

## ANNEX 1

### General remarks

First of all, the conclusion in the Rambøll report (hereinafter: ‘the Report’), that *‘a partial liberalisation of the gaming market in Norway, with a licensing scheme for sports betting and online casino gambling, would not result in increased revenues, but neither would it result in any significant revenue losses to Norwegian society through taxes and surpluses for distribution to the voluntary sector’*, is unsubstantiated.

The Report draws its conclusions without proper cost-benefit analysis. Such analysis is indispensable before any conclusion about the possible, likely or expected effects on a market of the different contemplated regulatory models can be made.<sup>1,2</sup> The Report is also based on outdated economic figures<sup>3</sup>.

The conclusion quoted above from the Report further seems to suggest that when an open licensing system for online gambling is introduced, there would not be an increase in the total revenues on the Norwegian market, nor would there be revenue loss suffered by charities and sports through less contribution through taxes and contributions.

### No substitution

This to begin with means that the Report concludes there is no elasticity between lotteries on the one hand and online gambling on the other. So, substitution does not occur from lottery products to online gambling products, as allowing a licensing scheme for sports betting and online casino gambling does not have any significant negative effect on the revenue for Norwegian society and charities. This is fully in line with the international experience.

### United Kingdom

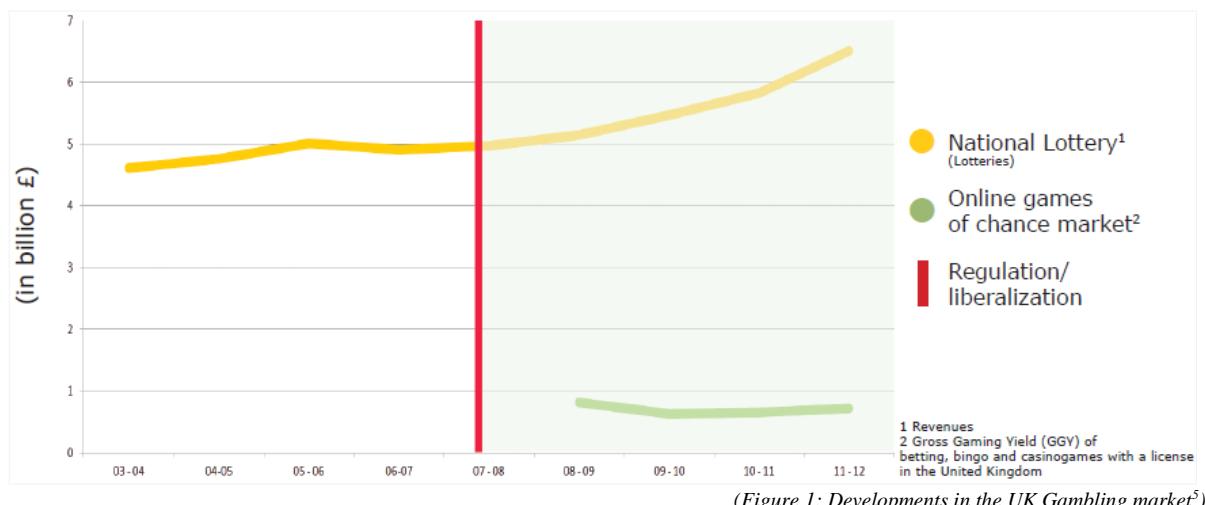
In the United Kingdom for instance the online gambling market has been liberalised since September 2007. Since this regulation of the online gambling market, the revenues of UK’s biggest lottery, the National Lottery, have increased from GBP 5 billion in 2007-2008 to GBP 6.5 billion in 2011-2012.<sup>4</sup>

<sup>1</sup> Boardman, N. E. (2006). Cost-benefit Analysis: Concepts and Practice (3rd ed.). Upper Saddle River, NJ: Prentice Hall.

<sup>2</sup> Dunn, William N. (2009). Public Policy Analysis: An Introduction. New York: Longman.

