnaca	95	58
Famagusta	37	25
Paphos	45	34
Total	510	339

Source: Submission to the Enquiry from the Ministry of Justice and Public Order

Government Receipts from Sports Betting 2000 – 2003 CYP (EURO):

Year	Government revenue	Money Staked (turnover)	Government Receipts from Stakes
2000	290,300 (506,437)	32,986,640 (57,546,544)	8,426,660 (14,698,400)
2001	257,600 (449,391)	31,133,108 (54,305,203)	7,833,277 (13,663,970)
2002	219,900 (383,622)	29,037,664 (50,649,156)	7,259,416 (12,662,840)
2003	273,900 (477,839)	23,824,272 (41,556,135)	5,956,068 (10,389,840)

Source: Submission to the Enquiry from the Ministry of Justice and Public Order

There is only one operator providing horse race betting, which is ***Nicosia Race Club*** (NRC). The NRC has 123 agents. According to the recent survey carried out on behalf of the Ministry of Finance, the market share of betting on football and other sports is 34% and the market share of horse race betting is 66% of the total betting market. The market structure is expected to change soon due to new betting legislation currently being drafted.

The Government collects 10% tax from horse race betting.

Horse Race Betting Tax 1999 – 2003 CYP (EURO) :

Year	Tax
1999	4,119,414 (7,184,355)
2000	4,480,107 (7,810,239)
2001	4,567,175 (7,961,229)
2002	5,341,516 (9,310,472)
2003	5,092,255 (8,876,218)

Source: Submission to the Enquiry from the Ministry of Justice and Public Order

Considering that the above figures constitute 10% of the money staked one can conclude that considerable amounts are staked in horse racing of which there is only one track in Nicosia.

The operation of the ΟΠΑΠ in Cyprus is carried out by ΟΠΑΠ Ο.Ε ΚΥΠΡΟΣ (Spelt OPAP Anonymous Company CYPRUS). It is described as Οργανισμός Προγνωστικών Αγώνων Ποδοσφαίρου = Organisation of prognosis of the results of Football Games. This operation is governed by an amended Agreement signed on the 12 February 2003 between the Government of Cyprus and the Minister for Culture of the Republic of Greece. OPAP is the betting company with the biggest share in the market with 90 shops in 2002 and 110 in 2006.

One percent of turnover is paid by ΟΠΑΠ Cyprus for the promotion of Sports and Culture in Cyprus. If local needs require it, this percentage may be increased to 2% of the turnover of

ΟΠΑΠ Cyprus, by the decision of a Special Committee. This percentage for the year 2003 amounted to C£238,242 (€415,409). A slogan continuously promoted is "play OPAP for the sake of Culture and Sport" which gives the false idea that a great deal of money is being devoted for Culture and Sport. For the year 2004 OPAP gave, in the form of grants, CYP£568,818 (€991,816) and in 2005 CYP£533,936 (€930,994). The above amounts represents 1% of OPAP's annual turnover.

After deduction of the 6% for operating expenses, 10% out of the total turnover for the ΟΠΑΠ Greece, 2% for the advertising promotion of ΟΠΑΠ Cyprus (C£476,490 (€830,829) in 2003) and 1% for the Sports and Culture Contributions, all the remaining balance are paid to the Government of the Republic of Cyprus.

There are no restrictions on numbers, hours of operation or location of betting shops. Betting shops are obliged to pay VAT at 15% on their commission, which varies between 10% and 12%. There is no VAT on horse race betting, but 15% VAT paid on BRC Betting Agents commission, which is currently 8% of the total betting turnover they generate. The agents turnover is approximately 87% of the total betting turnover.

A betting tax of 25% is imposed on all sports bets above normal business taxes and it is paid by the punter. A tax of 10% is imposed on every horse race bet and it is paid by the punter as well. An annual fee is C£5,000 (€8,715.85) for the Receivers of Collective Betting and C£300 (€523.158) for the Assistant Receivers. No license fees are paid by NRC.

There are no mandatory payments to good causes that have to be paid by betting operators. NRC, however, pays 1% to the Municipality of Agios Donetios, where the racecourse is situated.

The Nicosia Race Club Good Causes Contributions 2000 - 2004 CYP (EURO):

Year	Contributions
2000	11,000 (19,188)
2001	13,000 (22,670)
2002	13,000 (22.670)
2003	15,000 (26,160)
2004	11,000 (19,188)

Source: Submission to the Enquiry from the Ministry of Justice and Public Order

The Nicosia Race Club Employment 2000 - 2004:

Year	Permanent staff	Race meeting staff
2000	76	156
2001	82	147
2002	85	150
2003	87	150
2004	81	137

Source: Submission to the Enquiry from the Ministry of Justice and Public Order

In addition to the above employment in the NRC, at least 300 people are employed in the 140 stud farms. The 123 Betting Agents employ 250 people. There are also 66 trainers, 47 jockeys, 30 exercise jockeys and 55 grooms employed in the racing industry.

The Turkish side of the island is home to Turkbet the international telephone and Internet betting operation of Wilson Sports and Racing. During June 2002 Chartwell Technology's wholly-owned subsidiary, Chartwell Games, was selected to design, construct and license an online casino for Turkbet.

5. Bingo

BINGO in Cyprus (known also as Tombola) operates widely. It involves comparatively large sums of prize money - C£5.000 (€8,722) or C£7.000 (€12,211). Bingo in Cyprus does not explicitly exclude children from playing.

There is also a BINGO in Cyprus which is carried out by the Government owned Cyprus Broadcasting Corporation ("PIK" pronounced "RIK") to be referred to as "CBC" whose license for the "SUPER BINGO" was granted by the Ministry of Finance, based not on the Betting Law No.75(I) of 1997, but a license granted by the Minister based on the LOTTERIES LAW. Bingo cards can be bought either at newspaper kiosks, on the web or by SMS.

CBC earned a profit of £700.000 (€1,221,128) from the BINGO from the 20 December 2004 to the beginning of March 2005, i.e. from 12 shows (it is carried out once a week every Monday). However, according to the Cypriot Ministry of Finance, gradually the profit from BINGO has fallen and it is estimated that in 2006 it is going to be £800.000. The receipts from BINGO go towards enhancing the income of CBC and thus reducing the annual government grant towards its annual budget.

In addition, there is a Charitable BINGO in Cyprus which takes place especially amongst ladies' charitable organisations, where all the prize money goes exclusively to a charity. An example of such a Bingo game would be when 200 ladies gather for tea in the afternoon. Each one buys two cards, each costing C£3 (€5.23), so the charity collects C£600 (€1,046). Such charity organisations obtain a license from the Ministry of Finance if, for example, they wish to put up a car as prize money.

6. Media Gambling Services

A license has been granted by the Ministry of Finance to the Journalists Union for a lottery on a running basis with valuable prize money, like a house or an apartment. The Government does not collect any taxes and there are no official statistics to show how much money is staked.

7. Sales Promotional Gambling

Sales promotion is only permitted without money staked.

8. Charity Gambling

There is charitable Bingo organised in Cyprus. It is described in the Bingo section

III. NATIONAL SUMMARY

Year	Total (€ million)	Lottery (€ million)	Casino (€ million)	Gaming Machines (€ million)	Betting (€ million)	Bingo (€ million)
2001	64.54	39.15	0.00	0.00	25.39	0.00
2002	71.73	42.31	0.00	0.00	29.42	0.00
2003	72.58	34.06	0.00	0.00	38.52	0.00

Source: Data Provided by Stakeholders and GBGC Report (shaded entries)

Year	GDP (€ million)	Propensity to gamble (%)	Spending per person (EURO)
2003	11,650.6	1.62%	715.10

Source: Centre for the Study of gambling, Salford, own analysis.

CZECH REPUBLIC

I. INTRODUCTION

More than two thirds of the adult population of the Czech Republic (69%) participated in gaming and betting in 2004. The participants included all ages; however, the majority (60%) were between 30 and 59 years old. The share of players 60 years and older has increased since 2003 and the share of players younger than 30 is currently decreasing. The proportion of players with a higher education who participate in odds betting is gradually increasing over time. Scratch cards, however, attract mostly people with only a secondary education.

The players of slot machines are aging. Currently, 51% of players of slot machines are younger than 35 years, which is a decrease from 66% seven years ago. At the same time, 23% of players are older than 46 at present, when seven years ago it was only 12%.

Summary of the Czech Republic Gambling Market 2004 (in € million)

	Sales (Turnover)	**Payout**	**Revenues (GGR)**	**Taxes, Administ. + Local Fees,**	**Good Causes**
Lottery	188.7	92.2	**96.5**	2.7	34.3
Betting	333.1	286.8	**46.3**	1.8	5.6
Bingo	6.2	4.4	**1.9**	0.2	0.1
Casino	344.2	276.4	**67.8**	7.4	5.4
Gaming Machines	1497.1	1122.8	**374.3**	51.5	16.3
Audiotex and technical devices (IVT)	282.4	228.8	**53.7**	5.9	4.6
TOTAL (in € million)	2651.7	2011.4	**640.3**	69.6	66.3

Source: Submission to the Enquiry from SAZKA

II. GAMING SECTOR ANALYSIS

1. Lotteries

Sazka is the lottery company that dominates the Czech lottery sector. In the number lotteries market, it has 98% market share. In the instant lotteries market, Sazka has 90% market share where ***Ceskomoravska loterijni*** controls the other 10%. Ministry of Finance of the Czech Republic has issued fourteen permissions for Central Lottery Systems (CLS) with (Interactive Videolottery Terminals (IVT):

SAZKA, a.s. (Cyberview)
Synot Lotto, a.s. (hardware from Play&Win České Budějovice, software BossMedia),
Comax (system from a UK company),
Fair Play Trend, a.s. (own system).

SAZKA Turnover (lottery, betting and other services) 2002-2004:

	2002	**2003**	**2004**
Turnover (CZK billion)	7.48	8.45	8.5
Turnover (€m)	233	266	268

Source: Submission to the Enquiry from SAZKA

SAZKA's revenues come from lotteries (85.5%), odds and sports betting (9.8%), instant lotteries (5.6%) and non-lottery activities.

SAZKA Lottery Turnover 2002-2004 (in € million):

	2002	**2003**	**2004**
Number Lotteries	199.21	227.43	229.14
Instant Lotteries	13.04	14.89	15.01
Total	212.26	242.32	244.15

Source: Submission to the Enquiry from SAZKA

SAZKA GGR 2002-2006 (in CZK):

GGR:	**2000**	**2001**	**2002**	**2003**	**2004**
number lotteries	3,134,912,852	2,834,041,408	3,245,926,209	3,188,811,008	2,836,833,681
VLT	0	0	0	0	3,577,935
instants	111,893,880	47,401,870	1,404,500	245,042,080	156,159,365
Total Lottery	3,246,806,732	2,881,443,278	3,247,330,709	3,433,853,088	2,996,570,981
sports betting	32,579,920	64,373,831	100,339,926	101,919,878	66,820,655
Total	3,279,386,652	2,945,817,109	3,347,670,635	3,535,772,966	3,063,391,636

GGR:	**2005**	**2006**
number lotteries	3,141,704,826	3,345,000,000
VLT	16,479,330	205,650,000
instants	120,392,618	196,425,000
Total Lottery	3,278,576,774	3,747,075,000
sports betting	31,457,978	36,370,000
Total	3,310,034,752	3,783,445,000

Note: Figures for 2005 are estimated as of 30 November. Figures for 2006 are forcasted.
Source: Submission to the Enquiry from SAZKA

SAZKA GGR 2002-2006 (in €):

GGR:	2000	2001	2002	2003	2004
number lotteries	88,034,621	83,182,900	105,329,078	100,151,099	88,923,380
VLT	0	0	0	0	112,154
instants	3,142,204	1,391,308	45,575	7,696,045	4,894,971
Total Lottery	**91,176,825**	**84,574,208**	**105,374,654**	**107,847,145**	**93,930,505**
sports betting	914,909	1,889,458	3,255,993	3,201,001	2,094,560
Total	**92,091,734**	**86,463,666**	**108,630,647**	**111,048,146**	**96,025,065**

GGR:	2005	2006
number lotteries	118,757,928	115,344,828
VLT	716,839	7,091,379
instants	4,042,870	6,773,276
Total Lottery	**123,517,637**	**129,209,483**
sports betting	1,112,336	1,254,138
Total	**124,629,972**	**130,463,621**

Note: Figures for 2005 are estimated as of 30 November. Figures for 2006 are forecasted.
Source: Submission to the Enquiry from SAZKA

SAZKA Employment and Distribution Network 2000-2006:

Emloyees	**2000**	**2001**	**2002**	**2003**	**2004**
direct	398	405	432	435	435
indirect (not POS agents)	n/a	n/a	n/a	n/a	27
Number of outlets	5353	5941	7057	7028	6973

Emloyees	**2005**	**2006**	**2007**
direct	454	460	467
indirect (not POS agents)	n/a	n/a	n/a
Number of outlets	7062	n/a	n/a

Source: Submission to the Enquiry from SAZKA

SAZKA has no obligations to pay any good causes contribution; however it continues to do so on an annual basis. In 2004 the amount SAZKA contributed CZK 1.1billion to the public good, which exceeded by more then CZK 500 million the amount suggested by the Lottery Act.

SAZKA Good Causes Contributions 1995-2004 (in mCZK):

Year	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**
Contribution	632	680.9	715.8	838.1	860	901	960	1000	1051.9	1107.5

Source: Submission to the Enquiry from SAZKA

2. Casino Gaming

There are approximately 40 small privately run casinos in the Czech Republic. These are regulated by the Ministry of Finance's Gaming Department. Casinos are only permitted to operate in cities and towns approved by the Ministry of Finance. Currently there are approximately twenty-five active casino operators in the Czech Republic, with restrictions on foreign ownership remaining in force. (p.294, GBGC)

According to SAZKA, during 2002 the total sales generated by the Czech casino industry was CZK 10.07 billion (€327 million) and the GGR was CZK 2.26 billion (€73 million). The casino industry also generated sales in the slots segment of the market amounting to CZK 3.32 billion (€107 million) and GGR amounting to CZK 0.7 billion (€22.7 million). Therefore, total casino turnover was CZK 13.40 billion (€431.4 million) and total casino GGR was CZK 2.96 billion (€95.7 million) in 2002.

Table games have a tax rate ranging from 6% to 20%. In addition a further 10% is levied for administration fees and 1% for supervision. For slot machines there is a CZK 30k (€991) annual license fee per device and an annual local fee of between CZK 5k (€165) and CZK 20k (€661). Also, between 6% and 20% of slot machine GGR goes to the municipality. (p.295, GBGC)

3. Machine Gambling Outside Casinos

Slot machines are operated by approximately 450 companies. However, there are as many as 600 small enterprises that are involved with the machines, mostly subsidiaries of the large companies. Outside of casinos, gaming machine stakes are limited to CZK 5 (€0.165).

There is a network of Herna bars (gaming bars), open 24 hours a day, which are very inexpensive and have a monopoly on the gaming machine market. SAZKA estimates that there are nearly 52,000 legal gaming machines in operation across the Czech Republic including a number of video slots.

In 2003 the Ministry of Finance authorised SAZKA to offer betting games through VLTs by way of a Central Lottery System. SAZKA launched the system by the end of 2004.

The roll out rate will be between 200 and 300 terminals per month. The VLTs will be sited primarily in the traditional casinos, sports bars and other gambling centres, as well as selected SAZKA retailer sites such as tobacconists and supermarkets. Both the central system and the terminals are being supplied by Cyberview Technology under a 10 year contract. (Source: GBGC)

4. Betting

The Czech Republic has limited horseracing with on-course waging mainly at Paradubice Racecourse. Betting on the industry is moderately popularas an off-course market.

Sports Betting Industry Turnover (sales) in Czech Republic 2000-2005 (in CZK million):

2000	2001	2002	2003	2004	2005 (est.)
238.05	267.00	339.61	407.40	457.350	450.00

Source: Submission to the Enquiry from SAZKA

Sports Betting Industry GGR in Czech Republic 2000-2009 (in € million):

2000	2001	2002	2003	2004	2005
191.9	237	309.5	351.3	344.2	350

2006	2007	2008	2009
370	420	450	500

Source: Submission to the Enquiry from SAZKA
Note: 2005 - 2009 are estimated values
** This drop was caused by illegal internet betting offered by foreign companies*

Betting opportunities are provided from 5am until midnight every day, including weekends, and are permitted at such locations as service stations, hypermarkets and supermarkets, in addition to specific betting outlets.

Sports betting's main players are Tipsport, Fortuna, Chance, SynotTip, SAZKA, Maxi-Tip and VICTORIA-Tip. Since 2004, betting over the internet is provided by Betandwin, Sportingbet, Expect, Worldbet, Bettsson, Eurobet and Betfair.

SAZKA's Sports Betting GGR 2002-2006 (in CZK millions):

2000	2001	2002	2003	2004	2005	2006
32.58	64.37	100.34	101.92	66.82	31.46	36.37

SAZKA's Sports Betting GGR 2002-2006 (in €):

2000	2001	2002	2003	2004	2005	2006
914,909	1,889,458	3,255,993	3,201,001	2,094,560	1,112,336	1,254,138

Note: Figures for 2005 are through 30 November. Figures for 2006 are forecasted.
Source: Submission to the Enquiry from SAZKA

The bets are safeguarded by statutory security deposits under the Lotteries Act. Large sums of money are annually provided to not-for-profit organisations to be used to the benefit of society.

5. Bingo

Three licenses have been issued for this type of game. They are used only in Bingo Halls (the number of players can be from 20 to 200 people), where the game is played continuously. Refreshment can be sold in these establishments. The companies who have issued this license are: Bingo Radiopalác in Prague (nonstop - 500 seats, in addition to bingo there is billiards and slots available), Bingo Rozmarýn in Brno (billiard, (snooker and pool) and Chance betting office), Bingo Morava in Ostrava. Sales in bingo halls have sluggish tendencies.

Bingo GGR in Czech Republic 2000-2005 (in € million)

2000	2001	2002	2003	2004	2005
1.9	1.9	2.0	1.9	1.9	2.0

Source: Submission to the Enquiry from SAZKA

6. Media Gambling Services

Media gambling is only offered by Audiotex in the Czech Republic. It offers a form of betting contest or answering simple questions, where the player calls a special telephone number. The right answers are drawn. For these games specialized Audiotex telephone numbers are used. The following is list of companies that provide Audiotex services:

Companies Offering Audiotex Services in Czech Republic:

• Aliatel;	• Český Telecom
• ATS	• Gryf
• Contactel	• GTS
• Czech On Line	• Erika
• České Radiokomunikace	• Halotel
• Českomoravská loterijní a.s.	

Source: Submission to the Enquiry from SAZKA

7. Sales Promotional Gambling

Promotional games are not considered to be “hazardous games” (gambling), but they are described in Czech hazardous gaming law, which says that they have to be contests with random selection of winners. In order to participate, the player has to buy a product. Under this law there are specified limits for prize values. According to research done in 2004 by SAZKA, more than half of the Czech population willingly participates in these promotional games. An estimate of sales in this segment for 2004 was about CZK 0,7 billion (€22,7 million). There are approximately 1000 companies in the market using this form of promotional sales support.

8. Charity Gambling

For Charity Gaming the same laws are applied as for other types of gambling in the Czech Republic. For charity purposes, some gambling games and lotteries profits are used according to the license issued by the Ministry of Finance of the Czech Republic. Most of the providers of gambling donate some of their profits for charity purposes.

I

III. NATIONAL SUMMARY

Year	Total (€million)	Lottery (€million)	Casino (€million)	Gaming Machines (€million)	Betting (€million)	Bingo (€million)	Other (€million)
2000	414.4	98.5	58.7	229.6	20.7	1.9	5.0
2001	455.9	91.2	65.8	258.8	28.1	1.9	10.1
2002	574.8	107.6	73.3	334.1	39.0	2.0	18.8
2003	593.4	109.2	66.3	346.7	34.3	1.9	35.0
2004	640.3	96.5	67.8	374.3	46.3	1.9	53.7

Source: Data Provided by Stakeholders

Year	GDP (€ million)	Propensity to gamble (%)	Spending per person (EURO)
2003	80,099.2	0.741%	58.15765

Source: Centre for the Study of gambling, Salford, own analysis.
Note: average exchange rate1 EUR =31.902 CZK

DENMARK

I. INTRODUCTION

Statutory regulation of the Danish gaming market dates back to the 18th century, cf. “Kongelig anordning af den 6. oktober 1753”, which prohibited games of chance. From that time until the present, the fundamental objectives of the regulatory restrictions have been to keep gaming and betting activities at a moderate level and – in recognition of people’s desire to engage in games of chance – to establish and ensure a legal gaming market that is limited, consumer protective and ethically sound. The amendments to Acts (and the comments on the amendments to Acts) in this field reflect the social considerations that the authorities have continuously attempted to enforce via the Danish gaming legislation.

The Danish gaming legislation is characterised by the four compelling public interest considerations: keeping the consumption of games with financial stakes at a moderate level; protecting consumers when they engage in gaming and betting activities; limiting gambling addiction and combating economic crime; as well as restricting private individual’s access to utilise people’s desire to gamble as a basis for commercial gain.

The Danish Ministries of Taxation, Justice and Ministry of Family and Consumer Affairs, who took over Ministry of Trade and Industry in regulating the Sales Promotional Gambling, regulate Denmark’s betting and gaming industries. The new ***Games, Lotteries and Betting Act*** was passed in 2003. It tightened up the existing legislation in response to the findings of a Ministry of Taxation report entitled, ‘The Future of Gaming in Denmark’. The latest change to the Games, lotteries and betting act came on the 18th of may 2005, where the ministry of Taxation were given legal basis to pass on information to Dansk Tipstjeneste about Dansk Tipstjeneste’s retailer’s violation of the Danish tax and charge legislation.

On 1 October 2004, the Gaming Board released a report on the effects of this law and pointed out that the law had been a contributory factor in the fight against illegal gambling. Minister of Taxation held a press conference, where he stated that It had generated substantial income for the Government budget and had also generated millions of Danish krons for local charities, for research, and for other necessary measures to combat problem gambling. The report from the Gaming Board stated that generated revenue for 2003 was DKK 605 million (after deduction of charity contributions).There are currently four treatment clinics for problem gamblers in Denmark, which carry out research on pathological gambling.

Despite efforts to combat illegal gambling, it was estimated in 2004 that about 1.5 billion Danish krons were spent on illegal cross-border gambling. The Ministry of Taxation is currently trying to estimate the amount of illegal internet gambling.

Danish Gambling Market Statistics 2000-2004 (in mDKK):

	Number of operators	**GGR 2000**	**GGR 2001**	**GGR 2002**	**GGR 2003**	**GGR 2004**
Lotteries (lotto, instant games by Dansk Tipstjeneste	1	2,650	2,705	2,835	2,900	3,065
Other lotteries*	<10	270	270	275	295	310
All Lotteries		**2920**	**2975**	**3110**	**3195**	**3375**
Casinos	6	300	300	320	325	345
Slot Machines	600**	n/a	n/a	1,260	1,645	1,880
Betting (sports and horseracing)	1	630	630	655	715	715
Bingo	n/a	250	250	300	300	300
Total		**4,100**	**4,155**	**5,645*** **	**6,180**	**6,615**

* *This included Klasselotteri, Vare-Industrilotteriet, Landburgslotteriet (all three are national lotteries) and several very small local lotteries*

** *Since 2002, prior to that a major part of the machines were operated illegally.*

*** *The jump in numbers from 2000/2001 to 2002 is due to the lack of data on Slot Machine Gambling.*

Source: Submission to the Enquiry from the Danish Ministry of Taxation

Danish Gambling Market Statistics 2000-2004 (in € million):

	GGR 2000	**GGR 2001**	**GGR 2002**	**GGR 2003**	**GGR 2004**
Lotteries (lotto, instant games by Dansk Tipstjeneste	355.70	363.09	380.54	389.26	411.41
Other lotteries	36.24	36.24	36.91	39.60	41.61
All Lotteries	**391.95**	**399.33**	**417.45**	**428.86**	**453.02**
Casinos	40.27	40.27	42.95	43.62	46.31
Slot Machines	n/a	n/a	169.13	220.81	252.35
Betting (sports and horseracing)	84.56	84.56	87.92	95.97	95.97
Bingo	33.56	33.56	40.27	40.27	40.27
Total	**550.34**	**557.72**	**757.72**	**829.53**	**887.92**

Source: Submission to the Enquiry from the Danish Ministry of Taxation
Note: The exchange rate is one Euro equals 7.46 Danish Kroner

Gambling operators do not pay VAT on their gambling related services, except on slot machines, but only if the machines are without cash prizes and located in mobile amusement parks. Slot Machine Gambling and the Class Lottery only have to pay a fee in connection with granting the licenses. The fee is DKK 750 per slot machine a year and 6% of the total stake respectively. There's no license fee either in connection with lotteries (provided by Dansk Tipstjeneste A/S, Varelotteriet, Landbrugslotteriet or other charitable lotteries) nor in connection with betting.

The gambling casinos do not have to pay license fees. However it is a condition for all the licenses issued to gambling casinos in Denmark that the casino must provide a banker's guarantee which can meet claims from the State on taxes, winnings etc. The banker's guarantee only has to be provided when a license is issued, and it has to be renewed along with the license.

II. GAMING SECTOR ANALYSIS

1. Lotteries

Dansk Tipstjeneste is the largest supplier in the Danish lottery gaming market. Other companies include the fully owned limited liability company The Danish Class Lottery (***Klasselotteriet)*** and the not-for-profit charity lotteries, ***Varelotteriet*** and ***Landbrugs-lotteriet.*** Total lottery sales more than doubled during the 1990s primarily due to increase in Loto turnover, but also due to Dansk Tipstjeneste began offering scratch cards and the Nordic Viking Lotto.

Dansk Tipstjeneste was set up in 1948. Its activities are regulated by the rules laid down in the Danish Act on Certain Games, Lotteries and Betting. It is 80% owned by the Danish State, and the Sports Confederation of Denmark (DIF) and the Danish Gymnastics and Sports Associations (DGI) each have an ownership interest of 10%.

In 2000, the Dansk Tipstjeneste Group had an estimated market share of around two-thirds of Gross Gaming Revenues (GGRs) of the Danish betting market, consisting of Dansk Tipstjeneste's traditional games and lotteries as well as betting on horse racing. Their market share in 2004 is estimated at just over 60%, including slot machine activities.

In 2004 Dansk Tipstjeneste Group had 3767 retailers of which 2805 were networked. Of these retailers, 246 are DanToto off-course betting offices.

In 2003 the total sales of Dansk Tipstjeneste was DKK 9.01 billion including horse racing, DKK 468.8m and slot machines total sales of 1.49 billion. Sports betting alone accounted for DKK 1.737 billion. Lottery sales and scratch tickets accounted for DKK 5.308 billion. Additionally, the allocation of 30% for good causes DT pays DKK 1.200 billion in taxes to the state. Other lotteries in Denmark totalled about DKK 685m in 2003.

The gross gaming revenue for the Dansk Tipstjeneste Group for the period 2000 to 2005 is shown below. The figures for 2000 to 2004 concern accounting figures, whereas the information for 2005 is based on an estimate.

Dansk Tipstjeneste Group GGR 2000-2005:

Year	**GGR** **Million DKK (€ million)**
2000	3,298 (442)
2001	3,377 (453)
2002	3,651 (490)
2003	3,875 (520)
2004	4,104 (550)
2005 (Est.)	4,300 (576)

Source: Submission to the Enquiry from Dansk Tipstjeneste Group

The Landbrudslotteriet and Varelotteriet GGR 2000-2004:

	2000	**2001**	**2002**	**2003**	**2004**
GGR (mDKK)	42.53	42.09	42.58	45.65	48.92
GGR (€million)	5.71	5.65	5.72	6.13	6.57

Source: Submission to the Enquiry from the Danish Ministry of Justice

No license fees are paid by Landbrudslotteriet and Varelotteriet lotteries, and all their profit goes to charitable organisations. About 15% out of total sales goes to distributors and 12% are allocated for marketing and administration.

Companies pay income tax of 28% in Denmark, which came into force for the income year 2005). Dansk Tipstjeneste A/S is not liable to pay income tax, but generally pays 16% of the total stakes in tax to the Danish State. Dansk Tipstjeneste paid DKK 1.2 billion (Euro 161 million)in tax in 2004. to the Danish State in 2004. Dansk Tipstjeneste pays an additional tax of 15% on winnings above DKK 200. Prizes are exempt from income tax Games of chance are not subject to VAT in Denmark. This means that the Dansk Tipstjeneste Group cannot deduct VAT paid, which is 25% in Denmark. Dansk Tipstjeneste A/S does not pay any license fee.

The Danish Class lottery (Det Danske Klasselotteri) is a national lottery company. It also does not pay VAT, as is also the case with other gambling operators in the market. It, however, pays 15% on winnings above DKK 200 and 6% on turnover. It also pays standard company tax (2005) of 30%. The company's surplus is paid to the Danish Ministry of Finance once a year.

The prizes are subject to tax of 15% to the Danish State calculated on the share of the prize amount that exceeds DKK 200 (€26.83). The prizes are exempt from income tax.

The profit generated by Dansk Tipstjeneste A/S after payment of tax to the Danish State, the prizes and administrative expenses, depreciation, provisions, etc. and dividend goes to charitable causes and for non-profit purposes. The consolidated profit at group level amounted to DKK 1.6 billion (€214.5 million) in 2004. The Danish Act on Certain Games, Lotteries and Betting (Section 6 A) contains the distribution scale on which the distribution of the total profit is based. The profit accrues to the Ministry of Culture, the Ministry of Education, the Ministry of the Environment, the Ministry of Social Affairs, the Ministry of the Interior and Health, the Ministry of Science, Technology and Innovation and the Ministry of Finance. The Ministries apportion the funds in accordance with the provisions in Sections 6 B to 6 H.

Dansk Tipstjeneste Contributions to Good Causes 2000-2004 (in € million/mDKK):

Year	**€ million**	**mDKK**
2000	188.19	1,402
2001	179.06	1,334
2002	187.11	1,394
2003	201.07	1,498
2004	211.68	1,577

Source: Submission to the Enquiry from Dansk Tipstjeneste Group

In connection with the above table it is of importance to mention that the basis of distribution has been changed through the concerned period.

Danish law also stipulates that the Minister of Taxation shall supervise the business of Dansk Tipstjeneste A/S and that the costs of the supervision and inspection shall be borne by Dansk Tipstjeneste A/S. Furthermore, The Danish Act on Certain Games, Lotteries and Betting stipulates that the Minister of Taxation is responsible for monitoring the gaming market in order to ensure the observance of the rules, where the costs of the monitoring are again borne by Dansk Tipstjeneste A/S, among others. The Ministry of Taxation has assigned the responsibility for inspection and monitoring to the Gaming Authority.

The size of the fee is fixed for a two year period. The fees that Dansk Tipstjeneste A/S have paid for the inspection and monitoring of the gaming market in the past five years are shown below. However, the payment for monitoring the gaming market only came into force from mid-2003.

Dansk Tipstjeneste Inspection and Monitoring costs 2000-2005:

Year	Inspection mDKK (€ million)	Monitoring mDKK (€ million)
2000	5.6 (0.751)	
2001	5.1 (0.684)	
2002	13.9 (1.864)	
2003	8.0 (1.073)	**0.6* (0.08)**
2004	7.4 (0.993)	0.9 (0.121)
2005	13.9 (1.866)	1.0 (0.134)

* Second half of the year
Source: Submission to the Enquiry from The Danish Gambling Board.

The inspection fee depends on the number of new games that are launched. In addition, the introduction of new technology may result in an increased fee. Besides that, the inspection fee is also largely dependent on the Gambling Authority's level of control. The fees for inspection and monitoring are not expected to increase markedly in the next 5 years.

GTECH continues to provide Dansk Tipstjeneste with software support and terminal maintenance and repair since 1989 until the end of August 2005 under the current contract.

The Ministry of Taxation, Trade and Justice released a substantial review and recommendations entitled the 'National Internet Gaming Strategy' during May 2001. This report dealt with issues on the legality of internet betting sites both within and from outside Denmark and was intended as a basis for further discussions and deliberations of the Future of Gaming in Denmark. The proposal to take measures to block payment of transactions to foreign providers has never been realized.

It must be pointed out that today it is illegal to advertise for gambling providers, who operate on the Danish market without a license.

The Number of Full-Time Employees in the Lottery Market (two major companies only) 2000-2005:

Year	*Dansk Tipstjeneste*	*Det Danske Klasselotteri*	*Total*
2000	228		
2001	260	123	383
2002	252	109	361
2003	254	102	356
2004	251	93	344
2005	250	68	318

Source: Centre for the Study of gambling, Salford, own analysis.

The two Danish charitable lotteries (Landbrugslotteriet and Varelotteriet) have 19 full-time people working between them. These numbers are not expected to change

2. Casino Gaming

Legal casinos were first established in Denmark in 1991 with the first property opening during the following year. In 2005 there are ten privately-operated casinos in Denmark, regulated by the Ministry of Justice. Among them they operate 78 tables and 441 slot machines. All the casinos are located in the international hotels of high standard.

The Danish gambling casinos are placed in larger, international hotels, but the Gambling Casino Act does not contain any articles which say that only larger hotels can be permitted to have a gambling casino. However, the explanatory notes to the Gambling Casino Act says that when the Ministry of Justice is to decide whether a license should be granted, great importance must be attached to the fact, that the gambling casino is placed in an area which is visited by numerous tourists. It is also of great importance that the presence of a gambling casino does not damage the development of the local community.

At present three casino properties are located in Copenhagen, with two each in Aalborg and Vejie, and one each in Aarhus, Helsingor and Odense. Foreign ownership of casinos in Denmark is permitted. Casinos Austria International is the largest non-Danish player in the market generating about 75% of the sector's total revenues.

Danish Casinos 2003:

Property	Location	No of Tables	No of Gaming Machines
Casino Aalborg	Aalbourg	2	
Casino Copenhagen	Copenhagen	21	150
Casino Marienlyst	Helsingor	5	
Casino Munkeberjerg Vejle	Vejle	14	66
Casino Odense	Odense	11	35
Royal Scandinavian Casino	Aarhaus	4	60
Total		57	311

Source: Adapted from the GBGC Report

The tax on GGRs is structured as follows. For GGRs earned on tables and gaming machines combined, the tax rate is 45% for annual GGR up to DKK 48m (€6.43 million). For casino win above this level, the marginal tax rate is 75%.

The Danish Casino Association estimates there are 380 full-time employees across all the casinos. This number is not expected to change within the next five years.

Casino Sector GGR 2000-2004:

	2000	**2001**	**2002**	**2003**	**2004**
GGR (mDKK)	323.4	336.1	313.1	327	346
GGR (€ million)	43.41	45.11	42.03	43.89	46.44

Forecasted Casino Sector GGR 2005-2009:

	2005	**2006**	**2007**	**2008**	**2009**
GGR (mDKK)	351	357	362	367	373
GGR (€ million)	47.11	47.92	48.59	49.26	50.07

Note: These data are not included in the NATIONAL SUMMARY as GGRs for all sectors was provided by the Danish Ministry of Taxation. Differences between these two sources are small.
Source: Submission to the Enquiry from the Danish Ministry of Justice

The gambling casinos can charge an entry fee of up to DKK 100 (€13.41). However, there is no longer a minimum entry fee. Casinos are permitted to advertise and to provide entertainment; properties are also permitted to serve alcohol on the gaming floor and operate bars and even nightclubs. Customers are permitted to tip casino staff and are required to be over 18 years old and to provide valid ID. Problem gamblers may be excluded from the property at the casino's discretion.

3. Machine Gambling Outside Casinos

Prior to 2001, there were a large number of illegal slot machines at restaurants and there were only a limited number of legal gaming machines in Denmark, but there are attempts by Dansk Tipstjeneste to liberalize laws governing such machines through its subsidiary Dansk Automatspil. The following table summarizes taxes for gaming machines in restaurants and arcades.

Danish Gaming Machines Taxation, Coin In and Prizes:

Tax Rate Per Device on GGR	**Restaurants**	**Arcades**
40%	Up to DKK 30,000 (€4,027) per Device per Month	Up to DKK 250,000 (€33,557) per Device per Month
70%	Over DKK 30,000 (€4,027) per Device per Month	Over DKK 250,000 (€33.557) per Device per Month
1% Treatment & Investigation of Gaming Addiction Levy	All GGR	All GGR
Max Coin in	50 øre (DKK ½) (7 cent)	50 øre (DKK ½) (7 cent)
Max Prize Per Game	DKK 300 (€40)	DKK 300 (€40)

Source: Adapted from the GBGC Report

AWP tax must be paid by operators on a monthly basis. A deposit to guarantee the tax must be paid before a site is allowed to start operations which is DKK 7,500 (€1,000) for a restaurant and DKK 95,000 (€12,750) for an arcade. No VAT is chargeable as use of cash-gaming, as reported by Dansk Automat Brancheforening (DAB) - The Danish amusement machine trade association.

Sources reported that the number of AWPs in Denmark was as follows:

	2002	2003	2004
AWPs	15,200	17,200	19,500

Source: Adapted from the Euromat General Assembly Meeting - Danish Annual Report 2004

AWPs are only permitted in alcohol licensed restaurants and approved arcades. All sites must have a license to operate AWPs.

4. Betting

In 2000, Dansk Tipstjeneste A/S set up a wholly owned subsidiary, ***DanToto A/S***, which was granted a license to offer betting on horse racing as of 1 July 2000. However, the opportunity to bet on horse racing also existed before Dansk Tipstjeneste set up DanToto A/S. The license was previously held by the Danish horse racing industry, but DanToto took over this task due to the industry's financial problems.

DanToto A/S's activities had been regulated by the Danish Act on Betting on Horse and Dog Racing, but, by an amendment to the Act in the spring of 2003, the Act was compiled with the Danish Act on Certain Games, Lotteries and Betting.

On 1 January 2005, DanToto A/S merged with its parent company, Dansk Tipstjeneste A/S, which currently also holds a license to offer betting on horse and dog racing.

Since Dantoto merged with Dansk Tipstjeneste A/S the retailers are operated by Dansk Tipstjeneste. In 2004 there were 237 off-course retailers for horse betting of which 234 also sold Dansk Tipstjeneste's other gambling products. One hundred sixty-one of DanToto's off-course betting offices also sell Dansk Tipstjeneste lotto products as well as providing betting services. Games have recently been introduced to provide Danes with the opportunity to place bets on Swedish horseracing. The Danish betting sector had DKK468.8m (€62.8 million) in GGR in 2003.

Dansk Tipstjeneste also provides sports games (approximately 18% of Dansk Tipstjeneste's turnover), which have been rather stagnant recently, with some even being in decline over the past few years. The exception to this trend is Oddset, which was introduced in 1994 and continues to see increased popularity. Today Oddset accounts for 71.1% of all turnover on all Dansk Tipstjeneste's sports-related games with a turnover that is 1.8 times that of Danish horserace betting. Oddset accounts for 68.5% - with a turnover that is 3.3 times that of Danish betting on horses.

In bookmaker betting (bets with fixed odds), Dansk Tipstjeneste A/S pays a tax of 30 % on the gross gaming revenue (GGR). In totalisator betting (bets with current odds) on horse and dog racing, a monthly tax is paid to the Danish State of 11% on the GGR as well as an additional tax of 19% on that part of the monthly GGR that exceeds DKK 16.7 million (€2.24 million).

The new Danish gambling legislation makes it impossible for EU based providers of sports betting services to establish a presence in Denmark and to supply their services via that presence. It also requires that all operators that offer betting and gaming to Danish citizens be licensed even if they are physically located outside of Denmark. Therefore it is now illegal for foreign and Danish gambling providers to directly target the Danish market via the Internet or any other market channel – except for licensee holding the sole Danish license. As one means of enforcing this, foreign bookmakers are now barred from advertising in the Danish media.

5. Bingo

No information was found or contributed by stakeholders approached as part of this research endeavor that allowed meaningful discussion of this sector.

6. Media Gambling Services

No statistics exist on media gambling due to the fact that so far it is not officially recognised as being a gambling service. This, however, may soon change.

7. Sales Promotional Gambling

Category of sales promotional gambling does not exist in Denmark due to the rule of free entry in the Marketing Act.

The Ministry of Family and Consumer Affairs, who took over the Ministry of Trade and Industry in regulating Sales Promotional Gambling.

8. Charity Gambling

There are two not-for-profit lotteries, ***Varelotteriet*** and ***Landbrugslotteriet***, that are run by charities.

III. NATIONAL SUMMARY

Year	Total (€ million)	Lottery (€ million)	Casino (€ million)	Gaming Machines (€ million)	Betting (€ million)	Bingo (€ million)
2000	550.34	391.95	40.27	n/a	84.56	33.56
2001	557.72	399.33	40.27	n/a	84.56	33.56
2002	757.73	417.45	42.95	169.14	87.92	40.27
2003	829.55	428.86	43.62	220.82	95.97	40.27
2004	887.94	453.02	46.31	252.37	95.97	40.27

Source: Data Provided by Stakeholders

Year	GDP (€ million)	Propensity to gamble (%)	Spending per person (EURO)
2003	187135.3	0.443%	154.0909

Source: Centre for the Study of gambling, Salford, own analysis.
Note: 1 EURO = 7.45 DKr.

ESTONIA

I. INTRODUCTION

There are currently issued 18 permits for enterprises, which organize gambling-related activities in 163 locations in Estonia. There are also four permits for lottery organisers.

Estonian Gambling Market 2003:

Company	Number of employees	Turnover	Description
Eesti Loto	54	€ 1.023m	The largest lottery company. In 2000 joint Voking Lottery – Scandinavian lottery game
Bristol	1	€ 0.479m	Non-for-profit organisation and second largest lottery company in Estonia. Launched 7 types of instant lotteries
Play-in Casino Group	125	N/A	Operates 17 casinos (4 in Tallinn)
Kristiine Kasiino	100	€ 2.403m	Operates 8 gaming halls. Full subsidiary of KC group, which deals with property development,management and investment in other businesses.
MC Kasiinod	180	€ 5.611m	The oldest casino chain (operates since 1990)
Kingpin Management	28	€ 4.972m	Operates Casino London in Tallinn
Videomat Casino Group	280	N/A	Operates 26 halls with 500 gaming machines in 11 towns
Totalisaator	20	€ 0.479m	Arranges horse race betting and other sports betting from Tallinn's race court.
Olympic Casino Group	263	€ 15.396m	Largest gambling operator in terms of profit and turnover in Baltic countries.
Domiinos	N/A	N/A	Operates Bally's Casino
Dolphin	102	N/A	Operates 8 halls with slot machines and table games
ELC	Approx 100	N/A	Operates 3 gaming halls
Nordic Gaming	Approx 60	N/A	Operates Viking Casinos and Viking Clubs with poll tables, gambling tables and slot machines.
Novoloto	Approx 70	€ 6.091m	Operates 10 slot machines across gaming halls and in addition on two ships
Pafer	25	€ 3.528m	Operates gaming tables and slots on ships that sail between Tallinn and Helsinki
Jentero	5	€ 0.147m	Operates billiard saloons with slot machines and gaming halls
Mäng	22	€ 0.211m	Operates 110 gaming halls

Note: Conversion rate**:** 1 EUR = 15.65 EEK
Source: Adapted from the GBGC Report

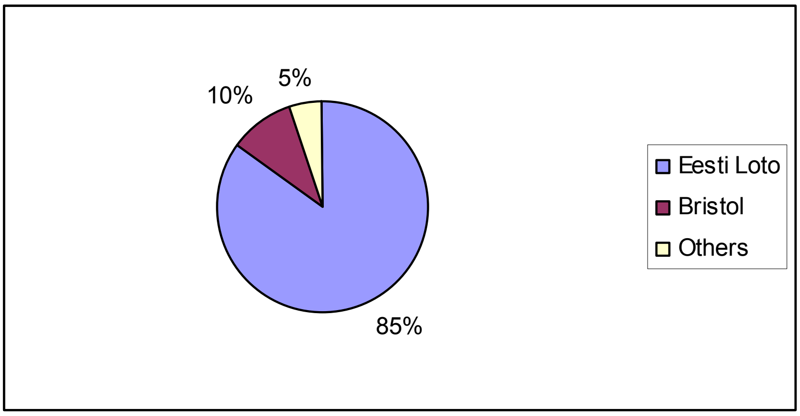
There were 14 gambling operators in Estonia employing about 1,700 people in 2002. There are approximately 2,500 people employed in the lottery distribution system. The GGRs of Estonia's betting and gaming industry was more than €41m by 2002. (GBGC Report)

II. GAMING SECTOR ANALYSIS

1. Lotteries

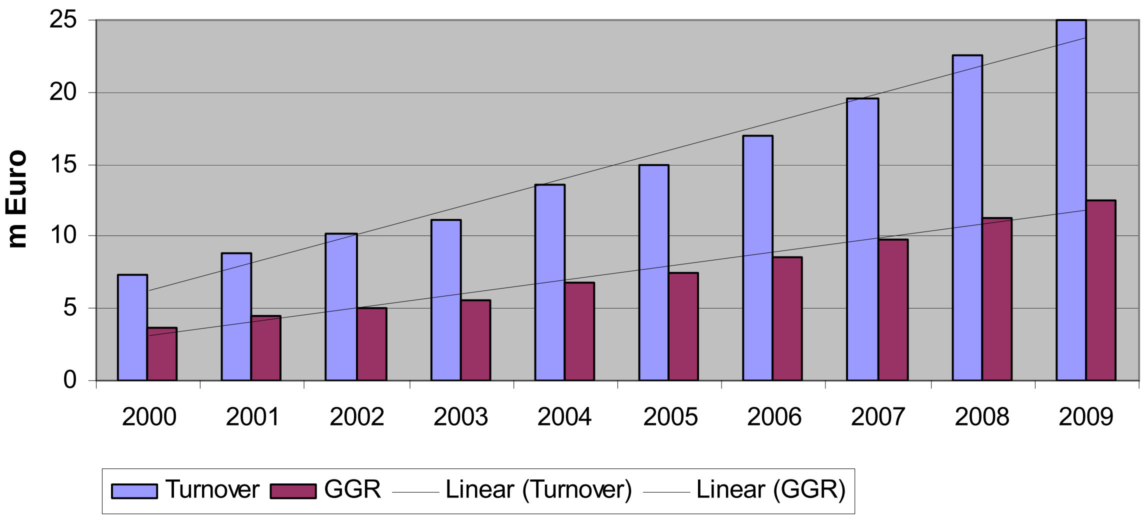
The state lottery in Estonia, ***Eesti Loto***, was founded in 1991. It had been preceded by a lottery run by the Soviet State Committee for Physical Culture and Sports. ***Eesti Loto*** offers instant tickets, lotto, keno and bingo. ***Eesti Loto*** comprises about 85% of Estonian lottery market sales, and a second company, ***Bristol***, generates about 10% of lottery sales. The remaining 5% is divided among a number of small companies.

Estonian Lottery Market Shared by Operators 2004:



Source: Centre for the Study of gambling, Salford, own analysis.

Eesti Lotto Statistics (2000-2009)



Source: Adapted from Submission to the Enquiry from Eesti Loto
Note: Statistics for 2005-2009 are estimated

Eesti Lotto Statistics 2000-2009 (in thousand €):

Year	Turnover	Winnings (%)	GGR
2000	7,372	50	3,686
2001	8,833	50	4,417
2002	10,155	50	5,078
2003	11,123	50	5,562
2004	13,562	50	6,781
2005	15,000*	50	7,500*
2006	17,000*	50	8,500*
2007	19,500*	50	9,750*
2008	22,500*	50	11,250*
2009	25,000*	50	12,500*

** Estimated*
Source: Submission to the Enquiry from Eesti Loto

Based on the assumption that Eesti Loto accounts for 85% of the market, the total Estionian lottery market is as follows:

Estonian Lottery Market GGR 2000-2004 (in million €):

Year	Turnover	GGR
2000	8.67	4.34
2001	10.39	5.20
2002	11.95	5.97
2003	13.09	6.54
2004	15.96	7.98

Source: Centre for the Study of gambling, Salford, own analysis.

The lottery operators pay 10% tax on number games and 18% tax on instant games. The license fee is about €51 per game and given for a maximum 3 years. There are no other fees and VAT that operators need to pay. They also don't have to make any mandatory payments to good causes

According to the Estonian Consumer Protection Board 2004 study, 50% per cent of the people surveyed responded that they purchase lottery tickets. Of the entire population, 2% purchase tickets every week, 6% at least once a month and 42% less than once a month.

The following table provides detailed sales figures by lottery product type for the years 2002 and 2003:

Lottery Market in Estonia 2002-2003:

Game	2003 Sales in EEKm (€ million)	2003 % Share of Sales	2002 Sales in EEKm (€ million)	2002 % Share of Sales	% Change 2002/03
Viking lotto	55.071(3.520)	31.59%	53.075(3.392)	33.46%	3.76%
Bingo lotto	65.951(4.215)	37.83%	61.563(3.935)	38.81%	7.13%
Keno-lotto	20.601(1.317)	11.82%	17.405(1.112)	10.97%	18.36%
Euroloto	0.239(0.015)	0.14%	4.585(0.293)	2.89%	-94.79%
Summ	16.624(1.062)	9.54%	n/a	n/a	n/a
Loodusloto	2.439(0.156)	1.40%	2.898(0.185)	1.83%	-15.83%
Lotosport	2.17(0.139)	1.24%	4.146(0.265)	2.61%	-47.66%
Vitamiin	4.335(0.277)	2.49%	3.217(0.206)	2.03%	34.76%
Horoskoop 2	4.738(0.303)	2.72%	4.286(0.274)	2.70%	10.56%
Jah-ei	1.85(0.118)	1.06%	n/a	n/a	n/a
Kuldpall	0.314(0.020)	0.18%	n/a	n/a	n/a
Eurovision	n/a	n/a	2.48635(0.159)	1.57%	n/a
Horoskoop	n/a	n/a	0.98289(0.063)	0.62%	n/a
Kroonika weekend	n/a	n/a	2.20284(0.141)	1.39%	n/a
Onnesoov	n/a	n/a	0.10843(0.007)	0.07%	n/a
Presidendiloto	n/a	n/a	0.07985(0.005)	0.05%	n/a
Vido	n/a	n/a	1.58393(0.101)	1.00%	n/a
Total	174.332(11.142)	100.00%	158.6173(10.137)	100.00%	9.91%

Source: Adapted from the GBGC Report

A recent Lottery Bill has increased the supervision of lottery organisers and the proportion of profits generated by lottery games to be paid to the Government in duty. Estonian interest in Regional/Nordic lotteries is waning, despite higher prize payouts, due to a lack of big prize-winners. During September 2003 Wincor Nixdorf International and Siemens signed a contract with Eesti Lotto AS to deliver 335 lottery terminals. Overall, there are currently 2500 lottery vendors operating in Estonia. Eesti Loto also launched its online services in December 2001.

2. Casino Gaming

The casino properties in Estonia in 2005 included an aggregate of approximately 75 tables and just fewer than 2,200 slots. In the period from 1992 to 2005, fifty-seven casinos opened in Estonia, operated by fifteen different companies, the largest of which is the Olympic Casino Group, a subsidiary of the Benetreks Casino Group. Other significant companies are Eldorado (with seven properties) and Kristiine (with six properties.) The number of companies has led to substantial competition, which in turn has led to higher quality properties, and arguably higher levels of quality in service personnel, security and game offerings as well. The gaming tables operating in Estonia are controlled by only four of the operating companies. All other gaming operators provide only gaming devices in their casinos (or arcades.)

Casino development is predominantly located in the capital city Tallinn, which accounts for just under 27% of the nation's population. In Tallinn there are nine casinos and 25 gaming machine arcades. The city of Tartu has the second largest concentration of casinos in the country with a total of ten.

Whether the market will be able to sustain this number of casinos is open for debate as this represents one casino (or arcade) for every 538 adult Estonians. However, the potential market is swelled by the influx of around six million visits by Finns to Estonia each year, primarily for leisure. Also, a recent study revealed that 17% of the population visited a casino in 2004.

During the 2002 review of gambling legislation, taxes were increased by nearly 60% to €273 per machine and €828 per table per month. The impact of this move was to reduce the number of devices in operation by just over 6%. However, this reduction was more than offset by the rise in the tax rate and the amount of revenue generated by gambling taxes increased from €6.3 million during 2001 to just over €9.1 million in 2002 in spite of relatively flat GGR growth.

3. Machine Gambling Outside Casinos

According to the Estonian Consumer Protection Board, a 2004 study revealed that 22% of Estonians gambled on gaming machines located in venues outside of casinos in 2004.

4. Betting

Spordiennustus, a joint venture between the Estonian Olympic Committee and Pafer, was established to promote sports in Estonia and to offer sports betting services. In 2004, ***Spordiennustus*** launched an internet betting site. (GBGC Report)

Totalisaator is the company involved in the arrangement of horse races and is the organiser of other sport betting from Tallinn's racetrack. It generates approximately EEK 7.5m (about €500,000) in annual turnover.

According to the 2004 Estonian Consumer Protection Board study, 7% of Estonians had bet on sporting events, and 2% had bet on a horserace or other events.

5. Bingo

According to the Estonian Consumer Protection Board study, 18% of the population played Bingo in Estonia in 2004. However, this number may be misleading, because there is a high probability that people who answered this question were confusing bingo with the national lottery game called Bingo Loto. Traditional Bingo (played in bingo parlors) as a type of gambling is not well known in Estonia.

6. Media Gambling Services

Any prospective operator must have gambling as its only commercial activity. Therefore, media gambling is not permitted in Estonia.

7. Sales Promotional Gambling

No information was found or contributed by stakeholders approached as part of this research endeavor that allowed meaningful discussion of this sector.

8. Charity Gambling

Bristol, which has an annual turnover of EEK 7.5m (about €500,000), is a not-for-profit organisation and the second largest lottery organiser in Estonia. ***Bristol*** is involved in the launch of instant lotteries (about seven types), which are marketed in Estonia.

III. NATIONAL SUMMARY

Year	Total (€ million)	Lottery (€ million)	Casino (€ million)	Gaming Machines (€ million)	Betting (€ million)	Bingo (€ million)
2001	18.10	5.20	12.90	n/a	n/a	n/a
2002	20.31	5.97	14.33	n/a	n/a	n/a
2003	24.73	6.54	18.19	n/a	n/a	n/a

Source: Data Provided by Stakeholders and GBGC Report (shaded entries)

Year	GDP (€ million)	Propensity to gamble (%)	Spending per person (EURO)
2003	8042.1	0.308%	18.24

Source: Centre for the Study of gambling, Salford, own analysis.

FINLAND

I. INTRODUCTION

Their are three primary gaming organizations in Finland, each which holds a monopoly over the provision of gambling services in their particular area. Besides the three state monopolies, not-for-profit organizations are permitted to run bingo operations.

The National Lottery, ***Veikkaus***, has sole responsibility for offering lotteries and off-course horserace betting. ***Suomen Hippos*** is the organization charged with promoting horse breeding and racing, and it also operates on-course betting through ***Fintoto Oy***, a fully owned subsidiary. The company ***Raha-automaattiyhdistys*** (Slot Machine Association), commonly known as ***RAY***, operates casinos and gaming machines in Finland. ***RAY*** was established in 1938 to raise funds through gaming operations to support Finnish health and welfare organizations. ***RAY*** has an exclusive right in Finland to operate slot machines and casino table games, and to run a casino.

Finnish Gaming Operators and Revenues 2002

Operator	Good Cause	Monopoly forms of gaming	Turnover €m	GGRs €m	Turnover € per capita	GGRs € per Capita
Veikkaus	**Support sports, physical education, science & art**	**- Lotteries/Sports Betting - Horserace Betting (off course fixed odds only)**	**1,090**	**357**	**210**	**69**
RAY	**Support voluntary public health & welfare organisations**	**- Slot machines - Low-stake roulette & Blackjack in restaurants - Casino operations**	**603**	**385**	**116**	**74**
Fintoto OY	**Promote horse breeding & racing**	**- Betting - pari mutuel betting**	**153**	**25**	**29**	**4.4**
Private Associa-tions	**Support sports, the handicapped, etc**	**- Bingo operation (cash prizes not allowed)**	**25**	**2**	**5**	**0.4**
Total			1,871	769	360	148

Source: Adapted from the GBGC Report

Finnish Gaming Operators and Revenues 2001

Operator	Good Cause	Monopoly forms of gaming	Turnover €m	GGRs €m	Turnover € per capita	GGRs € per Capita
Veikkaus	**Support sports, physical education, science & art**	**- Lotteries/Sports Betting** **- Horserace Betting (off course fixed odds only)**	**1,056**	**377**	**205**	**73**
RAY	**Support voluntary public health & welfare organisations**	**- Slot machines** **- Low-stake roulette & Blackjack in restaurants** **- Casino operations**	**581**	**383**	**112**	**74**
Fintoto OY	**Promote horse breeding & racing**	**- Betting** **- pari mutuel betting**	**131**	**23**	**25**	**5**
Private Associations	**Support sports, the handicapped, etc**	**- Bingo operation (cash prizes not allowed)**	**25**	**2**	**5**	**0.4**
Total			1,803	785	347	152

Source: Adapted from the GBGC Report

All gaming activities in Finland are subject to a gaming license granted by the Council of State. The license term is five years. According to the Lotteries Act, a license can be granted separately for:

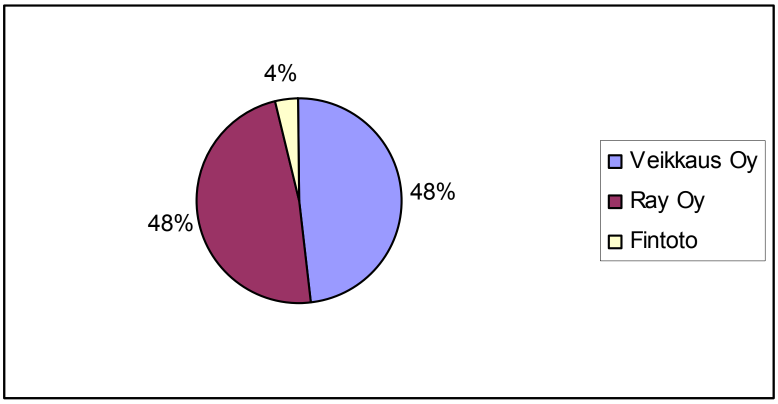
1. operating lotteries, betting, and pools games,
2. keeping slot machines available for use, operating casino games, and game casino activities, and
3. operating totalisator games.

The gaming licenses are granted as exclusive rights with only one license being granted per each type of gaming referred to in the Lotteries Act.

The Finnish system of exclusive right is based on the need to guarantee the legal protection of those who engage in gaming activities, to prevent abuse and crime and to reduce gaming-related social detriments.

Veikkaus share of the total net proceeds of the gaming market (turnover less prize payout to winners) is 48%. The ***Finnish Slot Machine Association RAY***, which holds the exclusive right to operate slot machines, casino games and casinos, has a market share of 48.4%, and the share of ***Fintoto***, which operates horse-betting games, is 3.6 per cent.

Finnish Gambling Market by Operators Market Share 2004:



Source: Centre for the Study of gambling, Salford, own analysis.

Gambling industry operators do not have to pay VAT in Finland. They do, however, have a number of gambling specific taxes and fees that need to be paid.

Annual Gambling Specific Tax Paid to Finnish National Board (in € millions):

Year	*Veikkaus Oy (lottery & betting)*	*Ray (casino & outside casino)*	*Fintoto Oy (totalisator betting)*	*Total*
2000	54.1	17	6	79.5
2001	53.3	29	6.6	91
2002	54.5	42	7.6	106.5
2003	57.8	52	8.3	120
2004	59.9	52	8.7	127

In addition, gambling operators pay a supervisory fee to the Ministry of the Interior. Veikkaus Oy and Ray Oy pay 45% each and Fintoto pays remaining 10%.

Supervisory Payments by Gambling Operators 2003 & 2004 (in € thousands):

Year	*Veikkaus Oy (lottery & betting)*	*Ray (casino & outside casino)*	*Fintoto Oy (totalisator betting)*	*Total*
2003	150.8	150.8	33.5	335.15
2004	173.7	173.7	38.6	386.05

Additional Good Causes Contribution by Gaming Operators 2000-2004 (in € million):

Year	*Veikkaus Oy (lottery & betting)*	*Ray (casino & outside casino)*	*Fintoto Oy (totalisator betting)*	*Total*
2000	379	346	5	730
2001	377	377	6	760
2002	356	401	6	763
2003	370	406	7	783
2004	376	415	7	798

Source: Submission to the Enquiry from Finnish National Lottery (Veikkaus Oy)

The Number of FTEs by Gaming Operators 2000-2004:

Year	*Veikkaus Oy (lottery & betting)*	*Ray Oy (casino & outside casino)*	*Fintoto Oy (totalisator betting)*	*Total*
2000	270	1236	n/a	1506
2001	289	1284	n/a	1573
2002	300	1154	23	1477
2003	324	1097	23	1444
2004	332	1120	23	1475

II. GAMING SECTOR ANALYSIS

1. Lotteries

Finland's National Lottery is operated by the state owned company ***Oy Veikkaus***, and its license allows it to operate lotteries, pools and betting games under the Lotteries Act (1047/2001) which has been in force since 1 January 2002. The company has a Supervisory Board of fourteen members. The members of the Supervisory Board are appointed according to the prevailing parliamentary power relations. There is one representative of the company's personnel at the Supervisory Board. The term of office of the Supervisory Board is two years.

The market share of Veikkaus Oy has not essentially changed in the past five years, and in the company's view, no change is to be expected until the year 2010.

Veikkaus Oy Annual GGR for Both Lottery and Betting Games (in € millions):

Year	GGR
2001	561
2002	567
2003	598
2004	630
2005*	625
2006*	634
2007*	643
2008*	653
2009*	663
2010*	673

**An estimate for the next five years is based on a 1.5% growth expectation*
Source: Submission to the Enquiry from Finnish National Lottery (Veikkaus Oy)

Veikkaus Oy Annual GGR for Lottery Games Only (in € millions):

Year	GGR
2000	441
2001	428
2002	450
2003	485
2004	515

Source: Submission to the Enquiry from Finnish National Lottery (Veikkaus Oy)

In Finland, companies pay 26% of income tax. However, it should be noted that gaming companies are not liable for income tax. Veikkaus Oy is not liable for VAT. Veikkaus Oy pays 9.5% of lottery tax on the difference between the money staked in its games and the prize payout (GGRs). In 2004, the company paid approximately €60 million in lottery tax.

The Ministry of the Interior is responsible for the national supervision of lottery operations. There are 59 official supervisors, of whom 11 focus on the supervision of Veikkaus' gaming activities. The official supervisors supervise the compliance of gaming activities with the approved rules of games and they confirm the pools and betting results on each round.

In Finland, gaming operators reimburse the State for the costs incurred in the supervision of the gaming activities. The supervision costs include the expenses of the official supervisors of the Ministry of the Interior, as well as the IT expenses incurred in the supervision.

Veikkaus Oy paid a supervisory fee of €170,000 to the Lottery and Firearms Unit of the Ministry of the Interior in 2004. The company paid approximately €240,000 of remunerations and expenses to the official supervisors appointed by the Ministry of the Interior for their supervisory duties in accordance with the Decree on Police Service Charges. Further, the IT costs of the supervision paid by the company amounted to €1,260,000. The table below shows the supervisory fees in the past five years. The fees are not expected to change significantly by the year 2010.

Veikkaus Oy supervisory fees 2000-2004:

Year	Total	supervisory fee	remunerations	IT
2000	650,000	-	170,000	480,000
2001	700,000	-	180,000	520,000
2002	800,000	60,000	200,000	540,000 (supervisory fee 6 months)
2003	900,000	120,000	210,000	570,000
2004	1,500,000	170,000	240,000	1,090,000 (Live Betting)

Source: Submission to the Enquiry from Finnish National Lottery (Veikkaus Oy)

All the gaming organisations in Finland are liable to pay a fee corresponding to the total amount incurred by the Ministry of Social Affairs and Health in the monitoring and research of the problems (i.e. problem gambling) caused by participation in games. In 2004 Veikkaus paid €12,138 (45%) of such expenses. In 2003 the expenses paid by the company amounted to €16,436. In addition, Veikkaus Oy covers jointly with the other gaming organisations the expenses caused by the Peluuri helpline for problem gamblers.

In 2004 Veikkaus Oy returned a total of €376 million of gaming proceeds to the Ministry or Education. As with all lotteries Net proceeds are returned to the State. The table below shows the proceeds for the past five years, and estimates for the next five years. The estimates are based on a 1.5% growth expectation.

Veikkaus Oy Returns to the State 2001-2010 (in € millions):

2001	377	REALISED
2002	356	REALISED
2003	370	REALISED
2004	376	REALISED
2005	381	TARGET
2006	387	ESTIMATE
2007	393	ESTIMATE
2008	399	ESTIMATE
2009	405	ESTIMATE
2010	411	ESTIMATE

Source: Submission to the Enquiry from Finnish National Lottery (Veikkaus Oy)

According to the law 25% of the Veikkaus Oy yearly revenue is allocated to sports. More than 98% (€90 million) of the state budget for sport consists of gaming revenues. The revenue is administrated by the Ministry of Education, which allocates the money to four main targets within sports – federations, facilities, municipalities and education. The grants to the national sports federations are about one third of the state sports budget and cover on average about 25% of the costs in the federations.

Number of Veikkaus Oy Full-Time Employees and Sales Outlets 1999-2010:

Year	Employees	No. 0f Outlets
1999	282	
2000	270	4045
2001	289	3950
2002	300	3930
2003	324	3830
2004	332	3760
2005	323*	3700**
2006	320*	3700**
2007	313*	3200**
2008	300*	3200**
2009	288*	3200**
2010	273 *	3200**

* *Estimate based on the presumption that no new employees are hired to replace those who retire*
** *Estimates*
Source: Submission to the Enquiry from Finnish National Lottery (Veikkaus Oy)

Vaikkaus Oy estimated that in 2005 the total number of indirect employment induced by the gambling activities was around 50,000 people

Veikkaus' sales network is one of the densest in the world in proportion to the nation's population. There are approximately 2,800 online retail outlets and circa 1,100 instant game outlets. Between them this represents one outlet for every 1,103 adults in Finland.

2. Casino Gaming

Finland's only true casino is Grand Casino Helsinki, run by ***RAY***, which initially opened in 1991. The casino's profit is distributed to support health and welfare work. More than 1000 voluntary health and welfare organizations receive annual support from RAY for their operations and projects. Estimated number of visitors in the casino in 2004 was over 200 000 and estimated GGRs of about €25 million. Grand Casino Helsinki has about 220 employees. The current gaming area spans two floors with a combined area of 2600 square meters.

Ray's Casino GGR 2000-2004 (in € millions):

Year	GGR
2000	19
2001	20
2002	21
2003	22
2004	25

Source: Submission to the Enquiry from RAY Raha-automaat

Grand Casino Helsinki in 2004 moved to its newly designed premises, from their previous venue at the Ramada Presidentti Hotel. The Grand Casino's includes 27 tables and 298 slot machines . The prior casino at the Ramada Presidentti Hotel had 147 gaming machines and 18 table games, with a separate poker room.

The following excerpts are taken from the Ray Annual Report 2005:

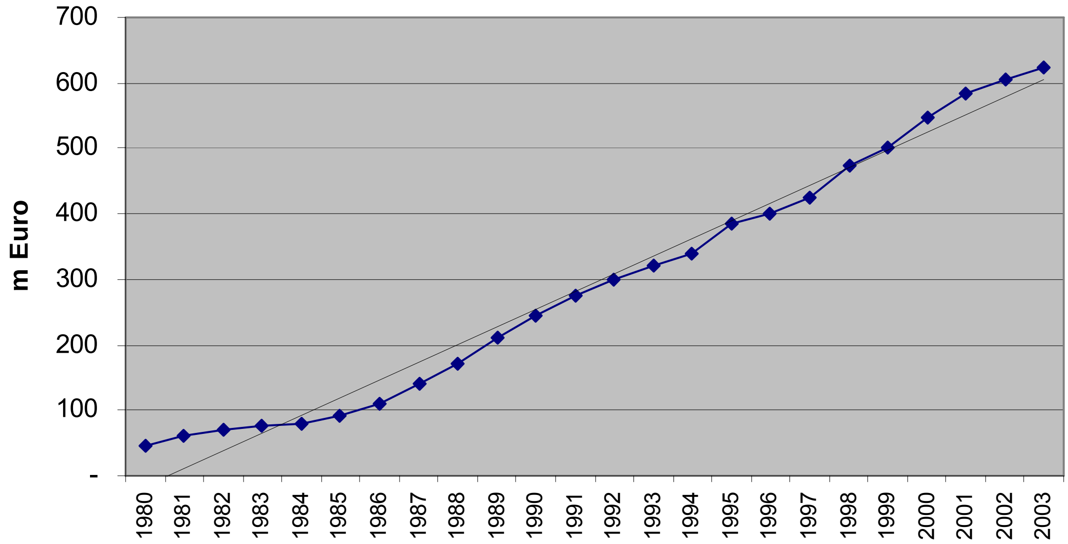
> "Grand Casino Helsinki, which was opened in 2004, achieved its targets for the year. Revenue from the games increased to €26.7 million, which is a rise of 8.7%. This growth mainly came from slot machine games, which produced around 72% of total revenues. Revenue from the table games was 4% down on 2004. This is a general international trend which has been accelerated by the development of products that enable access to table games through slot machines. The number of customer visits followed the same trend as the gaming revenue. A total of 275,000 customer visits were recorded, which is 7.9% up on the previous year. New customers numbered around 40 000. The Show & Dinner product and a range of business and gaming packages also attracted new visitors to the casino. In addition to the increase in the number of visitors, the increasing diversity of the customer base was also significant. Internet poker has produced a rapid rise in the number of poker players, and this change can also be seen in the casino's poker room. Poker tournaments have been particularly popular. The casino organizes poker tournaments on a weekly basis, with two major international tournaments each year. The average age of poker players at the casino has fallen considerably as a result of the infl uence of the Internet. In 2005 the gaming tables at the casino together produced some €7.3 million. The number of poker players was up by 50% and revenues by 55%, but poker still represented only some 7% of total revenues from table games. Roulette maintains its considerable lead as the most profi table casino table game." *(Source: Ray Annual Report 2005)*

Finnish law dictates that all profits of the casino go to charity.

3. Machine Gambling Outside Casinos

Slot machines first appeared in finland in the 1920s as private sector operations. In 1933 the Finnish Government issued a decree giving charitable organisations the exclusive right to operate slot machines. ***Raha-automaattiyhdistys*** – Finland's Slot Machine Association – generally referred to as ***RAY***, was established in 1938 to raise funds through gaming operations to support Finnish health and welfare organizations. ***RAY*** has the exclusive right in Finland to operate slot machines and casino table games, and to run a casino. ***RAY***'s non-casino gaming operations consist of slot machines located in restaurants, bars, service stations, kiosks and shops; casino games in restaurants; and amusement arcades. ***RAY***'s operations are restricted to Finland.

RAY's GGY (1980-2003)



In 2005, 98 organizations in the health and welfare fields were members of RAY. The decision-making bodies within RAY are the Board of Administration and the General Meeting, at which all the member organizations are represented. The Board of Administration consists of seven representatives appointed by the Government and seven selected by the General Meeting. The funding is distributed each year on a discretionary basis to health and welfare organizations which have applied for assistance. The distribution is governed by the Act on funding assistance, policies drawn up by RAY's Board of Administration, and by an agreement on funding objectives made between RAY and the Ministry of Social Affairs and Health. (*Sources: RAY Annual Report 2005, and GBGC Report)*

Ray's GGR for Outside Casinos Gaming Devices 2000-2004 (in € millions):

Year	GGR
2000	506
2001	530
2002	552
2003	571
2004	581

Source: Submission to the Enquiry from RAY Raha-automaat

The following excerpt is taken from the 2005 RAY Annual Report:

> "(In 2005,) RAY generated gaming revenues of €648.4 million, which is an increase of 2.1%. Of total revenues, 91.0% were generated by slot machines, 4.7% by casino games and 4.1% by Grand Casino Helsinki. Overall gaming consumption in Finland grew by 2.1%. The organizations with an exclusive right to carry on gaming operations had combined total revenues of €1,337 million. RAY's gaming sites in premises operated by business partners produced revenues of €522.7 million, which is an increase of 1.1% from the previous year. The greatest revenue growth was recorded at shops and service stations. Total revenue from RAY arcades was €77.3 million, which is an increase of 4.9% from the previous year. The arcades recorded a total of 8.5 million customer visits during the year, which is around 5% less than in the previous year. Within the arcades, revenues from slot machines were €68.6 million, which is an increase of 5.1% from the previous year. Revenues from casino games were €8.7 million, which is 3.7% more than last year. Casino-type games in clubs generated revenues of €21.7 million, or 9% more than in the previous year. Of these revenues, 65% comes from Friday and Saturday nights. Casino games in clubs recorded a total of 59,100 gaming sessions and 311,000 playing hours, which is just under 1% less than in 2004. RAY paid a total of €88.7 million in slot machine space rentals to its business partners. €4.3 million was paid in space rentals to clubs where casino games are located. Direct debiting was introduced for casino game revenues in September 2005, and covered half of the gaming locations by the end of the year." (*Source: RAY 2005 Annual Report*)

4. Betting

There are 43 racecourses and approximately 3,000 'on-line' betting offices located across the country. These offices are operated by ***Suomen Hippos***. ***Suomen Hippos*** is the central organisation for trotting and the national body for horse breeding in Finland. The association administers and controls horse races as well as keeps a register and maintains studbooks. Tote betting, the only source of funding of the Finnish trotting sport and horse industry, is carried out by ***Fintoto Oy***, a company owned 100% by ***Suomen Hippos***. Tote betting commenced in Finland in 1928 and Fintoto was established in 2001.

Horserace betting turnover had fallen dramatically during the early 1990s after Veikkaus had been permitted to offer sports betting. However, off track horserace betting has been revived since tote betting was legalised during 1995. Since this time the number of OTB shops has been increasing and turnover has rebounded.

