

Study on the Contribution of the Gambling Industry to the Funding of Sports in Two Member States – the UK and France

Final Report

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European Gaming and Betting Association

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CONTENTS

Executive Summary	Page 3
1. Background - Context for the Study	Page 7
2. Methodology	Page 9
3. UK – Sports Funding Model	Page 11
4. France – Sports Funding Model	Page 37
5. UK and France – Sports Funding Model Comparison	Page 55
6. Lessons From Other Markets – Recent Examples	Page 62
7. Analysis and Conclusions	Page 66
Appendices	Page 69

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

The objective of the study agreed was:

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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:

- *La 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)

1. BACKGROUND – CONTEXT FOR THE STUDY

- 1.1 Sportsbusiness is a leading independent sports consultancy based in the United Kingdom (UK). Established since 1999, it has in recent years - through an associate relationship with a former partner of Global Betting and Gaming Consultants and now Director of new company, H2 Gambling Capital - developed a unique expertise in the supply of gambling and its inter-relationship with the funding of sport across the European Union (EU).
- 1.2 Following the publication of the European Commission (EC) *'White Paper on Sport 2007'*, Sportsbusiness was approached by the European Gaming and Betting Association (EGBA) in June 2008 to undertake an independent fact finding study and assessment into the 'Contribution of the Gambling Industry to the Funding of Sport in Two Member States – the UK and France'.
- 1.3 The EGBA is the leading association for European online gaming and betting operators. It represents major European operators established and regulated within the EU such as Bet-at-home.com, bwin, Digibet, Carmen Media Group, Expekt, Interwetten, PartyGaming, and Unibet. The EGBA promotes the right of private gaming and betting operators that are regulated and licensed in one Member State to have fair market access throughout the whole of the EU.
- 1.4 In its White Paper on Sport, the EC has 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 highlighted that it understands the importance of public support for 'grassroots' sport, and confirmed that it is in favour of such support provided it is granted in accordance with EC competition law. In addition, the European Parliament resolution on the White Paper voiced its concern at the possible *"deregulation"* of gambling services and its impact on the continued financing of professional and grassroots sports.
- 1.5 It was 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. The EC 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.
- 1.6 In support of this request, the EC also called for an independent study into the financing of 'grassroots' sport from both public and private sources in all 27 Member States, and on the impact of on-going changes in this area. It is expected that this study will be completed during the French Presidency of the EC, and will be published by the end of the financial year 2008/09. In parallel, 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.
- 1.7 In recognition of the above context, the EGBA has 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. The objective of the study agreed was:

Graphic 1 - Objective of the Study

- *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*
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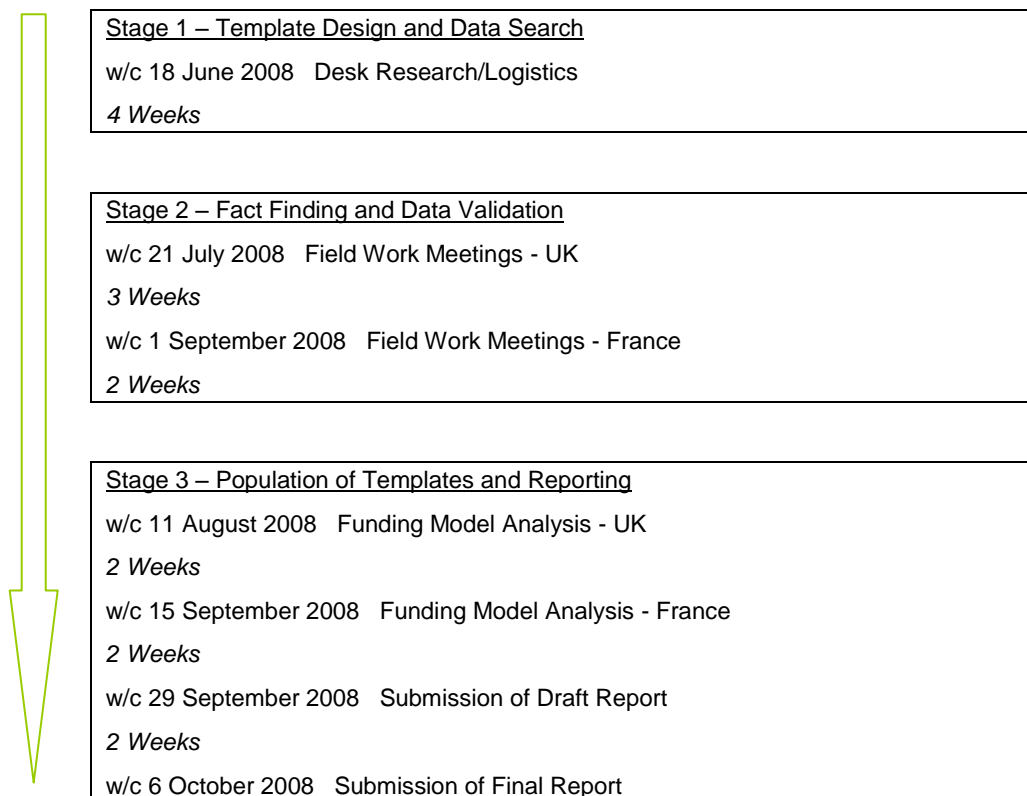
1.8 In achieving the above, it was agreed that consideration should be given to the following:

- The total scale of the contribution;
- Where the funding is directed (ie ‘grassroots’, ‘performance’, ‘people/places’);
- The types of sports that benefit (‘professional’ versus ‘amateur’ sports);
- The level of funding towards amateur versus professional sports;
- The level of other types of funding (ie sponsorship, advertising, marketing).

2. METHODOLOGY

- 2.1 In order to validate the data collected and provide as accurate a funding picture as possible in the quickest timeframe, the optimum methodology agreed was to conduct the study in two components across three carefully scheduled stages. The two components comprised a 'top down' perspective to establish the contribution, scale, the destination and the type of the funding of all sport by the gambling industry. This was conducted in parallel to a 'bottom up' analysis of 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.
- 2.2 The three stages were designed to redress a number of potential outcomes experience had taught can weaken studies of this kind, such as the possibility of traditional data questionnaires either not being filled in correctly; or indeed, being completed and returned by the wrong person within the organisation targeted. In addition, the methodology chosen was also designed to take into account a timescale that had to accommodate the height of European summertime (August); and the clash with the staging of the Beijing 2008 Olympic and Paralympic Games.
- 2.3 One key tactic was for Sportsbusiness to utilise its in house team of desk researchers in order to draw together as much data as possible early on in the study, prior to engaging its network of key contacts throughout the EU, and the various UK and French sports federations targeted, in order to set up face to face field meetings with the key personnel directly responsible for validating and confirming all data collected. In summary, the three stages were:

Graphic 2 – Study 'Three Stage' Process



- 2.4 In relation to the 'template' referred to above, drawn up to analyse all the data collected and ensure a true 'like for like' comparison between the two Member States - both 'top down' and 'bottom up' variations were developed. Figures run were for a full four year funding cycle over the calendar years 2004-07. This duration was chosen in order to reflect an Olympiad in the case of the so called 'amateur' sports, and a World/European Championships cycle in the case of many of the 'professional' sports. All funding amounts were collated in European Euros (€), using the current exchange rate of 0.792 GB Pounds: 1 Euro wherever applicable. It was agreed all text, commentary and analysis be provided in the English language only at this stage.
- 2.5 Finally, the following definitions were used during the study in order to ensure as much commonality as possible when comparing data across the two nations:

Graphic 3 - Study Definitions

Category	Definition	Principally Organised Via
'Grassroots'	<ul style="list-style-type: none"> Formal, organised sport within <u>education</u> (primary, secondary, tertiary) Formal, organised sport within the <u>local community</u> Formal, organised sport within the <u>voluntary club</u> 	⇒ State funded education ⇒ Local Government ⇒ Governing Body/Federation
'Performance'	<ul style="list-style-type: none"> <u>Representative</u> sport at county, regional, national level (junior and senior) Sport in the professional <u>club</u> or on the professional <u>tour</u> 	⇒ Governing Body/Federation ⇒ Professional Leagues/Tour
'People/Programmes'	<ul style="list-style-type: none"> <u>Revenue</u> funding in support of the playing of formal, organised sport 	⇒ State Central and/or /Local Government
'Places/Facilities'	<ul style="list-style-type: none"> <u>Capital</u> funding in support of the provision of facilities and equipment where formal, organised sport is played 	⇒ Local Government
'Events'	<ul style="list-style-type: none"> Spectator <u>paying</u> events 	⇒ Governing Body/Federation
'Professional'	<ul style="list-style-type: none"> Sport when athletes are <u>paid to play</u> as employees of a club/team or members of a professional tour 	⇒ Professional Leagues/Tour
'Amateur'	<ul style="list-style-type: none"> Sport when athletes are <u>free to compete</u> (for money or not) at any level desired 	⇒ Governing Body/Federation

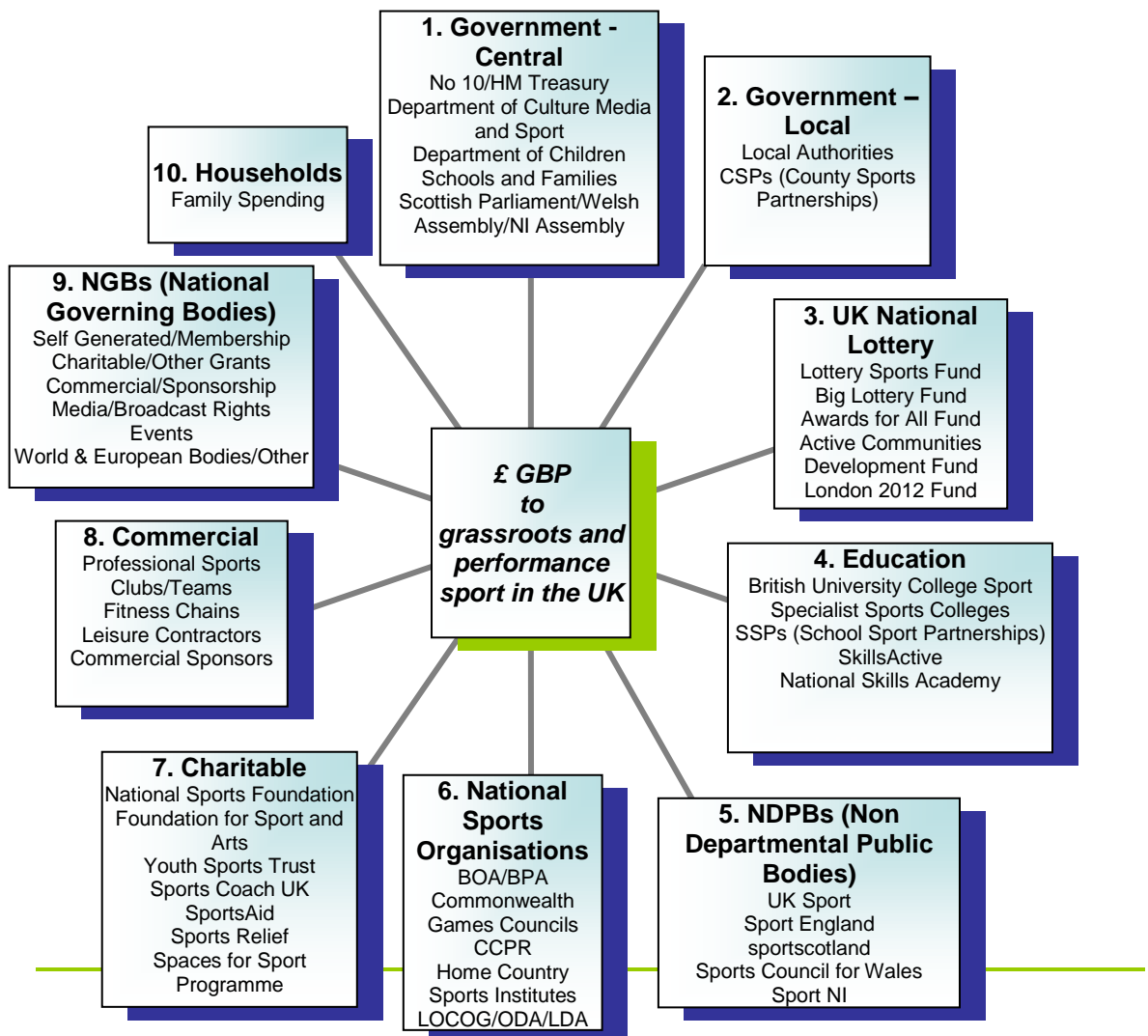
3. UK – SPORTS FUNDING MODEL

UK Structure – Overview

Note: All figures official UK Government statistics/Sportsbusiness (2008)

- 3.1 Sport in the UK represents 2% of the country’s GDP (twice that of agriculture) and attracts significant commercial, exchequer, lottery and charitable funding. Yet while the funding model in place is one of the most effective within the European Union (in terms of revenues generated), it is also regarded as one of the most complex.
- 3.2 Support to both grassroots and performance sport is open, ‘entrepreneurial’, and benefiting from investment via some 44 generic (yet all essentially different) funding bodies over and above the national governing bodies for each sport. Because of this variety, it is not surprising that commentators, analysts, and academics have all failed in recent years to agree upon a common descriptor of the UK funding model; however for the purposes of this study, we have found the simplest explanation to be to group investors into 10 main categories:

Graphic 4 - Main Funders of Sport in the UK



- 3.3 Prior to further analysis under each category, it must be stressed that the model in the United Kingdom has added complexity because it also covers 5 different administrations – the UK/GB level itself, plus the four home countries of England, Scotland, Wales and Northern Ireland. This has resulted in the evolution in some instances (particularly since the first Blair government of 1997) of 5 parallel bodies effectively performing the same funding role – the most notable example being the 5 NDBPs of UK Sport, Sport England, sportscotland, Sports Council for Wales, and Sport Northern Ireland.

Government - Central

- 3.4 At central Government level, the primary Department with jurisdiction for sport in England and the UK is the Department for Culture, Media and Sport (DCMS). Within the three remaining home countries, the same function is performed centrally by the Scottish Parliament, the National Assembly for Wales, and the Northern Ireland Assembly, although the funding sums are much smaller. The DCMS provides direct funding in accordance with appropriate Public Service Agreements (PSAs) to two sports NDPBs - Sport England and UK Sport. Sport England is funded *“to promote and invest in grassroots and community sport”*, whilst UK Sport is supported in *“helping the UK towards world class success”*. Both Sport England and UK Sport distribute lottery and exchequer funds to sport (€222.46m and €138.19m in 2006/07 respectively) – see more later.
- 3.5 In addition to funding routed through its sports NDPBs, No 10 provides indirect support via an 80% rate relief on all business rates charged to voluntary sports clubs by HM Treasury; and direct support via its pump priming of the organisation of the forthcoming €11.8bn London 2012 Olympic and Paralympic Games. The DCMS in turn runs three direct sports development programmes: TASS (Talented Athlete Scholarship Scheme) for university based elite athletes at c€5.07m pa; CCDF (Club Community Development Fund) for the capital funding of local sports club facilities at c€12.05m pa; and Sportsmatch – the £ for £ programme that encourages the business sector to invest in sport at the grass roots level – awarding c€45.67m to more than 3,800 projects in 78 different sports since 1995.
- 3.6 Finally, the DCSF (Department for Children Schools and Families) currently invests c€329.22m pa into the PESSCL (Physical Education and School Sport Club Links) programme to encourage school leavers to join sports clubs and prevent ‘drop off’ at aged 16-19.