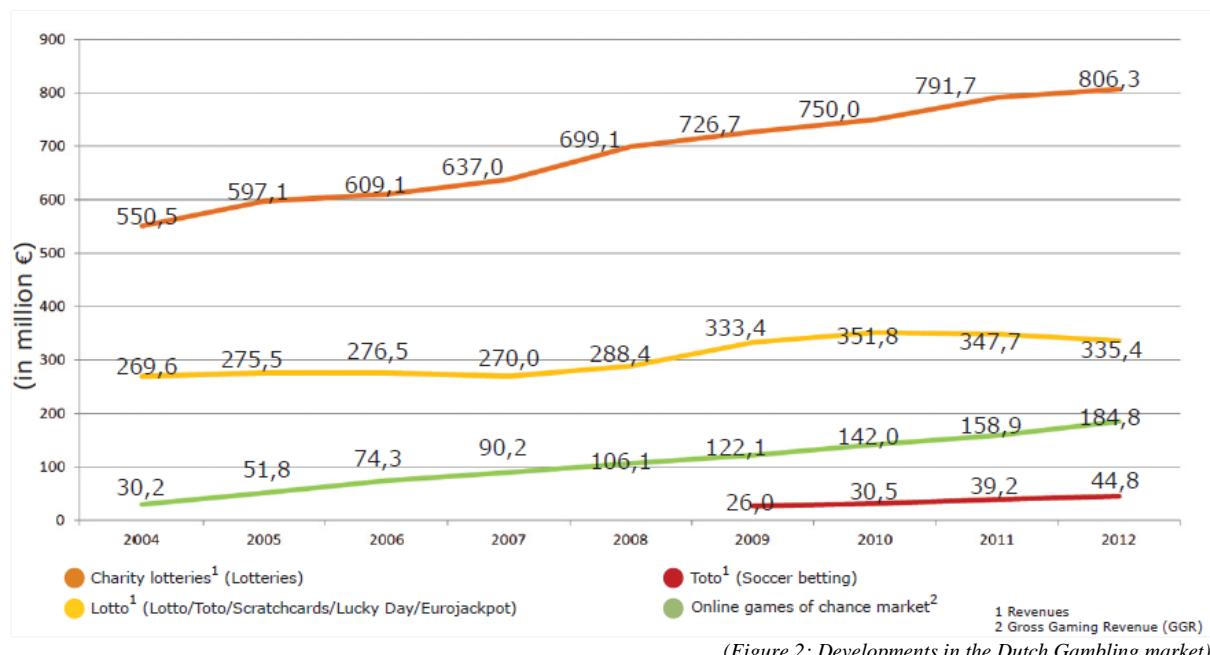
<sup>3</sup> MENON, Cost-benefit analysis of a licensing scheme for gaming in Norway, Summary, 2015, p. 4 - as can be found at: <http://menon.no/upload/2015/06/25/licensing-scheme-for-gaming-in-norway-extended-summary.pdf>.

<sup>4</sup> Annual reports UK National Lottery Commission (2003-2004 t/m 2011-2012), Gambling Commission Industry Statistics (June 2013).



## The Netherlands

In the Netherlands, despite the steady rise of currently still unregulated online gambling, the charity lotteries achieved a substantial revenue growth in the last ten years. In 2009, an estimated 565.000 Dutch participated in online gambling. Between 2004 and 2012 the estimated online gambling market grew by an annual average of 26.7%. The overall growth in this period was 511.9%. The revenues of the charity lotteries increased by an annual average of 4.9% over the same period. The overall growth between 2004 and 2012 was 46.5%<sup>6</sup>. This development is depicted in figure 2) below.



During this same period, the revenues of the Lotto, and in particular it's Toto-share (sports betting), also remained unaffected. If substitution in the Dutch market between lotteries and online gambling would have existed, it would have already shown, given the existence of a very sizeable growing

<sup>5</sup> Figures 1-5 and 7-8 are derived from Factsheet 'No substitution on the online games of chance market', by Meines & Partners/Kalff Katz & Franssen, as can be found at <http://www.meinesholla.nl/meinesholla/download/common/factsheet-geen-substitutie-op-de-kansspelmarkt-sport.pdf>.