About 18 % of the yearly total turnover of betting (€175 million in 2004) is channelled into the industry for maintaining the racing infrastructure, paying prize money and supporting breeding activity as well as for other measures. According to international studies made by ***Suomen Hippos***, a typical private gambling operator generally provides the industry with under 3% of the turnover. Trotting sport and horse industry as such do not have any alternative sources of funding comparable to other sports. A Lottery tax has been imposed on horse betting, and these funds are shifted away from the horse industry.

In Finland there are 20 regional tracks and 23 other tracks; 75% of the income of these tracks is directly derived from tote betting. Furthermore, there are 16 regional breeding associations in the country; their operations as a breeding authority are strongly supported with betting income.

The prerequisite for the whole activity is an expedient level of prize money at races. In 2004 7.5% of the betting turnover was assigned directly to prize money, and in 2005 the percentage will be about 9% to 9.5%.

Betting Gross Gaming Revenue 2000-2004 (in € millions):

Year	Totalisator betting - Fintoto Oy	Pools and betting – Veikkaus Oy	Total Betting
2000	32	137	169
2001	35	133	168
2002	41	117	174
2003	44	113	157
2004	47	114	161

There are about 5,000 full-time and 10,000 part-time jobs in the horse racing industry in Finland. There are not expected to be any major changes in the betting sector in Finland in the near future.

Finnish Sports Federation (FSF) is the national sport confederation for all sport associations in Finland, which has 111 national and 15 regional member organisations. On a local level there are some 7,800 sport clubs, which mainly function on a voluntary basis. The first sport clubs were founded 150 years ago and started in a few decades to organise themselves into sports federations. FSF was founded in 1993 combining several different central organisations under one umbrella. No major changes in the structure or the main tasks are to be foreseen in the near future. The input of the health enhancing activities will grow. Nevertheless, they are already of major importance.

The gaming company ***Veikkaus*** was founded and owned by the sports organisations until 1975 when the company was bought by the State. In fact, the revenue had been delivered to the Ministry of Education for distribution from the start. Nowadays there are no structural connections between the beneficiaries and the gaming company.

The revenue from ***Veikkaus,*** which holds the license to operate lotteries, pools and betting games, is returned to the State. According to the law 25% of the yearly revenue is allocated to sports. More than 98% (€90 million) of the state budget for sport consists of gaming revenues.

The revenue is administrated by the Ministry of Education, which allocates the money to four main targets within sports – federations, facilities, municipalities and education. The grants to the national sports federations are about one third of the state sports budget and cover on average about 25% of the costs in the federations.

Indirectly the sports organisations benefit from the state support to the sport institutes, which organise sport specific education at different levels. The most important support to the local sport clubs are the municipality owned sports facilities. The clubs are given free of charge or decisively subsidised slots especially for activities among youngsters. The municipalities receive state grants for building and repairing the facilities.

The general sports structure of the European countries is alike, but varies in details. The foundation of sport is voluntary involvement, especially at local level, which should be recognised and supported by the society. Physical activity is a central requirement for youngsters as well as for the elderly. Steering gambling revenues to sport has been crucial for the development of the largest non-profit activity in Finland.

In an effort to revise the fortunes of its fixed odds betting during February 2004 Veikkaus reduced its margins and placed doubles and singles on sale. As a result payouts were increased to 88%. The aim was to increase the popularity of fixed odds betting and attract Finnish customers who have started playing abroad back to the Finnish market.

The lottery operator, ***Veikkaus***, also provides betting services. Both ***Fintoto Oy*** and ***Oy Veikkaus*** have been licensed to utilise the Internet to provide betting and gaming to Finnish residents since 2002. At present there are four greyhound racing tracks in Finland. These are located at Hyvinkää, Pori, Turku and Tampere.

5. Bingo

According to the Finish legislation, bingo can be run by a registered association, an independent foundation or other such organisation that has charitable or other non-for-profit purpose. During the 2002 and 2003, there were 206 bingo license holders. This number includes one off and frequent bingo licenses. The frequent license is usually granted for 2 years.

6. Media Gambling Services

The Federation of the Finnish Media Industry (representing Association of Finnish Broadcasters, Association of Television in Finland, Federation of the Printing Industry, Finnish Book Publishers' Association, Finnish Newspaper Association, Finnish Periodical Publishers' Association and Media Employers' Association) reported that media companies in Finland are not allowed to offer media gambling services to directly generate profits. Media operators finance their activities by advertising revenue and/or by subscription fees (with the exception of the public service broadcasting company). However, the Finnish Ministry of Interior stated that if the term ‘Media Gambling Service’ is interpreted broadly so as for it to apply to all competitions organised in the media the participation fees of which are used to generate profits for the media, then such games are organised in large quantities in Finland, on the television, for example.

Finnish media operators mainly offer sales promotional games. These games are important for the marketing of the media, but they do not generate direct income for the media. The main income streams for the media industry are related to the content the media provides as basis for subscription and advertising sales. This fact cannot be changed by liberalizing the gambling policies in the Single Market.

However, at the beginning of 2003 Veikkaus launched Lotto on digital TV. Veikkaus, MTV3 Channel and Sofia Digital have developed the new iTV lottery service in which the player uses their remote control to complete a coupon on a digital teletext system, which is always available on every Finnish digital TV channel. The coupon is sent from the digital television via a return channel to Veikkaus' server. The player pays for the game via the return channel using a gaming account with a password. The prizes are also transferred to the gaming account. It is important to mention, however, that this service has only been a pilot trial which throughout its history attracted only around EUR 1,000 worth of gaming.

7. Sales Promotional Gambling

Sales promotional games, where the participant does not put anything at stake and therefore does not actually "gamble", are important to periodicals and newspapers and are widely offered on the market.

8. Charity Gambling

According to the Lottery Act non-profit organisations are allowed to arrange even nationwide lotteries with goods or articles as prizes. No money prizes are allowed. Finnish Sports Federation (FSF) arranges 3 to 4 nationwide lotteries yearly. The net income of all FSF lotteries is about €1.5 million. The rest of the sport related lotteries are smaller. The main stakeholders are the local clubs, which receive about 50% of the sale.

In 2004 the State Provincial Offices granted 144 licenses for non-money lotteries. The number of these licenses was 149 in 2003 and 181 in 2002

III. NATIONAL SUMMARY

Year	Total (€ million)	Lottery (€ million)	Casino (€ million)	Gaming Machines (€ million)	Betting (€ million)	Bingo (€ million)
2000	1,135.00	441.00	19.00	506.00	169.00	n/a
2001	1,150.24	428.00	20.00	530.00	168.00	4.24
2002	1,201.53	450.00	21.00	552.00	174.00	4.53
2003	1,240.87	485.00	22.00	571.00	157.00	5.87
2004	1,282.00	515.00	25.00	581.00	161.00	n/a

Source: Data Provided by Stakeholders and GBGC Report (shaded entries)

Year	GDP (€ million)	Propensity to gamble (%)	Spending per person (EURO)
2003	143,436	0.83%	229.13

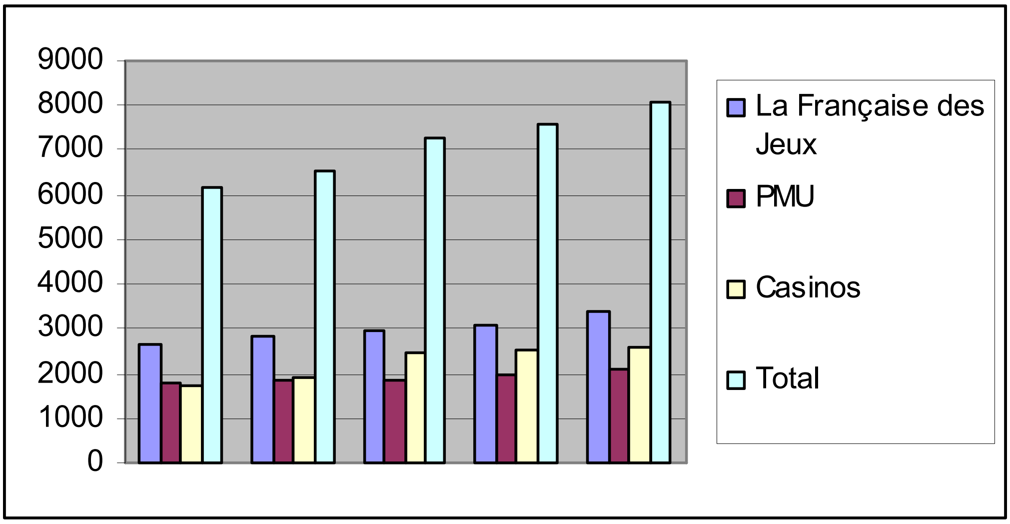
Source: Centre for the Study of gambling, Salford, own analysis.

FRANCE

I. INTRODUCTION

The French betting and gaming industry has a long and complex history. The main French horse race betting operator, Pari Mutuel Urbain (PMU), offers eleven different types of bets. There are more casinos in France than in any other single jurisdiction outside Nevada. The National Lottery, the fifth largest in the world, offered 25 games during 2003.

French Betting and Gaming GGR by Product 2000-2004 (in € millions):



Source: Submission to the Enquiry from La Française des Jeux

The gambling expenditure for the past five years in France is presented in the table below. The development of the market over the next five years depends on a very large amount of factors, but overall, the growth is expected to slow down.

French Gambling Market 2000-2004:

GGR (in € millions)	La Française des Jeux	PMU	Casinos	Total*
2000	2 671.9	1 759.9	1732.0	6 163.8
2001	2 835.0	1 827.3	1896.0	6 558.3
2002	2 962.5	1 844.8	2456.0	7 263.3
2003	3 085.2	1 972.0	2546.0	7 603.2
2004	3 392.3	2 079.4	2613.0	8 084.7
2005	3 554.8	2 186.9	2647.0	8 388.7

Source: Submission to the Enquiry from GIE-PMU

With the exception of the national betting and lottery monopolies, the French Government has sought to block all online gambling transactions. The leading French credit card organisation has taken actions to ensure that all French banks do not facilitate transactions from foreign Internet gaming sites.

The French national monopolies contribute heavily to various charitable organisations each year. The French National Olympic Sport Committee is one of the main beneficiaries of these donations. Its division, the National Foundation for Sports Developments (FNDF), receives 2.9% of lottery and sportsbetting turnover. It further receives 0.01% of horseracing betting turnover (from PMU) and 5% of the TV sport broadcasting proceeds. Over the past five years the contribution sum has been steadily rising.

Gambling Industry Contribution to FNDF 2001-2005 (€ millions):

	2001	2002	2003	2004	2005
La Française des Jeux	187.5	226	217.5	239.1	239.5
TV broadcasting of lotteries and sports	22.1	18.1	21.7	26.4	20
PMU	1.4	0.5	0.5	0.5	0.5
Total	211	244.6	239.7	266	260

Source: Submission to the Enquiry from The French National Olympic Sport Committee

II. GAMING SECTOR ANALYSIS

1. Lotteries

In 1933 the French parliament authorised the establishment of a national lottery. Initially the profits were allocated to accredited public causes such as the war veterans' retirement fund and assistance for victims of agricultural disasters. In 1979, the French Government took control of the lottery by establishing a semi-public enterprise called the *Societe de la Loterie Nationale et du Loto National,* which was renamed *France Loto* in 1989 and then ***La Française des Jeux*** in 1991. Today the French Government holds a 72% stake in ***La Française des Jeux*** with the remainder of the capital being shared between lottery retailers, agents and company employees. The Ministry of Finance regulates the company. ***La Française des Jeux*** has a network of over 42,000 retailers. Fifty-seven per cent of the network, which mainly consists of tobacconists, newsagents and bars, only carry scratch cards. (*Source: GBGC Report)*

La Française des Jeux Contributions 2000-2004 (in € millions):

	2000	*2001*	*2002*	*2003*	*2004*
RDS	19	20	22	22	25
CSG	112	121	128	134	147
Social Contribution	**131**	**141**	**150**	**156**	**171**
VAT	182	191	189	195	206
Excise taxes	135	135	140	146	137
FNDS	183	197	209	218	240
Non-tax receipts	1 093	1 162	1 278	1 345	1 550
Round-offs on profits and payments progressive	23	24	21	18	16
Budgetary payments	**1 615**	**1 709**	**1 837**	**1 922**	**2 149**
Total cash for public Métropole	**1 746**	**1 850**	**1 987**	**2 078**	**2 320**
Change		*5,9%*	*7,4%*	*4,6%*	*11,6%*
Total cash for public TOM	**6**	**6**	**6**	**8**	**10**
Total cash for public Métropole & TOM	**1 752**	**1 856**	**1 993**	**2 086**	**2 330**

Source : Submission to the Enquiry from La Française des Jeux

La Française des Jeux's Turnover (total sales) 2000-2003 (in € millions):

	2000	**2001**	**2002**	**2003**	**2004**
Turnover (sales)	6,525.3	7,010.6	7,430.7	7,788.7	8,552.8

Source: Submission to the Enquiry from La Française des Jeux

The National Lottery in France is subject to 19,6% VAT charge. La Française des Jeux also contributes to various social causes, such as CSG, RDS and FND. The lottery's prize payout must be between 50% and 70%. Progressive levy tax is taken on the total lottery revenue.

The number of full-time employees in the French National Lottery has been steadily rising over the past five years, from 778 in 2000 to 895 in 2004:

La Française des Jeux's number of FTEs 2000-2004:

Year	**Number of FTEs**
2000	778
2001	828
2002	843
2003	894
2004	895

Source: Submission to the Enquiry from La Française des Jeux

However, one must also take into account indirect employment in the gambling services distribution network. According to the submission to the Enquiry from ***La Française des Jeux*** In full-time equivalent, this employment accounts for approximately 23,000 people.

The multi Member State lotto game EuroMillions was launched in 2004 in conjunction with ***La Française des Jeux,*** the UK National Lottery, and Loterias y Apuestas del Estado of Spain. In addition, six more nations – Ireland, Switzerland, Belgium, Austria, Portugal and Luxembourg – were scheduled to join EuroMillions by March 2005. Because of network effects, the larger player pool will mean larger potential jackpots, which should enhance the popularity of EuroMillions.

A dozen instant games were available to registered players on ***La Française des Jeux'***s web site by 2003 as sales grew to €5.44m, 0.07% of total sales. This represented two more games than were available during the previous year when La Francaise de Jeux's Internet site generated sales of €3.09m or 0.04% of total sales. During April 2004 La Française des Jeux launched their core (6/49) Loto and € millionillions on their website.

Lotteries are not permitted to offer VLT games (video lottery terminals) under the current law.

2. Casino Gaming

According to French Law, gaming activity is strictly prohibited and can result in prosecution under the terms set out in Article 410 of the old Penal Code. The Act of 15 June 1907 created an exception to this prohibition, allowing casinos to be opened in seaside and health resorts and thermal spa communities.

The Act 88-13 of 15 January 1988 extends this authorisation to include major city areas with a population of more than 500,000, and having specific tourist and cultural activities.

French Ranking of Gambling Properties by Property Department 2002-2003:

2003 Rank	**Properties**		**2003 GGR (€m)**	**2002 GGR (€m)**	**2002 Rank**	**% Change in GGR (2002 to 2003)**
1	Enghien-les-Bains	Val-d'Oise	117.1	81.5	1	43.65%
2	Charbonnières-la Tour de Salvagny	Rhône	70.4	65.5	4	7.50%
3	Divonne-les-Bains	Ain	67.6	72.2	2	-6.32%
4	Nice-Ruhl	Alpes-Maritimes	63.8	64.1	5	-0.51%
5	Aix-en-Provence	Bouches-de- Rhône	62.2	55.6	7	11.81%
6	Deauville	Calvados	57.7	65.9	3	-12.50%
7	Cannes-Croisette	Alpes-Maritimes	55.8	56.2	6	-0.66%
8	Amnéville	Moselle	53.9	51.9	9	3.90%
9	Forges-les-Eanx	Seine-Maritime	50.9	53.9	8	-5.57%
10	Lyon	Rhône	40.7	40.6	11	0.21%
Total Leading 10 Properties			640.1	607.4		5.38%
Total French Casino Market			2,546.00	2,460.00		3.50%
% GGR Accounted for by Leading 10 Properties			25.14%	24.69%		

Source: Adapted from the GBGC Report

The Ministry of the Interior's Racing and Gaming department regulates casinos and ensures compliance. A national Gaming Board – made up of senior civil servants (14) and Members of Parliament (5) – is responsible for examining gaming license applications and renewals. An Order issued by the Ministry of the Interior fixes the period of concession, the authorised games, and the operating conditions for the casino. A license may be cancelled by the Ministry of the Interior in the event of failure to comply with specifications or provisions of the Order.

French Casino Industry 2000-2005:

	2000	**2001**	**2002**	**2003**	**2004**	**2005**
GGR (€ million)	2 056	2 278	2 456	2 546	2 613	n/a
Growth rate	+12,34%	+10,78%	+7,81%	+3,68%	+2,60%	n/a
Number of casinos	166	170	176	180	188	190

Source: Submission to the Enquiry from Casinos de France

The French casino market once consisted of many small privately-owned casino properties. However, in recent years, there has been a gradual but significant consolidation of the market, with ownership being concentrated among a handful of publicly-owned companies. By 2002, the leading eight companies accounted for 87.0% of the French casino market's GGRs, with the leading three accounting for just under 60%. *(Source: GCGB Report)*

In 2005, the market shares of 190 French casinos were divided as follows:

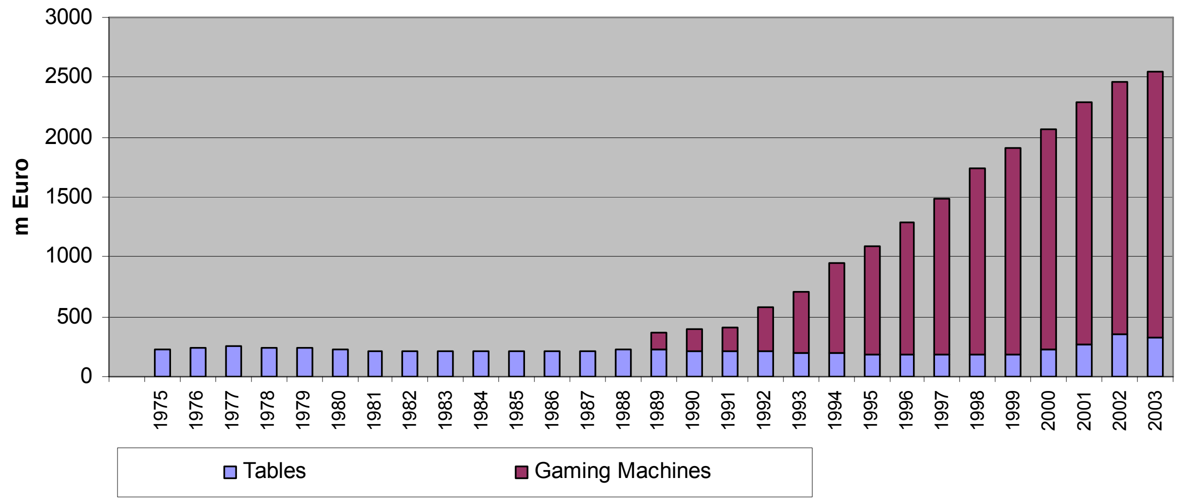
Casino Market Share in France 2005:

Company	**Number of Casinos**	**Market share**
Groupe Lucien Barrière	37	30.3%
Groupe Partouche	46	27.2%
Moloflor Loisirs	20	9.8%
Groupe Tranchant	23	8.0%
Groupe Didot Bottin	5	4.2%
Small firms and independent casinos	57	20.0%

Source: Submission to the Enquiry from Casinos de France

Casinos were permitted table games only until 1987, when the law was passed authorizing casinos to offer slot machines as well. Since that time, slot machines have become the dominant revenue generator for French casinos, as is apparent from the following graph.

French Casino GGY by Tables and Gaming Machines (1975-2003)



Source: Adapted from GBGC Report

By 2003 the number of French casinos had risen to 180, with GGR reaching a record of €2.55 billion. Overall €2.24 billion of casino GGR was generated by slot machines with just €306m from tables. The Enghien-les-Bains Casino was the leading performing property in terms of GGR with €117.1m.

Casinos in France are taxed at the national and the local level. At the national level casinos are subject to five types of taxes:

1. A direct gaming tax of 0.5% of GGR for traditional table games and 2.0% of GGR for gaming machines;
2. A progressive gaming tax for which the basis is 75% of GGR subject to the brackets given in the table below:
3. A 3% ***CRDS*** (Contribution to the Repayment of Social Debt) tax based on GGR was introduced during 1996;
4. In 1998, the CSG (General Social Contribution) was increased to 7.5% and is now calculated on a reduced basis of 68% of slot machines' GGRs;
5. A tax stamp on entrance fees for table games of €10 is paid to the National Government.

Progressive Casino Gambling Tax System in France:

Rate	Lower Threshold	Upper Threshold
10%	0€	58,000€
15%	58,001€	114,000€
25%	114,001€	338,000€
35%	338,001€	629,000€
45%	629,001€	1,048,000€
50%	1,048,001€	3,144,000€
60%	3,144,001€	5,240,000€
65%	5,240,001€	7,337,000€
70%	7,337,001€	9,443,000€
80%	9,443,000€	n/a

Source: Submission to the Enquiry from Casinos de France

The number of casino employees was 13,000 in 1999, which had increased to 17 500 in 2004, and approximately 10% of them are part-time.

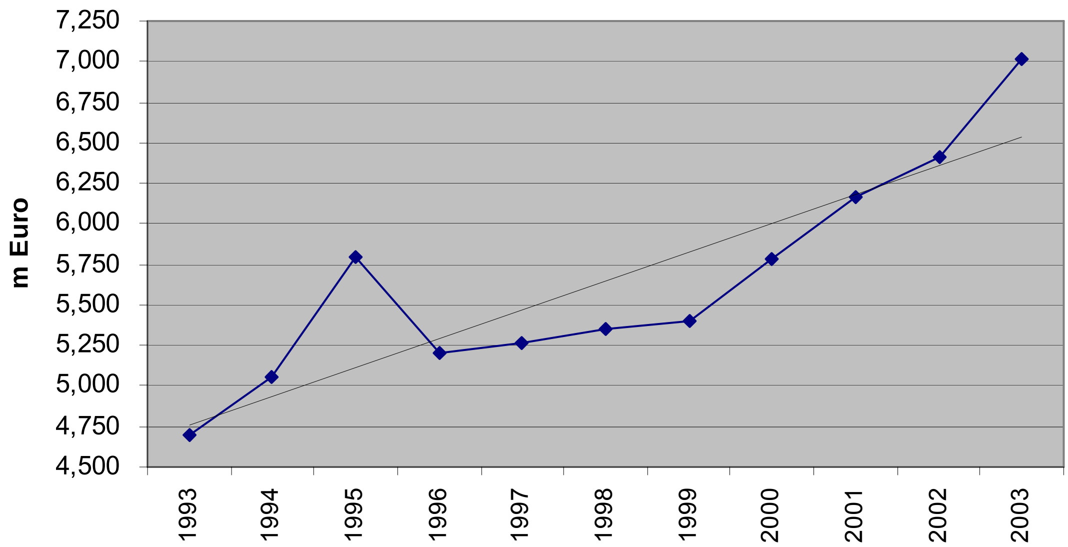
3. Machine Gambling Outside Casinos

Gaming machines are not legally available outside of casinos in France though there are thought to be a number of illegal devices in operation.

4. Betting

Pari-Mutuel-Urbain (PMU) is a group that represents the interests of 73 member horseracing associations. In France, only one association for each type of specialist horseracing betting is permitted: *France Galop* for gallop races and *Cheval Français* for trotting races (Decree of 5 May 1997). The Ministry of Agriculture and the Treasury both regulate PMU's operation, which is a form of consortium between the "sociétés de courses".

PMU's Turnover (1993-2004)



Source: Adapted from GBGC Report and from Submission to the Enquiry from GIE-PMU

GIE-PMU Gambling Statistics 2000- 2004 (in € millions):

year	Bets (Turnover)	Winnings	GGR
2000	5782	4023	1759
2001	6170	4343	1827
2002	6414	4569	1845
2003	7021	5049	1972
2004	7557	5478	2079
Change (%)	+30.6%	+36.1%	+18.2%
2005	8010	5823	2187
Change (%)	+38.5%	+44.7%	+24.3%

Source: Submission to the Enquiry from GIE-PMU

GIE-PMH is an alternative betting organisation in France. Its turnover amounted to €224 million in 2004.

Total French Horserace Betting Statistics 1999 - 2004 (in € millions and in %):

Year	Bets	Winnings	GGR	Tax	Tax retained by state	Tax passed on to horseracing
1999	5,678.3	3,937.40 69.3%	1,740.90	1740.9 30.7%	15.4%	15%
2000	6,023.5	4,199.60 69.7%	1,823.90	1823.9 30.3%	15%	15%
2001	6,406.2	4,517.90 70.5%	1,888.30	1888.3 29.5%	14.4%	14.8%
2002	6,653.3	4,749.70 71.4%	1,903.60	1903.6 28.6%	13.8%	14.4%
2003	7,247.8	5,222.00 72%	2,025.80	2025.8 28%	12.9%	14.2%
2004	7,771.1	5,646.3 72.7%	2,124.8 27.3%	n/a	13.1%	14%
2005	8,207.1	5,980.3 72.9%	2,226.8 27.1%	n/a	12.9%	14%

* *Estimated based on previous year*
Source: Submission to the Enquiry from GIE-PMU

During 2005, 13% of the nation's adult population placed a bet with the PMU. At present, there are about 255 racecourses with 17465 horse races run in France during 2005 in France. The PMU offered pari mutuel betting on 6497 of these as well as over 95 foreign races, 99% of which are Group 1. Approximately 6.5 million French customers bet off-course with the PMU during 2005, generating a handle of €8.0103 billion. This represents an increase of 6% on the 2004 level.

Approximately 1.7 billion bets were placed with an average stake of €5.4, generating gross profits (GGRs) of €2.1869 billion. This includes only off course betting; on-course pari mutuel betting totalled an additional €196.8m during 2005. The recent trend has been downward for French on-course betting.

During 2005 there were a total of 6,497 races on PMU cards including 95 that were staged outside of France. The total handle generated off track by the PMU increased by 6% over 2004 to €8.0103 billion, an average of €1.23m per race, with the average stake per bet being €11. The Quinté+ was the most popular bet during 2005 accounting for €2.0859 billion of the handle.

Under the Decree No. 2003-351 of 14 April 2003, the Horseracing Companies are subject to VAT, the current rate of which is 19.6%.

The Betting VAT Payments 2000-2004 (in € million):

Year	VAT Payments
2000	155.38
2001	161.45
2002	164.12
2003	177.16
2004	188.07

Source: Submission to the Enquiry from GIE-PMU

French pari mutuel betting is taxed at 13.83% of turnover and between 8.5% and 16.6% of the stakes is returned to racing. The various betting companies substantially support the horseracing industry by means of levies on parimutuel bets after deduction of their management expenses. Incentives to improve the breed are an important part of industry stimulation (i.e. contributions to race prizes and bonuses to breeders and owners). In addition, the state receives a number of levies as well. The average cumulative rate of all levies on parimutuel bets cannot exceed 32% of the overall amount of sums wagered, under Article 53 of the Finance Law for 1996.

The Betting Levies (total levies on bets collected by GIE-PMU) 2001- 2004 (in € millions)

	2000	2001	2002	2003	2004	2005
General Budget	----	----	36.1	107.8	121.9	129.4
FNCE	----	----	82.1	89.7	96.4	102.4
Stud Farm and Equestrian Activities Fund	118	118.3	----	----	----	----
FNDS	2.9	1.3	0.5	0.5	0.6	0.6
Stamp duty	217.1	231.7	240.6	263.6	283.8	300.9
RDS	20	21.3	22.2	24.3	26.1	27.7
CGS	60	64	66.5	72.8	78.4	105.3
PSP	281.2	280.9	264.6	259.3	254.8	219.4
FNDAE (National Fund for the Development of Water Conveyance)	72.1	68.5	64.7	----	----	----
FNDVA (National Fund for the Development of Social Associations)	6.3	7.4	7.7	8.1	----	----
"Penny profits"	20.1	23.1	26.7	29.3	32	39.5
Foreign partners	15.1	14.8	17.6	17.1	17.7	17.1
Horseracing Companies*	781.1	827.2	845.6	917.3	975.1	1038.8
Regional Horseracing Co's**	7.1	6.7	5.3	4.2	3.5	2.5
Total	**1403**	**1601.2**	**1680.2**	**1794**	**1858.3**	**n/a**

* *net margin of regional Sociétés de Courses on regional bets*

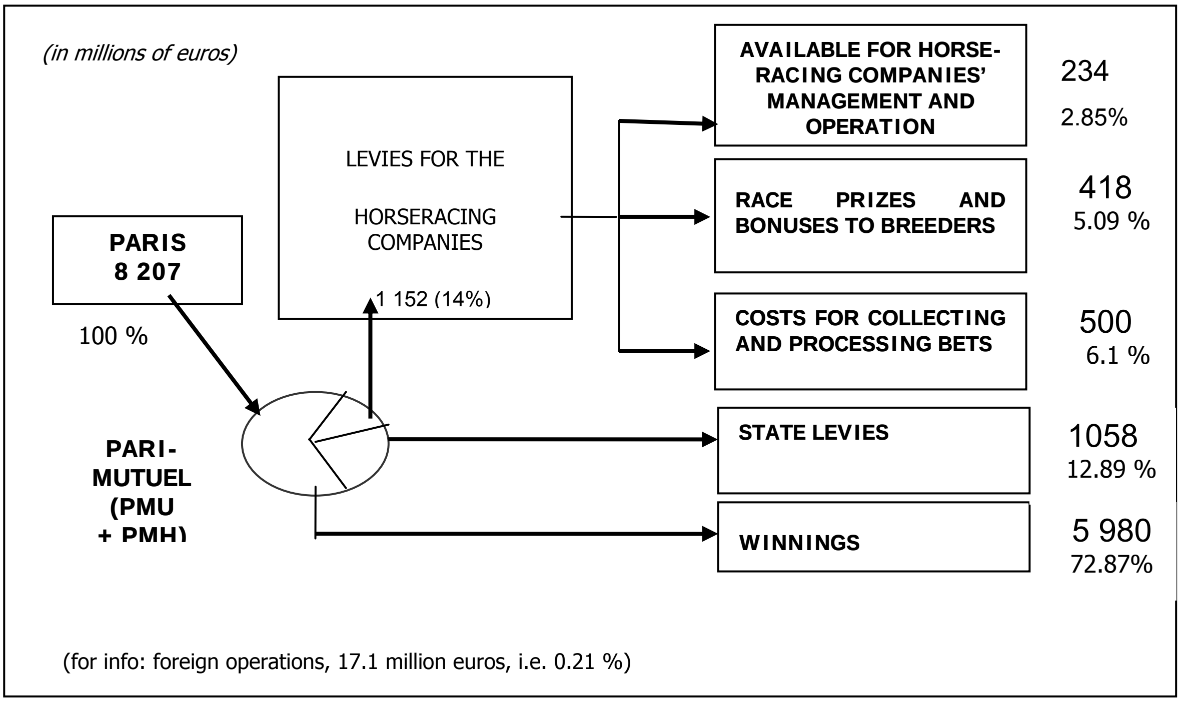
** *levy on national bets and proceeds on other bets*

Source: Submission to the Enquiry from GIE-PMU

After covering all management costs, the remaining balance of available resources is fully allotted by the Horseracing Companies, in accordance with their company objects, to paying out incentives. These incentives benefit those partners who contribute to the success of a horse: the breeder, the owner, the trainer, and the jockey.

The following diagram illustrates how the development of horserace betting contributes to the development of a strong equestrian sector through the resources that it obtains from the Horseracing Companies.

The Horserace Betting Operations Diagram in 2005 (in m Euro):



Source: Submission to the Enquiry from GIE-PMU

PMU launched its iTV service, Equidia, on Canal+ Technologies during April 2000. The specialist horseracing channel is available to nearly all 12.3 million Canal Satellite, TPS and other cable operators' customers, and it extended to offering WAP information services. In 2005 approximately 273,000 of PMU's 6.5 million customers placed bets either over the internet, telephone, Minitel, or via Equidia, the interactive television channel. During 2005 there were over 3,000 hours of live broadcasts on Equidia and its sister channel Equidia Pro. Together these two channels broadcast in 40 countries on three continents and in three languages.

PMU started to accept bets on its Internet site for French residents during July 2001. In 2005 the site had an average of 17 million unique visitors per month and 72 million pages were read.

The estimated (directly or indirectly) jobs in horse race betting in 2005 or "full-time equiva5ents" in 2002 are shown below.

Horserace Betting Indirect Full-Time Employment 1999 - 2005:

	1999	2001	2002	2003	2004	2005
FTEs	52,000	55,000	58,000	58,890	59,000	61,000

Source: Submission to the Enquiry from GIE-PMU

The following employment estimates for 2002 were provided in response to the enquiry from GIE-PMU. The number of jobs created directly in the betting sector comprise the activities of the various Horseracing Companies, their common bodies, GIE-PMU, and also professionals in contact with horses.

*The organising and associated bodies - **22,405** jobs, namely:*

- race organisations (France Galop, Société d'Encouragement à l'Elevage du Cheval, Groupement Technique des Hippodromes Parisiens, Fédération Nationale des Courses Françaises, staff of the provincial Horseracing Companies) - 1,374 jobs;
- betting organisations (PMU, PMH) - 18,586 jobs;
- administrative authorities and public authorities (Haras Nationaux; horse sub-department of the Ministry of Agriculture, Food and Fishing; Ecole Nationale d'Equitation; Garde Républicaine; military equestrian sports) - 2,095 jobs;
- bodies associated with equestrian activities (Fédération Française d'Equitation; Société Hippique Française; Union Nationale Inter professionnelle du Cheval; Association de Formation et d'Action Sociale des Ecuries de Courses) - 350 jobs;

*The professions which are in contact with horses - **31,080** jobs, namely,*

- breeders (7,458 jobs);
- trainers and training personnel (3,825 jobs);
- equestrian centres (7,280 jobs);
- riders (4,239 jobs);
- veterinary surgeons (1,600 jobs);
- farriers (1,580 jobs);
- horse traders (200 jobs).

The indirect employment is generated by various business sectors, which depend on the equestrian sector**- 5,405** jobs, such as:

- the horsemeat industry (1,963 jobs);
- saddlers (1,962 jobs);
- the horse sporting press (375 jobs);
- training for equestrian jobs (200 jobs);
- specialist horse research (250 jobs);
- horse transport (175 jobs);
- insurance (30 jobs);
- feeding (300 jobs);
- jobs in equipment and installations for equestrian activities (150 jobs).

5. Bingo

No information was found or contributed by stakeholders approached as part of this research endeavor that allowed meaningful discussion of this sector.

6. Media Gambling Services

No information was found or contributed by stakeholders approached as part of this research endeavor that allowed meaningful discussion of this sector.

7. Sales Promotional Gambling

No information was found or contributed by stakeholders approached as part of this research endeavor that allowed meaningful discussion of this sector.

8. Charity Gambling

Under the terms of the 1891 Horseracing Act, only specifically created not-for-profit horseracing companies approved by the Ministry of Agriculture are allowed to organise horse races and to be licensed to take bets.

In additional to the national lottery some charitable lotteries are also permitted.

III. NATIONAL SUMMARY

Year	Total (€ million)	Lottery (€ million)	Casino (€ million)	Gaming Machines (€ million)	Betting (€ million)	Bingo (€ million)
2000	6,163.80	2,671.90	1,732.00	0.00	1,759.90	n/a
2001	6,558.30	2,835.00	1,896.00	0.00	1,827.30	n/a
2002	7,263.30	2,962.50	2,456.00	0.00	1,844.80	n/a
2003	7,603.20	3,085.20	2,546.00	0.00	1,972.00	n/a
2004	8,084.70	3,392.30	2,613.00	0.00	2,079.40	n/a
2005	8,388.70	3,554.80	2,647.00	0.00	2,186.90	n/a

Source: Data Provided by Stakeholders

Year	GDP (€ million)	Propensity to gamble (%)	Spending per person (EURO)
2003	1,586,467	0.48%	127.50

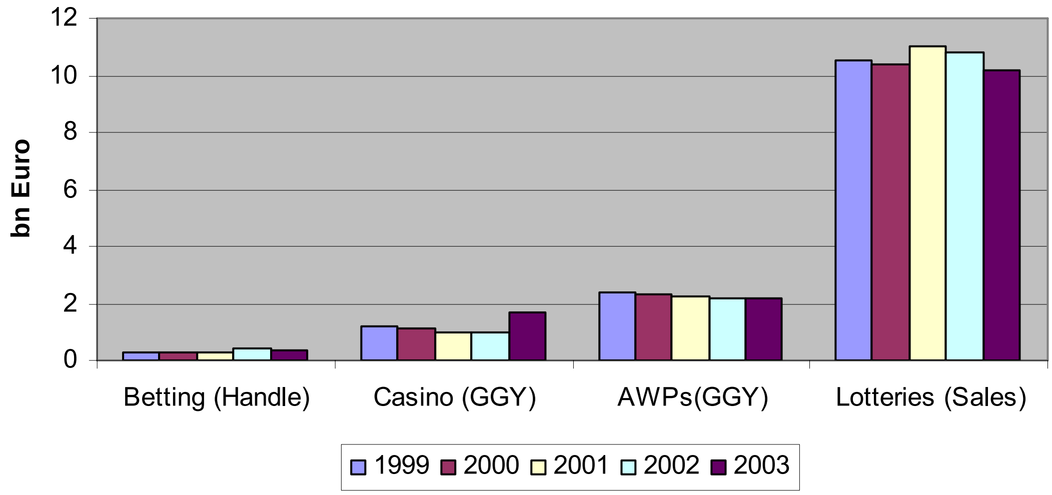
Source: Centre for the Study of gambling, Salford, own analysis.

GERMANY

I. INTRODUCTION

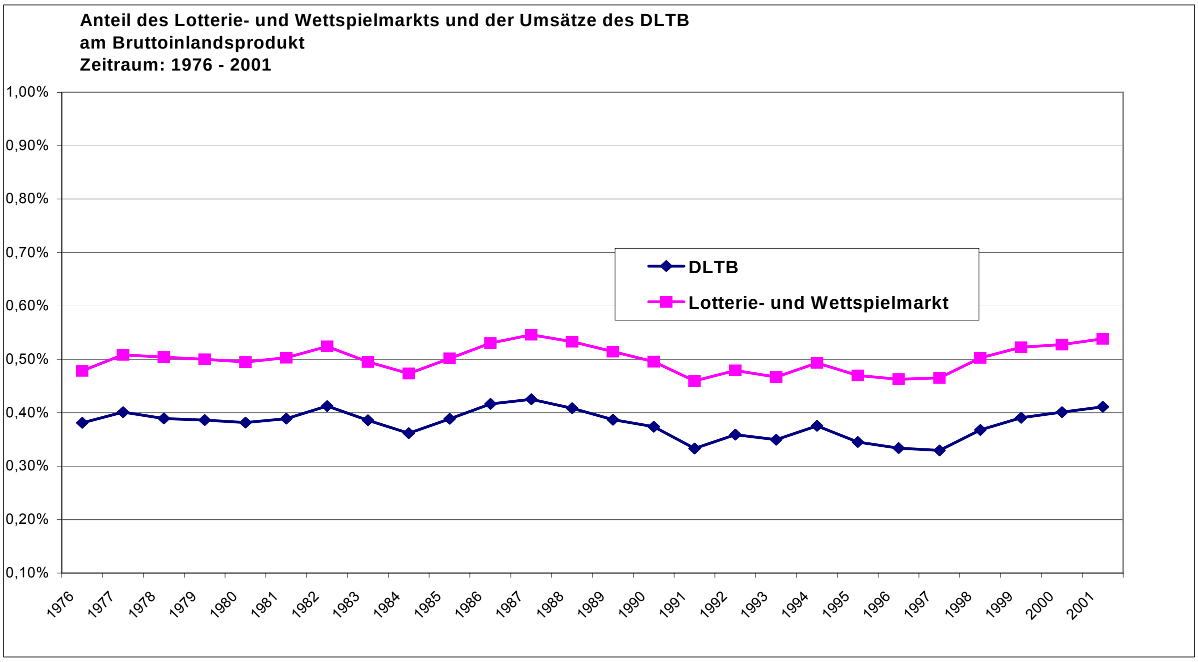
Each of the sixteen regional or *lander* governments has delegated power to set standards for casinos, lotteries and sports betting. Each *lander* is free to determine its own tax rate. The average gambling tax is nearly 80%, with some as high as 92% of GGR, which leaves the typical German casino operator with very small margins. (*Source: GBGC Report, p.319*)

German Betting and Gaming Gross Turnover (1999-2003)



Source: Adapted from GBGC Report

The lottery and gaming markets have grown on a long-term basis only in proportion to the growth in gross domestic product.



Source: Submission to the Enquiry from Land Brandenburg Lotto

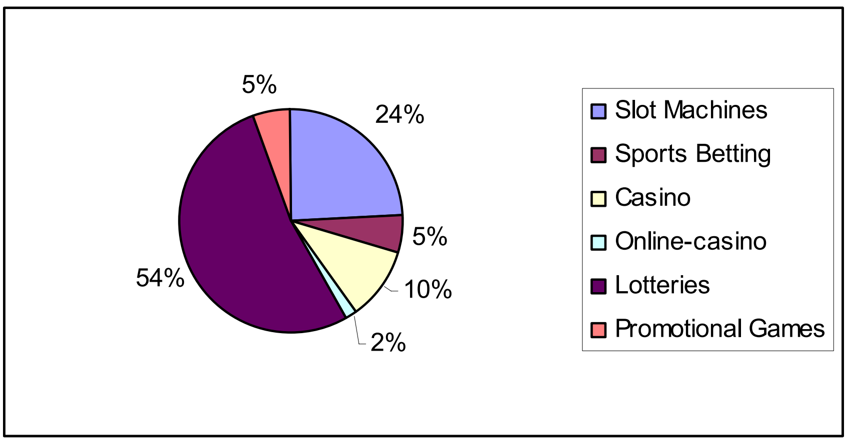
German Gambling Market Share and Turnover 2003

	Turnover (€m)	Market share (%)
Slot Machines	2,300	24
Sports Betting	500	5
Casino	960	10
Online-casino	150	2
Lotteries	5,000	54
Promotional Games	500	5
TOTAL	9,410	100

Source: Submission to the Enquiry from Land Brandenburg Lotto

The German gambling market is dominated by the variety of lottery products it offers, although the slot machine share of the market has been growing rapidly.

German Gambling Market by Share 2004:



Source: Centre for the Study of gambling, Salford, own analysis.

***German Lottery and Betting Market Statistics 2005 (in mEuro)*:**

	Monopoly Betting	**Lotto**	**Private Betting**
Turnover	430	7700	1600
Taxes	72	1284	
Fees/Consessions	86	1540	
Games Pay out	215	3850	1360
Gross Revenue	215	385	024
Net Revenue	57	1026	240
Advertising / Marketing	11	193	40
No. of Distribution Outlets	25.500	25500	2500
Average No. of Employees per Outlet	3	3	2
Total Employment	76.500		7500
Investment per Outlet	0.01		0.02
Total Investment (over 10 years)	255.00		50.00
Employees income	1913		177.5
Rental Fee	77		30

Source: Submission to the Enquiry from German Betting Association

II. GAMING SECTOR ANALYSIS

1. Lotteries

Germany has a mature lottery product. The term lottery in Germany includes sports betting, bingo, charitable lotteries and regional lotteries.

There are nineteen separate major lottery organisations[15], which among them cover the sixteen *lander*, accounting for 90% of the German gambling industries' GGR. Sixteen provincial lotteries form two blocks: Lotto- and Toto-blocks. Apart from this, there are two Savings lotteries (Gewinnsparen) that run across 16 *lander*, where a number of bank account holders participate in a lottery instead of receiving interest on their savings. The Saving Lottery (Gewinnsparen) is run by Building Societies and Premium Saving Lottery (PS-Sparen) is run by banks. There are also two Class lotteries (Klassenlotterien), North west and South German Lottery Blocks that run across 16 *lander*, where consumers pay a fraction of a ticket in a number of classes of tickets, which should give them a good chance of winning. Furthermore, there are two private lotteries that are run by television stations, where both of them receive permission from 16 landers to operate nationwide.

[15] 14 Deutscher Lotto- und Toto-Block, Staatliche Toto-Lotto, Baden-Württemberg, Staatliche Lotterieverwaltung, Bayerischer Fussball-Toto, Bavaria, Deutsche Klassenlotterie Berlin, Nord-west Lotto und Toto Hamburg, Lotterie-Treuhandgesellschaft Hessen, Toto-Lotto Nieder-sachsen, Lower Saxony, Westdeutsche Lotterie, North Rhine-Westphalia, Saarland-Sporttoto, Saarland, Sächsische Lotto Saxony, NordwestLotto, Staatliche Lotterie des Landes Schleswig-Holstein, Lotterie-Treuhandgesellschaft mbH Thüringen, Land Brandenburg Lotto, Nordwest Lotto-Toto Sachsen-Anhalt, Saarland-Sporttoto, Sport-Toto Rheinland-Pfalz, Staatliche Lotterie-verwaltung Bayerischer Fussball-Toto, Suddeutsche Klassenlotterie, Verwaltungsgesellschaft Lotto und Toto, South German State Lottery, Mecklenburg-Vorpommern.

Lotteries and Sports Betting Turnover 2000-2004 (in € million):

	2000	**2001**	**2002**	**2003**	**2004**
Lotto-und Totoblocks	8,127.6	8,480.6	8,311	8,255.6	8,439.1
Class Lotteries:	**1,440.9**	**1,483.5**	**1,336.1**	**1,284**	**1,376.9**
Nordwestdeutsche Klassenlotterie	545.7	667	558.3	523.3	549.7
Süddeutsche Klassenlotterie	895.3	816.5	777.8	760.7	827.2
Saving Lotteries:	**475.4**	**462.2**	**443.2**	**479.8**	**514.2**
PS-Sparen	313.8	315.6	296	326.4	349.9
Gewinnsparen	161.6	146.6	147.2	153.4	165.3
Private TV Lotteries:	**354.2**	**411.4**	**427.6**	**440.6**	**543.6**
ARD Fernsehlotterie	68.8	96.6	107.4	101.9	145.5
ZDF-Fernsehlotterie	285.5	314.9	320.2	337.8	396.7
Horseracing betting	308.9	268.2	231.1	189.3	147.6

Source: Submission to the Enquiry from Land Brandenburg Lotto

Market share in Lotteries and Sports Betting Market 2000-2004 (in %):

	2000	**2001**	**2002**	**2003**	**2004**
Lotto-und Totoblocks	76.6	77.0	77.7	78.0	77.1
Class Lotteries:					
Nordwestdeutsche Klassenlotterie	5.4	6.5	5.3	5.0	5.5
Süddeutsche Klassenlotterie	8.8	7.9	7.4	7.2	7.5
Saving Lotteries:					
PS-Sparen	3.3	3.2	3.1	3.3	3.2
Gewinnsparen	1.8	1.8	1.6	1.8	1.6
Private TV Lotteries:					
ARD Fernsehlotterie	1.0	1.4	1.5	1.3	1.3
ZDF-Fernsehlotterie	3.1	3.2	3.4	3.4	3.8

Source: Submission to the Enquiry from Land Brandenburg Lotto

Due to the pretty constant winnings percentage, there are no significant changes expected in the turnover or the market percentage in the next five years in the German lottery market.

During 2003 the German lottery sector generated total sales (before payment of prizes) of approximately €10.37 billion, ranking it third in Europe in terms of absolute sales behind Italy and Spain, the latter having overtaken Germany during 2003. However, this only ranked the nation seventeenth in terms of lottery spend per adult.

Lotto and Toto blocks GGR in mil € (excluding instant lotteries) 2000-2004:

	2000	**2001**	**2002**	**2003**	**2004**
Zahlenlotto	2,646.4	2,823.0	2,654.3	2,671.1	2,690.7
Fußballtoto	49.0	51.6	47.5	49.4	46.6
ODDSET	227.0	215.5	227.3	194.7	202.2
Spiel 77	517.3	543.0	591.5	593.0	607.0
Super 6	303.6	323.7	366.6	368.1	378.3
GlücksSpirale	202.1	171.4	146.9	140.4	132.1
Bingo 1)	14.8	20.7	27.7	27.6	31.8
TeleBingo 2)	21.3	17.5	14.2	13.4	14.0
KENO 3)					49.0
Plus 5 3)					6.2
Rennquintett 4)	0.4	0.3	0.4	0.2	
Total	**3,981.9**	**4,166.6**	**4,076.2**	**4,057.9**	**4,157.9**

Source: Submission to the Enquiry from Lotto and Toto Block

In Germany, six of the 16 *lander* participate in the South German class lottery (SKL). The other ten *lander* participate in the North West German Class Lottery. The proceeds of the SKL are distributed to the individual *lander*. The amounts distributed have recently been fixed by a special regional contract among the *lander*. After the money is handed out to the individual *lander* following the quotas that have been agreed upon, such funding is used to achieve a wide variety of social, cultural and charitable activities within the framework of the general budget.

GGR of South German Class Lottery Block 2000-2004 (in € million):

	2000	**2001**	**2002**	**2003**	**2004**
GGR	408.6	375.5	370.4	367.3	399.1

Source: Submission to the Enquiry from SKL – South German Class Lottery

GGR of North West Lottery (NKL) Block 2000-2004 (in € million):

	2000	**2001**	**2002**	**2003**	**2004**
GGR	261.4	319.3	268.5	253.4	266.6

Source: Submission to the Enquiry from Land Brandenburg Lotto

There are two TV lotteries that operate in Germany : ARD and ZDF. ARD, the large public law statutory authority TV station, organises the ARD television lottery. The percentage of the total lottery market held by the ARD in 2004 was about 1.3%. This is an improvement on the previous years.

ARD-Fernsehlotteries GGR 2000-2004 (in € million)

	2000	**2001**	**2002**	**2003**	**2004**
Turnover	68.77	96.62	107.25	104.67	146.47
winnings	19.79	27.76	32.92	31.92	41.96
GGR	48.97	68.85	74.33	72.75	104.51

Source: Submission to the Enquiry from Land Brandenburg Lotto

ARD's winning have to be at least 30% of the total turnover. At least another 30% have to be paid out to good causes. And there is a compulsory levy of 16.67% as for all other German lotteries.

ZDF, the other large public law statutory authority TV station, organises another TV lottery - Action Human Being lottery.

ZDF - Action Human Being Lottery GGR 2000-2004 (in € million) :

	GGR (€ million)	**Money paid out to good causes (€ million)**
2000	199.83	98.1
2001	220. 39	111.86
2002	224.12	109.96
2003	236.46	110.56
2004	277.66	132.71
Estimates for next 5 years		
2005	294	155
2006	315	165
2007	350	190
2008	385	210
2009	420	230

Source: Submission to the Enquiry from Land Brandenburg Lotto

Total Germany Lotteries and Sports Betting GGR 2000 - 2004 (in € million)*:

	2000	**2001**	**2002**	**2003**	**2004**
Lotto-und Totoblocks	3981.9	4166.6	4076.2	4057.9	4157.9
Class Lotteries:	670	694.8	638.9	620.7	665.7
Nordwestdeutsche Klassenlotterie	261.4	319.3	268.5	253.4	266.6
Süddeutsche Klassenlotterie	408.6	375.5	370.4	367.3	399.1
Private TV Lotteries :	248.8	289.24	298.45	309.21	382.17
ARD Fernsehlotterie	48.97	68.85	74.33	72.75	104.51
ZDF-Fernsehlotterie	199.83	220.39	224.12	236.46	277.66
Total	**4900.7**	**5150.64**	**5013.55**	**4987.81**	**5205.77**

**These figures exclude Savings Lotteries (PS-Sparen and Gewinnsparen)*
Source: Submission to the Enquiry from Land Brandenburg Lotto

Among them, the various German Lotteries offer a full range of lottery products, though traditional lotto remains by far the most popular. Prize payouts vary according to the games offered but generally they vary from 40.4% of total sales for Glücksspirale to 58% for Oddset in the Westdeuctsche Lotterie. The major lotto games vary between 50.0% and 55.0%.

German lotteries are taxed at 16.67% of sales, and much of the remainder after payment of prizes (Gars) are allocated either to the Federal Treasury, or to “good causes,” which includes the arts, culture, charities, education, science and sports. Concession fees and good cause contributions could sometimes be higher than actual taxes, according to Lotto and Toto Block. In Germany, Oddset betting and lotteries are taxed on turnover, in comparison to lotteries and betting in most of the other countries which are taxed on their gross gaming revenue. In addition, the lottery company might need to pay a local council tax, which differs from city to city. Gambling enterprises do not pay VAT in Germany. There is also a fee for renewing licenses.

As an example of the good causes contribution by Lotto and Totoblock, the National Olympic Committee for Germany receives about one-third of its total budget from the GlücksSpirale game.

The National Olympic Committee (NOC) for Germany Revenues from GlücksSpirale Lottery 1999 - 2003:

	1999	**2000**	**2001**	**2002**	**2003**
Revenue received (€ million)	0.070	1.500	1.060	0.950	0.839
Percentage of total NOC budget (%)	28	38	35	32	22

Although German operators work closely together and in many cases share games to generate large prize pools, the country’s *lander*-based regulation ensures that almost all of them will survive in the short-term. Major legislation would be required to establish a national lottery, which might affect other German gambling sectors such as casinos. However, as lottery products are widely available now online, it may become increasingly difficult to limit operators to their existing sub-national jurisdictions.

German Lottery Prize Payout Rates:

Lottery	**Payout Rate**
Bremer Toto und Lotto	45.0% - 50.0%
Deutsche Klassenlotterie	37.0% - 50.0%
Brandenburg Lotto	43.33% - 51.33%
Lotterie-Treuhand Thüringen	40.0% - 50.0%
Lotterie-Treuhandgeseliscaft Hassen	40.0% - 52.81%
Lotto-Toto Sachsen-Anhalt	40.0% - 55.0%
Nordwest Lotto und Toto Hamburg	40.0% - 55.0%
Nordwest Lotto, Saatuche Lotterie des Landes Schleswig-Holstein	40.0% - 50.0%
Saarland-Sporttott	40.0% - 50.0%
Sport-Toto Rheinland-Pfaiz	40.0% - 50.0%
Staatiiche Lotterieverwaltung	43.0% - 55.0%
Toto-Lotto Niedersachen	40.0% - 55.0%
Westdeutsche Lotterie	40.0% - 58.0%

Source: Submission to the Enquiry from Land Brandenburg Lotto

South German Class Lottery (SKL) Pay out Percentages 2000-2004 (in %):

	Draws (only 2 per year)	**Payout %**
1999/2000	106 107	54.5 54.2
2000/2001	108 109	54.05 54.05
2001/2002	110 111	53.04 51.69
2002/2003	112 113	51.72 51.71
2003/2004	114 115	51.72 51.79

Source: Submission to the Enquiry from SKL – South German Class Lottery

North West Lottery (NKL) Pay out Percentages 2000-2004 (in %):

Year	**Pay out/Winnings (%)**
2000	52.1
2001	52.1
2002	51.9
2003	51.6
2004	51.5

For many decades there has been a well established structure of distribution of class lottery products through a network of “state lottery receivers”. There are however also purely commercial agents.

The Number of South German Class Lottery Full-Time Employees 2000 - 2004:

	Draws (only 2 per year)	**Number of employees**	**Number of «state lottery receivers» (outlets/distributors)***
1999/2000	106 107	42	54,500 54,200
2000/2001	108 109	43	54,050 54,050
2001/2002	110 111	43	53,040 51,690
2002/2003	112 113	41	51,720 51,710
2003/2004	114 115	42	51,720 51,790

* Each of the distributors employs between one and 200 people. Note that because the draws only occur twice per year, this employment is very weakly linked to the lottery.

Source: Submission to the Enquiry from SKL – South German Class Lottery

Number of Full-time Employees in ZDF-Action Human Being Lottery 2000 - 2005:

	2000	2001	2002	2003	2004	2005
Number of FTEs	50	56	69	85	94	94

Source: Submission to the Enquiry from Land Brandenburg Lotto

There is no expectation of further substantial increases in numbers of ZDF Action Human Being lottery's FTEs before 2010.

German Lotto - and Totoblocks Employment 2000 - 2004 :

Year	# of company employees	Employees in distribution network
2000	2,109	56,883
2001	2,106	56,853
2002	2,113	56,555
2003	2,116	56,757
2004	2,088	56,561

Source: Submission to the Enquiry from German Lotto and Toto Block

The German Lotto and Totoblock's total number of points of sale (sales agencies) was 25,384 as of 31 December 2004. According to German Lotto and Totoblock, there are approximately two people working at each distribution outlet.

German Lotto - and Totoblocks Employment 2000 - 2004 by Region :

Bundesland	**Year**	**No of company employees**	**Employees in distribution network**
Baden-Württemberg	2000	151	9,123
	2001	157	9,178
	2002	166	9,365
	2003	171	9,370
	2004	169	9,358
Bayern	2000	ca. 300	ca, 10,500
	2001	ca. 300	ca, 10,500
	2002	ca. 300	ca, 10,500
	2003	ca. 300	ca, 10,500
	2004	ca. 300	ca, 10,500
Berlin	2000	178	4,433
	2001	175	4,437
	2002	179	4,441
	2003	184	4,506
	2004	181	4,552
Brandenburg	2000	109	1,208
	2001	108	1,208
	2002	107	1,158
	2003	111	1,167
	2004	110	1,187
Bremen	2000	37	n/a
	2001	37	n/a
	2002	35	n/a
	2003	32	n/a
	2004	33	n/a
Hamburg	2000	79	1,575
	2001	75	1,553
	2002	79	1,485
	2003	86	1,433
	2004	83	1,355
Hessen	2000	105	n/a
	2001	107	n/a
	2002	104	n/a
	2003	104	n/a
	2004	104	n/a
Mecklenburg-Vorpommern	2000	39	ca, 1,400
	2001	41	ca, 1,400
	2002	42	ca, 1,400
	2003	39	ca, 1,400
	2004	37	ca, 1,400

(continued) :

Niedersachsen	2000	182	n/a
	2001	179	n/a
	2002	172	n/a
	2003	172	n/a
	2004	167	n/a
Nordrhein-Westfalen	2000	346	10,438
	2001	347	10,448
	2002	355	10,383
	2003	344	10,240
	2004	330	10,033
Rheinland-Pfalz	2000	213	3,885
	2001	211	3,923
	2002	206	3,875
	2003	205	4,355
	2004	207	4,443
Saarland	2000	81	1,900
	2001	84	1,900
	2002	84	1,900
	2003	82	1,900
	2004	83	1,900
Sachsen	2000	92	3,443
	2001	89	3,408
	2002	88	3,275
	2003	89	3,253
	2004	90	3,300
Sachsen-Anhalt	2000	80	4,885
	2001	79	4,810
	2002	80	4,710
	2003	80	4,610
	2004	76	4,510
Schleswig-Holstein	2000	50	2,193
	2001	49	2,175
	2002	48	2,143
	2003	50	2,135
	2004	51	2,125
Thüringen	2000	67	1,900
	2001	68	1,913
	2002	68	1,920
	2003	67	1,888
	2004	67	1,898

According to the German Betting Association, all lottery companies have internet portals and offer their services on-line.

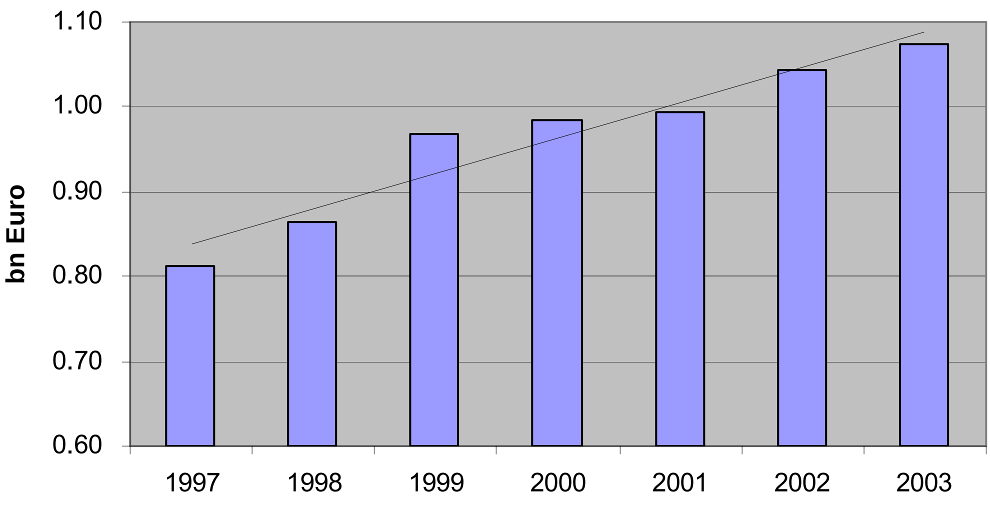
2. Casino Gaming

As with other sectors of the gambling market in Germany, the development of the casino sector has been limited by the strict regulations and exceptionally high tax rates and duties. There is no direct regulation of the German casino industry at the national level. Each of the sixteen *lander* has its own gaming board that sets their own tax, location and ownership requirements. However, the Minister of Internal Affairs is responsible for licensing and the Minister of Financial Affairs oversees the state gaming boards. *(Source: GBGC Report.)*

Today, Germany has a total of 84 casinos in operation which among them house approximately 8,000 gaming machines. There are 25 casino operators. Together they produced €956 mil of gross gaming revenue (GGR) in 2001, with table games accounting for €220m and slot machines for €736m. Casinos in Germany employ approximately 4,700 people and in addition there are about 3,000 additional employees working in casino-related professions (hotels, restaurants, etc.) In 2003, German casino GGR accounted for €958.673 million.

About half of German's casinos are owned and operated by the lander, and the balance are owned and operated by private sector firms. The German casino industry in 2003 generated a total of just over €1 billion in GGR of which approximately 70% came from slot machines.

German Casino CCR (1997-2003)



Source: Adapted from GBGC Report

There are generally no restrictions that determine where casinos may be developed, except in Bavaria where they have to be located in spa or tourist resorts.

German casino licenses are typically granted for a term of between five and fifteen years. German casinos are permitted to advertise their properties but, although alcohol and refreshments are permitted within gaming areas, no other entertainment may take place on casino premises and credit must not be used to play any games. Casino taxation is generally the same for both tables and machines in Germany and tax rates are fairly high.

Tax Revenues Generated by 16 Lander, 2000 - 2003(in € millions):

	2000	2001	2002	2003
Tax Revenue	4,371	4,597	4,467	4,409

In the former West Germany, it is usual for new properties to be taxed at around 60% to 70% of GGR for the first two to five years after they open before they are transferred to a higher rate of gaming tax. These can be as high as 92%+ of GGR for the most profitable casinos. A lower tax rate could also be applied during an economic ressesion. Across Germany the rates for state-controlled casinos are generally in the region of 5% to 10% lower than those in private hands. Some *Lander* transfer between 1-10% of the levy to charities. In addition, some of the *Lander* demand a fee for the issuing of a license in a region of €10,000-20,000. Depending on the location, the requirements for non-gaming-related investments can reach €5 mil.

3. Machine Gambling Outside Casinos

There are currently approximately 196,000 gaming machines in operation across Germany making it the third largest European gaming machine market behind the UK and Spain. According to PTB (Physikalisch-Technischen-Bundesanstalt = Physical-Technical Federal Agency) statistics, some 66,483 new licenses for gaming machines with payout (Amusement with Prize, or AWP machines) were issued in 2004. Since not all licenses issued lead to the sale of machines, the actual market volume is smaller. The number of gambling machines sold, rented and leased in 2004 not only for testing purposes but for long-term deployment was approximately 59,000 - which represents a decrease of 3.7% as compared with the previous year. GGRs from gaming machines in Germany were €2.335 billion in 2003.

Gaming Machines GGR 2000 - 2003(in € millions)

	2000	2001	2002	2003
AWP	2,260	2,285	2,310	2,335

Source: Adapted from 2004 AMA annual report (EUROMAT website)

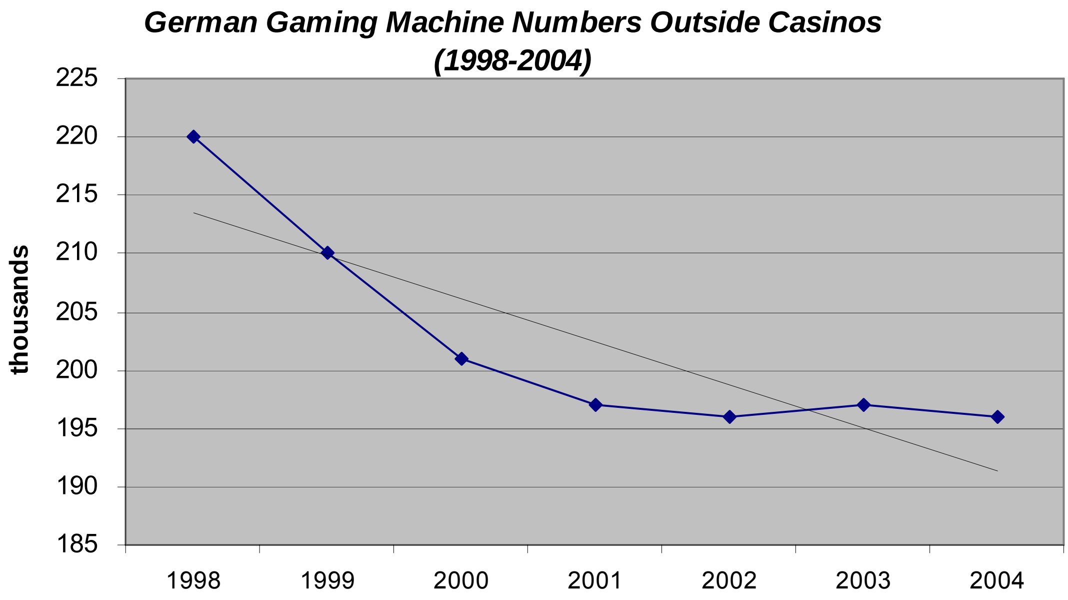
Sales have been relatively flat during the past decade and, in addition to competing against other forms of gambling, the German slot machine industry has been hit by structural changes in the catering trade. Sales in bars and restaurants fell by 5% during 2003 impacting devices located in these sites. Consequently bars and restaurants share of the non-casino gaming machine market has fallen to 60%.

AWP Numbers 1999 - 2004

	1999	2000	2001	2002	2003	2004
AWPs	210,000	201,000	197,000	196,000	197,000	196,000

Source: Adapted from 2004 AMA annual report (EUROMAT website)

The decrease in the number of AWP-machines between 1999 and 2004 is primarily a result of the structural change experienced in the catering trade, which triggered the capacity decrease. Since the mid-1990s – despite generally favorable economic circumstances – the gross revenues of operating companies have increased by only 10.4% between the years of 1996 and 2004. This has not proved sufficient to compensate for cost increases associated with increases in VAT, the increases in amusement tax, and general rates of inflation. As a result, the German slot machine industry has been lobbying the federal government for a wide-range structural amendment to the nation's gambling laws that reflect modern gaming trends in other countries.



Source: Adapted from GBGC Report and from 2004 AMA annual report (EUROMAT website)

Germany AWP Regulations:

	Stake (€ max)	**Prize (€ max)**	**Payout (% min)**	**Games/hour (max)**	**Loss per hour (€ max)**
Spielverordnung (old law - prior to 31.12.05)	0.20	2	60% (minus VAT) 67% in prax.	300	60
Spielverordnung (new law - afetr to 01.01.06)	0.20	2	>70% >85% in prax.	720	80

Source: Submission to the Enquiry from AMA

4. Betting

There are four categories of lawful betting in Germany: two types of Toto (Erge billioniswette and Auswahlwette) and two types of ODDSET (Kombiwette and Top-Wette). Racing associations can provide Toto and individual bookmakers can offer odds betting. In addition, there are four small companies that have betting licenses in Eastern Germany, though government is looking for a way of eliminating them as they are left from the pre-unification period.

Betting Shops Turnover (Handle) 2000 - 2006 (in € million):

2000	Mio. € 200
2001	Mio. € 360
2002	Mio. € 575
2004	Mio. € 720
2005	Mio. € 1500
2006 (1st. quarter)	Mio. € 420

Source: Submission to the Enquiry from German Betting Association

According to the German Betting Association estimates, internet betting could reach 1600 million Euro sometimes in the future. They also estimated that private sports betting companies had a turnover of about 1500-1600 million Euro in 2005. This was mainly due to exporting betting services to other European countries.

Horseracing Betting Turnover (Handle) 2000 - 2004 (in € million):

	2000	**2001**	**2002**	**2003**	**2004**
Turnover	308.9	268.2	231.1	189.3	147.6

Turnover is relatively small for a country the size of Germany. Official statistics for 2002 show a total handle of just €311.36m, the equivalent of just €4.42 per adult member of the population.

All German off-course betting, horseracing and sports, is taxed at 16.67% of turnover, the highest rate in Europe. As a result, foreign bookmakers will establish sales points in Germany, but because their servers are abroad, they are not subject to the German tax. For example, the UK's Tote has 74 Tote betting terminals located in agencies across Germany with the money going into the UK pools as part of the Attheraces deal, where this principle would apply. The UK's Satellite Information Services supply 150 German shops with pictures of UK racing.

The horseracing shops are heavily reliant on fixed odds betting on racing from abroad, particularly from France and the UK. The latter has become increasingly important as there is a danger of the loss of the domestic all-weather winter racing programme. The Dortmund and Neuss tracks have been alternating weekend/day in recent years but both cancelled a number of Saturdays during early 2004. Sunday racing is still profitable but Saturdays are not and German bookmakers are unhappy at the prospect of paying the same amount for one meeting per weekend instead of two.

The average stake per bet is €6 on horses and €11 on sports, with the average shop turnover being quite high due to the lack of competition. The Betting Association estimated that on average people bet 8 Euros per person. Margins in the horserace betting shops are calculated on a basis of 26% but they also charge a 15% manipulative cost on top to cover tax; however, those operators with an East German license do not have to pay the tax though they still charge the 15% manipulative cost. Both horseracing and sports betting shops are allowed two slot machines.

5. Bingo

Bingo is a part of the lottery license in Germany and it is run by 16 *lander* individually and not by central government. There are two types of bingo: Tele-bingo and the usual Bingo. While bingo is popular on some German public television channels, live games have never been licensed. Under Germany's gaming laws, live bingo can only be offered by *lander* lottery companies. Spielbank commenced plans to launch a live bingo game in 1999 but it took two years to complete the administration required to establish a suitable joint venture with Berlin lottery. The game proved to be popular and was expected to generate €2m in taxes during 2003.

6. Media Gambling Services

Gambling by media (prize winning games on radio and television) is allowed in the editorial context. It must serve an informative and entertainment role for viewers and listeners, and provide an additional incentive to watch a programme. Participation is normally by postcards, e-mail or telephone. Since 1 April 2005, there is in effect a prohibition of generating income by premium rate telephone numbers by public broadcasters, in particular if connected with gambling. In addition, it is a criminal offence to organise unauthorised lotteries.

Some German public television channels offer Bingo to their viewers. Two TV lotteries have received permission to operate across all 16 *lander*. These have a charitable role and usually finance a specific social project as well. Any other aims of media gambling are prohibited in principle.

Furthermore, there are two private lotteries that are run by television stations, where both of them received permission from the 16 *lander* to operate nationwide. They are “Place under the Sun” on the ARD channel and “Action of Human Being” on the ZDF channel. These programmes produce financial support for specific special purposes, such as raising money for people with disabilities.

ARD is a union of the broadcasting authorities of the German *lander* and of the German international radio service. Together they run “the first” German TV station and a number of digital TV programmes. Each of the broadcasting authorities of the *lander* also operate a regional TV programme, so called “the third” as well some radio programmes.

According to DeSIA, during the year 2005, private radio stations had over 2 billion Euro turnover. In the first 3 month of 2004, there were 42 million premium phone calls made. DeSIA estimated that at least 20% of the whole gambling participation amounts to media gambling.

7. Sales Promotional Gambling

No information was found or contributed by stakeholders approached as part of this research endeavor that allowed meaningful discussion of this sector.

8. Charity Gambling

Small charitable lotteries are common in Germany. They are often run on a local level and collect money for a specific purpose, such as for example, restoring the local football grounds. The reason why there is no information available on charity gambling in Germany is that many of the *lander* do not require them to obtain individual licenses and therefore there are no licensing procedures from which the information could be obtained.

III. NATIONAL SUMMARY

Year	Total (€ million)	Lottery (€ million)	Casino (€ million)	Gaming Machines (€ million)	Betting (€ million)	Bingo (€ million)
2000	7,157.74	4,897.74	n/a	2,260.00	n/a	n/a
2001	8,348.89	5,124.92	840.04	2,285.00	98.94	n/a
2002	8,372.04	5,013.73	942.19	2,310.00	106.12	n/a
2003	8,420.82	4,991.22	958.67	2,335.00	135.93	n/a
2004	6,070.22	5,114.22	956.00	n/a	n/a	n/a

Source: Data Provided by Stakeholders and GBGC Report (shaded entries)

Year	GDP (€ million)	Propensity to gamble (%)	Spending per person (EURO)
2003	2168060	0.388%	102.03

Source: Centre for the Study of gambling, Salford, own analysis.