Government - Local

- 3.7 By far the biggest investors in sport in the UK are its c640 Local Authorities (LAs). Indeed, sport and leisure provision is regarded as one of only three services delivered by LAs that can make a profit (the others being car parking and cemeteries). In 2007, the Local Government Association estimated c€1.5bn revenue spending on sport by LAs, with a further €570.91m on capital development and/or refurbishment of facilities.
- 3.8 The facilities stock represents a current funding dilemma however. In England, there are 1,642 LA run or owned sport and leisure facilities. These break down into 679 wet leisure centres, 569 dry

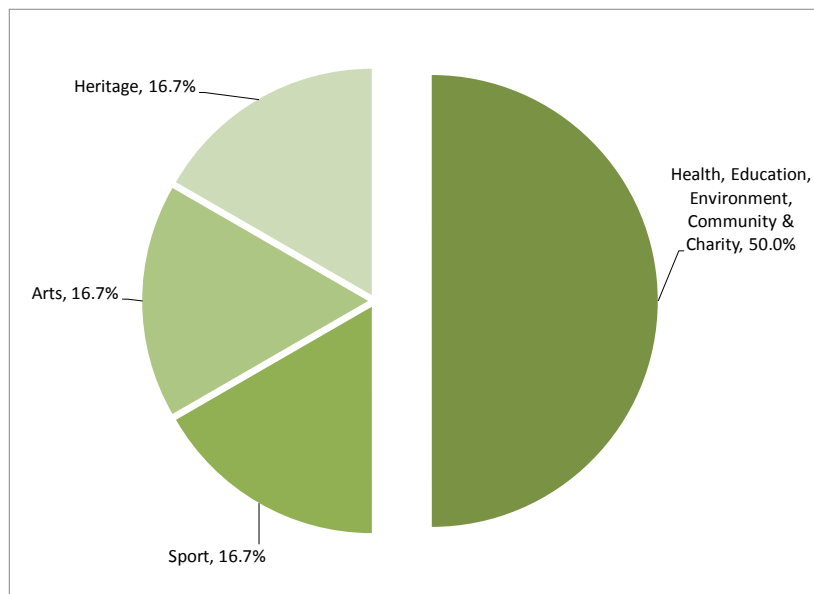
leisure centres/sports halls, and 394 stand-alone swimming pools. Yet the current stock is old: the average age is around 25 years, compared to 11 years in the private sector, with only a third less than 20 years old.

3.9 The public expectation leading up to London 2012 in particular, is for further investment still to come, yet LAs are required to operate to a cost-driven culture – embedded through successive waves of CCT (Compulsory Competitive Tendering), Best Value and CPA – and the reality is that despite huge investment in recent years (including an additional c€2.3bn capital from the National Lottery since 1994), there has been a steady re-direction of funds towards education and social services, with sport being afforded a lower priority.

3.10 The above said, the introduction of 49 County Sports Partnerships in 2005 has bucked the trend in revenue terms. Pump primed by LAs, these also benefit from €15.54m funding annually from Sport England to link the vision and targets of NGBs to local infrastructure; to develop local sports clubs; and to improve school-club links.

UK National Lottery

Graphic 5 - UK National Lottery Good Causes Distribution



Source: Camelot (2008)

3.11 The introduction of the UK National Lottery in 1994 was seen as one of the most significant improvements to the UK sporting system, however in recent years the sums allocated to sport have diminished in real terms. On its launch, sport - both grassroots and performance, via the Lottery Sports Fund (LSF) - was allocated 20% of all proceeds alongside four other 'good causes'. By the turn of the Millennium, however, this percentage had shrunk to 16.7%, with the introduction of a new Big Lottery Fund (BLF) responsible for distributing 50% of the overall proceeds to education, health and environment initiatives across the UK. That said, sport does continue to benefit (c€215m pa) from those BLF schemes where it can demonstrate a link to those three policy areas.

- 3.12 In addition to sums generated through the LSF and BLF, sport in the UK also benefits from the Awards for All Fund (€90m) and the Active Communities Development Fund (€116m). The former is a joint lottery programme supported by Heritage Lottery Fund, Arts Council of England, the National Lottery Charities Board and Sport England. It gives applicants the opportunity to apply for Lottery grants ranging from €650 to €12,750. These are designed to support short term revenue schemes that develop opportunities for participation in sport, particularly by target groups. Examples include coach training, competitions, leagues, participation programmes, and associated non-personal items of equipment. The latter is designed to increase sports participation among black and ethnic minority communities, people with disabilities, women and girls, people on low incomes.
- 3.13 Specifically in relation to the Lottery Sports Fund (the principal funding source for spending on sport in the UK) at €279m pa, investment is distributed via the 5 sports NDPBs – with UK Sport running ‘World Class’ Pathway and Events programmes in support of performance sport at the UK/GB level; and the home country Sports Councils distributing their share on a population based, pro rata allocation (Sport England – 83%; sportscotland - 9%, Sports Council for Wales – 5%; Sport NI – 3%).
- 3.14 Finally, a new London 2012 ‘Going for Gold’ Fund was created in 2006 – with the aim of raising an additional c€250m towards the overall budget of c€750m towards the cost of taking Team GB to the Games. Currently, this is over-performing against expectations.

Education

- 3.15 Over and above the €329.22m funding allocated centrally to sport from the Department for Children Schools and Families via the PESSCL programme, a raft of other education and training based investment are in place. At the HE/FE level, British University College Sport (BUCS) oversee the growing number of British universities (estimated at c35%) now opening up their sports facility provision (and accompanying degree programmes where relevant) to the local community. The most extreme example of this recently has been Leeds Carnegie Metropolitan University which in 2007 ranked in the Top 10 biggest sponsors of sport in the UK, ploughing some €35m into professional rugby union, rugby league and cricket.
- 3.16 At school level, 2005 also saw LAs pump priming (along with the Youth Sports Trust) the introduction of 450 new Specialist Sports Colleges, and their accompanying SSPs (School Sport Partnerships). In addition to this new delivery infrastructure, sport has been quick to capitalise on the biggest ever capital spending programme ever embarked upon in British schools – the Building Schools for the Future (BSF) programme – which has the aim of rebuilding or renewing every secondary school in England – sports facilities included. The overall €2.8bn exchequer funded programme is planned to span around 15 years, and will benefit over 3.3 million pupils in 3,500 schools. Sport’s share of this, however, while likely to be significant, is difficult to gauge at this early stage in the programme’s roll out.

3.17 Finally, the last five years has seen new investment into sport through the vocational skills agenda, with the establishment of SkillsActive as the €5m sector skills council for sport in the UK, and the planned introduction of a new €28m National Academy for Sport and Active Leisure this autumn - in the form of a network of 9 regional training hubs and accompanying online portal. In recognition of these new initiatives, additional money has now also flowed into sport via the Learning and Skills Council, which now provides generic support for FE colleges seeking capital new builds and redevelopments that help with the delivery of sport and recreation educational programmes, and also to coaching and young elite athlete support in the form of €11.5k pa bursaries and apprenticeships.

Non Departmental Public Bodies (NDPBs)

3.18 The majority of UK central government investment in sport has, since 1972, been routed via its sport NDPBs. All receive annual exchequer funding and since 1994, have been Lottery Distributing Bodies in their own right. Sport England (€44m pa Exchequer) and UK Sport (€19m pa Exchequer) are both accountable to Government against their respective Public Service Agreement (PSA) targets and so-called 'Funding Agreements'. The same is true for sportscotland, Sports Council for Wales and Sport NI directly via its respective administrations.

3.19 There is, currently, no line of accountability between the 5 NDPBs. Organisational and remit changes of 2006, however, brought a greater, but not total, separation of responsibility between UK Sport and Sport England for performance sport. In effect, part of Sport England's brief now is to grow the pool of talented performers that might move into the orbit of UK Sport funding and support. This point was, perhaps, overlooked in 2005 with the launch of the former's Whole Sport Planning programme and its accompanying 'Start, Stay and Succeed' funding streams for English NGBs, but has since become part of the focus of the current (2008) Sport England strategic review.

3.20 Finally, the evolution of the NDPBs own lottery investment programmes is worthy of comment here. Initially, all lottery monies were disbursed towards capital projects and in response to open applications from eligible applicants – such as local authorities and sports clubs. By 1997, however, revenue funding applications were admissible for the support and training of talented young athletes leading up to the Sydney 2000 Olympic Games. The emergence of UK Sport in 1996 created an additional distributor and resources and funds were divided out across Sport England and UK Sport in particular. Today, lottery funding represents nearly 82% of the 5 NDPBs overall budget spend.

3.21 Thereafter, Sport England allocated approximately 75% to grassroots projects and 25% to performance projects (such as the Wembley National Stadium, the Manchester 2002 Commonwealth Games, and the €150m English Institute of Sport); the capital/revenue distinction becoming less clear. Moreover at this time, at the behest of government direction, the fund became less available to open application, and an increasing number of initiatives or programmes were funded through solicited applications. Today, however, investment is much clearer; it being routed through two funding streams, roughly on a 40:60 split of the overall budget – nationally (on

a sport by sport basis to some 46 sports), and regionally (to community projects and the 49 County Sports Partnerships).

National Sports Organisations (NSOs)

- 3.22 Peculiar to the UK funding model are the variety of other independent National Sports Organisations (NSOs) that exist to support sport outside of the State. The main ones whose remit is to support performance and grassroots sport in the UK generically are described below.
- 3.23 The BOA (British Olympic Association) and BPA (British Paralympic Association) are the UK's National Olympic and Paralympic Committees - overseeing the entering of Team GB into their respective Games (funding the preparation for the Games is the remit of UK Sport). Both are self-financed, raising significant revenue from commercial sponsors, and remain proudly independent of any lottery or exchequer support.
- 3.24 At Commonwealth Games Level, a similar function is performed by the Commonwealth Games Councils of England, Scotland, Wales and NI. They, on the contrary, are funded by the Home Country Sports Councils, including any incidences of bidding to host the Games – such as for Manchester 2002 in England, and for Glasgow 2014 in Scotland.
- 3.25 The CCPR (Central Council for Physical Recreation) exists as a federation of c270 national governing bodies of sport, representing some 117 different sports/activities ranging from football to rambling. A membership body, it raises funds from government and commercial sources to provide advisory services to sport at the national and local club level, and ensure sport has a single, independent voice as well as the skills and capacity to deliver.
- 3.26 Since the mid 1990s, each of the four home countries has also developed an Institute of Sport at the elite level to provide a number of high performance training facilities and sports science/medicine services to performance athletes. 17 training centres now exist, built at a cost of c€250m (9 in England, 6 in Scotland and 1 each in Wales/NI). Each operates commercially although funding support is routed to the Institutes' main clients – the NGBs – via the 5 sport NDPBs.
- 3.27 Finally, the advent of the London 2012 Olympic and Paralympic Games is witnessing never before seen investment from three new bodies in particular: LOCOG (London Organising Committee of the Olympic Games) - responsible for staging the Games, and in particular its planned facilities and sports development 'legacy' programme for each of the 26 sports thereafter - a key component to London's winning of the bid in 2005; the ODA (Olympic Delivery Authority) - responsible for building the €11.8bn infrastructure to host the Games in London; and the LDA (London Development Agency) - responsible for developing sporting opportunities in the capital city on the back of the Olympiad.

Charitable

- 3.28 Of equal importance in recent years has been the increased number of generic charitable trusts and foundations that have been established to support British sport. The most significant of these recently has been the National Sports Foundation established directly by Prime Minister Gordon Brown when serving as the Chancellor of the Exchequer in 2006 *“to facilitate and encourage partnerships between private investors and community sports projects in England”*. In essence, new or additional private investment is matched pound for pound with Foundation funding. Some €43m was announced in the 2006 budget speech, with €19m allocated across the so called ‘big 5’ sports of football, rugby league, rugby union, tennis and cricket.
- 3.29 A more established, but similar concern is the Foundation for Sport and the Arts. Established by the football pools promoters, this body has approximately €76 million annually to donate to sports and arts organisations. Grant aid is made for the support of ‘athletic games’, ‘athletic sport’, ‘non-athletic sport’, or ‘the Arts’.
- 3.30 In relation to school sport investment, a major landscape partner that has also emerged is the Youth Sport Trust (YST). It is a national charity, established in 1994, to *“build a brighter future for young people in sport”*. The Trust develops and implements, in close partnership with other organisations, quality physical education and sport programmes for all young people in schools and the community. The Trust’s educational sporting programmes delivered through schools are supported by a range of corporate partners, trusts and foundations, and government departments. The YST also supports the network of Specialist Sports Colleges which are designated sports-focused schools. They are at the hub of the government’s strategy to enhance young people’s opportunities to participate in a wide range of sport. The YST provides a framework of support and resources to this aim including lobbying for PE to rise from the current statutory 2 hour per week curriculum requirement in schools to 5 hours.
- 3.31 In coaching, the remit of Sports Coach UK (SCUK) extends across coach development and education and is subsumed within the so called UK Coaching Framework and the developing uniform qualification for sports governing bodies – the UK Coaching Certificate. This work is likely to also see the roll out of 9 regional coaching centres from the autumn of 2008 onwards. €1.9m funding for SCUK is primarily sourced from Sport England and UK Sport with the former more interested in the development of coaches and opportunities for coaches, and the latter in high performance sport. SCUK also provides a wide ranging programme of workshops available at different levels - as well as books, videos, coaching aids and software through its trading arm - Coachwise.
- 3.32 SportsAid and Sport Relief (a subsidiary charity of Comic Relief) both provide financial aid in the form of grants to talented young people (SportsAid), and disadvantaged young people (Sport Relief). Grants for the former are awarded to help offset the high costs of training and equipment to enable young people to make the most of their sporting ability. Grants for the latter are distributed through Sport Action Zones, which identify areas of highest deprivation.

3.33 Finally, a major partnership of recent note has been between the Barclays Spaces for Sport programme – established between Barclays Bank, the Football Foundation (see below), and Groundwork. Over 100 sustainable sports sites are to be created across the UK every year over the three year €38m programme. The facilities provided are to be dependent on the needs of each local community, but could in theory range from basketball courts to BMX tracks to football pitches.

Commercial

3.34 Commercial sector investment in British sport is routed through four main sources – professional sports clubs; fitness chains; private leisure contractors; and commercial sponsors.

3.35 It is fair to say it is not entirely clear how sponsorship (or for that matter, broadcast) monies in the UK targeted at elite or professional sport are ‘recycled’ to supporting grassroots programmes - and this remains a popular discussion area amongst the major professional sports clubs in football, rugby union, cricket – many of whom have since established their own community development schemes in support of local schools and clubs within their catchment (eg the recent ‘Playing for Success’ study support centres).