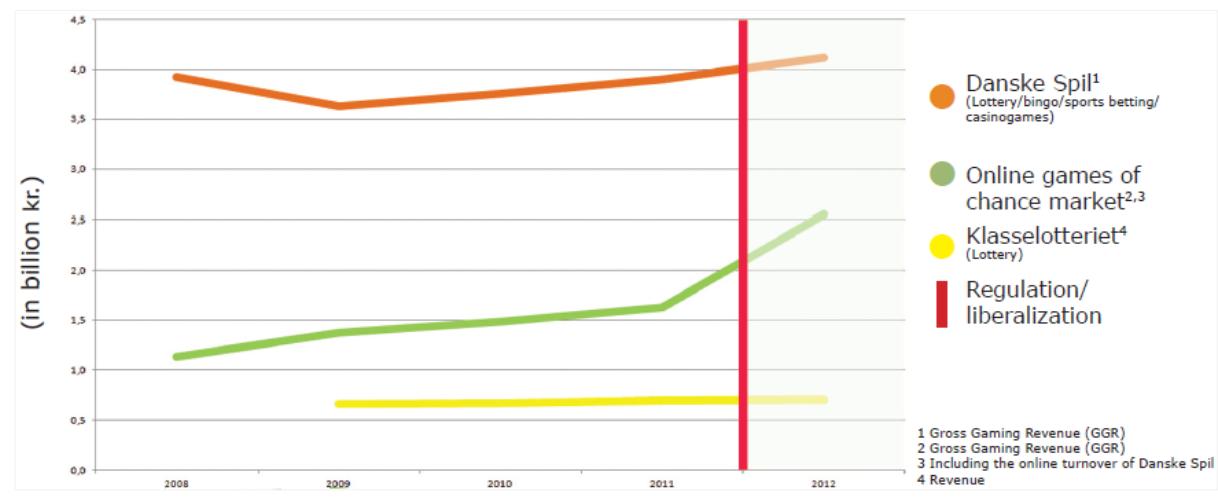
<sup>6</sup> ) This information is based on the various annual reports of the Dutch charity lotteries (2009-2012) as well as the following publications: the Annual review 'Projectbureau Kansspelen' (2004 t/m 2008), H2 Gambling Capital estimates Dutch markets (July 2013), the Regional plan, 'Aard en omvang illegale kansspelen' (July 2009) and the Annual reports of the Dutch Toto (2009-2012).

unregulated online gambling market in the Netherlands. However, the lotteries' revenues and with it the yearly contribution to charities, increased consistently and considerably.

## Denmark

In Denmark the online gambling market in Denmark has been liberalised since 1 January 2012. In the last couple of years prior to the regulation of the market, the revenues of the Danish lotteries, Danske Spil and Klasselotteriet, increased.

The regulation of the online games of chance market in Denmark has not lead to a decrease in the revenues of these lotteries. In fact it lead to an increase in revenues between 2011 and 2012 from DKK 3.9 billion to DKK 4.12 billion. Between 2008 and 2012, the online game of chance market grew from DKK 1.13 billion to DKK 2.55 billion. The revenues in the opening year were 56.5% higher than in 2011. Danske Spil lottery, which has been offering online sports betting and casino games since 2012, in 2014 had an online gambling market share of 60%. In 2012, its revenues grew by 5.5% compared to 2011.<sup>7</sup>

