

## Executive Summary

### Background – Context for the Study

In its *'White Paper on Sport 2007'*, the European Commission (EC) recently acknowledged the essential role of sport in European society. One of the key issues outlined was *"Putting Public Support for Sport on a More Secure Footing"*.

The EC concluded that in many Member States, sport is at least partly financed through a tax or levy on state-run or state licensed gambling or lottery services. It went on to invite Member States to reflect upon how best to maintain and develop a sustainable financing model for providing long term support to sports organisations.

In support of this request, the French government recently commissioned its own study - begun in May 2008 - on the public and private financing of sports generally across Europe. The summary of this study, by Amnyos Consulting, was recently made available to a Meeting of EU Sport Directors General on 30-31 October in Versailles; and it is expected that it will also be presented to the EU meeting of all 27 Ministers responsible for Sport on the 27-28 November in Biarritz.

In recognition of the above context, the EGBA asked Sportsbusiness to run its own independent data check, initially in two Member States (the UK and France) – chosen because of their perceived differences as opposite ends of a continuum that represents a state-run monopoly on the one hand, and a competitive gambling market on the other - to present the facts as it finds them, and also to comment on the data collected from a qualitative perspective.

### Objective of the Study

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- *An analysis of the funding models of the gambling industries of France and the United Kingdom and their overall contribution to sports (including, grassroots sports) provision;*
- *A comparative analysis of the two jurisdictions reviewed – on a true, 'like for like' basis;*
- *An identification of the extent to which grassroots sport benefits from the other, multiple sources of funding at the disposal of both Member States (eg sports advertising, commercial sponsorships, TV rights issues etc); and*
- *A conclusion on whether the arrival of further competition in the online gambling sector will, or will not, be considered detrimental to the above funding models.*

## Findings

Sportsbusiness analysed the Sports Funding Models of both the UK and France from both a 'top down' and 'bottom up' perspective. 'Top down' to establish the contribution, scale, destination and the type of funding by the gambling industry of all sport in each country; and 'bottom up' to confirm the importance of the funding derived from the gambling industry (and indeed, other key stakeholders) to a targeted 8 to 10 of the most popular sports - common to both nations.

In the final analysis - 13 UK, and 9 French, sports were assessed. Together, they represented almost 80% of all lottery funding expended on sport in both Member States at the moment.

7 main Quantitative, and 5 main Qualitative, findings were discovered:

### '7 Quantitative Findings'

- 1. Major Structural Differences Between the UK and France Sports Funding Models** - There are vast structural differences between the UK and France sports funding models. The former is open, 'entrepreneurial', and benefiting from investment via some **44 different funding bodies**; while the latter puts a strong emphasis on **state run support**, and indeed the 'official' contribution made by the ménages at **€15,180m** per annum (or 1.59% of all household spending).  
*(Paragraph 4.39, p44)*
- 2. Similar Overall Spending Pictures** - Despite the structural differences, the overall amount of funding on a true 'like for like' basis is **roughly similar** – at **€25,735m** per annum in the UK and **€28,770m** in France. Household spending represents the biggest contributor at **2.8%** of average annual spend in the UK, and **1.59%** in France. Support when expressed by per head of population is **€421** in the UK, and **€451** in France.  
*(Graphic 6, p21 and Graphic 30, p45)*
- 3. Similar Lottery Contributions to Sport** - During the period 2004 to 2007, **4.5%** of UK National Lottery Sales were allocated directly to sport. La Francaise des Jeux's (FDJ) contribution to sport over the same time period was **3.8%**.  
*(Graphic 50, p55)*
- 4. Different 'Type' of Lottery Contributions to Sport** – While most lottery funding is routed through structured programmes of support in both countries, the French model also accommodates the direct employment by the State (on behalf of the Federations) of some **7,292 staff** - including **1,571 coaches** at a combined cost during 2007 of approximately **€99.0m**.  
*(Paragraph 4.51, p48)*
- 5. 'Top Down' Analysis Shows Marked Differences in Grassroots and Performance Sport Lottery Contribution** – From our 'top down' analysis, we found that an average of **€4.8m** per annum in lottery funding was received by each of the French Federations analysed, with **33.3%** of this sum allocated for **grassroots** sport

and **66.7%** on **performance**. In the UK, NGBs benefited by a higher amount at **€6.4m** each - with **56.3%** allocated to **grassroots**, and **43.7%** on **performance**.