3.36 The Premiership football clubs themselves had an estimated combined turnover of €2.2bn in the 2006/07 season, and British professional football's total income is in the region of €2.9bn. Other major sports, however, have a turnover in the low tens of millions. For example, cricket has a turnover of only €77m and is highly dependent on its TV contract, which is currently worth €57m a year for the 2006-09 seasons.

3.37 There are 1,757 private sector health and fitness clubs in England – providing a significant facility stock for local community sport. Private sector leisure contractors, meanwhile, invest c€35m annually, but claim it could be considerably more if a level playing field were on offer. Some private sector operators have stated there is a lack of transparency in tendering for contracts against LAs and their in house Leisure Trusts.

3.38 Commercial sponsorship in sport, however, still remains a major source of revenue and is valued at around €570m pa (excluding commercial gambling operators contribution), although this figure may be inflated. The majority of direct sponsorship funds accrue at the elite or professional end of sport. Sponsorship at the grassroots level is estimated at no more than 10-20% of the total.

3.39 Traditionally, the top 5 biggest sectors sponsoring sport in the UK have been financial services; sports goods; alcoholic drinks; automotive; and, more recently, media and telecommunications. Commercial gambling companies and bookmakers have developed an increasing synergy with sport over the last 3-4 years, initially entering the market in football – via the Premiership clubs (32 Red, Bet24, 888, Mansion, Boylesports), but quickly expanding to a lower level - via the Football Conference (Blue Square). More on this later (paragraphs 3.79-3.86)

3.40 Finally, commentators in the UK are increasingly suggesting that three key external factors might have a positive impact on grassroots sponsorship in sport in the future: first, an increase in corporate social responsibility issues is leading companies to consider more community oriented programmes; second, the public debate over obesity and inactivity presents a cause-related marketing opportunity for corporates seeking to combat a significant social issue; and third, the increasing likelihood of the commercial sector in the UK (despite the economic downturn) now seeking to 'jump on the London 2012 bandwagon', particularly following the success of Team GB at the recent Beijing 2008 Olympic Games, and confidence in the UK government's underwriting of the event.

National Governing Bodies of Sport (NGBs)

3.41 The bedrock of British sport is its federations or 'National Governing Bodies'. Many of the NGBs are funded by all 5 sports NDPBs. There are a number of pertinent issues to consider here. Funding may be from exchequer, lottery, or both sources. Amounts vary according to the NGB plans and their relative wealth, and according to purpose of spend - be it grassroots or performance. Some sports are funded by all NDPBs, some by only one. Finally, not all NGBs are funded from the public purse.

3.42 In addition, the structure and organisation of individual NGBs is complex and diverse, as well as rooted, in many cases, in decades of tradition. However, with so many of these bodies being dependent on government funding, many have developed structures and delivery systems that mirror the prevailing NDPB structures of the time. With the advent of CSPs, the NGBs are managing and deploying their resources to make a better fit with the new 49 county based generic delivery system. There are only a few sports with the independent resources which allow them to consider alternatives to the public sector funded sports system of the time. With the increased functional separation of UK Sport and Sport England, some NGBs have also considered the spread of devolved responsibilities, setting up English as well as British bodies or federations.

3.43 At the heart of the NGBs grassroots structure are their member clubs. The UK has a rich heritage of sports club membership, largely based on small scale single sport clubs affiliated to their respective NGBs for competition, coaching and other benefits.

3.44 In addition, many of the NGBs now have their own sports specific Charitable Foundations attached to them – set up to boost investment in the grassroots of their sport. These range dramatically in size, scope and scale of operation. The Cricket Foundation, for example, works closely with the England and Wales Cricket Board (ECB) to deliver community and secondary school cricketing opportunities. The Cricket Foundation is funded in part by the ECB and in part by private donation (c€31m). It has also been a recipient of Sport England funding in recent years.

3.45 Perhaps the Foundation with the greatest 'reach' is the Football Foundation. It is the largest sports charity in the UK spending c€545m across 117 different projects since 1997 – funded by the Premier League, the Football Association (FA), Sport England and the Government. Its mission is *"to improve facilities, create opportunities and build communities throughout England"*. It is the

country's largest funder of grassroots football, and its community scheme aims to use football and other sports as a force for social change.

Households

3.46 Finally, by far the most indirect, but biggest funders of the UK sports industry are its 24.8m households. Current estimates from Sport England suggest that 2.8% of all household spending is allocated towards sports related goods and services. Latest figures from the Office of National Statistics GHS (General Household Survey) show household spending totaled €737.67bn in 2005, of which €20.65bn therefore, was on sport.

3.47 Interestingly however, this 'contribution' (unlike in France) is never considered central to the funding of sport in official UK government statistics, nor used by the UK when describing the overall amount of funding available to its sports overall.

Summary – UK Overall Spending Picture

3.48 Assimilating all the figures above allow us to project an estimated overall total spend on the UK sporting system pa. It should be noted that while many of the latest published figures available are (2008) current, for the purposes of the table below, spend has been assimilated using an annual average over the study period (2004-07). The total provides an important, and detailed, indicator of the overall spending picture currently within UK sport:

Graphic 6 - Main Funders of Sport in the UK – Overall Spending Picture

Category	Estimated Direct Spend on Sport (€m, Annual Average 2004-07)	% of Total
1. Government - Central	€367.95	1.43%
• Department of Culture Media and Sport (DCMS)	20.63	
• Department of Children Schools and Families (DCSF)	329.22	
• Scottish Parliament/Welsh Assembly/NI Assembly	18.10	
2. Government - Local	€2,086.45	8.11%
• Local Authorities	2,070.91	
• CSPs (County Sports Partnerships)	15.54	
3. Lottery – UK National Lottery	€700.0	2.72%
• Lottery Sports Fund	279.00	
• Big Lottery Fund	215.00	
• Awards for All Fund	90.00	
• Active Communities Development Fund	116.00	
• London 2012 'Going for Gold' Fund	<i>excluded</i>	
4. Education	€36.0	0.14%
• British University College Sport	3.00	
• Specialist Sports Colleges/ SSPs (School Sport Partnerships)	<i>within DCSF</i>	
• SkillsActive/National Skills Academy	33.00	
5. Non Departmental Public Bodies (NDPBs) <i>exchequer only</i>	€94.0	0.37%
• UK Sport	19.00	
• Sport England	44.00	
• sportscotland	15.00	
• Sports Council for Wales	11.00	
• Sport NI	5.00	
6. National Sports Organisations	€18.0	0.07%
• BOA/BPA/Commonwealth Games Councils	9.00	
• CCPR	9.00	
• Home Country Sports Institutes	<i>within NDPBs</i>	
• London 2012 - LOCOG/ODA/LDA	<i>excluded</i>	
7. Charitable	€198.22	0.77%
• National Sports Foundation	43.00	
• Foundation for Sport and Arts	76.00	
• Football Foundation	60.55	
• Youth Sports Trust	2.00	
• Sports Coach UK	3.00	
• SportsAid/Sports Relief	1.00	
• Spaces for Sport Programme	12.67	
8. Commercial	€646.0	2.51%
• Professional Sports Clubs/Teams	<i>within NGBs</i>	
• Fitness Chains/ Leisure Contractors	35.00	
• Commercial Sponsors (non-Gambling Industry)	570.00	
• Commercial Gambling Operators	41.00	
9. National Governing Bodies (NGBs) <i>excludes public financing</i>	€933.70	3.63%
• Self Generated/Membership	179.36	
• Charitable/Other Grants	12.89	
• Commercial/Sponsorship	503.06	
• Media/Broadcast Rights	178.10	
• Events	41.54	
• World & European Bodies/Other	18.75	
10. Households	€20,654.69	80.26%
• Family Spending	20,654.69	
Total Estimated Annual Spend	€25,735.01	100%
Expressed as Spend per Capita (pop = 61.2m)	€420.51	

Note: The budget sum for staging 'London 2012' (€11.8bn over 7 years) plus the 'Going for Gold' lottery game (€250m over 5 years) have been excluded given no obvious comparative sums exist within France

UK Financial Analysis

3.49 Our analysis of the contribution of the gambling industry to the funding of the UK's sports system is presented within the following headings:

- National Lottery Funding Overview;
- National Lottery Funding of 13 Leading Sports 2004-07 ('Top Down');
- An Assessment of the Relative Importance of 13 Sports' Funding by Source ('Bottom Up');
- The Commercial Gambling Industry's Contribution to Sport.

3.50 In both the French and the UK cases our analysis is focused on the years 2004 to 2007 inclusive. This is the case as the funding of sports can vary within the cycles of major competitions such as World/European Championships and the Olympic Games. Furthermore, we believe that it would be dangerous to assess a single year given there can be variations from longer term patterns of funding from time to time.

National Lottery Funding Overview

3.51 In the UK the National Lottery, which is operated under license by Camelot, generated total sales of €24.599bn during the period 2004 to 2007, having fallen by 4% to €6.079bn during 2007. Of these sales 50% is allocated to prizes with 28% going to the good causes.

3.52 Sport's share of the good cause money equates to just under 4.7% of sales, however our analysis has shown that €1.116bn, or 4.52%, has actually been allocated to sport via its 'primary' route – the Lottery Sports Fund - during the period 2004 to 2007. *(Note: as previously mentioned in paragraphs 3.11-3.12, an indirect allocation to sport in the UK also exists via 'secondary' routes - namely the Big Lottery Fund, Awards for All Fund, Active Communities Development Fund).*

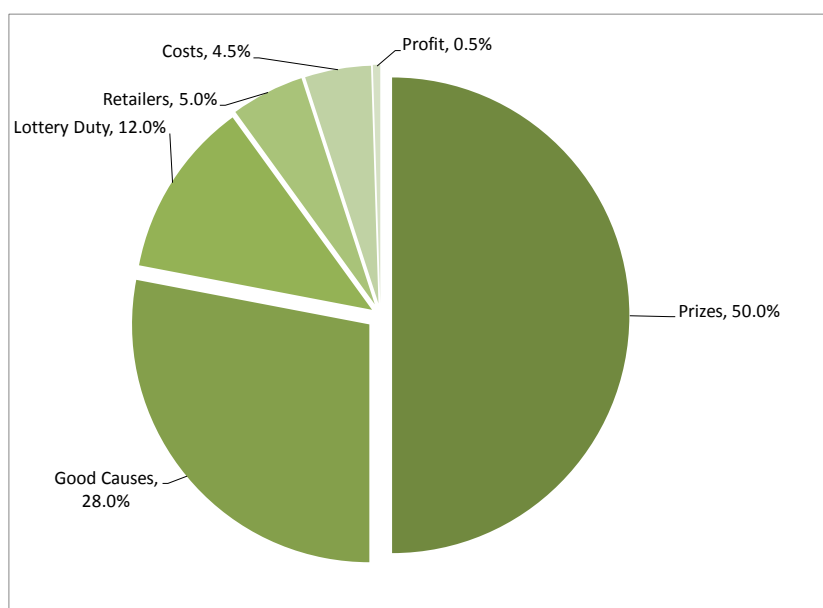
3.53 Our analysis has determined that the five distribution bodies have allocated this money across a total of 57 specific sports and four further categories: dance, movement and fitness; home countries sports; Paralympics; and multi-sport.

3.54 Across all of the funding we have determined that individual sports were awarded a total of €953.4m during 2004 to 2007, with the remaining €162.4m allocated to multi/disabled sports. In total 75.7% or €844.5m of lottery funding was targeted at 'grassroots' sport, with the remaining €271.3m focused on 'performance' sport.

3.55 During the period, sports governing bodies were allocated a total of €261.9m or 23.5% towards performance, with the allocation for grassroots being €691.5m or 62%. The remainder was allocated as €132.1m or 11.8% to multi-sports and €30.3m or 2.7% to disabled sport.

3.56 The changes in the percentage of overall funding allocated to sport since the introduction of the National Lottery in 1994 is shown in the following four graphics:

Graphic 7 - Where UK National Lottery Sales Revenue Goes



Source: Camelot (2008)

Graphic 8 - Percentage of Lottery Good Cause Money Allocated to Sport by Distribution Body

	Pre 13.10.97	to 14.02.99	to 16.05.99	to 20.08.01	to 31.03.06	to 31.03.07	From 01-04-07
UK Sport					1.5%	3.8%	5.14%
Sport England	16.66%	13.88%	4.17%	13.88%	12.60%	10.33%	8.83%
Sport Scotland	1.78%	1.48%	0.45%	1.48%	1.35%	1.35%	1.34%
Sports Council for Wales	1.00%	0.83%	0.25%	0.83%	0.75%	0.75%	0.77%
Sports Council for NI	0.56%	0.47%	0.14%	0.47%	0.43%	0.43%	0.58%
Total Sport Fund	20.00%	16.67%	5.00%	16.67%	16.67%	16.67%	16.67%

Source: Department of Culture, Media and Sport (2008)

Graphic 9 - Amount of Lottery Good Cause Money Allocated to Sport by Distribution Body

€m	2004	2005	2006	2007	2004-07 Total	Average
UK Sport	2.6	32.5	23.2	89.3	147.7	36.9
Sport England	135.4	220.4	255.3	153.4	764.5	191.1
Sport Scotland	35.4	26.8	26.8	23.4	112.4	28.1
Sports Council for Wales	12.9	13.2	16.0	13.5	55.5	13.9
Sports Council for NI	8.4	8.9	8.4	10.1	35.7	8.9
Total Sport Fund	194.7	301.7	329.8	289.6	1,115.8	279.0

Source: Department of Culture, Media and Sport/Sports Councils (2008)

Graphic 10 - The Contribution of the National Lottery to the Financing of Sport 2004 to 2007

(€m)	2004	2005	2006	2007	Total	Annual Average
Total Sport Fund	194.7	301.7	329.8	289.6	1,115.8	279.0
Camelot Sales	5,982.3	6,247.2	6,349.5	6,097.8	24,676.8	6,169.2
% Sales to Sport	3.3%	4.8%	5.2%	4.7%	4.5%	4.5%
Camelot Gross Win	2,991.2	3,123.6	3,174.7	3,048.9	12,338.4	3,084.6
% GW to Sport	6.5%	9.7%	10.4%	9.5%	9.0%	9.0%

Sources: Camelot/Sportsbusiness Analysis (2008)

3.57 In relation to the actual funding of sports, the main analysis tables below are relevant, before examining particular trends/data further:

Graphic 11 -The Leading Sports in terms of All Lottery Funding in the UK 2004 to 2007 Inclusive