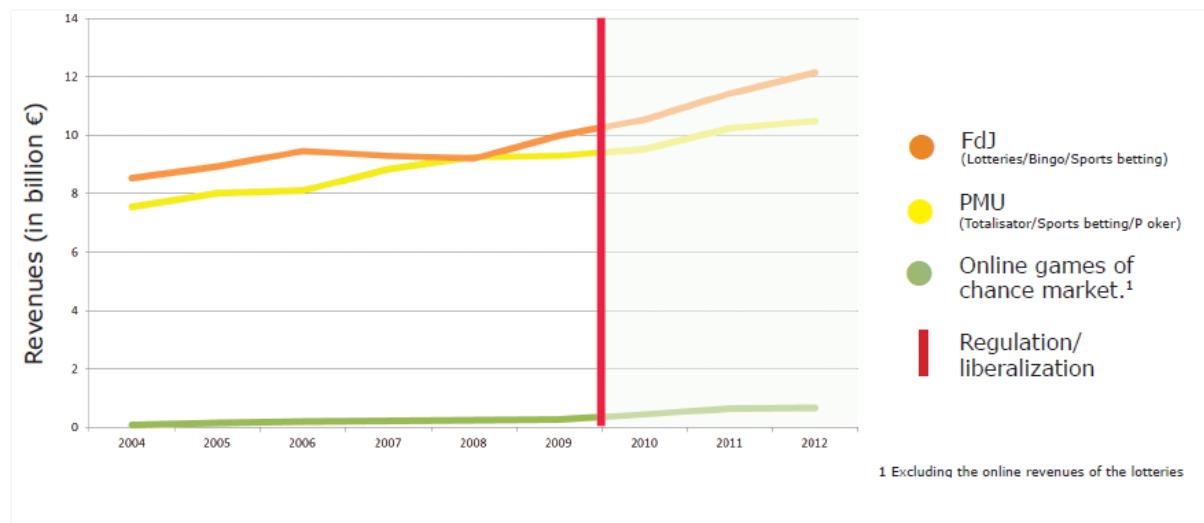


## France

The online games gambling market in France was liberalised in 2010. The revenues of existing lotteries grew from EUR 20.1 billion in 2010 to EUR 22.6 billion in 2012. After liberalization in 2010, the online gaming market grew from EUR 451 million to EUR 668 million in three years - an average annual growth rate of 23.9%.<sup>8</sup>

<sup>7</sup> Information retrieved from Annual Reports of Danske Spil (2003-2007 and 2008-2012), website Det Danske Klasselotteriet and Gambling Compliance, 'Market Barriers 2013-2014 European Online Gambling study' (2013).

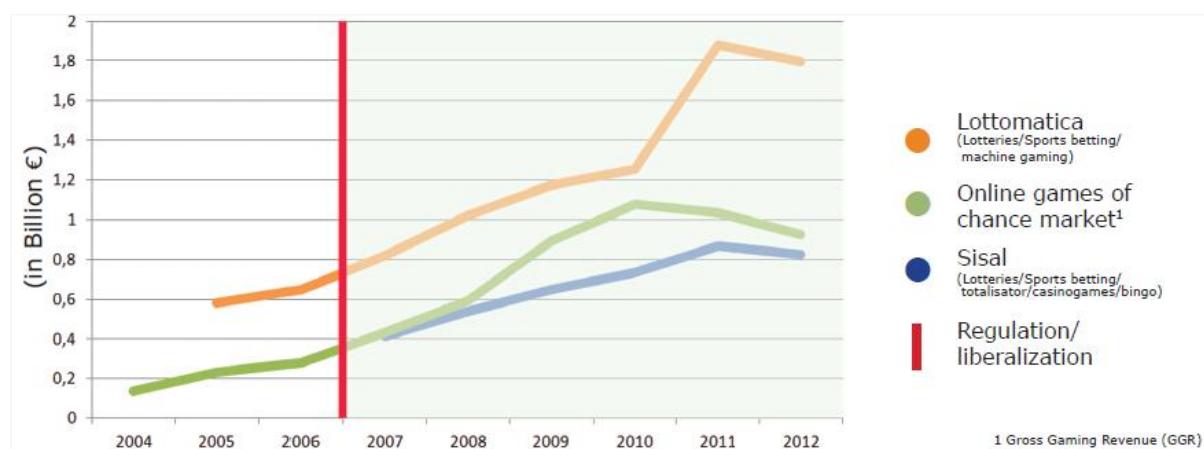
<sup>8</sup> Information retrieved from Annual reports of PMU (2008 t/m 2012) and France des Jeux (2008 t/m 2012) and Gambling Compliance, 'Market Barriers 2013-2014 European Online Gambling study' (2013).



(Figure 4: Developments in the Danish Gambling market)

## Italy

And finally Italy: the online gambling market in Italy was liberalised in 2007. The opening did not lead to a decrease in revenues of the existing lotteries. Between 2007 and 2012 the total revenues exceeded the level reached prior to regulation. The revenues of the lottery market grew from EUR 1.24 billion in 2007 to EUR 2.6 billion in 2012. This is an increase of more than 100%. The declining revenues of Italian lotteries since 2011 is attributable to an increase of the gaming tax. Following the liberalisation of the online gambling market in 2007, it grew from EUR 434 million to EUR 924 million in five years. The average annual growth rate in this period was 18.7%.<sup>9</sup>



(Figure 5: Developments in the Italian Gambling market)

## Growth perspective

The above mentioned conclusion from the Report also seems to suggest that a partial liberalisation of the Norwegian gaming market would not lead to increased total revenues in Norway. This last suggestion is illogical and incorrect. In general, the introduction of competition on the licensed market for online gambling will attract commercial companies to compete with Norsk Tipping and Riks Toto and as a result of this competition, the total Norwegian market will grow: market entry leads to total market growth.