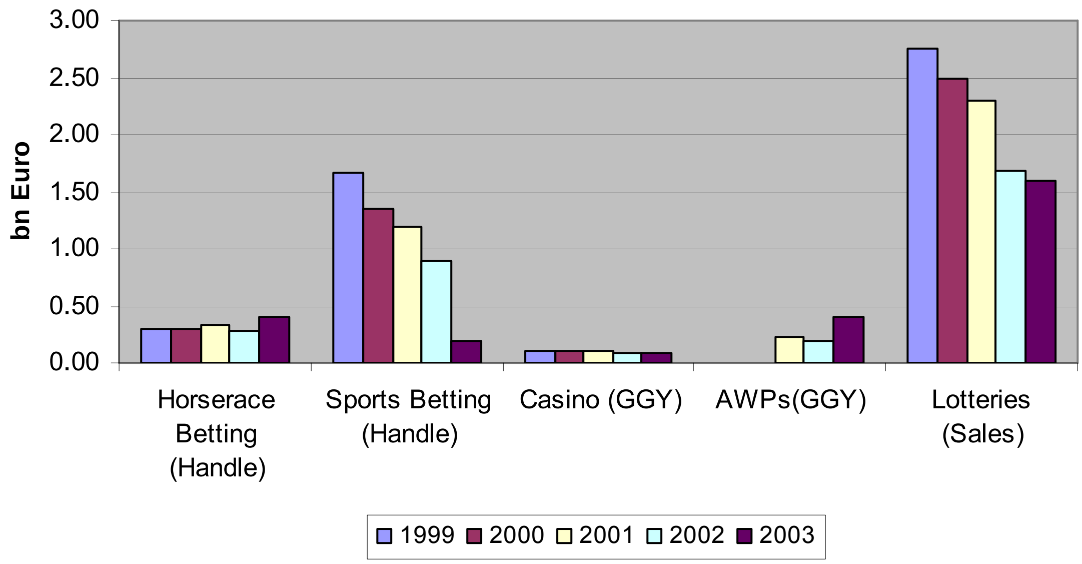
GREECE

I. INTRODUCTION

Greece has casinos, two national lotteries, and several types of gambling on football results as well as horse betting and 14,000 card-playing clubs. The major components of the Greek gambling market are betting, casinos and lotteries. Until relatively recently, much of the Greek gaming industry has been under government ownership. (*Source: GBGC, p.328*)

Greek law prohibits gaming machines outside of casinos and all forms of Internet or other interactive betting and gaming.

Greek Betting and Gaming Gross Turnover (1999-2003)

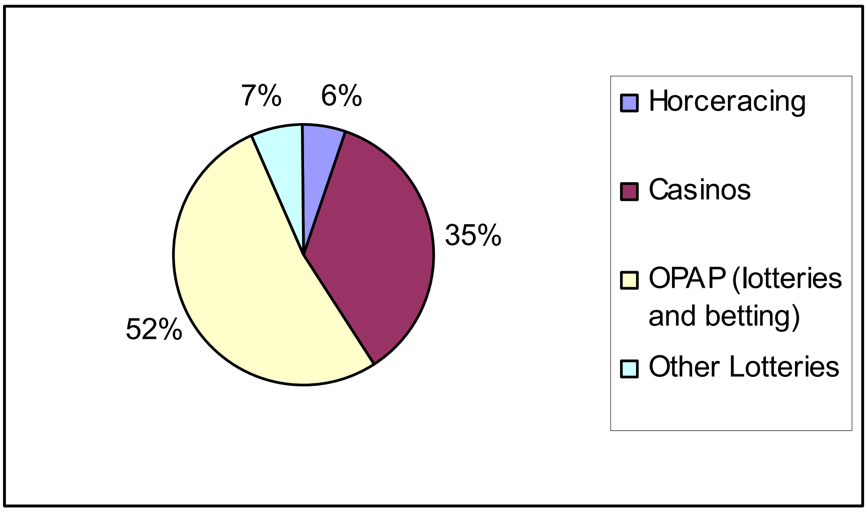


Source: Adapted from GBGC Report

Gambling Market Share in Greece 2000 - 2004 (in %)

	2000	2001	2002	2003	2004
Horceracing	10.4	12.3	9.3	7.6	5.6
Casinos	44.5	48.5	40.3	33.1	35.3
OPAP (lotteries and betting)	26.4	22	37.9	49	52.6
Other Lotteries	18.7	17.3	12.6	10.2	6.5

Greek Gambling Market 2004:



Source: Centre for the Study of gambling, Salford, own analysis.

II. GAMING SECTOR ANALYSIS

1. Lotteries

There are two major lotteries licensed to operate in Greece: the ***Greek State Lottery*** that was founded in 1862, the ***Greek Organisation of Football Prognostics (OPAP)*** that dates back to 1959. The third lottery previously was ***Instant Lottery***, however, the license for the operation of Instant Lottery expired in 2003 and since then there are not instant tickets in the Greek market. The number of OPAP agencies through which the instant lottery tickets were also distributed in 2003 was approximately 5.200.

The Greek State Lottery provides a traditional lottery, with the Greek Treasury being the beneficiary. OPAP, the Greek Organisation of Football Prognostics, offers a number of games including Lotto 6/49 and a sport Toto, with football benefiting from their sales. During 2003 Greece had the sixth largest lottery market in Europe at €2.7 billion and had average sales per capita of €302, the fourth largest level among the 25 Member States of the EU. However, as OPAP reported, OPAP had a total of €2.28 billion in sales in 2003 and therefore €2.7 billion could be a very conservative estimation for the sales of total lottery market in Greece in 2003. OPAP had sales €1.96 billion in 2002.

The OPAP provides fixed-odds sports and non-sports betting services and lottery operations and operates on a 20 year license granted in 2000, for which they paid €323 million. This license gives OPAP the right to operate six numerical and three sports-betting games under the current operation as well as two additional numerical lottery games. It also grants the company the exclusive right to operate fixed odds betting and any new sports games.

OPAP's Earnings Before Tax, Interest and Depreciation 2002 - 2003 (in € million):

	2002	**2003**	**2004**
Earnings before tax	406	474	659

Source: Submission to the Enquiry from OPAP

OPAP's Statistics 2000 - 2004 (in thousands €):

GAME	SALES 2000	WINNINGS 2000	GGR 2000	SALES 2001	WINNINGS 2001	GGR 2001
PROPO	91,389	38,371	53,018	63,841	27,393	36,448
LOTTO	83,283	31,516	51,767	75,981	30,089	45,892
PROTO	44,303	22,204	22,099	52,286	27,607	24,679
PROPOG OAL	4,012	1,558	2,454	2,257	895	1,362
JOKER	227,933	111,686	116,247	291,221	145,611	145,610
STIHIMA	997,808	655,868	341,940	1,313,797	805,139	508,658
SUPER 3						
EXTRA 5						
KINO						
TOTAL	**1,448,728**	**861,203**	**587,525**	**1,799,383**	**1,036,734**	**762,649**

GAME	SALES 2002	WINNINGS 2002	GGR 2002
PROPO	66,352	28,149	38,203
LOTTO	80,416	31,845	48,571
PROTO	52,953	27,959	24,994
PROPOGOAL	2,206	874	1,332
JOKER	220,636	110,318	110,318
STIHIMA	1,511,409	904,460	606,949
SUPER 3	20,272	10,688	9,584
EXTRA 5	13,447	8,820	4,627
KINO			
TOTAL	**1,967,691**	**1,123,113**	**844,578**

	Sales 2003	Winnings 2003	GGR 2003	Sales 2004	Winnings 2004	GGR 2004
PROPO	80,420	33,018	47,402	79,401	32,603	46,798
LOTTO	66,431	26,328	40,103	61,339	24,290	37,049
PROTO	47,861	25,284	22,577	50,035	26,418	23,617
PROPO GOAL	2,481	982	1,499	1,708	676	1,032
JOKER	213,629	106,781	106,848	270,665	135,332	135,333
STIHIMA	1,651,748	1,034,256	617,492	1,612,894	1,035,457	577,437
EXTRA 5	52,883	27,504	25,379	34,115	18,604	15,511
SUPER 3	150,864	91,285	59,579	122,939	72,669	50,270
KINO	10,848	7,601	3,247	944,113	654,658	289,455
TOTAL	**2,277,165**	**1,353,039**	**924,126**	**3,177,209**	**2,000,707**	**1,176,502**

Source: Submission to the Enquiry from OPAP

There is no VAT or gambling specific taxes levied on the services OPAP provide to players, over and above normal business taxes. There are no recurring costs for licensing. OPAP contributes large amounts of money for good causes in donations to sports, cultural and social bodies. Greek State Lotteries also contribute a large part of their income to public benefit purposes.

The amounts donated by OPAP from 2001 to 2004, include donations and sponsorships. The donations amount of € 3,639,782 was contributed purely to charities.

OPAP's Donations 2001 - 2004 (in € million):

	2001	**2002**	**2003**	**2004**
Amount Donated	8.729	10.324	19.500	24.399

Source: Submission to the Enquiry from OPAP

The number of OPAP's outlets was 5,125 in 2005. The OPAP S.A. employs 295 permanent staff and 375 part time employees. The amount contributed to charities, sporting and other good causes in 2004 was €3.64 million.

2. Casino Gaming

There are seven casinos licensed to operate on the Greek mainland, and about ten others operating on Greek islands, particularly Corfu and Rhodes. There are only two casinos in Athens. Generally speaking, casinos in Greece are resort-based and primarily aimed at tourists that visit the country, especially during the summer months.

Greek Casinos 2003:

Property	**Location**	**No of Tables**	**No of Gaming Machines**
Aegean Casino	Syros	Not Available	Not Available
Best Western Hotel Plaza	Rhodes	Not Available	Not Available
Casino Achilleon	Corfu	16	0
Casino Corfu	Corfu	Not Available	Not Available
Casino Porto Carras	Chalkidiki	30	425
Casino Rhodes & Grand Hotel Astir Palace	Rhodes	34	310
Casino Rio & Porto Rio Hotel	Porto Rio	40	80
Casino Syros	Syros	25	186
Casino Magic Xanthi	Xanthi	25	115
Casino and Xenia Thrakis	Xanthi	Not Available	Not Available
Conquest Europe	Athens	Not Available	Not Available
Club Hotel Casino Loutraki	Loutraki	70	700
Mont Parnes Casino Resort	Parnes	59	500
Port Carras Resort Casino Sithonia Hotel	Porto Carras	16	425
Hyatt Regency Casino	Thessaloniciki	77	911

Source: Adapted from the GBGC Report

Traditionally, most Greek casinos have been government-owned and have provided only tables as gaming machines have been prohibited. In recent years, however, the Government legalised slot machines and allocated a number of private casino licenses.

For all casinos as a group, there are approximately 500 tables and 4,500 slot machines, with about 40% of GGRs generated by tables and about 60% generated by slot machines.

In Greece, table and slot GGRs are combined and then taxed according to a progressive scale ranging from 20% to 33%. In addition, casinos pay 2% of GGRs to the local authority and a flat fee to the state tourism organisation.

Greek Casino Regulations:

Entry Fee	2,000 to 5,000 drachmas (€7 to €17)
Hours of operation	12 to 24 hours a day
Facility parameters	allowed bars, restaurants & theatres
Credit	Prohibited
Advertising	Permitted
Entertainment	Permitted
Certification of staff	Required
Tipping staff	Permitted
Age limits	employees must be 18 or older
Alcohol	Permitted
Foreign ownership	Permitted
Location restrictions	only tourist areas specified by law. At least 50km(31miles) outside of Athens
Patron restrictions	may be excluded at casino's discretion

Source: Adapted from the GBGC Report

3. Machine Gambling Outside Casinos

In 2002 the Greek Government prohibited gambling machines outside of casinos. The decision to outlaw the devices, which were present in a growing number of shops, hotels, cafes and restaurants, was made because the Greek Government felt that the illegal gambling was getting out of control. Greece's ban explicitly outlawed all gambling on slot machines, GameBoys, mobile ‘phones, and computer games.

4. Betting

The ***Greek Organisation for Horseracing*** exclusively operates the betting totalisator system in Greece. Fixed odds sports betting was launched in 2000 and is organised by the ***Greek Organisation of Football Prognostics (OPAP)*** in collaboration with Intralot. Its sales during 2002 presented an increase of 15% in comparison to the previous year. The turnover of the OPAP in 2002 reached €1.5 billion. In 2003 OPAP’s total turnover on fixed odds sports betting was over €1.648 billion, making it the largest sports book in the world, with most turnover derived from betting on football events. During the competition of World Cup the turnover exceeded €100m. During the first quarter of 2003 Greece’ s fixed odds betting turnover reached €465,4 m, which represented an increase of 33% on the same period during the previous year.

The Greek Organization of Football Prognostics has a network of 7.700 on line terminals provided by INTRACOM. The number of outlets which currently operate across the country is approximately 5.200.

5. Bingo

The game of Bingo will be launched at the end of 2006 by OPAP S.A.

6. Media Gambling Services

No information was found or contributed by stakeholders approached as part of this research endeavor that allowed meaningful discussion of this sector.

7. Sales Promotional Gambling

No information was found or contributed by stakeholders approached as part of this research endeavor that allowed meaningful discussion of this sector.

8. Charity Gambling

No information was found or contributed by stakeholders approached as part of this research endeavor that allowed meaningful discussion of this sector.

III. NATIONAL SUMMARY

Year	Total (€ million)	Lottery (€ million)	Casino (€ million)	Gaming Machines (€ million)	Betting (€ million)	Bingo (€ million)
2001	710.05	467.97	60.72	32.93	148.42	0.00
2002	859.13	406.00	67.58	18.94	366.61	0.00
2003	1,068.20	474.00	88.72	0.00	505.48	0.00
2004	659.00	659.00	n/a	0.00	n/a	0.00

Source: Data Provided by Stakeholders and GBGC Report (shaded entries)

Year	GDP (€ million)	Propensity to gamble (%)	Spending per person (EURO)
2003	153472.2	0.66%	91.91

Source: Centre for the Study of gambling, Salford, own analysis.

HUNGARY

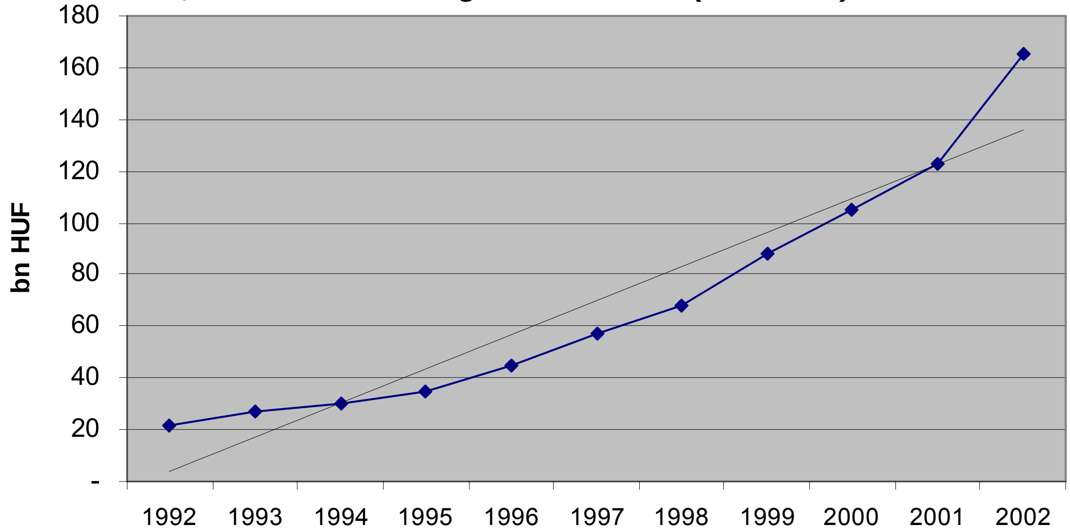
I. INTRODUCTION

Betting and gaming in Hungary is under the authority of the Ministry of Finance and is supervised by the Hungarian Gambling Supervisory Authority. The state lottery, Szerencsejáték Zrt., was founded on 1 January 1991 as the successor to the Sports Betting and Lotto Directorate of the Országos Takarékpénztár (National Savings Bank).

In 1992 Szerencsejáték Zrt. also acquired shares in the casino and horseracing betting markets and started selling instant tickets. In 1995 Szerencsejáték Zrt. pulled out of racing. The same year, comprehensive gaming legislation put the end to as many as 50,000 black market operations.

The Hungarian betting and gaming industry grew throughout the late 1990s, but has contracted significantly since due to a Government decision to restrict the casino industry as it prepared for accession to the EC on 1 May 2004. A number of casinos closed as the Government sought to centralise and control the industry, in 2005 leaving just two casinos operated by Szerencsejáték Zrt. as well as four others operated privately. Among them, the six properties attracted approximately 365,000 visitors in 2004.

Hungarian Betting and Gaming Sales: Betting Handle, Lottery Sales, Casino and Gaming Machines GGY(1992-2002)



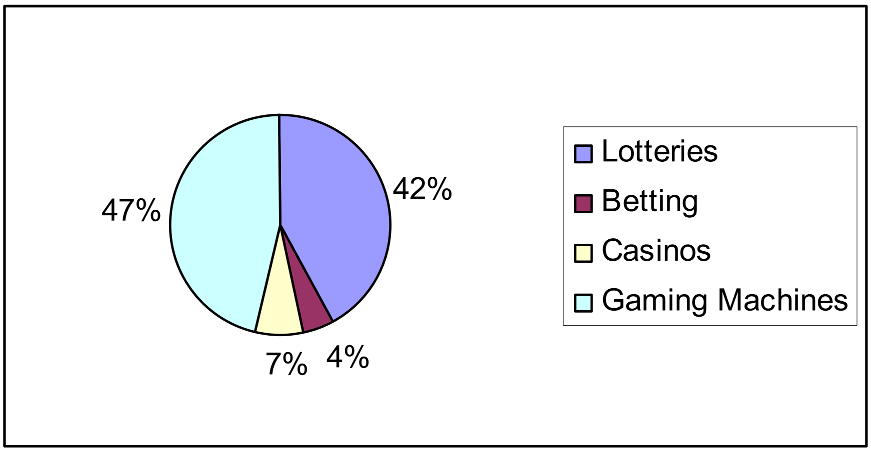
Source: Adapted from GBGC Report

The Hungarian Gambling Market by Sector 2004:

Gambling Sector	Number of organisers	GGR (thousands of HUF)*	GGR (thousands of Euros)	Market share (%)
Lotteries	1	61,958,090	245,904	41.67
Betting	2	6,581,197	25,705	4.43
Casinos	6	10,098,491	39,443	6.79
Gaming Machines (money winning)	1,194	70,034,743	273,545	47.11
Total Gambling	1,203	148,672.521	594,690	100

Note: 250 Hungarian Forint (HUF) equals approximately 1 Euro
Source: Submission to the Enquiry from Hungarian Ministry of Finance

Hungarian Gambling Market Shares 2004:



Source: Centre for the Study of gambling, Salford, own analysis.

The license and supervision fees are paid directly to the Gambling Supervisory Authority (SZF)

Gaming License and Supervision Fees Paid 2000 - 2004 (in million HUF):

	2000	2001	2002	2003	2004
Slot machines (money winning) Category I	563.2	720.3	870.35	887.4	1,236.44
Slot machines (money winning) Category II	1,677	1.641.48	1,814.05	1,799.12	2,673.925
Data amendment in accreditation certificate	1.05	3.25	5.217	8.07	10.897
Gaming Halls	70.84	64.18	55.48	53.95	165.94
Casinos	4.07	4.07	3.814	2.99	1.67
Lotteries	34.94	41.15	62.05	41.15	68.45
Betting	0.07	4	5	4	6
Total	**2,351.17**	**2,478.43**	**2,815.96**	**2,796.67**	**4,163.31**
Supervision fee	**242.97**	**307.99**	**346.99**	**406.43**	**441.45**

Source: Submission to the Enquiry from Hungarian Ministry of Finance

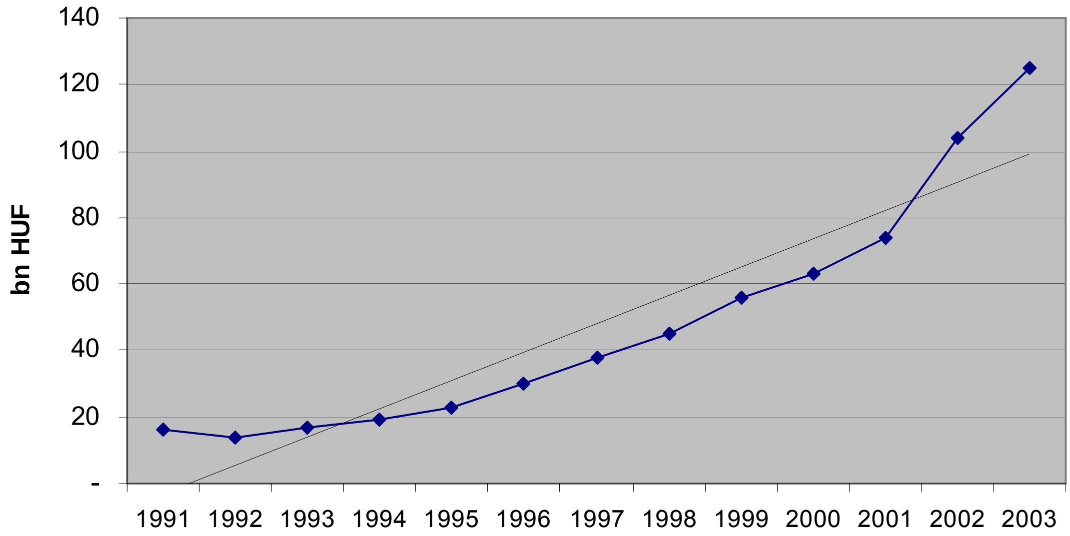
II. GAMING SECTOR ANALYSIS

1. Lotteries

The 1991 Gambling Act formulated general rules for the operation of lotteries. A decree of the Ministry of Finance (32/2005 (X. 21.) PM) governs detailed rules of lotteries. The Act requires that number draws licence may only be granted to companies with 100% state ownership, while companies with major state ownership may issue instant tickets.

Since 1997, ***Szerencsejáték*** has had a monopoly for lottery sales in Hungary. ***Szerencsejáték Zrt.*** contribute directly to good causes such as health, culture, and sports and as a significant taxpayer and a reputable state-owned corporation, it is a major contributor to the National Treasury.

Szerencsejáték's Sales (1991-2003)



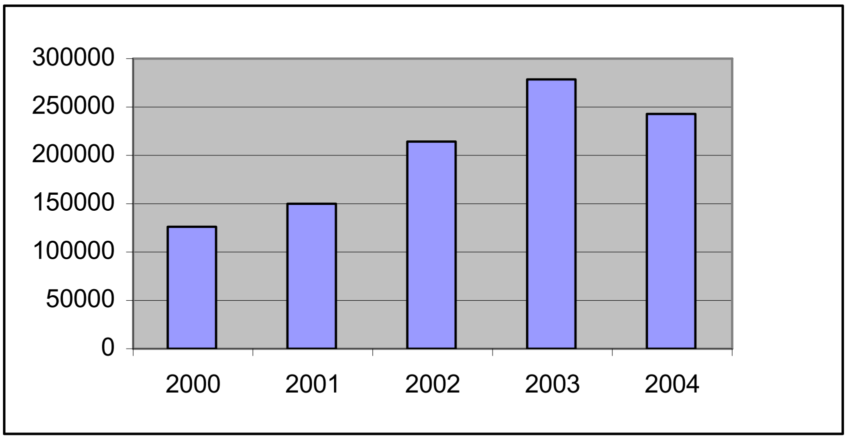
Source: Adapted from GBGC Report

Hungarian Lottery Sector 2000 - 2004:

	2000	2001	2002	2003	2004
Number of organisers	1	1	1	1	1
GGR (000 HUF)	32,548,172	38,383,735	54,741,308	71,236,921	61,958,090
GGR (000 Euro)	127,128	149,921	213,811	278,240	241,998
Market share (%)	40.54	39.85	45.05	48.43	41.67

Source: Submission to the Enquiry from Hungarian Ministry of Finance

Hungarian Lottery Sector Growth 2000 - 2004:
(thousands of Euros)



Source: Submission to the Enquiry from Hungarian Ministry of Finance

Szerencsejáték Zrt. sales rose to HUF 10.2 billion (€41.452 million) during 2002, reflecting an average of approximately 3 million tickets sold per week. During the previous year Szerencsejáték Zrt.'s sales were HUF 74.1 billion (€301.1 million) of which it had paid out HUF 29 billion (€117.940 million) in prizes.

The overall tax revenue from Szerencsejáték Zrt's various gaming facilities, including number games, betting, and casinos reached HUF 40.0 billion (€162.5 million) in 2002. Sales rose by 20.6% to HUF 123.5 billion (€501.2 million) in 2003, this represented an average of HUF 14,670 (€59.54) per adult. *(Source: GBGC Report)*

SzerencsejátékZrt's telephone and Internet gambling were approximately 0.2% of all sales. Under Hungarian gambling legislation, betting and gaming can not be offered via telecommunication means and systems without holding a licence.. Furthermore, no intermediary activity in respect of gambling organised abroad is permitted in Hungary, nor is the advertising of such activities.

The taxation system is complex in Hungary. Szerencsejatek Zrt. has to pay 30% of instant tickets GGR, 24% of lotto turnover and 17% of joker turnover as gambling taxes .

Lottery Tax System in Hungary:

Lottery Type	**Tax**
Lotto	24% of turnover
Joker	17% of turnover
Drawing game (Instant tickets)	30% of GGR
Keno	24% of GGR
Other number games	17% of turnover
Other lotteries, not continuously organised	16% of turnover
Low value lottery games (Tombola)	Require no licence and pay no tax

Source: Submission to the Enquiry from Szerencsejátek Zártkörűen Működő Részvénytársaság

In addition to taxes, state-owned Szerencsejatek Zrt. contributes to good causes by sub-sidising various organisations and foundations in culture, sports and heath of its choice.

Amount Spent on Good Causes 2000 - 2004 (in mHUF and € million):

	2000	2001	2002	2003	2004
Total direct support (in mHUF)	144	256	422	1,118	739
Total direct support (in € million)	0.569	1.01	1.67	4.42	2.92

Source: Submission to the Enquiry from Szerencsejáték Zártkörűen Működő Részvénytársaság

In addition to the above, Szerencsejáték is required to spend a part of the game tax on the support of professional and recreational sports through the state budget.

Amount Spent on Sports Through The State Budget 2000 - 2004 (million HUF):

	2000	2001	2002	2003	2004
Total support through state budget	1,991	2,345	2,955	3,321	3,767

Source: Submission to the Enquiry from Szerencsejatek Reszvenytarsasag

Number of Szerencsejáték Employees 2000 - 2004:

	2000	2001	2002	2003	2004
Full-time employees	1,023	993	1,009	1,023	1,034
Part-time employees	147	153	159	186	235
Total staff on average*	1,170	1,146	1,168	1,209	1,269

Note: 70% of the employees are employed in their own sales network
Source: Submission to the Enquiry from Szerencsejáték Zártkörűen Működő Részvénytársaság

Szerencsejáték Zrt. has a number of distributional outlets, such as post offices, newspaper agents, bank branches and charity shops. The number of outlets changed considerably in 2000-2001 due to the discontinuation of on-line sales, but has since remained stable. Between 2001 and 2003 nearly 3,000 outlets were exclusively selling lottery tickets. In 2003 a charity scratch tickets network was developed in addition to the existing one. At the end of 2004 there were 800 charity scratch ticket retailers working at more than 5000 points of sale.

Number of Szerencsejáték Zrt. outlets 2001 - 2004:

	2001	2002	2003	2004
Number of outlets	6,115	6,203	6,281	6,750
Number of lottery outlets owned by Szerencsejáték	290	291	292	294

Source: Submission to the Enquiry from Szerencsejáték Zártkörűen Működő Részvénytársaság

2. Casino Gaming

The first casino in Hungary opened in 1981 without a gaming law, and it was followed by several others. The Gambling Act came into force in 1991, at a time when nine casinos were operating in Hungary and another three casinos had been granted a license by the Minister of Finance. Until the Gambling Act, casinos could only accept foreign players, but following the implementation of the Act, domestic players were allowed to play in casinos.

The Minister of Finance called for tendering for new sites in 1991 and 1993. The result was that eight new licenses were granted, increasing the total number to twenty, and the market soon became saturated.

In 1998 it was decided that casino development should be restricted. As a result ***Szerencsejáték Felügyelet*** (the Hungarian Gambling Supervisory Authority) proposed the amendments to the 1991 Gaming Act, and the enabling legislation was enacted the following year. By early 1999 the number of Hungarian casinos had fallen to 16, with eight of them located in central districts of Budapest, and the remainder located in more populated provincial towns, tourist locations, and border regions. The casinos outside of Budapest generated 33% of the total Hungarian casino GGR and they catered for the lower end of the market.

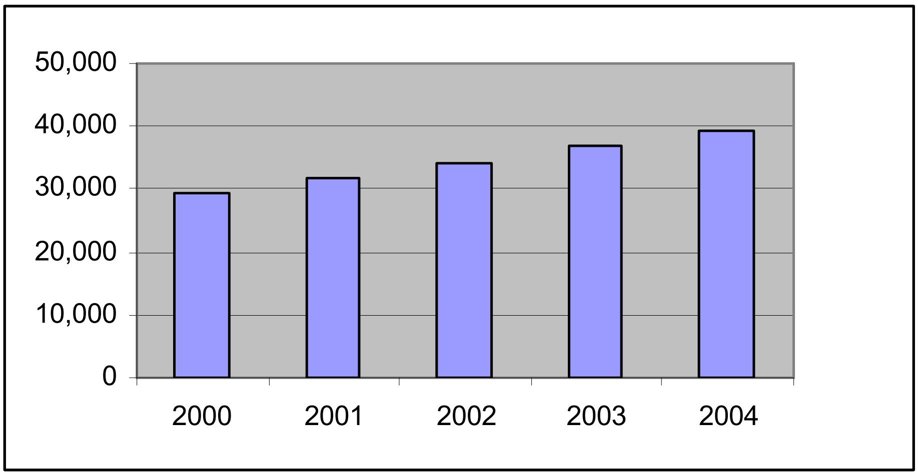
After 1999, casinos continued to close with the number declining to six in 2004. Two of the remaining casinos are run by the state owned company – ***Szerencsejáték Zrt***.

Hungarian Casino Sector 2000 - 2004:

	2000	**2001**	**2002**	**2003**	**2004**
Number of organisers	5	6	6	6	6
GGR (000 HUF)	7,494,698	8,144,050	8,733,743	9,461,939	10,098,491
GGR (€ million)	29.27	31.81	34.1	37.0	39.4
Market share (%)	9.43	8.45	7.19	6.43	6.79

Source: Submission to the Enquiry from Hungarian Ministry of Finance

Hungarian Casino Sector Growth 2000 - 2004:



Source: Submission to the Enquiry from Hungarian Ministry of Finance

As part of the changes, the capital requirements for operators were increased, from a minimum of HUF 50m (€203,000) to HUF 300m (€1.22 million) for Budapest and Pest County-based operations and HUF 100m (€406,000) for those outside of this area in order to eliminate any under-capitalized operators from entering the industry. The modifications to the Act mean that all new casinos require a concession tender approved by the Finance Ministry. Currently concessions run for ten years. Since November 2005, the concession term for category 1 casino increased to a maximum of 20 years, while that of category 2 casinos remained at a maximum of 10 years, which periods can be renewed once by half of the original term by the Minister of Finance without issuing a separate tender notice. Category 1 casino is that one that has at least 100 game and/or card tables as well as at least 1000 money winning machines in operation. All other casinos that do not fulfil these requirements are considered to be category 2 casinos.

Gambling machines are widely accessible outside the casinos and slot revenues have traditionally not been too important for the Hungarian casinos. However, recent years have seen a decline in table game turnover and a shift toward gambling machine play. Typically gambling machines provide approximately 9% of the casino industry's GGR. Players are becoming increasingly attracted to gambling machines located in casinos by the lure of higher payouts that are not available with gambling machines in arcades.

Since tightening casino regulations, the Ministry of Finance approved a reduction of the gaming tax, from 40% to 30%, effective from January 2000. The net monthly gaming revenues are increased by 50 per cent of the tips received during the month, which was previously 40 per cent. In addition, 2% of GGR is forwarded to Hungary's Tourist Fund and casinos must also pay an inspection fee of 2.5% of GGR, with a ceiling of HUF 10 and 5 million HUF depending on the category every three months. The most recent modification in gambling legislation made the gambling tax of the casinos (including tables and slots) arranged in regressive range.

The tax structure for casinos is regressive in nature and is as follows:

- The tax is 30% of GGR in the fiscal year for GGRs from zero to 5 billion HUF (€20 million).
- The tax is 1,500 million HUF (€6 million) plus 25% of GGR, if GGRs are over 5 billion HUF (€20 million) and below or equal to 10 billion HUF(€40 million.)
- The tax is 2,750 million HUF (€11 million) plus 20% of GGR, if it exceeds 10 billion HUF (€40 million.)

The number of casino employees has decreased since 2000, due to contraction in the number of casinos.

Casino Employees in Hungary 2000 - 2004:

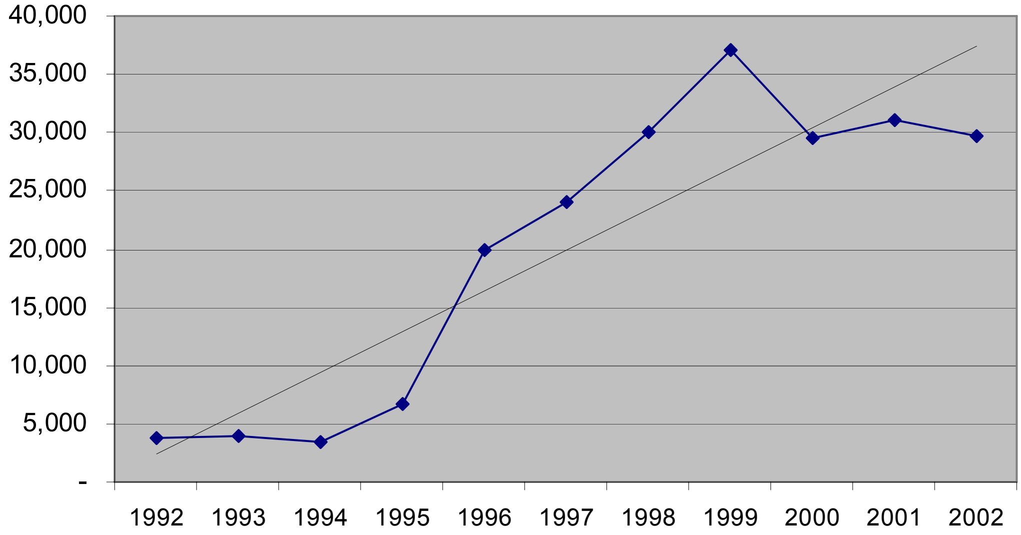
	2000*	**2001**	**2002**	**2003**	**2004**
Number of employees	958	803	739	762	763

** In 2000 there were nine casinos operating in Hungary*
Source: Submission to the Enquiry from Hungarian Ministry of Finance

3. Machine Gambling Outside Casinos

Gambling (money winning) machines with limited stakes and jackpots are widely available in arcades across Hungary. During 2002 there were about 1,100 organisations licensed to offer gambling machines; among them, they were operating 30,000 devices. The gambling machines must be registered with the Gambling Supervision Board (SZF).

Number Of Gaming Machines (1992-2002)



Source: Adapted from GBGC Report

The number of licensed companies organising machine gambling was about 1,200 at the end of 2004. Total number of pay-out machines in Hungary was 34,500 in 2004 and the number of amusement (non-pay out) machines was 6,500 in 2004.

There are two types of gambling arcades in Hungary:

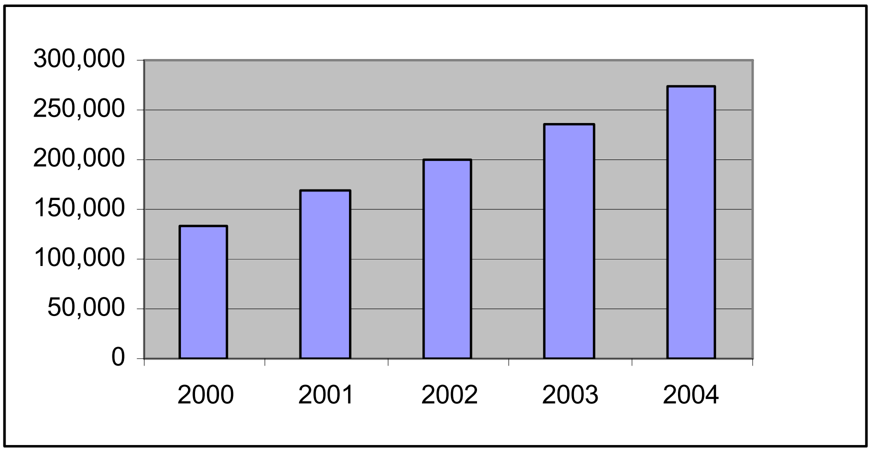
– Category I. (with money-winning Category I and II machines) 1,570 arcades in 2004 versus 1,358 arcades in 2003
– Category II. (bars/pubs with maximum 2 money-winning Category II machines) 20,600 places in 2004 versus 18,405 places in 2003

Hungarian Gambling Machines Sector 2000 - 2004:

	2000	2001	2002	2003	2004
Number of organisers	1,006	1,026	1,093	1,120	1,203
GGR (000 HUF)	34,353,203	43,498,818	51,256,515	60,384,220	70,034,743
GGR (€ million)	134.2	169.9	200.2	235.9	273.6
Market share (%)	42.49	45.16	42.18	41.05	47.11

Source: Submission to the Enquiry from Hungarian Ministry of Finance

Hungarian Gaming Machines Growth 2000 - 2004:



Source: Submission to the Enquiry from Hungarian Ministry of Finance

The gambling machines sector is experiencing consistent growth, although it is predicted that the market is close to saturation.

The current tax since 1 September 2005 is 100,000 HUF or 400 EUR (increased from 75,000 HUF or 300 EUR) per gambling (money-winning) machine per month per location. The game tax on gaming (amusement) machine is 60,000 HUF per machine per year. The game tax has to be payed in addition to the usual taxes of the enterprise. The gambling organiser also has to pay a licence fee to the Gambling Supervisory Authority for each new gambling licence, modification or extension.

Gambling Machines License Fees:

	Before December 2003	**Since December 2003**
Gambling machines Category I (per location)	100,000 HUF	125,000 HUF
Gambling machines Category II (per location)	50,000 HUF	75,000 HUF
Game room	10,000 HUF	20,000 HUF
Data amendment in accreditation certificate	2,000 HUF	5,000 HUF

Source: Submission to the Enquiry from Hungarian Ministry of Finance

4. Betting

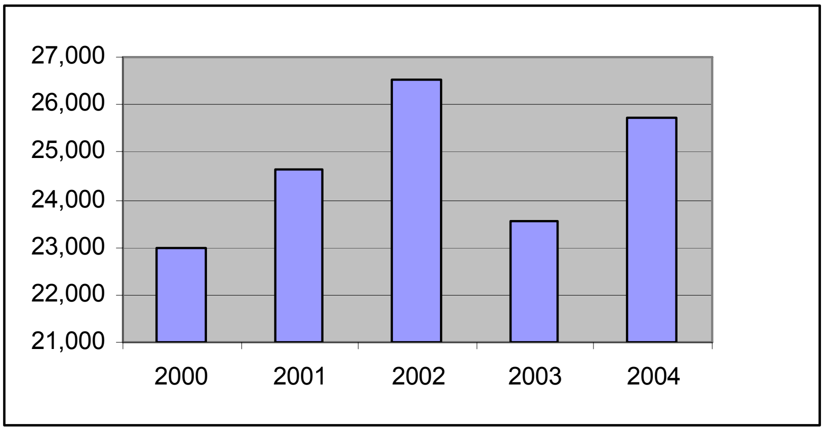
Both fixed odds and pari-mutuel betting are permitted in Hungary under the Gaming Act of 1991. However, the Hungarian market consists predominantly of pari-mutuel betting.

Hungarian Betting Sector 2000 - 2004:

	2000	2001	2002	2003	2004
Number of organisers	2	2	2	2	2
GGR (000 HUF)	5,886,351	6,303,511	6,790,318	6,024,004	6,581,197
GGR (€ million)	23.0	24.6	26.5	23.5	25.7
Market share (%)	7.33	6.54	5.59	4.09	4.43

Source: Submission to the Enquiry from Hungarian Ministry of Finance

Hungarian Betting Sector Growth 2000 - 2004:



Source: Submission to the Enquiry from Hungarian Ministry of Finance

The Ministry of Finance (20/1991. (XI. 5.) FM-PM) set out a detailed set of rules for horserace betting with a further decree of the Minister of Finance (25/1991) implementing the Gambling Act. In 1997, an amendment was made to the Gambling Act under which only wholly- or majority-owned state companies could operate betting and only if they had at least five years experience in the gambling industry and had capital of HUF 1 billion (4.0€ million), with the exception of horse-race betting. The maximum period for a licence is ten years. Stakes are not permitted to exceed HUF 100k (€400), with the prize of a fixed odds bet not to exceed HUF 1m (€4,000).

From 1st November 2005 the Act was amended and at the bookmaker type of betting the maximum concession term is 20 years and the number of concessions issued simultaneously may not exceed 2. At the horse race bettings the concession term has changed to max. 20 years instead of 10 years earlier, and the number of concessions issued simultaneously may not exceed 2.

Bookmakers pay 20% of GGR monthly in gambling taxes, while domestic totalizer-type greyhound and horse racing betting are free from gambling taxes. Other totalizer-type betting pays 17% of turnover monthly.

5. Bingo

In Hungary bingo may only be organised by the state gaming operator. Bingo has to pay 7% of monthly turnover in taxes.

6. Media Gambling Services

No information was found or contributed by stakeholders approached as part of this research endeavor that allowed meaningful discussion of this sector.

7. Sales Promotional Gambling

No information was found or contributed by stakeholders approached as part of this research endeavor that allowed meaningful discussion of this sector.

8. Charity Gambling

No information was found or contributed by stakeholders approached as part of this research endeavor that allowed meaningful discussion of this sector.

III. NATIONAL SUMMARY

Year	Total (€ million)	Lottery (€ million)	Casino (€ million)	Gaming Machines (€ million)	Betting (€ million)	Bingo (€ million)
2000	313.57	127.13	29.27	134.18	22.99	n/a
2001	379.44	149.92	31.81	169.90	24.62	3.19
2002	478.88	213.81	34.11	200.20	26.52	4.24
2003	580.18	278.24	36.96	235.85	23.53	5.60
2004	580.69	242.00	39.44	273.55	25.71	n/a

Source: Data Provided by Stakeholders and GBGC Report (shaded entries)

Year	GDP (€ million)	Propensity to gamble (%)	Spending per person (EURO)
2003	73,245.4	0.65%	46.79

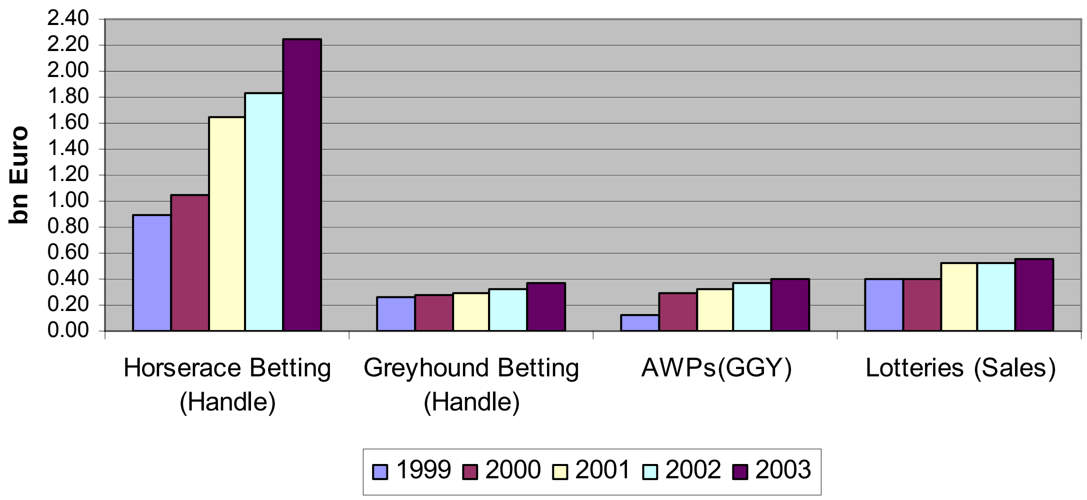
Source: Centre for the Study of gambling, Salford, own analysis.

IRELAND

I. INTRODUCTION

The Irish betting and gaming industry consists of horserace betting, greyhound race betting and a National Lottery. The Minister for Finance regulates the National Lottery under the National Lottery Act 1986; the Minister for Agriculture and Food regulates betting under the Betting Acts (bookmakers, on and off- track betting), and the Minister for Justice, Equality and Law Reform regulates all other forms of gaming under the Gaming and Lotteries Act as amended.

Irish Betting and Gaming Gross Turnover (1999-2003)



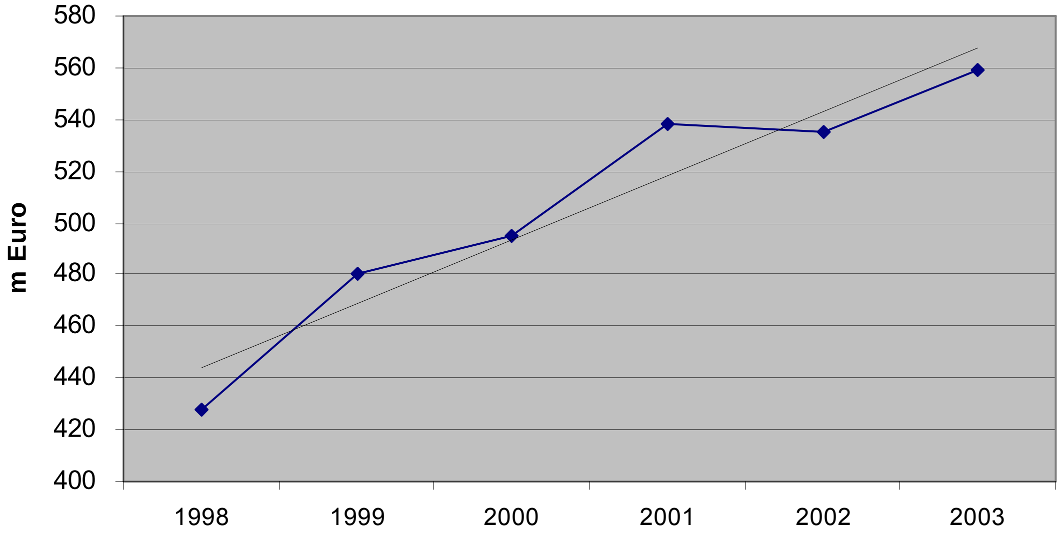
Source: Adapted from GBGC Report

II. GAMING SECTOR ANALYSIS

1. Lotteries

An Post National Lottery Company was awarded the first 10-year licence to operate the National Lottery in 1987. This licence was subsequently extended and re-awarded to An Post National Lottery Company. The current licence was issued in 2002.

An Post National Lottery Sales (1998-2003)



Source: Adapted from GBGC Report

An Post National Lottery Company's online vendor is Gtech and its primary instant ticket printers are Pollard Banknote Limited. Scientific Games Inc. has a secondary printing contract. The National Lottery retail agent network is comprised of 3,500 agents of which 2000 are fully on-line.

The Company offers Lotto 6/42, Lotto Plus and Lotto 5-4-3-2-1 with draws on Wednesday and Saturday. Euromillions has a weekly draw on Friday, and TellyBingo is played on Tuesday and Friday. A range of instant games are available through the retail network at prices from €1 to €5.

An Post Total Annual Sales 2000 - 2004 (in € millions):

Year	Turnover
2000	495.4
2001	538.1
2002	533.1
2003	559.2
2004	578.3

Source: Submission to the Enquiry from An Post National Lottery Company

During 2003 total lottery sales were €559.2m. Lotto games include Lotto, Lotto Plus and Lotto 5-4-3-2-1; these games accounted for 70% of total National Lottery sales, with sales of €392.3m in 2003. During 2003 sales of instant games were €146.5m. *(Source: GBGC Report)*

An Post Total Gross Gaming Revenue 2000 - 2004 (in € millions):

Year	GGR
2000	236.8
2001	255.8
2002	252.2
2003	264.9
2004	273.3

Source: Submission to the Enquiry from An Post National Lottery Company

The Number of Full-Time Employees in An Post National Lottery 2000 - 2004:

Year	Number of FTEs
2000	80
2001	77
2002	81
2003	81
2004	81

Source: Submission to the Enquiry from An Post National Lottery Company

The number of staff employed in the company might increase in the next few years depending on what new games are approved by the Minister of Finance.

The Irish National Lottery does not have to pay VAT, which is normally 21%. There are neither “gambling-specific taxes” nor license fees levied on the National Lottery. There are also no other mandatory payments that need to be paid by the company. Under the terms of the license to the operator of the National Lottery issued by the Minister of Finance, an annual management fee is payable to the company. This fee is expressed as a percentage of the funds generated for good causes and is capped at a maximum annual amount of approximately €3m.

The National Lottery was established primarily to raise funds for good causes (Irish Lottery Beneficiaries Compendium 1998). Funds raised by the players’ participation in the National Lottery are allocated by the Government to projects in the areas of Health and Welfare, Sport Youth and Recreation, Arts Culture and National Heritage, and the Irish Language. For example, The Irish Sports Council is a statutory government owned body that is 100% sponsored by the Irish National Lottery.

The Irish government established the National Lottery Fund and, in 2004, a record €191.1 million was raised for beneficiary projects. This represented 33% of total sales of €578.3 million and brought to over €2.2 billion the total funds raised by the National Lottery since 1987 for distribution by the Government to good causes throughout Ireland.

The Irish National Lottery Good-Causes Funding in 2004 (in € millions):

Funding area	Amount of funding
Youth, Sport, Recreation & Amenities	139.0
Health and Welfare	65.1
Arts, Culture, National Heritage	27.9
Irish Language	3.9
Total	235.9

Source: Submission to the Enquiry from An Post National Lottery Company

The Gaming and Lotteries Act 1965, as amended, prohibits the sale or promotion in Ireland of any lottery that is not expressly authorised in Ireland. In spite of this prohibition, UK National Lottery tickets are on sale in a small number of retail outlets in Ireland. There is also some evidence of National Lottery instant tickets being purchased by Northern Ireland residents.

In addition to the National Lottery, there are a dozen small charitable lotteries, including those operated by the Irish Wheelchair Association and the Rehab Lottery, that among them issue approximately €6.0m worth of instant tickets per annum.

Rehab Lotteries Ltd is a wholly owned subsidiary of the Rehab Group, which is Ireland's largest not-for-profit organisation providing vocational training, employment, health and social care services to people with disabilities and the socially disadvantaged. Since its creation, it raised over €15m both for itself as well as other not-for-profit organisations In 2004, the Rehab Group provided its services to 60,610 people at its 200 service locations in Ireland and the UK. In that year, the Group had a turnover of €159m and had 2,800 employees.

There are two main pieces of lottery legislation in Ireland. First, there is the National Lottery Act 1986 which regulates the National Lottery. Second, there is the Gaming and Lotteries Act 1956 which regulates all other lotteries, which must be operated for charitable purposes. This legislation restricts products and prizes which a charity may offer. Therefore, charity lotteries may offer a maximum prize fund (to account for all prizes) of €20,000 in any one week. According to the Rehab lottery, National Lottery's turnover in 2004 was €578m whilst the combined turnover of all charitable lotteries was less that €15m in the same year.

2. Casino Gaming

Casinos are illegal in Ireland. Although casino gaming is not authorised in Ireland, a number of unlicensed private clubs offer casino style games[16]. They appear to operate in a "grey area" of the law, are known to the authorities and are being monitored. Proposed amendments that would address the issue of private clubs offering casino services are expected to be introduced in the near future.

3. Machine Gambling Outside Casinos

Gaming machines have also been illegal in Ireland until recently. The Interdepartmental Group that conducted the Gaming and Lotteries Act review concluded that breaches of the law in relation to gaming machines are widespread in Ireland. Therefore, they recommended that new definitions of gaming machines be established, that gaming machines should be located exclusively in premises that are licensed for this purpose and that there should be a minimum verifiable percentage payout level set by a Gaming and Lotteries Authority. As a result the Department of Justice is in the process of reviewing the Gaming and Lotteries Act. *(Source: GBGC Report)*

Figures issued by the Revenue Commissioners in Dublin show considerable growth in the availability of legal gaming machines. In 2003 there were 137 Gaming (Premises) Licenses; 12,591 Gaming Machine Licenses; and 8,806 Amusement Machine Licenses, yielding a total income of € 3.24 million. No AWPs are permitted in Irish betting shops.

16 Please refer to the Ireland country report in the Legal section for further discussion of this issue.

A Gaming License costs €630 which covers a period which exceeds three months but does not exceed one year. A license can also be taken out for a period, which does not exceed three months and costs €175. (Section 17 F.A. 1956 as amended by section 107 F.A. 2003.). A Tax Clearance Certificate is required before the issue of a license.

The Excise duty on a Gaming Machine License is €505 and covers a period which exceeds three months up to one year. A license may also be taken out for a period which does not exceed three months and costs €145. (Sec 43(6) F.A. 1975 as amended.)

Amusement Machine Licenses are available as follows: Not exceeding one year - €125 per machine - expires 30th June. Not exceeding three months - €38 per machine. €100 for premises (any number of premises) (Section 123(a) Finance Act 2002.)

A ban on smoking in the workplace was introduced in Ireland on 29 March 2004. This means no smoking in hotels, restaurants, bars, amusement arcades etc. In effect it means smoking is only allowed outdoors, with few exceptions. This has had a detrimental effect on income in the hospitality sector, including from coin-op equipment in single site locations and amusement arcades.

4. Betting

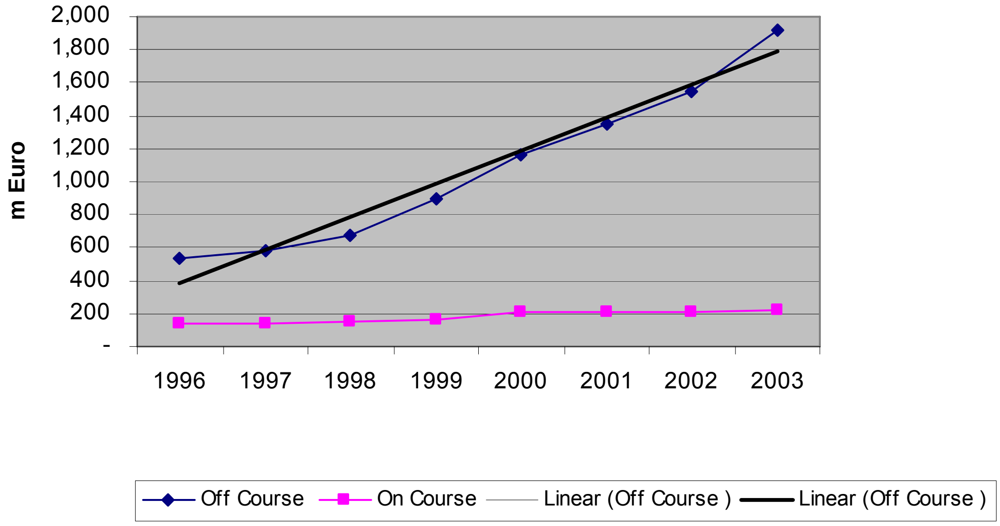
Horseracing in Ireland was organised by the Irish Horseracing Authority until 2002. The Irish Horseracing Authority was established in December 1994 under the Irish Horseracing Act.

The Irish National Bookmakers' Association is a trade association representing independent bookmakers who form its membership. Members of this Association offer betting services on any event or outcome.

Most of the members of this Association are On-Course Bookmakers, betting at horse racing meetings, point-to-point meetings, greyhound racing meetings and greyhound coursing meetings. All these bookmakers are licensed by the State but also must have a permit from the relevant body.

In respect of horseracing and point-to-point meetings, bookmakers have to be registered with Horse Racing Ireland. This semi-state body keeps records of the number of bookmakers operating in this area and their business turnover. It also runs the Totalisator (or Pari-Mutuel), which operates in competition with the racecourse bookmakers.

Irish Horserace Betting Turnover (1996-2003)



Source: Adapted from GBGC Report

Greyhound racing is controlled by the Irish Greyhound Board, who similarly license bookmakers and collect turnover information from them at all greyhound racetracks. The current system of greyhound racing in Ireland dates back to 1958 when the Irish Greyhound Board (Bord nag Con) was established under the Greyhound Industry Act. Today there are a total of seventeen tracks in Ireland which are licensed by the Board, eight of which they fully own and control. The remainder are owned and operated by private enterprise. There are also a further three privately-owned stadia in Northern Ireland. The Board operates Tote facilities at all greyhound tracks and applies an on course levy on all bookmaker's greyhound betting. The tote is the only source of income which keeps this Greyhound Industry to the forefront of the leisure and sporting Industry, not only in Ireland but around the world.

Key Irish Greyhound Figures (in € million):

	1995	**2000**	**2001**	**2002**	**2003**	**2004**
Tote Betting	6.7	18	22.5	31.6	36.7	46.3
Gross Gaming Revenue	1.34	3.6	4.5	6.32	7.34	9.26
Bookmaker Betting	22.2	49.6	54.1	74.3	82.4	93.5
Gross Gaming Revenue				0.25	0.281	0.355
Total Betting	30.24	71.2	81.1	112.22	126.44	149.06
Prize Money Grants	1.0	2.2	4.4	5.3	5.5	7.0
Prize Money Paid	2.4	4.8	6.0	7.4	8.4	10.4
Sponsorship	€593,771	€766,555	€864,182	€1,121,929	€1,196,095	€1,289,879
Attendances	586,000	899,000	950,000	1,025,000	1,122,528	1,290,176
No of Meetings	1,736	1,613	1,353	1,693	1,852	2,138

Source: Submission to the Enquiry from The Itish Greyhound Board.

The Irish Greyhound Board contribute more to charitable causes then any other sporting organisation in the country.

Betting services are not subject to VAT; bookmakers do not have to register and cannot claim VAT paid. The tax on bets struck where the event takes place is subject to zero tax. However, bets on "away events" (events taking place at another venue) are subject to a tax of 2% of turnover, the proceeds being paid to Horse Racing Ireland or the Irish Greyhound Board, depending on the nature of betting.

The annual license fee paid to the State is €250. The annual Standing Charge paid to Horse Racing Ireland is €500, plus 0.5% of the betting turnover.

Bookmakers pay a pitch fee to individual racecourses or greyhound tracks. This is based on the price charged to the general public for admission and is not expected to rise significantly in the near future.

Prior to the introduction of 1999 tax reductions (on course – from 5% to zero on 26 July and off course - from 10% to 5% on 1 July), the annual growth in bookmaker betting had averaged 5%. However, in the year that followed the tax reductions, the handle increased by 32%.

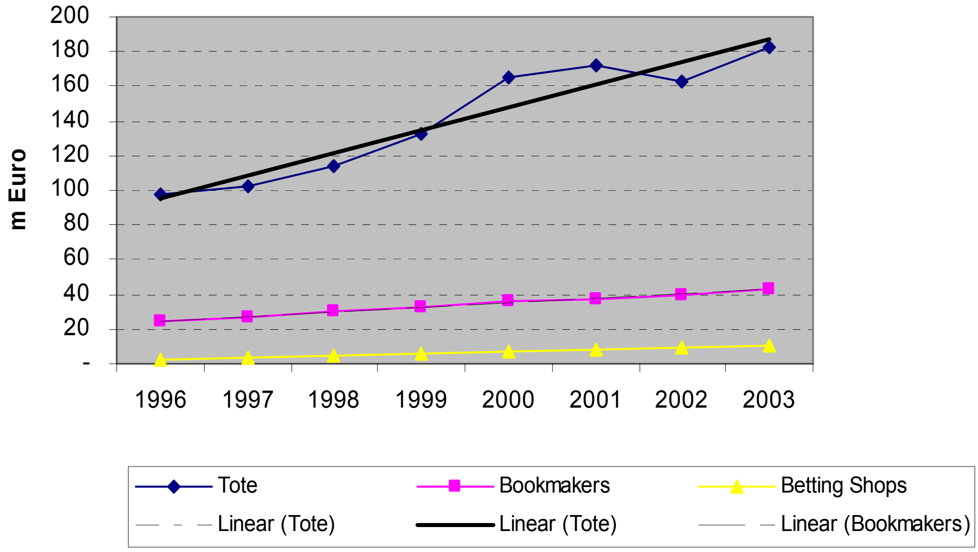
The abolition of General Betting Duty in the UK, which became effective during 2001, placed tremendous pressure upon the Irish betting industry. Consequently during November 2002 the Irish Government reacted by announcing that the Irish rate of off-course duty was to be reduced further to 2% as of 1 May 2002.

Following the agreement of Irish bookmakers and the British Horseracing Board (BHB) over the media rights to UK horseracing, Irish off-course bookmakers introduced a charge of 3%. The charge the BHB has imposed is 10% of bookmakers' gross profits (GGRs) on UK racing.

The Irish betting system, which is based on the same structure as the UK, consists of the co-existence of bookmakers offering fixed odds betting both on and off course, and Tote offering a pool betting service both on course and via its telephone service. The Tote introduced a new brand identity, Tote Ireland, during 2001. It started by modernising its facilities and introduced credit card betting.

Tote Ireland is a subsidiary of Horserace Ireland and is licensed to operate Tote services at racecourses under the Totalisator Act 1929. A cash and credit service is provided at all 25 racecourses in Ireland and it also operates a full off-course telephone service. At present the Tote's take-out rates are 20% for win and place bets and 22% for exotics, with the average being just under 22%. During 2003 it was decided to run a pilot programme whereby the take-out rate for win bets on small fields, initially ten runners or less, was reduced to 10%. *(Source: GBGC Report)*

Irish On Corse Horserace Betting Turnover (1996-2003)



Source: Adapted from GBGC Report

Irish On Course Betting 2002:

	Fix-tures	**Attend-ances**	**Average Stake per Attendant (€)**	**Average Stake per Fixture (€)**	**Total Stakes (€)**	**Tote Stakes (€)**	**Book-makers Stakes (€)**
Ballinrobe	6	17,488	167.56	488,380	2,930,282	604,262	2,326,020
Bellewstown	3	13,823	140.97	649,547	1,948,641	325,907	1,622,734
Conmel	12	19,402	237.51	384,014	4,608,172	517,884	4,090,288
Cork	19	61,028	129.11	414,686	7,879,040	1,397,721	6,481,319
The Curragh	19	140,017	147.32	1,085,622	20,626,819	4,503,311	16,123,508
Dundalk							
Fairyhouse	18	70,033	218.79	851,242	15,322,361	2,618,163	12,704,198
Galway	11	200,471	123.67	2,253,828	24,792,107	7,308,630	17,483,477
Gowran Park	13	37,947	209.68	612,058	7,956,756	896,562	7,060,194
Kilbeggan	6	40,085	107.97	721,299	4,327,794	636,556	3,691,238
Killarney	7	24,288	142.3	493,736	3,456,151	658,477	2,797,674
Laytown							
Leopards-town	21	158,417	160.5	1,210,748	25,425,704	5,414,022	20,011,682
Limerick	15	72,000	98.79	474,169	7,112,542	1,313,375	5,799,167
Listowel	9	95,876	120.58	1,284,534	11,560,805	2,144,309	9,416,496
Naas	12	30,600	258.75	659,823	7,917,878	1,025,122	6,892,756
Navan	16	46,900	222.02	650,810	10,412,966	1,157,684	9,255,282
Punches-town	16	86,895	218.98	1,189,286	19,028,572	3,771,441	15,257,131
Roscommon	5	16,120	167.39	539,655	2,698,275	361,912	2,336,363
Sligo	4	10,982	150.58	413,412	1,653,647	235,871	1,417,776
Thurles	12	27,018	221.91	499,635	5,995,617	403,676	5,591,941
Tipperary	9	26,309	168	491,096	4,419,864	419,297	4,000,567
Tralee	7	33,517	129.79	621,454	4,350,175	696,661	3,653,514
Tramore	9	33,393	125.27	464,781	4,183,031	629,456	3,553,575
Wexford	9	24,305	139.88	377,751	3,399,756	469,556	2,930,200
Sub-Total	258	1,286,914	156.97	782,973	202,006,955	37,509,855	164,497,100
Point-to-point	97			52,418	5,084,505		5,084,505
Co-mingling Out					1,301,000	1,301,000	
Grand Total	**355**	**1,286,914**		**587,021**	**208,392,460**	**38,810,855**	**169,581,605**

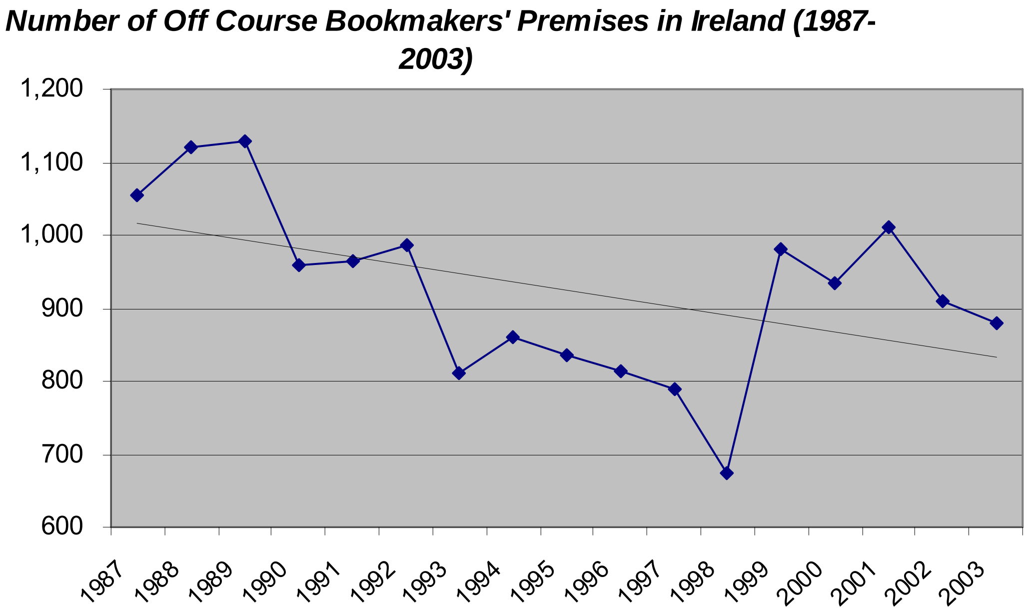
Source: Adapted from the GBGC Report

Irish On Course Betting 2001:

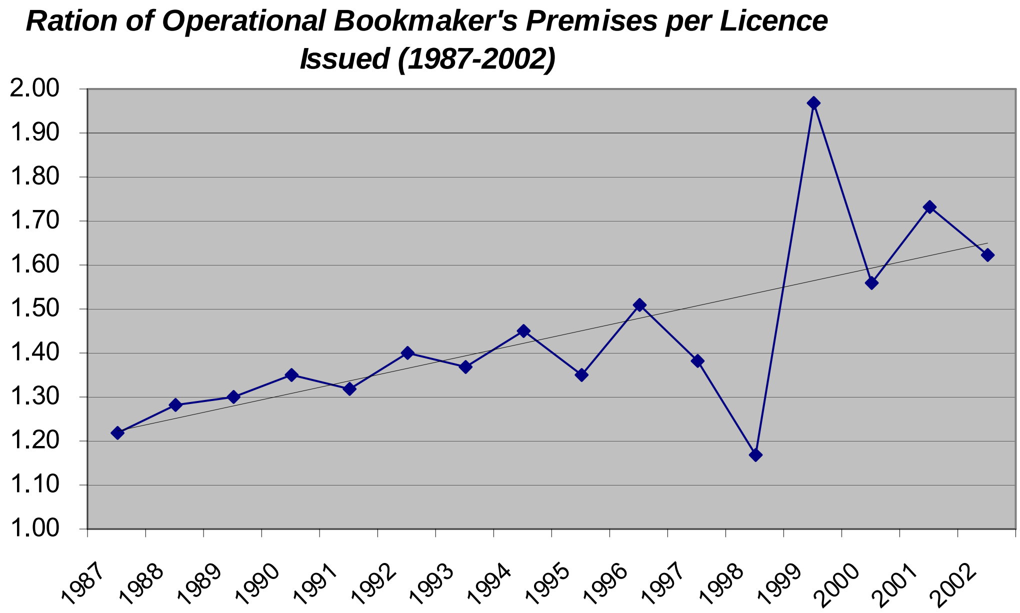
	Fixtures	Attendances	Tote Stakes (€)	Book makers Stakes	Total Stakes (€)	Average Stake per Fixture (€)	Average Stake per Attend. (€)
Ballinrobe	7	17,820	608,479	2,513,491	3,121,970	445,996	175.19
Bellewstown	3	16,000	405,789	2,024,986	2,430,775	810,258	151.92
Conmel	11	23,620	556,101	4,391,898	4,947,999	449,818	209.48
Cork	17	63,182	1,160,744	7,424,990	8,585,734	505,043	135.89
The Curragh	18	130,463	4,007,730	16,680,835	20,688,565	1,149,365	158.58
Dundalk	6	13,920	312,268	2,760,592	3,072,860	512,143	220.75
Fairyhouse	21	81,646	2,834,741	18,339,541	21,174,282	1,008,299	259.34
Galway	12	209,432	7,677,497	19,498,500	27,175,997	2,264,666	129.76
Gowran Park	12	39,770	939,115	7,336,703	8,275,818	689,652	208.09
Kilbeggan	6	44,906	755,155	3,359,600	4,114,755	685,793	91.63
Killarney	7	26,429	631,636	3,536,342	4,167,978	595,425	157.7
Laytown	1	4,200	49,439	244,458	293,897	293,897	69.98
Leopards-town	23	189,284	6,478,327	25,235,497	31,713,824	1,378,862	167.55
Limerick	4	47,792	751,060	2,932,599	3,683,659	920,915	77.08
Listowel	9	95,715	2,172,363	9,353,564	11,525,927	1,280,659	120.42
Naas	14	38,339	1,231,445	8,497,427	9,728,872	694,919	253.76
Navan	14	42,230	1,133,985	9,517,893	10,651,878	760,848	252.23
Punchestown	6	17,422	606,723	4,169,542	4,776,265	796,044	274.15
Roscommon	9	34,314	730,553	5,273,263	6,003,816	667,091	174.97
Sligo	6	19,676	405,482	2,694,240	3,099,722	516,620	157.54
Thurles	11	23,659	350,227	4,577,568	4,927,795	447,981	208.28
Tipperary	11	30,721	489,961	4,722,058	5,212,019	473,820	169.66
Tralee	7	29,101	662,361	4,022,304	4,684,665	669,238	160.98
Tramore	10	32,539	671,863	4,146,971	4,818,834	481,883	148.09
Wexford	8	24,250	456,458	2,543,337	2,999,795	374,974	123.7
Sub-Total	253	1,296,430	36,079,502	175,798,199	211,877,701	837,461	163.43
Point-to-point	47			3,138,262	3,138,262	66,772	
Co-mingling Out							
Grand Total	300	1,296,430	36,079,502	178,936,461	215,015,963	716,720	

Source: Adapted from the GBGC Report

In terms of fixed odds betting, there were 909 off-course shops operating in Ireland during 2002. The market leaders were Paddy Power with 141, Ladbrokes with 110, Boyles with 65 and Stanley Leisure at 53.

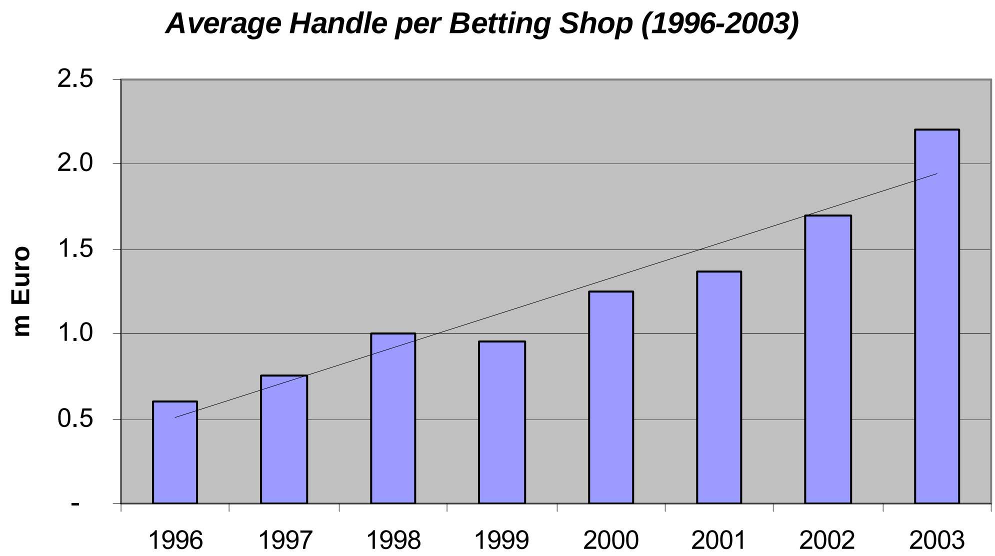


Source: Adapted from GBGC Report



Source: Adapted from GBGC Report

During 2002 the combined handle for betting shops was €1.568 billion. The number of shops was approximately 850 in 2004. During 2003 Irish off course betting was €1.921 billion. The industry reports that there was no discernible change during the first couple of months of introduction of the smoking ban. No AWPs are permitted in Irish betting shops and they are very unlikely to be allowed in the future.



Source: Adapted from GBGC Report

Ireland's bookmakers are allowed to operate Internet-based services under the terms of their bookmaking licenses.

The voluntary body "The Racing Club of Ireland" (RCI) ceased operating in March 2003 (after 21 years) when its objectives as a representative body for race goers and punters in this country were largely achieved. During its time, several submissions were made to Government on the subjects of betting tax. RCI, with others, opposed the introduction of Casino gaming. Neither RCI nor Friends of Horse Racing ever received any funds derived out of revenues. However, these organisations have taken the position that the existing legal and regulatory restrictions are effective in ensuring that revenues generated by gambling activities in Ireland are used to provide appropriate funding for local charitable, cultural and sporting associations. They also take the position that if the Irish national market for gambling services were opened to operators licensed in other EU Member States, the overall level of funding for local charitable, cultural and sporting associations would be drastically reduced.