Rank	Sport	All Lottery Funding (€)	Percentage of Sport Awards
1	Swimming	156,906,000	16.5%
2	Football	144,452,000	15.2%
3	Athletics	69,694,000	7.3%
4	Badminton	61,282,000	6.4%
5	Hockey	51,887,000	5.4%
6	Tennis	39,859,000	4.2%
7	Cricket	37,875,000	4.0%
8	Rugby Union	36,190,000	3.8%
9	Rugby League	33,556,000	3.5%
10	Cycling	33,439,000	3.5%
11	Sailing & Yachting	31,737,000	3.3%
12	Rowing	31,195,000	3.3%
13	Netball	27,738,000	2.9%
14	Basketball	24,216,000	2.5%
15	Gymnastics	21,972,000	2.3%
16	Equestrian	15,312,000	1.6%
17	Judo	14,474,000	1.5%
18	Golf	12,171,000	1.3%
19	Canoeing	11,556,000	1.2%
20	Ice/Snow Sport	8,706,000	0.9%
	Other Single Sports	89,159,000	9.4%
	Single Sports Total	953,376,000	100.0%
	Multi/Disability Sport Awards	162,436,000	
	Total Lottery Funding	1,115,812,000	

Source: Lottery Distribution Agencies/Sportsbusiness Analysis (2008)

Graphic 12 - The Leading Sports in terms of 'Grassroots' Lottery Funding in the UK 2004 to 2007 Inclusive

Rank	Sport	'Grassroots' Lottery Funding (€)	Percentage of Single Sport 'Grassroots' Awards
1	Swimming	129,552,000	18.7%
2	Football	128,246,000	18.5%
3	Badminton	51,916,000	7.5%
4	Hockey	44,616,000	6.5%
5	Athletics	37,127,000	5.4%
6	Tennis	34,880,000	5.0%
7	Cricket	31,168,000	4.5%
8	Rugby League	30,533,000	4.4%
9	Rugby Union	28,858,000	4.2%
10	Netball	23,820,000	3.4%
11	Basketball	20,004,000	2.9%
12	Sailing & Yachting	14,567,000	2.1%
13	Gymnastics	13,767,000	2.0%
14	Cycling	11,972,000	1.7%
15	Rowing	10,637,000	1.5%
16	Canoeing	8,722,000	1.3%
17	Golf	8,488,000	1.2%
18	Bowls	8,131,000	1.2%
19	Squash	6,146,000	0.9%
20	Judo	6,111,000	0.9%
	Other Single Sports	42,201,000	6.1%
	Single Sports Total	691,462,000	100.0%
	Multi/Disability Sport Awards	153,021,000	
	Total Lottery Funding	844,483,000	

Source: Lottery Distribution Agencies/Sportsbusiness Analysis (2008)

Graphic 13 - The Leading Sports in terms of 'Performance' Lottery Funding in the UK 2004 to 2007 Inclusive

Rank	Sport	'Grassroots' Lottery Funding (€)	Percentage of Single Sport 'Performance' Awards
1	Athletics	32,566,000	12.4%
2	Swimming	27,354,000	10.4%
3	Cycling	21,467,000	8.2%
4	Rowing	20,558,000	7.8%
5	Sailing & Yachting	17,170,000	6.6%
6	Football	16,205,000	6.2%
7	Equestrian	10,110,000	3.9%
8	Badminton	9,365,000	3.6%
9	Judo	8,363,000	3.2%
10	Gymnastics	8,205,000	3.1%
11	Croquet	7,886,000	3.0%
12	Rugby Union	7,332,000	2.8%
13	Hockey	7,271,000	2.8%
14	Cricket	6,708,000	2.6%
15	Modern Pentathlon	5,380,000	2.1%
16	Tennis	4,979,000	1.9%
17	Basketball	4,212,000	1.6%
18	Triathlon	4,107,000	1.6%
19	Netball	3,917,000	1.5%
20	Ice/Snow Sport	3,825,000	1.5%
	Other Single Sports	34,928,000	13.3%
	Single Sports Total	261,908,000	100.0%
	Multi/Disability Sport Awards	9,415,000	
	Total Lottery Funding	271,323,000	

Source: Lottery Distribution Agencies/Sportsbusiness Analysis (2008)

- 3.58 If all 57 sports are assessed then 72.5% of funding or €691.5m was focused on 'grassroots', whereas for the multi/disabled sports the level was 94.2% which equated to €153.0m.
- 3.59 It should be noted that toward the end of the period considered, a greater proportion of funding was going to performance sport. A number of high spending community facility programmes were still in full swing in 2004. However, a shift toward performance sport is a trend expected every four years in the lead up to a summer Olympic Games and as part of a longer-term trend as the UK gears up to host the games in 2012. Either way we believe that the four year period analysed provides a fair reflection of the longer term balance in lottery funding between 'grassroots' and performance sport in the UK.

- 3.60 Swimming has been consistently the highest funded sport in the UK. During the four years analysed the sport was in receipt of a total of €156.9m in lottery funding or 16.5% of the total awarded. Not only is swimming a high profile sport in Olympic terms but it also is a strong participation sport with high facility costs.
- 3.61 Swimming is followed closely by the UK's national game, football, at €144.5m with all of the other sports some way behind - led by athletics with €70.0m, then badminton at €61.2m and hockey at €51.9m.
- 3.62 In total the 20 sports whose awards we have highlighted individually account for 90.7% of the awards to individual sports during the period 2004 to 2007.
- 3.63 If just 'grassroots' funding is considered swimming and football once again came out highest at €129.6m and €128.2m respectively. In this case, they are followed by badminton at €51.9m and hockey at €44.6m - with athletics (the funding of which has been more focused on the performance end of the sport) at €37.1m just ahead of tennis at €34.9m.
- 3.64 Here the 20 sports highlighted account for 93.9% of the total lottery funding awarded to the 'grassroots' level of individual sports between 2004 and 2007.

National Lottery Funding of 13 Leading Sports 2004 to 2007 ('Top Down')

- 3.65 We have conducted a 'Top Down' analysis of the lottery funding for thirteen of the leading sports in the UK. The sports are:
- Athletics
 - Badminton
 - Cricket
 - Cycling
 - Golf
 - Football
 - Hockey
 - Rowing
 - Rugby League
 - Ruby Union
 - Sailing
 - Swimming
 - Tennis
- 3.66 Our analysis concluded that these thirteen sports account for €740.2m or 77.6% of the €953.4m total lottery funding allocated to individual sports during the period 2004 to 2007.
- 3.67 The proportion of all funding awarded to this group of sports to 'grassroots' was 73.3%. The vast majority of funding was allocated to programmes or facilities. We have observed a trend of a shift from the former to the latter during the period concerned. The former accounted for 54% of funding with 57% or €228.6m of this going to 'grassroots' sport during 2004 to 2007.

Graphic 14 - 'Top Down' Analysis of Lottery Funding 2004 to 2007 – All Thirteen Sports

	Total Lottery Funding (€)	Average Annual Funding (€)	Percentage of Category	Percentage of Total
People/Programmes				
Grassroots	228,569,000	57,142,250	57.0%	30.9%
Performance	172,188,000	43,047,000	43.0%	23.3%
Total	400,757,000	100,189,250	100.0%	54.1%
Places/Facilities				
Grassroots	314,216,000	78,554,000	94.1%	42.4%
Performance	19,776,000	4,944,000	5.9%	2.7%
Total	333,992,000	83,498,000	100.0%	45.1%
Events				
Grassroots	0	0	0.0%	0.0%
Performance	5,493,000	1,373,250	100.0%	0.7%
Total	5,493,000	1,373,250	100.0%	0.7%
All				
Grassroots	542,785,000	135,696,250	73.3%	73.3%
Performance	197,457,000	49,364,250	26.7%	26.7%
Total	740,242,000	185,060,500	100.0%	100.0%

Source: Lottery Distribution Agencies/Sportsbusiness Analysis (2008)

Note: The above analysis includes the sports of athletics, badminton, cricket, cycling, football, golf, hockey, rowing, rugby league, rugby union, sailing, swimming and tennis

Graphic 15 - 'Top Down' Analysis of Lottery Funding 2004 to 2007 – Nine Olympic Sports Only

	Total Lottery Funding (€)	Average Annual Funding (€)	Percentage of Category	Percentage of Total
People/Programmes				
Grassroots	94,849,000	23,712,250	41.2%	19.9%
Performance	135,238,000	33,809,500	58.8%	28.4%
Total	230,087,000	57,521,750	100.0%	48.3%
Places/Facilities				
Grassroots	240,418,000	60,104,500	100.0%	50.5%
Performance	0	0	0.0%	0.0%
Total	240,418,000	60,104,500	100.0%	50.5%
Events				
Grassroots	0	0	0.0%	0.0%
Performance	5,493,000	1,373,250	100.0%	1.2%
Total	5,493,000	1,373,250	100.0%	1.2%
All				
Grassroots	335,268,000	83,817,000	70.4%	70.4%
Performance	140,731,000	35,182,750	29.6%	29.6%
Total	475,998,000	118,999,500	100.0%	100.0%

Source: Lottery Distribution Agencies/Sportsbusiness Analysis (2008)

Note: The above analysis includes the sports of athletics, badminton, cycling, football, hockey, rowing, sailing, swimming and tennis.

Graphic 16 - 'Top Down' Analysis of Lottery Funding 2004 to 2007 – Four Non-Olympic Sports Only

	Total Lottery Funding (€)	Average Annual Funding (€)	Percentage of Category	Percentage of Total
People/Programmes				
Grassroots	133,720,000	33,430,000	78.4%	50.6%
Performance	36,950,000	9,237,500	21.6%	14.0%
Total	170,670,000	42,667,500	100.0%	64.6%
Places/Facilities				
Grassroots	73,798,000	18,449,500	78.9%	27.9%
Performance	19,776,000	4,944,000	21.1%	7.5%
Total	93,574,000	23,393,500	100.0%	35.4%
Events				
Grassroots	0	0	n/a	0.0%
Performance	0	0	n/a	0.0%
Total	0	0	n/a	0.0%
All				
Grassroots	207,518,000	51,879,500	78.5%	78.5%
Performance	56,726,000	14,181,500	21.5%	21.5%
Total	264,244,000	66,061,000	100.0%	100.0%

Source: Lottery Distribution Agencies/Sportsbusiness Analysis (2008)
 Note: The above analysis includes the sports of cricket, golf, rugby league and rugby union

Graphic 17 - 'Top Down' Analysis of Lottery Funding 2004 to 2007 – Seven Professional Sports Only

	Total Lottery Funding (€)	Average Annual Funding (€)	Percentage of Category	Percentage of Total
People/Programmes				
Grassroots	158,246,000	39,561,500	72.1%	46.9%
Performance	61,161,000	15,290,250	27.9%	18.1%
Total	219,407,000	54,851,750	100.0%	65.0%
Places/Facilities				
Grassroots	96,123,000	24,030,750	82.9%	28.5%
Performance	19,776,000	4,944,000	17.1%	5.9%
Total	115,899,000	28,974,750	100.0%	34.3%
Events				
Grassroots	0	0	0.0%	0.0%
Performance	2,236,000	559,000	100.0%	0.7%
Total	2,236,000	559,000	100.0%	0.7%
All				
Grassroots	254,369,000	63,592,250	75.4%	75.4%
Performance	83,172,000	20,793,000	24.6%	24.6%
Total	337,542,000	84,385,500	100.0%	100.0%

Source: Lottery Distribution Agencies/Sportsbusiness Analysis (2008)
 Note: The above analysis includes the sports of cricket, cycling, football, golf, rugby league, rugby union and tennis

Graphic 18 - 'Top Down' Analysis of Lottery Funding 2004 to 2007 – Six Amateur Sports Only

	Total Lottery Funding (€)	Average Annual Funding (€)	Percentage of Category	Percentage of Total
People/Programmes				
Grassroots	70,323,000	17,580,750	38.8%	17.5%
Performance	111,027,000	27,756,750	61.2%	27.6%
Total	181,350,000	45,337,500	100.0%	45.0%
Places/Facilities				
Grassroots	218,093,000	54,523,250	100.0%	54.2%
Performance	0	0	0.0%	0.0%
Total	218,093,000	54,523,250	100.0%	54.2%
Events				
Grassroots	0	0	0.0%	0.0%
Performance	3,257,000	814,250	100.0%	0.8%
Total	3,257,000	814,250	100.0%	0.8%
All				
Grassroots	288,416,000	72,104,000	71.6%	71.6%
Performance	114,284,000	28,571,000	28.4%	28.4%
Total	402,700,000	100,675,000	100.0%	100.0%

Source: Lottery Distribution Agencies/Sportsbusiness Analysis (2008)

Note: The above analysis includes the sports of athletics, badminton, hockey, rowing, sailing and swimming

Graphic 19 - 'Top Down' Analysis of Lottery Funding 2004 to 2007 – All Sports Annual Average

	Athletics	Badminton	Cricket	Cycling	Football	Golf	Hockey	Rowing	Rugby League	Rugby Union	Sailing	Swimming	Tennis	All	Total Funding (€)
Grassroots	53.3 %	84.7 %	76.7 %	35.8 %	88.8 %	69.7 %	86.0 %	34.1 %	55.7 %	63.7 %	45.9 %	82.6 %	87.5 %	73.3 %	542.8
Performance	46.7 %	15.3 %	23.3 %	64.2 %	11.2 %	30.3 %	14.0 %	65.9 %	44.3 %	36.3 %	54.1 %	17.4 %	12.5 %	26.7 %	197.5
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	740.2

Source: Lottery Distribution Agencies/Sportsbusiness Analysis (2008)

3.68 This group of thirteen sports was allocated a total of €334m toward facilities with 94% of this going to 'grassroots'. However, it is worth pointing out that this probably underestimates the actual amount of benefit that performance sport gained from facilities funding during the period. This is due to the fact that many facilities that are predominantly utilised for 'grassroots' activities are also used by performance athletes at certain times.

3.69 Furthermore, the facility spending pattern probably does not fully reflect a longer term trend as the development of the English and other Institutes of Sport during 1998 to 2002 meant that this period saw a greater amount of facility spending geared toward performance sport.

3.70 If we remove the professional sports - football, cricket, golf, rugby league, rugby union and tennis - from our analysis we see that there is a shift toward a greater proportion of funding being allocated toward performance. The conclusion here is that where there is a professional system

of leagues or a professional circuit that element of the sport is self funding and indeed is often organised outside of the governing body.

3.71 Once again the majority of lottery funding in respect of the six amateur sports analysed was allocated to either programmes or facilities. Of the €181m or 45.0% that was allocated to the former just 38.8% was targeted at 'grassroots', whereas 100% of facilities funding was allocated to 'grass roots' with the reverse being the case in terms of events.

3.72 Our analysis of each sport's funding and the importance of the commercial betting industry/ National Lottery's to them has been validated by the annual accounts of the National Governing Bodies of Sport (NGBs), and followed up with a number of meetings.