*(Graphic 54 and Paragraph 5.8, p57)*

6. **'Bottom Up' Analysis Shows UK Sports Are Much 'Better Off'** – From our 'bottom up' analysis, we found that the average annual budget per UK NGB was **€80.1m** compared to **€46.4m** in France. Of this, commercial funding represented the most important income source at **67.4%** of revenue in France, and **65.4%** in the UK; with lottery funding accounting for **10.2%** of revenue in France, as opposed to **7.9%** in the UK.

*(Graphic 59, p59 and Paragraph 5.11, p59)*

7. **Additional Commercial Operators' Contribution in the UK** – Finally, the UK commercial gambling industry contributed approximately **€164m** of additional funds to sport (or €41m per annum) during the period 2004 to 2007. The majority of this spending was on football which was in receipt of an estimated €133m over period, or €33m per annum.

*(Paragraph 3.81, p35)*

### **'5 Qualitative Findings'**

1. **'Flexible' Use of Lottery Funds in Support of French Sport** - Although a separate lottery 'pot' exists within France – the **Centre National pour le Développement du Sport (CNDS)** – its funds are effectively used by the Ministère de la Jeunesse, des Sports et de la Vie Associative to **'top up'** existing exchequer funding of sport, rather than as a source for any 'stand alone' funding bid applications.

*(Paragraph 4.18, p40 and Paragraph 4.45, p47)*

2. **Over Reliance on State Funding of Sport In France Set to Change** - In relation to the French sporting system, there is an increasing desire to develop **more external revenue** for the leading French Sports Federations (particularly in the wake of Beijing 2008) – called for by:

- *Le Ministère de la Jeunesse, des Sports et de la Vie Associative – because it believes its **subvention** to the sports is **increasing** in real terms; while Federation membership is decreasing (particularly as a result of more participants now taking part in sport informally, haphazardly, and without recourse to their governing body);*
- *The professional sports (particularly football and basketball) – because they require greater funding support in order to **retain** the best players (and coaches) within the French club system; and when they play for the French national team, to cover the players' **insurance** premiums in the event of serious injury;*
- *INSEP (Institut National du Sport et de l'Éducation Physique) – because although it is already benefiting from new **private sector backing** in relation to the financing of its current facilities refurbishment programme, it is concerned that greater revenues will be needed over and above the current level of State funding in order to preserve its **reputation** as a beacon of excellence and not fall behind world standards.*
- *Olympic sports (particularly table tennis) – because they are seeking to develop their athletes by establishing innovative talent development **'twinning'** programmes with leading countries in their field (eg China).*

*(Paragraph 4.38, p44 and Paragraph 4.33, p43)*

3. **Italy – ‘No Noticeable’ Change in the Context of the Regulated Opening of the Market** - Of relevance to the above, we established during our desk research that in **Italy** - since its sportsbetting market was deregulated last year - there has been **no, noticeable cannibalisation** of existing lottery products.

*(Paragraphs 6.8-6.11, pp62-63)*

4. **UK – ‘Modest and Temporary’ Change in the Context of the Regulated Opening of the Market** – Similarly, we found that the introduction of the UK National Lottery in the mid 1990s demonstrated that even where there is an initial cannibalisation of a product’s sales by a new one; it is likely to be **modest** and that much change can be due to **novelty**, with the majority of players returning to their longer term habits over time.

*(Paragraphs 6.14-6.15, p63)*

5. **UK Gives Higher Percentage of Lottery Sales to Sport than Both France and Germany** – In a three way comparison with **Germany** as the other major nation briefly analysed as part of our summary overview of 16 European lottery playing nations, we found that the UK model gives the highest percentage of lottery sales to sport at **4.5%** (in comparison to France on **3.8%**; and Germany on **0.6%**).

*(Graphic 64, p64)*

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