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CONCLUSIONS

WORKSHOP ON ON-LINE GAMBLING AND SYSTEMS OF REVENUE DISTRIBUTION 6 JUNE 2011 IN BRUSSELS

On 6 June 2011, DG Internal Market and Services held the third expert-based workshop complementing the Green Paper on On-line Gambling in the Internal Market, with representatives from the relevant sectors: public and commercial gambling operators, charity lotteries, sport bodies and government authorities. Participants agreed on the following conclusions following roundtable debates on the pre-determined topics:

1. CONTRIBUTORS TO BENEVOLENT CAUSES AND TO THE BENEFIT OF SOCIETY

Contributions benefitting society at large vary, largely due to differing national regulations. Operators do contribute (outside the taxes and/or levies due in respective Member States) and see the value of having systems in place which ensure payments are channelled to public interest objectives.

A regulated market allows for contributions by commercial operators, as well as by State-owned or State-controlled lotteries. There is a wide offer of online and offline gambling services in Europe with existing data for the regulated open markets indicating marginal cannibalisation of the market. Similarly, arguments of reduced funding for beneficiaries do not directly point to the authorised online offer but more generally to a perceived threat of reduced public funding. Studies carried out at national level could help provide an indication of the decline or growth of the different gambling segments in the various European markets, including where market opening is envisaged.

A broad range of benevolent causes benefit from revenue from **State-owned or State-controlled lotteries**, directly or indirectly depending on the system in place, with governments ultimately determining the beneficiaries and the amounts. The profits that are to be channelled to society vary between Member States. Legislation may also determine the duties or taxes that are to be paid to the State. Gambling products as those offered by commercial operators are also offered by these lotteries, with revenue generated being part of the revenue channelled to beneficiaries.

In a similar vein, although there are different approaches in the Member States for obligatory or voluntary contributions by **commercial operators**, it is generally government or national parliaments which determine the amounts and/or the beneficiaries, and which is separate to taxes and other levies that are to be paid. The question was raised as to what extent commercial operators should actually contribute to the funding of good causes, beyond paying licensing fees, levies and taxes. The business

model and market environment of commercial operators is different to that of State-owned or State-controlled lotteries and thus the contribution has to be different.

Private charity lotteries are set up with a specific objective, generating revenue for several causes but these exist only in a few Member States, differing in their pay-outs to the charities, largely due to regulations in place. While some Member States established fixed pay-out rates, others simply require a 'reasonable' pay-out. In Member States where charity lotteries have been set up, these exist next to State-owned or controlled lotteries.

The horse-racing industry is an example of a system set up to finance its own broad range of related activities, including activities such as breeding, track management and related education. Some of these are non-profit and all funds, following reduction of tax and prize payouts are to be redistributed back into horse-racing activities. In some jurisdictions these operations run alongside the private sector betting companies offering betting on horseracing.

Having contribution systems enables the whole gambling and betting sector, whether commercial or public, to contribute. **Fair distribution of revenue** from public and commercial gambling activities deserves further attention, looking at the scope of distribution systems, as some systems may inadvertently be to the benefit of some beneficiaries more than others.

Sponsorship is a side issue of a debate on contribution by public and commercial operators. With regard to sports, although it is a form of payment by operators, it is a commercial deal to the benefit of sports and to the sponsoring betting operators not a direct contribution to good causes as such. Public and commercial operators may also sponsor activities such as those related to the arts and to culture. **Sport itself contributes** to sport, generally from the professional to grassroots sports, and to other social projects it identifies, mainly through revenues accrued from media or broadcasting rights.

2. RECIPIENTS OF REVENUE CHANNELLED BACK TO THE BENEFIT OF SOCIETY

Channelling systems are to be transparent and respective Boards or Committees are to be accountable. Recipients are defined in law and/or chosen through selection systems on the basis of individual applications. Recipients are also to be transparent as to utilisation of revenue. Broadly, beneficiary organisations concern education, culture, the arts and sport, but not only, because local communities, amateur sport, the disabled, and civil society sectors are also amongst the recipients, directly or indirectly from public and commercial operators.

Revenue may be channelled into specific projects with a long-term objective. Equally, there is merit in having instances where criteria are set for grant applications such as showing the demand or support for a local community or civil society project.

Views expressed favour a **centrally driven system** for transparent and broad distribution of revenue. However, the horseracing sector is funded through its own individual system.

Diverging views were expressed on the notion of 'fair return to sports' by public and commercial operators. Sports view this as a fair revenue stream stemming from the commercial use of sport events by betting operators. It may be understood purely as a commercial issue. Views were expressed that such a system may be to the detriment of

smaller or less visible sports, or to the advantage of the event organisers rather than to the federation or leagues, as the case may be, who may in turn distribute such funding.

Treatment of Problem Gambling: Operators are in favour of contributions which may be channelled through governments or appropriate charities reaching dedicated treatment centres, education or research.

3. SYSTEMS OF DISTRIBUTION

Distribution systems exist in some Member States, through which revenue from gambling activities is channelled to benevolent causes. The manner in which revenue from public and commercial operators is received and then distributed as well as the recipients depends on the set-up of the system in respective Member States and their remit.

Systems for revenue distribution, including by government, whether directly or indirectly should not differ between online and offline gambling activities. However, this argument is linked to taxes and levies to be paid in the Member State concerned.

Whilst there is scope for a Fund or mechanism to that effect to channel revenue from public and commercial operators, mixed views were expressed, mainly in light of the importance placed on transparency of distribution.

Transparency is also important as regards payments due by commercial operators. Gambling regulators are to have such information, submitted by authorised operators in line with the requirements of respective Member States where online gambling is offered.

4. RELIANCE ON REVENUE FROM GAMBLING AND BETTING ACTIVITIES

A diverse range of beneficiaries rely extensively on contributions from public or charity lottery services. Unhealthy dependence can be avoided by limiting the contribution from gambling revenues to a certain percentage of the overall budget of the recipient and by focussing on long-term and institutional funding. Sport emerges as a main beneficiary because it is a main recipient of contributions including through commercial operators and through broadcasting and media rights. Grassroots sport is also a recipient of such funding, sometimes directly, but given the amounts it is not reliant on this for its activities.

Additional or alternate funding is increasingly favoured by beneficiaries to reduce the reliance on a single or main source of public funding. Regulated market opening can provide a source of additional revenue in the Member States. The horse-racing sector is generally set-up such that it relies on its system of funding.

The list of participants and the workshop agenda are found at:
http://ec.europa.eu/internal_market/services/gambling_en.htm