5. Bingo

Since a Supreme Court judgement in 1965, the bingo market in Ireland has been considered to be a form of lottery. Therefore, since 1965, each session of bingo has been treated as one lottery. TellyBingo tickets are purchased via the National Lottery agent network and the Bingo game is played for the results on National TV each Tuesday and Friday morning. The annual sales of TellyBingo in 2003 were €19.2million.

6. Media Gambling Services

No information was found or contributed by stakeholders approached as part of this research endeavor that allowed meaningful discussion of this sector.

7. Sales Promotional Gambling

No information was found or contributed by stakeholders approached as part of this research endeavor that allowed meaningful discussion of this sector.

8. Charity Gambling

In addition to the National Lottery there are a dozen small charitable lotteries. The information concerning these lotteries is included in the Lotteries section of Ireland in this report.

III. NATIONAL SUMMARY

Year	Total (€ million)	Lottery (€ million)	Casino (€ million)	Gaming Machines (€ million)	Betting (€ million)	Bingo (€ million)
2000	236.80	236.80	0.00	n/a	n/a	n/a
2001	743.88	255.80	0.00	133.45	336.21	18.42
2002	834.33	252.20	0.00	162.60	399.20	20.33
2003	1,143.64	264.90	0.00	242.69	608.91	27.13
2004	273.30	273.30	0.00	n/a	n/a	n/a

Source: Data Provided by Stakeholders and GBGC Report (shaded entries)

Year	GDP (€ million)	Propensity to gamble (%)	Spending per person (EURO)
2003	134,716.9	0.35%	119.73

Source: Centre for the Study of gambling, Salford, own analysis.

ITALY

I. INTRODUCTION

The primary regulator for betting, lotteries, bingo and gaming machines in Italy is the ***Amministrazione Autonoma dei Monopoli di Stato – AAMS*** (Independent State Monopolies Administration), a department of the Ministry of Economics and Finance. Casinos and local smaller lotteries and “tombola” bingo games with prizes not exceeding €51,645 are regulated by local governmental bodies.

Italy’s gaming and betting market grew strongly between 1995 and 2003. Turnover (before payment of prizes) rose from about €9 billion in 1995 to nearly €15 billion in 2003.

Among the main gambling operators in Italy are ***Lottomatica s.p.a***., which holds an exclusive license for lotto games and traditional instant lotteries. It also operates gaming machines with prizes (AWPs) and participates in collaboration with other operators for “concorsi pronostici,” a family of betting games that includes pools and betting on sports and non-sports events. ***Sisal s.p.a.*** holds an exclusive license for Superenalotto, and also operates gaming machines with prizes (AWPs) and participates in collaboration with other operators for “concorsi pronostici.” The ***Snai Group*** possesses a non-exclusive license for “concorsi prognostici”, as well as for betting and AWPs. This group operates as a supplier of betting services to licensed agencies.

Number of Gambling Operators by Sector:

Lottery Market: Lottomatica and Sisal	2
Horse racing and sport betting agencies, including Lottomatica and Sisal	Not available
Licensed Bingo operators	334
Companies operating AWPs, including Lottomatica, Sisal and Snai	10

Each of the licensees has a distribution network of tobacco shops, snack bars, newsagents etc., which have reached an agreement with one or more operators to distribute their product. The total distribution network consist of 45,000 collection points.

Distribution Network by Gambling Operator:

Operator/gambling sector	Approximate number of sales points
Lottomatica s.p.a.	30,000
Sisal s.p.a.	20,000
Snai Group	900
Horse racing and sports betting	1,600
Bingo	304 halls
Gaming machines	AWP: 170,000 devices in 65,000 locations Amusement machines without money pay-out: 240,000

The turnover (handle) of the total betting market in 2004 (excluding casinos) was €25.0 billion.

Gambling Turnover (excluding casinos) in Italy in 2004 (in € million):

Type of Gambling	**Turnover**
Lotto	11,689
SuperEnalotto	1,836
Instant Lotteries	527
Traditional lotteries	67
Total Lotteries Sector	**14,119**
Sports “concorsi pronostici” (toto pool)	443
Horse racing “concorsi pronostici” (Tris, Totip)	620
Sports betting	1,304
Horse racing betting	2,284
Total Betting Sector	**4,651**
Bingo (in halls)	1,542
Gaming machines (including amusement machine without money pay out)	4,726
Grand Total	**25,038**

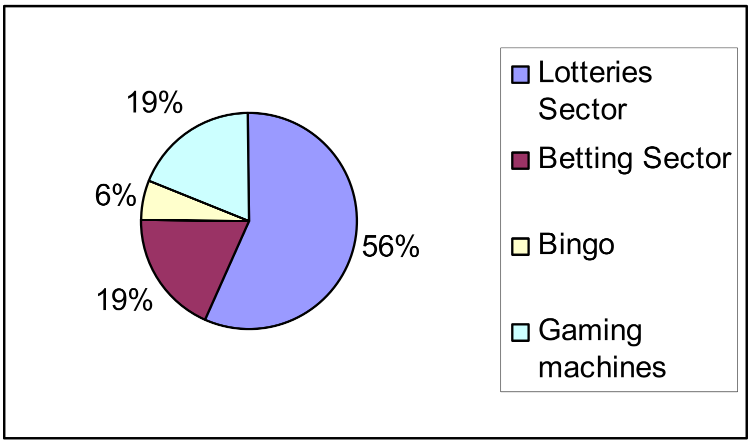
The overall winnings distributed to participants in gambling in 2004 were equal to €13.7 billion. The total gross gaming revenue (GGR) was, therefore, approximately €11.3 billion. The operation of gambling activities is not subject to VAT, with the exception of gaming machines without money prizes.

There was a very strong industry growth of 34.4% in 2004 over 2003, which was mostly due to increases in lotteries sales. In terms of market share, only two operators exceeded 10%:

– Lottomatica, with approximately 50%
– Sisal, with approximately 10-15%

It is expected however, that within the next five years, the market share of Lottomatica will fall below 40%, due to the growth of other gambling sectors, AWPs in particular. The market share of Sisal, on the other hand is expected to remain stable. In general the scratch cards market is expected to continue to grow, while the betting industry is expected to experience a slow-down.

Gambling Industry Market Share 2004:



Source: Centre for the Study of gambling, Salford, own analysis.

There were large changes made in the gambling taxation system in Italy in 2005. There was a reduction of betting taxation, increase in taxes on lotto, and the elimination of mandatory payments by "concorsi pronostici" to the Italian National Olympic Committee.

In the case of Lotto and traditional lotteries, given that the state treasury serves as a bank, the tax yield can vary significantly each year, depending on the games' performance. On the other hand, Superenalotto, betting and instant lotteries tax varies only slightly from year to year. Certain games also allocate mandatory funding to specific entities (i.e. the Region of Sicily).

Gambling Taxation in Italy in 2004:

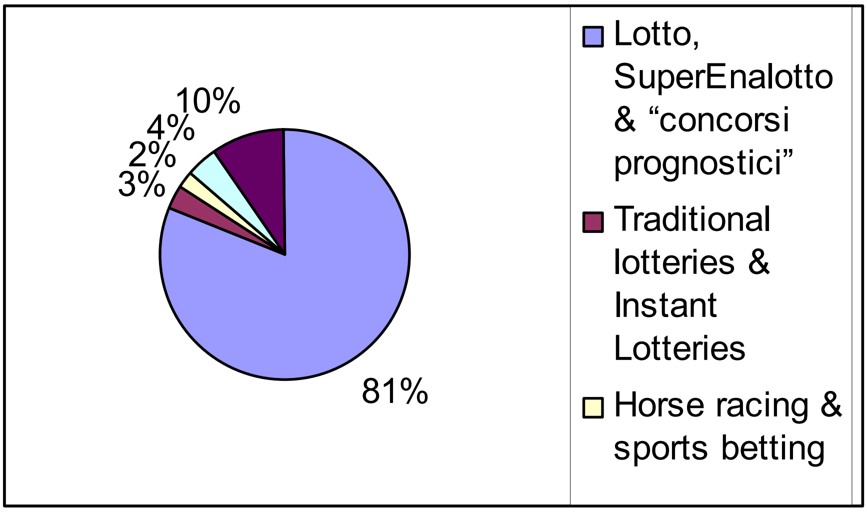
Games	***Tax yield as % of turnover***	***Tax yield as % of pay out***
Lotto*	42.08	
Superenalotto	53.17	
Tris	9	21.8
Totip	28.63	10.3
Concorsi Pronostici**	33.84	
Traditional lotteries	35.58	
Instant lotteries	37.58	
Horse racing betting(totalisator)	4.51	12.6
Non-horse racing betting	10	
Non-horse racing totalisator betting	20	
Bingo	20	
Machines without money prize***	8	
Machines with money prize	13.50	

* *Figure for 2005*
** *In 2005 the tax on winning was raised from 3% to 6%*
*** *This category is also liable to VAT*

Gambling Tax Contribution by Sector 2004:

Type of Gambling	**Tax (€ millions)**
Lotto, SuperEnalotto and "concorsi pronostici"	6,091
Traditional lotteries and Instant Lotteries	222
Horse racing and sports betting	167
Bingo (in halls)	308
Gaming machines (including amusement machines without money pay out)	722
Total	7,510

Gambling Tax Contribution in % by Sector 2004:



Source: Centre for the Study of gambling, Salford, own analysis.

After receiving the gambling taxes, the Italian government then distributes funds to the variety of good causes. One of the main beneficiaries is the Italian National Olympic Committee (CONI), which receive approximately €450 million annually. The National Union for the Betterment of Horse Breeds (UNIRE) has received more than €1.2 billion since the year 2000 to the present time, where funding was mostly made available through betting on horse racing. Using the proceeds of Lotto, the Ministry of Economic Affairs and Finance supports a fund for the recovery and preservation of cultural, archaeological, historical and artistic resources with approximately €150 million per year. In addition, *concorsi pronostici* allocate 2.45% of its revenues to the Sports Credit Bank and minor lotteries contribute 13.5% to the charitable organisations that organise them.

Sisal, Snai and Lottomatica jointly employ approximately 2,000 people. The smaller companies together with indirect employment (hardware, food services, logistics etc.) employ roughly 10,000 people. If employees of the collection points (snack bars, tobacco shops etc.) are to be included in the number of indirect employment induced by gambling, then an estimated total of 150,000 people work in the sector with 50,000 commercial enterprises drawing some of their income from gaming. (Note that gambling is often only a small part of all of their activities.)

According to the EURISPES 1999 statistics, 58.8% of Italians (about 30 million) participate in gambling. Survey results indicated that 32.6% of the participants do it for profit and 22.2% for enjoyment and fun. It was estimated that each Italian spent about 600.000 It.£ (about €300) in public games for which the State received It. £11,329 billion (about €5.6 billion) in 1999.

There is a small amount of institutions in Italy that deal with gambling addiction. Societa Italiana di Intervento sulle Patologie Compulsive is an organization in Italy that actively promotes minimisation of harm from problem gambling.

II. GAMING SECTOR ANALYSIS

1. Lotteries

The modern gaming market began in Italy in 1946 when Sisal proposed a football pool (known today as Totocalcio). Just two years later Sisal invented Totip, a form of betting based on the outcome of horse races.

The lottery industry in Italy has emerged as the dominant sector for Italian betting and gaming. Italy spends more on lottery products in absolute terms than any other nation in Europe, even though is only the fourth largest European nation in terms of GDP. Lotto, Italy's most popular game, had total turnover (gross sales) of €7 billion in 2003. Italy's two leading lotto companies are among the top five world lotto organizations in sales rank, and Lottomatica is the world's largest.

Lotto Sales World Ranking 2003: Top 5 Lotteries

Company	Country	Total Sales (€ million)
Lottomatica S.p.A.	Italy	6,938
U.K. National Lottery	United Kingdom	5,870
LAE	Spain	3,012
Kookmin Bank	Korea	2,778
SISAL S.p.A.	Italy	2,066

Source: La Fleur's World Lottery Almanac - 2004

Lottomatica's First Quarter 2004 - 2005 Revenues (in € millions):

	Wagers	Bets	Revenue
First quarter 2005	2,402.7	689.1	155.2
First quarter 2004	1,961.0	726.2	127.0
2004-2005 change (%)	22.5	-5.1	22.2

Source: Adapted from the Lottomatica's website

The majority of Italian toto games, which are also considered as a lottery in Italy, are provided by CONI. They are described in the betting section of this report.

2. Casino Gaming

Casinos in Italy are under the management of local government bodies (provinces and municipalities), based on the legislative acts that established each casino and under the control of the Ministry of Internal Affairs. Italy has four casinos: Casino de la Vallee located in Saint Vincent; Casino Municipale di Campione d'Italia in Campoine; Casino Municipale di Sanremo in San Remo; and Casino Municipale di Venezia in Venice (which actually has two locations: one in Venice and the other on the mainland. Furthermore, the Venice casino has two locations: one for summer and one for winter.) The latter three are operated by the state gaming company ***Administrazione Autonoma Dei Monopoli Di Stato*** The casinos exist as the result of a loophole in the Criminal Code, which forbids casino gambling. The Casino de la Vallee is the largest with 95 tables and over 500 gaming machines. It attracts in excess of 1.2 million customers per annum.

Italy's Casinos 2003:

Property	Location	No of Tables	No of Gaming Machines
Casino de la Vallee	St Vincent	95	512
Casino Municipale di Campione d'Italia	Campione d'Italia	30	225
Casino Municipale di Sanremo	San Remo	38	433
Casino Municipale di Venezia*	Venice	20	370
Casino Municipale di Venezia**	Cannaregio, Venice	28	370
Total* **		187	1,540

** Summer Casino Only*
*** Winter Casino Only*
**** Average Winter and Summer Casinos Included*
Source: Adapted from the GBGC Report

The total GGR generated by Italy's four casinos during 2002 was €532m. Slot GGR for the year was €308m and for tables it was €224m.

3. Machine Gambling Outside Casinos

In 2002, the Italian Parliament approved the legalisation of Amusement with Prize machines (AWPs) for the first time. By 2005, the total number of AWP pay out machines in Italy was 172,000, which represents an increase from 130,000 AWPs in 2004. The projected rate of growth this sector is about 3%. The total number of non-pay out machines decreased to 176,000 (Cranes, videogames, Pinballs and touch screens) in 2005, in comparison with about 238,500 machines in 2004.

During 2005, the amount wagered on machines outside of casinos was €11.00 billion, which provided €1.250 bilion in tax payments.

Italian Amusement Industry: 2005 turnover

Export	€30 Mil.
Import	€100 Mil.
Internal market	€3,550 Mil.
tax 2005	€1,250 Mil.

Source: Submission for the Enquiry from the Italian Amusement Federation

Number of AWP Manufacturers, Distributors and Operators in 2005:

Manufacturers and distributors (turnover of more than 2,5 Euro million)	40
Manufacturers and distributors (turnover of lesser than 2,5 Euro million)	250
Number of Operators	6,000

Source: Submission for the Enquiry from the Italian Amusement Federation

Number of Employees in the AWP Sector in Italy in 2005:

indirect (manufact. And distrib.)	2,000
Indirect (shop owners)	210,000

Source: Submission for the Enquiry from the Italian Amusement Federation

Amusement Sector Distribution Network in 2005:

All-year arcade	N°	600
Seasonal arcade	N°	550
Tobacco shop	N°	1.500
coffe shop	N°	84.000
Clubs	N°	10.000
Pub	N°	3.000
Bowling/Multiplex/Fec	N°	390

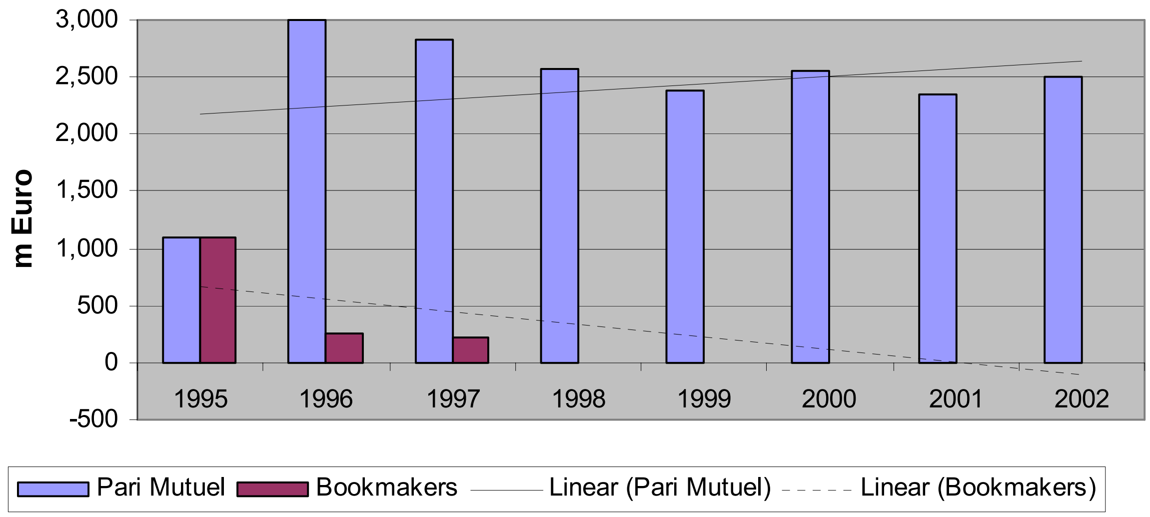
Source: Submission for the Enquiry from the Italian Amusement Federation

4. Betting

During 1998 the Italian Government offered 2,000 betting licenses for auction. Bookmakers were required to guarantee a sum in tax. The licenses were awarded to approximately 800 operators.

At the peak around 2000, there were approximately 1,350 betting agents operating in Italy. By 2000 SNAI, Italy's largest publicly quoted betting and gaming company, worked with 850 of the 1,230 outlets and had 69% of the market share in terms of turnover. *(Source: GBGC Report)*

Italian Betting Handle (1995-2002)



Source: Adapted from GBGC Report

The SNAI group offers betting agents a service where bookmakers who subscribe receive live pictures of sports as well as odds compilation service, IT bet acceptance, and risk management. During 2001, SNAI developed a system to accept bets by Internet, television and telephone for the Italian betting shop market.

The largest nation-wide chain of betting shops in Italy is Match Point, owned by Sisal. The Match Point chain is operated under a single license. During 2003 the Match Point shops generated a handle of approximately €327m and returned 70% of this to customers as winnings, thus generating over €98m in GGRs.

Typically, the average tax on betting is around 15% of the turnover, with some operators paying up to 16%. This system of taxation is forcing a considerable number of betting agents out of business. Following lobbying from the agents, the Italian Government abolished the payment to CONI (Italian National Olympic Committee) in 2003.

In Italy the taxation of sports betting games, that are considered to be lotteries, varies depending on sales. During 2002 the tax rates were 31% for football pools and 6% for Sports Betting. During 2003 the corresponding rates were 30% and 7% respectively.

There are annual fees of €500 expressly required for operation for one sales point of *concorsi pronostici* and totalisator betting games.

5. Bingo

The Ministry of Public Revenue instituted bingo in 2000 with Decree No. 29, although even prior to the legislation there were 420 bingo parlors located across Italy. Operation of the first legal halls commenced during the following year and there are now approximately 320 open for business.

Lottomatica established Bingo Plus in 2003. It operates with 13 bingo halls located in the Central North area of Italy. *(Source: GBGC Report)*

6. Media Gambling Services

Digital TV channel Stream Lotto offer statistics and detailed information and a number of interactive games designed to extend the appeal of Lotto to a wider audience, though as yet no games are available to be played via these channels.

7. Sales Promotional Gambling

Prize competitions connected with promotional sales fall under the responsibility of the ministry of Production Activities, with AAMS intervening by way of partial monitoring to ensure that the government monopoly of the gaming sector is preserved.

8. Charity Gambling

No information was found or contributed by stakeholders approached as part of this research endeavor that allowed meaningful discussion of this sector.

III. NATIONAL SUMMARY

Year	Total (€ million)	Lottery (€ million)	Casino (€ million)	Gaming Machines (€ million)	Betting (€ million)	Bingo (€ million)
2001	6,667.45	5,536.96	396.02	0.00	663.55	70.92
2002	6,505.89	5,170.67	481.03	n/a	768.04	86.15
2003	6,204.71	4,502.00	616.74	n/a	974.98	110.99

Source: GBGC Report (shaded entries)

Year	GDP (€ million)	Propensity to gamble (%)	Spending per person (EURO)
2003	1,302,175	0.48%	**57.32**

Source: Centre for the Study of gambling, Salford, own analysis.

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LATVIA

I. INTRODUCTION

Gaming in Latvia grew rapidly following independence in the early 1990s. Work on legislative acts for regulating lotteries as well as gambling organisation, supervision and control began in 1993. Since 1994, there has been strong state supervision established over gaming businesses in the Republic of Latvia. Arrangement of games of chance are permitted only when a special permission (license), in compliance with provisions stipulated by the law “On Gambling and Lotteries” is granted. A license can be issued only to companies incorporated with the Register of Enterprises of the Republic of Latvia.

The following games of chance are permitted in the Republic of Latvia:
- operations of the gambling slot-machines;
- activities of casinos (roulettes and card-tables);
- totalisator and betting;
- bingo;
- telephone games;
- lotteries;
- Internet games of chance.

Specific restrictions concerning arrangement of the games of chance are also provided by the law “On Gambling and Lotteries” (Section 21):

- participation in the games of chance is not allowed for persons younger than 18;
- games of chance must not be arranged in post or bank offices, in locations where mass culture activities are held, in the buildings of medical and educational institutions, government offices, in churches and cult buildings;
- games of chance must not be arranged in shops and markets, railway stations, airports, ports, unless having specially confined premises;
- arrangement of games of chance and lotteries is prohibited without regulations specifically approved by the Lotteries and Gambling Supervision Inspection;
- total prize value for lotteries and for a game of chance over the telephone must be no less than 45% from the sum total of ticket sales; the sum total of totalisator, betting and bingo prizes must be no less than 50% from the sum total of stakes being paid-in; and slot-machine prizes must be no less than 80% from the sum total of payments.

In addition, local governments are able to define areas where arrangement of games of chance shall be prohibited.

Lotteries and Gambling Supervision Inspection is an institution of direct administration under supervision of the Ministry of Finance that is responsible for the supervision of the arrangement of draws, gambling and lotteries of goods and services.

Under provisions of the law “On Gambling and Lotteries” the Inspection is able to apply pecuniary penalties for the established violations of laws and regulations, in an amount defined by the Code of Administrative Offences, to suspend operations of a company or branches thereof until the violation is eliminated, to refuse the granting of licenses or re-registration thereof, as well as to cancel the license for the arrangement of lotteries or games of chance.

The games of chance are very popular in Latvia (12,800 gambling devices for 2.35 million inhabitants), but there has recently been a public backlash linked to a belief that increased availability of gambling has led to an increase in the numbers of gambling addicts. Therefore, government is considering a reduction of the gambling market by specifying both territorial restrictions and a significant increase in gambling taxation rates. In 2005, It was anticipated that these concepts would be accepted in the Cabinet of Ministers, and the new requirements might become partially effective in 2006.

There are difficulties in providing accurate forecasts in regard to development trends for the next five years. However, it is believed that the market scope will be reduced, since higher requirements with respect to the location of game-halls, size of casinos, and technical requirements for gambling slot-machines will be specified constituting a basis for a large number of older gambling slot-machines that would be unable to meet the quality requirements and would therefore be removed from the market.

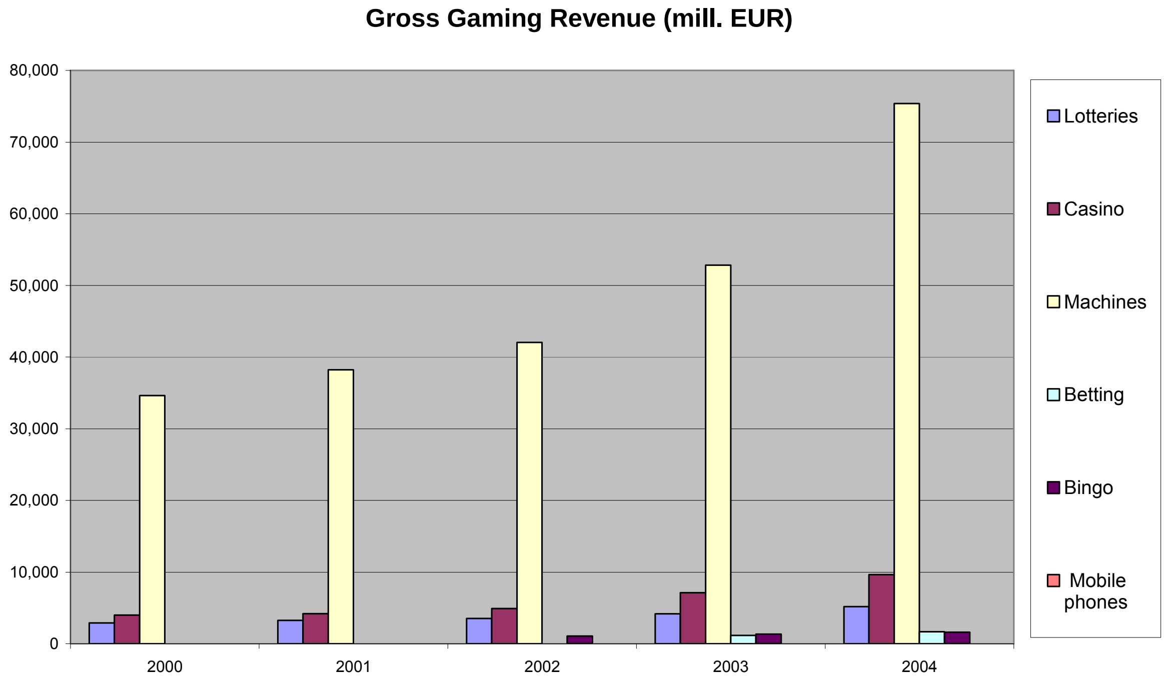
The total number of participants of the gambling market has remained relatively unchanged during the last five years. However, two companies have left the market, having become insolvent.

Number of Gambling and Lottery Operators and Gaming Places in Latvia (2000 – 2004):

	2000	**2001**	**2002**	**2003**	**2004**
Companies organizing gambling *	22	21	21	21	19
* slot machines	21	20	20	20	18
* casinos	7	7	7	8	8
* bingo	1	1	2	2	2
* betting	1	1	1	1	1
* phone games	-	-	1	1	1
Lottery companies	1	1	1	1	1
Number of slot machines	11,459	11,843	9,904	11,218	12,668
Number of roulette games	27	27	31	29	28
Number of card tables	96	107	113	119	110
Number of gaming halls	172	181	381	499	616
Number of casinos	22	22	21	18	15

**license for different types of games of chance may be received by one operator.*
Source: Submission to the Enquiry from Lottery and Gambling Supervisory Inspection

Gaming machines account for by far the largest segment of the gambling industry in Latvia. In 2004 their presence in the total gambling market exceeded 80%, with GGR of €75.4 million. The dominance of machine in the market is clearly seen from the graph below.



Source: Submission to the Enquiry from Lottery and Gambling Supervisory Inspection

Gross Gaming Revenue (€ millions) and market share (%)

	2000	%	2001	%	2002	%	2003	%	2004	%
i. Lotteries	2,909	6.8	3,244	6.9	3,523	6.8	4,159	6.2	5,170	5.5
ii. Casino	4,013	9.5	4,195	9.1	4,913	9.5	7,114	10.6	9,638	10.3
iii. Machines	34,638	81.7	38,218	81.9	42,027	80.9	52,831	79.1	75,381	80.4
iv. Betting	0,009	0.02	0,105	0.2	0,167	0.3	1,155	1.8	1,657	1.8
v. Bingo	0,848	2.0	0,893	1.9	1,085	2.1	1,352	2.0	1,599	1.7
vi. Charities	-	-	-	-	-	-	-	-	-	-
vii. Media	-	-	-	-	-	-	-	-	-	-
viii. Sales prom.	-	-	-	-	-	-	-	-	-	-
Mobile phones	-	-	-	-	223	0.4	222	0.3	247	0.3
TOTAL	42,417	100	46,655	100	51,938	100	66,833	100	93,692	100

Source: Submission to the Enquiry from Lottery and Gambling Supervisory Inspection

The gambling industry is becoming an important industry in Latvia, contributing almost 1% to the annual Latvian GDP and gambling taxes account for 0.25 per cent of GDP.

Ratio of the Gambling Industry in the Total Economic Structure of Latvia:

	2000	**2001**	**2002**	**2003**	**2004**
Gross Gaming Revenues (€ million)	42.417	46.655	51.938	66.833	93.692
Gambling specific taxes and duties (€ million)	8.245	9.023	11.925	13.122	17.038
Other business taxes (€ million)	2,311	2,307	2,629	4,351	6,640
All paid taxes in total (€ million)	10,556	11,330	14,554	17,473	23,678
All paid taxes to total GGR (%)	24.9	24.3	28.0	26.1	25.3
GDP (€ million)	6,667.2	7,353.9	8,095.3	8,996.2	10,471.5
Total GGR to GDP (%)	0.63	0.63	0.64	0.74	0.89
All paid taxes to GDP (%)	0.16	0.15	0.18	0.19	0.23

Source: Submission to the Enquiry from Lottery and Gambling Supervisory Inspection

There are many international players in the Latvian gambling market. Their participation rates are shown below. Most of them are members of the EU.

Foreign Capital Invested in Latvian Gaming Business (2004)

Countries	**Amount of share capital (€ millions)**	**Proportion in total share capital of gaming business (%)**
Cyprus	5.165	19.1
Germany	3.709	13.7
Austria	3.201	11.8
Spain	2.322	8.6
The UK	0.946	3.5
Poland	0.761	2.8
Cuba	0.367	1.4
Sweden	0.288	1.06
Lithuania	0.232	0.86
The Czeck rep.	0.222	0.82
Isle of Man	0.189	0.7
Belgium	0.071	0.26
USA	0.030	0.11
Latvia	9.554	35.3
Total amount of share capital of gaming business	27.06	100

Source: Submission to the Enquiry from Lottery and Gambling Supervisory Inspection

The total number of full time employees is provided for every operator, but no information is provided about each gaming unit; therefore it is not possible to give information on employment in the different gaming sectors.

Number of FTEs in Latvian Gambling Industry:

Number Of Employees	**2000**	**2001**	**2002**	**2003**	**2004**
Lotteries	85	87	91	101	106
Other Gambling	2,395	2,488	3,240	4,543	6,542
TOTAL	2,480	2,575	3,331	4,644	6,648

Source: Submission to the Enquiry from Lottery and Gambling Supervisory Inspection

In accordance to Latvian normative acts, no companies from the gambling industry sector are obliged to pay Value Added Tax for gaming activities. However, all companies have to pay state duties (once a year) and gambling taxes (once a month in a one-twelfth ratio from the year's tax stake), which are levied over and above normal business taxes.

- **State duties (per year):**

- for organisation and operation of slot machines, bingo, roulette, cards and dice games for issuance of the special license (when first coming into the market) – €427,000;
- yearly re-registration of the special license – €35,600;
- permission to operate a casino – €28,500;
- permission to operate a gaming or bingo hall – €2,135;
- organization and operation of totalisator and betting - issuance of a special license – €42,700;
- issuance of a special license for national lotteries - €14,300;
- issuance of a special license for national instant lotteries - for each draw – €8,500.

- **Gaming taxes(per year):**

- slot machines, that are in casinos and gaming halls – €1,200;
- slot machines, that are outside casinos and gaming halls – €1,650;
- roulette tables – €28,200;
- card and dice tables – €6,830;
- bingo (depending on size of hall) – €22,500 to €31,300;
- totalizator and betting – €42,700;
- internet gaming – 10% from all bets paid and accepted;
- number lotteries – 8% from ticket sales;
- instant lotteries – 10% from ticket sales.

During June 2003 the Saeima approved amendments to the Lotteries and Gambling Law that stipulated the procedure for the operation of interactive gambling. Under the amendment, gambling companies wishing to use interactive telecommunications are required to have a minimum share capital of LVL 60,000 (about €86,000) and apply for an appropriate license. The gambling tax for interactive gambling has been set at 10% of sales.

II. GAMING SECTOR ANALYSIS

1. Lotteries

There is only one State monopoly lottery operator, which is the joint-stock company ***Latvijas Loto***. There are 106 full-time employees in Latvijas Lotto and this number has been steadily increasing over previous years. It is anticipated that employment will reach 115 in 2009.

Summary of Latvian Lottery Market 2000 – 2004 (€ million):

	2000	**2001**	**2002**	**2003**	**2004**
GGR from lotteries	2.909	3.244	3.523	4.159	5.17
Profit from lotteries	0.098	0.073	0.003	0.071	N/A
Profitability from lotter.(%)	3.35	2.27	2.89	2.418	N/A
Number of Employees	85	87	91	101	106

Source: Submission to the Enquiry from Latvijas Loto

Latvijas Loto's tickets are sold across a network of more than 1,400 points of sale across the nation via direct and indirect partners/agents. During 2003 the value of the Latvian lottery market reached approximately LVL 5.3m (€7.5 million).

The National Lottery is also subject to an additional state duty of LVL 10,000 (€14,200) for the issuance of a license for number lotteries and LVL 6,000 (€8,600) for instant lotteries. Regional lotteries pay an LVL 500 (€711) license fee. The tax for number lotteries is 8% of turnover (tickets sold) and for instant lotteries is 10% of turnover. Latvijas Loto pay 27% of the profits to the state budget for use of state capital. In addition, according to Latvian legislation, high winnings above LVL 500 (€711) are subject to 25% income tax.

At one time there were four or five small scale private companies that organised lotteries on a regional scale in Latvia. However, during 2003 these companies have disappeared and Latvijas Loto is now the only operator in lottery market.

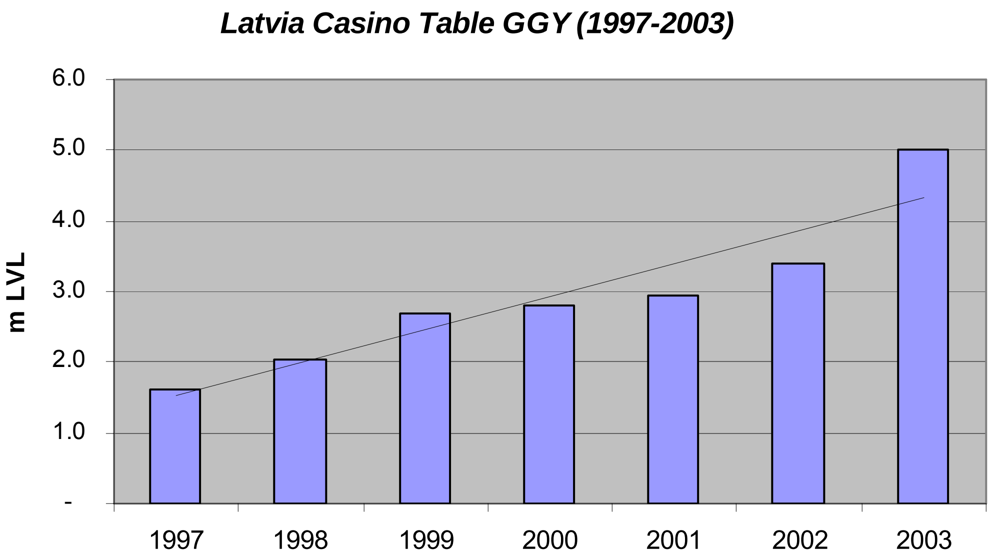
2. Casino Gaming

Between 2000 and 2004 the number of casinos in Latvia decreased from 22 to 15. This is largely due to additional costs imposed on casinos by the Lottery and Gambling law, which requires the following standards:

1. Numbers of tables must be at least 10 (roulettes and card tables) for casinos in Riga (the Capital city) and at least 5 tables for casinos outside Riga;
2. There must be video surveillance systems in casinos;
3. Registration and identification of visitors must be present in Latvia in compliance with the provisions of the "Money Laundering" Directive.

Therefore, it became not profitable to operate small casinos and casinos outside big cities. During 2004 and 2005 casinos were operated by eight companies.

Table game revenues are quite limited. During 2003 casino table GGR were LVL 5.0m (€7.1m). Gaming machine GGRs are included in the following section.



Source: Adapted from GBGC Report

Number of Casino Operators in Latvia:

	2000	2001	2002	2003	2004	Est.2005
Casino	7	7	7	8	8	8
Mobile phones operator	-	-	1	1	1	1

Source: Submission to the Enquiry from the Latvian Lottery and Gambling Supervisory Inspection

Gross Gaming Revenue (mill.EUR) and Gambling Market Share (%):

	2000	%	2001	%	2002	%	2003	%	2004	%
Casino	4.013	*9.5*	4.195	*9.1*	4.913	*9.5*	7.114	*10.6*	9.638	*10.3*
Mobile phones	-	-	-	-	0.223	*0.4*	0.222	*0.3*	0.247	*0.3*

Source: Submission to the Enquiry from the Latvian Lottery and Gambling Supervisory Inspection

Under the Latvian law on “Lotteries and Gambling” each casino operator must purchase a license at a cost of €28,450 each year plus fixed taxes on each table as well as a tax on GGR of 25%. Since January 2004 casino inspectors participate in casinos’ every day accounting procedures. Casinos do not pay VAT in accordance with Latvian normative acts. The amount of tax that operators pay is weighted according to the location of the property, as follows:

Gambling fixed taxes on each table and machine (per year) are as follows:

- slot machines, that are in casinos and gaming halls – €1,200;
- roulette tables – €28,200;
- card and dice tables – €6,830;

Other state duties (per year) are:

- for organisation and operation of slot machines, bingo, roulette, cards and dice games for issuance of the special license (when first coming into the market) – €427,000;
- yearly re-registration of the special license – €35,600;
- permission to operate a casino – €28,500;

A gambling fee (payment for the special license) is paid in the state budget, while 75% of revenues from the gambling tax are to be paid in the state budget and 25% in the budget of the local municipality. There are no special investment requirements for casino operators in Latvia.

3. Machine Gambling Outside Casinos

By 2004 Latvia had a total of 12,668 machines in operation across its 15 casinos and 616 gambling halls. This had risen from 7,255 machines located in 22 casinos and 106 gaming halls during 1997.

Key Statistics of Latvian Gaming Machine Market:

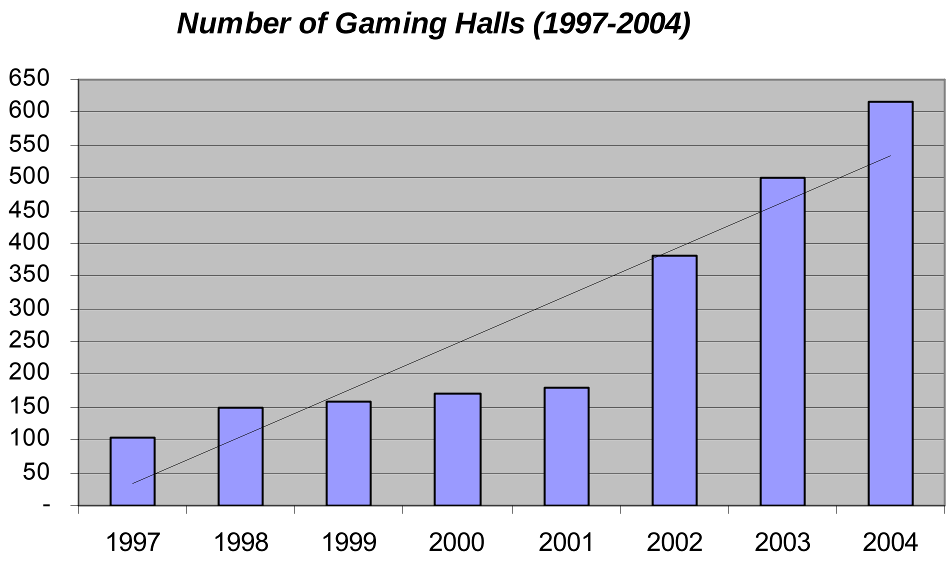
	2000	2001	2002	2003	2004
GGR from Gaming machines (in € mil.)	34.638	38.218	42.027	52.831	75.381
Number of machines	11,459	11,843	9,904	11,218	12,668

Source: Submission to the Enquiry from the Latvian Lottery and Gambling Supervisory Inspection

Gambling may be organised only within casino, gambling halls, bingo halls, as well as in venues of totalizator or bet stakes reception desks, when the relevant license of venue for arrangement of gambling is received. Operating of gambling slot-machines and equipment are permitted only when registration and marking has been carried out.

Games of chance may be arranged only in the locations and under the procedure provided by law:

- in bars and coffee-houses (no more than 5 slot-machines);
- in game-halls (at least 10 slot machines);



Source: Adapted from GBGC Report and from Submission to the Enquiry from the Latvian Lottery and Gambling Supervisory Inspection

Number of Gaming halls 2000-2004:

2000	2001	2002	2003	2004
172	181	381	499	616

Source: Submission to the Enquiry from the Latvian Lottery and Gambling Supervisory Inspection

Operation of gambling slot-machines and equipment are be permitted only when registration and marking has been carried out.

Number of Gaming Machine Operators in Latvia:

2000	2001	2002	2003	2004	Est.2005
21	20	20	20	18	18

Source: Submission to the Enquiry from the Latvian Lottery and Gambling Supervisory Inspection

A gambling fee (payment for the special license) is paid in the state budget, while 75% of revenues from the gambling tax are to be paid in the state budget and 25% in the budget of the local municipality.

4. Betting

There was no horserace betting licenses in Latvia until 2000 when a tote license was awarded. The cost of a totalisator license is €42,600 per annum. Sports betting has also since been legalised in Latvia. However, there are no tradition, experience and knowledge from inhabitants of Latvia to participate Toto or betting activities.

Number of Betting Operators in Latvia:

	2000	2001	2002	2003	2004	Est.2005
Betting	1	1	1	1	1	1

Source: Submission to the Enquiry from the Latvian Lottery and Gambling Supervisory Inspection

A gambling fee (payment for the special license) is paid in the state budget, while 75% of revenues from the gambling tax are to be paid in the state budget and 25% in the budget of the local municipality.

5. Bingo

Bingo games are not very popular in Latvia. Therefore untill 2003 there was only one Bingo operator in one Bingo Hall. From 2003 there are two operators with three halls in Latvia.

Bingo GGR (in € millions):

2000	2001	2002	2003	2004
0.848	0.893	1.085	1.352	1.593

Source: Submission to the Enquiry from the Latvian Lottery and Gambling Supervisory Inspection

Number of Bingo Operators in Latvia:

2000	2001	2002	2003	2004	Est.2005
1	1	2	2	2	2

Source: Submission to the Enquiry from the Latvian Lottery and Gambling Supervisory Inspection

A gambling fee (payment for the special license) is paid in the state budget, while 75% of revenues from the gambling tax are to be paid in the state budget and 25% in the budget of the local municipality.

6. Media Gambling Services

There are no media gambling operators in Latvia at present.

7. Sales Promotional Gambling

On 8 July 2003 the Parliament of Latvia accepted the Law on Lotteries of Goods and Services, which became effective on 1 January 2004. It is defined in the Law on Lotteries of Goods and Services that if a company producing, distributing or selling goods or providing services and for the purposes of distributing those goods or services wishes to arrange a lottery (including also mass media), it needs to get permission or should receive a confirmation concerning entering onto a register. When the prize fund announced by the lottery of goods or services is larger than €710, the lottery organizer should receive permission by submission of accurate rules of the lottery. When the prize fund announced by the lottery of goods or services is smaller than €710, the lottery organizer should notify the Inspection about the envisaged lottery.

It is clarified that pursuant to the law "On Taxes and Fees" the prize exceeding €710 is subject to the population income tax in an amount of 25%. Therefore the prize fund exceeding €710 shall be subject to the state fee of 25% from the total amount of the prize fund and shall be paid by the lottery organizer prior to receipt of the permission. Subject to requirements of the Law on Goods and Services, income from the said fee shall be transferred to the fund for construction of the National Library of Latvia.

Since 1 January 2004, when the Law on Lotteries of Goods and Services became effective, the Inspection has issued:

- 643 lottery permissions (for lotteries prize fund where it is larger than €710, as well as lotteries arranged by the press editions);
- 333 lottery confirmations (for lotteries prize fund where it is smaller than €710).

The total prize fund which was subject to a state fee was €1,878,000 and the state fee collected constitutes €470,000.

The law also forbids the organisation of trade lotteries for advertising alcoholic beverages, tobacco, pharmaceutical products and beer, and notes that these types of goods cannot be included as prizes in a lottery.

Income from the said fee is used for implementation of the design of the National Library of Latvia pursuant to provisions of the Law on Lotteries of Goods and Services.

Number of Sales Promotion Gambling Operators in Latvia:

	2000	2001	2002	2003	2004	Est.2005
Sales prom.	-	-	-	-	976	1000

Source: Submission to the Enquiry from the Latvian Lottery and Gambling Supervisory Inspection

Revenues from the national lotteries tax are to be paid in the state budget, but revenues from local lotteries tax – in the budget of the municipality where the lottery is organised.

8. Charity Gambling

There is no charity gambling operators in Latvia at present.

III. NATIONAL SUMMARY

Year	Total (€ million)	Lottery (€ million)	Casino (€ million)	Gaming Machines (€ million)	Betting (€ million)	Bingo (€ million)
2000	42.42	2.91	4.01	34.64	0.01	0.85
2001	46.66	3.24	4.20	38.22	0.11	0.89
2002	51.94	3.52	4.91	42.03	0.17	1.09
2003	66.83	4.16	7.11	52.83	1.16	1.35
2004	93.69	5.17	9.64	75.38	1.66	1.60

Source: Data Provided by Stakeholders

Year	GDP (€ million)	Propensity to gamble (%)	Spending per person (EURO)
2002	9792	0.53%	28.66

Source: Centre for the Study of gambling, Salford, own analysis.

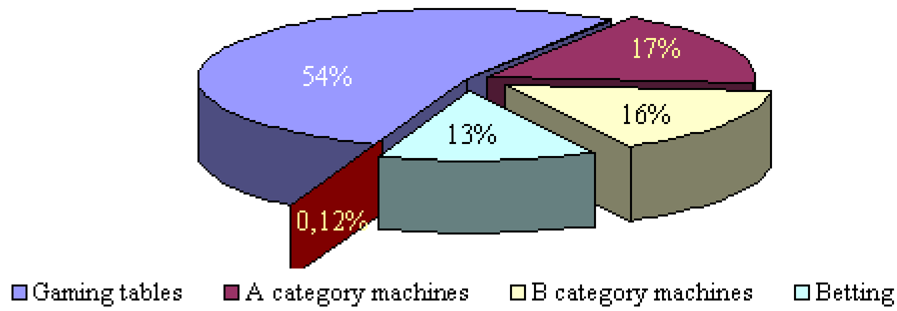
LITHUANIA

I. INTRODUCTION

Traditionally gambling, with the exception of lottery, has not been permitted in Lithuania due to the strong Catholic influence in the country. However, gaming was legalised in Lithuania the Gaming Law became effective in July, 2001.This Law established the conditions and procedures for the operation of gaming in the Republic of Lithuania of such types as machine gaming, bingo games, table games (roulette, card and dice games), totalizator and betting.

Amendments to the Law were made on 1 September 2002. One of the main changes brought by amendments were introduction of gaming machine categories (category A - gaming machines of unlimited payouts, which can be operated only in casinos; and category B - gaming machines with limited payouts, which can be operated only in gaming machine halls) (*Source: GBGC Report*)

Lithuanian Gambling Market Structure 2004 (excluding lottery):



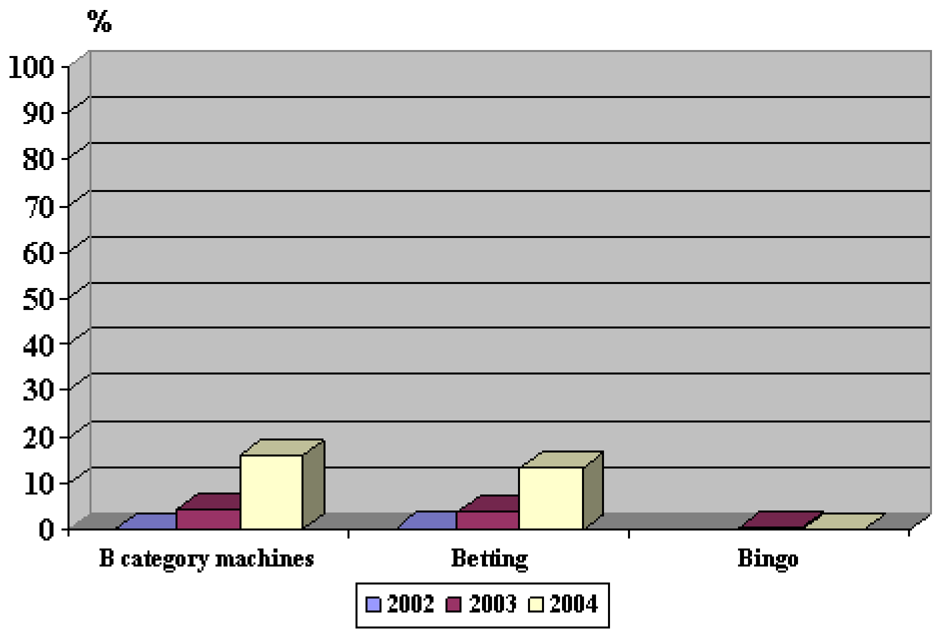
Source: State Gaming Control Commission, Annual Report 2004 (From the submission to the Enquiry from State Gaming Control Commission of the Republic of Lithuania)

The Dynamics of the Revenue Structure According to the Types of Gambling 2002 - 2004 (excluding lottery):

	2002 year, %	**2003 year, %**	**2004 year, %**
Gaming tables	58.48	69.17	53.55
A category machines	41.24	22.01	17.38
B category machines	0.07	4.45	15.76
Betting centres	0.21	4.05	13.19
Bingo		0.32	0.12

Source: State Gaming Control Commission, Annual Report 2004 (From the submission to the Enquiry from State Gaming Control Commission of the Republic of Lithuania)

The Changes of the Market Structure:



Note: Statistics on category A gaming machines and on gaming tables are not available.
Source: Lithuanian NGGBA (National Gambling and Gaming Business Association) publication in EUROMAT

During the year 2004 the share of the market of B category machines increased by 11.3% and the share of betting increased by 9%. However it is clearly seen that they still have only a small portion of the market, and that the gaming houses establishments (casinos) still dominate the market.

NGGBA (National Gambling and Gaming Business Association) is the oldest and largest gambling and gaming business association in Lithuania. From the end of 1994 NGGBA strived for the legalisation of gambling in Lithuania and actively participated in this process. In May 2001, gambling in Lithuania was legalised.

NGGBA unites some of the companies who have licenses to organise gambling on B category machines, the betting companies, the main gaming business representative companies, and those companies importing and repairing gambling and gaming equipment. Another association, joining casino gaming operators and one betting operator is the ***Association of Lithuanian Gaming Operators.***[17] Betting company Top Sport, being a member of NGGBA, together with another betting company Orakulas founded the Association of Betting Operators.

The State Gaming Control Commission of the Republic of Lithuania (hereinafter – Control Commission) is licensing and supervising the activity of subjects operating gaming in the Republic of Lithuania. Control Commission also controls how gaming operators follow the requirements of the laws and other legal acts regulating gaming operations since July 2001.
Furthermore, the Control Commission controls and supervises national lotteries since January 2004

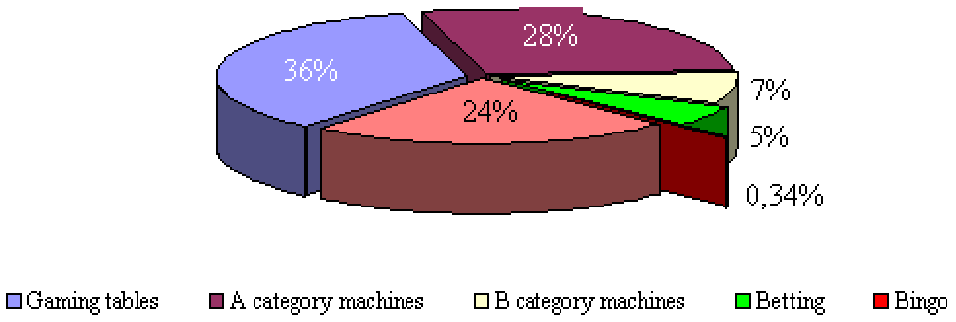
[17] More info on http://www.lloa.lt/en/apie.htm.

Note: betting is considered a type of gaming and is organized and regulated according to the Gaming Law. Prior to this, the Lithuanian Finance Ministry had supervised the lottery sector. Also at this time Lithuania's investment laws were changed making it far more attractive for foreign companies to invest directly within the nation.

The taxation period in Lithuania is quarterly. Gaming establishments (casinos) and gaming machine halls pay taxes according to the number of gaming machines: for each gaming table the tax is 12,000LTL (€3,400), for category A machines (in casinos), 1800LTL (€521), and for category B machines (in gaming machine halls) 600LTL (€174) per quarter. The organisers of bingo, totalisator, and the betting, pay 15% tariff from the gambling taxes base (GGR, the difference between pay-in and pay-out). The organisers of the lotteries pay 5% from the value of the distributed lottery tickets.

The State Gaming Control Commission was established to ensure the protection of the interests and rights of gamblers and gambling operators. Compulsive gamblers are not protected as a separate customer group at a legal level, but industry officials are looking at ways to address this issue. Currently, the Control Commission does not finance the prevention and treatment of problem gambling.

Lithuanian Gambling Tax Contributions by Gambling Type 2004:



Source: State Gaming Control Commission, Annual Report 2004 (From the submission to the Enquiry from State Gaming Control Commission of the Republic of Lithuania)

There is a fixed tax from each equipment item of the gambling market (gaming machines category A and B, gaming tables, bingo device). The amount of levied taxes, other conditions being equal, mostly depends on the number of equipment items in the market.

During 2003 there were six companies that among them operated Lithuania's 30 gaming arcades and 13 casinos. A Lithuanian gaming license is issued to an organisation for an unlimited period of time upon payment of the appropriate fees.

The Number of Gambling Operators 2002 - 2005:

Source: Submission to the Enquiry from State Gaming Control Commission of the Republic of Lithuanis and Lithuanian NGGBA (National Gambling and Gaming Business Association) publication in EUROMAT.

	Company	**The Number of Gambling Organisation Places**											
		Gaming machine halls				**Betting stations**				**Bingo halls**			
		2002	**2003**	**2004**	**2005**	**2002**	**2003**	**2004**	**2005**	**2002**	**2003**	**2004**	**2005**
1	JSC „Olympic Casino Group Baltija“	2											
2	JSC „Nesė“	1	1	3	4								
3	JSC “ Lydia Ludic”	3	10										
4	JSC “Jokey club”		6										
5	JSC “Tete-a-tete” kazino		3	23	34								
6	JSC “Egivela”		2	5	7								
7	JSC „Unigames“			8	11								
8	JSC „Top Sport“					3	33	70	83				
9	JSC “Orakulas”						19	35	42		1	1	1
10	JSC “Omnibetas”						9	13	17				
	Total	**6**	**22**	**39**	**56**	**3**	**61**	**118**	**142**	**0**	**1**	**1**	**1**

Lithuanian Gambling Overview:

Location	**2002**	**2003**	**2004**
Category B Gaming Machine Halls	3	22	39
Casinos	4	11	14
Bingo Halls	-	1	1
Betting Stations	3	61	118

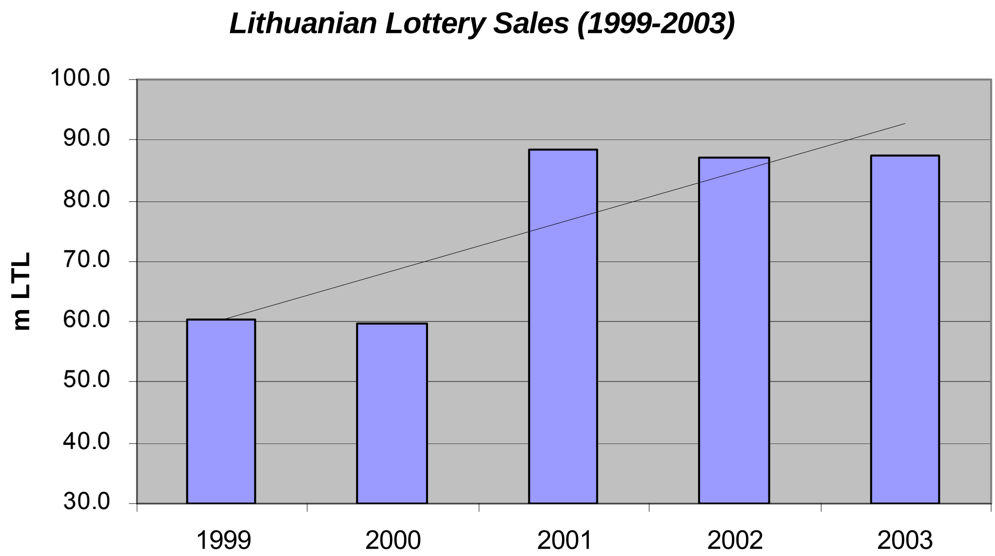
Source: Submission to th e Enquiry from State Gaming Control Commission of the Republic of Lithuania.

II. GAMING SECTOR ANALYSIS

1. Lotteries

According to Lithuanian legal acts, lottery is not gaming and it is organized and regulated following the Law on Lotteries of the Republic of Lithuania. Three operators offer major national lotteries in Lithuania and are organised by the Joint Stock Company "***Olifeja,***"[18] the Joint Stock Company "***Žalgirio lotto,***" and the Joint Stock Company "***Fortuna Baltica***". Among them, they offer lotto, keno and instant tickets as well as the popular lotteries Jega 1 and Jega 2. The largest Lithuanian lottery operator is Olifeja controls about 93% of the market. The leading betting operators are TopSport, Orakulas and Omnibetas.

[18] Note: 50 per cent share of Olifeja belong to National Olympic Committee



Source: Adapted from GBGC Report

The Olifeja Inc. Gross Gaming Revenue Statistics 2000-2005 (in Euros):

	2000	**2001**	**2002**	**2003**	**2004**	**2005**
GGR (total)	18,881,459	24,982,275	24,513,004	24,687,905	27,329,298	26,413,346
Online (Bingo, Keno, Lotto)	17,891,132	24,518,217	23,634,210	22,918,414	25,990,819	25,081,094
Instant	990,327	464,058	878,794	1,769,491	1,338,479	1,332,252
Internet	0	0	0	0	0	0

The Olifeja Inc. Gross Gaming Revenue Statistics (forecasted) 2006-2010 (in Euros):

	2006	**2007**	**2008**	**2009**	**2010**
GGR (total)	27,200,000	28,300,000	29,600,000	30,800,000	**33,400,000**
Online (Bingo, Keno, Lotto)	25,500,000	25,700,000	25,800,000	25,800,000	25,900,000
Instant	1,400,000	1,600,000	1,800,000	2,000,000	2,500,000
Internet	300,000	1,000,000	2,000,000	3,000,000	5,000,000

Source: Submission to the Enquiry from Lithuanian Lottery - Olifeja Inc.

According to Lithuanian regulations, the lottery prize fund shall account for not less than 50 percent of the face value of lottery tickets. When operating lotteries, a tax rate of 5 percent is imposed on the lottery tax base. These 5% goes to the general state budget, and the remaining 8% going to charities and sponsorships.

The Olifeja Inc. Taxes and Other Payments (actual and forcasted) 2000-2010 (in Euros):

	2000	2001	2002	2003	2004	2005
Taxes (rate and actual paid)	**944,073**	**1,249,114**	**1,225,650**	**1,234,395**	**1,366,465**	**1,320,667**
Good Causes contributions	**1,510,517**	**1,998,582**	**1,961,040**	**1,975,032**	**2,186,344**	**2,113,068**
	2006	2007	2008	2009	2010	
Taxes (rate and actual paid)	**1,360,000**	**1,415,000**	**1,480,000**	**1,540,000**	**1,670,000**	
Good Causes contributions	**2,176,000**	**2,264,000**	**2,368,000**	**2,464,000**	**2,672,000**	

Source: Submission to the Enquiry from Lithuanian Lottery - Olifeja Inc.

Currently, the Olifeja tax contributions are 5% a year and contributions to good causes attract an 8%. License requirements and fees paid by the company was €2,900 for every game untill 2004. From 2004, these are included in the lottery company licensing.

The Olifeja Inc. Employment and Distribution Network (actual and forcasted) 2000-2010:

	2000	2001	2002	2003	2004	2005
Employment (total)	**100**	**100**	**100**	**102**	**103**	**103**
direct	**80**	**80**	**80**	**81**	**82**	**82**
indirect	**20**	**20**	**20**	**21**	**21**	**21**
Number of outlets	**800**	**900**	**1,060**	**1,300**	**1,360**	**1,500**
	2006	2007	2008	2009	2010	
Employment (total)	**107**	**110**	**112**	**114**	**115**	
direct	85	87	89	90	91	
indirect	22	23	23	24	24	
Number of outlets	**1,500**	**1,520**	**1,550**	**1,570**	**1,580**	

Source: Submission to the Enquiry from Lithuanian Lottery - Olifeja Inc.

Lithuania's lottery is considered a mass-market game and so is allowed to be sold through Government institutions and be advertised freely. At present lotto is available over the telephone, branded as Telelotto.

2. Casino Gaming

Following the gaming law passed by Lithuania's Parliament in July 2001, the nation's first legal casino was opened in March 2002. Since then, three additional casino properties have opened. Casino Planet opened in May 2002 and the Grand Casino (JSC "Olympic Casino Group Baltija"), operated by the Estonian Olympic Group, opened later in 2002 in Vilnius. Another casino was opened in Vilnius in 2003 by Great Canadian Europa.

Number of Lithuanian Casinos 2002-2004:

Location	**2002**	**2003**	**2004**
Casinos	4	11	14

Source: Adapted from GBGC Report..

Lithuanian Gaming Devices:

Location	**2002**	**2003**	**June 2004**
Category A Gaming Machines in Casinos	169	522	626
Casino Gaming Tables	28	100	110

Source: Submission to the Enquiry from State Gaming Control Commission of the Republic of Lithuania.

The gaming machines operated within casinos are designated category A devices and as such are permitted unlimited payouts though they are subject to a higher tax rate.

Casino Fees and Taxes:

License Fee (paid once, at the time of receiving the license)	
Casino- Table and Category A Gaming Machines	LTL 10,000 (€2,900)
Fee to Open a Casino or Arcade	
Casino- Table and Category A Gaming Machines	LTL 30,000 (€8,700)
Gaming Taxes (fixed tax fee per device):	
Category A Gaming Machines	LTL 1,800 (€521) per quarter
Gaming Table	LTL 12,000 (€3,500) per quarter

Source: Lithuanian NGGBA (National Gambling and Gaming Business Association) publication in EUROMAT

In 2005, there were a total of 13 casinos operating across Lithuania with a total of 110 tables and 626 slots. According to the Control Commission, during 2003 Lithuania's casinos generated a GGR of LTL 43.6 million (€12.63 million). In 2003 tables generated LTL 25.2 million (€7.3 million) in GGR while category A gaming machines had a GGR of LTL 18.4 million (€5.3 million). The revenue of the companies organising casino gambling made 54.1% of the total gambling market.

3. Machine Gambling Outside Casinos

Gaming machines became legal with the legalization of gaming in Lithuania and with the first edition of the Gaming Law in July 2001. Gaming machines were operated in gaming machine halls since legalization of gaming in 2001. On 1 September 2002 amendments to the Gaming Law came into effect. They introduced some changes in the gaming machine sector: gaming machines were divided into categories A (unlimited payouts) and B (limited payouts). Since then gaming machines of category A can be operated only in casinos (together with gaming tables) and the machines of category B can be operated only in gaming machine halls.

Lithuania Gaming Devices:

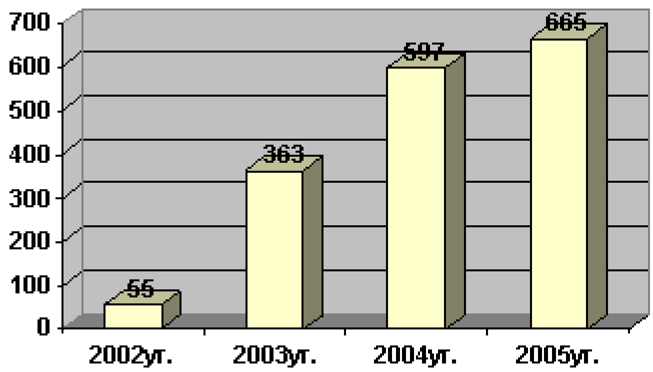
Location	2002	2003	May 2004	End 2004	Q1 2005
Category B Gaming Machines in Gaming Machine Halls	55	363	498	597	665
Number of Gaming Machine Halls			30	39	44
Number of machines per Gaming Machine Hall			17	15	15

Source: Lithuanian NGGBA (National Gambling and Gaming Business Association) publication in EUROMAT

In their first full year of operation in 2003, category B gaming machines generated a GGR of LTL 1.4 million (€405,000). By the end of 2004 there were 39 arcades with 597 B category machines in Lithuania. Compared to the year 2003 the number of arcades had increased by 18 (66%). During the first quarter of 2005, the number of gaming arcades increased by five.

Compared to the year 2003 the number of B category machines increased by 234 units (i.e. 64 %). During the first quarter of 2005 the total number of B category machines increased by 68 units, which made a total of 665 category B gaming machines in the market. As of May 2006, there are seven accredited foreign laboratories and 1 national testing laboratory.

The Number of Gaming Machines of Category B 2002 - 2005



Source: Lithuanian NGGBA (National Gambling and Gaming Business Association) publication in EUROMAT

Fees and Taxes for Category B Gaming Machines in Arcades:

Annual License Fee	LTL 10,000 (€2,900)
Fee to Open an Gaming Machine Halls	LTL 20,000 (€5,800)
Gaming Taxes (fixed tax per device)	LTL 600 (€174) per quarter

Source: Lithuanian NGGBA (National Gambling and Gaming Business Association) publication in EUROMAT

In 2004 there were five companies organising gambling on B category machines.

***Statistics of Companies Organising Gambling on B Category Machines*:**

Reporting period	Turnover LTL(EUR)	Payment of prizes LTL(EUR)	GGRs LTL(EUR)	Number of companies	Number of gaming devices
I quarter, 2004 yr.	8,546,445 (2,475,221)	6 912 980 (2,002,137)	1,633,465 (473,084)	5	450
II quarter, 2004 yr.	11,212,699 (3,247,422)	9,511 773 (2,754,799)	1,700,927 (492,622)	3	366
III quarter, 2004 yr.	13,335,468 (3,862,218)	11,241,731 (3,255,830)	2,093,737 (606,388)	3	502
IV quarter, 2004 yr.	21 450 045 (6,212,362)	18 045 657(5,226,383)	3 404 389 (985,979)	3	597
Total 2004 year	**54 544 658 (15,797,224)**	**45 712 141 (13,239,151)**	**8 832 517 (2,558,073)**	**3**	**597**
2003 year indexes:	7 551 741 (2,187,135)	6 144 188 (1,779,479)	1 407 554 (407,655)	5	363
I quarter, 2005 yr.	23,117,313 (6,695,236)	19,585,349 (5,672,309)	3,531,964 (1,022,927)	3	665

Source: Lithuanian NGGBA (National Gambling and Gaming Business Association) publication in EUROMAT

The income of the companies organising gambling on B category machines (two companies stopped their activity) increased 7.2 times and in 2004 was 54.5 million LTL (€15.8 million); in 2003 it was 7.5 million LTL (€2.2 million). The revenue of the companies organising gambling on B category machines comprised 16% of the total gambling market.

4. Betting

In 2004 there were only three companies organising betting in Lithuania. The two leading betting operators are Topsport Lazybu Bendrove, with 27 outlets in 2003, and Orakulas, which operated 14 outlets. A third operator is Omnibet, a relatively new entrant to the Lithuanian sports betting market . The number of betting locations in Lithuania expanded rapidly at the beginning of the decade, as is shown in the following table:

Betting Locations in Lithuania 2003 - 2005:

	2003	**2004**	**Q1 2005**
Number of betting stations	61	118	123

Source: Submission to the Enquiry from State Gaming Control Commission of the Republic of Lithuania.

According to Law on Lottery and Gaming Tax, operators of bingo, totalisator and betting pay a tax rate of 15% on the lottery and gaming tax base.

The Statistics of Companies Organising Betting:

Reporting period	Turnover LTL(EUR)	Payment of prizes LTL(EUR)	GGRs LTL(EUR)	Number of companies	Number of betting centres
I quarter, 2004 yr.	9,619,870 (2,786,106)	8,103,320 (2,346,883)	1,516,550 (439,223)	3	92
II quarter, 2004 yr.	13,551,310 (3,924,730)	11,465,450 (3,320,623)	2,085,860 (604,106)	3	109
III quarter, 2004 yr.	13,363,141 (3,870,233)	12,160,304 (3,521,867)	1,203,837 (348,655)	3	111
IV quarter, 2004 yr.	13 243 007 (3,835,439)	11 019 347 (3,191,423)	2 223 659 (644,016)	3	118
Total 2004year.	**49 778 328 (14,416,800)**	**42 748 421 (12,380,798)**	**7 029 907 (2,036,001)**	**3**	**118**
2003 year indexes:	7 729 593 (2,238,644)	5 458 242 (1,580,816)	2 271 350 (657,828)	3	61
I quarter, 2005 yr.	15,368,884 (4,451,136)	12,691,883 (3,675,823)	2,677,001 (775,313)	3	123

Source: State Gaming Control Commission, Annual Report 2004 (From the submission to the Enquiry from State Gaming Control Commission of the Republic of Lithuania)

The turnover of companies organising betting in 2004 was 48.9 million LTL (€14.2 million) compared to 7.7. million LTL (€2.23 million) in 2003. The revenue of the companies organising betting was 13% of the total gambling market.

5. Bingo

In the case of Lithuanian bingo, there is a flat rate of 15% tax charged on gross profits. There is only one Bingo hall in operation in Lithuania. The revenue of the company organising bingo was 0.12% of the total gambling market.

6. Media Gambling Services

No information was found or contributed by stakeholders approached as part of this research endeavor that allowed meaningful discussion of this sector.

7. Sales Promotional Gambling

No information was found or contributed by stakeholders approached as part of this research endeavor that allowed meaningful discussion of this sector.

8. Charity Gambling

No information was found or contributed by stakeholders approached as part of this research endeavor that allowed meaningful discussion of this sector.

III. NATIONAL SUMMARY

Year	Total (€ million)	Lottery (€ million)	Casino (€ million)	Gaming Machines (€ million)	Betting (€ million)	Bingo (€ million)
2001	26.92	24.98	0.90	0.00	1.03	n/a
2002	29.33	24.51	3.38	0.00	1.44	n/a
2003	40.72	24.69	13.52	0.49	2.03	n/a
2004	31.92	27.33	n/a	2.56	2.04	n/a

Source: Data Provided by Stakeholders and GBGC Report (shaded entries)

Year	GDP (€ million)	Propensity to gamble (%)	Spending per person (EURO)
2003	16,270.9	0.25%	11.76

Note: 1 EUR = 3.4528 LTL
Source: Centre for the Study of gambling, Salford, own analysis

LUXEMBOURG

I. INTRODUCTION

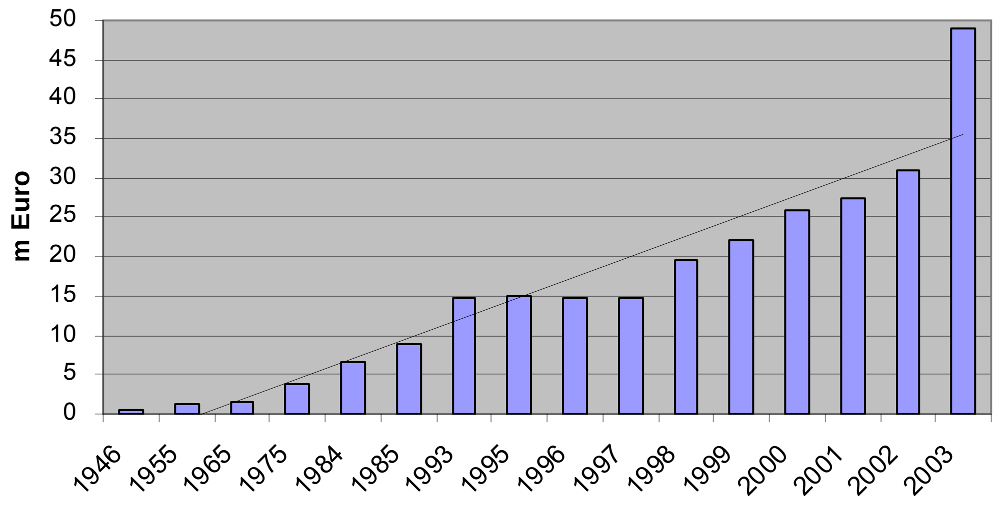
Prior to 1977 the only form of gambling that was permitted in Luxembourg was a lottery. In 1977, casino gaming was legalised and today Luxembourg has one casino, Casino 2000, located at Mondorf Les Bains.

II. GAMING SECTOR ANALYSIS

1. Lotteries

The ***Loterie Nationale of Luxembourg*** was founded in 1945. The lottery commenced by offering a traditional monthly draw. In 1985 the Loterie Nationale introduced instant tickets, for sale. By 1997 the sales of instant tickets had surpassed those of the draw game, *Zubito*.

Lotterie Nationale Sales (1946 to 2003)



Source: Adapted from GBGC Report

During 2003 the Loterie Nationale's sales were €48.7m. The lottery offers instants and Zubito, with the majority of sales on instant tickets. In 2005, estimated sales of Lotterie Nationale was €68 million. The company employs 30 people and has approximately 500 sales outlets.