<sup>9</sup> Information retrieved from Annual Reports Annual Reports of Sisal (2010-2012) and Lottomatica (2006,2008, 2009, 2010 and 2012) and Gambling Compliance, 'Market Barriers 2013-2014 European Online Gambling study' (2013).

This is standard economic theory and was for instance also seen in Denmark after opening of the Danish online gambling market in 2012, the UK market, the Italian and the French market (ref. above listed KPI's on various markets). Furthermore, since some companies will apply for a Norwegian licence that are currently operating without a Norwegian licence and currently are not paying Norwegian licence fees and any relevant taxes in Norway, then will start to contribute to Norwegian economy by paying licence fees and all relevant Norwegian taxes, this is highly likely to have a further increasing effect on the total revenues in the Norwegian gambling market and the Norwegian economy.

### **Voluntary sector's revenue base**

The Report further concludes that a licensing scheme which also includes lotteries (scenario 3) would '*result in considerable revenue losses to Norwegian society and corresponding weakening in the voluntary sector's revenue base. In both instances, the voluntary sector's revenue base is dependent on tax revenues being channelled to the voluntary sector through the national budget.*' Apart from the aforementioned absence of proper analysis which might justify this conclusion, based on international experience in this field it is safe to say that it is also highly implausible that this result would occur.

The economic evidence from several other lottery markets in Europe already mentioned in the above, also learns us that an expansion in the number of (charity) lotteries in those markets led to a significant growth in those markets of the total market size with a corresponding growth of the total contribution of funds from the lotteries to the voluntary sector or the charities and sports in those countries. For instance in the Netherlands, the UK and in Sweden, there have been new (charity) lotteries allowed onto the market, functioning next to the incumbent state lotteries (the Staatsloterij, the National Lottery operated by Camelot and Svenska Spel respectively).

### **The Netherlands lottery market**

In the Netherlands, for some 50 years already charitable lotteries and the Lotto were allowed to operate next to the state monopoly Staatsloterij and 25 years ago, the Nationale Postcode Loterij ('NPL') was allowed onto the market. The effects of these market entries in the Netherlands on the total size of the Dutch lottery market have been spectacular. In 2014, the NPL and its sister lotteries together had a total revenue of EUR 850 million of which EUR 425 million was contributed to charities and sport<sup>10</sup>. The Staatsloterij had a total revenue of EUR 737.8 million.<sup>11</sup>

As is shown in figure 6) below, the advance of these charity lotteries such as the NPL have had no negative impact on the performance and growth of the Staatsloterij and are complementary.<sup>12</sup>

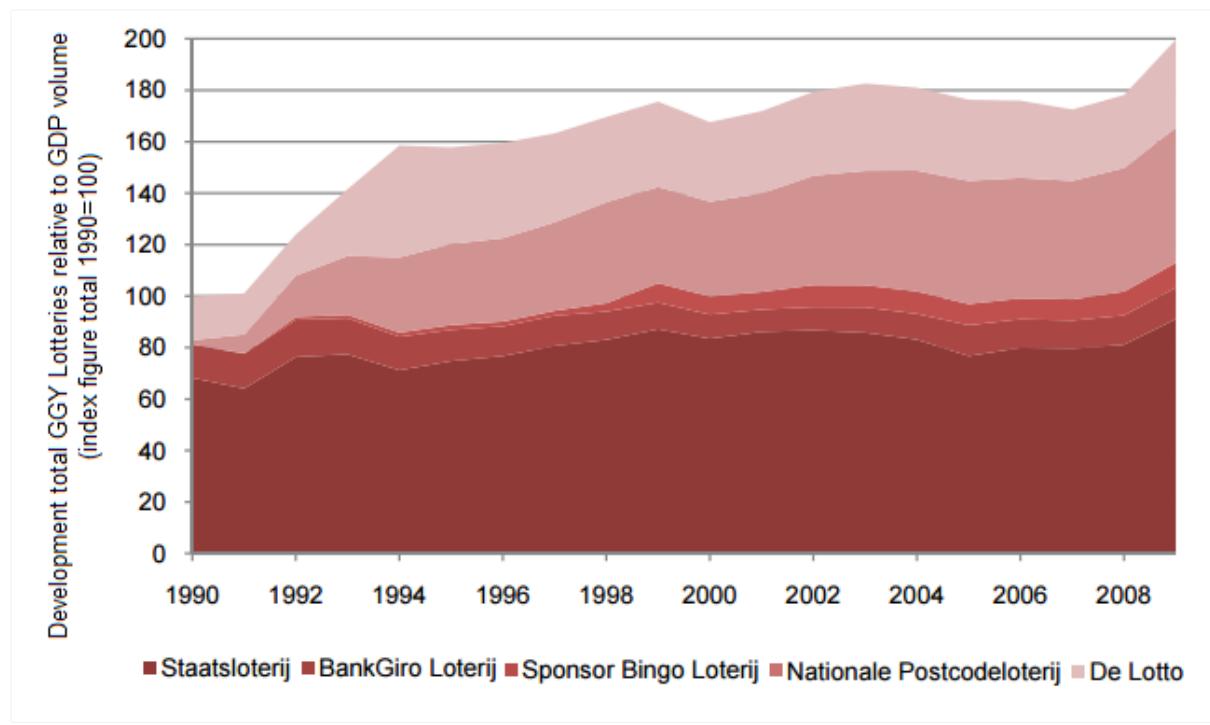
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<sup>10</sup> Information retrieved from Factsheet Novamedia as can be found at <http://www.novamedia.nl/web/file?uuid=9193ec36-b887-4e6f-b052-78e50962e566&owner=e404a87e-5c6c-4888-9748-1e6e403a5dfc>.