An Assessment of the Relative Importance of 13 Sports' Funding by Source ('Bottom Up')

Graphic 20 - 'Bottom Up' Analysis of NGB Income 2004 to 2007 – All Thirteen Sports

Income Type	Total Income (€)	Average Annual Income (€)	Percentage of Total
Lottery Funding	330,564,000	82,641,000	7.9%
Exchequer	99,375,000	24,843,750	2.4%
Self Generated	694,954,000	173,738,500	16.7%
Charitable	41,320,000	10,330,000	1.0%
Non Betting Industry Commercial	306,716,000	76,679,000	7.4%
Media/Broadcast Rights	712,384,000	178,096,000	17.1%
Other Grants	10,250,000	2,562,500	0.2%
Membership	22,478,000	5,619,500	0.5%
Sponsorship	1,705,520,000	426,380,000	41.0%
Events	166,167,000	41,541,750	4.0%
World and European Bodies	17,971,000	4,492,750	0.4%
Other	57,045,000	14,261,250	1.4%
Total	4,164,746,084	1,041,186,000	100.0%

Source: NGBs/Sportsbusiness Analysis (2008)

Note: The above analysis includes the sports of athletics, badminton, cricket, cycling, football, golf, hockey, rowing, rugby league, rugby union, sailing, swimming and tennis

Graphic 21 - 'Bottom Up' Analysis of NGB Income 2004 to 2007 – Nine Olympic Sports Only

Income Type	Total Income (€)	Average Annual Income (€)	Percentage of Total
Lottery Funding	266,752,000	66,688,000	8.0%
Exchequer	80,361,000	20,090,250	2.4%
Self Generated	324,743,000	81,185,750	9.7%
Charitable	16,919,000	4,229,750	0.5%
Non Betting Industry Commercial	295,198,000	73,799,500	8.8%
Media/Broadcast Rights	585,492,000	146,373,000	17.5%
Other Grants	10,250,000	2,562,500	0.3%
Membership	22,478,000	5,619,500	0.7%
Sponsorship	1,621,655,000	405,413,750	48.4%
Events	87,127,000	21,781,750	2.6%
World and European Bodies	236,000	59,000	0.0%
Other	41,903,000	10,475,750	1.2%
Total	3,353,114,000	838,278,500	100.0%

Source: NGBs/Sportsbusiness Analysis (2008)

Note: The above analysis includes the sports of athletics, badminton, cycling, football, hockey, rowing, sailing, swimming and tennis

Graphic 22 - 'Bottom Up' Analysis of NGB Income 2004 to 2007 – Four Non-Olympic Sports Only

Income Type	Total Income (€)	Average Annual Income (€)	Percentage of Total
Lottery Funding	63,812,000	15,953,000	7.9%
Exchequer	19,014,000	4,753,500	2.3%
Self Generated	370,210,000	92,552,500	45.6%
Charitable	24,401,000	6,100,250	3.0%
Non Betting Industry Commercial	11,518,000	2,879,500	1.4%
Media/Broadcast Rights	126,892,000	31,723,000	15.6%
Other Grants	0	0	0.0%
Membership	0	0	0.0%
Sponsorship	83,865,000	20,966,250	10.3%
Events	79,040,000	19,760,000	9.7%
World and European Bodies	17,735,000	4,433,750	2.2%
Other	15,141,000	3,785,250	1.9%
Total	811,628,000	202,907,000	100.0%

Source: NGBs/Sportsbusiness Analysis (2008)

Note: The above analysis includes the sports of cricket, golf, rugby league and rugby union

3.73 Our analysis focused on the thirteen sports outlined within the previous section. In total these sports had a combined income across the UK of €4.2bn during the period 2004 to 2007, or an average of €1.0bn per annum. The average income per sport per annum over the period was €80m. It should be noted that income has been consistently on the increase during the period.

3.74 We have determined that the majority of funding paid by the UK's National Lottery has not been allocated via the NGBs during the period concerned. However, it should be noted that this position is gradually changing as programmes become more important than facilities.

Graphic 23 - 'Bottom Up' Analysis of NGB Income 2004 to 2007 – Seven Professional Sports Only

Income Type	Total Income (€)	Average Annual Income (€)	Percentage of Total
Lottery Funding	177,303,000	44,325,750	8.0%
Exchequer	44,330,000	11,082,500	2.0%
Self Generated	663,523,000	165,880,750	29.8%
Charitable	39,416,000	9,854,000	1.8%
Non Betting Industry Commercial	300,773,000	75,193,250	13.5%
Media/Broadcast Rights	692,765,000	173,191,250	31.1%
Other Grants	0	0	0.0%
Membership	3,701,000	925,250	0.2%
Sponsorship	84,541,000	21,135,250	3.8%
Events	151,046,000	37,761,500	6.8%
World and European Bodies	17,735,000	4,433,750	0.8%
Other	49,334,000	12,333,500	2.2%
Total	2,224,467,000	556,116,750	100.0%

Source: NGBs/Sportsbusiness Analysis (2008)

Note: The above analysis includes the sports of cricket, cycling, football, golf, rugby league, rugby union and tennis

Graphic 24 - 'Bottom Up' Analysis of NGB Income 2004 to 2007 – Six Amateur Sports Only

Income Type	Total Income (€)	Average Annual Income (€)	Percentage of Total
Lottery Funding	153,262,000	38,315,500	7.9%
Exchequer	55,045,000	13,761,250	2.8%
Self Generated	31,431,000	7,857,750	1.6%
Charitable	1,904,000	476,000	0.1%
Non Betting Industry Commercial	5,944,000	1,486,000	0.3%
Media/Broadcast Rights	19,619,000	4,904,750	1.0%
Other Grants	10,250,000	2,562,500	0.5%
Membership	18,777,000	4,694,250	1.0%
Sponsorship	1,620,979,000	405,244,750	83.5%
Events	15,121,000	3,780,250	0.8%
World and European Bodies	236,000	59,000	0.0%
Other	7,710,000	1,927,500	0.4%
Total	1,940,278,000	485,069,500	100.0%

Source: NGBs/Sportsbusiness Analysis (2008)

Note: The above analysis includes the sports of athletics, badminton, hockey, rowing, sailing and swimming

3.75 Across the nine Olympic sports we have identified that sponsorship, media/broadcast rights, self generated funds and other commercial income are all far more important than the funding received from the Lottery. During the period analysed sponsorship accounted for 48.4% of the

NGBs' income, with broadcast rights at 17.5%, self generated funds accounting for 9.7%, commercial funding at 8.8%, and the National Lottery at 8.0%.

- 3.76 Given it was expected that all professional sports would be stronger in these areas than the amateur sports we also present a separate analysis of the latter in Graphic 24 above. This demonstrates that for the six amateur sports, sponsorship becomes even more significant - accounting for 83.5% of income, followed by the Lottery at 7.9%, and Exchequer at 2.8%. Other commercial income just accounted for just 0.3% of income.
- 3.77 Given that the sport of Athletics benefited from a sponsorship deal of just over €1.25bn during 2007 we believe that this significantly impacted our analysis. Consequently. We ran the analysis excluding the sport - ie just including cycling, hockey, rowing, sailing and swimming.
- 3.78 In doing so the results highlight that lottery funding becomes far more important with 21.2% of funding coming from that source. Sponsorship was still far more significant at 58.2%, followed by Exchequer funding at 5.6%, self-generated funds at 5.4%, and membership at 3.2%.

Graphic 25 - Summary of the 'Bottom Up' Analysis of NGB Average Income 2004 to 2007 – All Thirteen Sports Average Annual Income

	Athletics	Badminton	Cricket	Cycling	Football	Golf	Hockey	Rowing	Rugby League	Rugby Union	Sailing	Swimming	Tennis	All	Total Funding (€)
Lottery Funding	2%	54%	7%	50%	7%	21%	68%	54%	23%	4%	29%	76%	7%	8%	261.7
Exchequer	2%	15%	3%	37%	0%	15%	7%	23%	5%	0%	8%	0%	4%	2%	78.7
Self Generated	0%	8%	71%	1%	9%	53%	13%	6%	0%	33%	32%	0%	68%	17%	550.1
Charitable	0%	0%	7%	0%	0%	5%	0%	3%	0%	0%	0%	0%	5%	1%	32.7
Non Betting Industry	0%	0%	3%	1%	23%	3%	1%	10%	0%	0%	0%	0%	13%	7%	242.8
Media/Broadcast	1%	0%	5%	0%	52%	0%	0%	1%	26%	24%	0%	0%	0%	17%	563.9
Grants	0%	2%	0%	0%	0%	0%	0%	0%	0%	0%	0%	13%	0%	0%	8.1
Membership	0%	4%	0%	9%	0%	0%	0%	0%	0%	0%	23%	5%	0%	1%	17.8
Sponsorship	94%	0%	0%	2%	0%	0%	0%	0%	20%	18%	0%	3%	0%	41%	1,350.1
Events	0%	17%	0%	0%	7%	0%	0%	0%	21%	16%	8%	3%	0%	4%	131.5
World/Euro Bodies	0%	0%	0%	0%	0%	0%	0%	0%	0%	4%	0%	0%	0%	0%	14.2
Other	0%	0%	3%	1%	2%	4%	11%	3%	5%	0%	0%	1%	4%	1%	45.2
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	99%	100%	100%	100%	100%	3,296.8

Source: NGBs/Sportsbusiness Analysis (2008)

The Commercial Gambling Industry's Contribution to Sport

- 3.79 We have undertaken a significant amount of research in order to assess the additional contribution that the UK licensed commercial gambling operators make to sport, something that does not currently take place in France. Data was gathered from a variety of UK based current sports marketing reference journals as well as utilising Deloitte's 'Review of Football Finance' (2008), and the Football Association's 'Community Report' (2008).

3.80 In addition we have received information direct from six operators as to their spending on sport in the UK. Five of these contributions were made under NDAs with H2 Gambling Capital; therefore, we are limited here to report our aggregated assessment of the total value to UK sport from the commercial betting industry during the period 2004 to 2007. In addition to commercial payments, an account was taken of donations made to sport out of profits.

Graphic 26 - Sportsbetting and Pools Stakes 2004 to 2007

(€m)	2004	2005	2006	2007	Total	Annual Average
Sportsbetting	14,400.0	14,400.0	16,900.0	19,100.0	64,800.0	16,200.0
Football Pools	142.2	119.1	111.4	102.3	475.1	118.8
Total	14,542.2	14,519.1	17,011.4	19,202.3	65,275.1	16,318.8

Source: HM Revenues and Customs, Company Results, H2 Gambling Capital Analysis (2008)

Graphic 27 - Sportsbetting and Pools Gross Win 2004 to 2007

(€m)	2004	2005	2006	2007	Total	Annual Average
Sportsbetting	1,420.0	1,440.0	1,540.0	1,790.0	6,190.0	1,547.5
Football Pools	55.5	52.3	45.7	41.5	194.9	48.7
Total	1,475.5	1,492.3	1,585.7	1,831.5	6,384.9	1,596.2

Source: HM Revenues and Customs, Company Results, H2 Gambling Capital Analysis (2008)

Graphic 28 - Sportsbetting and Pools Gross Profits Tax Paid 2004 to 2007

(€m)	2004	2005	2006	2007	Total	Annual Average
Sportsbetting	213.0	216.0	231.0	268.5	928.5	232.1
Football Pools	1.5	1.4	1.2	1.2	5.3	1.3
Total	214.5	217.4	232.2	269.7	933.8	233.4

Source: HM Revenues and Customs, Company Results, H2 Gambling Capital Analysis (2008)

3.81 Following our assessment we concluded that the UK commercial bookmaking industry contributed approximately €159m to sport (non-horseracing and dog racing) during the period 2004 to 2007. This is the equivalent of €40m per annum. However, the majority of this spending was on football which was in receipt of an estimated €133m over the period, or €33m per annum.

3.82 The items that were included within our assessment of the industry contribution to football included: betting partnerships, stadium betting deals, online streaming, shirt sponsorship, advertising, league sponsorship, media streaming, etc. There was no way of assessing the importance of the commercial betting industry to the organisation of the sport as the vast majority of funding was targeted at professional teams.

3.83 There is generally no agreed allocation of the monies paid to football; therefore, it ends up in a club, league or association's general fund. It is therefore difficult to make an accurate

assessment of the amount of money that reached the grassroots of the game based on the proportion of spending clubs make on their academies and some of the targeting of the spend that we were informed about.

- 3.84 Away from football we concluded that a total of €26m was invested into other UK sports by commercial bookmakers. Once again the majority of this was targeted at performance and particularly performance sport upon which UK customers favour to bet. However, it would appear that a greater proportion of spend found its way to the grassroots as a result of a number of specific initiatives.
- 3.85 In total our analysis has led us to conclude that a total of €164m - or an average of approximately €41m per annum - of commercial bookmaker spend found its way into UK sport (non horseracing and dog racing). In addition to football, other sports that were regularly mentioned included boxing, cricket, golf, darts, rugby union, snooker and rugby league. In addition charities such as SportAid and Cash for Clubs have benefited from bookmakers' donations as have Team GB and the British Olympic Appeal.
- 3.86 It is worth noting that we believe that the UK is a unique case in Europe as so much attention is focused on a small group of sports, particularly football. Our experience is that interest, and the resulting betting patterns, are spread across more sports in continental Europe. Therefore, we would expect, although football would still be in the majority, what we found - that a much greater proportion of spending would reach other sports.