2. Casino Gaming

Luxembourg has one casino, ***Casino 2000***, located at Mondorf Les Bains, which is the only thermal spa in Luxembourg. The property is aimed at the tourist market. ***Casino 2000*** offers a gaming room with 218 super jackpot draw poker, slot and bingo machines, as well as six table games. *(Source: GBGC Report)*

3. Machine Gambling Outside Casinos

No information was found or contributed by stakeholders approached as part of this research endeavor that allowed meaningful discussion of this sector.

4. Betting

No information was found or contributed by stakeholders approached as part of this research endeavor that allowed meaningful discussion of this sector.

5. Bingo

No information was found or contributed by stakeholders approached as part of this research endeavor that allowed meaningful discussion of this sector.

6. Media Gambling Services

Luxemburg’s television industry is reputed to be of great importance. This might lead one to believe that the relevant operators derive considerable revenue from the provision of media gambling services. However, no relevant information was found or contributed by stakeholders approached as part of this research endeavour and it is therefore not possible to undertake any meaningful discussion of this sector.

7. Sales Promotional Gambling

No information was found or contributed by stakeholders approached as part of this research endeavor that allowed meaningful discussion of this sector.

8. Charity Gambling

No information was found or contributed by stakeholders approached as part of this research endeavor that allowed meaningful discussion of this sector.

II. NATIONAL SUMMARY

Year	Total (€ million)	Lottery (€ million)	Casino (€ million)	Gaming Machines (€ million)	Betting (€ million)	Bingo (€ million)
2001	55.42	14.19	41.24	n/a	n/a	n/a
2002	73.43	13.43	60.00	n/a	n/a	n/a
2003	96.58	18.68	77.91	n/a	n/a	n/a

Source: GBGC Report (shaded entries)

Year	GDP (€ million)	Propensity to gamble (%)	Spending per person (EURO)
2002	22,805	0.32%	215.44

Source: Centre for the Study of gambling, Salford, own analysis

MALTA

I. INTRODUCTION

Since the introduction of the first on-line betting licences in 2000, the ***Maltese Lotteries and Gaming Authority*** (LGA) has developed its methodologies to regulate the procedures of remote gaming operations, and in April 2004, revamped Remote Gaming Regulations were published. Malta became the first EU member state to regulate Remote Gaming. The definition of remote gaming is technology-neutral, encompassing any type of gaming using a means of distance communication (including internet, digital TV, mobile phone technology, telephone and fax).

The sector dynamics of remote gaming coupled with the technology convergence created the need for re-modelled regulatory framework and as a result the LGA has ended the second Phase of new draft regulations of Remote Gaming. These should be published in 2006. As of May 2006, the Lotteries and Gaming Authority had processed over 150 remote gaming licenses.

Detailed procedures relating to control systems, gaming systems and the financial protection of players, are intended to create an environment where licensees can work virtually free from any grey areas. Licensees can apply under one or more of the four classes of licenses. Regulation is based on the principle of creating a controlled environment that can be readily monitored and kept in check. On the other hand, operators want to see tangible proof of the benefits of regulation.

Under the Remote Gaming Regulations, servers must be located in Malta. In practice, this means that the systems of internal controls, administrative and accounting procedures, including the processes to accept the stake and the bet and conclude the transaction, have to be in Malta. Accordingly, it has been ensured that the Lotteries and Gambling Authority has full access to and thorough control over the critical systems of the licensees.

Anti-money laundering provisions are strictly enforced. Malta wants to ensure that all licensed gaming is untainted by criminality. As of 2005, the Lotteries and Gambling Authority had issued sixty remote gaming licenses.

Number of remote licenses issued:

Class	Number of licenses
Class 1 licenses	17
Class 2 licenses	31
Class 3 licenses	6
Class 4 licenses	6

Source: Submission to the Enquiry from the Maltese Lotteries and Gaming Authority

Class 1 gaming licenses are distributed to companies that provide online casino-style games, games of chance, and games that use a random number generator. Class 2 licenses cover operators of online sports books and betting exchanges. Companies that promote and advertise on behalf of gaming companies from Malta are covered by a Class 3 license with any company that hosts or manages an online gaming operator (excluding the licensee) required to have a Class 4 License. Organisations may apply for one, all, or any combination of the four licenses.

To qualify for a license, an applicant must be a limited liability company registered in Malta. The initial fee for issuing a license for each of the four classes has been set at MTL 1,000 (€2,300). Licensed companies are then required to pay an annual fee of MTL 3,000 (€6,900), with the cost of renewal at the end of the five-year term being MTL 500 (€1,200). Renewal applications must be made in the form specified by the Lotteries and Gaming Authority and should be received at least 60 days before the expiration of the existing license.

The Maltese license allows online companies to operate in a global market place offering a product portfolio consisting of betting, casino, poker, totalisator, lotteries and soft games. All Internet gaming licensees are liable to pay the Lotteries and Gaming Authority on behalf of the Government MTL 2,000 (€4,600) per month during the first six months after issue of the license and subsequently MTL 3,000 (€6,9000) per month for the entire duration of the license period. If a site is operated by a Class 4 Remote Gaming licensee, the licensee who operates the hosting platform does not pay any tax for the first six months after the issue of the license and then MTL 1,000 (€2,300) per month for the subsequent six months and subsequently MTL 2,000 (€4,600) per month for the remainder of the duration of the license. Licensees operating from the hosting platform are liable to pay MTL 500 (€1,2000) per month. The gaming industry does not pay any VAT on their services in Malta.

GGR of the Gaming Sector for 2003 in Euros:

Online Betting	**Land-based Casinos**	**Land-based Lottery**	**Land-based Betting**	**Land-based Bingo**	**TOTAL**
65,922,693.82	23,088,704.52	23,125,038.05	0.00	1,267,202.18	113,403,638.57

Source: Submission to the Enquiry from the Maltese Lotteries and Gaming Authority

GDP of Malta for year 2003 was 4,168,202,576.20 EUR (ESA 95). So the GGR as a % of GDP is estimated to be approx. 2.72%

Expekt.com is a good example of a Malta internet-based gambling company. It is one of the top ten online gaming companies on the European market and the largest one in the Scandinavian market with a gaming turnover of about €1,4 billion in 2004. Their gaming turnover (on stakes) for the last four years is below, most of which came from EU countries.

Expekt.com turnover:

2001	50 € MILLION
2002	80 € MILLION
2003	330 € MILLION
2004	1,370 € MILLION

Source: Submission to the Enquiry from the Expekt.com

Their Maltese class 4 remote gaming license requires them to pay 0,5 % tax on accepted bets to a maximum of 200.000 MTL (about €465,000) per annum. In addition, a fixed fee for casino, soft games and lottery through a license of 500 MTL/month (€1,200) needs to be paid. Also, for the Maltese license the following fees apply:

Application fee: 1,000 MTL (€2,300)
License fee: 3,000 MTL/annum (€7,000)
Renewal fee: 500 MTL (€1,200)

Expekt.com's companies, as of 2005, employed 94 people. During the last five years they had the following number of employees:

Number of People employed in Expect.com:

2001	15
2002	30
2003	51
2004	65
2005	94

Source: Submission to the Enquiry from the Expekt.com

II. GAMING SECTOR ANALYSIS

1. Lotteries

In 1922 the Maltese Lotto Act was first enacted. Between 1999 and 2003 the National Lottery consisted of five games (Lotto, Grand Lottery, Scratch Lottery, Tiritombla and Super 5). In April 2004 the National Lottery was privatised and a license awarded to Maltco Lotteries Ltd. The license is exclusive for a period of seven years. The company is 73% owned by Intralot, with local Maltese businessmen owning the remaining 27%.

The company will operate existing games, such as Lotto and scratch tickets and will also introduce sports betting, keno and other number games. Maltco also plans to offer its games via alternative networks. Intralot will invest approximately €30 million including €18.5 million on a license fee. The company will install an online network in Malta using its Coronis terminals and Lotos software.

Aggregate Annual Gross Gaming Revenue Paid before Privatisation (1999 - 2003)

YEAR	Agg. Annual Gross Gambling Revenue (LM)	Agg. Annual Gross Gaming Revenue (Euro)
1999	10,602,502	24,709,449
2000	9,298,339	21,670,058
2001	10,327,523	24,068,602
2002	9,932,947	23,149,031
2003	10,248,469	23,884,364

Source: Submission to the Enquiry from the Maltese Lotteries and Gaming Authority

2. Casino Gaming

Currently there are three licensed casino operators on the Maltese island: Dragonara Casino (first licensed operator); Oracle Casino, and Casino di Venezia. The casino licenses are issued for a ten year period. At present, the license fee is 20,000 Maltese Liri (€69,000) per year, which is payable to the Authority.

The gaming taxes vary between casino table games and gaming machines. Table Games are taxed at 36% of total gross gaming revenues of all table games played at the casino and at 15% of the gross gaming revenues on all table games dedicated to the junkets.

The gaming machines are taxed at 40% of total gross gaming revenues of all gaming machines played at the casino and 25% of the gross gaming revenues on all gaming machines dedicated to the junkets.

Aggregate Annual Casino Gross Gambling Revenue 1999 - 2003:

YEAR	Agg. Annual Gross Gambling Revenue (LM)	Agg. Annual Gross Gaming Revenue (Euro)
1999	5,327,212	12,415,227
2000	7,314,190	17,045,939
2001	7,050,042	16,430,334
2002	9,232,912	21,517,578
2003	9,984,368	23,268,869

Note: For casinos 'Aggregate Annual Gross Gaming Revenue' is comprised of the winnings from tables, slot machines and junkets.
Source: Submission to the Enquiry from the Maltese Lotteries and Gaming Authority

The three casinos are situated in different parts of the island and are of paramount importance to the entertainment and gaming industry in Malta. They engage a large number of employees and are a significant source of foreign investment. The casino operators are licensed and regulated under the Gaming Act 1998 and Gaming Regulations 1998 by the Lotteries and Gaming Authority of Malta.

The International Casino Dragonara Palace was initially operated by Accor Casinos, but since Accor Casinos joined with Lucien Barriere in 2005, the casino is now operated by Groupe Lucien Barriere. The Dragonara Casino offers 174 slots and 21 tables, as well as a 12-seat Royal Ascot mechanized horse racing facility. The Italian-operated Casino di Venezia includes 49 slots and 14 tables and the Oracle Casino, operated by Malta's Tumas Group, offers 133 slots and 20 tables. Altogether, there are approximately 55 tables and 256 slot machines in casinos in Malta.

In addition there are now plans for a more up-market waterfront casino property. The Lazzetto Casino and Entertainment Destination is to be developed on Manoel Island in a 17th century quarantine hospital. The 17th century fort is to be developed as a cultural, arts and culinary destination which will also include restaurants, retail areas, seminar and conference facilities, a health club, leisure facilities and possibly a spa. It is estimated that the development will be completely operational by 2012.

According to Section 20 of the Gaming Act 1998 and Gaming Regulations 1998 no person is permitted to be employed or work in a casino as a casino employee, casino manager, or junket leader, unless they are in possession of a license granted by the Authority. The three casinos currently engage 376 employees.

3. Machine Gambling Outside Casinos

Amusement games and amusement machines will eventually be regulated by regulations drafted under the Lotteries and Other Games Act, 2001. All present amusement machines are regulated by Legal Notice 43 of 1988.

Regarding Video Lottery Terminal (VLT) Games, preliminary draft regulations have been finalised by the Lotteries and Gaming Authority of Malta and submitted to the Government for its consideration. Various categories in the supply and operation chain will be licensed.

4. Betting

Since the passing of the new legislation, the Maltese Lotteries and Gaming Authority is now able to grant a license to an approved racing club to operate racecourse bets on horse races and sweepstakes in connection with horse races. Article 42 of the Lotteries and Other Games Act 2001 (Fifth Schedule), that is not yet in force, deals with Racecourse Bets and Sweepstakes. Article 42(1) defines the method of operating and playing a sweepstake. According to Article 42(2) a racecourse betting license remains in force for one year after the date of issue. To date racecourse bets and sweepstakes are regulated by the Racecourse Betting Ordinance. Prior to the legislation, Malta did have a small betting industry based around activities at the Marsa Race Track and a handful of black market off-course facilities. *(Source: GBGC Report)*

During the autumn of 2000 the Maltese Government passed legislation enabling online betting centres to be established. A large number of companies from around the world expressed interest in Malta, with approximately 20 licenses being issued with more being processed, despite there being an initial concern that the abolition of the deduction in the UK and the reduction of betting tax in Ireland would ultimately cause a mass bookmaker exodus from the island.

Internet betting operators are subject to a 0.5% tax on handle, with betting exchanges paying 0.5% on the sum of all net winnings calculated per player per betting market. On pool betting, the online tax rate is equivalent to 0.5% on the aggregate of stakes paid. The ceiling on tax payable per annum with respect to any single license is MTL 200,000 (€466,000). Companies who are granted a Maltese license are not permitted to take bets from the island's citizens.

5. Bingo

Currently there are four Bingo operators in Malta. The first bingo hall started its initial operations in April 2001. Two more bingo halls opened in year 2002, whilst the fourth bingo hall started its operations in May 2004.

The new Commercial Tombola (BINGO) Regulations 2005 were still awaiting Government approval toward the end of 2005. To date, commercial bingo halls are regulated by Tombola (Bingo) Regulations 2000, under the Public Lotto Ordinance. However, the new regulations are expected to permit two classes of licenses:

- Class 1 Tombola (Bingo) Hall License with a seating capacity of not less than one hundred and fifty, for a period of one year.
- Class 2 Tombola (BINGO) License with a seating capacity of not less than one hundred and fifty, for a period of six months.

The license paid on a submission of an application, by the licensee to the Authority (only once), for all classes of Tombola (Bingo) Halls is 500 LM. When licenses are approved, the following fees will need to be paid:
- Class1 - 12 000 LM per annum;
- Class 2 - 7 000 LM for every six calendar months.

In addition, all classes of Tombola (Bingo) Hall Licensees have to pay gambling tax:
- On the value of the scoresheet – ten per cent (10%)
- On the total revenue from entrance fees – thirty per cent (30%)

At least 60% of the revenue from the sale of score sheets has to be allocated to prizes. The commercial bingo halls are currently subject to gaming duty of twenty (20) per centum on turnover.

Total Bingo Duty Paid 2001 - 2004 (LM):

Year	Duty
2001	48,345
2002	130,183
2003	175,457
2004	242,403

Source: Submission to the Enquiry from the Maltese Lotteries and Gaming Authority

Bingo Gross Gaming Revenue 2001 - 2004:

Year	Agg. Annual Gross Gambling Revenue (LM)	Agg. Annual Gross Gaming Revenue (Euro)
2001	96,692	225,344
2002	260,367	606,793
2003	362,598	845,046
2004	484,807	1,129,857

Source: Submission to the Enquiry from the Maltese Lotteries and Gaming Authority

For commercial bingo halls the 'Aggregate Annual Gross Gaming Revenue' is considered to be money staked, less money paid out in prizes or winning. The figures reflect the aggregate performance of the four bingo halls operating in Malta.

Although it is too early to carry out any sort of analysis to forecast the future turnover, the above figures indicate that the aggregate revenue has been steadily on the increase. Moreover, new companies have applied for licenses to operate bingo halls in Malta which imply positive expectations for future growth.

Bingo establishments employ 47 full-time employees and 40 part-time employees.

6. Media Gambling Services

The Broadcasting Media Games are regulated by the Lotteries and Other Games Act 2001, but the relevant provisions are not yet in force.

Director of Public Lottery (DPL) Permits (Advertising/Private Lotteries) 2000 - 2004:

Year	**Value of Prizes (LM)**	**25% Duty**	**Prizes of Exempted Permits (LM)**	**Duty Waived (LM)**
2000	187,579	46,894	67,260	16,815
2001	114,458	28,614	74,098	18,524
2002	93,404	23,351	103,031	25,757
2003	195,049	48,762	81,141	20,285
2004	138,370	34,592	80,535	20,133

Source: Submission to the Enquiry from the Maltese Lotteries and Gaming Authority

7. Sales Promotional Gambling

Commercial Communication Games are envisaged in the Lotteries and Other Games Act, 2001, but the relevant provisions are not yet in force.

8. Charity Gambling

The provisions of the Lotteries and Other Games Act, 2001 relating to non-profit games are not yet in force. At present, small and non-profit games fall under the Public Lotto Ordinance. The entities eligible for operating small games are philanthropic entities, sports associations and religious entities. If the prize fund does not exceed fifty Maltese liri (50 LM), the game is exempt from duty. If the prize fund exceeds 50 LM, the respective entity is required to obtain a DPL (Director of Public Lottery) permit from the Lotteries and Gaming Authority, in order to operate the game. In future they will be regulated by the Lotteries and Other Games Act, 2001 and exempted from licensing requirements.

Non-profit Organisations Duty Paid Under The Provisions of the Public Lotto Ordinance (ML):

2004	September	October	November	December	Number of Sessions/ Games	TOTAL DUTY (70% refundable)
	825	1,365	1,320	900	295	4,425

2005	January	February	March	12-Apr	Number of Sessions/ Games	TOTAL DUTY (70% refundable)
	795	1,095	705	405	200	3,000

Source: Submission to the Enquiry from the Maltese Lotteries and Gaming Authority

Total Duty 30% Paid After Refund of 70% 2004 – 2005 (partial years):

2004	2005
1,327 LM	9,00 LM

Source: Submission to the Enquiry from the Maltese Lotteries and Gaming Authority

III. NATIONAL SUMMARY

Year	Total (€ million)	Lottery (€ million)	Casino (€ million)	Gaming Machines (€ million)	Betting (€ million)	Bingo (€ million)
2001	143.11	24.07	16.43	0	102.39	0.23
2002	124.05	23.15	21.52	0	78.77	0.61
2003	113.92	23.88	23.27	0	65.92	0.85

Source: Data Provided by Stakeholders and GBGC Report (shaded entries)

Year	GDP (€ million)	Propensity to gamble (%)	Spending per person (EURO)
2002	4168.20	2.733%	286.74

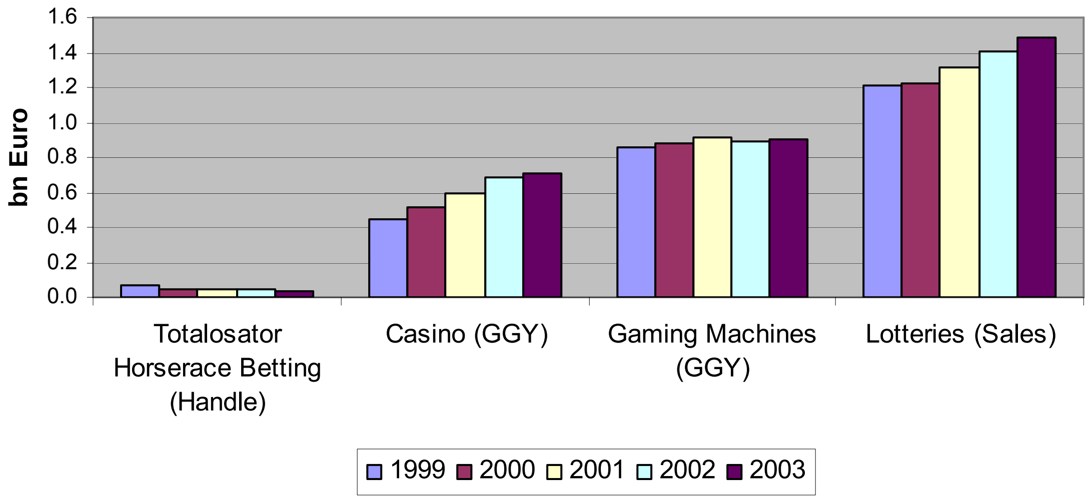
Source: Centre for the Study of gambling, Salford, own analysis

NETHERLANDS

I. INTRODUCTION

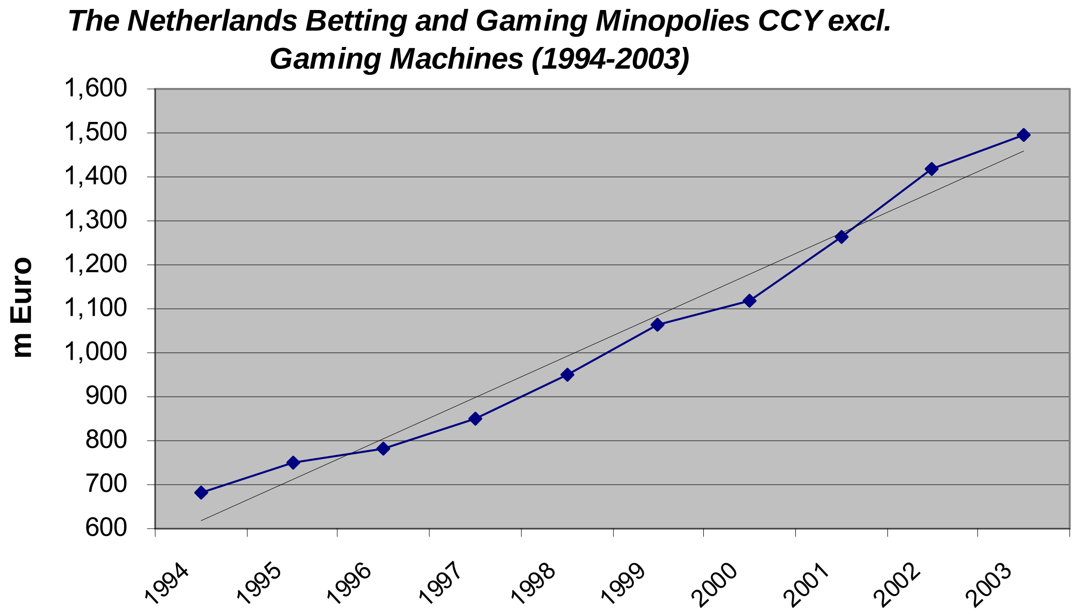
The Netherlands Gaming Control Board (College van toezicht op de kansspelen) was established January 1st 1996 as an independent advisory body to the Minister of Justice in respect of the national gaming organizations. The Board advises the Minister of Justice on the issuing, alteration and withdrawal of the licenses for these organizations and on the approval of their constitution and regulations. The Board does not have any coercive or compulsory powers. The department of Justice is the authority to grant licenses regarding games of chance in the Netherlands.

Dutch Betting and Gaming Gross Turnover (1999-2003)



Source: Adapted from GBGC Report

Holland Casino and the Stichting Exploitatie Nederlandse Staatsloterij (SENS, better known as the Dutch State Lottery) are the two state controlled licensees. De Lotto (National Sports Totalizator Foundation) has a license for organizing instant lottery, sports betting and lotto games. De Lotto is a semi private foundation and has no direct relations, other than its license, with the government. Scientific Games Racing B.V. has a license for horse betting and is a subsidiary of SGI. Three private sector companies, joined in National Good Causes Lotteries Holding have licenses for the national charity lotteries BankGiro Lottery, National Postal code Lottery and Sponsor Lottery. Gambling machines outside the casinos are operated by private sector companies.



Source: Adapted from GBGC Report

Following is a summary of the government's decisions that led to changes in gaming regulation in Netherlands.

A study has been commissioned into problem gambling in the Netherlands. The report has been published in October 2005. It is estimated that there are about 40.000 problem gamblers (instead of the earlier estimated 70.000) in the Netherlands, plus another 70.000 persons at risk of becoming so.

The casino market will not be opened and Holland Casino will remain the only operator. The number of allowed casino operations has increased from 12 to 14. In March 2006 the new Holland Casino Venlo has been opened and in December 2006 the new Holland Casino Leeuwarden will be opened. Main objective of the new operations is the prevention of illegal casinos.

A study has been conducted into the demand and need for more charitable lotteries. No new licenses will be issued. The percentage of the sales of charitable lotteries that has to be contributed to good causes has been reduced from 60% tot 50% as of 1 September 2004.

Conditions for running charitable lotteries, lotto games and state lottery games will be harmonised. However, the lotto and state lottery games will keep their position as lotteries with a high percentage for prizes (prijzenloterijen). Charitable lotteries will keep their position as lotteries with a high percentage for contribution to good causes (goede doelenloterijen).

In 2004 a study was conducted into the distribution of revenues amongst the good causes. A program of certification will be introduced; only certified organisations will be able to receive or redistribute monies from the lotteries.

Interactive internet gaming will be allowed on an experimental 3-year basis for Holland Casino only. To achieve this however, a partial change of the Act on Games of Chance is needed. After an evaluation a decision will be taken on continuation of interactive internet gaming and the number of operators.

Promotional games will be regulated in the Act on Games of Chance. A code of conduct has come into force as of 1 January 2006, in anticipation of an amendment of the Act on Games of Chance.

Gaming regulation has been concentrated in one department - the department of Justice - instead of the five departments that used to be involved in gaming regulation.

The existing Gaming control board will be replaced by a new regulatory authority with more powers, regulating all licensees, including the gaming machines operators, in the Netherlands. The status of the new regulator, an ‘external’ gaming board or a government agency, is still under discussion.

Enforcement of the Act on Games of Chance and prosecution of illegal gambling has been intensified by the police and the public prosecutor’s office. After the amendment of the legislation, the new regulatory authority will have powers based on administrative law.

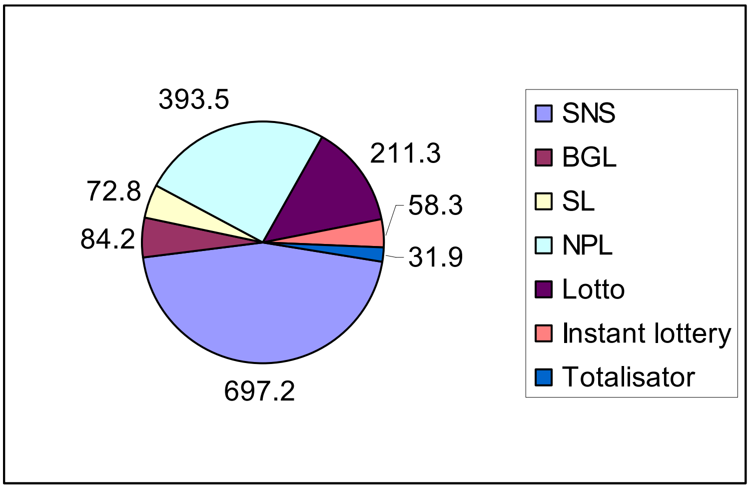
The existing lotteries tax on the prices of the winners will be reviewed. The tax on gross gaming revenue of casino gaming will remain. Meanwhile the tax on the prizes of the winners has been increased from 25% to 29% and the casino gaming tax from 33,33% to 40,85% as of 1 January 2006.

Market Share of Lottery Licensees turnover in € million (2000 – 2004):

Turnover Year	Total	SNS	BGL	SL	NPL	Lotto	Instant Lottery	Totalisator
2000	1235.0 100%	596.0 48.3%	67.4 5.5%	50.4 4%	262.7 21.3%	147.1 11.9%	73.3 6%	38.1 3%
2001	1351.9 100%	658.8 49%	66.4 4.8%	52.4 3.8%	292.9 21.7%	172.1 12.7%	71.9 5.3%	37.4 2.7%
2002	1463.4 100%	689.5 47.1%	70.7 4.8%	68.3 4.7%	338.3 23.1%	194 13.3%	65 4.4%	37.6 2.6%
2003	1520.8 100%	699.1 45.9%	79.8 5.3%	69.6 4.6%	362.1 23.8%	214.2 14.1%	62 4.1%	34 2.2%
2004	1549.5 100%	697.5 45%	84.2 5.5%	72.8 4.7%	393.5 25.4%	211.3 13.6%	58.3 3.8%	31.9 2%

Company Identification:
SNS: Staatsloterij
BGL: BankGiro Loterij
SL: Sponsor Loterij
NPL: Nationale Postcode Loterij
Source: Submission to the Enquiry from the Ministry of Justice, The Netherlands, from annual Gaming Control Board reports.

Gambling Turnover Market Share 2004:



Company Identification:
SNS: Staatsloterij
BGL: BankGiro Loterij
SL: Spon54sor Loterij
NPL: Nationale Postcode Loterij
Source: Submission to the Enquiry from the Ministry of Justice, The Netherlands

Over the past five years the Nationale Postcode Loterij has increased its market share. This increase is expected to continue. The Staatsloterij and the Instantloterij are losing market share.

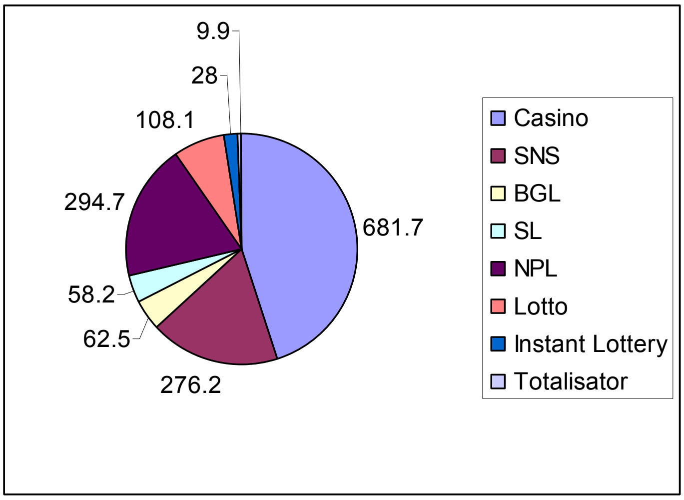
Holland Casino is likely to be awarded an exclusive license to operate the sole Dutch-based internet casino for the duration of the experiment (3 years). Between 2000 and 2004 the gambling revenue from all legal gaming (except Gaming machines) has grown from approximately € 1,121.1 million in 2000 up to approximately € 1,519.3 million in 2004.

GGR of Netherlands License Holders 2000 - 20004 (in € millions)

Year	**2000**	**2001**	**2002**	**2003**	**2004**
Total revenue	1,211.1	1,289.0	1,416.2	1,500.5	1,519.3

Source: Submission to the Enquiry from the Ministry of Justice, The Netherlands

GGR 2004 (in € millions):



Source: Submission to the Enquiry from the Ministry of Justice, The Netherlands

Gross Gaming Revenue of Netherlands Gambling Sector 2000 – 2004 (in € millions)

Revenue Year	Casino	SNS	BGL	SL	NPL	Lotto	Instant Lottery	Totalisator
2000	504.3	198.4	49.9	41.2	202.1	74.8	38.1	12.3
2001	600.5	230.3	49.2	43.8	230.4	88.6	34.3	11.9
2002	672.8	232.2	53.1	57.7	260.2	98.6	29.6	12
2003	699.4	254	61.3	58.6	279.1	109.6	27.9	10.6
2004	681.7	276.2	62.5	58.2	294.7	108.1	28	9.9

SNS: Staatsloterij
BGL: BankGiro Loterij
SL: Sponsor Loterij
NPL: Nationale Postcode Loterij
Note: GGR of De Lotto includes sports betting. Based on the assumption that 60% of sales is prize money, GGR for sports betting is as follows:

Sports Betting Sales and Gross Gaming Revenue 2000 – 2004 (in € millions)

Year	Sales	GGR
2000	13,5	5,4
2001	14,9	6,0
2002	18,2	7,3
2003	18,3	7,3
2004	19,9	8,0

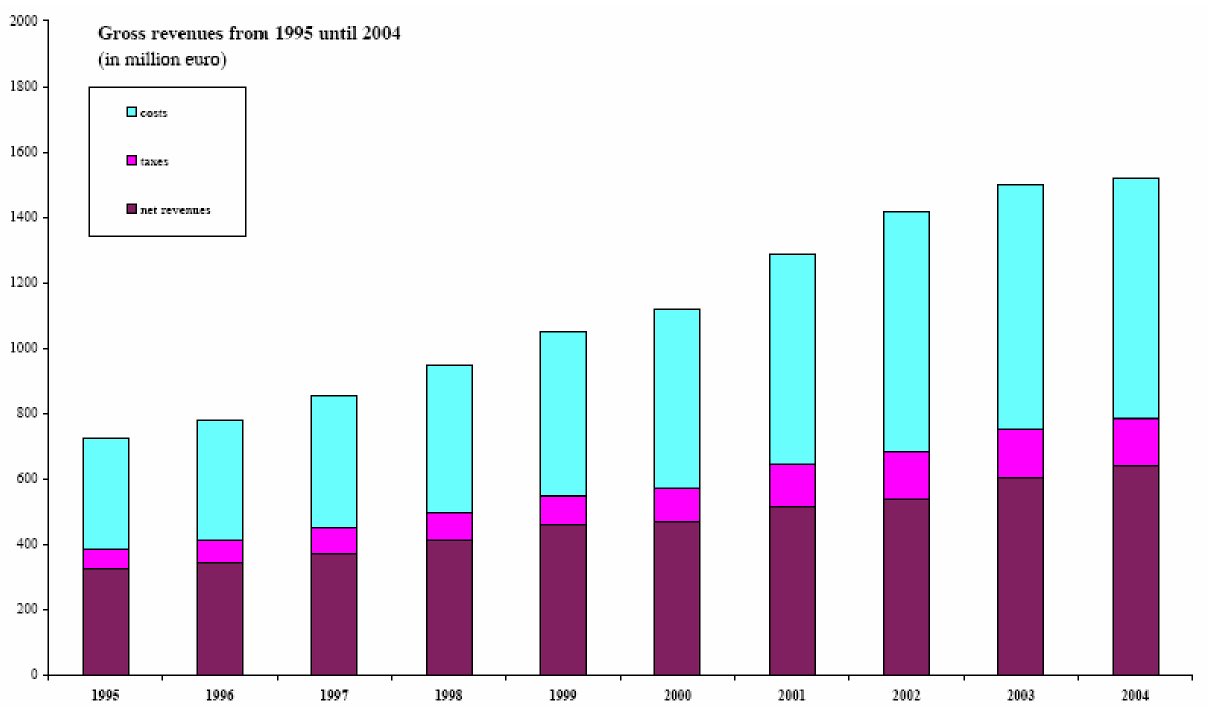
Source: Submission to the Enquiry from the Ministry of Justice, The Netherlands, from annual Gaming Control Board reports.

Gambling Market Statistics 2004:

Year 2004 (in million euro)	turnover	in %	prize money*	in %	gross revenues	in %	costs	in %	taxes	in %	net revenues	in %	destination
state lottery	697,5	100%	421,3	60%	276,2	40%	134,2	20%	0,0	0%	142,0	20%	general funds
bankgiro lottery	84,2	100%	21,7	26%	62,5	74%	15,4	18%	0,0	0%	47,1	56%	culture and environmental protection, social welfare and public health
sponsor lottery	72,8	100%	14,6	20%	58,2	80%	16,6	23%	0,0	0%	41,6	57%	culture, social welfare, public health, sports and physical education, humanitarian aid and environmental protection
postcode lottery	393,5	100%	98,8	25%	294,7	75%	69,5	18%	0,0	0%	225,2	57%	development co-operation and humanitarian aid, nature and environment, welfare, culture, public health
lotto and sports betting	211,3	100%	103,2	49%	108,1	51%	58,2	27%	0,0	0%	49,9	24%	sports and physical education, social welfare, public health and culture
instant lottery	58,3	100%	30,3	52%	28,0	48%	16,3	28%	0,0	0%	11,7	20%	sports and physical education, social welfare, public health and culture
horse betting	31,9	100%	22,0	69%	9,9	31%	7,6	24%	0,0	0%	2,3	7%	mainly equestrian sports
casinos	---	---	---	---	681,7	---	413,7	---	144,3	---	123,7	---	general funds
total	**1.549,5**	---	**711,9**	---	**1.519,3**	100%	**731,5**	48%	**144,3**	10%	**643,5**	42%	

Source: Submission to the Enquiry from the Ministry of Justice, The Netherlands.

Netherland's Gambling GGR 1995-2004:



Source: Submission to the Enquiry from the Ministry of Justice, The Netherlands.

Contributions to charities, sport, culture and other good causes is an important part of gambling in Netherlands. In 2004 the total amount contributed by gambling industry was €643.5 million.

Good Causes Contribution in 2004 (in € millions):

Year	Casino	SNS	BGL	SL	NPL	Lotto	Instant Lottery	Totalisator	Total
2004	123.7	142	47.1	41.6	225.2	49.9	11.7	2.3	643.5

Source: Submission to the Enquiry from the Ministry of Justice, The Netherlands

Dutch residents are charged with gambling tax for prizes they win abroad. However, prevention of the assession for double taxation is possible. All gambling operators, except for casino tables and gaming machines in and outside casinos, are charged with a gambling tax of 25% on the prizes above €454. Taxes are levied by deduction on the prize. The table below summarises gambling tax proceeds over the past five years. There is no reason to expect these numbers will change dramatically in the coming years

The Revenues of the Gambling Tax 2001 - 2005 (in € millions):

Year	2001	2002	2003	2004	2005
Revenue gambling tax	149	162	156	171	180

Source: Submission to the Enquiry from the Ministry of Justice, The Netherlands

A survey into participation in foreign games of chance was carried out for the fifth time in 2004 following previous measurements in 1996, 1998, 2000 en 2002. The total amount spent on foreign games of chance in 2004 was 67 million euro. This equals 4% of the amount spent on domestic games of chance in the comparable gaming period (2003). The German games of chance (Lotto and Klassenlotterien) together take up 84% of the total market. The National Lottery (English lotto) takes 1%, (sports)betting/bookmaking takes 2% and other (unspecified) foreign games of chance take 13%.

3.5% of the population stated that they participated in paid interactive internet gaming. This amounts to around 277.000 Dutch citizens between the ages of 18 and 55 years old. In comparison with the study in 2004, the number of participants in paid e-gaming has dropped significantly. This year is the first year a drop in the participation in paid interactive internet gaming is observed. Participation in paid e-gaming is highest among young men. This profile is similar to that of participants in other, more traditional high-risk games of chance. The number of participants in paid e-gaming remains a small group compared to these other, more traditional high-risk games of chance. On average, participants spend 36 euro per month on this type of gaming (44 euro in 2004). Yearly spending in the Dutch internet gaming market is estimated to be between 62 million and 120 million euros.

Gambling is a fairly popular activity in Holland, where most ages participate in the activity. The statistical breakdown of gamblers profile is below.

Social Features of Various Types of Gambling in the Netherlands, 1993:

Population participation				
Age 12–75	47.3%	1.8%	3.5%	7.0%
N = 7840	Lotteries	Bingo (*n* = 80)	Casino	Slot machines
	(*n* = 3413)		(*n* = 111)	(*n* = 274)
Women	51%	71%	47%	28%
Age 40 +	52%	52%	32%	15%
Class C/D	45%	65%	32%	45%
Motive: money	67%	19%	15%	33%
Addiction	0.06%	2.5%	1.3%	3.8%

- C and D social classes are derived from education and professional status.
- Superior to social classes C and D are the classes A, B1 and B2.
- Motives reported less often than ‘money’ were ‘fun of playing’, ‘socialising’ and ‘distraction’.

Source: S. Kingma (1993) Risk-analysis Gambling. Research into the Nature and Prevalence of Gambling

II. GAMING SECTOR ANALYSIS

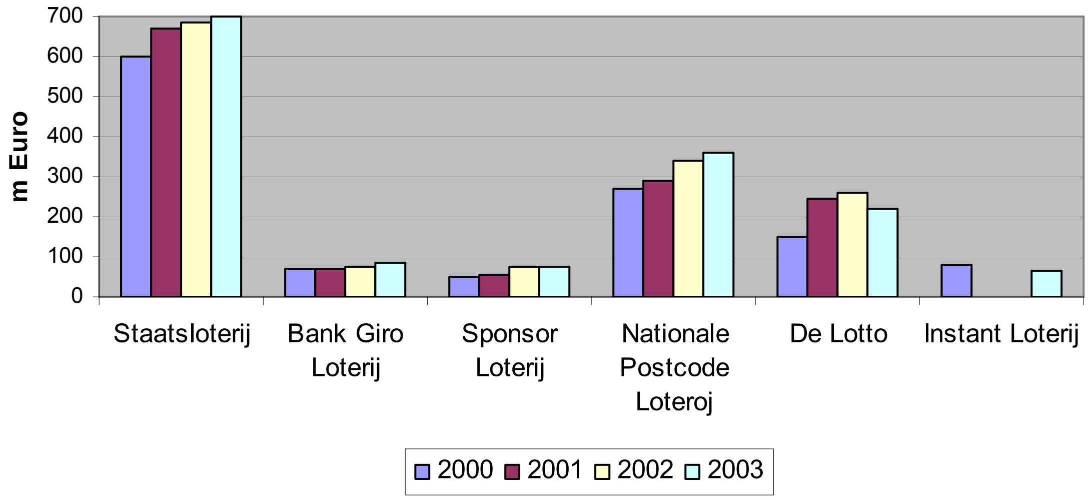
1. Lotteries

There are six organisations that are licensed to offer lottery games. The ***Stichting Exploitatie Nederlandse Staatsloterij***, founded in 1726, is the oldest continuous lottery in the world, though it is now operated under new legislation passed in 1992. This state lottery offers a traditional number lottery, which has monthly draws and an additional one on New Year’s Eve, a jackpot game and a weekly game (Dayzers). It has a network of approximately 3,500 retail outlets that has had an online network since the latter part of 2000.

The Staatsloterij is licensed by the Department of Justice, with all surplus revenues being directed to the Exchequer. During 2003 the Staatsloterij’s draws accounted for 47.0% of the Dutch lottery market, making it by far the most popular lottery, with sales of €699.1 million. Of the other Dutch lotteries, the ***Bank Giro Loterij*** had sales of €79.8 million in 2003, the ***Nationale Postcode Loterij*** had sales of €362.1 million, the ***Nederlands Sponsor Loterij*** had sales of €69.6 million, and ***De Lotto***, which offers lotto, sports betting and instants, had sales of € 276.2 million, which is up 10.4% from the previous year.

The lotteries in Netherlands do not pay VAT on their services.

Dutch Lottery Sales (2000-2003)



Source: Adapted from GBGC Report

The Lotteries Market GGR 2000-2004 (in € million):

Year	SNS	BGL	SL	NPL	Lotto (excluding betting)	Instant Lotteries	Lotteries Total
2000	198.4	49.9	41.2	202.1	69.4	38.1	599.1
2001	230.3	49.2	43.8	230.4	82.6	34.3	670.6
2002	232.2	53.1	57.7	260.2	91.3	29.6	724.1
2003	254	61.3	58.6	279.1	102.3	27.9	783.2
2004	276.2	62.5	58.2	294.7	100.1	28	819.7

Source: Adapted from the submission to the Enquiry from the Ministry of Justice, The Netherlands

The Lotto has been established to generate funding for sport and culture. The Lotto's net revenue is divided with 70% going to sport activities through ***Netherlands Olympic Committee*Netherlands Sport Federation*** (NOC*NFS) and 30% going to charities in the field of culture, social welfare and national health. Altogether there are more than 500 beneficiaries from all the lotteries operating in Holland.

Total amount received by beneficiaries from all lotteries in thousands of €

	2001	2002	2003	2004
Good Causes Contributions	306.5	347.2	369.3	377.8

Source: Submission to the Enquiry from the Ministry of Justice, The Netherlands

As early as from the 19th century, Dutch legislation states that games of chance can be permitted only if the proceeds contribute to a good cause. This derives from the (religious) convicting that gambling is improper. Financing good causes is considered to be a private enterprise. As a result of that, the Dutch good causes, including the sports sector, have been reliant on the contribution by licensees of games of chance for decades. With the growth of the games of chance in this period, the importance of these contributions has grown as well. Whereas funding of good causes isn't an aim of the Dutch policy on games of chance (the aims are regulating and controlling games of chance, thus preventing problem gambling, protecting consumers and preventing criminality and illegality), the good causes are dependent on these contributions from way back. To them it is vital to maintain this obligation.

The mandatory payments can be divided into two categories: payments to charity (good causes) and to the Treasury. Only the net profit of the two government owned organisations (Staatsloterij and Holland Casino) is paid to the Treasury (Ministry of Finance). The rest of the operators of charitable lotteries do not have mandatory contributions to the Treasury (except taxes); instead most of them are obliged by law to give a certain percentage to charitable organisations. The percentage of the sales of charitable lotteries that has to be contributed to charity was reduced from 60% to 50% as at the 1st of September 2004.

Mandatory Payments Licensees by Lotteries in Netherlands 2000-2004 (in m €):

	2000	**2001**	**2002**	**2003**	**2004**
Staatsloterij	113.5	119.5	82.2	107	142
Instantloterij	14.3	8.6	9.7	8.6	11.7
BankGiro Loterij	40.5	39.9	42.4	47.9	47.1
Sponsor Loterij	30.4	32.9	41.2	41.9	41.6
Postcode Loterij	159	177.1	203.2	217.4	225.2

Source: Submission to the Enquiry from the Ministry of Justice, The Netherlands, from annual Gaming Control Board reports.

The mandatory payments are as follows:
Staatsloterij: mandatory payment to the Ministry of Finance at least 15% of turnover. The Staatsloterij is obliged by law to use 60% of the proceeds of lottery ticket sales as prize money. Instantloterij: no percentage mentioned, net profit is given to charity.
BankGiro Loterij: Obliged by the license to give 50% of proceeds of lottery ticket sales to charity.
Sponsor Loterij*:* Obliged by the license to give 50% of proceeds of lottery ticket sales to charity.
Postcode Loterij: Obliged by the license to give 50% of proceeds of lottery ticket sales to charity.
'Incidental lotteries': The license holders for incidental lotteries are obliged to give 50% of turnover to charity.

Lottery funding is extremely important for sports in the Netherlands. It is the main source of income for national sport structures (Netherlands Olympic Committee*Netherlands Sport Federation - NOC*NSF and sport federations), which include almost 30,000 sport clubs at local level and facilitate 4.7 million participants, which equated to 30% of total population.

Sport activities were expected to receive €45 million from Lotto in 2005. Lottery funding became especially important to sport organisations, since the state government decreased its financial support since 2004 onwards and now amounts to €62 million in 2005. Lottery funding thus constitutes to 38% of total income for sport organisations.

There are also 75 licenses issued each year by the Ministry of Justice, if prize money exceeds €4,500 or by the town Mayor, if prize money is under €4,500, to mainly non-for-profit organisations to hold occasional lotteries. These licenses are for a short period (from 1

January 2006 max 6 months) only and are mainly aimed to generate funding for charitable purposes.

Lottery operators do not pay VAT, but pay 25% tax on winnings above €454. Some of the lottery operators pay license fees, while others do not. It is expected to change in the near future:

Lottery License Fees:

Lottery Operator	License Fee
Staatsloterij:	no fee required.
Instantloterij:	no fee required.
BankGiro Loterij	annual fee for the license € 2,268.
Sponsor Loterij	annual fee for the license € 2,268
Postcode Loterij:	annual fee for the license € 2,268

Source: Submission to the Enquiry from the Ministry of Justice, The Netherlands

The Instantloterij is organised by the Lotto (sporttotalisator) therefore there are no separate employment figures available. The Postcode Loterij (NPL) joined with the Sponsor Loterij in 2000, in 2003 the BankGiro Loterij joined the Postcode Loterij. It is not possible to make any predictions about the employment in each of the sectors for the next five years. Incidental lotteries are mostly organized by volunteers of the association.

Number of FTEs in Lottery Sector 2000 - 2004:

	2000	2001	2002	2003	2004
Staatsloterij	124	137	143	149	148
Instantloterij	See Lotto	See Lotto	See Lotto	See Lotto	See Lotto
BankGiro Loterij	10	10	9	See NPL	See NPL
Sponsor Loterij	See NPL	See NPL	See NPL	See NPL	See NPL
Postcode Loterij (NPL)	97	98	110	144	160
Total	231	245	262	293	308

Source: Submission to the Enquiry from the Ministry of Justice, The Netherlands

There are no charitable lotteries in other member states in Europe as can be found in the Netherlands, according to Dutch Charitable Lotteries Association. Even though they are similar to the UK and Swedish lotteries, there are some differences. For example although the charitable lotteries are national lotteries there is no political interference in the distribution of the revenues and the revenues are unearmarked. Also the percentage of the revenues from sales of tickets to the charitable lotteries that must be contributed to charitable causes is 50%.

The Dutch Postcode Lottery was founded in 1989 to raise funds for charities. In 2006, this lottery supported 52 charities in the area of development cooperation, nature and the environment and human rights, e.g. UNHCR, the Dutch Red Cross, Clinton Foundation and Unicef. In 1998 the Sponsor Lottery was created and in 2003 - the BankGiro Lottery. The three charitable lotteries are separate entities which have there own license and they all are operated by Novamedia. The Sponsor Lottery supports charities on sports and welfare, the BankGiro Lottery charities on culture. In 2005 the Dutch Postcode Lottery had an income of 420 million euro of which 212 million euro was given to charity, the three charitable lotteries gave in 2005 a total of 300 million euro to charity. The Lotto for example gave an amount of 65 million euro.

2. Casino Gaming

Since 1976, Holland Casino has been licensed to operate casinos in the Netherlands. It opened its first property in Zandvoort in October 1976. There is one operator (***Holland Casino's*** or ***HC***), which is licenced to operate 14 casinos, up from 11 in 2000 to 12 in 2002. In March 2006 the casino in Venlo opened and the casino in Leeuwarden is expected to opening December 2006. In 2004, Holland Casino's experienced a decrease in total gross gaming revenue.

Holland Casino's is subject to supervision from the Ministers of Justice, but operates independently. It has one license that covers up to a maximum of a dozen casinos, with the consent of the appropriate city councils. The license will remain in force until such time that the Government decides to revoke it. *(Source: GBGC Report)*

Holland Casino's Statistics 2002 - 2003:

	2004	2003	2002	2001	2000	1999
GGR (in millions)	681.7	€699.4	€672.8	€600.5	€504.3	€452.5
Taxes (in millions)	144.8	€148.3	€144.7	€128.6	€105.6	€92.4
Number of tables	379	383	385	341	336	280
Number of slot machines	6,278	6,035	5,346	4,331	4,230	3,397
Number of employees	4,489	4,621	4,730	4,593	4,142	3,882
Number of full-time equivalents	3,549	3,727	3,891	3,795	3,559	3,266
Number of visits (thousands)	6,376	6,216	6,079	5,932	5,302	5,047

Source: Adapted from the GBGC Report

Holland Casino's pay gambling specific taxes, which is 33 1/3% of the gross revenue (turnover minus prize money) generated by table games. Holland Casino's is also obliged to pay the standard 19% VAT over other sources (for example machine games) of income than table games. In 2004 this came to € 52.2 million.

Holland Casino's is the only operator of casinos. The net profit of Holland Casino's is paid to the Ministry of Finance.

Mandatory Payments to Ministry of Finance by Holland Casino's 2000 - 2004 (in € millions):

	2000	2001	2002	2003	2004
Holland Casino	67.4	90.9	110.6	129.2	123.7

Source: Submission to the Enquiry from the Ministry of Justice, The Netherlands

The Netherland's Casinos mid 2002:

Property	No of Tables	No of Gambling Machines
Amsterdam	58	754
Breda	38	703
Eindhoven	21	421
Enschede	25	639
Groningen	19	393
Nijmegen	27	466
Rotterdam	51	700
Scheveningen	42	618
Schiphol Airport	6	126
Utrecht	43	706
Valkenburg	32	445
Zandvoort	17	307
Total	**379**	**6,278**

Source: Submission to the Enquiry from the Ministry of Justice, The Netherlands

Number of FTEs Casino Sector 2000-2004

Year	2000	2001	2002	2003	2004
FTE	3,559	3,795	3,891	3,727	3,549

Source: Submission to the Enquiry from the Ministry of Justice, The Netherlands

3. Machine Gambling Outside Casinos

Gaming machines outside of casinos in the Netherlands may be operated by amusement arcades and high barrier locations as bars. There are approximately 300 slot machine operators in the Netherlands. About 80% of these operators are in the hotel and catering sector, 16% are amusement arcades, and the remainder are active across both sectors.

In the hotel and catering sector there are about 250 operators of slot machines with 135 of these having five or fewer locations. Of the remainder, 105 have between six and 50 locations with about ten operating over 50 locations. The biggest operator has about 4,000 sites. The GGR generated by slot machines is traditionally split equally between the operator and the proprietor of the hotel and catering sector location. However, over the past few years the split has moved towards 60/40 in favour of the property proprietors.

About 60 operators have slot machines in amusements arcades, with about 28 of these being single site operators. A further 20 have between two and five. The largest operator has approximately 34 arcades. *(Source: GBGC Report)*

Gaming Machines Statistics 2000-2004, as submitted by the Ministry of Justice:

Year	2000	2001	2002	2003	2004
Number of licenses	967	975	968	892	887
GGR (€ millions)	n/a	€549	€532	€564	€565

Note: The GGR as calculated as wager minus prizes minus share of co-operator (in case of high barrier locations (catering industry) the revenues are shared by the owner of the machines and the owner of the location) minus VAT. The figures are derived from the KPMG report ´Kengetallen speelautomatenbranche 2002-2004´. These figures are also used in reports of the VAN Speelautomaten Brancheorganisatie (the trade organisation), the Dutch Department of Justice and EUROMAT. However, they are disputed by the Dutch Gaming control board, who wishes to add the estimated share of the owner of the high barrier location and the VAT.
Source: Submission to the Enquiry from the Ministry of Justice, The Netherlands

However, according to the Netherlands Gaming Control Board, the above figures on the gambling machines market in the Netherlands, which are based on figures from the Dutch machines trade association, neither include the site owners share in the revenues, nor the VAT component. These figures only reflect the machines owners' profit, and not GGR, as defined in the study. Therefore, according to the Netherlands Gaming Control Board the GGR for gambling machines in the Netherlands is as follows:

Gaming Machines GGR 2000-2004, as submitted by Netherlands Gaming Control Board:

Year	**2000**	**2001**	**2002**	**2003**	**2004**
GGR (€ millions)	n/a	€852	€814	€843	854

Source: Submission to the GGREnquiry from the Netherlands Gaming Control Board

The above figures show that the private gambling machines market is larger than the public casino operations.

The Netherlands' AWP Regulations:

Stake (€ max)	**Prize (€ max)**	**Payout (% min)**	**Games/hour (max)**	**Loss per hour (€ average)**
0.20	40	60	900	40

Source: Adapted from the GBGC Report

The gaming machine operators do not pay any gambling specific taxes. They however, pay standard 19% VAT, irrespective of their location. The VAT collected from machine gambling is unknown since it is not separated from that collected from other sources. There are no mandatory payments to charity or central government. However entrepreneurs are liable for corporation tax.

There are three types of licenses: A license issued by central government for the machine gambling operator (the so-called operation license), a license for the manager of the catering sector location (cafés, restaurants) to have a maximum of two gaming machines present (the so-called premises license), and a license for the operation of an amusement arcade (Amusement arcade license). The last two are issued by the local authorities. The premises license and the amusement arcade license are based on the same legal stipulation.

The fee for an exploitation license is €1,815 upon application and €453 annually. The fee for the aanwezigheidslicense is €56.50 . The fee for the amusement arcade license is specified by local authorities, who are free to set the price of this license. The total amount of license fees collected by central government from machine gambling is approximately €1.5 million.

The direct employment related to the operation of machines in catering industry and amusement arcades is indicated below. Employment related to the development, production and selling of the machines in not included.

Number of FTEs in Machine Gambling Sector 2001 - 2004:

Year	**2001**	**2002**	**2003**	**2004**
FTE	3,660	3,584	3,744	3,540

Source: Submission to the Enquiry from the Ministry of Justice, The Netherlands

4. Betting

There is one party that offers betting on sports (de Lotto) and one (Scientific Games Racing B.V.) that organises the tote on horseracing (Totalisator) events. Both are explicitly mentioned in the Act of games of chance. However, only 7,4 % of De Lotto sales is generated by sports betting and the remaining 92,6 % by lotteries.

The Betting Market GGR 2000-2004 (in € million):

Year	Sports Betting (De Lotto)	Totalisator	Total Betting
2000	5.4	12.3	17.7
2001	6	11.9	17.9
2002	7.3	12	19.3
2003	7.3	10.6	17.9
2004	8	9.9	17.9

Source: Adapted from the submission to the Enquiry from the Ministry of Justice, The Netherlands

Turnover /sales of the betting on (sports) events market was €310 million and gross gaming revenue was €148 million in 2004. Betting operators do not pay VAT on their services. The player has to pay 25% (29% from 1/12006) on prizes that exceed € 454. However, it is the operator who withholds this to transfer it to the state. This is, however, the regular gambling tax, which is levied on all prizes except casinos and machine gambling. The mandatory payments by De Lotto consists of approximately 95% revenues generated by lotteries. There is no license fee.

Mandatory Payments by Betting Sector 2000 - 2004 (in € millions):

	2000	2001	2002	2003	2004
Sporttotalisator (Lotto)	32.4	44.1	46.8	50.9	49.9
Totalisator	3.9	3.9	3.9	2.6	2.3

Source: Submission to the Enquiry from the Ministry of Justice, The Netherlands

Sporttotalisator (Lotto): Obliged by its license to give at least 18% of proceeds of lottery ticket sales to charity. The Lotto is obliged by the license to use 47.5% of the proceeds of lottery ticket sales as prize money.

Totalisator (Scientific Games Racing B.V.): Obliged by its license to give 2.5% of proceeds of lottery ticket sales to charity.

Number of FTEs in Betting Sector, Including Pool Betting 2001 - 2004:

	2001	2002	2003	2004
Sporttotalisator (Lotto)	129	128	127	122
Totalisator	24	24	24	28

Source: Submission to the Enquiry from the Ministry of Justice, The Netherlands

5. Bingo

Bingo is part of Title IA of the Act on games of chance. GGR in 2001 was €12 million (Source: Rapport Verkeerd Gokken). In 1998, estimated Bingo turnover was 117 million guilders (€53 million) and the gross gaming revenue was 27 m guilders (€12 million). Unfortunately, no data are available for more recent years, number of operators or market share. In the Netherlands there is only charitable bingo and no legal commercial bingo.

Since gambling tax of 25% is only charged on winnings that exceed €454 and since the legal prize maximum in a bingo game is € 350, bingo prizes are not charged with gambling tax. There is no license fee. The associations who organise bingo do so to raise money for charity. This is regulated in Title IA, article 7 a t/m d of the Act on the games of chance. There is no fixed percentage of mandatory payments as all the net profit has to go to charity. Bingo employees are mostly volunteers.

6. Media Gambling Services

According to the 2005 Motivaction report (Kansspelen via nieuwe media 2005), yearly spending in the Dutch internet gaming market is estimated to be between 62 million and 120 million euros in 2004. This means the estimated spending is reduced by approximately 50% compared to 2003. Yearly spending in the Dutch SMS or telephone gaming market is roughly estimated at between 59 million and 298 million euro[19].

UPC Digital TV subscribers can now receive an interactive gaming platform from Israeli Zone4Play Interactive Gaming Technology. The platform consists of four games: slots, video poker, blackjack and baccarat. This platform is based on a model in which players acquire points through a premium telephony system.

At this time, the Dutch government is working on a code of conduct for promotional games of chance. This code of conduct covers most of the media gambling services. If media gambling services don’t comply with the code of conduct, they are illegal. There is no separate legal initiative in the Netherlands for media gambling services. It is hard to separate media gambling services and sales promotional gambling in the Netherlands and therefore a lot of information is similar between these two sections of the report.
Almost every commercial media channel depends more or less on revenues from interactive gambling services, according to Endemol, a prominent international content developer, producer and distributor for television and on-line platforms. The most important players per channel are:

TV Channels: RTL4, RTL 5, Yorin, SBS6, Net5, Veronica, Talpa TV, MTV, TMF and The Box.
Radio Channels: Radio 538, Skyradio, Noordzee FM, radio 3 FM, radio 2 FM, RTL FM, Yorin FM, Radio 10 Gold, Veronica, etc.
Print: There are virtually no newspapers or magazines that do not have a form of Interactive gambling service in which additional revenues are generated.
Internet: More and more media consumption moves towards the internet. The same situation here is relevant as for the other channels. These additional, and in some case primarily revenue streams (see for example the Endemol owned www.tvgame.nl) are essential to keep these internet exploitations feasible.

[19] For an English summary of the study, see www.gamingboard.nl

The Dutch market is highly competitive in this area, which makes these additional revenues essential in surviving.

The best way to estimate the size of the Dutch Market in terms of gross revenues is to count the total sum billed to consumers on the media related premium rate and add to this amount 30% additional traffic from mobile operators. This gives a conservative estimate of € 80 million, which excluded SMS premium rate services in this area.

Although this number varies every season there are at least 25 TV formats, both daily as well as for a short period, which depends on the revenues from gambling services. The examples for the 2005 season were: Big Brother, Idols, Miljoenenjacht, 1 against 100, Lijn4, Puzzeltijd, Woordzoeker, Dagstrijd, Telegames, Nachtsuite, Chris Kras, Performing As, Lotto weekend Miljonairs and Dancing with Stars. Next to these formats, commercial broadcasters often combine a broadcast of a (foreign) movie with a Gambling Service where the game is editorially linked to the movie.

It is estimated based on the number calculated above that at least 85% of the total media gambling services' revenues are generated by TV and radio, where the largest part comes from TV.

The revenues from gambling services are very relevant for publishers of both magazines as well as newspapers. The market leader Sanoma has about 35 titles which are not targeted to teens or children. Most of these titles have gambling services incorporated, both linked to editorial content as well from a promotional or an advertorial perspective.

Some aspects of media gambling in the Netherlands are also explained in the Sales Promotional Gambling section of this report.

7. Sales Promotional Gambling

The Dutch Publishers Association represents the collective interests of all affiliated publishing companies throughout the Netherlands: publishers of books, newspapers, magazines and of electronic media (www.nuv.nl). Games that are offered by and/or in print media are considered as promotional games in the Netherlands. According to the Dutch Ministry of Justice, promotional games in magazines and newspapers where prizes can be won (even if the prizes are very small and participation is free) can be considered as games of chance (gambling), which are forbidden according to the current law (Act on Games of Chance), unless a permit has been given. The Dutch Ministry of Justice, at the end of 2003, started working on a code of conduct for promotional games of chance (including games in the editorial content of the media) to give the market more space for organising promotional games without a permit. The code will become a part of the Dutch Act on Games of Chance. The Ministry worked on this code together with relevant parties who were invited to discuss this code and give their views on it in a special working group (so called co-regulation). The Dutch Publishers Association participated actively in this working group. The Code of Conduct for Promotional Games of Chance has come into effect on 1 January 2006.

The final version of the code of conduct is not favourable for publishers who organise promotional games, such as 'call-and-win'-games. The maximum of communication costs is € 0,60 per game, as stipulated in the code of conduct. Furthermore the code says that promotional games can only be organised once a year per product, service or organisation, and a game may only contain 13 drawings. This means that a weekly magazine can no longer offer a promotional game (in the editorial content) each week. The maximum prize-package of a promotional game is €100,000 per year. The exception is for small promotional games (games with prizes beneath €4,500, for example a prize-puzzle in a newspaper where a participant can win a gift coupon of €25). These can be organised as much as publishers want.

8. Charity Gambling

There is a number of charitable lotteries in Netherlands. They are described in the “Lotteries” section of this country report. According to the Ministry of Justice, it was estimated that the total sales of local charitable lotteries amounted to 10 million Euro in 1998.

III. NATIONAL SUMMARY

Year	Total (€ million)	Lottery (€ million)	Casino (€ million)	Gaming Machines (€ million)	Betting (€ million)	Bingo (€ million)
2000	1,121.10	599.1	504.30	n/a	17.7	n/a
2001	1,850.00	670.6	600.50	549.00	17.9	12
2002	1,948.20	724.1	672.80	532.00	19.3	n/a
2003	2,064.50	783.2	699.40	564.00	17.9	n/a
2004	2,084.30	819.7	681.70	565.00	17.9	n/a

Source: Data Provided by Stakeholders

Year	GDP (€ million)	Propensity to gamble (%)	Spending per person (EURO)
2003	454,276	0.454%	127.50

Source: Centre for the Study of gambling, Salford, own analysis.

POLAND

I. INTRODUCTION

The Ministry of Finance regulates the Polish betting and gaming industry under the Gambling Act of 1992. Since the collapse of the communist regime and the implementation of the 1992 Act, the gaming industry in Poland has grown rapidly. The number of operators who are supplying gambling services in each of the sectors of the market is given in the table below.

Number of Companies in the Polish Gambling Industry in 2003 and 2004:

Sector	2003	2004
Lotteries	2	2
Casinos	6	5
Slot machines outside the casinos	11	11
Slot machines with low prizes (AWP)	4	23
Betting	5	7
Bingo	2	2
Media gambling services	5	3
TOTAL	**31**	**49**

Source: Submission to the Enquiry from the Ministry of Finance, Poland

According to an Act on gambling and sweepstakes the government of the Republic of Poland has a monopoly on running a business in lotteries, videolotteries and telebingo. An extra charge of 25% is added to the price of each lottery ticket in the lotteries and an additional 10% is charged for videolotteries and telebingo. Eighty percent of the revenue from this extra charge becomes the income of the Sports Development Fund, whose financial resources constitute the most significant source of sport financing in Poland. €107 million is the budget of the Sports Development Fund, according to its finance plan for 2005. That money is mainly divided as follows:

- 70% allocated to sports construction investments: €72.5 million
- 25% allocated to development of youth and children's sport: €25 million
- 5% allocated to sport for the disabled: €5 million

In the Polish national budget, only €39 million is allocated for sport, slightly more than a third of the revenues for sport produced by the lottery and gambling.

Annual GGR 2000 - 2004 (in € thousands)

Sector	2000	2001	2002	2003	2004
Slot machines outside the casinos	48,155	53,721	52,392	52,703	59,300
Casinos	51,076	45,557	45,353	44,535	49,055
Bingo	3,585	3,019	2,543	2,085	1,618
Lotteries	277,236	272,907	285,880	295,393	305,719
Betting	20,079	28,328	37,615	37,691	44,553
Total	400,131	403,532	423,782	432,408	460,246

(€1 = 4,08 PLN)
Source: Submission to the Enquiry from the Ministry of Finance, Poland

Turnover of Gambling Market Participants in Poland (in PLN thousands):

Company	Turnover		
	2001	2002	2003
1. Totalizator Sportowy	2 273 358	2 371 267	2 420 589
2. Zjednoczone Przedsiębiorstwa	427 455	413 985	422 061
4. Casinos Poland	360 887	378 227	350 457
5. Star Typ Sport	95 034	164 043	217 083
6. Profesjonał	99 855	136 756	182 164
7. Casino Polonia Wrocław	131 591	130 559	128 767
8. Totolotek TOTO-MIX	105 420	120 115	100 084
9. Filmotechnika	69 845	63 971	72 349
10. Estrada Polska	49 813	53 225	57 590
11. Bingo Centrum	31 495	32 548	31 964
12. Casino Centrum	23 330	21 600	29 747
13. STWKSłużewiec	-	-	28 407
14. Finkorp	20 367	19 167	16 822
15. Biss International	18 690	18 687	14 750
16. Golden Play	16 977	15 655	13317
17. Grand	9 493	10 305	8 285
18. Betako	6 162	7 385	6 456
19. Fortuna	5 358	5 572	5 069
20. Club Fair Play	-	-	4 635
21. Polski Monopol Loteryjny	395	3 295	2 634
22. Casino Lubuszanin	2 399	1 775	630
23. Progaz Queen's Casino	1 799	-	-
Total	**4 033 764**	**4 288 864**	**4 496 696**

Source: Submission to the Enquiry from the Totalizator Sportowy

Gambling figures of revenues have not changed significantly during the course of the past five years and they are not expected to change between now and 2010. Polish betting and gaming premises' licenses cost PLN150,000 (€36,400), with a further guarantee of up to PLN 700,000 (€170,000) also being required from all casino, slot hall and betting shop operators depending on the number of facilities that they run. Licenses are granted for a period of six years.

Fees Collected for Licenses to Organise Games of Chance and Mutual Bets (in € thousands):

Sector	2000	2001	2002	2003	2004
Gambling services with high payouts	2 597	644	250	1 663	1 136
Audio lotteries, promotional lotteries and other lotteries	1 246	1 561	1 578	1 850	2 252
Slot machines with low prizes	0	0	0	1 850	1 657
Total	3 843	2 204	1 829	5 364	5 044

Source: Submission to the Enquiry from the Ministry of Finance, Poland

All operators used to be obliged to pay VAT tax at 22%. However, since 11 March 2002 all entities running an activity in the scope of games of chance and mutual bets are not obliged to pay VAT but instead are obliged to pay a Gambling Tax (Act of 29 July 1992 on games of chance and mutual bets, article 40, paragraph 1).

Gambling specific taxes in Poland are as follows:
- 10% in case of award lotteries, raffle bingo games, cash bingo games and mutual wagering
- 15% in case of cash lotteries and telebingo games
- 20% in case of number games
- 45% in case of games organised in casinos and slot machine games salons and in case of video lotteries
- the tax on games rate in virtue of conducting the economic activity in the scope of mutual wagering regarding the sports competition of animals, on the basis of permits granted exclusively for the organisation of such competitions, amounts to 2%.

The taxpayers who have permits for the organisation of slot machine games with low prizes pay the tax in the form of a lump sum amounting to the equivalent of:
- €50 - for the period until 31 December 2003,
- €75 - for the period from 1 January 2004 to 31 December 2004,
- €100 - for the period from 1 January 2005 to 31 December 2005,
- €125 - for the period from 1 January 2006,

on a monthly basis for every slot machine.

The additional payments amount to:
- 25% of the stake or price of a ticket or other participation receipt – in numbers games;
- 10% of the stake or price of a ticket or other participation receipt – in video lotteries, cash lotteries and telebingo.

Aggregate Amount of Gambling Tax Collected from Each Sector Between 2000 - 2004 (in € thousands):

Sector	**2000**	**2001**	**2002**	**2003**	**2004**
Slot machines outside the casinos	19 077	24 183	23 592	23 753	30 207
Casinos	17 919	20 634	20 591	20 138	22 078
Bingo	841	715	593	466	360
Lotteries	109 118	108 320	113 459	117 076	121 414
Betting	4 753	7 482	10 514	12 435	15 247
Total	151 708	161 333	168 749	173 869	189 305

(1 EUR = 4,08 PLN)
Source: Submission to the Enquiry from the Ministry of Finance, Poland

The obligation of collecting and transferring the additional payments for companies conducting a video lottery is six months after the date of commencement of the economic activity in this area.

The entities organising the games are obligated to transfer the revenue from the additional payments onto the separate special receipts accounts, operated by:
- the minister responsible for cultural matters and national heritage protection – 20%,
- the minister responsible for physical education and sport - 80%.

The receipts from the additional payments for the cultural matters and national heritage protection are assigned exclusively for the promotion and support for:

- nationwide and international artistic events, inclusive of educational events,
- literary creation and periodicals, as well as for activities in favour of the culture of Polish language and developing the reading habit, supporting the cultural magazines and low-impression publications,
- activities in favour of the Polish national heritage protection,
- young writers and artists,
- activities undertaken to enable the access to cultural values for handicapped persons.

The receipts from the additional payments for physical education and sport are assigned exclusively for the modernisation, overhaul and financing of investments connected with sports buildings and the promotion of sport among children, teenagers and the handicapped.

The employment in each sector was stable in Poland in 2000-2004, and is not expected to change in the next five years given current legislation.

Employment in the Gambling Services Market 2001 - 2004:

Sector	**2001**	**2002**	**2003**	**2004**
Slot machines outside the casinos	1 098	1 077	1 046	1 164
Casinos	1 646	1 584	1 531	1 652
Bingo	91	97	93	62
Lotteries	2 372	2 199	2 846	2 794
Betting	796	993	1 887	2 224
Total	6 003	5 950	7 403	7 896

Source: Submission to the Enquiry from the Ministry of Finance, Poland

II. GAMING SECTOR ANALYSIS

1. Lotteries

The lotteries in Poland consist of: Cash Lotteries and Numerical Games. Those two activities are covered by the State monopoly. ***Totalizator Sportowy***, Poland's largest lottery company, generates over 95% of all lottery revenue in the country.

Polish Lottery Market Structure 2004:

Operator	**Market share (in %)**
The sector of numerical games	
Totalizator Sportowy Sp. z o.o.	100.0
Total	100.0
The sector of cash lotteries	
Polski Monopol Loteryjny	4.4
Totalizator Sportowy Sp. z o.o.	95.6
Total	100.0

Source: Submission to the Enquiry from the Ministry of Finance, Poland

The vast majority of Totalizator Sportowy's turnover is generated by lotto, though it has sold instants as well since September 1999 and their share of turnover has grown rapidly. The lotto games offered by Totalizator Sportowy include Duży Lotek (6/49 lotto), Express Lotek (5/42 lotto), Zakłady Specjalne (5/45 lotto) and keno game - Multi Lotek (10/20/80) and numbers game – Twój Szczęśliwy Numerek (4/45 + 1/36).