<sup>11</sup> Annual report Staatsloterij 2014, as can be found online at:

<https://www.nederlandsestaatsloterij.nl/sites/default/files/uploads/uploads/publicatiesendownloads/Jaarverslag%20Nederlandse%20Staatsloterij%202014.pdf>.

<sup>12</sup> The table as shown in figure 6) above is derived from and a translation of the graph on page 8 of the 2010 SEO report 'Lotsbestemming' as can be found at [http://www.seo.nl/uploads/media/2010-62a\\_Lotsbestemming.pdf](http://www.seo.nl/uploads/media/2010-62a_Lotsbestemming.pdf).



(Figure 6: Developments of total GGY of Dutch Lotteries relative to GDP volume)

The conclusion for the Dutch market is that the advance of alternative lotteries on the Dutch market did not occur to the detriment of the incumbent state lottery but in fact more than doubled the size of the lottery market whilst allowing the incumbent to continue growing.

The British and Swedish lottery markets are comparable to the Dutch lottery market. There are state lotteries operating but also alternative lotteries that pay contributions to charities and sports. In the UK next to the National Lottery, various smaller charity lotteries operate but also larger national lotteries such as the Health Lottery and the People's Postcode Lottery ('PPL'). In Sweden, similar smaller charity lotteries exist that operate lotteries next to Svenska Spel. Most notably Svenska Postkod Lotteriet is operating very successfully on the Swedish market.

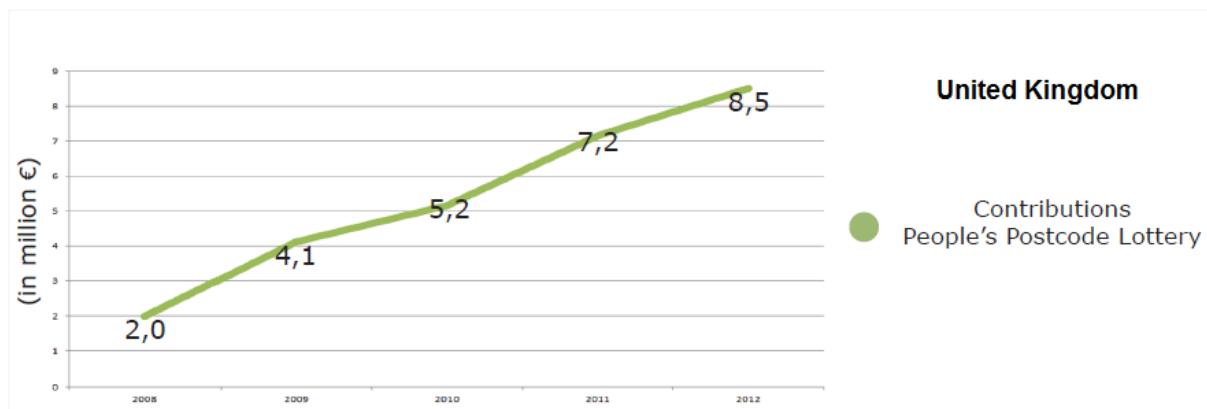
The graphs below show, based on the contribution rates of the PPL and Svenska Postkod Lotteriet, that in a regulated online gambling market with competition (United Kingdom) as well as in a monopolist situation (Sweden), contributions to charities and sports have increased considerably. The charity and sports organisations in those countries have directly benefited from this additional lottery funding.