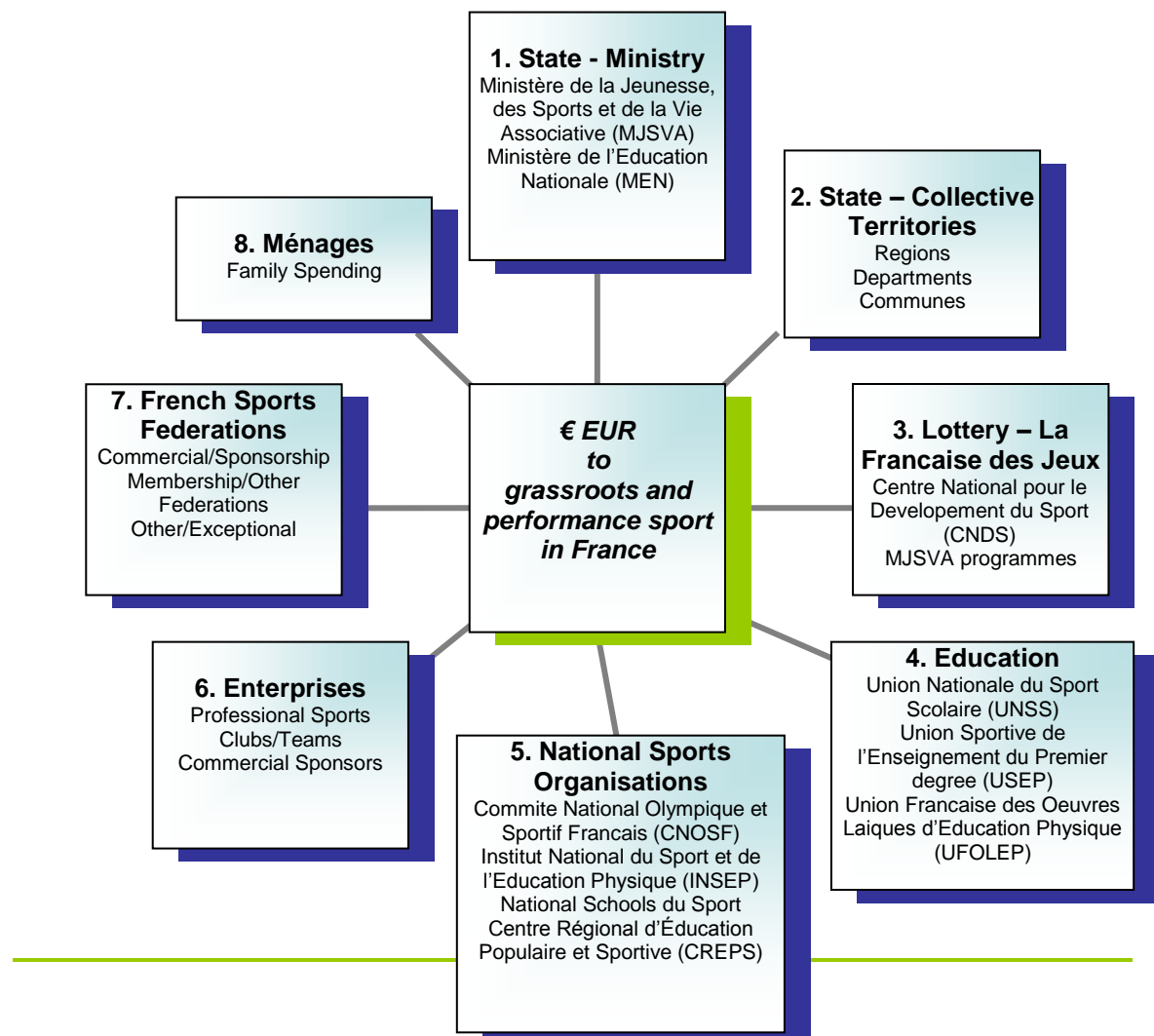
4. FRANCE – SPORTS FUNDING MODEL

France Structure – Overview

Note: All figures official French Government statistics/Sportsbusiness (2008)

- 4.1 France was one of the first countries in Europe to provide state funding for sport. Its beginnings date to President de Gaulle's Economic Plan of 1958, which made sport the rallying point for the revival of national pride - introducing policies to increase mass participation as well as developing excellence. To this day, the organisation and funding of sport in France is still mostly overseen by the State.
- 4.2 Since 2004, sport has developed an increasing importance in French society, exemplified by the introduction of a 'Sport Code' that defines public service objectives relating to the organisation and promotion of physical and sporting activities across France. Although most activity is driven through state funding, we have categorised 8 main types of stakeholder for the purposes of clarifying this system below:

Graphic 29 - Main Funders of Sport in France



- 4.3 Le Ministère de la Jeunesse, des Sports et de la Vie Associative (MJSVA) is a major frontline department of the French government, and its missions in the sports domain are centred around four main Actions:
- Action 1: Promotion du Sport pour le plus Grande Nombre (*'grassroots' sport*)
 - Action 2: Développement du Sport de Haut Niveau (*'performance' sport*)
 - Action 3: Prévention par le Sport et Protection des Sportifs (*health promotion through sport*)
 - Action 4: Promotion des Métiers du Sport (*sports employment*)
- 4.4 The MJSVA currently integrates 89 French Sports Federations with its public service objectives, and exercises strong control over the way they work, most notably through important direct and indirect financing. Experts call this *"the French Model of Co-operative Management between Sports and the State"* and it promotes continuous dialogue between the Ministry and the French National Olympic and Sports Committee (Comité National Olympique et Sportif Français) in particular.
- 4.5 The State provides assistance to the sports movement principally by granting annual subventions to the Federations, under the terms of agreements designed to launch or support the four policy Actions above. By far the greatest priority is Action 2, which attracts some two thirds (66%) of total funding. The subventions themselves are financed by Exchequer funding (currently €205m pa) and - ever since the advent of La Française des Jeux - have been 'topped up' by a subsidy from the lottery (currently €236m pa) through the separate 'Centre National pour le Développement du Sport' (CNDS) (see later). There has been a 23% increase in Ministry funding between 2002-07, however the overall amount of funding to sport still only represents 0.22% of the French government's total budget.
- 4.6 Of particular note within the French system is the support provided by the MJSVA to human resources, with the Ministry directly employing - then assigning - some 1,571 sports coaches to the 89 Federations. This personnel assistance has had the dual effect of strengthened the activities of the Federations, as well as of the Ministry. Technical staff – although often pulled in two directions - have emerged as vital agents for implementing Ministerial policy in such areas as training and creation of sports-related jobs, the fight against doping, and encouraging mass participation. They also play a valuable role in steering and assessing CNDS financial aid within the sports.
- 4.7 Le Ministère de l'Éducation Nationale (MEN) is mainly concerned with physical education and sport at school, but is still an important partner to the MJSVA as a whole. Although it doesn't fund sports programmes directly, it does employ nearly 40,000 PE teachers. Physical and sporting education at secondary school takes up between 2-4 hours every week. Every secondary or university educational establishment is legally obliged to have a sports federation. This ensures an appropriate number of Association Sportives (AS) to organise competitions.

4.8 In 2002, the MEN presented a strategy containing the most current plans to ensure the progression of sport and PE in French schools. The initiatives in this strategy are currently funded in the order of €2.3bn pa and aim to:

- Upgrade teacher training for sport and PE;
- Create new impetus for school sport;
- Implement a 'Be Able to Swim' initiative;
- Increase student awareness of Olympic values;
- Undertake a new curriculum review from the ages of 14 to 18;
- Reform the examination of sport and PE in the Baccalaureate;
- Introduce the compulsory study of PE for all teachers during training; and
- Improve provision and quality of sports equipment across the nation.

State – Collective Territories

4.9 By far the most unique aspect of the French model is the role given to the local authorities (€9.1bn spending in 2005 through 40,000 Communes; 100 Departments; and the 22 Regions) in the development of physical and sporting activities. *(Note: Figures for 2006 to be published imminently).*

4.10 Communes in particular have been involved in the explosion of mass sports right from the start (1958) - notably as the owners of local facilities, running local sports grounds and stadium, managing them, and partly financing them. The most notable fact here is in relation to French professional club football, where most stadia remain in the ownership of the Commune in which the local club plays its home games.

4.11 From starting with building gyms and providing equipment in the 1960s, the Communes have in many cases evolved into sports facility management companies (the major part of the last decade's spending going on renovation, maintenance, and running costs). Communes (or Mayorial councils) have sports councillors, and according to their population size, offer two main structures:

- The 'sports service' – which looks after all sporting resources, and applies sports policy. (Since 1982, most Departments have also created sports services to manage sports policy for equipment acquisition, reducing disparities in Commune facilities, or influencing the way sport works – this has tended to be realised by contract-based assistance, dependant on statements of objectives with clubs and athletes);
- The 'municipal sports office' - a consultative and communications body designed to inform municipalities and support their sports policies - for example, by intervening in the definition of criteria for granting municipal subsidies.

Lottery – La Francaise des Jeux

- 4.12 The French National Lottery, La Francaise des Jeux (FDJ), became the third largest in the world during 2006 as it overtook the UK National Lottery and the Mizuho Bank in Japan. Just Lottomatica's Italian operation and Spain's Loterias y Apuestas Estado achieved higher sales. FDJ is 72% owned by the French state.
- 4.13 In addition to traditional lottery games (draw, instant, scratch cards, and numbers) FDJ also has a monopoly on sportsbetting via the Cote, Match and Loto Foot 7&15 games. During 2006 the sportsbetting games accounted for €387m of FDJ's €9.47bn total sales. The same year FDJ's total sales via the internet reached €106m.
- 4.14 During June 2007, the EC issued a reasoned opinion against France in respect of the restriction of supply of sportsbetting services. Of particular interest to the EC in the French case were the criminal sanctions that have been threatened or imposed on the CEOs of sportsbetting companies licensed in other Member States and the impact of legislation on sponsorship agreements in football, as well as the ban on the Unibet sponsored cycling team participating in races held on French soil.
- 4.15 Recently, France's Finance Minister announced that the nation is likely to open out its betting market within the next two to three years. Under a regulated market opening, the private operators would be subject to the same conditions and tax regime as the current national monopolies. President Sarkozy had referred to this as a possible policy during last year's election but at the time stressed a concern that there should be no impact on the level of government funding generated by the industry.
- 4.16 The Durieux Report was published during early May which acknowledges that France's sportsbetting sector should be opened up but states that "*for reasons of public order*" only Pari Mutuel betting on horseracing and sports should initially be allowed. Furthermore all operators would be required to obtain a French licence regardless of whether they already have one elsewhere in the EU.
- 4.17 In September 2008, the first signs of a market opening emerged with the announcement that the French government was to consider privatising La Francaise des Jeux by selling its stake in the company.
- 4.18 In the meantime, lottery funding of French sport is primarily routed via the Centre National pour le Développement du Sport (CNDS) – effectively a 'stand alone' funding pot available to Le Ministère de la Jeunesse, des Sports et de la Vie Associative – which totalled €236m in 2007. Virtually 100% of this funding is allocated to the French Sports Federations, with two-thirds targeted at the 'performance' level.

Education

- 4.19 In addition to the Ministère de l'Éducation Nationale, three agencies within France dedicate their work to the development of youth sport and education through sport: Union National du Sport Scolaire (UNSS); Union Sportive de l'Enseignement du Premier degré (USEP); and Union Française des Oeuvres Laïques d'Éducation Physique (UFOLEP).
- 4.20 The UNSS is a government-controlled, centrally organised agency. Its major responsibilities are to implement a Sport for All ('Sport pour Tous') policy, and broaden the participation base by developing the interests of 'non-sporting' pupils. An equal priority is to promote competitive sport, and specialist coaches operate to develop excellence. Regular Wednesday afternoon sports fixtures take place and UNSS representation goes up to school international standard. The UNSS uses community facilities and takes the responsibility for sports provision away from schools. Time is not lost from study as French children attend school on Saturday mornings.
- 4.21 Each school has a sports club or '*Association Sportive*' (AS), which is affiliated to the UNSS. In theory, the AS is managed by teachers and pupils, and administration and organisation skills are learned. PE teachers tend to work alongside coaches. Sporting sections (formerly known as sports study sections) have a mission to develop excellence. Sections operate within a conventional school but select children with a high sporting potential. Although the development of sports talent is a priority, academic progress cannot be compromised. Training schedules are arranged around timetabled study and specialist coaches work with children. Sections are located in all regions and, like the UNSS, receive government funding.
- 4.22 USEP (12,500 federations and 900,000 members) and UFOLEP (10,500 federations and 410,000 members) were established with the purpose of setting up popular and civic forms of practising sport and physical activities. USEP is a sport federation working in and around primary schools. UFOLEP is a multisport and sport for all federation. Together, they work to develop the concept of a 'human' sport service. USEP promotes sport to primary school children, whereas UFOLEP stages around 100 different sports for all activities and competitions per year - 35 of them at the national level.
- 4.23 Via USEP, parents can elect to send their children to 'primary sports schools' (non-selective institutions). Gymnastics is a primary focus but volleyball, basketball and handball are also given priority, indicating a multi-sport approach. Indoor facilities are of a high standard (one school in Chalon has gymnastic equipment to Olympic standard) and specialist coaches work alongside PE teachers. Joint provision between schools and the community is a common policy where equipment and facilities are of a high standard.

National Sports Organisations

- 4.24 The Comité National Olympique et Sportif Français (CNOSF) is a state-endorsed federation made up of every sporting Federation, including Olympic and non-Olympic single sports Federations, and multi-sport Federations. It represents the IOC (International Olympic

Committee) in France, and must therefore respect the conditions of the Olympic Charter. The CNOSF's mission is to:

- Ensure the rules governing Olympic sports are respected;
- Participate in the selection of the French Olympic team and ensure their entry into the Olympic Games;
- Promote sportsmen and women in society;
- Help affiliated federations.

4.25 It is responsible for arbitration in conflicts between athletes, clubs, and affiliated Federations, but not in cases of illegal use of performance enhancing drugs. It brings together 92 Olympic and non-Olympic Federations, about 175,000 clubs affiliated to these Federations, and 14 million athletes (20 to 30% practice more than one sport). 1,250,000 are described as active elected volunteers (Board members) of their clubs.

4.26 The CNOSF was traditionally heavily dependant on the State, particularly financially. In the last 10 years, however, it has greatly developed its range of projects, resources, and professionalisation. Its c€12m budget today mostly comes from private sources (notably sponsors) and it employs around 50 salaried staff.

4.27 More centrally, the sports Ministry has supervisory authority over the following institutions: the highly renowned Institut National du Sport et de l'Éducation Physique (INSEP), located in the Bois de Vincennes park on the eastern outskirts of Paris; the National Horseback Riding School (École Nationale d'Équitation) in Saumur; the National Skiing and Mountain Climbing School (École Nationale de Ski et d'Alpinisme) in Chamonix; and the National Sailing School (École Nationale de Voile) in Saint-Pierre de Quiberon. Approximately 25% of the 3,000 elite French athletes can be resident in these institutions at any one time. The remainder attend one of the 22 regional sporting centres (CREPS).

4.28 Though INSEP operates under the guidance of the Ministry, some autonomy is granted. Its main functions are:

- A multi-sport centre of excellence catering for 25 different sports.
- The major sports education centre in France;
- Input into policy and funding decisions concerning funding allocations to the French Sports Federations;
- Selection of the sports and 3,000 athletes who qualify for elite status and attend for training;
- Ultimately responsible for the performance of French elite sport.

4.29 In collaboration with laboratories across France, INSEP has developed a specialism in sports science and is currently evolving high level research programmes in biomechanics and physiology, movement action and performance, sports psychology, computer sciences, and sociology.

- 4.30 INSEP also delivers academic and professional training to prevent young athletes being disadvantaged in the fields of education and employment. While engaged in high level sports training, a residential athlete may study at a centre for education in Paris. Coaching and study schedules are adapted and education is financed through public and Federation loans. In addition to the above, INSEP has a central position in the development of international prestige. The Institute is popular throughout the world, having a network exchange with 40 different countries, and although now tired and under re-development, is still respected as an exemplary sporting centre of excellence.
- 4.31 Beneath INSEP, the CREPS (Centres Régional d'Éducation Populaire et Sportive) offer training for sports diplomas and usually cover the region in which they are located (as a rule, one CREPS per region - total 22). In some cases, however, they may extend their activity to the inter-regional or even national level.

Enterprises

- 4.32 The value of commercial sector interest in French sport is similar (in terms of overall spend) when compared to other major European nations (ie the UK, Italy, Spain, Germany), but tends to concentrate only on a handful of sports. Ministry estimates value the sponsorship market at c€1.4bn pa, but that 90% of this sum is allocated to four main sports – football, rugby union, cycling, and tennis. Many of the other sports suffer by comparison, including the Olympic sports such as athletics which only achieved €3.8m commercial sponsorship in 2007, compared to its UK counterpart who drew down big sponsorships from Norwich Union and McCain's totalling nearly c€20m in the same year. TV rights (routed through the French Sports Federations below) are estimated at c€0.8bn pa.
- 4.33 Interestingly, many of the professional sports (rugby union and cycling excepted) find it difficult to raise sponsorship to a level where the best French players can afford to stay in France (eg football, basketball, golf, tennis) and hence the French league system has been labeled by many commentators as relatively under-exploited.