Totalizator Sportowy Sales 2001- 2003:

	Sales 2003 (PLN m)	% of Sales 2003	Sales 2002 (PLN m)	% Change 2002/03	Sales 2001 (PLN m)	% Change 2001/02
Duży Lotek 6/49	1,209,630	50.24%	1,215,510	-0.48%	1,075,840	12.98%
Zakłady Specjalne 5/45	7,005	0.29%	6,655	5.26%	17,240	-61.40%
Multi Lotek 10/20/80	960,022	39.87%	919,581	4.40%	927,981	-0.91%
Twój Szczęśliwy Numerek 4/45 + 1/36	27,420	1.14%	32,510	-15.66%	29,301	10.95%
Express Lotek 5/42	64,637	2.68%	61,229	5.57%	61,327	-0.16%
Loterie pieniężne - instants	139,156	5.78%	117,494	18.44%	132,062	-11.03%
Zakłady Wzajemne	n/a	n/a	30,338	n/a	31,492	-3.66%
Total	**2,407,870**	**100%**	**2,383,317**	**1.03%**	**2,275,243**	**4.75%**

Source: Submission to the Enquiry from the Totalizator Sportowy

Annual Gross Revenue Generated by Totalizator Sportowy 1997-2004 (in thousands PLN):

	1997	1998	1999	2000	2001	2002	2003	2004
Turnover	1618.4	1890.8	2078.8	2434	2458.7	2523.6	2479.6	2606
Tax	724.1	844.9	937.9	1039.3	1110.2	1148.7	1293.3	1334.5
Winnings	829.2	886.6	1003.9	1152.5	1151.1	1198	1217.1	1255.5
Profit	77.2	132	98.9	119.7	162	171.3	175.2	187
GGR	789.2	1004.2	1074.9	1281.5	1307.6	1325.6	1262.5	1350.5

Source: Submission to the Enquiry from the Totalizator Sportowy

Annual Gross Revenue Generated by Totalizator Sportowy 1997-2004 (in thousand of Euros; 1 EUR = 4,08 PLN):

	1997	1998	1999	2000	2001	2002	2003	2004
Turnover	396.67	463.43	509.51	596.57	602.62	618.53	607.75	638.73
State	177.48	207.08	229.88	254.73	272.11	281.54	316.99	327.08
Players	203.24	217.30	246.05	282.48	282.13	293.63	298.31	307.72
Profit	18.92	32.35	24.24	29.34	39.71	41.99	42.94	45.83
GGR	193.43	246.13	263.46	314.09	320.49	324.90	309.44	331.00

Source: Submission to the Enquiry from the Totalizator Sportowy

The Number of people who have held full time equivalent employment in Totalizator Sportowy is as follows by year:

Totalizator Sportowy Full-Time Employment:

Year	Number of FTEs
2001	621
2002	688
2003	689
2004	736
2005	768

Source: Submission to the Enquiry from the Totalizator Sportowy

Taking into account all Totalizator Sportowy on-line network, there are about 11,000 outlets, of which 7,400 are handled by SMEs. According to Totalizator Sportowy calculations there are about 16,500 people employed at their outlets. Overall indirect employment in Totalizator Sportowy could reach 28,000 people full or part time. In addition to tax paid, Totalizator Sportowy regularly contributes large sums of money to the variety of “good causes”, such as education, health, culture and sport.

The Number of Totalizator Sportowy Charitable Contributions 2002 - 2004:

Year	**2002**	**2003**	**2004**
Number of contributions	43	61	40

Source: Submission to the Enquiry from the Totalizator Sportowy

The other lottery operator in Poland is ***Polski Monopol Loteryjny***. Prior to 1999 it was the only provider of instant games in Poland; however since then Totalizator Sportowy has captured a large portion of the instant lotteries market. Polski Monopol Loteryjny does not provide any numbers games. During 2003 Totalizator Sportowy’s sales were PLN 2.407 billion (€584.7 million). The total value of the Polish lottery market in 2003 was approximately PLN 2.759 billion (€670.3 million).

The Totalizator Sportowy is currently working on a system of online/internet/mobile phone services. At the moment though, such services are illegal. In addition, according to Polish law, cross-border gambling is also illegal.

2. Casino Gaming

Casinos have been licensed in Poland since 1989, with the formation of ***Casinos Poland***. The number of casinos that are permitted per Polish town or city is dictated by population. The scale ranges from no casinos for towns with population of 250,000 or less, whereas cities with over one million inhabitants are permitted five casinos.

In total, there are approximately 35 casinos in Poland in what has developed as a small but competitive market despite the fact that until recently there were restrictions on the number and location of properties. The typical casino generates an average annual GGR of approximately €6 million. Table games are by far the most popular, accounting for 78% of GGR during 2002.

The market share held by each operator in the sector of casinos in 2004 is shown below:

The Market Share per Company Operating Casinos in Poland in 2004:

Operator	Market share (in %)
Casino Centrum	2,94
Casino Poland Wrocław	12,60
Casinos Poland	46,14
Orbis Casino	32,52
Z P R	5,80
Total	**100,00**

Source: Submission to the Enquiry from the Ministry of Finance, Poland

3. Machine Gambling Outside Casinos

Video poker machines are permitted in Poland and, as is the case with casinos, a town's or city's population determines the number of gaming machine halls permitted. Towns with a population of less than 50,000 inhabitants are not permitted to have a gaming hall, and the following schedule dictates the number of permitted gaming halls according to town or city population:

Number of Gaming Halls Permitted, as a Function of Town Population:

Population	Number of gaming halls permitted
50,000 to 100,000 inhabitants	one slot hall;
100,000 to 200,000 inhabitants	two slot halls;
200,000 to 300,000 inhabitants	three slot halls;
300,000 to 500,000 inhabitants	four slot halls;
500,000 to 700,000 inhabitants	five slot halls;
700,000 to 1 million inhabitants	six slot halls;
Over 1 million inhabitants	seven slot halls.

Source: Submission to the Enquiry from the Ministry of Finance, Poland

The Market Share per Company Operating Slot Machines Outside the Casinos in Poland in 2004:

Operator	Market share (in %)
Bingo Centrum	4,44
Casino Poland Wrocław	2,37
Estrada Polska	10,72
Filmotechnika	13,72
Fortuna	1,37
Finkorp	2,39
Golden Play	1,33
Grand	0,98
Orbis Casino	10,71
Z P R	51,07
Club Fair Play	0,91
Total	**100,00**

Source: Submission to the Enquiry from the Ministry of Finance, Poland

There are two kinds of gambling machines located outside of casinos in Poland: gambling machines and slot machines with low prizes. According to the act of 29 July 1992 on games of chance and mutual bets:

> *Art. 2. 2a. Slot machine games shall be the games that are played using mechanical, electromechanical and electronic devices aimed at winning either cash or material prizes.*
>
> *Art. 2. 2b. Slot machine games with low prizes shall be the games that are played using mechanical, electromechanical and electronic devices aimed at winning either cash or material prizes, wherein single winnings may not exceed 15 euro, and the amount of the maximum rate for participation in a single game may not exceed 0,07 euro.*

Legislation on gaming machines passed the Polish Parliament in 2003. Under the new legislation the maximum stake is €0.05 with the maximum payout being €10.80. There is a tax that was initially set at a monthly rate per device of €36.50 during 2003 increasing to about €55 during 2004, €73 during 2005 and reaching €91 during 2006. There will also be an annual license fee payable per device of about €7.40. *(Source: GBGC Report)*

At the end of 2000 there were an estimated 50,000 grey (illegal) machines operating in the country's bars, pubs and arcades. It is doubtful that anywhere near this number will be reached as legal gaming machines replace the grey machines, as each location will be limited to just three devices and they must be situated at least 100 metres from churches and schools.

4. Betting

Sluzewiec-Tory Wyscigow Konnnych Spolka (STWK) holds the exclusive license to run both on-course and off-course betting on horseracing in Poland. STWK is licensed and regulated by the Ministry of Treasury.

Three companies dominate sports betting in Poland. They are:

- ***Professional***, which is the biggest bookmaker with 300 betting shops. This bookmaker uses Czech software supplied by Tefpunkt.
- ***STS*** has 200 betting shops had formerly been partners with Professional;
- ***Totolotek - Totomix*** use Telenord software from Denmark. They have 600 sales points. *(Source: GBGC Report)*

A license must be obtained from Government for each betting shop. Betting tax is 10% of turnover, and winning bets have to pay an additional tax of 10%. The market shares held by each operator in the sector of betting in 2004 are shown below:

The Market Share per Company Operating Mutual Bets Poland in 2004:

Operator	**Market share (in %)**
Betako	1,70
TOTOLOTEK -TOTO-MIX	21,46
Star Typ Sport	40,50
Profesjonał	32,34
STWK Służewiec	3,88
Millenium	0,12
Bukmacher Rzeszów	0,005
Total	**100,00**

Source: Submission to the Enquiry from the Ministry of Finance, Poland

5. Bingo

Population dictates the number of bingo halls in Poland, similar to casinos and automated games halls. The range of permitted bingo halls is determined as follows: towns with less than 100,000 inhabitants are not permitted to have any bingo halls, whereas cities with more than one million inhabitants are permitted up to seven. Towns and cities with intermediate populations are permitted varying numbers of bingo halls between one and five. *(Source: GBGC Report)*

Bingo is usually operated by small private companies or not-for profit organisations. The market shares held by each operator in the sector of bingo in 2004 are shown below:

The Market Share per Company Operating Bingo Games Poland in 2004:

Operator	**Market share (in %)**
Biss International	78,68
TOTOLOTEK -TOTO-MIX	21,32
Total	**100,00**

Source: Submission to the Enquiry from the Ministry of Finance, Poland

6. Media Gambling Services

The market share held by each operator in the sector of media gambling in 2004 is shown below:

The Market Share per Company Operating Media Gambling Services in Poland in 2004:

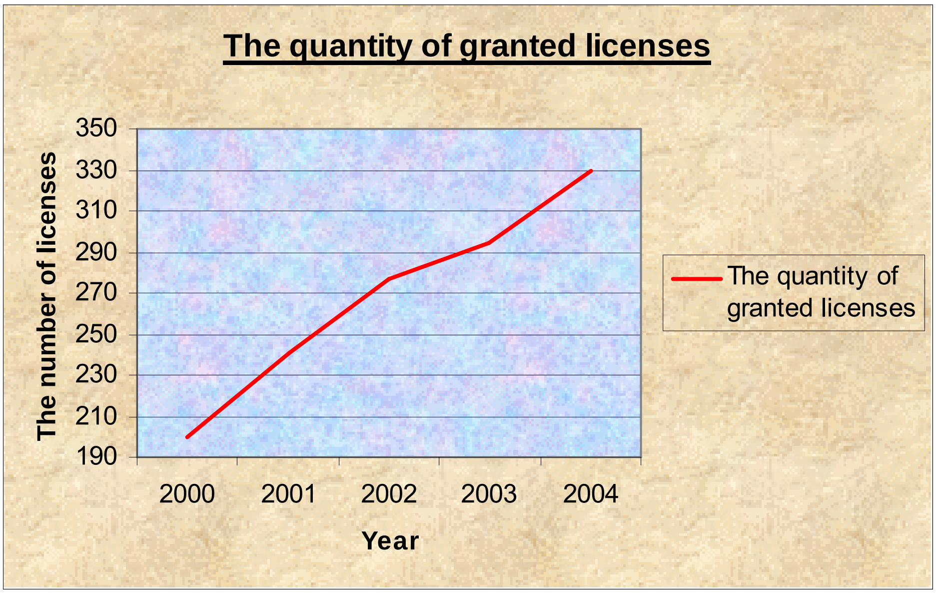
Operator	**Market share (in %)**
Telewizja Polska S.A.	57,14
Teleaudio	28,57
Radio Zet	14,29
Total	**100,00**

Source: Submission to the Enquiry from the Ministry of Finance, Poland

7. Sales Promotional Gambling

In connection with the fact that promotional sales are organised by over 200 companies and this kind of activity is not the basic activity conducted by those companies it is almost impossible to present the market share held by each operator in this sector. However, below is a graph showing information about licenses granted between 2000 and 2004.

The Quantity of Granted Sales Promotion Licenses in Poland, 2000-2004:



Source: Submission to the Enquiry from the Ministry of Finance, Poland

8. Charity Gambling

Prize lotteries organised by the non-profit organizations are under the supervision of Tax Chambers. Moreover, prize lotteries are seldom organised and are mainly in the area of one of the few provinces of Poland. Some non-for profit organisations operate Bingo.

III. NATIONAL SUMMARY

Year	Total (€ million)	Lottery (€ million)	Casino (€ million)	Gaming Machines (€ million)	Betting (€ million)	Bingo (€ million)
2000	400.13	277.24	51.08	48.16	20.08	3.59
2001	403.53	272.91	45.56	53.72	28.33	3.02
2002	423.78	285.88	45.35	52.39	37.62	2.54
2003	432.41	295.39	44.54	52.70	37.69	2.09
2004	460.25	305.72	49.06	59.30	44.55	1.62

Source: Data Provided by Stakeholders

Year	GDP (€ million)	Propensity to gamble (%)	Spending per person (EURO)
2002	9,626,056	0.01%	11.31

Source: Centre for the Study of gambling, Salford, own analysis.

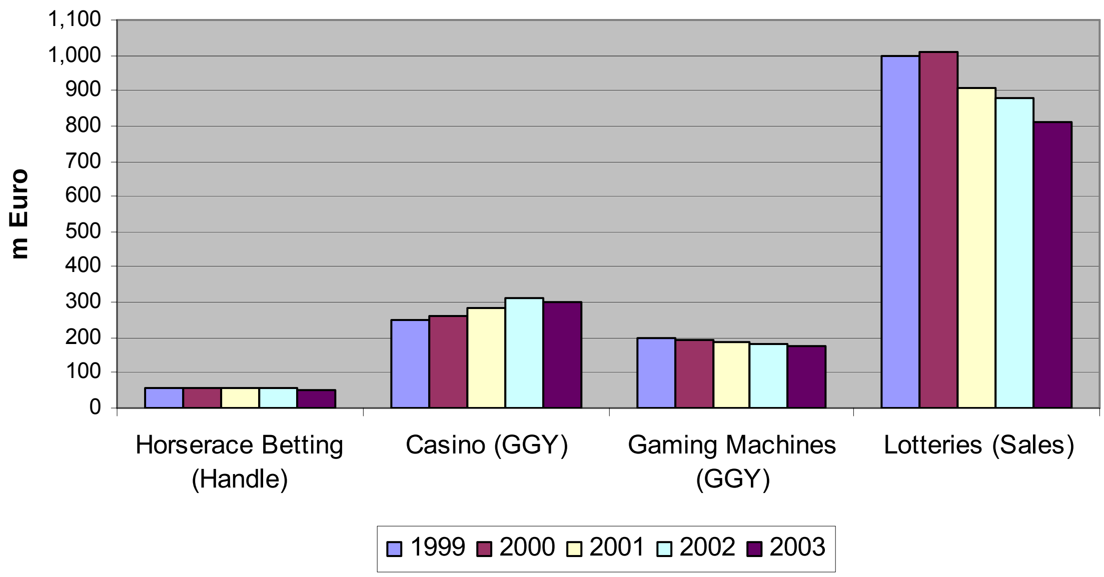
Note: the exchange rate has fluctuated from 2. 8 to 4.6 EUR/1 PLN)
(most often used: 1 EUR = 4,08 PLN)

PORTUGAL

I. INTRODUCTION

In Portugal, the government gives concessions to private companies for gaming operations. Lotteries are operated by ***Santa Casa da Misericordia de Lisboa***. Casinos are operated by various private companies and bingos outside casinos are run by private companies or not-for-profit organisations. *(Source: GBGC Report)*

Portugese Betting and Gaming Gross Turnover(1999-2003)



Source: Adapted from GBGC Report

Casino and bingo contribute heavily to good causes in Portugal. All the national lottery proceedings go to a variety of charitable, cultural, sportive or public funded organizations. Proceeds generated by the SCML's Gaming Department go entirely towards social work carried out either by the Santa Casa da Misericórdia de Lisboa itself or by other state funded non-profit-making bodies and are used to provide support to health, social, cultural and sports projects. Casino and Bingo social contributions include Institute for Studies in Tourism (Instituto de Formação Turística – INFTUR), state tourist enterprises and the Municipal Chamber of Figueira da Foz.

The basic rule is that Portuguese law prohibits private persons and other entities to freely engage in the exploitation of gambling. When allowed, gaming and betting are strictly controlled and regulated by public law. In a recent report prepared for the Portuguese Government, a working group enumerated the reasons justifying the well encircled environment in the framework of which gaming may be exploited. Gaming, states de Report, is an "atypical and sensitive economic activity" belonging to public order, which must be closely scrutinised in order to prevent organised crime and money laundering. For the sake of consumers and the protection of families, and in order to "sublimate the human tendency to gambling", the State undertook to regulate each area of gaming, keeping the few people and entities who are allowed to exploit gaming under tight control.

In practice, the main areas in which Portuguese law allows gaming are casino games carried out in specific zones (the Azores, Algarve, Espinho, Estoril, Figueira da Foz, Funchal, Porto Santo, Póvoa do Varzim, Tróia and in Vidago.Pedras Salgadas). Concessions are awarded on the basis of administrative contracts and the beneficiaries are chosen by public tender. Other allowed games may be the casino games on Portuguese boats or airplanes navigating outside that State's territorial waters (authorisations may be granted by the Portuguese Government to companies that are owners or freighters of Portuguese ships or aircrafts, or to concessionaire companies of gaming areas with permission of the former), and horse racing bets. Concerning internet gambling, only lottery games can be explored, and under the auspices of Santa Casa da Misericórdia de Lisboa.

II. GAMING SECTOR ANALYSIS

1. Lotteries

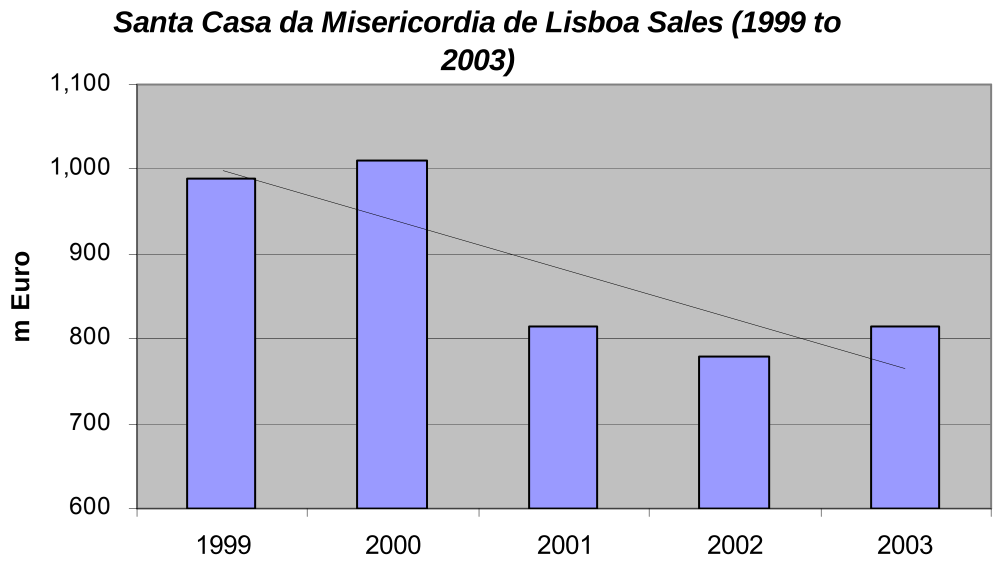
Santa Casa da Misericordia de Lisboa (SCML) has established a relationship with the authorities and the general public based primarily on social goals and its assistance to the disadvantaged. The State awarded the monopolistic operation of lotteries and betting to the SCML "to ensure their association with good causes, in recognition of the trustworthiness and credibility that [this institution] has demonstrated throughout its long history." The National Lottery has been a part of Portugal's collective culture since 1793 and is explored by its Games Department (GD-SCML).

During 2003 SCML's sales were €812.6m. Totoloto remained the most popular game with sales of €526.8m%. Sales of the lottery game Joker was €60.8m.

Santa Casa da Misericordia de Lisboa Sales 2000 - 2003:

	Sales 2003 (€m)	**% of Sales 2003**	**Sales 2002 (€m)**	**% Change 2002/03**	**Sales 2001 (€m)**	**% Change 2001/02**
Totoloto, 6/49	526.80	64.83%	480.57	9.62%	400.90	19.87%
Totobola, 14	8.72	1.07%	10.73	-18.74%	12.23	-12.24%
Lottery 1 Classica	137.17	16.88%	142.05	-3.43%	148.67	-4.45%
Lottery 2 Popular	38.19	4.70%	38.42	-0.60%	41.14	-6.61%
Lotaria Instantânea	39.05	4.81%	55.74	-29.94%	105.34	-47.09%
Joker	60.76	7.48%	53.89	12.76%	45.21	19.20%
Totogolo	1.93	0.24%	2.61	-26.27%	2.84	-8.02%
Total	812.62	100.00%	784.01	3.65%	756.33	3.66%

Source: Submission to the Enquiry from Santa Casa da Misericórdia Portuguesa



Source: Adapted from GBGC Report

Santa Casa da Misericordia de Lisboa enjoys substantial GGR growth of the games it offers. In 2000, the total company's GGR was €870.68 million. The latest GGR growth is presented in the table below. Totobola, Totogolo, Totoloto, Loto2 and EuroMillions are all pari-mutuel betting games. Joker is an add-on to these games.

Santa Casa da Misericordia de Lisboa GGR 2000 – 2004 (in €):

Games	**2001**	**2002**	**2003**	**2004**
Pari-mutuel sports bets	**15,068,957**	**13,345,339**	**10,646,714**	**10,485,013**
Totoloto	236,860,683	274,512,989	291,367,512	323,332,051
Loto2	164,042,694	206,055,761	235,431,711	256,726,513
Totoloto and Loto2	400,903,378	480,568,751	526,799,224	580,058,565
Joker	45,209,269	53,890,470	60,763,521	76,588,276
EuroMillions	0	0	0	149,503,046*
Passive Lottery – Clássica	148,669,250	141,931,860	137,174,753	113,803,188
Passive Lottery – Popular	41,137,035	38,415,699	38,186,433	38,410,122
Passive Lotteries	189,806,286	180,347,560	175,361,186	152,213,311
Instant Tickets	105,340,596	55,737,682	39,052,270	44,892,839
Totobola	12,225,772	10,729,996	8,718,520	10,381,201
Totogolo	2,843,184	2,615,342	1,928,194	103,812
Total Lotteries	**741,259,530**	**770,544,464**	**801,976,202**	**1,003,256,038**
Total	**756,328,487**	**783,889,803**	**812,622,916**	**1,013,741,051**
Growth Rate	-13.13%	3.64%	3.67%	24.75%

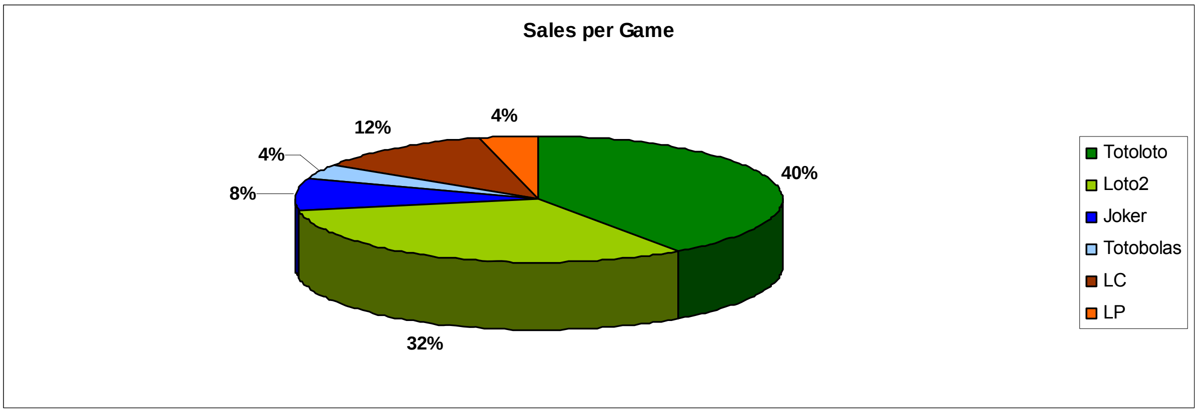
Source: Submission to the Enquiry from Santa Casa da Misericórdia Portuguesa

Santa Casa da Misericordia de Lisboa forcasted GGR 2005 and online sales 2004 (in €):

Ames	**2005** (up to August)	**2005** (forecast)	**Online Sales (Oct.2004 - May.2005)**
Totobola	5,749,668	12,664,000	
Totogolo	- **	- **	
Pari-mutuel sports bets	5,749,668	12,664,000	176,235
Totoloto		245,000,000	1,813,723
Loto2		195,000,000	1,426,858
Totoloto and Loto2	260,687,958	440,000,000	3,240,582
Joker	37,186,567	60,000,000	365,512
EuroMillions	580,023,070	620,000,000	-
Passive Lottery - Clássica		100,000,000	545,330
Passive Lottery - Popular		35,385,000	170,638
Passive Lotteries	82,253,807	135,385,000	715,968
Instant Tickets	23,302,933	40,000,000	
Total	989,204,004 ***	1,308,049,000	4,498,298
Growth	**29.03% (forecast)**		

Note: * EuroMillions was introduced in October 2004
** Game withdrawal
*** represents 69.1% increase compared with 2004 (Jan-Aug).
Source: Submission to the Enquiry from Santa Casa da Misericórdia Portuguesa

Santa Casa da Misericordia de Lisboa Sales On-Line per game up to 23 May 2005:



*EuroMillions wasn't available at the website until the 4th of July, 2005
Source: Submission to the Enquiry from Santa Casa da Misericórdia Portuguesa

Santa Casa da Misericordia de Lisboa GGR Forecast 2006 – 2010 (in m €):

Games	**2006**	**2007**	**2008**	**2009**	**2010**
Passive Lotteries	125.0	125.0	125.0	125.0	125.0
Instant Tickets	44.0	44.0	44.0	44.0	44.0
Totobola	7.5	7.5	7.5	7.5	7.5
Totoloto and Loto2	364.0	400.4	400.4	400.4	400.4
Joker	52.5	63.0	63.0	63.0	63.0
€ millionillions	780.0	780.0	780.0	780.0	780.0
Total	1,373.0	1,419.9	1,419.9	1,419.9	1,419.9

Source: Submission to the Enquiry from Santa Casa da Misericórdia Portuguesa

SCML is intending to introduce new game – Millions League in the next five years.

From the first draw of EuroMillions, on October 8 2004, up to the draw of October 7 2005 (first year of existence), EuroMillions achieved €859.98 million in sales (2004: €149,512,706; 2005: €710,468,278). The weekly sales average is €15,9 million. Portuguese bettors have been awarded with over 17,3 million prizes so far, which corresponds to €359.88 million. This means that 26% of the total amount of EuroMillions prizes have been ascribed to Portugal (5 first prize winners). Portuguese players show a weekly per capita betting average of €1.59.

According to art.13 of the Portuguese State Games Retailers Regulation, retailers are representatives of players in relation to the Games Department of Santa Casa (GD-SCML) and never the opposite, meaning that, under no circumstances do they represent the GD next to the players. In what concerns employment, retailers freely manage their businesses, with no GD interference. Yet, some considerations can be made on the subject. Retailers, which exclusively commercialise SCML's games (around 160 establishments), employ 1000 to 1.500 people, which, to extend, are indirect employees of SCML. Assuming the remaining retailers (around 4300) employ one additional worker to deal with lotteries, then DG-SCML additionally indirectly employs 4300 people. In total, there are/should be 5300 to 5800 people employed indirectly by DG-SCML.

2. Casino Gaming

Casinos in Portugal are regulated by the Inspecção-General de Jogos, which is part of the Ministério da Economia. Only the State can license casinos. Casinos are the only premises in which pay-out slot machines may be operated. Some casinos offer bingo, and they all include table games.

There are ten designated areas where casinos may be established. All areas except one have been granted a casino license, but four of these areas do not yet have any operating casinos. Of the remaining six, there are eight casinos in operation, all owned and managed by private sector companies. There are an additional three properties in development.

Portuguese Casino Statistics (2003):

Property	Location	Market share	Operator	No of Tables	No of Gaming Machines
Casino Estoril	Estoril	42.09%	Estpril-Sol	37	1,000
Casino da Figueira de Fox	Figueira de Fox	8,01%	Amorim	22	
Casino da Madeiria and Casino Park Hotel	Funchal	4,31%	Pestana		200
Casino da Povoa de Varzim	Povoa de Varzim	15,88%	Estpril-Sol	27	669
Casino da Monte Gordo	Monte Gordo	4,806%	Solverde	16	201
Casino da Vilamoura	Quarteira	4,806%	Solverde	14	350
Casino Solverde de Espinho	Espinho	15,29%	Solverde	20	503
Hotel Algarve Casino	Portimao	4,806%	Solverde	10	305
Total				146	3,228

Source: Adapted from the GBGC Report

Thus, four companies share the market in the following proportions: Estoril-Sol – 57.97%, Solverde – 29.71%, Amorim – 8,01% and Pestana – 4,31%.

These figures have not changed significantly during the past five years. However they are expected to change in the immediate future due to the foreseeable opening of five new casinos (Lisboa, Chaves, Troia, S.Miguel and Porto Santo).

Portuguese Casino GGR 2000 - 2003:

Game	2003 (€ millions)	Ave Per Device 2003 (€ thousands)	2002 (€ millions)	% Change 2002/03
Bingo	2.554	n/a	2.637	-3.15%
Table Games	46.536	318.74	52.944	-12.10%
Slot Machines	251.916	78.04	255.992	-1.59%
Total Casinos	301.006	89.21	311.573	-3.39%

Game	2001 (€ millions)	% Change 2001/02	2000 (€ millions)	% Change 2000/01
Bingo	1.785	47.73%	1.7	5.00%
Table Games	52.641	0.58%	60.4	-12.85%
Slot Machines	231.249	10.70%	193.9	19.26%
Total Casinos	285.675	9.07%	256	11.59%

Source: Adapted from the GBGC Report

Casino Gross Gaming Revenue 2000 - 2004 (in € millions):

Year	GGR	% Change from prior year
2000	256.002	--
2001	285.676	12%
2002	311.573	9%
2003	301.006	-3%
2004	299.469	-1%

Source: Adapted from the submission to the Enquiry from Portuguese General Inspectorate on Gaming[20]

GGRs From Table Games 2000 - 2004 (in € millions)

Year	Table games revenue	% Change from prior year
2000	60.383	--
2001	52.626	-13%
2002	52.894	-3%
2003	46.510	-12%
2004	38.173	-18%

Source: Adapted from the submission to the Enquiry from Portuguese General Inspectorate on Gaming[21]

The revenue of all table games constituted 15% to the total casinos revenue in 2004, compared to 84% from machines and 1% from bingo.

Number of Gaming Machines by Casino 2004:

Casino	No. of gaming machines
Estoril	1,071
Espinho	985
Vilamoura	502
Figueira da Foz	473
Póvoa de Varzim	645
Monte Gordo	217
Funchal	181
Praia da Rocha	336
Total	4,410

Source: Adapted from the submission to the Enquiry from Portuguese General Inspectorate on Gaming[22]

20 Obtained from http://www.igjogos.pt/Ingles/(2,1,1)DocRelAnual1.php
21 Obtained from http://www.igjogos.pt/Ingles/(2,1,1)DocRelAnual1.php
22 Obtained from http://www.igjogos.pt/Ingles/(2,1,1)DocRelAnual1.php

Portuguese Casino Gaming Machine GGRs 2000-2004 (in € millions):

Year	Casino Income	% Change from prior year
2000	193.876	--
2001	231.249	19%
2002	255.992	11%
2003	251.915	-2%
2004	258.923	2,8%

Source: Adapted from the submission to the Enquiry from Portuguese General Inspectorate on Gaming[23]

Presently Bingo operates only in the Espinho casino, details of which are presented in the Bingo section of this report.

Pay out rates on gaming machines in Casinos:

Year	Payout %
2000	86%
2001	86%
2002	86%
2003	86%
2004	88%

Source: Adapted from the submission to the Enquiry from Portuguese General Inspectorate on Gaming[24]

Number of Visitors to Gaming Rooms in Casinos

Year	Number of visitors	% Change from prior year
2000	238,032	--
2001	188,832	-21%
2002	172,921	-8%
2003	169,212	-2%
2004	166,465	-1,6%

Source: Adapted from the submission to the Enquiry from Portuguese General Inspectorate on Gaming[25]

Tax is paid based on the float that each table or slot machine is required to have at the beginning of a session. In addition, casinos are legally obligated to spend a minimum of 3% of their GGR on cultural events, sports competitions and the promotion of their region internationally. However, casinos often pay up to 10% of GGR for those purposes. Casino operators pay VAT when purchasing goods (gaming equipment included), but they cannot claim it back.

23 Obtained from http://www.igjogos.pt/Ingles/(2,1,1)DocRelAnual1.php
24 Obtained from http://www.igjogos.pt/Ingles/(2,1,1)DocRelAnual1.php
25 Obtained from http://www.igjogos.pt/Ingles/(2,1,1)DocRelAnual1.php

Special Tax on Gaming (in € millions):

Year	Gaming tax	% Change from prior year
2000	66.36	--
2001	87.16	31%
2002	94.52	8%
2003	87.14	-8%
2004	85.95	-1,4%

Source: Adapted from the submission to the Enquiry from Portuguese General Inspectorate on Gaming[26]

One-time License Fees (established by law-decree 275/2001):

Casino	License fee (in € millions)
Algarve	14.96
Espinho	57.86
Estoril	98.76
Figueira da Foz	26.44
Póvoa de Varzim	58.36
Total	**256.38**

Source: Adapted from the submission to the Enquiry from Portuguese General Inspectorate on Gaming[27]

The equivalent of 60% of these fees were paid in 2001. The remainder will be paid in instalments until 2006. The value of each instalment has to be updated in order to reflect inflation. Decree-Law no. 15/2003, authorised a new Casino in Lisboa for which a fee of €30,000,000, (2002 price) was paid.

Annual Fees Paid for 2004:

Casino	Annual fee (in € millions)
Espinho	2.559
Estoril	18.562
Póvoa de Varzim	6.551
Casinos do Algarve	1.860
Total	**29.533**

Source: Adapted from the submission to the Enquiry from Portuguese General Inspectorate on Gaming[28]

For casinos in Estoril, Espinho and Póvoa de Varzim the annual fee is 50% of the gross gaming revenue. For the Algarve the annual fee is 35% of GGR. For Figueira the annual fee is equal to 30% of GGR. At Madeira, the gaming tax and other impositions equal to 30% of GGR.

26 Obtained from http://www.igjogos.pt/Ingles/(2,1,1)DocRelAnual1.php
27 Obtained from http://www.igjogos.pt/Ingles/(2,1,1)DocRelAnual1.php
28 Obtained from http://www.igjogos.pt/Ingles/(2,1,1)DocRelAnual1.php

The Portuguese Casino sector employs about 3,000 people. This number has been stable. Some changes are expected in future years, due to the foreseeable opening of new casinos.

3. Machine Gambling Outside Casinos

In Portugal, the operation of gambling machines is only legal inside casinos. Outside of casinos, only amusement machines can be operated, which cannot pay prizes in money or objects of economic value which exceed three times the amount spent by the user. Furthermore, the outcome of the game should at least at partly depend on the user's skill. In 2002 the Portuguese Government approved a new gaming machine law, which transferred the regulation of AWPs from Regional Governments to Local Councils. Since the introduction of the new law, each one of Local Councils is entitled to fix its own taxation fee for licensing the AWP machines within its jurisdiction. Typically the tax varies between €85 and €250 per annum per machine and an additional stamp duty of 20% over the value of the fixed charge. Gaming machines operators also pay a VAT at 19%. *(Source:; GBGC Report)*

Even before the introduction of the new regulations, the Portuguese AWP industry has been struggling. In fact the number of AWPs has decreased from about 35,000 to approximately 10,000 machines since the beginning of the decade. In 2004 there were about 7,500 to 10,000 amusement machines, including sport machines and non licensed amusement machines. The number of amusement arcades had declined to about 200 in 2004 compared to 600 in 2002. The negative growth in the sector is expected to continue in the near future.

The Portuguese Trade Association, APED, has been negotiating new regulations with the Government. However, as of 2005 there had been no change in the Government's position.

4. Betting

There are four racecourses in Portugal organised by the ***Servicio Nacional Coudelico***. A limited amount of betting is organised by the Portuguese lottery company. As in Spain, Portugal's hot climate means that horseracing has to take place late at night and so other forms of gambling are more popular.

5. Bingo

Portugal's bingo industry is 20 years old and currently consists of approximately 30 Bingo halls outside casinos. Casinos are also permitted to provide Bingo. Presently Bingo in casinos operates only in the Espinho casino.

Casino Bingo Turnover 2000 - 2004:

Year	Casino Bingo Turnover (in € millions)	% Change from prior year
2000	1.708	--
2001	1.784	4%
2002	2.636	48%
2003	2.554	-3%
2004	2.360	-7,6%

Source: Adapted from the submission to the Enquiry from Portuguese General Inspectorate on Gaming[29]

[29] Obtained from http://www.igjogos.pt/Ingles/(2,1,1)DocRelAnual1.php

Bingo Outside of Casinos Gross Revenue:

Year	Bingo GGR from Outside of Casinos (in € millions)	% Change from prior year
2000	112.600	--
2001	112.426	-0,2%
2002	127.991	14%
2003	120.083	-6%
2004	110.892	-7,7%

Source: Adapted from the submission to the Enquiry from Portuguese General Inspectorate on Gaming[30]

Of the total 2004 turnover, 33% were retained by concessionaires, 26% went to the State and 41% were paid out in prizes.

Tips Paid to Employees:

Bingo Category	Employees Tips (in € thousands)
Bingo in casinos	8,536.4
Bingo outside casinos	473.0
total	9,009.4

Source: Adapted from the submission to the Enquiry from Portuguese General Inspectorate on Gaming[31]

6. Media Gambling Services

No information was found or contributed by stakeholders approached as part of this research endeavor that allowed meaningful discussion of this sector.

7. Sales Promotional Gambling

No information was found or contributed by stakeholders approached as part of this research endeavor that allowed meaningful discussion of this sector.

8. Charity Gambling

No information was found or contributed by stakeholders approached as part of this research endeavor that allowed meaningful discussion of this sector.

30 Obtained from http://www.igjogos.pt/Ingles/(2,1,1)DocRelAnual1.php
31 Obtained from http://www.igjogos.pt/Ingles/(2,1,1)DocRelAnual1.php

III. NATIONAL SUMMARY

Year	Total (€ million)	Lottery (€ million)	Casino (€ million)	Gaming Machines (€ million)	Betting (€ million)	Bingo (€ million)
2000	368.60	n/a	256.00	n/a	n/a	112.60
2001	1,316.57	741.26	285.68	162.14	15.07	112.43
2002	1,389.60	770.54	315.74	161.98	13.35	127.99
2003	1,434.38	801.98	301.01	200.67	10.65	120.08
2004	1,424.10	1,003.26	299.47	n/a	10.49	110.89

Source: Data Provided by Stakeholders and GBGC Report (shaded entries)

Year	GDP (€ million)	Propensity to gamble (%)	Spending per person (EURO)
2003	130511.2	1.09%	137.82

Source: Centre for the Study of gambling, Salford, own analysis.

SLOVAKIA

I. INTRODUCTION

The Slovak gambling market has a rather large number of players. It is divided among approximately 180 operators who supply gambling services in their respective sectors:

Slovak Gambling Industry Operators by Sector for 2005:

Gambling Sector	Number of operators
Slot machines	123
Casinos	3
Oddest	13
Number lotteries	1 (Tipos)
Instant lotteries	1 (Tipos), however, it has been recently liberalised and new entrants are expected
Internet gambling	1 (Tipos)
Bingo	5
Horse betting	1 (state monopoly)
Electronic roulettes	24
VLT	9

Source: Submission to the Enquiry from TIPOS

Tipos (the national lottery company) has a monopoly in so-called “state lotteries”. According to the Act on Gambling Games, a state lottery is understood as a gambling game that is made of numerical lotteries, especially bingo, and gambling games operated by means of the Internet. Other types of betting, besides the state lotteries, could be operated by any other entity under the condition of obtaining the license.

The new Act on Gambling Games was adopted in the year 2005. Gambling operators are exempt from paying VAT on its services in Slovakia, but are obliged to pay VAT on non-gambling services. Before 2005, taxes were calculated on the revenue-payout basis, where every sector had a different tax rate (number lotteries had a tax rate of 34%). However, since 2005 the basis for calculating taxes is as follows:

Gambling Industry Taxation in Slovakia since 2005:

Gaming Sector	**Tax**
ticket lotteries	15% of the gaming revenue to the state budget
number lotteries	17% of the gaming revenue to the state budget
instant lotteries	20% of the player losses (expenditure)
betting games, except horse racing	5% of the gaming revenue. In case of sport betting, 4.5% goes to the state budget and 0.5% to the local town budget
Bingo	4.5% of the gaming revenue, of which 4% goes to the state budget and 0.5% goes to the local town budget
Special bingo	4% of the gaming revenue to the state budget
Horse racing	1% of the gaming revenue to the state budget
Betting games in a casino	27% of the gaming revenue, of which 24% goes to state budget and 3% goes to the local town budget
Gambling games operated via gaming machines	SKK45,000 (about €1,200) per machine per annum to the state budget
Gambling games operated via technical devices operated directly by gamblers and video games	27% of the gaming revenue, of which 24% goes to state budget and 3% goes to the local town budget
Gambling games operated via telecommunication devices	10% of the gaming revenue to the state budget
Gambling games operated on the internet	27% of player losses to the state budget

Note: One Euro equals approximately 40 Slovak koruna (SKK)
Source: Submission to the Enquiry from TIPOS

License fees are paid once a year. In the Act on Gambling it is called “financial guarantee”.

Annual Gambling industry License Fees in Slovakia:

Gaming Sector	**Tax**
ticket lotteries and raffles	5% of the turnover (tickets sold times price of tickets)
betting games, except for course bets	SKK1,000,000 (€25,000)
Bingo, except special bingo	SKK500,000 (€12,500)for one operation of bingo
Course bets	SKK10,000,000 (€250,000)
Gambling machines in a casino	SKK15,000,000 (€375,000)
Gambling machines	SKK10,000 (€250) per machine
For other gambling games	SKK3,000,000 (€75,000)

Source: Submission to the Enquiry from TIPOS

II. GAMING SECTOR ANALYSIS

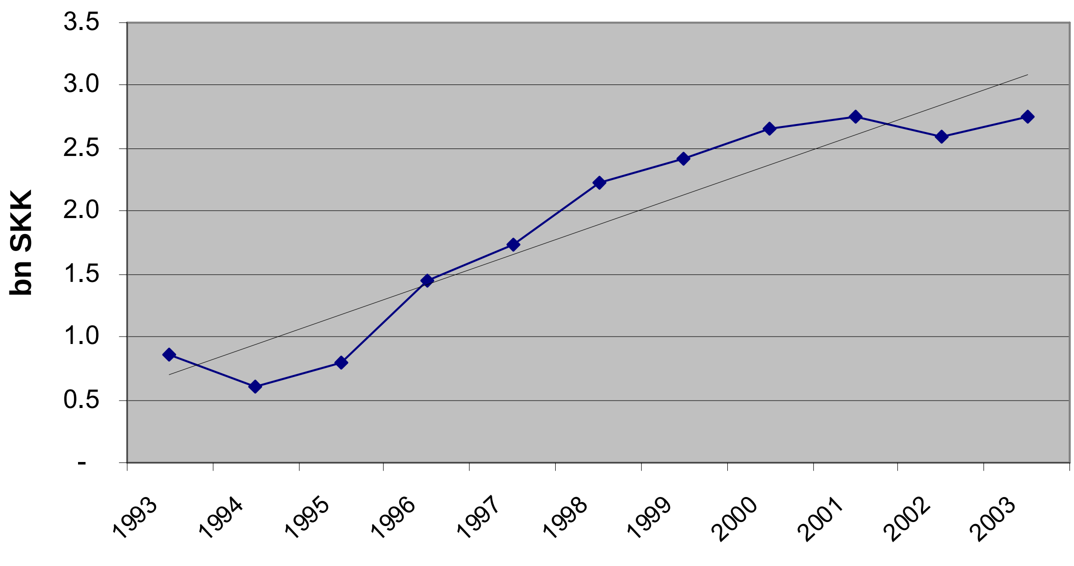
1. Lotteries

There is only one company which operates and has a monopoly in the sectors of number lotteries, instant ticket games and games over the internet (number lotteries and betting) in Slovakia. ***TIPOS*** (národná lotériová spoločnosť) is a joint-stock company that was established in 1992. The company operates lottery and betting games in accordance with the provisions included within the Act of Slovak National Council No 194/1990 on lotteries and other similar games and according to the licenses of the Ministry of Finance. Since 1994, TIPOS has been wholely State-owned, and represented by the Ministry of Finance.

In 2003 TIPOS offered a total of 16 games. Lotto 6/49 retained its position as the most popular game with sales of SKK 908.9m (€23.4 million) or a third of the Tipos' total. Overall sales were up by 5.4% to SKK 2.732 billion (€70.3 million) in 2003, the equivalent of SKK 617 (€15.90) per adult.

TIPOS commenced offering two internet gaming products, E-Keno and E-Tipos, in 2002 under a license granted by the Ministry of Finance which provides the company. All games are available only in Slovak and payments are accepted only directly from Slovak banks into players' accounts. During 2003 TIPOS' Internet sales reached SKK 470k (€12,100), accounting for just 0.02% of its total sales. *(Source: GBGC Report)*

Tipos' Lottery Sales (1993-2003)



Source: Adapted from GBGC Report

TIPOS has enjoyed stable growth in its revenue over the past few years and expects to continue its growth.

Tipos Aggregate Annual Gross Revenue 2000 - 2004:

	2000	*2001*	*2002*	*2003*	*2004*
GGR in millions of SKK	2649	2730	2591	2732	2970
GGR in € millions	69	71	67	71	76

Projected Tipos Aggregate Annual Gross Revenue 2005 - 2010:

	2005	*2006*	*2007*	*2008*	*2009*	*2010*
GGR in millions of SKK	3300	3350	3450	3500	3600	3650
GGR in € millions	85	87	89	91	93	95

Source: Submission to the Enquiry from TIPOS

Gambling operators are exempt from paying VAT on its services in Slovakia, but are obliged to pay VAT on non-gambling services. Before 2005 number lotteries had a tax rate of 34%. However, since 2005 the base for calculating taxes is as follows:

Gambling Industry Taxation in Slovakia since 2005:

Gaming Sector	**Tax**
ticket lotteries	15% of the gaming revenue to the state budget
number lotteries	17% of the gaming revenue to the state budget
instant lotteries	20% of the player losses (expenditure)

Source: Submission to the Enquiry from TIPOS

License fees are paid once a year and in the 2005 Act on Gambling it is called “financial guarantee”. Ticket lotteries and raffles are required to pay 5% of the turnover (tickets sold times price of tickets) annually in license fees.

In addition to taxes and license fees, Tipos is also obliged to pay an additional amount of money to the state budget for good causes. The recent payments are summarised below:

Good Causes Contribution by Tipos 2000 - 2004:

	2000	*2001*	*2002*	*2003*	*2004*
GGR in millions of SKK	428	463	436	470	534
GGR in € millions	11	12	11	13	14

Source: Submission to the Enquiry from TIPOS

Despite the introduction of the new Gambling Act in 2005, there are no expected significant changes in good causes contribution in Slovakia.

The number of full-time employees of TIPOS has increased steadily over the past five years .

Full-time Employees in Tipos 2000 - 2004:

2000	*2001*	*2002*	*2003*	*2004*	*31.05.2005*
59	61	65	72	84	85

Source: Submission to the Enquiry from TIPOS

The number of employees is expected to further increase and reach 100 people by 2008 and 110 by 2010.

2. Casino Gaming

Slovakia has seven casinos in operation. According to the Finance Ministry, during 2002 Slovak casino GGR was approximately SKK 330 million (€8.5 million.) *(Source: GBGC Report)*

3. Machine Gambling Outside Casinos

Taxes on gaming machines were doubled in 1998 to SKK 80,000 (€2,100) per machine per year. This had the effect of reducing the number of machines in circulation. Prior to the tax increase, there were approximately 13,000 machines in operation, but as of 2002, there were fewer than 10,000. The vast majority of these are in the control of approximately fifty companies. *(Source: GBGC Report)*

4. Betting

At the end of the year 2005, there were twelve operators of betting in the Slovak Republic. TIPOS did not participate directly in the betting market (excluding the state lotteries), but via its subsidiary firm – ***TIPKURZ***. Total betting market turnover (stakes) was 7.90 million SKK (€200,000) and betting GGR was approximately 1.03 million SKK (€40,000) for 2005. The market share of TIPKURZ in the betting market, beside state lotteries, was approximately 0.5%.

5. Bingo

The Ministry of Finance granted TIPOS a license for the operation of the betting game TIPOS-BINGO, which was renewed during 2003. According to the Act on Gambling Games, Tipos has a monopoly in offering bingo games.

6. Media Gambling Services

No information was found or contributed by stakeholders approached as part of this research endeavor that allowed meaningful discussion of this sector.

7. Sales Promotional Gambling

No information was found or contributed by stakeholders approached as part of this research endeavor that allowed meaningful discussion of this sector.

8. Charity Gambling

No information was found or contributed by stakeholders approached as part of this research endeavor that allowed meaningful discussion of this sector.

III. NATIONAL SUMMARY

Year	Total (€ million)	Lottery (€ million)	Casino (€ million)	Gaming Machines (€ million)	Betting (€ million)	Bingo (€ million)
2001	153.58	71.00	54.32	28.24	0.02	n/a
2002	177.50	67.00	72.70	37.78	0.02	n/a
2003	216.15	71.00	95.48	49.64	0.03	n/a

Source: Data Provided by Stakeholders and GBGC Report (shaded entries)

Year	GDP (€ million)	Propensity to gamble (%)	Spending per person (EURO)
2002	25,733	0.53%	31.54

Source: Centre for the Study of gambling, Salford, own analysis.

SLOVENIA

I. INTRODUCTION

Slovenia's Office for Gaming Supervision is responsible for the supervision of standard and non-standard gaming activities included in the Gaming Act and in other legislation. According to Loterija Slovenia, there is approximately 53 Euro per capita spent per year on games of chance (casino sector not included)

II. GAMING SECTOR ANALYSIS

1. Lotteries

The Slovenian legislation allows only two operators to organise classical games of chance on Slovenian territory. They are ***Loterija Slovenije d.d.*** (The Lottery of Slovenia), and ***Športna loterija d.d.*** (the Sports Lottery). There are no small and medium sized enterprises in the Slovenia national lottery sector.

The Slovenian Lottery Market Share 2000 - 2004:

Organisation	**2000**	**2001**	**2002**	**2003**	**2004**
Loterija Slovenije	76.3 %	79.8 %	80.1 %	75.7 %	76.4 %
Športna loterija d.d.	23.7%	20.2%	19.9%	24.5%	23.6%

Source: Submission to the Enquiry from Loterija Slovenije /Športna loterija d.d

The leading game in Loterija Slovenije is Loto, which on average represents an 80 per cent share in the turnover structure. In longer subsequent transfers for the capital win, payments start to increase dramatically and, consequently also the attraction of prizes, which indirectly increases both the turnover and the market share. The Prize Fund equals about 50 % and is not going to change in the next few years.

In the next five year period, it is expected that the market share of Loterija Slovenije and Športna loterija d.d. will remain stable at the level of approximately 70 percent and 30 percent respectively.

Loterija Slovenije GGR was approximately 8.5 billion SIT (€35.5 million) in 2004. The turnover, the Prize Fund, and the gross income of Loterija Slovenije in the last few years are presented in the Table below:

Loterija Slovenije Key Statistics 2000 - 2004 (in € millions):

	2000	2001	2002	2003	2004
Turnover of Loterija Slovenije	46.500	58.004	71.582	59.425	81.019
The Prize Fund of Loterija Slovenije	23.250	28.977	35.726	29.305	40.371
Gross income of Loterija Slovenije (GGR)	23.250	29.027	35.856	30.120	40.648

Source: Submission to the Enquiry from Loterija Slovenije

The second operator's (Športna loterija d.d) in Slovenian lottery market GGR is shown below:

Športna Loterija d.d's Aggregate Annual Gross Gaming Revenue 2000 - 2004 (in millions of SIT/EUR)

	2000	2001	2002	2003	2004
GGR	1,435.906 SIT/ €6.058	1,684.789 SIT/ €7.020	1,901.578 SIT/ €7.923	1,937.348 SIT/ €8,072	2,414.597 SIT/ €10,061

Source: Submission to the Enquiry from Športna loterija d.d

This makes the total gross gaming revenue of the Slovenian lottery market as follows:

Total Gross Gaming Revenue of the Slovenian Lottery Market 2000 - 2004 (in € millions)

	2000	2001	2002	2003	2004
GGR (in € millions)	29.308	36.047	43.781	38.192	50.709

Source: Centre for the Study of gambling, Salford, own analysis.

In the next six year period (2005 – 2010), Loterija Slovenije is planning a 3.7 per cent growth of turnover and a corresponding gross income, as well. By annual breakdown, the turnover, the Prize Fund, and the gross income are expected to be as follows:

Loterija Slovenije Forecasts for 2005 - 2010 (in € millions with stable 2005 prices):

	2005	2006	2007	2008	2009	2010
Turnover of Loterija Slovenije	64.583	65.834	68.376	71.000	73.626	76.250
The Prize Fund of Loterija Slovenije	32.292	32.917	34.188	35.500	36.813	38.125
Gross income of Loterija Slovenije (GGR)	32.292	32.917	34.188	35.500	36.813	38.125

(1 Euro = 240 SIT)
Source: Submission to the Enquiry from Loterija Slovenije

In line with Article 27 of the Value Added Tax Act, the games of chance are exempt from the VAT liability. As regards the costs of organising classical games of chance, the Lottery of Slovenia is subject to a 20% VAT. In 2004, the amount of the Value Added Tax paid was €60,000.

The games of chance operators are subject to the following taxes:

- 5% tax on games of chance; the taxable basis being the value of payments received for the participation in a classical game of chance, reduced by the value of prizes paid out (GGR);
- 15% tax on paid out prizes exceeding the value of €190, which is 45,607 SIT (for the year 2005, since the basis changes from year to year); it is settled by the prize receiver and deducted upon the payment of prize to the municipality of the prize winner's permanent residence. The prize is not included in the tax return. Loterija Slovenije pay the prizes in a single amount;
- 25-30% concession (license fee) on the profit gained, depending on the game, on money staked minus payouts (GGR)
- corporation tax at the rate 25% on profits

All legal operators which obtain a state license have to pay a concession fee. Športna loterija d.d have 5 licenses, one per each game (four lottery games licenses and one sports betting license.) Concession fee is paid monthly.

Loterija Slovenije organises classical games of chance based on a concession granted by the Government of the Republic of Slovenia and has a concession agreement signed with the Ministry of Finance. Upon the issue of a new concession agreement, the company pays the Ministry of finance a tax equalling €1,250, and for the extension of the concession agreement €625. It has a concession for the following groups of games: number lotteries, instant games and bingos. In total, Loterija Slovenije was granted nine concessions.

Lottery operators do not have to pay any contributions to good causes. However, a concession fee, which they pay to the state, is distributed among two foundations: sports and invalid-humanitarian foundation in Slovenia, thus it goes entirely for good purposes. In the last five years, the funds from the concession fees of Loterija Slovenije were as follows:

Loterija Slovenije Concession Fees 2000 - 2004 (in € millions):

	2000	2001	2002	2003	2004
Contributions of Loterija Slovenije	9.872	12.428	16.521	13.222	18.141
% of turnover	21.0	21.4	23.1	22.3	22.4
% of GGR	42.5	42.8	46.1	43.9	44.6

Source: Submission to the Enquiry from Loterija Slovenije

Loterija Slovenije does not expect that in the next five years the concession fees will increase.

Sportna Loterija Concession Fees 2000 - 2004 (in SIT and € millions):

	2000	2001	2002	2003	2004
Contributions of Loterija Slovenije in SIT millions	319.44	399.54	461.44	469.49	617.89
Contributions of Loterija Slovenije in € millions	1.348	1.665	1.923	1.956	2.575

Source: Submission to the Enquiry from Sportna Loterija

Number of Full-time Employees in Lottery Sector in Slovenia 2000 - 2004:

	2000	2001	2002	2003	2004
Loterija Slovenije	81	79	73	73	70
Športna loterija d.d	n/a	17	23	22	20
Total		96	96	95	90

Source: Submission to the Enquiry from Loterija Slovenije /Športna loterija d.d

Loterija Slovenije plans to employ 73 people by the end of 2010. At the same time, Športna loterija d.d expect a minor increase in the number of employees, depending on any new games and other developments. Loterija Slovenije network consists of 163 outlets (selling complete range of games) and 950 outlets selling scratch cards only (petrol stations, post offices, kiosks). There are 163 indirect employees (agents) in the company, plus the agents` 85 employees, so that the total number of additional people employed in the distribution chain of Loterija Slovenije lottery tickets is 248.

Sportna Loterija only uses authorised sales points, the numbers of which are indicated below, and doesn't have its own sales network. Therefore, it is unclear how much indirect employment it induces.

Number of Outlets That Sportna Loterija Uses 2000-2005 :

2000	1700
2001	1980
2002	2100
2003	1600
2004	1700
2005	1546

Source: Submission to the Enquiry from Športna loterija d.d

Sportna Loterija was the first lottery operator to introduce Mobile Entertainment Platform (MEP), which is a multichannel gaming platform for mobile 'phones that operates through GSM voice mode. MEP was launched in February 2002.

In Slovenia, there is no comprehensive statistics on problem gambling. In fact, the population of Slovenia spend €53 EUR per capita/per year on games of chance (excluding the casino sector.)

2. Casino Gaming

Slovenia has a total of 12 casinos, and all but are two located in border towns, to cater in particular to Italian and Austrian customers. The nation's two largest casinos are both located in Nova Gorica, on the Italian border.

The leading casino operator in Slovenia is the state-owned company ***HIT d.d.*** The group currently has five properties, including the largest three in Slovenia. HIT d.d.'s two largest casino hotel properties are Perla and Park in Nova Gorica, which cater specifically to the Italian market. In late 2005, HIT announced exploration of a new SIT 150 billion (€600 million) property in Nova Gorica in partnership with the American company Harrah's that would include at least 30 tables and as many as 1,000 gaming machines. HIT currently accounts for approximately 80% of Slovenia total casino GGR. Of the 1.5 million visitors that the HIT casinos attract each year, nearly 90% come from outside Slovenia. *(Source: GBGC Report.)*

Casino Properties Currently Operating in Slovenia in 2003:

Property	Location	Tables	Gaming Machines
Bled	Bled	15	85
Casino Park	Nova Gorica	43	384
Grand Casino Lido	Brezice	4	22
Grand Casino Lipica	Sezana	18	168
Kranjska Gora	Kranjska Gora	24	273
Ljubljana	Ljubljana	11	51
Maribor	Maribor	10	60
Moravske Toplice	Toplice	8	55
Otocec	Otocec	7	50
Perla	Nova Gorica	43	850
Portoroz	Portoroz	41	191
Rogaska Slatina	Rogaska Slatina	8	90
Total	12	232	2,279

Source: Adapted from the GBGC Report

In 2004, there were 3,068 slots machines operating in 13 casinos, the newest casino having opened in Kobaritz, near the Italian border.

Under current law, all Slovenian casinos are mainly state-owned. Concessions are granted by the Slovene Government through the State Office of Gaming Supervision (part of the Ministry of Finance) of up to 10 years to suitably qualified organisations.

Gross Gaming Revenues 2000-2005 (EUR millions):

YEAR	Casino
2000	170.027
2001	178.622
2002	187.023
2003	193.227
2004	206.467
2005	239.650

Source: Submission to the Enquiry from the Ministry of Finance, Slovenia

Casino taxes in Slovenia are approximately 25% of GGR for table games and 35% for gaming machines. However, almost 50% of casino income is tax: levy tax to the state; and 5% to 20% for slots depending on win; for other games there is a 5% flat rate. Casinos are exempt from VAT (8,5% or 20%). Of the concession tax, 47,8% goes to the region, 47,8% goes to the state, 2,2% to charities, and 2,2% to the development of sports.

Entertainment and alcohol are permitted in the casino properties. Foreign ownership of casinos is not prohibited for entities from the EU.

3. Machine Gambling Outside Casinos

The 1995 Gaming Act permitted bars, restaurants and other catering facilities to offer gaming machines, but this changed in 2001. The new law permits only casinos and the newly-established gaming halls to offer gaming machines. Each gaming hall, which is required to be located in a designated tourist area, may operate between 50 and 200 devices. In 2005, there were 31 gaming halls that operate approximately 2600 gaming machines. In 2004, there were 2085 slot machines in 27 operating gaming saloons in Slovenia. All slot machines are connected via network to the Office for Gaming Supervision that is a part of the Ministry of Finance for tax regulation purposes.

Gross Gaming Revenues 2000-2005 (EUR millions):

YEAR	Gaming Machines
2000	19.041
2001	23.160
2002	22.394
2003	33.059
2004	61.433
2005	75.752

Source: Submission to the Enquiry from the Ministry of Finance, Slovenia

4. Betting

Športna loterija d.d uses one of its five licenses to organise sports betting.

5. Bingo

Loterija Slovenije runs bingo games in Slovenia. No other information could be found or was supplied to the researchers regarding the financial performance of bingos in Slovenia.

6. Media Gambling Services

No information was found or contributed by stakeholders approached as part of this research endeavor that allowed meaningful discussion of this sector.

7. Sales Promotional Gambling

No information was found or contributed by stakeholders approached as part of this research endeavor that allowed meaningful discussion of this sector.

8. Charity Gambling

No information was found or contributed by stakeholders approached as part of this research endeavor that allowed meaningful discussion of this sector.

III. NATIONAL SUMMARY

Year	Total (€ million)	Lottery (€ million)	Casino (€ million)	Gaming Machines (€ million)	Betting (€ million)	Bingo (€ million)
2000	218.30	29.23	170.03	19.04	n/a	n/a
2001	237.83	36.05	178.62	23.16	n/a	n/a
2002	253.20	43.78	187.02	22.39	n/a	n/a
2003	264.48	38.19	193.23	33.06	n/a	n/a
2004	318.61	50.71	206.47	61.43	n/a	n/a

Source: Data Provided by Stakeholders

Year	GDP (€ million)	Propensity to gamble (%)	Spending per person (EURO)
2003	24,568.6	1.076%	132.57

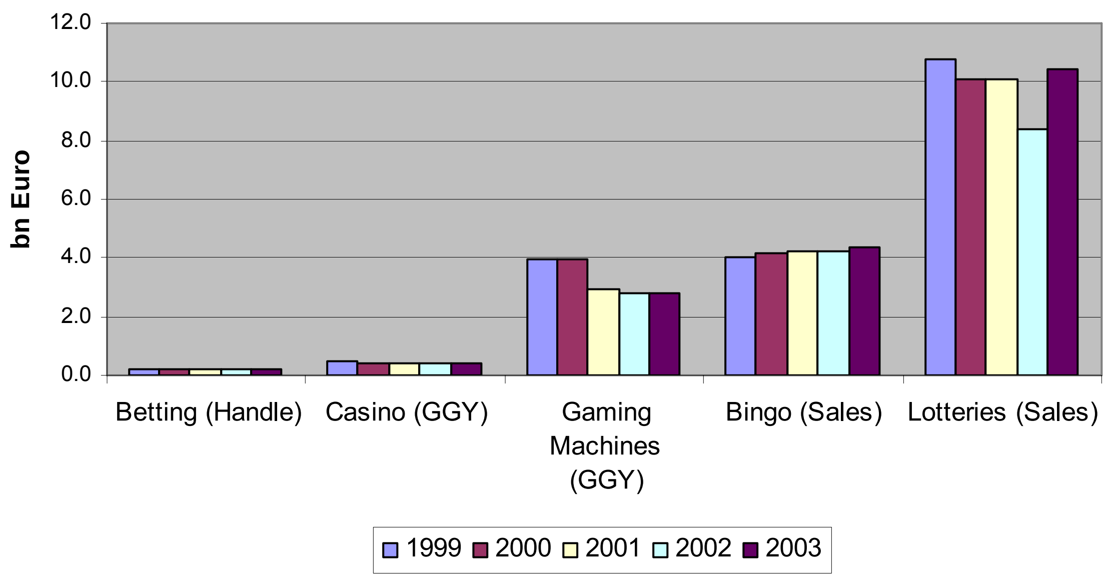
Source: Centre for the Study of gambling, Salford, own analysis.

SPAIN

I. INTRODUCTION

Spain's gaming industries are substantial, with the exception of betting, which is not supported by a domestic horseracing industry and an absence of legal structure conducive to a sports betting sector. Bingo, gaming machines, casinos, and lottery are all well established in Spain.

Spanish Betting and Gaming Gross Turnover(1999-2003)



Source: Adapted from GBGC Report

National Gaming Turnover in 2003, distributed by Independent Communities (€ millions)

Region	Games under private management				State lotteries and betting					O.N.C.E.	
	Casinos	Bingos	machines 'B'	Total	National Lottery	Lotería Primitiva	Bono Loto	Quiniela	Total	CUPON	Total
ANDALUCÍA	276.51	520.73	1.386.53	2.183.77	593.80	340.78	105.38	67.04	1.107.00	533.72	3.824.49
ARAGÓN	41.61	188.36	381.26	611.23	154.99	61.16	15.62	13.87	245.64	38.53	895.40
ASTURIAS	none	57.53	341.91	399.44	122.78	68.90	20.56	9.58	221.82	65.22	686.48
BALEARES	101.58	69.67	159.14	330.39	82.99	61.79	15.31	19.23	179.32	81.80	591.51
CANARIAS	165.29	321.59	510.18	997.06	156.77	118.95	40.43	27.41	343.56	136.77	1.477.39
CAMTABRIA	41.81	43.89	138.22	223.92	60.68	33.13	8.17	7.15	109.13	22.90	355.95
CASTILLA Y LEÓN	50.00	183.67	737.53	971.20	340.35	162.30	38.73	32.03	573.41	73.63	1.618.24
CASTILLA - LA MANCHA	none	52.24	394.36	446.60	216.60	89.19	21.44	19.14	346.37	80.57	873.54
CATALUÑA	464.95	580.96	1.651.95	2.697.86	697.22	370.76	61.69	92.04	1.221.71	364.93	4.284.50
EXTREMADURA	none	62.07	234.24	296.31	72.95	53.35	14.24	10.60	151.14	53.62	501.07
GALICIA	46.48	135.56	473.03	655.07	227.74	167.34	44.49	31.16	470.73	80.28	1.206.08
LA RIOJA	none	5.68	80.08	85.76	37.81	16.90	4.14	2.94	61.79	13.66	161.21
MADRID	401.15	831.89	1.358.81	2.591.85	802.90	364.71	94.30	94.48	1.356.39	232.84	4.181.08

MURCIA	76.98	78.71	439.68	595.37	174.39	58.02	17.15	12.63	262.19	106.34	963.90
NAVARRA	none	35.70	94.62	130.32	55.68	28.89	7.17	7.04	98.78	24.68	253.78
PAÍS VASCO	70.03	151.36	539.28	760.67	288.96	141.44	32.22	26.94	489.56	77.50	1.327.73
VALENCIA	169.62	583.76	1.350.85	2.104.23	655.96	254.54	69.07	56.18	1.035.75	303.87	3.443.85
CEUTA	4.09	23.44	8.47	36.00	2.11	3.85	1.21	2.47	9.64	4.78	50.42
MELILLA	4.02	2.77	12.28	19.07	2.31	3.53	1.29	0.96	8.09	3.70	30.86
TOTAL	**1,914.12**	**3,929.58**	**10,292.42**	**16,136.12**	**4,746.99**	**2,399.53**	**612.61**	**532.89**	**8,292.02**	**2,299.34**	**26,727.48**

Source: Submission to the Enquiry from FEMARA

The National Gaming Commission has created a team to look at developing a legal framework to regulate gaming on the Internet in Spain. In the meantime towards the end of 2002 the Spanish Parliament approved an Information and E-commerce Act which includes reference to gaming on the Internet. The Act requires individuals or companies to register commercial websites with the Mercantile Registry.

Number of Companies Operating in the Gambling Market in Spain 2005:

Gambling Sector	***Number of operators***
Gaming machines	6,928
Casinos	32 (in 16 regions)
Bingo	447

Despite the long history of regulation of the Spanish gambling market, there continue to be pockets of significant illegal gambling activity. For instance it has been estimated that there are as many as 60 illegal premises operating in Asturias alone, generating a gross turnover of approximately €18 million.

Furthermore in the Canary Islands there are between 80 and 90 bingo halls operating illegally due to lack of administrative inspections, according to estimates of the regional bingo halls entrepreneurs' association. It is estimated that these illegal bingo halls generate an annual turnover of in the region of €3.5 million.

However, Spain is one of the EU countries that has the most developed framework for treating problem gamblers. There are a number of organisations in Spain that specialise in prevention and treatment of problem gambling. In some Spanish regions, problem gambling specialists are routinely included in the local Mental Health Departments. Other regions, for example Aragon, have created specialist anti-addiction centres.

II. GAMING SECTOR ANALYSIS

1. Lotteries

Spain has three major lotteries: ***Loto Catalunya (Entitat Autónoma de jocs Apostes)***, the ***Spanish Association for the Blind (ONCE)***, and ***Organismo Nacional de Loterías y Apuestas del Estado (LAE - the National Lottery).*** The largest lottery in Spain is Organismo Nacional de Loterías y Apuestas del Estado (LAE), LAE achieved total sales of €7.638 billion in 2002 and €8.293 billion in 2003. ONCE's total sales in 2002 were €2.384 billion and €2.299 billion in 2003. GGRs for ONCE were €1.212 billion in 2002, €1.126 billion in 2003, and €1,144 billion in 2004. Loto Catalunya in 2002 had sales of €76.4 million and €87.3 million in 2003. *(Source: GBGC Report and submission from ONCE)*

ONCE Gross Gaming Revenue 2000 - 2004 (in € millions):

2000	1,167.6
2001	1,234.9
2002	1,212.5
2003	1,126.4
2004	1,144.1

Source: Submission to the Enquiry from ONCE

ONCE operate approximately 8,200 kiosks for sellers who are blind or partially sighted. The number of kiosks depends on licenses given by local authorities. The majority of ONCE's sellers sell in the streets. Nearly 23,000 people who are either blind or have other disabilities sell tickets for the lottery, making it the principal source of employment for the blind in Spain. The numbers of employees for the past five years are presented below. They do not include anyone employed in Fundacion ONCE, but include those who work in the distribution of lottery tickets network.

ONCE Employees 2000 - 2004:

2000	27,889
2001	28,257
2002	28,281
2003	28,199
2004	27,633

Source: Submission to the Enquiry from ONCE

ONCE's programmes are aimed at seeking employment and the elimination of barriers for people with disabilities other than blindness. Fifty percent of ONCE's sales are allocated as prize money; 25% are earmarked for operating costs, and 25% allocated to support for the blind and, through the Fundación ONCE, working with other disabled groups.

ONCE Taxes Paid 2004 – 2005 (in €):

2004	1,236,465
2005	1,153,120

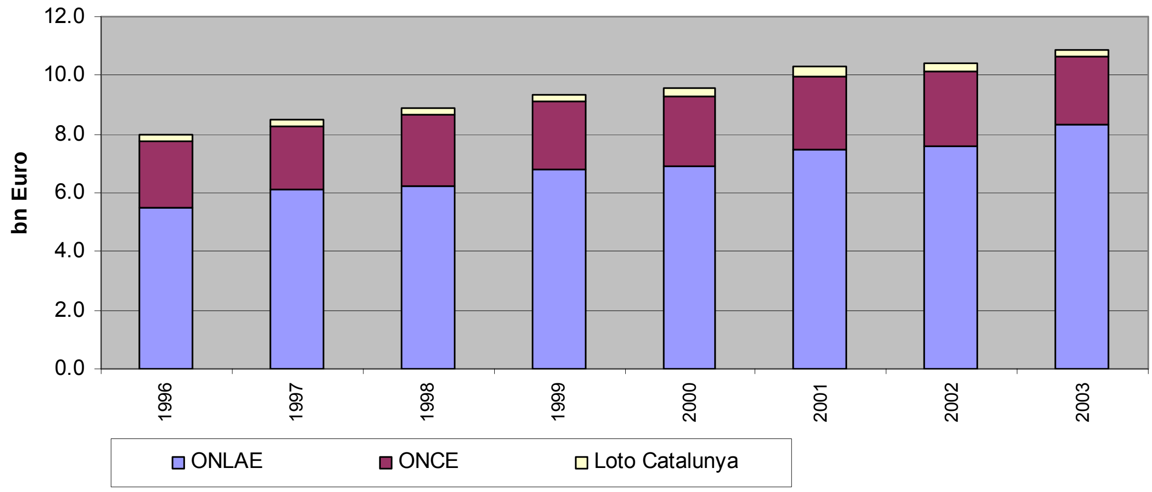
Source: Submission to the Enquiry from ONCE

ONCE Contributions to Good Causes 2004 – 2005 (in € million):

2004	224.3
2005	226.5

Source: Submission to the Enquiry from ONCE

Spanish Lottery Sales by Operator (1996-2003)



Source: Adapted from GBGC Report

2. Casino Gaming

Casinos were legalised in Spain during 1977 after the Franco regime, and are regulated by the Ministry of the Interior. Originally located outside of metropolitan areas, national rules required that the distance from a city centre would be based on the city's population. However, casinos are now permitted within major cities such as Madrid, Seville, Bilbao and Barcelona, though to date these cities only have one property each. Three of Spain's casinos were state-owned in 2003, with a further two in joint state/private ownership and the remaining twenty-seven owned and operated entirely by private sector interests. In 2004 there were 33 casinos in Spain. In 2005, two new casinos opened and another two were planning to open.

The casinos are not required to pay Value Added Tax (VAT) in Spain. They pay separate taxes on table and slot machines operations. Below are detailed gambling tax rates for table games in each region in Spain. Such taxes are paid as a percentage on GGR, based on the amount of GGR.