### The United Kingdom lottery market

The People's Postcode Lottery in the UK is required to contribute a minimum of 20% of its revenues to charities and sport. In 2010, this contribution rate was 20% (EUR 5.2 million). In 2012 the rate was set on a percentage of 23% (EUR 8.5 million)<sup>13</sup>. In the year 2007-2008, the contribution rate of the largest lottery in the UK, the National Lottery, was 27% (GBP 1.4 billion). In the year 2011-2012, this percentage was 28% (GBP 1.8 billion).<sup>14</sup>

<sup>13</sup> Information Retrieved from the Annual reports People's Postcode Lottery (2009-2012).

<sup>14</sup> The National Lottery is subject to a different levy system than the People's Postcode Lottery is; ref. 'Third license to operate National Lottery', pages 129 and 140 (2009)



(Figure 7: Development of Contributions of the UK People's Postcode Lottery)

There are no signs that the advance of alternative lotteries in the UK has had a negative effect on the development of total revenue of the National Lottery in the UK. Quite the contrary: it's total revenue grew considerably and with it the contribution to sports and charities. Over the period 2009 – 2012 charity lotteries' proceeds to good causes increased from GBP 100 million to GBP 152 million in 2012. At the same time, contributions to charities donated by the National Lottery increased from GBP 1.6 billion to GBP 1.95 billion, resulting in an increase in the funds going to charities from the lotteries sector taken as a whole.<sup>15</sup>

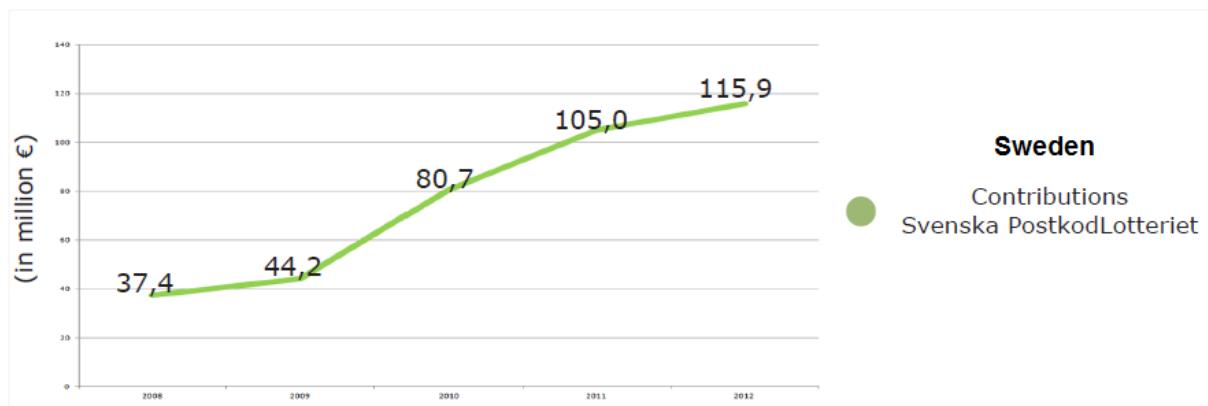
There is little evidence to suggest that the National Lottery would be significantly affected by partial deregulation of charity lotteries, with the overall impact likely to be an increase in total proceeds available for charities and sports – evidence following growth in charity lotteries since 2009 suggests society lottery expansion can boost proceeds to good causes in both the society lottery sector and the National Lottery.<sup>16</sup>

### The Swedish Lottery Market

And finally the effect of alternative national operating lotteries becoming available on total contribution in the Swedish market. Svenska Postkod Lotteriet started in 2005 and quickly became successful and attracted Swedish lottery players. In 2008, the contribution rate of the Svenska Postkod Lotteriet was 22% (EUR 37.4 million). Four years later, in 2012 this percentage was 33% (EUR 115.9 million). The average annual growth rate of one of the largest lotteries in Sweden, Svenska Spel, was 1.7% between 2004 and 2012. The overall growth in this period was 14%. The total contributions made by Svenska Postkod Lotteriet to charities and sports in the past five years have grown due to a 110% revenue increase.