French Sports Federations

- 4.34 In France, the organisation and growth of sport relies for the most part on membership organisations, and chiefly on the French Sports Federations. Operating as non-profit groups defined originally by the '1901 Act', the Federations are placed under the supervisory authority of the Sports Minister, except for school and university sports federations and unions, which are supervised by the Education Minister.
- 4.35 The Sports Minister may issue a certificate of approval to those sports Federations that have adopted a charter and disciplinary regulations compliant with model charters and model regulations defined by a Council of State (Conseil d'État) decree. Federations follow this procedure to participate in the implementation of a public service mission to promote and democratise physical and sports activities.

- 4.36 The Sports Minister delegates a single approved Federation in each sport to organise sports competitions leading to the award of titles at the international, national, regional or Département level. The delegated Federation promulgates the technical rules specific to its discipline as well as the regulations governing the organisation of all events open to its licensed members. It may set up a professional league to represent, manage, and co-ordinate the professional sports activities of its affiliated organisations and the societies they have formed.
- 4.37 There are 110 Federations in total - 87 single sport (of which 29 are Olympic) and 23 multi-sport Federations. The approval for delegation in a public service partnership allows Federations to obtain significant direct or indirect funding from the Ministry. Public funds mainly go to the 29 Olympic Federations, the 55 non-Olympic Federations, and to multi-sport Federations. Of this number, currently:
- 10 sports get between €3-4m pa
 - 3 sports get between €2-3m pa
 - 16 sports get between €1-2m pa
 - The remainder get under €1m pa
- 4.38 Ministry funding to its 89 Federations is increasingly more important to them than ever, but with a 23% increase in Ministry funding between 2002-07, the French government is becoming ever more concerned at the level of subvention provided which still varies enormously from sport to sport - from a continuum that has at the one end football (2% of overall revenue), and at the other modern pentathlon (98% of overall revenue).

Ménages

- 4.39 Finally, perhaps the most significant aspect of the French sports funding model that differentiates it from others is the inclusion by the State of the contribution made by the 'Ménages' (or families) across the country. This contribution – in official Ministry figures (*'Les Chiffres Cles du Sport'*) – takes the form of a 1.59% allocation on all household spending on sports related clothing, footwear, equipment, goods, and local club services. (The equivalent figure of 2.8% in the UK – see paragraph 3.46 above – is not included in any parallel spending calculations of the UK government). Out of a total spend in 2005 of €955bn, this is reported as an estimated contribution to French 'grassroots' sport of €15.2bn.

Summary – France Overall Spending Picture

- 4.40 Assimilating all the figures above (under each of the 8 stakeholder categories) allow us to project an estimated overall total spend on the French sporting system per year. As for the UK (paragraph 3.47), spend has been assimilated using an annual average over the study period (2004-07). Again, for the purposes of the study, the table below provides an important indicator of the current estimated overall spending picture within French sport:

Graphic 30 - Main Funders of Sport in France – Overall Spending Picture

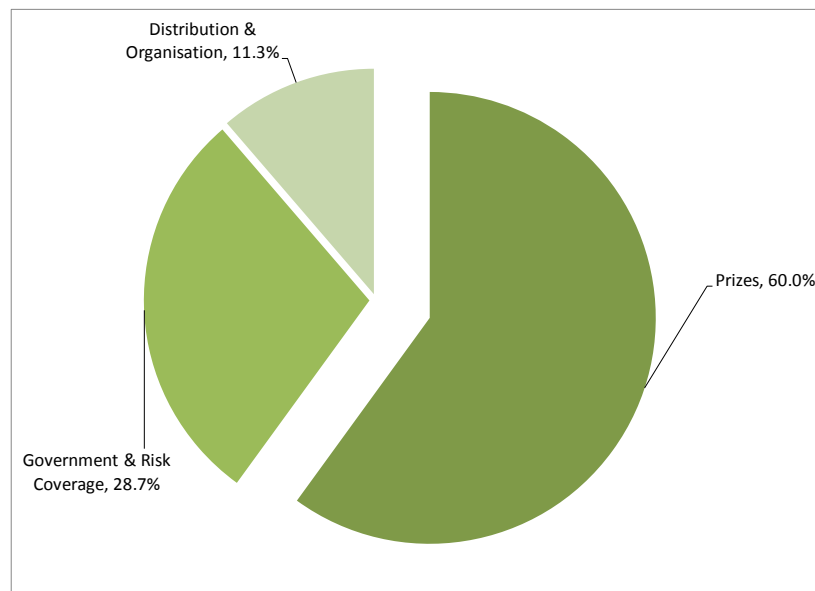
Category	Estimated Direct Spend on Sport (€m, Annual Average 2004-07)	% of Total
1. State - Ministry	€2,376.80	8.26%
• Ministère de la Jeunesse, des Sports et de la Vie Associative (MJSVA)	86.80	
• Ministère de l'Éducation Nationale (MEN)	2,290.00	
2. State – Collective Territories	€9,090.00	31.60%
• Regions/Departments/Communes	9,090.00	
3. Lottery – La Française des Jeux	€347.00	1.21%
• Centre National pour le Développement du Sport (CNDS)	213.50	
• MJSVA	133.50	
4. Education	€0	0%
• Union Nationale du Sport Scolaire (UNSS)	<i>within MJSVA</i>	
• Union Sportive de l'Enseignement du Premier degré (USEP)	<i>within MJSVA</i>	
• Union Française des Œuvres Laïques d'Éducation Physique (UFOLEP)	<i>within MJSVA</i>	
5. National Sports Organisations	€12.00	0.04%
• Comité National Olympique et Sportif Français (CNOSF)	12.0	
• Institut National du Sport et de l'Éducation Physique (INSEP)	<i>within MJSVA</i>	
• National Schools du Sport	<i>within MJSVA</i>	
• Centre Régional d'Éducation Populaire et Sportive (CREPS)	<i>within MJSVA</i>	
6. Enterprises	€1,400.00	4.87%
• Professional Sports Clubs/Teams	<i>within Federations</i>	
• Commercial Sponsors	1,400.0	
7. French Sports Federations <i>excludes public financing</i>	€364.09	1.27%
• Commercial/Sponsorship	281.20	
• Membership/Other Federations	66.64	
• Other/Exceptional	16.25	
8. Ménages	€15,180.00	52.76%
• Family Spending	15,180.00	
Total Estimated Annual Spend	€28,769.89	100%
<i>Expressed as Spend per Capita (pop = 63.8m)</i>	€450.94	

France Financial Analysis

Lottery Sales

- 4.41 La Francaise des Jeux (FDJ) generated total sales of €9.3bn during 2007, and €36.3bn during the four years up to and including that date. Sales over this period increased at a CAGR of 2.9%, however they peaked at €9.4bn during 2006 as a result of a record run of Euro Millions jackpots. Thereafter, during 2007, sales returned to their longer term trend.
- 4.42 FDJ's Cote and Match, fixed odds betting product generated sales of €242m during 2007 and a total of €743.8m during the 2004 to 2007 period. A CAGR of 30.6% has been achieved during the period and it has been reported that sales are running 100% ahead thus far during 2008. In addition, Lotto Foot's football pools total sales during the four year period were €530.2m or an average of €132.5m per annum. The CAGR of Lotto Foot over this period has been 7.5%.

Graphic 31 - La Francaise des Jeux Distribution of Sales 2007



Source: La Francaise des Jeux (2008)

- 4.43 During 2007, FDJ paid 28.7% of its sales to the state after 60% had been paid out in prizes. The remaining 10.3% covered the costs of organising the lottery, suppliers and the distribution network. During the period 2004 to 2007, FDJ paid an average of 28.3% of sales to the government, 40.6% out in prizes, and the remaining 31.2% to cover costs.

State Funding

- 4.44 During 2007, the Ministère de la Jeunesse, des Sports et de la Vie Associative (MJSVA) had a total budget of €770m (to spend on sport and associated cultural/lifestyle activities) which equated to just 0.22% of the national government's total budget. Of this a total of €441m was allocated to sport, with (it can be seen in real terms) 80% or just under €353m coming from FDJ.

4.45 The €441m was allocated to sport via two pots. The Ministry's own programme for sport actually had a budget of €205m and CNDS (the lottery 'pot') had one of €236m. However, despite the two separate routes we have established that the Ministry controls all of the spending.

4.46 In total during the four year period, MJSVA figures show that the French national state has paid €1.7bn to sport at an average of €433.8m per annum. Of this amount 44.3% has been directed via CNDS with the remaining €967m being channelled via the Ministry's programmes.

Graphic 32 - National State Financing of Sport 2004 to 2007

(€m)	2004	2005	2006	2007	Total	Annual Average
Programmes	175.7	187.4	200.0	205.0	768.1	192.0
CNDS	248.0	270.0	213.0	236.0	967.0	241.8
Total	423.7	457.4	413.0	441.0	1,735.1	433.8

Sources: MJSVA/ Sportsbusiness Analysis (2008)

4.47 FDJ's actual contribution to sport over the period 2004 to 2007, however, has equated to 3.8% of their sales or 9.4% of their gross win (sales less prizes paid). It appears as though sport's relative importance as a recipient of money in France has been declining. By 2007, 13.2% of the funds transferred to the government were allocated to sport as opposed to 14.6% at the beginning of the period and an average of 13.5% over the period as a whole.

Graphic 33 - The Contribution of La Francaise des Jeux to the Financing of Sport 2004 to 2007

(€m)	2004	2005	2006	2007	Total	Annual Average
Programmes	98.9	116.0	160.4	158.8	534.1	133.5
CNDS	240.0	250.0	170.0	194.0	854.0	213.5
Total	338.9	366.0	330.4	352.8	1,388.1	347.0
FDJ Sales	8,552.8	8,926.0	9,472.5	9,306.0	36,257.3	9,064.3
% Sales to Sport	4.0%	4.1%	3.5%	3.8%	3.8%	3.8%
FDJ Gross Win	3,426.4	3,619.4	3,863.6	3,799.1	14,708.6	3,677.1
% GW to Sport	9.9%	10.1%	8.6%	9.3%	9.4%	9.4%

Sources: Francaise des Jeux/Sportsbusiness Analysis (2008)

4.48 During 2007 the majority of the French national state funding was allocated to grassroots sport at €230m or 52%. A further 40% was allocated to performance sport, with the balance going to education and health. Over the four year period 2004 to 2007 the French national state budget for grassroots sport was €909m or an average of €227m per annum. This represented an average of just over 52% for grassroots sport with a further 7% or so being allocated via health and education.

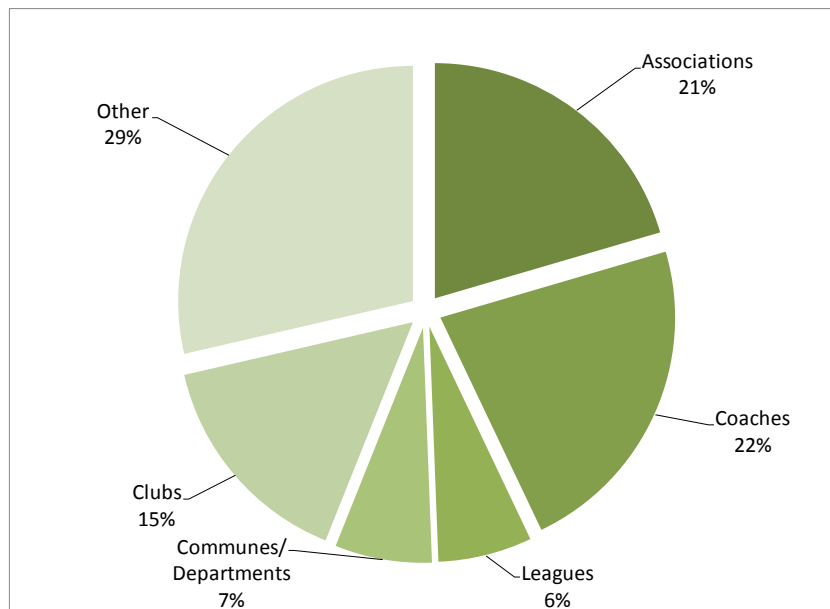
4.49 The largest allocation of state funding to an Olympic sport during 2007 was the €143.4m awarded to football, with the best funded non-Olympic sport being rugby union at €82.3m. The sports that

received the least were pentathlon at €849k in the Olympic category and javelot (*note: not javelin*) at €58.5k amongst the non-Olympic sports.

4.50 There are a total of 89 federations of sport that are recognised by the State in France. During 2007 of the total national budget of €441m, €90.3m or 20.5% was allocated via the federations of sport, with approximately two thirds of this amount having been spent on performance sport. Amongst the 82 federations that were awarded some state funding during 2007, the average award was €1.1m with the Federation Francaise de Football receiving by far the largest award at €28.5m.

4.51 The French national system for the funding of sport is very much focused on the direct employment of individuals. A total of 7,292 staff are directly employed via the national state budget. Of these 1,571 coaches whose combined cost during 2007 was approximately €99.0m. The remaining national state funding is distributed between leagues, clubs, staff, etc.

Graphic 34 - Allocation of National State Funding of Sport 2007



Source: Francaise des Jeux/MJSVA (2008)

Graphic 35 - National State Financing of Sport by Level 2004 to 2007

(€m)	2004	2005	2006	2007	Total	Annual Average
High Level	166	169	185	176	697	174.2
Development/Grassroots	227	257	195	230	909	227.3
Health	15	15	15	15	60	15.0
Education	15	16	18	20	69	17.3
Total	424	457	413	441	1,735	433.8

Sources: MJSVA/Sportsbusiness Analysis (2008)

Graphic 36 - National State Funding of Federations 2004 to 2007

(€m)	2004	2005	2006	2007	Total	Annual Average
Olympic Sports	63.2	64.1	68.1	69.3	264.7	66.2
Non-Olympic Sports	18.2	19.0	20.2	21.0	78.4	19.6
Total	81.4	83.1	88.3	90.3	343.1	85.8
Allocated for Elite All Sports	56.0	57.0	59.9	60.9	233.8	58.5
% Federations for Elite	68.8%	68.6%	67.8%	67.4%	68.1%	68.1%
Allocated for Elite Olympic Sports	47.3	47.7	49.9	51.5	196.4	49.1
% Federations for Elite	74.8%	74.4%	73.3%	74.3%	74.2%	74.2%
Allocated for Elite Non-Olympic Sports	8.7	9.3	10	9.4	37.4	9.4
% Federations for Elite	47.8%	48.9%	49.5%	44.8%	47.7%	47.7%

Sources: MJSVA/Sportsbusiness Analysis (2008)

4.52 Of the €90.3m of state funding that was allocated via the federations of sport, €69.3m was distributed amongst the Olympic sports with the remaining €21.0m via the remainder. During the period 2004 to 2007 Olympic federations were awarded a total of €264.7m of state funding or an average of €66.2m per annum. Non-Olympic sports received a total of €78.4m of funding, the equivalent of an average of €19.6m per annum.