The Gambling Tax (in % of GGR) on Casino Tables GGR (In euros:)

SPANISH STATE RATE	
Tax base:	Percent
Between 0 and €1,322,226	20
Between €1,322,226 and €2,187,684	35
Between €2,187,684 and €4,363,347	45
More than 4,363,347	55
Communities that apply the state rate:	
ARAGÓN	
The CANARY ISLANDS	
Communities that apply the state rate plus a surcharge:	

VALENCIA	3 %
Communities that apply own rate:	
ANDALUCIA	
Tax base	Percent
Between 0 and 1,367,182	22
Between €1,367,182 and €2,262,065	38.5
Between €2,262,065and €4,511,701	49.5
More than €4,511,701	60.5
ASTURIAS	
Tax base:	Percent
Between 0 and €1,359,600	20
From €1,359,601 to €2,250,550	35
From €2,250,551 to €4,490,800	45
More than €4,490,800	55
BALEARIC	
Tax base:	Percent
Between 0 and €1,718,727	22
Between €1,718,727 and €2,843,713	40
Between €2,843,713,01 and €5,671,800	50
More than €5,671,800	61
CANTABRIA	
Tax base:	Percent
Between 0 and €1,450,000	24
Between €1,450,000 and €2,300,000	38
Between €2,300,000 and €4,500,000	49
More than €4,500,000	60
CASTILLA LA MANCHA	
Tax base:	Percent
Between 0 and €1,400,000	20
Between €1,400,001 and €2,300,000	35
Between €2,300,001 and €4,500,000	45
More than €4,500,000	55
In casinos of new creation a rate of 10% will be applied,	
CASTILLA Y LEON	
Tax base:	Percent
Between 0 and €1,512,000	20
Between €1,512,001 and €2,498,000	35
Between €2,498,001 and €4,971,000	45
More than €4,971,000	55
EXTREMADURA	
Tax base:	Percent
Between 0 and €1,322,226	20
Between €1,322,226 and €2,187,684	35

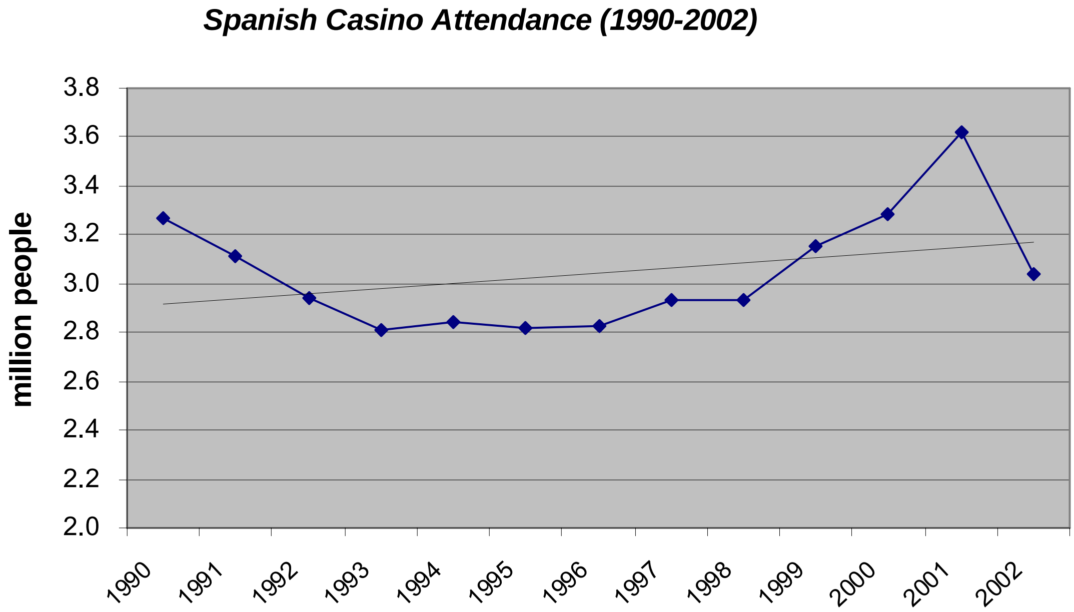
Between €2,187,684 and €4,363,347	45
More than €4,363,347	55
CATALONIA	
Tax base:	Percent
Between 0 and €1,322,226	20
Between €1,322,226 and €2,187,684	35
Between €2,187,684 and €4,363,347	45
More than €4,363,347	55
THE RIOJA	
Tax base:	Percent
Between 0 and €1,323,000	24
Between €1,323,001 and €2,190,300	38
Between €2,190,301 and €4,365,900	49
More than €4,365,900	60
MADRID	
Tax base:	Percent
Between 0 and €2,000,000	22
Between €2,000,000 and €3,000,000	40
Between €3,000,000 and €5,000,000	52
More than €5,000,000	63
MURCIA	
Tax base:	Percent
Between 0 and €1,500,000	25
Between €1,500,000 and €2,400,000	42
More than €2,400,000	55
GALICIA	
Tax base:	Percent
Between 0 and €1,500,922	22
Between €1,500,922 and €2,483,345	38
Between €2,483,345 and €4,953,044	49
More than €4,953,044	60
BASQUE PAIS (Guipúzcoa and Biscay)	
Tax base:	Percent
Between 0 and €1,800,000	20
Between €1,800,000 and €6,000,000	35
More than €6,000,000	50

Source: Submission to the Enquiry from FEMARA

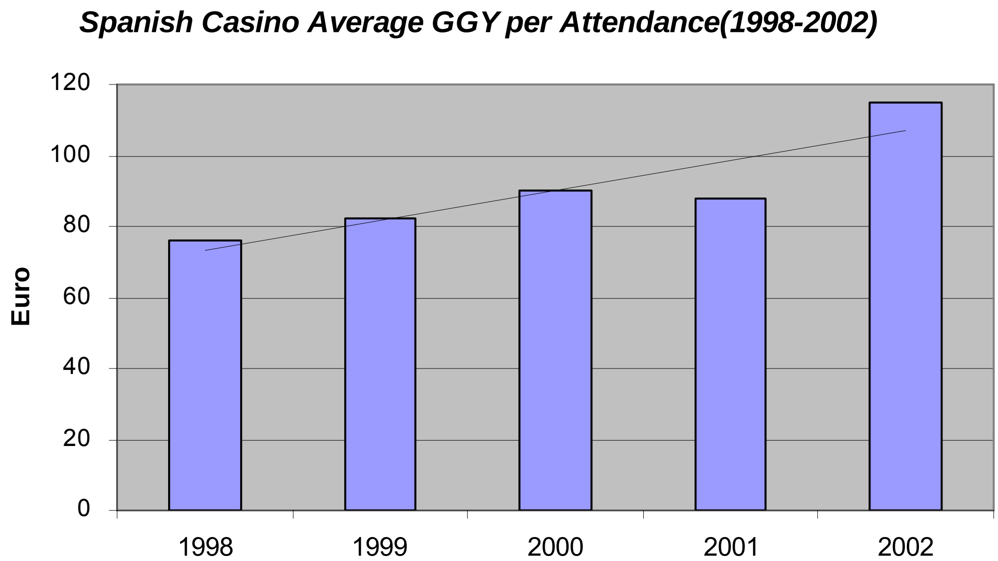
In addition, there is another gambling-specific tax for the IAE (municipal taxes) the annual payment of which is between €18,000 and €27,000 for every game table. However, there is no annual license fee. There are not any other fees except legal ones. It is only mandatory, however, to turn in lost or forgotten chips, to the municipal government.

The hotel and restaurant services form part of the services that casinos are obligated to have. Municipal projects and infrastructures are not carried out by the casinos.

Concession lengths vary according to region but are typically ten years with some extending to fifteen. Foreign companies are permitted to own up to 25% of a Spanish casino.



Source: Adapted from GBGC Report



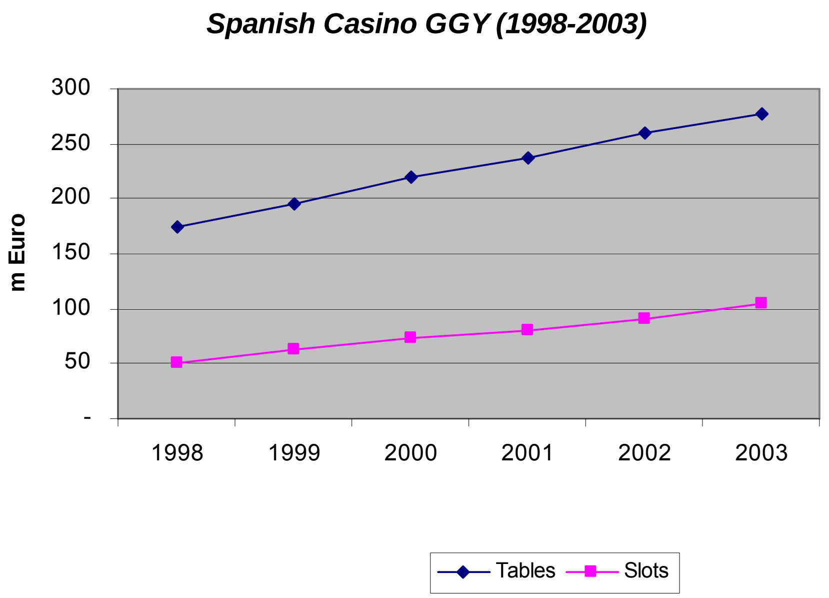
Source: Adapted from GBGC Report

Casinos in Spain generate most o heir revenues from table games. Spanish casino GGR for the past five years is represented below. The number of Type C slot machines (casino gaming machines) was 1,712 in 2004.

Casino GGR 2000 - 2004:

Year	**TABLES (€ millions)**	**SLOTS (€ millions)**	**Total**
2004	284.75	112.93	397.68
2003	261.04	97.23	358.27
2002	250.66	92.72	343.38
2001	235.31	85.60	320.91
2000	217.74	75.31	293.06

Source: Submission to the Enquiry from Spanish Casino Association



Source: Adapted from GBGC Report

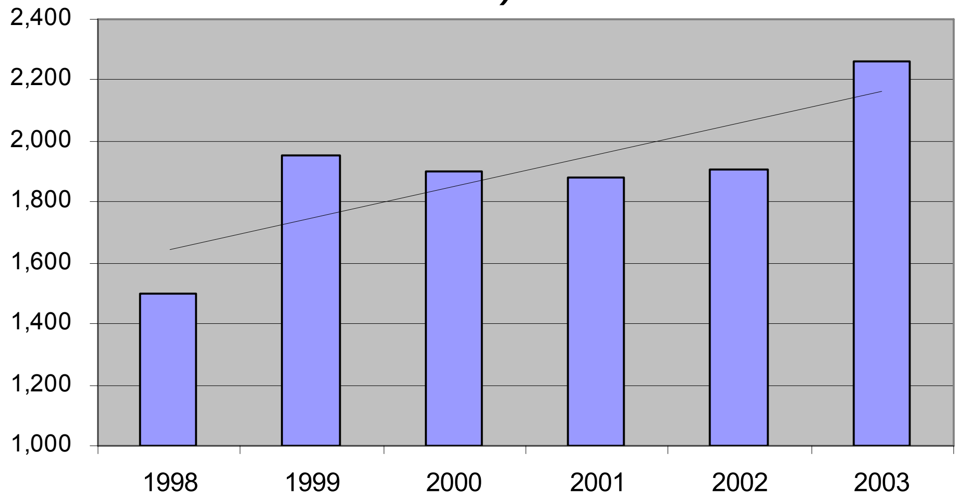
In addition to paying taxes on table games, Spanish casinos also pay taxes on slots. The annual fee that states collect is between €4,020 and €5,950 per machine. Each municipality also charges local taxes on top of this amount.

Local Taxes on Casino Slots in Spain:

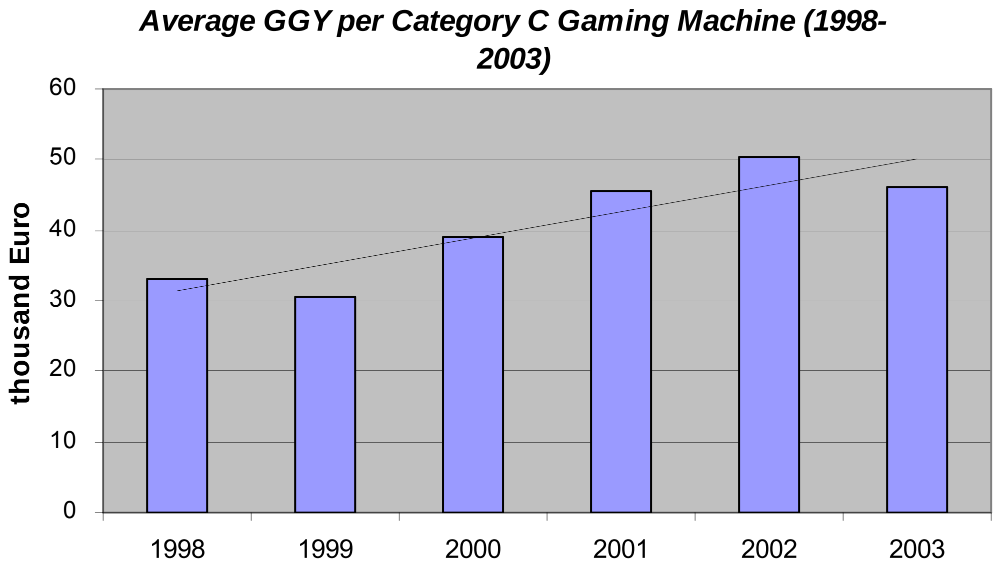
ANDALUCÍA	Annual fee 4,623 €
ARAGÓN	Annual fee 5,354 €
ASTURIAS	Annual fee 5,164 €
BALEARES	Annual fee 4,646 €
CANARIAS	Annual fee 4,207 €
CANTABRIA	Annual fee 5,500 €
CASTILLA-LA MANCHA	Annual fee 5,300 €
CASTILLA Y LEÓN	Annual fee 5,265 €
CATALUÑA	Annual fee 5,110 €
GALICIA	Annual fee 5 030 €,
EXTREMADURA	Annual fee 4,437 €
LA RIOJA	Annual fee 5, 608 €
MADRID	Annual fee 5,400 €,
MURCIA	Annual fee 5,112 €
PAIS VASCO	Annual fee 4,020 €
(Guipúzcoa y Vizcaya)	
VALENCIA	Annual fee 5,950 €

Source: Submission to the Enquiry from FEMARA

Number of Spanish Category C Gaming Machines (1998-2003)



Source: Adapted from GBGC Report



Source: Adapted from GBGC Report

Casinos by Municipality 2002:

Municipality	Popula-tion (millions)	Casinos	Population Per Casino (thousands)	Attendance	Table Drop (€m)	Table GGR (€m)	Category C Gaming Machines In Casinos
Andalucia	7,404	4	1,851.00	387,128	279.05	36.62	231
Aragón	1,2	1	1,199.80	49,273	21.66	9.94	60
Asturias	1,075	0	n/a				
Balearic Islands	0,879	3	292.9	228,365	108.06	16.54	149
Canary Islands	1,755	6	292.5	470,853	110.42	20.94	325
Cantabria	0,538	1	537.6	51,441	46.93	3.59	41
Castilla y León	2,479	3	2,479.40	117,672	47.9	8.97	99
Castilla-La Mancha	1,781	0	n/a				
Cataluña	6,361	3	2,120.50	734,706	454.62	55.83	482
Ceuta	0,076	1	75.7	17,782	3.84	0.86	20
Extremadura	4,203	2	2,101.30	275,946	167.95	28.63	105
Galicia	1,073	0	n/a				
La Rioja	2,733	2	1,366.50	75,237	56.99	7.88	59
Madrid	0,27	0	n/a				
Mellia	5,372	1	5,372.40	487,268	366.49	46.09	174
Murcia	0,069	1	68.8	7,415	2.68	0.66	14
Navarra	1,19	2	595.2	112,523	64.65	12.66	77
Pais Vasco	0,556	0	n/a				
Valenciana	2,101	2	1,050.70	95,462	67.83	10.59	69
Total	41,117	32	1,370.60	3,081,071	1,799.07	257.8	1,905

Source: Adapted from the GBGC Report

In 2005, a project was announced for the development of Spain's first American-style resort casino, the ***Don Quixote Kingdom***, in Castilla-La Mancha. The complex is to be developed 120 miles southwest of Madrid and would be a joint venture between the American company Harrah's and the Spanish owned El Reino de Don Quixote. The casino itself would include a 55,000 sq ft gaming space with 80 tables and 700 slots, with the capacity to expand to 100 tables and 1,000 slots if there is the demand. The development would also include a 415-room 5-star hotel, a conference centre, a championship golf course and a theme park.

In the last five years there were between 4,500 and 5,400 full-time employees in the casino sector in Spain. The number increased by 1,500 during 2004 because of the opening of new casinos.

3. Machine Gambling Outside Casinos

Spain has the second largest number of gaming machines in Europe (after the UK) with 251,482 in 2004. Altogether in 2004 these machines generated €2.6 billion in gross gaming revenue. Spain has two main coin-op associations covering 80% of the industry, which are COFAR and FACOMARE. Both of them are members of Euromat. Other associations much smaller in comparison to FACOMARE and COFAR are FAMAR and FEMARA.

In 2004 the Sectorial Gaming Commission recommended the establishment of criteria for the standardisation of new video machines across Spain. As a result, various administrative and tax regulations which affect the Spanish gaming industry were published during 2004. Some significant innovations have been introduced in 2005 especially in the regulation of the AWP. These changes are the consequence of the lobbying activity of the past years. It is anticipated that new rules will be approved in different Autonomous regions with the same changes.

The main changes in the regulation of AWP are the following:

1. A reduction from 75% to 70% in the prize percentage.
2. Price of the game up to 0,20 x 3.
3. Prize up to 400 times the price of the game
4. 360 games in 30 minutes
5. No return of change.
6. Acceptance of any technological support for the manufacture of the machines (VIDEO)
7. To allow advertising
8. Possibility of testing machines before the homologation.

The GGR generated by B-type machines was €2.592 million in 2002 and €2.550 million in 2003. In 2004 GGRs for B-type machines were €2.576 million The Gambling Tax for 2004 varied per machine between €3,832 and €2,845 per year.

Spanish Gaming Arcades 2002:

Municipality	Number of Gaming Arcades (type-B)	Category B Gaming Machines (Outside Casinos)	Coin In (€ million)	GGR (€ million)	GGR per Arcade	GGR per Device (€ thousand)	Population Per AWP
Andalucia	433	35,734	1,338.76	334.69	0.773	9.37	207
Aragón	80	8,932	386.04	96.51	1.206	10.8	134
Asturias	17	7,015	350.84	87.71	5.159	12.5	153
Balearic Islands	101	6,945	300.16	75.04	0.743	10.8	127
Canary Islands	304	14,255	616.12	154.03	0.507	10.81	123
Cantabria	21	3,795	142.4	35.6	1.695	9.38	142
Castilla y León	44	16,751	724	181	4.114	10.81	148
Castilla-La Mancha	15	9,384	405.6	101.4	6.76	10.81	190
Cataluña	111	38,784	1,676.24	419.06	3.775	10.8	164
Ceuta	1	211	4.56	1.14	1.14	5.4	359
Extremadura	4	5,525	238.8	59.7	14.925	10.81	194
Galicia	57	12,638	546.24	136.56	2.396	10.81	216
La Rioja	11	1,894	81.88	20.47	1.861	10.81	143
Madrid	173	30,071	1,299.68	324.92	1.878	10.81	179
Mellia	8	328	14.16	3.54	0.443	10.79	210
Murcia	152	10,614	458.72	114.68	0.754	10.8	112
Navarra	17	2,052	89.08	22.27	1.31	10.85	271
Pais Vasco	48	11,472	496.4	124.1	2.585	10.82	183
Valenciana	198	28,676	1,198.20	299.55	1.513	10.45	147
Total	1,795	245,076	10,367.88	2,591.97	1.444	10.58	168

Source: Adapted from the GBGC Report

More recent data below shows the total amount of gaming machines outside of casinos by the end of 2003 did not change significantly:

Gaming Machines in Operation in Spain by the end of 2003:

Region	**Number of type "B" gaming machines in operation**
ANDALUCÍA	35,796
ARAGÓN	8,369
ASTURIAS	6,855
BALEARES	6,057
CANARIAS	11,592
CANTABRIA	3,771
CASTILLA Y LEÓN	17,007
CASTILLA LA MANCHA	9,172
CATALUÑA	38,756
EXTREMADURA	5,388
GALICIA	12,340
LA RIOJA	1,902
MADRID	30,196
MURCIA	9,865
NAVARRA	2,062
PAÍS VASCO	12,600
VALENCIANA	29,643
CEUTA	212
MELILLA	324
TOTAL	**241,907**

Source: Submission to the Enquiry from FEMARA

Non-smoking regulations are thought to have had a negative effect on GGRs, especially in Arcades and Casinos.

Type B Gaming Machine Tax by Municipality 2004:

Municipality	**Gaming Tax per Type-B MACHINES or AWPs (€)**
Andalucia	3,272.67
Aragón	3,650.00
Asturias	3,524.00
Balearic Islands	3,167.33
Canary Islands	3,402.29
Cantabria	3,500.00
Castilla y León	3,600.00
Castilla-La Mancha	3,700.00
Cataluña	3,549.00
Ceuta	2,845.80
Extremadura	3,143.00
Galicia	3,380.00
La Rioja	3,412.00
Madrid	3,600.00
Mellia	2,845.80
Murcia	3,488.00
Navarra	2,845.80
Pais Vasco	3,187.30
Valenciana	3,832.86
Average	3,336.18

NB. In addition some municipalities charge a surcharge of up to 5%.
Source: Adapted from the GBGC Report

Over the past three years the taxes per gaming device paid to each municipally did not change significantly.

There are approximately 35,000 people employed in the gaming machine sector in Spain. This amount includes employees in operating companies and employees in other companies related to this sector, for example manufactures, exporters, importers, distributors and repair specialists.

4. Betting

Loterías y Apuestas del Estado will operate all betting operations, using its more than 11,000 outlets throughout Spain. Loterías y Apuestas del Estado has been attempting to have horseracing considered as a legal sport, thus excluding it from the scope of the gambling industry. This would enable Loterías y Apuestas del Estado to offer horserace betting nationally whereas if it is considered as part of the gambling industry it comes under the jurisdiction of the municipalities.

5. Bingo

Bingo has been traditionally very popular in Spain. However, between 2000 and 2002 there was a dramatic fall in profits and a significant reduction in the number of bingo halls operating across the country. During 2002 Spanish bingo sales were €3.716 billion, and in 2003, sales were €3.929 billion. By 2003 there were approximately 468 halls in operation across the country with many undergoing renovation and/or technological upgrades in an effort to reverse recent trends.

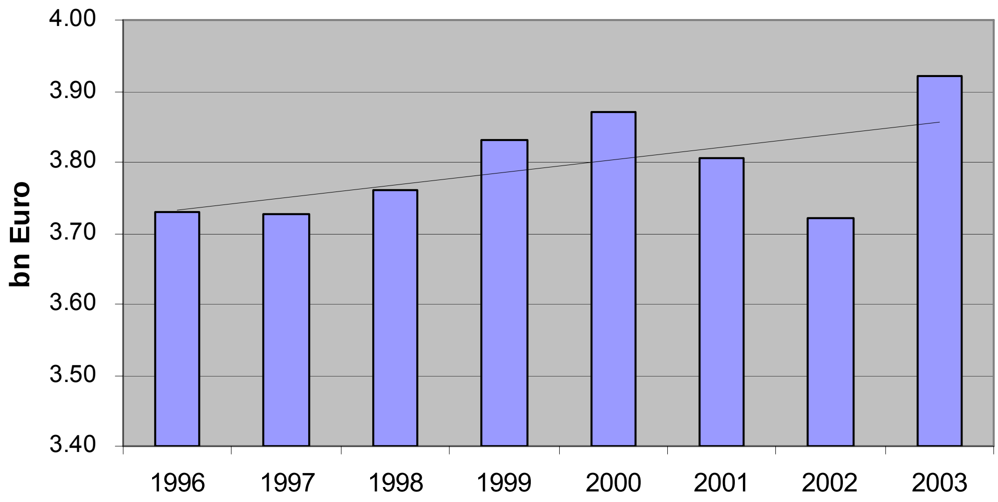
In 2003 Madrid’s four bingo associations reached agreement regarding a maximum of one bingo hall per 100,000 inhabitants, the payment of prizes of up to €6,000 with bank cheque, and a minimum capacity for a distribution network of 3,400 seats. The new bingo regulations came into force in 2004 and also stipulated a minimum distance between bingo halls. *(Source: GBGC Report)*

Number of Bingo Halls in Spain:

Municipality	No of Bingo Halls	Sales 2002 (€m)	Sales Per Hall 2002 (€m)	Population	Population per Bingo Hall
Andalucía	62	505.45	8.15	7.4	119,419
Aragón	22	188.12	8.55	1.2	54,534
Asturias	5	56.15	11.23	1.1	215,066
Balearics	15	99.1	6.61	0.9	58,575
Canaries	26	275.73	10.61	1.8	68,514
Cantabria	6	39.59	6.6	0.5	89,601
Castilla y León	23	188.64	8.2	2.5	107,801
Castilla la Mancha	9	54.94	6.1	1.8	195,006
Cataluña	72	542.14	7.53	6.4	88,352
Extremadura	8	12.34	1.54	1.1	134,173
Galicia	17	134.84	7.93	2.7	160,760
La Rioja	4	5.77	1.44	0.3	67,600
Madrid	78	746	9.56	5.4	68,877
Murcia	7	74.16	10.59	1.2	170,054
Navarra	4	36.88	9.22	0.6	139,066
País Vasco	21	141.25	6.73	2.1	100,070
Valencia	85	541.81	6.37	4.2	49,442
Ceuta	4	21.04	5.26	0.1	18,924
Melilla	1	2.98	2.98	0.1	68,789
Total	464	3,666.93	7.9	41.1	88,614

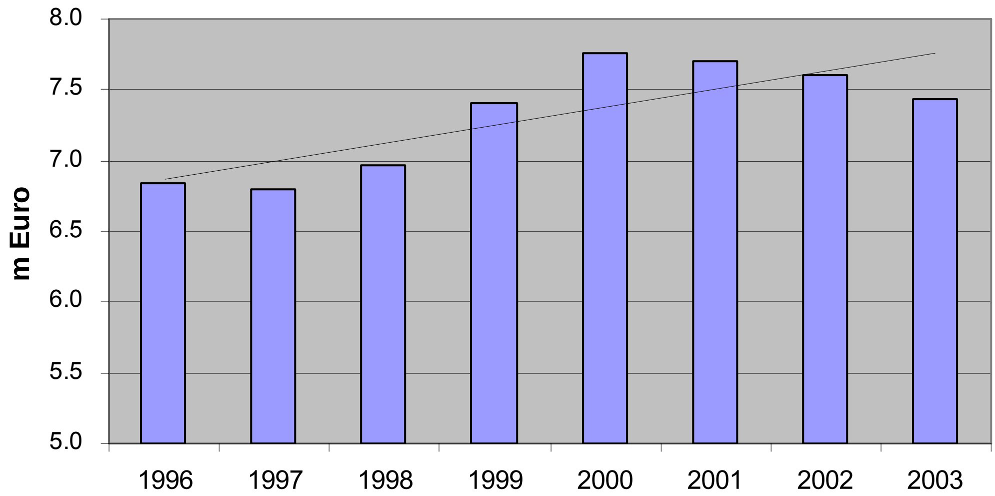
Source: Adapted from the GBGC Report

Spanish Bingo Sales (1996-2003)



Source: Adapted from GBGC Report

Average Sales per Spanish Bingo Hall (1996-2003)



Source: Adapted from GBGC Report

Summary of Rank's Spanish Bingo Operations:

Turnover (EUR)				**Operating Profit (EUR)**			
Total		**Club Average**		**Total**		**Club Average**	
2003	2002	2003	2002	2003	2002	2003	2002
35.7m	26.9m	3.6m	3.6m	9.9m	6.7m	1.03m	889k

Source: Adapted from the GBGC Report

6. Media Gambling Services

In 2003 ***ONCE*** announced that it had reached an agreement with the telecommunications company ***Sogecable*** regarding the establishment of an interactive channel via digital television. The new channel, called Canal ONCE, will sell the ONCE lottery product via the Internet, as well as other specific lotteries and games that may be developed. *(Source: GBGC Report)*

7. Sales Promotional Gambling

No information was found or contributed by stakeholders approached as part of this research endeavor that allowed meaningful discussion of this sector.

8. Charity Gambling

All the lottery operators are charity organisations. Please look at the lotteries section of this report.

I

II. NATIONAL SUMMARY

Year	Total (€ million)	Lottery (€ million)	Casino (€ million)	Gaming Machines (€ million)	Betting (€ million)	Bingo (€ million)
2001	4,275.93	1,234.90	123.28	2,241.58	40.36	635.81
2002	4,859.51	1,212.50	343.38	2,591.97	48.54	663.12
2003	4,886.81	1,126.40	320.91	2,550.00	62.26	827.24

Source: Data Provided by Stakeholders and GBGC Report (shaded entries)

Year	GDP (€ million)	Propensity to gamble (%)	Spending per person (EURO)
2003	780,557	0.63%	117.61

Source: Centre for the Study of gambling, Salford, own analysis.

SWEDEN

I. INTRODUCTION

In Sweden the betting and gaming industries are well developed. A greater proportion of Swedes than any other nation participate in gambling in its various forms. Typically 85% of the Swedish population participated in the betting and gaming industries in any given year, making Sweden an important gambling market, even though it ranks as only the 12th largest economy in Europe. *(Source: GB GC Report)*

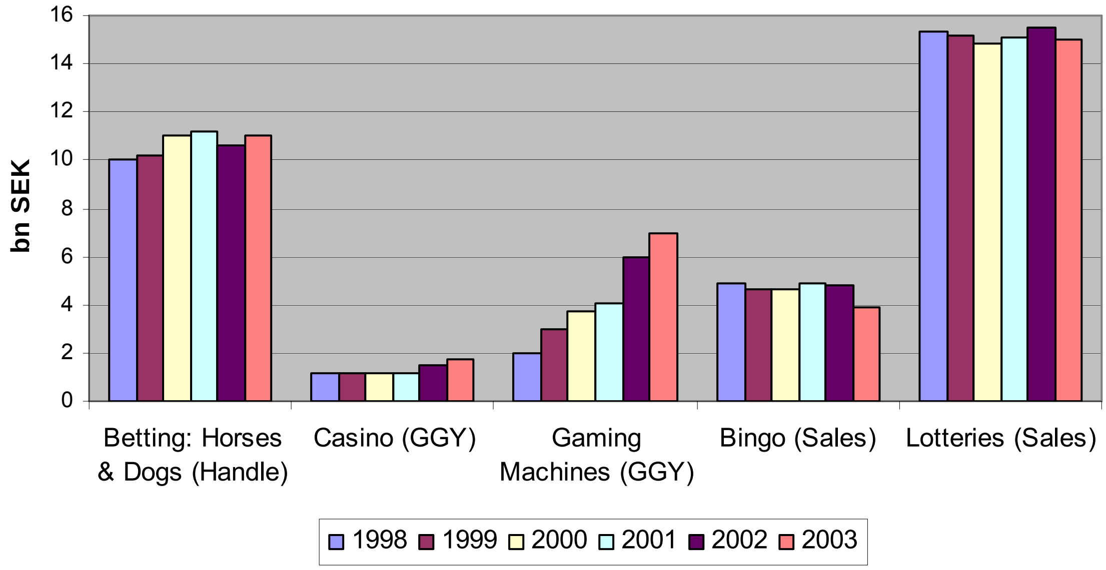
Swedish Gambling Industry Market Shares in 2005:

Market Sector	**Market Share in %**
1. Lotteries	***40***
AB Svenska Spel	30
Non-for-profit Organisations (around 30 organisations)	10
2. Casino	***9***
AB Casino Cosmopol	6
Restaurangkasinon (small casinos in restaurants)	3
3. Machine Gambling	***15***
AB Svenska Spel	15
4. Betting	***32***
AB Svenska Spel	10
AB Trav och Galopp (ATG)	22
5. Bingo	***4***
Non-for-profit Organisations (around 575 organisations)	4

Source: Submission to the Enquiry from Lotteri Inspektionen

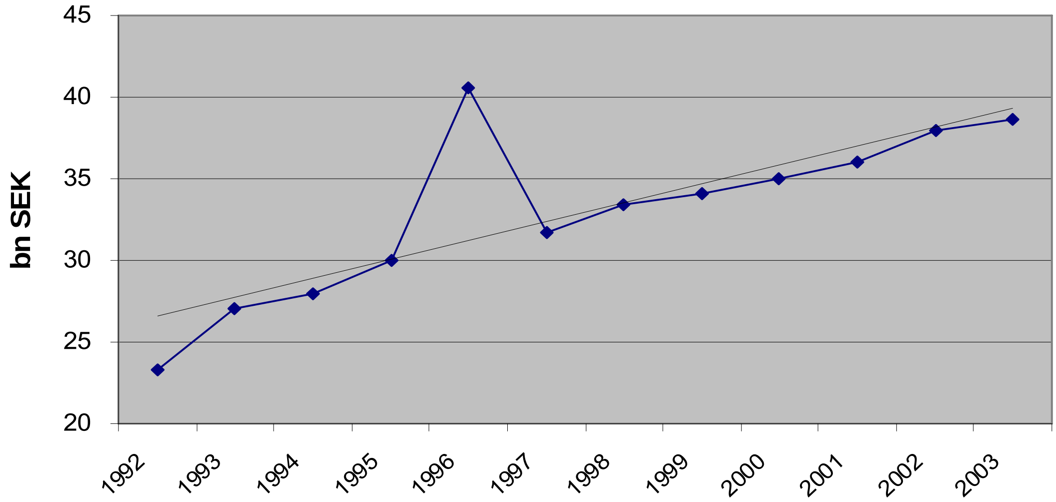
Lotteri Inspektionen, Sweden's National Gaming Board, regulates the gambling industry. In Sweden. Lotteries and horseracing are regulated by the Lotteries Act 1994 and the Casino Act 1999.

Swedish Betting and Gaming Gross Turnover (1998-2003)



Source: Adapted from GBGC Report

Total Swedish Gambling Turnover (1992-2003)



Source: Adapted from GBGC Report

None of the companies operating in the gambling market has to pay VAT in Sweden. There is also no special fee for obtaining a license, however, companies must pay an administrative license consideration fee, which differs greatly depending on the type of license and the amount of devices. The Gaming Board or Regional Province Authorities might ask for an additional contribution in order to make a regular check for compliance with the regulations, which are not expected to change in the next 5 years.

Administrative Payments for Compliance Checking 2000 - 2004 thousand Kroner (EURO):

Market Sector	**2000**	**2001**	**2002**	**2003**	**2004**
1. Lotteries	***5914 (634,039)***	***6714 (719,703)***	***7981 (855,531)***	***7602 (814,904)***	***7239 (775,992)***
AB Svenska Spel	3581 (384,019)	4389 (470,667)	5933 (636,243)	4998 (535,975)	5586 (599,066)
Non-for-profit Organisation (around 30 organisations)	2333 (250,180)	2325 (249,322)	2048 (219,618)	2604 (279,182)	1653 (177,223)
2. Casino	***6158 (660,216)***	***7892 (846,171)***	***9034 (968,614)***	***9317 (998,957)***	***9720 (1,042,170)***
AB Casino Cosmopol	800 (85,7750)	2775 (297,543)	4092 (438,756)	4308 (461,885)	3380 (362,389)
Restaurangkasinon (small casinos in restaurants)	5358 (574,461)	5117 (548,433)	4942 (529,677)	5009 (536,858)	5340 (572,513)
3. Machine Gambling	***360 (38,596)***	***401 (42,992)***	***431 (46,208)***	***1366 (146,452)***	***1828 (195,935)***
AB Svenska Spel	360 (38,5964)	400 (42,8743)	402 (43,0886)	1361 (145,885)	1800 (192,942)
Other gaming machines in arcades		1 (0,108)	29 (3,1199)	5 (0,567)	28 (2,993)
4. Betting	***5285 (566,613)***	***4881 (523,300)***	***5543 (594,274)***	***5575 (597,644)***	***5813 (623,157)***
AB Svenska Spel	1535 (164,553)	1881 (201,644)	2543 (272,705)	2142 (229,703)	2394 (256,773)
AB Trav och Galopp (ATG)	3750 (402,214)	3000 (321,771)	3000 (321,771)	3300 (353,948)	3300 (353,948)
Greyhound racing				133 (14,2658)	119 (12,7641)
5. Bingo	***71 (8,259)***	***80 (8,580)***	***52 (5,578)***	***116 (12,444)***	***165 (17,700)***
Non-for-profit Organisation (around 575 organisations)	71 (8,359)	80 (8,580)	52 (5,578)	116 (12,444)	165 (17,700)

Swedes spent SEK 19.9 billion (€2.1 billion) on gambling services in 2002, and SEK 20.9 billion (€2.2 billion), in 2003. Gambling revenues play an important role in the sports sector in Sweden. However, gambling contributes only very marginally to the cultural sphere. Profits generated by Svenska Spel, for example, are distributed by the state to the Swedish National Board of Youth Affairs, Swedish Sports Confederation (which includes approximately 20,000 sport clubs), Handslaget (Sports Billion) and other support to sport. The Swedish Sports Confederation alone had 1.4 billion SEK (€147million) funding derived from the gambling industry in 2004. Part of this money, however, was obtained by organising small scale non-for-profit lotteries organised by the Swedish Sports Confederation.

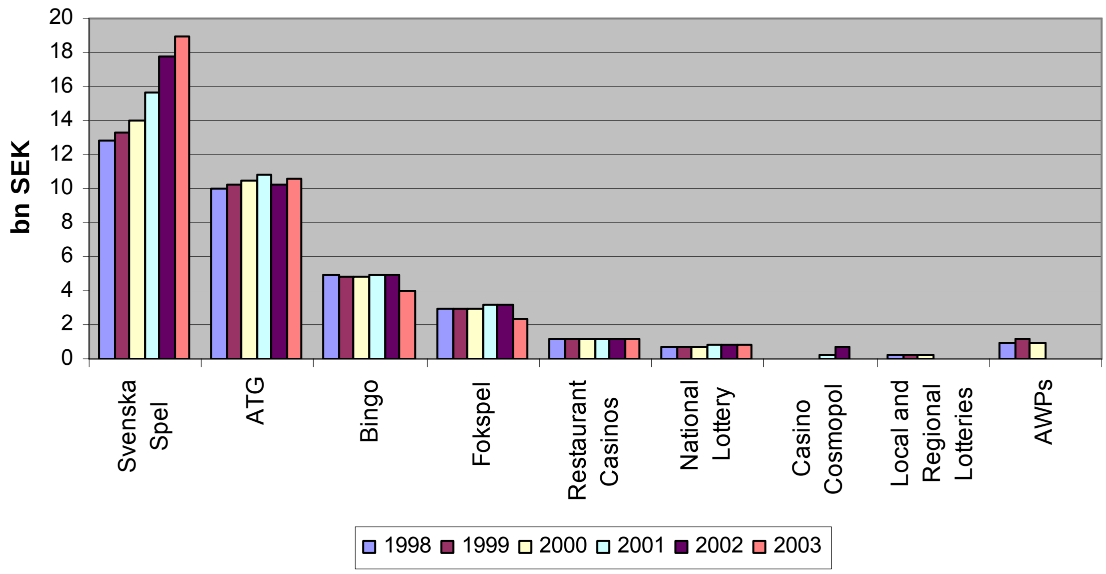
Industries' GGR for the past five years is summarisied in the table below, where Svenska Spel is clearly the market leader:

Gambling Industry's GGR 2000 - 2004 (millions Swedish Kroner (€ millions)).

	2000	2001	2002	2003	2004
1. Lotteries					
AB Svenska Spel	4223 (448.2)	4214 (447.2)	4383 (465.2)	4386 (465.5)	4531 (481)
Non-for-profit Organisation (around 30 organisations)	2094 (222.3)	2289 (243)	2227 (236.4)	1872 (198.7)	1550 (164.5)
2. Casino					
AB Casino Cosmopol		33 (3.5)	304 (32.3)	720 (76.4)	853 (90.5)
Restaurangkasinon (small casinos in restaurants)	508 (53.9)	473 (50.2)	486 (51.6)	457 (48.5)	440 (46.7)
3. Machine Gambling					
AB Svenska Spel	883 (88.4)	1272 (135.1)	1828 (194.1)	2110 (224.1)	2217 (235.4)
4. Betting					
AB Svenska Spel	1513 (160.7)	1405 (149.2)	1452 (154.1)	1576 (167.3)	1572 (166.9)
AB Trav och Galopp (ATG)	3118 (331.1)	3194 (339.1)	3046 (323.3)	3196 339.4)	3263 (346.5)
5. Bingo					
Non-for-profit Organisation (around 575 organisations)	651 (69.2)	621 (65.9)	602 (63.9)	596 (63.3)	630 (66.9)
TOTAL	**12,990 (1,380)**	**13,501 (1,434)**	**14,328 (1,522)**	**14,913 (1,584)**	**15,056 (1,599)**

These figures are not expected to change significantly in the next five years.

Swedish Gambling Turnover by Operator (1998-2003)



Source: Adapted from GBGC Report

In 2004 there were 611 people employed in Svenska Spel, 750 people in Casino Cosmopol and 240 in ATG. There are no figures as to employment in other sectors of the gambling industry.

One threat to the gambling industry in Sweden is that some public officials and elements of the media continue to show some concern over the issue of gaming addiction. As it is VLTs that are the games most frequently cited as encouraging excessive gaming habits, particularly among young people, Svenska Spel has intensified its education and information initiatives in the area of gaming responsibly. In a report on gaming addiction, the Swedish National Institute of Public Health (Folkhälsoinstitutet) proposes various measures to control gaming addiction, which are being taken into consideration by the Riksdag in developing a Bill regarding the future of the gaming market.

Since June 2001 Svenska Spel has been able to offer lottery games, bingo and casino gaming via the Internet. During September 2003 it added bingo and digital scatchcards, the latter utilising established brands such as Triss, Tia, SkrapBingo and SkrapPyramid. Sales for the nine games offered by Svenska Spel´s website doubled during 2002, reaching SEK 100 million (€10.6 million). According to Svenska Spel's analysis, however, in total Swedes bet almost SEK 3 billion on the Internet with only a third of this amount being spent with legal Swedish gaming companies.

During 2003 betting via mobile phones was piloted on some specific sports events. During June 2003 Svenska Spel´s direct channel sales rose by 64% as it reached SEK 495 million. Mobile phones and the Internet are now responsible for generating almost 4.2% of the company's revenue derived from its traditional lottery products.

By 2002 approximately 250,000 players held an Internet gaming account with Svenska Spel, with 130,000 of these being active. Twelve months later there were more than 250,000 active players with a personal Svenska Spel Internet gaming account regularly accessing products through a personal password. This surpassed the company's target of 230,000 active players by the close of 2003. Total visitors to the site tripled during 2003 to reach 1.5 million a month.

By the end of 2002 nine of Svenska Spel's most popular games were available on svenskaspel.se: the number games keno and Lotto and the pools games Stryktipset, Italienska Stryktipset and Måltipset. Joker, a supplementary game, is available on the coupons just as it is via the company's agent network. Oddset games Lången, Mixen and Bomben are also available and the new game Mixen is only available on svenskaspel.se.

During October 2003 Svenska Spel launched its instant scratch card on its website, with their addition immediately boosting the website's turnover significantly. The games included Triss, Tia, Skrap-Bingo and SkrapPyramid. In addition three new single-player and multi-player bingo games, including classic bingo and pattern bingo, were also launched. As with Svenska Spel's Internet casino, Boss Media has developed the games using Flash technology, which does not require the player to download software. During April 2004 it was announced that Trisslotten, Sweden's most popular gambling product, is to be available both on Svenska Spel's Internet site and via mobile telephone.

During November 2003 Sperospel.se, the first private organisation to be granted a gaming license by the Swedish National Gaming Board (Lotteriinspektionen), launched its Internet site. The site that includes three instant games was developed by EGET. These are Casinolotto, a new adaptation of keno with a jackpot of up to SEK 3 million (€318,400), Femman, Sweden's cheapest scratch card, and Sperolotten, which also has a jackpot of SEK 3 million. Sperospel.se is operated by Spero Online, a company owned by IOGT-NTO lotterierna, A-lotterierna and PAF. Spero Online AB works in close relationship to Spero Spel, which sells traditional scratch cards via authorised retailers.

II. GAMING SECTOR ANALYSIS

1. Lotteries

On the National level there are 30 charitable lotteries, which include all non-for-profit organisations that deal with general public interest, and one national lottery enterprise – ***AB Svenska Spel***. Svenska Spel has a network of over 6,000 agents selling their products, with about 3,500 gaming agents with on-line terminals and 3,000 lottery agents. About 3,200 of the retailers are full-service retailers. The network is composed of:

Svenska Spel's Outlet Network:

Tobacconists and Gaming Outlets	1,409
Kiosks	896
Convenience Stores	786
Petrol Stations	945
Grocery Stores	1,978
Supermarkets and Department Stores	172
Other Retail	181

Source: Submission to the Enquiry from Svenska Spel

Agents are spread across the country in locations serving rural areas in addition to the major towns and cities. Average number of employees in 2005 was 1452 for the entire Svenska Spel group including the Casinos. The indirect employment induced by Svenska Spel consists of:

- 6.000 agents,
- 1.900 restaurants

Svenska Spel has exclusive rights to offer VLTs on the Swedish market. The VLTs are placed in restaraunts and bingo halls. The restaraunts amounts to 2,145 and the bingo halls amounts to 91. As a result, there are many SMEs employed in the distributional network of Svenska Spel.

All of Svenska Spel's surplus proceeds are allocated to the national treasury, except those generated by operation of VLTs, which are placed in a fund to which charitable organisations involved in youth activities may apply and those generated as a result of greyhound race betting, which are allocated to the Swedish Greyhound Racing Federation.[32] The amount allocated to the non-governmental charitable organisations during 2003 was SEK 202.8 million (€21.5 million), with a further SEK 606.7 million (€64.4 million) being allocated to the Swedish Sports Confederation. Finally SEK 200 million (€21.2 million) was allocated to a sports fund called 'the Sports Billion'. The total amount passed to beneficiaries though government by Svenska Spel was 506,744,500 Euros in 2004. *(Source: GBGC Report)*

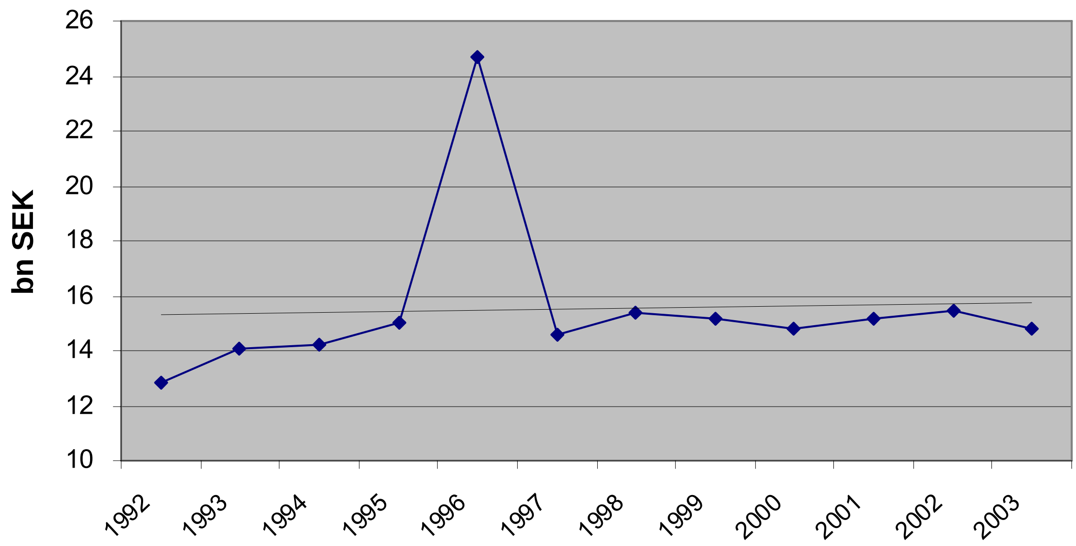
[32] Svenska Spel terminated offering betting on greyhound races in 2004 because the organization determined it was no longer economically viable.

Svenska Spel Summary of Sales and Distribution of Surplus 1997 - 2003:

SEK millions (€ millions)	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**
GGRs from games, except casinos	11,269 (1,196)	12,732 (1,352)	13,342 (1,417)	13,949 (1,482)	15,557 (1,652)	17,685 (1,878)	18.813 (1,998)
Casino GGR					33 (3.5)	304 (32.2)	720 (76.5)
Other operating income	195 (20.7)	192 (20.4)	199 (21.1)	189 (20.1)	209 (22.2)	251 (26.7)	264 (28.1)
Total income	11,464 (1,456)	12,924 (1,642)	13,540 (1,438)	14,138 (1,501)	15,799 (1,678)	18,240 (1,938)	19,796 (2,104)
Gross profits	4,976 (528.7)	5,349 (568)	5,304 (563.2)	5,459 (579.6)	5,718 (607.3)	6,366 (676.2)	6,961 (739.4)
Net Profits	3,612 (383.7)	3,937 (418.2)	3,739 (397.2)	3,835 (407.4)	3,842 (408.1)	4,210 (447.2)	4,687 (497.9)
Sports Associations	60 (6.4)	60 (6.4)	60 (6.4)	60 (6.4)	60 (6.4)	60 (6.4)	60 (6.4)
'The Sports Billion'						100 (10.6)	200 (21.2)
Swedish National Sports Fed	0	50 (5.3)	93 (9.9)	200.2 (21.3)	363.2 (38.6)	606.7 (64.4)	606.7 (64.4)
National Board for Youth Affairs		9.3 (0.9)	23.3 (2.5)	50.1 (5.3)	85.8 (9.1)	142.8 (15.2)	142.8 (15.2)
Government	3,551.40 (377.2)	3,818.00 (405.8)	3,562.50 (378.6)	3,561.20 (378.3)	3,296.80 (350.2)	3,300.20 (350.6)	3,677.00 (390.6)
Total	3,611.40 (383.7)	3,937.30 (418.2)	3,738.80 (397.2)	3,871.50 (411.3)	3,805.80 (404.4)	4,209.70 (447.3)	4,686.50 (497.9)
Sports Associations	1.70%	1.50%	1.60%	1.50%	1.60%	1.40%	1.30%
'The Sports Billion'				0.00%	0.00%	2.40%	4.30%
Swedish National Sports Fed	0.00%	1.30%	2.50%	5.20%	9.50%	14.40%	12.90%
National Board for Youth Affairs	0.00%	0.20%	0.60%	1.30%	2.30%	3.40%	3.00%
Government	98.30%	97.00%	95.30%	92.00%	86.60%	78.40%	78.50%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Source: Submission to the Enquiry from Svenska Spel

Swedish Lottery Sales (1992-2003)



Source: Adapted from GBGC Report

Svenska Spel Summary of Sales by Game Type 2000 - 2003:

	2003 SEK m(EUR)	2002 SEK m(EUR)	% Change 2002/03	2001 SEK m (EUR)	% Change 2001/02	2000 SEK m (EUR)	% Change 2000/01
Games of Skill	3,690 (391.5)	3,584 (380.3)	2.96%	3,611 (383.2)	-0.70%	3,473 (368.5)	3.97%
Numbers	4,133 (438.7)	4,101 (435.2)	0.78%	3,859 (409.5)	6.30%	3,920 (415.9)	-1.56%
Lotteries/Instants	4,070 (432)	4,007 (425.3)	1.57%	3,916 (415.5)	2.30%	3,808 (404.1)	2.84%
VLTs	6,919 (734)	5,993 (636.1)	15.45%	4,171 (422.6)	43.70%	2,748 (291.6)	51.78%
Total	18,813 (1,996)	17,685 (1,877)	6.38%	15,557 (1,650)	12.00%	13,949 (1,480)	11.53%

Source: Submission to the Enquiry from Svenska Spel

Svenska Spel's Games of Chance Sales 2001 - 2003:

Product	**Sales 2003 SEK m (EUR)**	**Sales 2002 SEK m (EUR)**	**% Change 2002/03**	**Sales 2001 SEK m (EUR)**	**% Change 2001/02**
Numbers Games					
- Lotto Saturdays		1,758 (186.5)		1,666 (176.7)	5.52%
- Lotto Wednesdays		395 (41.9)		396 (42)	-0.25%
Lotto Total	2,159 (229.1)	2,153 (228.4)	0.28%	2,063 (218.9)	4.36%
Viking Lotto	112 (11.9)	127 (13.5)	-11.81%		
Lotto Express	40 (4.2)	48 (5.1)	-16.67%	50 (5.3)	-4.00%
Tips/Söndasbingo	108 (11.5)	160 (16.9)	-32.50%	195 (20.7)	-17.95%
Joker	610 (64.7)	580 (61.5)	5.17%	543 (57.6)	6.81%
Keno	1,091 (115.8)	1,034 (109.7)	5.51%	877 (93)	17.90%
Bingo (svenskaspel.se)	13 (1.4)				
Total Numbers	4,133 (438.3)	4,101 (435.1)	0.78%	3,859 (409.3)	6.27%
Instants					
Penninglotteriet	79 (8.3)	161 (17.1)	-50.93%	161 (17.1)	0.00%
Triss	3,187 (338.2)	3,132 (332.2)	1.76%	3,040 (322.4)	3.03%
Skrap-Bingo	461 (48.9)	314 (33.3)	46.82%	326 (34.6)	-3.68%
Tia	343 (36.4)	401 (42.5)	-14.46%	388 (41.2)	3.35%
Total Instants	4,070 (431.8)	4,007 (425.1)	1.57%	3,916 (415.5)	2.32%
Grand Total	8,203 (870.7)	8,108 (860.5)	1.17%	7,775 (824.9)	4.28%

Source: Adapted from the GBGC Report

In addition to Svenska Spel there are also four major other organisations that offer lottery games: ***Folkspel, IOGT-NTO***, ***A-lotterierna*** and the ***Rikslotterier (National Lottery).***

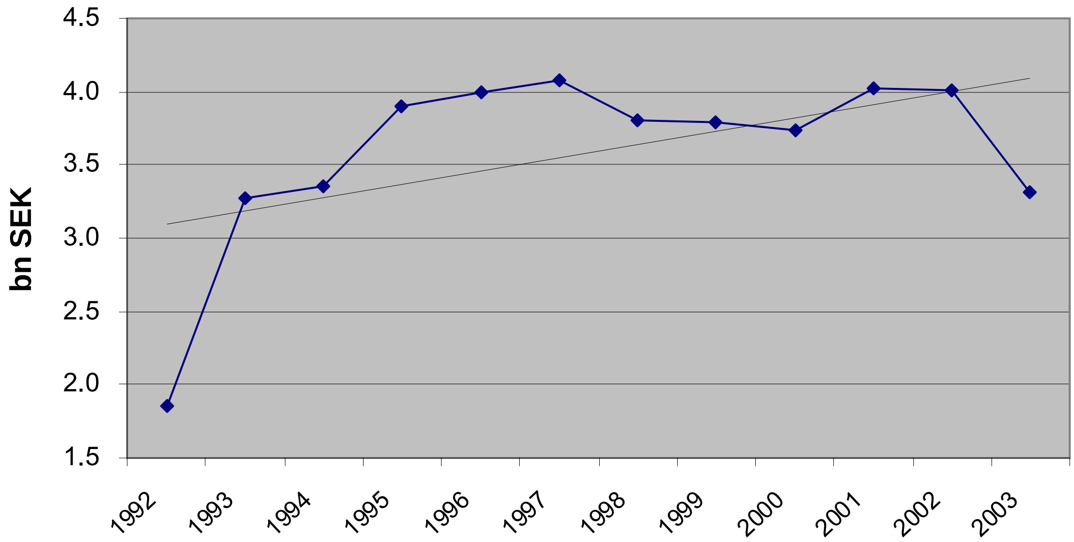
There are also a number of regional and local lotteries run for the benefit of voluntary associations and clubs. In 2002 these lotteries generated sales of SEK 9m (€955,000).

Non Svenska Spel Lottery Sales 2001 – 2003:

	Sales 2003 SEK m (€mil)	**Sales 2002 SEK m (€mil)**	**% Change 2002/03**	**Sales 2001 SEK m (€mil)**	**% Change 2001/02**
Folkspels Lotterier	2,294 (243.4)	3,011 (319.5)	-23.81%	3,119 (330.9)	-3.46%
Rikslotterier	912 (96.8)	853 (90.5)	6.92%	794 (84.3)	7.43%
Local Lotteries	100 (10.6)	107 (11.4)	-6.54%	112 (11.9)	-4.46%
Regionala lotterier	9 (0.9)	9 (0.9)	0.00%	9 (0.9)	0.00%
Total	3,315 (351.6)	3,980 (422.2)	-16.71%	4,499 (477.3)	-11.54%

Source: Adapted from the GBGC Report

Other (then Svenska Spel) Lotteries Sales (1992-2003)



Source: Adapted from GBGC Report[33]

Looking ahead Svenska Spel expects that its sales will continue to increase but that the rate of increase will slow down somewhat. The exact level of increase will be dependent upon the new gambling legislation and its impact, and foreign competitors.

2. Casino Gaming

In 1999, the Swedish Government authorised a maximum of six (initially four with two to be introduced later) international-style casinos. The first of these became operational two years later. The four new casinos would primarily be developed in the nation’s largest cities, Stockholm, Gothenburg, Malmö and Sundsvall. Three of these cities are the largest in Sweden, but Sundsvall, 400 kilometres north of Stockholm, is much smaller.

33 Please refer to comment 12

Swedish Casinos:

Property	Location	No of Visits 2003	No of Tables	No of Machines
Casino Cosmopol	Gothenburg	242,374	25	200
Casino Cosmopol	Malmö	202,017	21	184
Casino Cosmopol	Stockholm	262,278	31	300
Casino Cosmopol	Sundsvall	96,843	15	125
Total		803,512	92	809

Source: Adapted from the GBGC Report

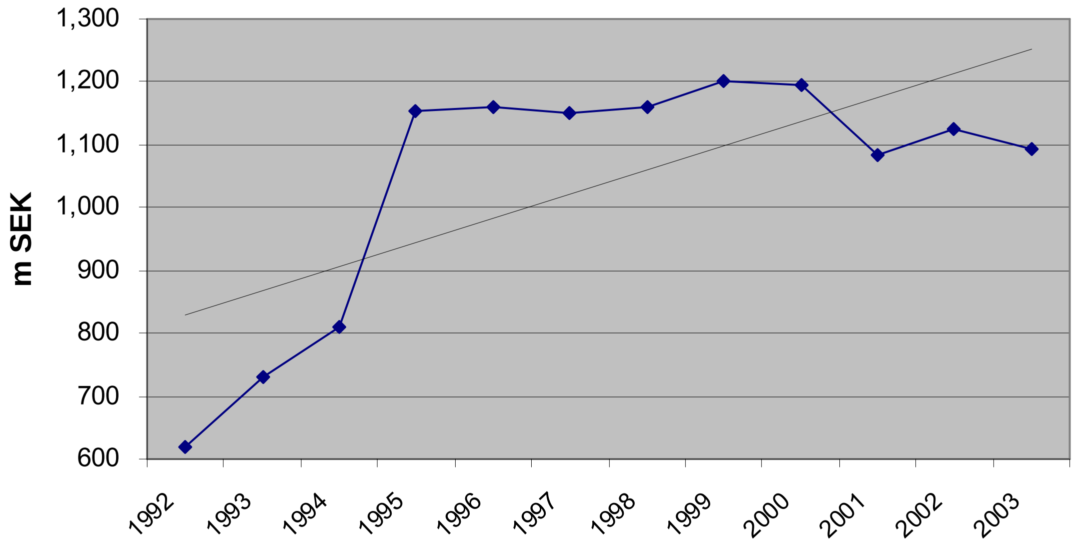
The new properties are operated by AB Casino Cosmopol, subsidiary of the National Lottery, AB Svenska Spel. Holland Casino's has been involved in a five-year contract to assist Svenska Spel with the commissioning of properties and the training of staff during the start-up period.

Casino Cosmopol GGR 2001 - 2004 in € millions:

	2004	2003	2002	2001	Avg GGR per Device 2002
Slot Machines	n/a	n/a	13.9	1.3	€16,800
Tables	n/a	n/a	18.4	2.2	€187,400
Total	90.5	76.4	32.3	3.5	

Besides casinos, table games can be found in restaurants and hotels in Sweden (***Restaurangkasinos.)*** By 2005, there were 814 tables authorized for operation in restaurants/hotels in Sweden. These gaming tables are owned by approximately 100 companies and located in about 200 Swedish restaurants.

Restaurangkasino GGY (1992-2003)



Source: Adapted from GBGC Report

Restaurangkasinos pay special gambling taxes specified by law according to the following table:

Swedish Gambling Taxes:

Number of tables	Tax in Swedish crones each month
1	2,000
2	4,000
3	9,000
4	18,000
5	25,000
More than 5	5,000 per table

3. Machine Gambling Outside Casinos

The only company that is authorised to run gaming machines is AB Swenska Spel. Much of the improved performance of Svenska Spel was driven by the growth of the two VLT games Jack Vegas and Miss Vegas. Between the two games there are 7,132 devices in operation across 2,100 venues which generated a total GGR of SEK 1.952 billion (€207.1 million), up some 15% on the 2002 levels. These machines have grown in popularity since the banning of all AWPs and Wheel of Fortune machines that came into effect on 1 February 2002. Careful selection criteria and strategic placement of the machines in restaurants, pubs and bingo halls have also contributed strongly to their success.

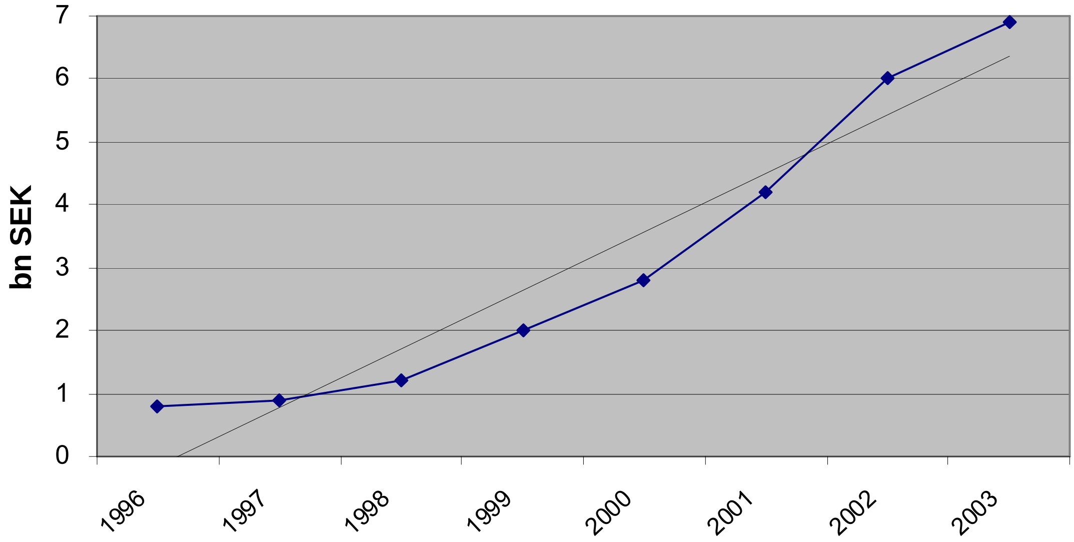
Swenska Spel's VLT GGR 2001 - 2003:

Product	GGR 2003 (€ million)	GGR 2002 (€ million)	GGR 2001 (€ millions)	Avg GGR per Device 2003 (€ thousands)	Avg GGR per Venue 2003 (€ millions)
Jack Vegas (in Hospitality establishments)	667.1	575.1	397.9	98.9	0.33
Miss Vegas (in Bingo Halls)	68.4	61.7	45.3	173.6	0.74
Total	735.2	636.7	443.1	103.1	0.35

Source: Submission to the Enquiry from Swenska Spel

The Government limit the number of gaming machines to 7,500 video lottery terminals in 2,000 age-controlled environments, such as pubs and restaurants with an alcohol license under the Jack Vegas brand, and in 100 bingo halls under the Miss Vegas brand.

Svenska Spel's VLT GGY (1992-2003)



Source: Adapted from GBGC Report[34]

In addition there are five enterprises that are allowed to run very low stake/prize machines in amusements arcades and parks.

4. Betting

There are only two companies who organise betting in Sweden. They are ***AB Svenska Spel***, which has a monopoly in sports events and dog racing, and ***AB Travoch Galopp (ATG),*** who runs horse betting. The development of the sports betting programme that included the expansion of the games available was one of the reasons for the recent increase in sales of the Svenska Spel. The company now offers more than 15 different sports across its Oddset games.

[34] Please refer to comment 12

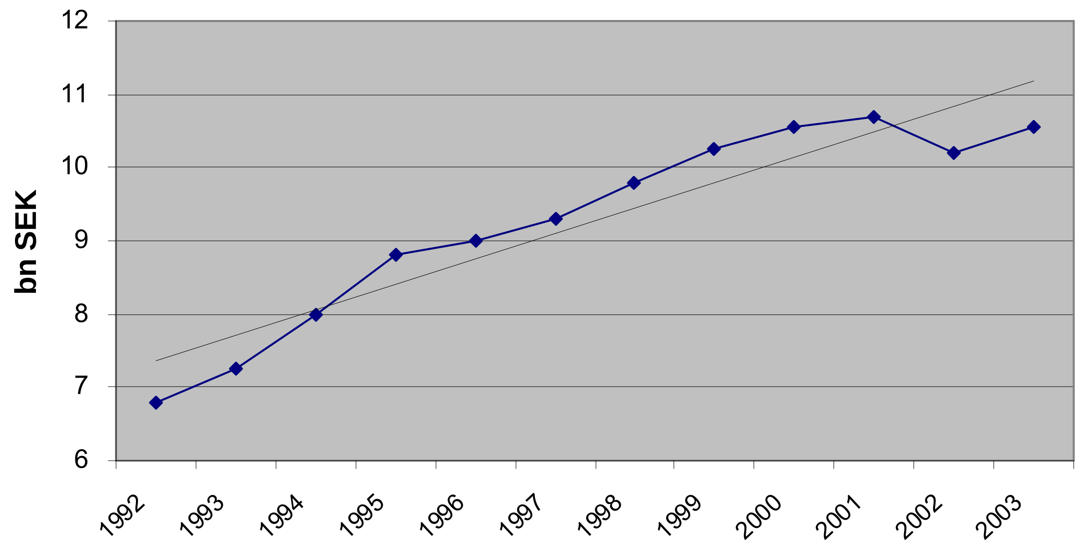
Svenska Spel's Games of Skill Sales 2001 - 2003:

Sportspel Product	**Sales 2003 SEK m (€m)**	**Sales 2002 SEK m (€m)**	**2002/03 % Change**	**Sales 2001 SEK m (€m)**	**2001/02 % Change**
Stryktipset	1,003 (106.5)	1,029 (109.2)	-2.53%	1,039 (110.3)	-0.96%
Italienska Stryktipset	200 (21.2)	195 (20.7)	2.56%	219 (23.2)	-10.96%
VM-Tips		14 (1.5)	n/a		n/a
Måltipset	398 (42.2)	415 (44.1)	-4.10%	463 (49.1)	-10.37%
Oddset					
-Ången	1,165 (123.7)	1,074 (113.9)	8.47%	1,084 (115.1)	-0.92%
-Matchen	154 (16.3)	181 (19.2)	-14.92%	201 (21.3)	-9.95%
-Toppen	8 (0.85)	13 (1.4)	-38.46%	11 (1.2)	18.18%
-Bomben	428 (45.5)	418 (44.4)	2.39%	288 (30.6)	45.14%
- Mixen	19 (2)	4 (0.4)	375.00%		n/a
Oddset Total	1,774 (188.5)	1,691 (179.7)	4.91%	1,584 (168.3)	6.76%
Sportspel Total	3,375 (358.6)	3,344 (355.3)	0.93%	3,305 (351.1)	1.18%
Greyhound Racing					
Vinn 3	183 (19.4)	207 (21.9)	-11.59%	277 (29.4)	-25.27%
Vinn 8	10 (1.1)	16 (1.7)	-37.50%	28 (2.9)	-42.86%
Dubbel 3	77 (8.2)	12 (1.3)	541.67%		n/a
Enkel 3	45 (4.8)	5 (0.53)	800.00%		n/a
Greyhound Racing Total	315 (33.5)	241 (25.6)	30.71%	305 (32.4)	-20.98%
Grand Total	3,690 (392)	3,584 (380.8)	2.96%	3,611 (383.7)	-0.75%

Source: Submission to the Enquiry from Swenska Spel

The Swedish horserace betting handle was SEK 10.68 billion (€1.134 billion) in 2001 with off course shops accounting for approximately 78%, 18% being placed on course and 4% via the Internet. During 2002 there were a total of 10,444 races staged over a total of 1,014 race days. Turnover in 2002 was SEK 10.18 billion (€1.080 billion). In 2003 ATG's handle recovered to SEK 10.53 billion (€1.118 billion). *(Source: GBGC Report)*

ATG Betting Handle (1992-2003)



Source: Adapted from GBGC Report[35]

ATG Sales 2001 - 2003:

	2003 SEK m (€ m)	**2002 SEK m (€ m)**	**% Change 2002/03**	**2001 SEK m (€ m)**	**% Change 2001/02**
V75	3,996 (424.2)	3,599 (382.1)	11.03%	3,647 (387.2)	9.57%
DD	1,994 (211.7)	2,001 (212.4)	-0.35%	2,039 (216.5)	-2.21%
VP Komb	1,779 (188.9)	1,821 (193.3)	-2.31%	1,915 (203.3)	-7.10%
V5/V65	1,375 (145.9)	1,098 (116.5)	25.23%	1,053 (111.8)	30.58%
V64	825 (87.6)	907 (96.3)	-9.04%	1,020 (108.3)	-19.12%
Trio	565 (59.9)	649 (68.9)	-12.94%	943 (100.1)	-40.08%
Total	10,534 (1.118)	10,075 (1.069)	4.56%	10,617 (1.127)	-0.78%

Source: Submission to the Enquiry from ATG AB Trav & Galopp

Prior to 1953 greyhound racing in Sweden was confined to amateur races with small cash prizes. The horserace betting in Sweden is taxed at 36% of GGR per year. The horseracing pay out rates vary depending on the type of the race and are between 65% and 85%.

Altogether there are thirteen greyhound tracks operating in Sweden, ten of which have continued to operate without betting. The three that have elected to have betting have been rebuilt and modernised.

35 Please refer to comment 12

Swedish Greyhound Betting 2002 and 2003 (€ millions):

Bet Type	**Date Introduced**	**2003**		**2002**	
		Sales	GGR	Sales	GGR
Vinn 3	April 2000	19.403	5.823	21.989	6.597
Vinn 8	April 2000	1.082	.378	1.712	.599
Enkel 3	October 2002	4.745	1.424	.564	.169
Dubbel 3	October 2002	8.138	2.441	1.313	.394
Total		33.378	10.065	25.580	7.754

Source: Adapted from the GBGC Report

5. Bingo

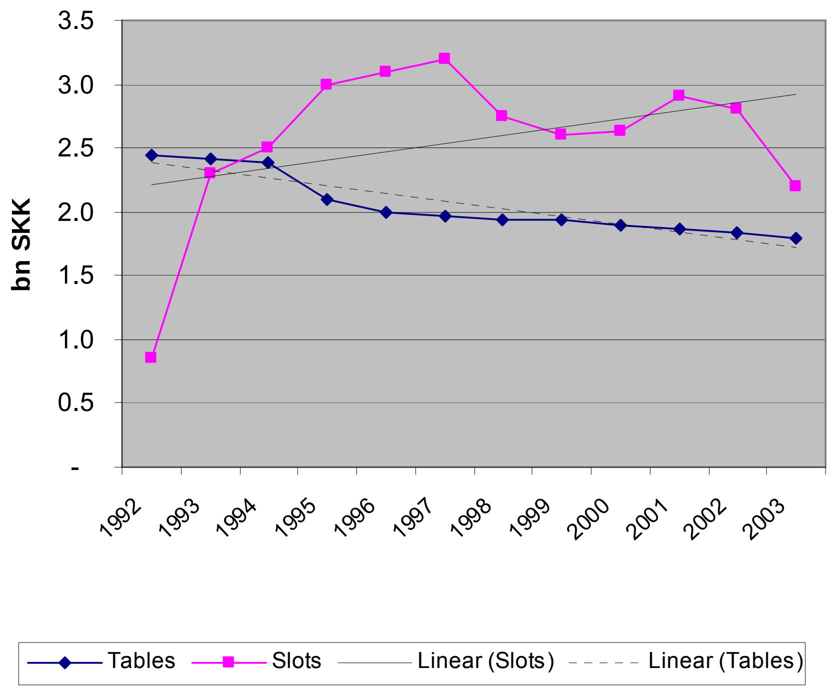
Bingo is a very popular form of gambling in Sweden. There are approximately 100 bingo halls across the country and there are 575 licenses to run bingo by not-for-profit organisations, which use the gambling proceeds for public interests. Several different companies could operate in the same bingo hall.

Tipsbingo that was organised by Svenska Spel was radically upgraded in May 2002, with its name changed to Söndagsbingo. Bonusbingo, a new supplementary game, was introduced to attract new players and viewers to the show. However, sales fell in both 2002 and 2003 reaching SEK 108 million.

Folkspel, the organisation that offers BingoLotto, is an organisation run by and for more than 70 voluntary associations and clubs that is part of Arvidsson and Yrlid. Recent years have seen Folkspel's sales decreasing. BingoLotto is an interactive TV game broadcast at prime time on Saturdays when it generally secures between 40% and 45% of viewers.

During 2000, over 2.2 million BingoLotto tickets were sold weekly via sales outlets in Sweden, of these between 40,000 and 50,000 were sold by youth sports clubs, with 40% being retained by the clubs. Forty per cent of the ticket sales will benefit good causes in Sweden and 48% of the turnover is prize money. However, since this time BingoLotto's ticket sales have fallen substantially. During 2002 they fell 5% to SEK 2.787 billion (€295.8 million), and then by a further 21.8% to SEK 2.180 billion (€231.4 million) during the following year. *(Source: GBGC Report)*

Bingo Sales (1992-2003)



Source: Adapted from GBGC Report[36]

6. Media Gambling Services

During December 2000 the Swedish Football Association and Svenska Spel launched their joint venture TV production company, Spelkanalen (The Gaming Channel). The channel commenced broadcasting the following month with more than ten hours per day of dedicated programming distributed to more than 1,000 agents where customers are able to watch. Content includes sports news reports, dog races, draws and commercials.

Folkspel, the organisation that offers BingoLotto, runs an interactive TV game broadcast at prime time on Saturdays when it generally secures between 40% and 45% of viewers. More details on BingoLotto is in the Bingo section of this report.

Paragraph 21 in the Lottery Act (1994:1000) says that it is possible to organise a lottery for periodical publishing companies, providing the participants in the lottery do not have to buy a newspaper and with a maximum winnings/stakes of 1/60. Unfortunately, however, there are no statistics available for such forms of gambling.