<sup>15</sup> CEBR, 'What have we got to lose?', February 2014, p.24 [http://www.cebr.com/wp-content/uploads/2014/02/2014-02-26\\_Society-lotteries-report.pdf](http://www.cebr.com/wp-content/uploads/2014/02/2014-02-26_Society-lotteries-report.pdf)

<sup>16</sup> CEBR, 'What have we got to lose?', February 2014, p.2 [http://www.cebr.com/wp-content/uploads/2014/02/2014-02-26\\_Society-lotteries-report.pdf](http://www.cebr.com/wp-content/uploads/2014/02/2014-02-26_Society-lotteries-report.pdf)



(Figure 8: Development of Contributions of the Sweden's Svenska Postkod Lotteriet)

>Revenues for the voluntary sector

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>According to Rambøll's report, a licensing scheme will provide increased tax revenues to the  
>Norwegian state but less revenue for Norsk Tipping. Rambøll's supplementary report concludes that  
>when seen overall, there might be somewhat more revenue today for the voluntary sector through a  
>licensing scheme, but this assumes that all tax revenues are allocated for the sector's purposes, as  
>these revenues will not be earmarked for the purposes in the same manner as Norsk Tipping's  
>surplus is.

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>Question 3:

>How do the consultative bodies view the idea that revenue can be secured for the voluntary sector  
>from gaming under a licensing scheme, compared with the current monopoly in which Norsk  
>Tipping's surplus goes directly for the purposes?

In response to the introduction of Q3 and the Report's assessment that a licensing scheme will provide tax revenues to the Norwegian state but less revenue for Norsk Tipping we can state based on the above that this is incorrect. There will not be any substitution or cannibalisation of online gambling operators of Norsk Tipping's revenues. Based on experiences in other European markets, including the UK and Denmark, Norsk Tipping's revenue is likely to continue to increase at market opening. The market share that will go to the newcomers is coming from what currently is considered unregulated operators (channelled towards a regulated offer). Please also refer to the extensive explanation in the above about the lack of substitution.

The second statement in the introduction to Q3 that the Report concludes that when seen overall, there might be somewhat more revenue today for the voluntary sector through a licensing scheme, but this assumes that all tax revenues are allocated for the sector's purposes, as these revenues will not be earmarked for the purposes in the same manner as Norsk Tipping's surplus is. This is also incorrect as the Report apparently assumes that it would be necessary to impose tax on online games to (continue to) fund the charities (the voluntary sector) as Norsk Tipping supposedly would have less revenue. As seen in the above General remarks part, there is no reason to assume that Norsk Tipping's revenues will suffer from opening the online gambling market, quite the opposite is true: the total market size will increase and in various countries in Europe the incumbents grew alongside the entrance of new regulated online gambling operators (see Denmark as an extreme example).

In response to Q3 on the idea that that revenue can be secured for the voluntary sector from gaming under a licensing scheme, compared with the current monopoly in which Norsk Tipping's surplus goes directly for the purposes, revenue for the voluntary sector does not need to be secured from gaming under a licence scheme as the underlying expected substitution will not occur. Norsk Tipping's lottery revenues will remain unaffected by regulating the online gambling market. Also see above mentioned evidence from other European markets. Furthermore, allowing alternative charity

lotteries on the Norwegian market will have a further increasing effect on the total contribution of the joint lottery market to Norwegian charities and sport and society as a whole.

Finally, on a separate note: the suggestion that in the current monopoly Norsk Tipping's surplus goes directly for the purposes, we would like to respectfully mention that how much eventually goes from Norsk Tipping to the charities and sports organisations is currently under deliberation at least<sup>17</sup>. Based on the public debate currently with Extrastiftelsen one could assume that there is room for improvement on the way Norsk Tipping currently directly forwards its surplus to the charities and allowing alternative charity lotteries to enter the Norwegian market in a transparent licensing system and introducing a transparent attribution system for contribution to charities might alleviate concerns that currently exist.

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<sup>17</sup> <http://www.dn.no/meninger/debatt/2015/05/07/2151/Spill/historielst-raid>  
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