7. Sales Promotional Gambling

Sales promotional gambling is not permitted in Sweden unless there is an element of skill in the game. In that case, sales promotional gambling services are allowed.

[36] Please refer to comment 12

8. Charity Gambling

In addition to Svenska Spel there are also four other major organisations that offer lottery games. The Folkspel is a non-profit organisation developing lotteries on behalf of its 77 member voluntary associations and clubs, such as Democratic Party and Swedish Sports Confederation, and is a part of Arvidsson and Yrlid. Folkspel, the organisation that offers BingoLotto and gives all the proceeds back to the public sector (its members). During 2002 Folkspel Lotterier's sales fell slightly to SEK 3.0 billion (€318.4 million).

There are a number of regional and local lotteries run for the benefit of voluntary associations and clubs. During 2002 these lotteries generate sales of SEK 9 million (€955,300), down from over SEK 70 million (€7.4 million) during the early 1990s. *(Source: GBGC Report)*

More details on BingoLotto is in the Bingo section of this report.

III. NATIONAL SUMMARY

Year	Total (€ million)	Lottery (€ million)	Casino (€ million)	Gaming Machines (€ million)	Betting (€ million)	Bingo (€ million)
2000	1,380.00	670.50	53.90	88.40	491.80	69.20
2001	1,434.00	690.20	53.70	153.10	488.30	65.90
2002	1,522.00	701.60	83.90	194.10	477.40	63.90
2003	1,584.00	664.20	124.90	224.10	506.70	63.30
2004	1,599.00	645.50	137.20	235.40	513.40	66.90

Source: Data Provided by Stakeholders

Year	GDP (€ million)	Propensity to gamble (%)	Spending per person (EURO)
2002	256,840	0.59%	177.16

Source: Centre for the Study of gambling, Salford, own analysis.

UNITED KINGDOM

I. INTRODUCTION

The UK ‘s gaming and betting markets are well developed, with arguably the exception of their casino industry, which is undergoing considerable change as a result of the recently created Gaming Act 2005, and the National Lottery, which came into existence in 1994.

During 2001, a typical UK household spent about €565 per week on all items per week from an average gross income of €725 with wide variations in spending depending on income and region. Two-thirds of family spending was on non-essential items. At present, leisure goods and services in the UK is the category with the highest amount of spending at €102 per week. In 2001 the total UK spend (i.e. the money lost, or money staked minus winnings) on gambling was €10.6 billion or €8.41 per household per week, representing about 1.2% of household income or the equivalent to about 11% of all the spending on leisure goods and services.

A survey conducted by National Opinion Polls on behalf of the Department for Culture Media, and Sport in 2004 found that the number of British citizens who had gambled during the previous year was 71%. The survey also inquired about attitudes towards gambling. Generally attitudes were unfavourable with the exception of lotteries and bingo, with attitudes towards gaming machines, Internet gambling and betting exchanges were the most unfavourable. However, in the case of internet gambling, 47% of respondents stated that they were neither favourable nor unfavourable or did not have an opinion. With betting exchanges, the figure was 63%. *(Source: GBGC Report)*

Participation in Gambling in the UK:

	Previous 12 Months			Previous 7 Days		
	NOP Survey February 2004	National Prevalence Survey September 2005	% Change 1999 to 2004	NOP Survey February 2004	National Prevalence Survey September 2005	% Change 1999 to 2004
National Lottery	61%	65%	-4%	41%	47%	-6%
Other Lotteries	7%	8%	-1%	2%	4%	-2%
Scratch Cards	16%	22%	-6%	5%	8%	-3%
Football Pools	5%	9%	-4%	3%	6%	-3%
Bingo	9%	7%	+2%	4%	4%	0%
Gaming Machines	9%	14%	-5%	3%	6%	-3%
Horseraces	11%	13%	-2%	3%	3%	0%
Dog Races	4%	4%	0%	1%	1%	0%
Events at a Bookmaker	4%	3%	+1%	1%	1%	0%
Casino Table Games	2%	3%	-1%	Neg.	Neg.	n/a
Betting Exchange	Neg.	n/a	n/a	Neg.	Neg.	n/a
Internet	1%	Neg.	n/a	Neg.	Neg.	n/a

Source: DCMS Survey of Participation in, and Attitudes Towards, Gambling 2004

Attitudes toward Gambling:

	Very Un-Favourable	Un-Favourable	Neither Favourable nor Un-Favourable	Favourable	Very Favourable	Don't Know/No Opinion	Balance of Opinion*
Lotteries	6%	12%	24%	42%	6%	10%	33.3%
Scratch Cards	12%	24%	28%	21%	2%	14%	-14.9%
Betting Offices	13%	23%	30%	14%	1%	18%	-25.9%
On Course Betting	11%	19%	28%	26%	5%	17%	1.1%
Bingo	9%	15%	28%	26%	5%	17%	8.4%
Gaming Machines	18%	29%	24%	12%	2%	15%	-38.8%
Casinos	14%	23%	30%	12%	1%	24%	-30.0%
Internet Gambling	22%	26%	23%	4%	1%	24%	-56.6%
Betting Exchange	13%	19%	26%	4%	Neg.	37%	-45.2%

Source: DCMS Survey of Participation in, and Attitudes Towards, Gambling 2004

- The balance of opinion is calculated by subtracting the very unfavourable and unfavourable responses from the very favourable and favourable responses divided by the number of respondents that expressed an opinion.

The following table provides public attitudes toward the current levels of regulation over gaming and betting industries in the UK.

Degree of Regulation Control:

	More Strict	About Right	Less Strict	No Opinion	Balance of Opinion*
Lotteries	16%	61%	2%	21%	17.7%
Scratch Cards	24%	49%	2%	26%	29.3%
Betting Offices	17%	49%	1%	34%	23.9%
On Course Betting	14%	46%	1%	39%	21.3%
Bingo	8%	59%	3%	30%	7.1%
Gaming Machines	35%	35%	2%	29%	45.8%
Casinos	20%	40%	2%	37%	29.0%
Internet Gambling	35%	20%	1%	43%	61.4%
Betting Exchange	17%	24%	1%	58%	38.1%

Source: DCMS Survey of Participation in, and Attitudes Towards, Gambling 2004

* The balance of opinion is calculated by subtracting the less strict responses from the more strict responses divided by the number of respondents that expressed an opinion.

The Gaming Act 2005 was passed into law in April 2005. The Gambling Bill originally called for a significant number of regional casinos, or as many as the market would bear, subject to regional planning authority approvals, but that number was reduced to 8 during negotiations in February 2005, and finally to one when the Gambling Bill finally passed. The Act brings about the creation of a Gambling Commission, which will oversee all forms of gambling except the National Lottery. Culture secretary Tessa Jowell said the Bill would give Britain "the toughest, most comprehensive regulatory framework in the world, to protect the public interest, to prevent the exploitation of children" (Mason and Mead, 2005).

While restricting some aspects of the industry, like access of minors to all types of gambling machines, the Act permits operation of on-line casinos from the UK for the first time. However, following great pressure from anti-gambling organisations, general population concern with the proposed new types of gambling (Dodgson*, et al.*, 2004), and the government's desire to pass the bill before election, the Act allows for only one regional "super casino," which will be able to have over 40 gaming tables and up to 1,250 class "A" unlimited prize and stake gaming machines; its location will be determined within the next few years. The Act also authorizes eight "large" and eight "small" casinos that are permitted gaming machines according to a formula tied to the ratio of table games to gaming machines. This is in addition to the existing 126 small and medium casinos already in the country, which, however, are still not allowed to have any class "A" machines. The previous UK law had forbidden machines paying prizes above 2,000 pounds and casinos were allowed no more than ten machines each (Black, 2004). The new Gambling Bill does not allow any class "A" gaming machines anywhere (including pubs, hotels, gaming arcades) except in the single regional casino to be created. Also, there is now a new offence permitting a child to gamble.

This is a substantial retreat from the initial recommendations made by the Gaming Review Report (Budd, 2001) and the original government response (2002.) Under the intended regulatory-reform Bill, casinos were supposed to enjoy substantial relaxation of restrictions, namely:

- ending of the 24-hour rule
- removal of the 'permitted areas' restriction
- abolition of the demand test
- live entertainment permitted
- advertising allowed
- betting and bingo added to product range
- linked machines with large jackpots
- Maximum prizes – unlimited
- Maximum stakes - unlimited
- Max No. of (high-prize) gambling machines –
- ~ 70 for small casinos
- >1000 for large (over 80 tables or over 10,000 sq. ft.) and resort casinos

Summary Proposed Numbers of UK Casino Tables and Gaming Machines

Casino Category	Table Gaming Area	Minimum Number of Tables	Maximum Number of Gaming Machines
Draft Gambling Bill November 2003			
Small	5,000 – 10,000 sq ft	20	3 per table
Large	>10,000 sq ft	41	Unlimited
Scrutiny Committee April 2003			
Small	5,000 – 10,000 sq ft	None	3 per table
Large	>10,000 sq ft		Not unlimited but greater than 3 per table – ratio to be set by the Government following consultation and be reviewed by the Gambling Commission after 3 years
Resort	To be confirmed – must contribute to Regeneration		Greater ratio than large casinos but subject to a maximum of 1,000 or 1,250

Source: Adapted from the GBGC Report

Draft Gambling Bill June 2004 Revised Casino Criteria:

License Category	Min Table Gaming Area (Child-Free)	Min Additional Gambling Area (Child-Free)	Min Non-Gambling Area	Min Total Customer Area	Min No of Gaming Tables	Categories of Gaming Machine Permitted	Machine/ Table Ratio	Bingo	Betting
Small	500m^2	0	250m^2	750m^2	1	Up to B	2:1 (Max 80)	No	Yes
Large	1,000m^2	0	500m^2	1,500m^2	1	Up to B	5:1 (Max 150)	Yes	Yes
Regional	1,000m^2	2,500m^2	1,500m^2	5,000m^2	40	Up to A	25:1 (Max 1,250)	Yes	Yes

Source: Adapted from the GBGC Report

Moreover, currently just 3 per cent of Britons visit a casino each year. The cross-industry group for gambling deregulation predicted this would have jumped to 10 per cent (Ahmed and Mathiason, 2003) if the Budd proposals had been implemented.

As deregulation in the UK has now proved to be less than dramatic, the changes that it will bring are not going to be substantial and market composition is not expected to change dramatically, with the exception of on-line gaming, which will continue to grow. Furthermore, the recent emergence and legal acceptance of Fixed Odds Betting Terminals (FOBTs) in betting shops has expanded the number of casino-style gaming machines permitting moderate stakes (up to €145) and moderate payouts (up to €725) available to the public.

However, there is more deregulation in the gambling industry expected to come in the future, as the current level of regulation is almost considered as a ‘trial period’. According to how the one permitted regional casino is going to perform, how would public opinion change, how would interactive gambling continue to develop, and what recommendations the European Union would make in regards to a single European gambling market, a new wave of deregulation could be much more dramatic and Budd’s recommendations could be brought to attention again.

Following the Gaming 2005 Act, The Gambling Commission will be issuing two types of licenses : operating licenses and personal licenses. For each operating license, at least one person must hold a personal license for a specified management office. In addition, the Commission will specify the persons who must hold a license if they are to carry out a particular role. However, small operators will be exempt from these requirements.

Operating licenses will fall into the following categories:

- casino operating license;
- bingo operating license;
- general betting operating license;
- pool betting operating license;
- betting intermediary operating license;
- gaming machine general operating license (for both family entertainment centres and adult gaming centres);
- gaming machine technical operating license;
- gambling software operating license; and
- lottery operating license.

Subject to certain rules and limitations the Commission may issue combined licenses, which cover more than one of these types. However, a single license may not combine both remote and non-remote licenses.

Personal licensees will fall into two main categories:

1. Those holding management offices. The Commission may require some or all of these individuals to hold a license:
   - the director of a company;
   - a partner of a partnership;
   - any person who holds an office in an unincorporated association; and
   - any individual required to take or share responsibility for those carrying out an operational function or for complying with the conditions of an operating license.

2. Those carrying out operational functions. The Commission may require some or all of these individuals to hold a license:
   - anyone who could influence the outcome of gambling;
   - those who receive or pay money in connection with gambling (we will consider how this requirement should be interpreted in each sector: not all those who handle money will need to be licensed); and
   - those who manufacture, supply, install, maintain or repair a gaming machine.

Recent estimates of the UK gambling industry show a continues increase in the public interest and spending on gambling.

UK Gambling Industry Summary 1996 - 2003:

£m(€ m)	**1996**	**1998**	**2000**	**2002**	**2003**
Gross Stakes (Turnover)	40,476 (58,691)	42,120 (61,073)	48,134 (69,793)	52,426 (76,016)	63,815 (92,511)
GGR (including on-shore internet)	6,831 (9,902)	7,348 (10,651)	7,304 (10,587)	7,522 (10,905)	7,831 (11,353)
Off-shore internet GGR	n/a	n/a	n/a	n/a	115,000 (166,727)
GGR	6,831 (9,903)	7,348 (10,653)	7,304 (10,587)	7,522 (10,905)	7,946 (11,521)
Change in GGR %	16.9 (24,505)	17.4 (25,230)	15.2 (22,040)	14.3 (20,733)	12.3 (17,833)
Duty paid	1,459 (2,115)	1,545 (2,239)	1,516 (2,197)	1,439 (2,085)	1,291 (1,871)
Levies and good causes	1,500(2,174)	1,763(2,555)	1,556(2,255)	1,480(2,145)	1,417(2,054)

Source: Adapted from the GBGC Report

UK Gambling Industry GGR by Sector 1996 - 2003:

£m(€ m)	**1996**	**1998**	**2000**	**2002**	**2003**
Casinos	476(690)	478(692)	571(827)	643(932)	723(1048)
National Lottery	2314(3354)	2688(3897)	2551(3698)	2433(3527)	2336(3387)
Society lotteries	69(100)	88(127)	76(110)	79(114)	101(146)
Total Lotteries	*2383(3456)*	*2776(4026)*	*2627(3809)*	*2512(3642)*	*2437(3533)*
Gaming machines in pubs	669(1013)	583(845)	686(994)	695(1007)	694(1006)
Gaming machines in amusement centres	321(465)	471(683)	416(603)	430(623)	448(649)
Gaming machines in clubs	252(365)	251(363)	168(243)	161(233)	167(242)
Total gaming machines	*1242(1800)*	*1305(1891)*	*1270(1840)*	*1286(1864)*	*1309(1897)*
Bingo	691(1001)	678(982)	738(1070)	831(1204)	879(1274)
Off-course betting	1466(2096)	1648(2389)	17155 (24867)	1927 (2793)	2169 (3145)
On-course betting	158(229)	157(227)	161(233)	178(258)	178(258)
On-course Totes	52(75)	51(73)	40(57)	44(63)	48(69)
Football pools	363(526)	255(369)	142(205)	101(146)	88(127)
Total betting	*2039(2956)*	*2111(3061)*	*17498(25380)*	*2250(3263)*	*2483(3601)*
Off-shore internet GGR	n/a	n/a	n/a	n/a	115(166)
TOTAL GGR	6,831 (9,906)	7,348 (10,656)	7,304 (10,592)	7,522 (10,908)	7,946 (11,522)

Source: Adapted from the GBGC Report

The indicative number of direct full time equivalent employees in the UK Gambling Industry was identified by BISL and is summarised below :

Gambling Industry Employment 2003:

Gambling Sector	**Number of People**
Casinos	12,000
National Lottery	934
Society lotteries	775
Gaming machines	23,000
Bingo	19,000
Off-course betting	37,000
On-course betting	700
On-course Totes	203
Football pools	600
Premium Bonds	120
TOTAL	94,332

Source: Submission to the Enquiry from BISL

II. GAMING SECTOR ANALYSIS

1. Lotteries

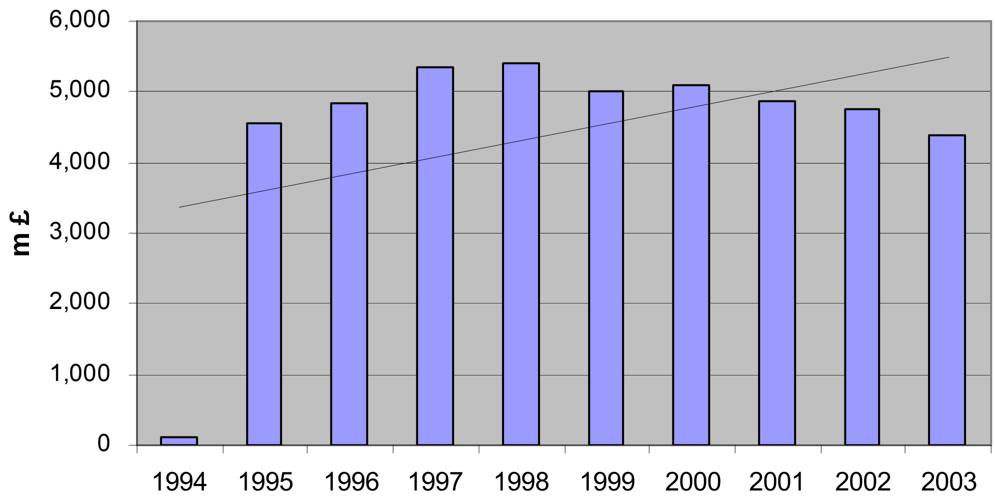
In the UK the bid to operate the National Lottery was awarded to Camelot in 1994. The UK National Lottery was established by Parliament through The National Lottery Act 1993 which was amended by the National Lottery Act 1998. These Acts set out the legal framework for regulating the operation of the National Lottery, and for distributing its proceeds to Good Causes. There are overriding duties to protect the interests of participants, to ensure fitness and propriety and - subject to these first two duties - the duty to maximise returns to good causes.

The National Lottery Commission is the statutory regulator of the National Lottery. Accordingly, Camelot Group plc (Camelot), as operator of the National Lottery, is regulated by the National Lottery Commission whilst the UK's gambling industry is mainly regulated by the Gaming Board for Great Britain (soon to be replaced by the Gambling Commission following the passage of the Gambling Act 2005 through the UK Parliament).

Lottery proceeds make a substantial contribution to government revenue as well as to "good causes" funds for such areas as arts, sport and national heritage projects. However, the UK National Lottery's sales have fallen during 1998 and 2003. For every £10 (€14.50) that Camelot makes in net profit, £10(€14.50) goes to retailers, £24 (€34.80) to the Government, £56(€81.20) to good causes, and £100(145 EUR) is paid out to the National Lottery players in prize money.

At present 70% of adults play the Lottery on a regular basis, giving it a greater reach than any other consumer product in the UK. Weekly sales currently average between £85 million and £90 million (€123 million and €130 million), and total sales for the half year to September 2004 grew to £2,354.6 million (€3,415 million). The majority of National Lottery sales derive from large numbers of people spending relatively small amounts, since the average weekly spend for all games is £2.66 (€3.85).

The UK National Lottery Sales (1994-2003)



Source: Adapted from GBGC Report

The figures show that the revenue from the lottery has been falling over the last five years. However, this is very common of lottery "fatigue" and recent sales appear to show a levelling out, with small increases in sales in 03/04 and 04/05. The DCMS has forecast that sales until 2009 will remain constant at around £4,600 million (€6,671 million) per annum , which would lead to GGR of around £2,300 million (€3,335 million). This forecast has only been made up until the end of the current license period in 2009.

Gambling establishments do not pay VAT in the UK; however there is a gambling specific tax which applies to the National Lottery. It is a 12% duty on all the National Lottery sales. In addition, during 2003/04 Camelot incurred £32.2 million(€46.7 million) of VAT on the goods and services that it purchased to operate The National Lottery. Such VAT will have been charged by suppliers over the course of the year when invoicing Camelot for these goods and services. As sales of National Lottery tickets are exempt from VAT, the £32.2 million (€46.7 million) VAT incurred will not have been recoverable and is therefore an additional cost to Camelot.

In addition, Camelot also pay a variety of license fees for different games it provides, for example £150,000 (€217,548) license authorises the promotion of a game run in association with the promoters of lotteries in other countries in the EU (i.e. Euro Millions). Moreover, Camelot is obliged to pay to the National Lottery Distribution Fund (NLDF), which is then transferred to the lottery distributors. Also, approximately 28% of sales go to a variety of good causes.

The UK National Lottery Summary Statistics 2001 - 2005:

£m (€ m)	2004-05	2003-04	2002-03	2001-02	2000-01
Sales	4,766 (6,912)	4,615 (6,693)	4,575 (6,635)	4,984 (7,227)	4,983 (7,226)
Prizes paid	2,386 (3,459)	2,294 (3,326)	2,238 (3,245)	2,402 (3,483)	2,287 (3,316)
GGR	2,380 (3,451)	2,321 (3,366)	2,337 (3,389)	2,432 (3,527)	2,496 (3,621)
Lottery Duty paid	572 (829)	554 (803)	549 (796)	580 (841)	598 (867)
License fees paid (thousands £)	316(458)	428(620)	820(1,189)	544(789)	620(899)
NLDF Primary Contribution	1,249(1,811)	1,216(1,763)	1,259(1,826)	1,342(1,946)	1,391(2,017)
Good Cause payments	1249.1 (1811.6)	1216.2 (1763.7)	1257.7 (1823.9)	1341.6 (1945.7)	1391.3 (2017.7)
Full-time employees In Camelot Group	913	902	934	881	797

Source: Submission to the Enquiry from Camelot

The UK National Lottery operator must pay a license fee for each game that it wishes to introduce. The amount for each game differs and is generally linked to how complex a task it is to regulate such a game. The license fee is only paid once.

The UK National Lottery is run for a series of "good causes". All of the lotteries that make up the National Lottery contribute to them, with the amount determined by the game license. This reflects the structure of each individual game e.g. scratch cards have a higher prize payout % so will inevitably contribute less to good causes. To date, over £16 billion (€23.2 billion) has been raised for good causes, benefiting more than 185,000 individual projects across the UK- an average of 63 lottery grants for every postcode district. The Scottish and Welsh Art Councils are among the beneficiaries, where the Scottish Art Council receive around £18 million a year and the Welsh Art Council receives around £11 million a year. It also heavily contributed to Sportlot, which is the Lottery Sports Fund for Wales, and to similar organisations. The National Lottery has given away £24.1 billion (€34.9 billion) in prizes and has created more than 1,700 millionaires or multi-millionaires since its launch in 1994.

Camelot employs around 800 staff and the National Lottery Commission 43. This has not changed significantly over the last five years and is not expected to change in the next five.

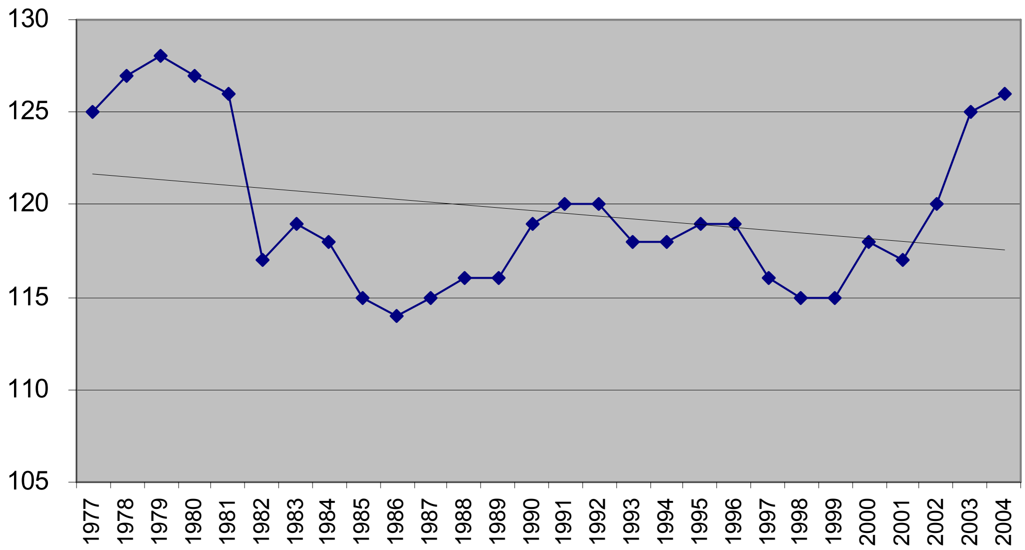
During July 2002 Vernons launched a £3 million (€4.3 million) online lottery initiative intended to capitalise on the decrease in National Lottery sales. The game 'My Numbers' costs £1(€1.45) to play, requiring players to match 4, 5 or 6 numbers out of 49. Prizes range from £7,000 (€10,000) to £1 million (€1.45 million).

In addition to the National Lottery, there are also small society lotteries that are organised on a local level.

2. Casino Gaming

There were 135 licensed clubs in the UK at 31 March 2003 (five more than a year earlier) of which 126 (four more than in 2002) were trading at that date. This compares with 115 trading five years earlier at 31 March 1998. One of the operating clubs provides card room games only. There are 16 casino operators currently in the UK.

Number of Casino Properties in the UK (1977-2004)



Source: Adapted from GBGC Report and from Walker, (2005).

Each year since 1998 the Gaming Board for Great Britain has undertaken a count of the numbers of gaming machines in use in casinos (and bingo clubs). The Deregulation (Casinos) Order (SI 1999 No. 2136), which came into force on 24 August 1999, allowed ten instead of six jackpot machines to be available for gaming in a casino. The Gaming Machines (Maximum Prizes) Regulations (SI 2001 No. 3970), which came into force on 1 January 2002, increased the maximum prize per game for a casino jackpot machine from £1,000 (€1,450) to £2,000 (€2,900).

Under section 32 of the 1968 Gaming Act a casino may apply to substitute the ten jackpot machines authorised under section 31 with prizes up to £2,000 (€2,9000) for a larger number of (amusement with prizes) machines, all to be used for smaller prizes (up to £25 (€36)).

Number of Gaming Machines in Casinos in the UK 1998 - 2003:

	1998	**1999**	**2000**	**2001**	**2002**	**2003**
Jackpot machines	612	582	795	814	841	894
Growth (%)		-4.9	36.57	2.4	3.3	6.3
Maximum prize machines included in above	N/A	297	326	367	N/A	116

Source: Submission to the Enquiry from the Gaming Board for Great Britain

It is has been estimated that there are some 255,000 gaming machines of one type or another sited in The UK (the latest figures available are for the year 2001). These include around 211,000 AWP (amusement-with-prizes) machines. The remainder comprise around 26,000 club or jackpot machines and 8,000 other machines. Estimated distribution shows that clubs and casinos operate about 11% of all gaming machines. The British Casino Association reported that there are currently 5,450 full time employees currently working in the casino sector. This number has been steadily increasing over the past few years.

Casino FTEs 2000-2005:

Year	2000	2001	2002	2003	2004	2005
FTE	4,450	4,800	4,950	5,200	5,400	5,450

Source: Submission to the Enquiry from the British Casino Association

The figures for casino attendances for the last five years are given below. There were 11.86 million visits to casinos in The UK in 2002/03, an increase of 0.7 per cent over 2001/02.

Casino Attendance by Region: (Number of visits) 1999 - 2003:

	1998/99	1999/00	2000/01	2001/02	2002/03
Scotland	1,212,780	1,081,465	1,046,576	1,061,326	1,047,473
North	3,020,186	3,064,886	3,160,180	3,373,741	3,477,461
Midland & Wales	2,135,150	2,112,305	2,100,047	2,186,296	2,174,455
South	2,340,644	2,232,498	2,273,718	2,364,191	2,399,741
Sub-Total	8,708,760	8,491,154	8,580,521	8,985,554	9,099,130
London	2,710,955	2,695,690	2,707,672	2,796,263	2,766,323
UK Total	11,419,715	11,186,844	11,288,193	11,781,817	11,865,453

Source: Adapted from the GBGC Report

It is impossible, however, to separate table game attendance from gaming machine attendance, from the total casino attendance, as this type of statistic is not currently collected. It is the case that some persons that enter the casino participate in both table games and gaming machines and it is therefore very difficult to distinguish the attendance for a specific activity.

The total drop (money exchanged for gaming chips) in casinos ('drop') in The UK during the financial year 2002/03 was £3,797 million (€5,507), an increase of £215 million (€311.7 million) on the 2001/02 figures.

There was also an increase of £50 million(€72.5 million, or 8 per cent) in the total retained by casinos as house win (GGRs). The figures for house win over the last five years were:

Casino House Win/GGR for 1999 - 2003 in £ millions (€ millions) and % 1999 - 2003:

	1998/99	**1999/00**	**2000/01**	**2001/02**	**2002/03**
UK Total (GBP million)	464 (673)	546 (792)	533 (733)	619 (897)	669 (970)
Growth (%)		18	-2	16	8
Overall ratio of win to drop (%)	17	18	16	17	18

Source: Submission to the Enquiry from the Gaming Board for Great Britain

Each gambling machine generates an estimated win of £40,000 (€58,000) per annum in an average casino. Table games usually generate around £260,000 (€377,000) per annum per table. The table below shows the breakdown of house win per activity.

House Win Per Activity in GBP millions (€ millions) 1999 - 2003:

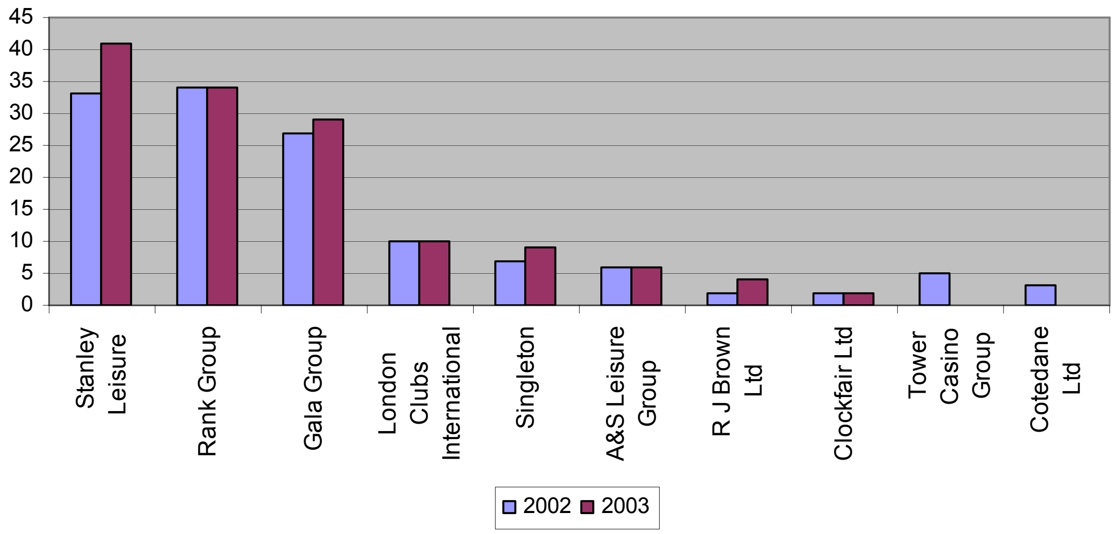
	1998/99	**1999/00**	**2000/01**	**2001/02**	**2002/03**
Gaming machines	24.5 (35.5)	23.3 (33.7)	31.8 (46.1)	32.6 (47.2)	33.6 (48.7)
Table games	439.5(637.3)	522.7(758.1)	501.2(726.9)	586.4(850.5)	635.4(921.2)
UK Total	464 (673)	546 (792)	533 (773)	619 (898)	669 (970)

Source: Adapted from the GBGC Report

The estimated growth for gaming machines revenue in 2003/2004 financial year was 4% (€51 million). Table games were expected to generate 7% more gross revenue and reach €925 million.

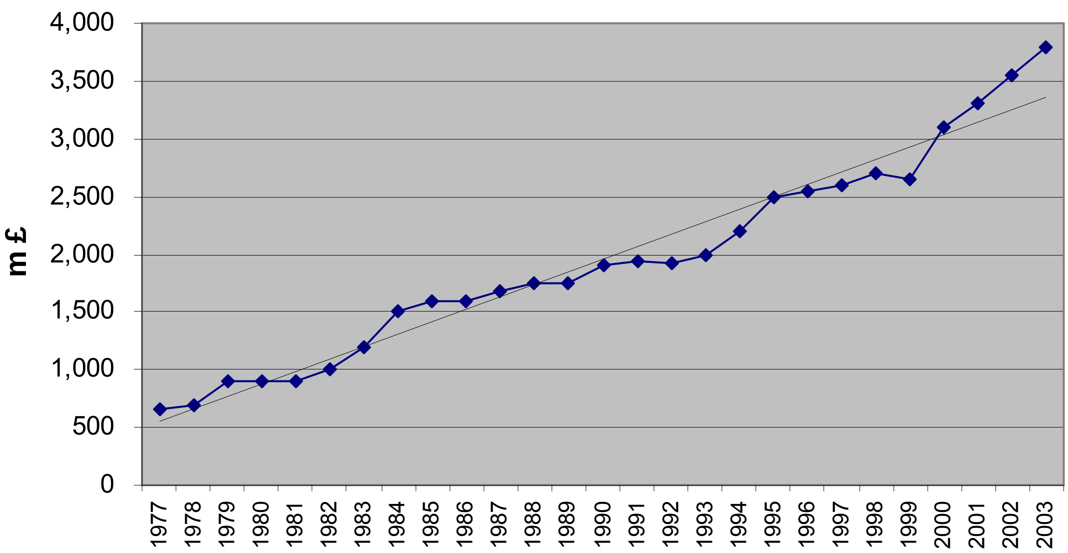
UK gambling industry continues to grow rapidly in response to the chain of the deregulation laws. The UK gaming market remains to be an attractive investment opportunity. There has been considerable development in the market both from UK and overseas firms as operators have their eyes focused on the potential for the market post deregulation.

Leading UK Casino Operators by Number of Licences (2002-2003)



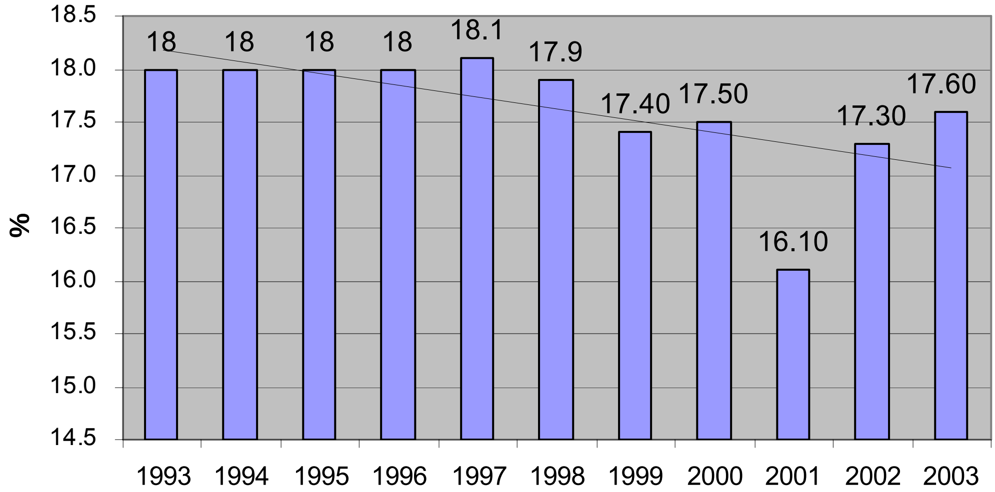
Source: Adapted from GBGC Report

UK Casino Table Drop (1977-2004)



Source: Adapted from GBGC Report

The UK Casino Table Hold (1993-2003)



Source: Adapted from GBGC Report

UK Gaming Duty:

Date of Change	2.5% of first (£)	12.5% of next (£)	25% of next (£)	33 1/3% of remainder
01.10.91*	450,000	2,250,000	2,700,000	

Date of change	2.5% of first (£)	12.5% of next (£)	20% 0f next (£)	30% of next (£)	40% of remainder
0.1.04.98	450,000	1,000,000	1,000,000	1,750,000	
0.1.04.99	462,500	1,027,500	1,027,500	1,798,500	
0.1.04.00	470,500	1,045,500	1,045,500	1,830,000	
0.1.04.01	484,500	1,076,000	1,076,000	1,883,500	
0.1.04.02	488,000	1,083,500	1,083,500	1,897,000	
0.1.04.03	502,500	1,115,500	1,115,500	1,953,000	

** At this time, £10 (€14.50) was also payable on the application for each 6-month license*

In addition to the UK's established casino companies positioning themselves to take advantage of what they anticipated to be a deregulated market prior to the legislation being passed, there was a keen interest in the UK gaming market especially from the US and Australia. First it was announced that the Gala Group had had discussions with Harrah's regarding establishing a joint venture to bring resort casinos to the UK. The two companies have subsequently established a 50-50 joint venture to develop as many as eight regional sites of between 30,000 and 50,000 sq ft in the UK with their investment expected to be worth as much as €800 million.

During November 2003 MGM Mirage and Newcastle United soccer team announced a 50:50 joint venture agreement to build a major new mixed-use development on a prime site above St James' Metro Station, which is in the heart of Newcastle's city centre and adjacent to Newcastle United's football stadium. The site will be used to build an exciting new complex, which could house commercial and retail outlets, residential apartments, a hotel, leisure and entertainment facilities and a casino of approximately 100,000 sq feet.

During February 2004 MGM Mirage agreed a joint venture with British Land to build a €360 million resort casino complex in Sheffield adjacent to British Land's Meadowhall Shopping Centre, which has a throughput of nearly 800,000 people per week. The scheme would have included a casino, hotel, restaurants, entertainment venues and a conference centre. During the following month Sheldon Adelson, the man behind the Las Vegas Venetian, announced plans to develop a casino at Glasgow Rangers Football Club.

Center Parcs commissioned PricewaterhouseCoopers to investigate the feasibility of launching casinos at its four UK holiday resorts.

Foreign and domestic companies would have developed these sites as long as they still believed the draft legislation to be sufficiently favourable. Caesars Entertainment stressed that a cap of at between 2,000 and 2,500 gaming machines would be the minimum level required in order to make resort casinos viable, particularly if they were going to be on a scale that would have a significant impact on the regeneration of an area as the Government would like to see. Despite all the interest in investing into the gambling industry in the UK, the Scrutiny Committee's report and then the legislation itself firstly reduced the number of gaming machines to no more than 1,250 in the largest properties and then reduced the number of resort casinos to only one.

3. Machine Gambling Outside Casinos

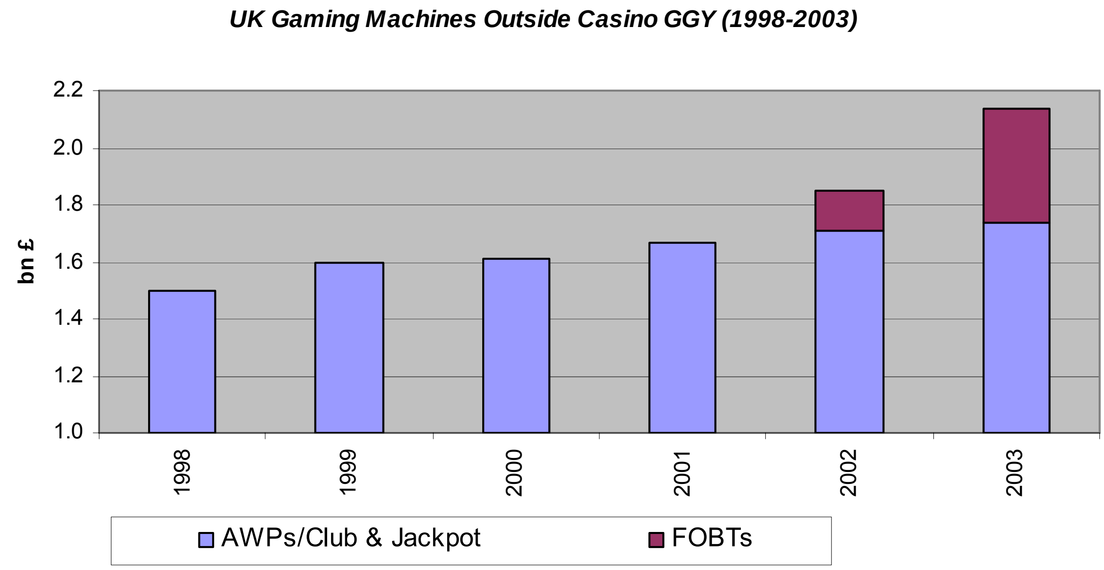
BACTA (the trade association for the pay to play machines industry) has estimated that in 2003 there were some 250,000 gaming machines of various types sited in The UK.

- Club/Jackpot 29,000;
- SWPs 14,000;
- Trivial AWPs 56,000;
- All Cash 167,000.

The Bingo Association has estimated that about 18,300 machines (7.3% of the total) were sited in licensed bingo clubs in 2003, of which 16,600 were Amusement with Prize (AWP) machines and 1,700 were Jackpot machines.

Club/Jackpot machines that pay up to £1,000 (€1,450) in prizes are restricted to casinos, bingo clubs and membership clubs, although in bingo halls the maximum is £500 (€725) and for membership clubs it is £250 (€362). All cash machines that pay a cash prize above £5 (€7.25), but no more than £15 (€21.75), are chiefly found in pubs, licensed gaming centres and licensed betting offices.

AWPs pay up to £5 (€7.25) cash or £8 (€11.6) tokens. At March 2003 16,589 AWPs and 18,644 Club/Jackpot machines were located in bingo clubs, with just over 10,000 Club/Jackpot machines located in membership clubs. *(Source: GBGC Report)*



Source: Adapted from GBGC Report

The Gross Gaming Revenue (Cash-in-box) from machines for the five years to 2003 was as follows:

Gaming Machines GGR for 1999 - 2003:

	1999	**2000**	**2001**	**2002**	**2003**
Including VAT	£218.8m (€317.4 million)	£238.8m (€346.4 million)	£258.8m (€375.4 million)	£277.4m (€402.4 million)	£288.9m (€419.1 million)
Excluding VAT	£186.2m (€270.1 million)	£203.2m (€294.7 million)	£220.2m (€319.4 million)	£236.1m (€342.4 million)	£245.9m (€356.6 million)

Source: Adapted from the GBGC Report

VAT at 17.5% is charged on the income (gross gaming yield) from gaming machines and is chargeable on the rental costs (where relevant). In addition, an Excise Duty, known as Amusement Machine License Duty, is charged on gaming machines. The duty, which takes the form of a fixed cost license, is an annual fee which is based on a sliding scale depending on the maximum prize payable by the machine. Current rates of AMLD are as follows:

Machines that are not gaming machines: £250 (€362.60) pa
Gaming machines – small prize (AWP up to £8 (€11.60)): £665 (€964.50) pa
Gaming machines – medium prize (AWP up to £25 (€36.30)): £715(€1,037) pa
Gaming machines – Jackpot type (10p (0.145 EUR) play): £1,415(€2,052) pa
Gaming machines – Jackpot type (above 10p (0.145 EUR) play): £1,915 (€2,778) pa

The new legislation restricts provision of the ‘ambient gaming’ machines and forbids minors to gamble. The maximum prize for a jackpot machine remains at £500 (€725.50) in betting shops (i.e. FOBTs) but is no longer to be permitted in private clubs. The legislation also states that local authorities should set the limit on the number of machines that an arcade may have with reference to the size of the arcade and that the limits of all machines should be increased only in line with inflation, as and when agreed with the Gambling Commission.

UK's AWP/All Cash Regulations

Stake (€ max)	Prize (€ max)	Payout % (min)	Games/hour (max)	Loss per hour (€ max)
0.30	40	70%	n/a	n/a

Source: Adapted from the GBGC Report

During early 2004 it emerged that a number of arcades and bingo clubs are to install lower stakes versions of FOBTs. As these devices fall outside of the gaming machine legislation there are no controls regarding the speed of play or preventing children from using them.

4. Betting

Until very recently the fixed odds betting market in The UK was dominated by five operators, and the bookmaking market could be broken down roughly as follows:

UK Betting Market Structure 2003:

Company	**Market share (2003)**
Ladbrokes (Hilton Group)	22%
William Hill	18%
Coral Eurobet	10%
Stanley Leisure	7%
The Tote	5%
Others	38%

However, William Hill has recently acquired the betting shop estate of Stanley Leisure, so the market shares above will need to be adjusted accordingly. This remains subject to a possible referral to the Competition Commission by the Office of Fair Trading, who could ultimately void the deal, as occurred previously when Ladbrokes proposed a takeover of Coral some years ago. Assuming the deal is not voided, William Hill is likely to occupy the position of market leader (although it should be remembered that the major bookmakers also derive significant revenue through remote technologies and gaming machines, which will also have an important impact upon this). After William Hill purchased Stanley Leisure's 624 shops for £504 million(€731.3 million) they now therefore have over 2,200 shops nationwide.

Fixed Odds Market Leaders 2003 - 2004:

	William Hill	**Ladbrokes**
Shops	1,606	1,921
FOBTs	5,573	5,995
Betting turnover	**£8.28 billion (€12,015 billion)**	**£9.1 billion (€13,205 billion)**
Retail gross win	£548.1m (795,3€ million)	£652.5m(946,8€ million)
Telephone gross win	£22.1m(32€ million)	£46.1m(66,9€ million)
Interactive gross win	£106.1m(153,9€ million)	£89.3m(129,5€ million)
Total gross win	**£722.1m(€1,048 million)**	**£787.9m(€1,143 million)**
Retail operating profit	£165.5m(240,1€ million)	£215.3m(312,4€ million)
Telephone operating profit	£22.1m(32€ million)	£17.8m(25,8€ million)
Interactive operating profit	£51.7m(75€ million)	£21.3m(30,9€ million)
Total group pre-tax profit	**£228.9m(€332.2 million)**	**£383.1m(€555,9 million)**

Note: this was prior to William Hill's acquisition of Stanley Leisure's LBO estate.

The Government revised the General Betting Duty in 2001 from a 9% duty on stakes or winnings (paid by the punter) to a 15% gross profits tax (paid by the bookmaker). Off-course betting on horses is also subject to a statutory levy contribution, administered by the Horserace Betting Levy Board and amounting to approximately 10% on gross profits. The levy is distributed to the horseracing industry to cover prize money, fixture fees etc. The annual levy is agreed between bookmakers and the Levy Board, with the Secretary of State called upon to arbitrate where a deal cannot be reached. The Government is committed to removing itself from this process, and the administration and financing of horseracing, and has publicly stated its commitment to abolish the Levy in 2009.

It is hoped that the Levy can be replaced by commercial agreements between horseracing and bookmakers. It was initially intended that this would be based upon the sale of data rights, amounting to the same as - if not more than - the present levy yield. However, a case brought by William Hill against the British Horseracing Board has thrown this plan into some doubt, as the European Court of Justice recently found in William Hill's favour that they were within their rights to exploit information from the BHB's database. The ECJ Court of Appeal will rule in June 2005; nevertheless, an independent working group chaired by Lord Donoughue has been tasked with looking into alternative funding sources for the horseracing industry.

The table below shows the total revenue collected from bookmakers and the Tote over the last five years. Figures below are in £m.

Government Revenue from Bookmakers and Tote 2000 - 2004:

Financial year (£m)	**99/00**	**00/01**	**01/02**	**02/03**	**03/04**
Levy collected	59.5 (€86,4m)	60.3 (€87,5m)	72.9 (€105,8m)	79.9 (€115,9m)	108.7 (€157,8m)

Some bookmakers also pay a voluntary levy of 0.6% of their turnover to the greyhound industry, which presently brings in around £14 million (€20.3 million) per annum, on top of a fully commercial arrangement which also brings in a similar figure.

Bookmakers are not centrally regulated. Instead, bookmakers' permits and premises licenses are issued by licensing magistrates. Under the Gambling Act 2005 all bookmakers in The UK will be licensed by the Gambling Commission which will issue operating and personal licenses. Premises licenses will be administered by local authorities based on guidance issued by the Gambling Commission.

Bookmakers in licensed betting offices (LBOs) are permitted to take bets on any event (except the UK National Lottery), both sporting and otherwise (e.g. the outcome of political elections). Under a voluntary code of practice agreed with the Department for Culture, Media and Sport they are also allowed to operate up to four Fixed Odds Betting Terminals (FOBTs) per LBO. These machines, which have entered betting shops over the last few years, are to all intents and purposes identical to many gaming machines. However, due to the wording of the present legislation (dating back to the 1960s) there is arguably a loop-hole that may allow these machines to be legally regarded as betting machines. Consequently, they would be not be subject to the strict gaming regulations enforced by the Gaming Board, notably covering stakes and prizes, for which betting has no such limitations.

In the light of this, the Gaming Board and bookmakers (with Government approval) have reached a formal agreement (the 'code') that will govern these machines until the provisions of the recently passed Gambling Act come into force (this is not expected before 2007).

FOBTs have been the source of considerable profit to bookmakers (Ladbrokes announced that in 2004 the average gross win per FOBT was £584 (€847.50) per week – they have over 5,500 such machines). The Government has stated publicly that FOBTs are 'on probation' and will await the publication of further evidence before taking any steps to deal with FOBTs. The Gambling Act 2005 gives the Secretary of State powers to vary the stakes, prizes and number of FOBTs (to be known as category B gaming machines under the Act), although it is anticipated that the present operating conditions described in the code, notably up to four FOBTs per LBO, will remain. However, the Government has stated that if research indicates that FOBTs pose a significant risk of harm they will not hesitate to act. It is estimated that there are presently around 27,000 FOBTs in around 9,000 betting offices. *(Source: GBGC Report)*

Fixed odds bookmakers also operate on racecourses, greyhound tracks and other sporting events (commonly known as 'on-course' betting). The majority of bookmakers on-course are small, independent businesses, although the major fixed odds players also have a presence. The major fixed-odds bookmakers (and the Tote - see below) also run telephone and internet operations. It is legal to run a betting website in The UK (although it is currently illegal to run a gaming site).

On 31 May 2003 there were 8,804 betting office licenses in force in England, Scotland and Wales. This figure, however, may overstate the number of betting shops as they may not be operational while licenses are extant. It can be estimated that there are currently about 8,300 betting shops trading with 3,600 bookmakers' permits. In January 2005 there were 744 betting companies operating.

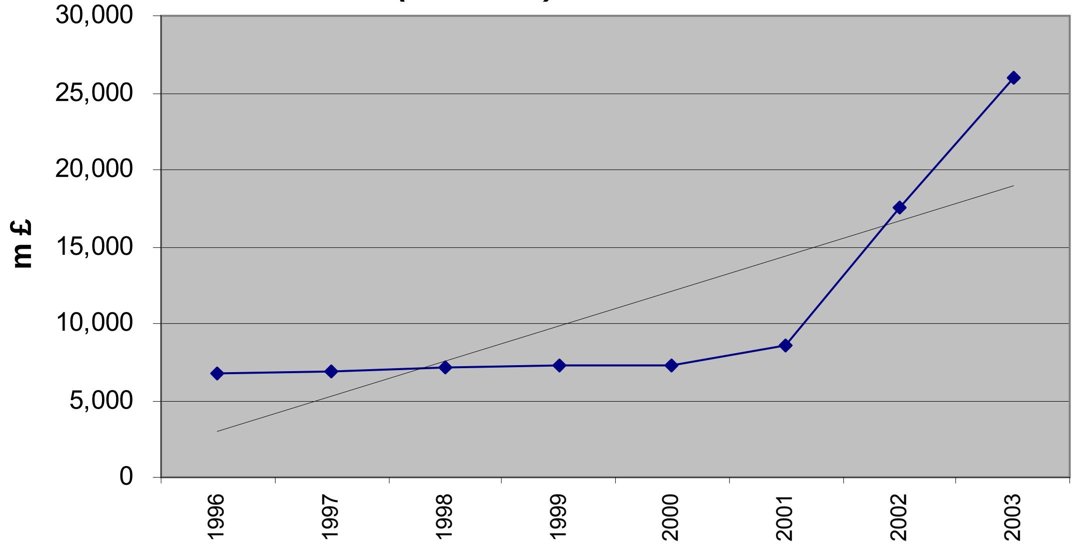
Between 1997 and 2003, the number of betting office licenses declined by 2%, following a long-term downward trend. Looking forward, the number of shops will depend on general economic and regulatory factors. The latter include the Government's decision to remove the 'demand criterion' that limited the supply of betting shops in local areas, the impact of the move to gross profit tax, and any introduction of taxation on betting activity on betting exchanges.

As mentioned above, from 6 October 2001 the basis on which General Betting Duty is charged was changed. For all bets other than spread bets, Duty is now calculated as 15% of the sum of the value of stakes less the value of winnings paid out to winning customers. The General Betting Duty and aggregate annual gross gaming revenue are shown below .

Betting Duty and GGR 2002 - 2004:

Calendar year	**2002**	**2003**	**2004**
General Betting Duty £ 000(€ 000)	291,038 (€422,380)	359,312(521,390)	437,249(634,342)
GGR £ 000 (€ 000)	1,940,253(€2,814,838)	2,395,413(€3,473,449)	2,914,993(€4,226,861)

UK Licensed Betting Office Annual Handle, including FOBTs (1996-2003)



Source: Adapted from GBGC Report

Operators only pay VAT on items they consume. Gambling-specific taxes include :

* GPT 15%
* Amusement Machine Duty £715 (€1,037)/machine
* Statutory Levy paid to the Horserace Betting Levy Board: 10% of gross profits on British horseracing

In addition a bookmaker's permit costs £160 (€232) and £20 (€29) for renewal once every three years and a betting office license costs £125(€181) and £25 (€36) for renewal once every three years. Also, Horseracing Levy 2004/05: £95 million (€137.9 million). This is in addition to commercial payments made to racing.

A review is being conducted into the future funding of horseracing. The object of that review is to identify alternatives to the statutory Levy. One option is to develop the sale of rights to bookmakers and others. The Levy will cease in 2009. Bookmakers also make voluntary contributions to the greyhound industry. These totalled £8 million (11.6 million) in 2004. This is in addition to commercial payments made to greyhound racing.

A leading bookmaker estimates that there are 4.62 full time employees per shop on average. For a betting shop estate of 8,300 this gives about 38,000 jobs. This figure does not include headquarter staff connected with betting shops. It seems reasonable to assume that the figure for the betting shop sector is in excess of 40,000 FTEs.

In 2003/04, £9 billion (€13.06 billion) was bet off-course on horseracing, most of it in the circa 8,500 licensed betting offices in Britain, with a further £120 million (€174 million) bet with the Tote on-course. Total prize money reached a record total of £101.3 million (€147 million) in 2004.

British racing raises money by collecting a statutory levy on off-course betting on horseracing, and on the Tote, and on-course bookmakers. Off-course betting includes bets placed with Licensed Betting Offices, spread betting firms and bet broking operations. It is collected from bookmakers as a percentage of the gross profit on their horserace betting business. The majority of levy income is expended in direct support of horseracing. These amounts are paid to The Horserace Betting Levy Board, which received over £110 million (€159.6 million) from off-course bookmakers and the Tote in 2003/04.

In total, British racing and breeding support some 60,000 jobs, including the equivalent of one in eight agricultural workers. A further 40,000-plus are employed in the betting industry, which relies on horseracing for approximately 60% of its business.

There are 59 racecourses in Britain, of which:

* 17 stage only Flat racing
* 24 stage only Jump (National Hunt) racing
* 18 stage both, of which 3 stage all-weather Flat racing, one of them under floodlights.

Some 6.05m people went racing in 2004, the highest figure on record. There are 9,500 active racehorse owners, and overall some 50,000 people are involved in racehorse ownership through various types of co-ownership. There are around 14,000 horses in training and over 90,000 runners in a year. The gross profits (GGRs) of horserace betting were £921 million in 2002/2003 and £1,037.7 million in 2003/2004.

In 2005, 1,349 fixtures were programmed, providing over 8,500 races - both a record high. Of these fixtures, 129 were to take place on 46 Sunday dates, and 220 will take place on 116 different evenings.

The British Horseracing Education and Standards Trust is a registered charity and company limited by guarantee. It is the government recognised Awarding Body for a range of qualifications in the racing, breeding, equine and farrier industries. BHEST overall annual budget is approximately £1.3 million, where £614,735 is received from the Horserace Betting Levy Board (HBLB) and £514,737 is deducted under Order 194 of the Orders and Rules of Racing from the Trainers' share of prize money and allocated specifically to the training of stable staff. A further £83,337 is deducted under Order 75/76 of the Orders and Rules of Racing from the Jockeys' share of prize money and allocated specifically to the training of jockeys and £67,015 is received for qualification registration fees/other income/interest etc. In addition, from time to time BHEST receives unsolicited charitable donations from the racing industry.

The Main Levy Rates for 2005 - 2006 will be :

% of Gross Profits on British Horserace Betting Business	
Off-Course Betting Shops	10% of gross profits above £75,000(€108,800) - pro-rated lower rate on gross profits below £75,000(€108,800)
Credit/Telephone	10%
Betting Exchanges	10% (gross profit defined as commission deducted)
Spread Betting	2%
On-Course Bookmakers	6% on gross profits of £75,000(€108,800) and above per 365 day year - pro-rated lower rate on gross profits below £75,000(€108,800)
Point-to-Point Bookmakers	£142(€206)

Where Minimum Guaranteed Levy Payment is £2,000 (€2,900) per betting shop or betting platform.

UK Off Course Betting Taxation:

Date of Change	General Betting Duty/Gross Profits Tax	Pool Betting Duty
06.04.90	8.00%	40.00%
17.08.91	8.00%	37.50%
01.04.92	7.75%	37.50%
06.05.95	7.75%	32.50%
03.12.95	7.75%	27.50%
01.03.96	6.75%	27.50%
05.05.96	6.75%	26.50%
28.03.99	6.75%	17.50%
06.10.01*	15.00%	17.50%
17.04.02	15.00%	15.00%

* Date of change from General Betting Duty on Handle to Gross Profits Tax
Source: Adapted from the GBGC Report

Following the introduction of GPT it was anticipated that there would be a market for a significant number of additional betting shops in the UK as GGR was anticipated to rise. The vast majority of the benefit created by the change in the taxation system has been passed on to the punter and racing as margins fell and a new more generous media rights deal was negotiated to replace the old levy system. The industry has shown some good growth during the past two and a half years which suggests that the long-term trend for betting tax receipts will be regained by the end of 2007.

There have been claims that FOBT's have cannibalised turnover at amusement arcades and casinos, but bookmakers claim that their internal research shows no such evidence. The bookmakers argue that FOBTs are merely an automated alternative to a cashier taking bets over the counter.

Previous British gaming law only regulated gaming machines. By ensuring that the event on which the bet is placed did not take place within the machine itself, FOBTs fell outside the definition of gaming machine. This meant that operators were able to install FOBTs without breaching the restrictions on the numbers of, and prize limits for, gaming machines.

The Tote has an exclusive right to carry on pool betting business both on and off the racecourse. Under a rule issued by the Jockey Club – the non-statutory horseracing regulator – the Tote is required to offer pool betting services at all 59 racecourses in Britain. The Tote is also permitted to take fixed odds bets and has around 460 LBOs. It is owned by the state and the sponsoring department is the Department for Culture, Media and Sport.

The table below shows the Tote's total turnover for the past five years, as well as its profit before taxation and contribution to racing (this does not include its statutory levy contribution which amounted to £6.5 million(€9.4 million) in 2004, up from £3.3 million (€4,9 million) in 2003.

The Tote Summary Statistics in £m (€ million) 2000 - 2004:

Financial year	**99/00**	**00/01**	**01/02**	**02/03**	**03/04**
Total turnover	497.9(722,4)	509.3(738,9)	642.6(932,4)	916.2(1,329)	1,471(2,134)
Contribution to racing	11.3(16,4)	9.6(13,9)	11.2(16,3)	10.6(15,4)	11.5(16,7)
Profit before taxation	6(8,7)	3(4,4)	6.2(8,9)	7.7(11,2)	11.6(16,8)

As part of the Government's intention to withdraw itself from the governance and financing of horseracing, the DCMS is currently leading on the privatisation of the Tote in a sale to a consortium of representatives of horseracing. This policy is currently under scrutiny by the European Commission to ensure that it is compatible with state aid rules. The sale aims to honour the historic link between the Tote and horseracing, and in an effort to ensure that pool betting remains as a viable alternative to fixed odds betting, the Tote will be granted an exclusive license to carry on pool betting for seven years following the sale.

It is worth noting that the Tote has the ability to give authority to other bookmakers to take pool bets on its behalf. The Tote has entered into commercial agreements with a number of bookmakers (e.g. Ladbrokes) who take Tote bets in their LBOs in return for a share of the profit. Other companies that offer pool betting are Vernon Pools and Littlewoods (Sportech).

Pool Betting Gaming Sector: Vernons and Littlewoods Turnover in £m 2000 - 2004:

	2000	**2001**	**2002**	**2003**	**2004**
Vernons	26.5	24.5	23.0	21.8	20.7
Littlewoods	159.5	123.9	110.7	93.4	86.3
Total Sales	186.0	148.4	133.7	115.2	107.0

Source: Submission to the Enquiry from Vernons Pools ltd

Vernons GGR and Prize Structure 2000 - 2004:

	2000	**2001**	**2002**	**2003**	**2004**
Sales	26.5	24.5	23.0	21.8	20.7
Prizes	7.2	6.5	5.6	5.2	4.9
% of winnings	27.2%	26.5%	24.3%	23.9%	23.7%
Gross revenue	19.3	18.0	17.4	16.6	15.8

Source: Submission to the Enquiry from Vernons Pools ltd

Vernons FTE 2000 – 2004

	2000	**2001**	**2002**	**2003**	**2004**
Employment	112.0	100.0	96.0	97.0	99.0

Source: Submission to the Enquiry from Vernons Pools ltd

Betting Exchanges as a type of betting operation have emerged over the last few years, accounting for an increasingly significant share of the betting market. They operate over the Internet by allowing users to 'match' bets with other users on particular events, thereby allowing individuals to 'lay' (i.e. take bets) as well as 'back'.

The dominant market leader is ***Betfair***, which launched in 2000. Other UK exchanges launched between 2001-4. Betfair were instrumental in forming the Betting Exchange Trade Association (BETA) in 2004. BETA has informed us that they are aware of eight operational exchanges in this country: Betfair, Betdaq, Backandlay, Betmart, Ibetx, Betsson, Tradesports and Matchedbets.

It is very difficult to get figures for relative market share and turnover. Different exchanges measure the matched amounts on their exchange differently. While Betfair calculates their matched amount by doubling the backers' stakes, irrespective of the odds at which bets are struck (and as a consequence the amounts that the layers have staked), Betdaq calculates the matched amount number by adding all amounts staked by backers and layers.

Betfair published results for the year ending April 2004 which showed after tax profits of £11.9 million (€17.3 million). No other British licensed exchanges have made their results publicly available. Approximately 90% of the total horseracing levy contributions made by exchanges in the last levy period was made by Betfair, which gives an indication of its dominance in the exchange market.

Betting exchanges are currently licensed under the same regime as conventional bookmakers (requiring a bookmaker permit). Under the Gambling Act 2005 they will be classed as betting intermediaries and will require a specific license by the Gambling Commission. Betting exchanges have attracted some controversy over their ability to allow punters to lay bets on players or horses to lose a match or race. Nevertheless, the Government has recognised that they are legitimate players in the betting market.

There are no figures available for the exchanges' profits during the years following their emergence, and therefore it is impossible to accurately estimate their growth. Nevertheless, in the short time they have been in existence, betting exchanges have proven to be popular with a growing section of punters. It remains to be seen whether the larger bookmakers – with their greater brand awareness – will launch betting exchanges of their own. An independent bookmakers co-operative recently announced plans to launch an exchange model. If the larger players follow suit it could have a significant impact on the market.

5. Bingo

The Bingo Association is the representative trade body in The UK for proprietors of bingo clubs licensed under Part II of the Gaming Act 1968. These clubs are proprietary clubs operated on a purely commercial basis for profit.

In the Bingo market, the number of operators licensed under the Gaming Act 1968 as at 31st March 2005 was 144. The licensed bingo market is dominated by two operators, Gala Bingo Ltd and Mecca Bingo Ltd (part of The Rank Group plc), who between them operate something like 290 clubs. The nearest operator to those two, in terms of the number of clubs, is Top Ten Bingo Ltd with about 25 clubs. There is thus a substantial gap between the two leading operators and the remainder of the industry.

Estimated market shares are as follows: Gala Bingo c. 24.0% Mecca Bingo c. 17.0% Top Ten Bingo c. 4.0% Carlton Clubs c. 2.5% Walker Leisure c. 2.0%. All other operators have a market share, individually, of less than 2.0% and in many cases the figure is very small indeed. Gala and Mecca have held the market leadership as first and second respectively during the past five years but Top Ten Bingo has moved into a clear third place as a result of acquisitions in 2003 and 2004. Carlton Clubs and Walker Leisure have held pretty steady over the last five years and there has been no other operator that has significantly changed its position in terms of market share. Changes in market share over the next five years are difficult to predict due to the recent passing of the Gambling Act 2005, which will take effect in stages over the next two years. The impact of this new legislation on the industry's fortunes will therefore not be fully appreciated for some time yet. One new entrant has come into the market in 2004 and others may follow but it is too soon to tell.

Such is the nature of licensed bingo as played in The UK that the operators' income (Gross Gaming Revenue) from bingo is subject to VAT of 17.5% and it is charged on gross gaming yield and is paid on goods and services supplied. The aggregate annual gross gaming revenue for the five calendar years up to 2003 (the latest year for which figures are available) is as follows:

Bingo GGR for 1999 - 2003:

	1999	2000	2001	2002	2003
Including VAT	£367.3m (533€ million)	£382.5m (554,9€ million)	£411.4m (597€ million)	£454.6m (659,7€ million)	£498.8m (723,6€ million)
Excluding VAT	£316.3m (458.8€ million)	£331.6m (481€ million)	£355.0m (515.1€ million)	£392.5m (569.5€ million)	£431.1m (625.5€ million)

Source: Submission to the Enquiry from Bingo Association

As with market share, it is difficult to forecast how the aggregate annual gross gaming revenue will move over the next five years because of the implementation of the new gambling legislation. The difficulty is due to two factors; firstly, the phased implementation and, secondly, the increased competition from other gambling sectors arising from their differential benefits relative to licensed bingo.

Bingo Duty at 15% is charged on the gross gaming yield (excluding VAT). The Bingo licensing process has two elements. The first is obtaining a Certificate of Consent from the Gaming Board, which is the industry regulator. This certificate is an absolute pre-requisite for the making of an application for a Gaming License. The fee for a Certificate of Consent is payable on application; the current level is £8.351(12,115 EUR) (for the Grant of a Gaming License (limited to Bingo)) and £5,567(8,076 EUR) (for the Transfer of such license). The second element is the application for the license itself. The fee payable on the Grant of a Gaming License (limited to Bingo) is £4,232(6,139 EUR). The fee payable for the Transfer of a license is £1,724(2,501 EUR). The Gaming License (limited to Bingo) is renewable annually; the renewal fee is £1,616(2,344 EUR). In all cases the fees are reviewed annually; they are set at levels to reflect the costs of the Gaming Board or the Licensing Authority in carrying out their regulatory or licensing responsibilities.

As of this time, there are no other statutory impositions of payments upon the licensed bingo industry. However, the newly-enacted Gambling Act 2005 gives a reserve power to the Government to impose a levy upon the gambling industry generally if it believes that the industry's 'voluntary' scheme for supporting socially responsible attitudes towards problem gambling is inadequate. To this extent payments made by the various industry sectors are mandatory in everything but name. The gambling sector's vehicle for promoting socially responsible attitudes towards problem gambling and its causes is a charitable trust called the Responsibility in Gambling Trust ('RIGT'). Contributions to RIGT on the bingo industry's behalf have been as follows:

Good Causes Bingo Contribution 2002 - 2005:

2002	£37,000 (53,677 EUR)
2003	£200,000 (290,111 EUR)
2004	£300,000 (435,166 EUR)
2005	£330,000 (478,683 EUR) (estimated)

Source: Submission to the Enquiry from Bingo Association

The Bingo Association does not anticipate significant increases in future contributions to RIGT. Rather, it expects RIGT to bring other gambling sectors, which have hitherto avoided making contributions, within its net of contributors.

Levels of Full-time Equivalent employment in the bingo sector have been as follows:

FTE in UK Bingo 1999 - 2003:

1999	14,765
2000	14,579
2001	14,592
2002	14,636
2003	14,797

Source: Submission to the Enquiry from Bingo Association

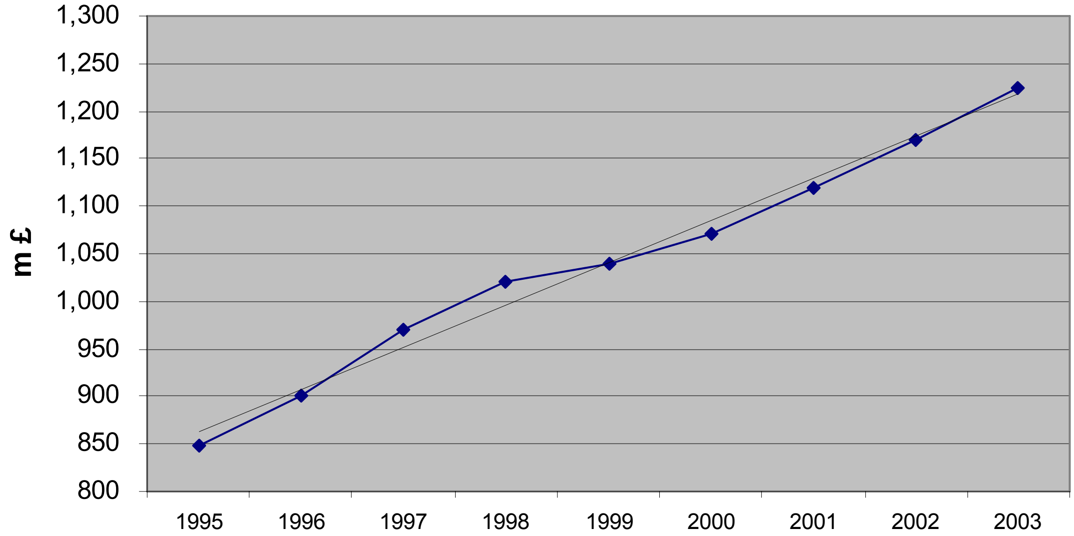
Despite the fact that the number of operating clubs has declined over the five year period (from 727 in 1999 to 696 in 2003) the level of employment has remained remarkably consistent. This is probably due to the fact that the closure of older and smaller clubs has been compensated, in employment terms, by the opening of new, larger clubs.

Bingo Club Stakes and Visits 1995 - 2003

	Stakes £m (EUR)	**Visits (millions)**	**Average Stake per Visit £ (EUR)**	**Number of Bingo Clubs**	**Stakes per Club £k (EUR)**
1995	844(1,224)				
1996	906(1,314)				
1997	967(1,403)				
1998	1,019(1,478)			782	767.4(1,113)
1999	1,041(1,510)			751	721.4(1,047)
2000	1,076(1,561)	89	12.56(18.22)	727	675.7(980,4)
2001	1,118(1,622)	85	13.69(19.86)	705	630.6(914,7)
2002	1,164(1,689)	84	14.55(21,11)	688	591.1(857,5)
2003	1,222(1,773)	83 approx	14.72(21.36)	699	572(830)

Source: Adapted from the GBGC Report

UK Bingo Stakes (1995-2003)



Source: Adapted from GBGC Report

Bingo Operators 2003:

	No of Clubs in Operation	Admissions (millions)	Ave Admissions per Club (thousands)	Turnover-Entrance Fees, etc (£m)	Ave Turnover per Club (£m)	Ave Spend per Admission (£)
Gala Leisure Ltd	167	31.4	188.0	293.8	1.759	56.02
Mecca Bingo Ltd	121	22.2	183.5	231.7	1.915	86.25
Carlton Clubs plc	18	n/a	n/a	20.0	1.111	n/a
Top Ten Bingo Ltd	16	n/a	n/a	8.2	0.513	n/a
Total	322	83.0	257.8	553.7	1.720	20.72

Source: Submission to the Enquiry from Bingo Association

In 2003 there were 699 bingo clubs operating in the UK. Of these, 95 were seasonal venues and 604 were non-seasonal. There were about 3 million active members, who accounted for just over 83 million admissions generating £1.22 billion(€1.77 billion) in stakes and £553.7m (€803.6 million) in other turnover including entrance fees, refreshments and gaming machines (revenue from the gambling machines is accounted for in the *Gaming Machines Outside of Casinos* section of this report). *(Source: GBGC Report)*

6. Media Gambling Services

No information was found or contributed by stakeholders approached as part of this research endeavor that allowed meaningful discussion of this sector.

7. Sales Promotional Gambling

The UK recently reviewed its Gambling legislation, through the Gambling Act 2005, and it has now differentiated prize competitions from lotteries (Article 14, section 5). Lotteries are defined by Article 14 as "relying wholly on chance". The Act lays out that legal prize competitions require "persons to exercise skill or judgment or to display knowledge". More detailed guidelines on legal prize competitions will be issued by the Gambling Commission in due course. So, while the UK does not consider prize competitions as a form of gambling" the Gambling Act does set out the conditions under which a prize competition would be an illegal lottery. In order to be a legal prize competition, there is a requirement for "persons to exercise skill or judgment or to display knowledge".

8. Charity Gambling

No information was found or contributed by stakeholders approached as part of this research endeavor that allowed meaningful discussion of this sector.

III. NATIONAL SUMMARY

Year	Total (€ million)	Lottery (€ million)	Casino (€ million)	Gaming Machines (€ million)	Betting (€ million)	Bingo (€ million)
2000	10,523.73	3,698.00	897.29	1,840.00	2,875.61	1,212.82
2001	9,906.88	3,621.00	858.96	2,227.69	2,602.24	597.00
2002	11,266.77	3,527.00	960.87	1,996.26	3,492.68	1,289.96
2003	10,972.02	3,389.00	950.01	1,858.83	3,525.96	1,248.22

Source: Data Provided by Stakeholders

Year	GDP (€ million)	Propensity to gamble (%)	Spending per person (EURO)
2003	1,591,684	0.69%	186.14

Source: Centre for the Study of gambling, Salford, own analysis.