4.53 Olympic sports have had a significantly higher proportion of their funding allocated to performance sport compared to their non-Olympic counterparts. During 2004 to 2007 the average allocation of funding toward performance across all federations was 68.1%. However, the figure for Olympic sports was 74.2% as opposed to 47.7% for the remainder.

4.54 Football leads the way by some considerable margin in terms of the public funding in France with the Fédération Française de Football having received an average €26.7m per annum in funding from the Ministry during the period 2004 to 2007. Tennis averaged €6.2m with athletics at €4.3m and swimming at €3.5m.

French Government Funding by Type for 9 Leading Sports 2004 to 2007 ('Top Down')

4.55 We have conducted a 'Top Down' analysis of the lottery funding for nine of the leading sports in France. Those included within our analysis were:

- Athletics
- Basketball
- Cycling
- Football
- Rowing
- Ruby Union
- Swimming
- Table Tennis
- Tennis

4.56 In addition to the above group we visited the Federation Francaise de Golf during one of our trips to Paris. Following further email and telephone correspondence, however, the Federation has not provided us with any follow up financial information for the study.

Graphic 37 - Olympic/Non Olympic Federation Funding 2004 to 2007

(€m)	2004	2005	2006	2007	Total	Annual Average
Olympic Sports	63.2	64.1	68.1	69.3	264.7	66.2
Non-Olympic Sports	18.2	19.0	20.2	21.0	78.4	19.6
Total	81.4	83.1	88.3	90.3	343.1	85.8

Sources: MJSVA/Francaise des Jeux/Federations of Sport/Sportsbusiness Analysis (2008)

Graphic 38 - A Selection of the Best Funded French Sports Federations 2004 to 2007

(€)	Total	Annual Average	% of Total Federation Funding
Athletics	17,112,000	4,278,000	5.0%
Basketball	10,646,000	2,661,500	3.1%
Cycling	13,926,000	3,481,500	4.1%
Football	106,800,000	26,700,000	31.1%
Rowing	11,385,000	2,846,250	3.3%
Rugby	8,847,000	2,211,750	2.6%
Swimming	14,181,000	3,545,250	4.1%
Table Tennis	6,269,000	1,567,250	1.8%
Tennis	24,852,000	6,213,000	7.2%
Total	214,018,000	53,504,500	62.4%

Sources: MJSVA/Francaise des Jeux/Federations of Sport/Sportsbusiness Analysis (2008)

4.57 Between 2004 and 2007 the nine sports for which financial data was analysed accounted for €214.0m or 62.4% of the total amount of national state funding for sport allocated via the federations of sport. Of the Olympic sports our group of eight accounted for 77.5% of the total ministry financing in this area. The only non-Olympic sport considered within the study was rugby union which accounted for 11.3% of the total ministry funding in this area between 2004 and 2007.

4.58 Of the total funding analysed exactly two thirds was allocated to performance. If just the eight Olympic sports are considered 67.5% of the total of €205.2m funding was allocated to performance. The difference between the proportion of funding that is allocated to performance sport varies fairly insignificantly between amateur and professional sports. Of the former 68.3% was allocated to performance as opposed to 66.2% in the case of the latter.

Graphic 39 - 'Top Down' Analysis of Government Funding 2004 to 2007 – All Nine Sports

	Ministry/CNDS Funding (€)	Average Annual Ministry/CNDS Funding (€)	Percentage
Grassroots	71,374,000	17,843,500	33.3%
Performance	142,643,000	35,660,750	66.7%
Total	214,017,000	53,504,250	100.0%

Source: Federations of Sport/Sportsbusiness Analysis (2008)
 Note: The above analysis includes the sports of athletics, basketball, cycling, football, rowing, rugby union, swimming, table tennis and tennis

Graphic 40 - 'Top Down' Analysis of Government Funding 2004 to 2007 – Eight Olympic Sports Only

	Ministry/CNDS Funding (€)	Average Annual Ministry/CNDS Funding (€)	Percentage
Grassroots	66,735,776	16,683,944	32.5%
Performance	138,435,068	34,608,767	67.5%
Total	205,170,844	51,292,711	100.0%

Source: Federations of Sport/Sportsbusiness Analysis (2008)
 Note: The above analysis includes the sports of athletics, basketball, cycling, football, rowing, swimming, table tennis and tennis

Graphic 41 - 'Top Down' Analysis of Government Funding 2004 to 2007 – One Non-Olympic Sport Only

	Ministry/CNDS Funding (€)	Average Annual Ministry/CNDS Funding (€)	Percentage
Grassroots	4,638,224	1,159,556	52.4%
Performance	4,207,932	1,051,983	47.6%
Total	8,846,156	2,211,539	100.0%

Source: Federations of Sport/Sportsbusiness Analysis (2008)
 Note: The above analysis includes the sport of rugby union

Graphic 42 - 'Top Down' Analysis of Government Funding 2004 to 2007 – Five Professional Sports Only

	Ministry/CNDS Funding (€)	Average Annual Ministry/CNDS Funding (€)	Percentage
Grassroots	55,848,611	13,962,153	33.8%
Performance	109,221,642	27,305,410	66.2%
Total	165,070,253	41,267,563	100.0%

Source: Federations of Sport/Sportsbusiness Analysis (2008)
 Note: The above analysis includes the sports of basketball, cycling, football, rugby union and tennis

Graphic 43 - 'Top Down' Analysis of Government Funding 2004 to 2007 – Four Amateur Sports Only

	Ministry/CNDS Funding (€)	Average Annual Ministry/CNDS Funding (€)	Percentage
Grassroots	15,525,389	3,881,347	31.7%
Performance	33,421,358	8,355,340	68.3%
Total	48,946,747	12,236,687	100.0%

*Source: Federations of Sport/Sportsbusiness Analysis (2008)
Note: The above analysis includes the sports of athletics, rowing, swimming and table tennis*

French Federations Assessment of Income by Type for 9 Leading Sports 2004 to 2007 ('Bottom Up')

- 4.59 Across the nine sports analysed the total federations' income generated during 2004 to 2007 was €1.67bn or an average of €417.5m per annum. This equates to an average of €46m per federation per annum but is obviously skewed to some extent by the amount of commercial funding that sports likes of football and tennis generate. According to the ministry as much as 80% of the €188m in commercial funding generated by the Olympic sports during 2007. In the same year the corresponding level of commercial funding generated by non-Olympic sports was €52m.
- 4.60 Across the nine sports analysed 67.4% of income was sourced from commercial activities such as TV rights, sponsorship, advertising etc. This equated to an annual average of €281m across the group or €31.2m per sport. Membership/other federation activities was the second most significant category at 16% or €7.4m per sport per annum across the period considered. Public funding was less significant at 12.8% or an average of €5.9m per sport per annum. As FDJ account for 80% of Ministry funding they provided an average of roughly €4.7m per annum of funding across the nine sports analysed.
- 4.61 If just the eight Olympic sports are considered there was a total of €1.34bn over the four year period which equates to an average of €41.9m per sport per annum. This compares to a corresponding figure of €20.6m per annum for rugby union the only non-Olympic sport considered in France.
- 4.62 Of the Olympic sports 61.2% of their funding or an average of €25.7m per annum was generated via commercial sources, this was followed by membership/other federation activities at 18.9% or an average of €15.8m per annum. Public funding was slightly more significant at 15.3% or an average of €6.4m per annum.

Graphic 44 - 'Bottom Up' Analysis of Federation Income 2004 to 2007 – All Nine Sports

Income Type	Total Income (€)	Average Annual Income (€)	Percentage
Public Funding	213,415,085	53,353,771	12.8%
Commercial/Sponsorship	1,124,805,260	281,201,315	67.4%
Membership/Other Federation	266,594,016	66,648,504	16.0%
Other/Exceptional	65,005,251	16,251,313	3.9%
Total	1,669,819,612	417,454,903	100.0%

Source: Federations of Sport/Sportsbusiness Analysis (2008)
 Note: The above analysis includes the sports of athletics, basketball, cycling, football, rowing, rugby union, swimming, table tennis and tennis.

Graphic 45 - 'Bottom Up' Analysis of Federation Income 2004 to 2007 – Eight Olympic Sports Only

Income Type	Total Income (€)	Average Annual Income (€)	Percentage
Public Funding	204,568,511	51,142,128	15.3%
Commercial/Sponsorship	820,901,400	205,225,350	61.2%
Membership/Other Federation	253,023,920	63,255,980	18.9%
Other/Exceptional	61,920,023	15,480,006	4.6%
Total	1,340,413,854	335,103,464	100.0%

Source: Federations of Sport/Sportsbusiness Analysis (2008)
 Note: The above analysis includes the sports of athletics, basketball, cycling, football, rowing, swimming, table tennis and tennis

Graphic 46 - 'Bottom Up' Analysis of Federation Income 2004 to 2007 – One Non-Olympic Sport Only

Income Type	Total Income (€)	Average Annual Income (€)	Percentage
Public Funding	8,846,574	2,211,644	2.7%
Commercial/Sponsorship	303,903,860	75,975,965	92.3%
Membership/Other Federation	13,570,096	3,392,524	4.1%
Other/Exceptional	3,085,228	771,307	0.9%
Total	329,405,758	82,351,440	100.0%

Source: Federations of Sport/Sportsbusiness Analysis (2008)
 Note: The above analysis includes the sport rugby union

Graphic 47 - 'Bottom Up' Analysis of Federation Income 2004 to 2007 – Five Professional Sports Only

Income Type	Total Income (€)	Average Annual Income (€)	Percentage
Public Funding	165,084,068	41,271,017	10.8%
Commercial/Sponsorship	1,087,859,506	271,964,877	71.2%
Membership/Other Federation	212,894,713	53,223,678	13.9%
Other/Exceptional	61,410,125	15,352,531	4.0%
Total	1,527,248,412	381,812,103	100.0%

Source: Federations of Sport/Sportsbusiness Analysis (2008)
 Note: The above analysis includes the sports of basketball, cycling, football, rugby union and tennis

4.63 Moving on to professional sports the five federations their combined budget over the four years analysed was €1.53bn which equates to an average of €76.4m per federation per annum. As would be expected, commercial funding accounted for a much greater proportion of their income at 71.2% or an average of €54.4m per sport per annum. Members/other federation income

represented 13.9% or €3.1m per federation per annum with ministry funding coming in at 10.8% or €8.3m per annum.

Graphic 48 - 'Bottom Up' Analysis of Federation Income 2004 to 2007 – Four Amateur Sports Only

Income Type	Total Income (€)	Average Annual Income (€)	Percentage
Public Funding	48,331,017	12,082,754	33.9%
Commercial/Sponsorship	36,945,754	9,236,439	25.9%
Membership/Other Federation	53,699,303	13,424,826	37.7%
Other/Exceptional	3,595,126	898,782	2.5%
Total	142,571,200	35,642,800	100.0%

Source: Federations of Sport/Sportsbusiness Analysis (2008)
Note: The above analysis includes the sports of athletics, rowing, swimming and table tennis

4.64 In the case of amateur sports the four federations considered generated total income of €142.6m between them during the period 2004 to 2007. This represented an average of €8.9m per federation per annum or the equivalent of just 11.6% of the corresponding figure for the professional sports considered.

4.65 Across the amateur sports we analysed 37.7%, or an average of €3.4m per sport per annum, of income was generated from commercial sources. In comparison ministry funding totalled represented 33.9% or an average of €3.0m each per annum. Membership/other federation funding totalled €36.9m during the period or an average of €2.3m per federation per annum.

Graphic 49 - 'Bottom Up' Analysis of Federation Income 2004 to 2007 – All Sports Annual Average

	Athletics	Basketball	Cycling	Football	Rowing	Rugby Union	Swimming	Table Tennis	Tennis	All	Total Funding (€)
Public Funding	28.1%	13.6%	23.8%	21.2%	47.4%	2.7%	38.5%	27.1%	4.5%	12.8%	213.4
Commercial/Sponsorship	31.2%	47.0%	24.7%	68.1%	20.4%	92.3%	12.0%	41.4%	70.0%	67.4%	1,124.8
Membership/Other Federation	39.9%	35.4%	51.6%	8.4%	22.3%	4.1%	47.7%	31.2%	17.8%	16.0%	266.6
Other/Exceptional	0.8%	4.0%	0.0%	2.3%	9.9%	0.9%	1.8%	0.3%	7.8%	3.9%	65.0
Total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	1,669.8

Source: Federations of Sport/Sportsbusiness Analysis (2008)

5. FRANCE AND UK – SPORTS FUNDING COMPARISON

- 5.1 Between 2004 and 2007 the average annual sales of FDJ were €9.06bn compared to the €6.17bn of Camelot in the UK. However, once sportsbetting is stripped out from the French number we are left with €8.75bn and if 'Rapido' - a number draw game mostly played in bars is also excluded - the average was €6.30bn which is a much more comparable figure. There is no similar high frequency game like 'Rapido' available in the UK. In fact given that there are no gaming machines permitted outside of French casinos this product to some extent fills the void of this market.
- 5.2 In France headline FDJ sales per head were an average of €144 per annum between 2004 and 2007, but once sportsbetting, pools and 'Rapido' are discounted the average for the typical draw and scratch games available in France was €104. In the UK the average spend per head on the National Lottery during the four year period concerned was just under €102.

Graphic 50 - Lottery Sales and Percentage to Sport 2004 to 2007

	2004	2005	2006	2007	Total	Average
Total Lottery Sales France (€m)	8,552.8	8,926.0	9,472.5	9,306.0	36,257.3	9,064.3
Less Sportsbetting/Pools (€m)	8,331.7	8,643.0	9,084.1	8,924.5	34,983.3	8,745.8
Less 'Rapido' (€m)	6,285.2	6,557.0	6,933.7	6,753.2	26,529.1	6,632.3
Total Lottery Sales UK (€m)	5,982.3	6,247.2	6,349.5	6,097.8	24,676.8	6,169.2
% Lottery Sales France	4.0%	4.1%	3.5%	3.8%	3.8%	3.8%
% Lottery Sales UK	3.3%	4.8%	5.2%	4.7%	4.5%	4.5%

Source: Francaise des Jeux/MJSVA/Camelot/Department of Culture Media and Sport/Sportsbusiness Analysis (2008)

- 5.3 If the total value of the sportsbetting, lottery and pools sectors are considered it is clear that at a sales or stakes level the UK far outstrips France at an average of €22.49bn to €9.06bn. However, given the much lower margins across the UK's sportsbetting industry at the gross win level the numbers are much closer at €4.68bn to €3.68bn. Once again this probably reduces the gap given the existence of 'Rapido' in France but is explained by the availability of a good value commercial sportsbetting market in the UK.

Graphic 51 - Lottery Funding of Sport 2004 to 2007

	2004	2005	2006	2007	Total	Average
Total France (€m)	338.9	366.0	330.4	352.8	1,388.1	347.0
Total UK (€m)	194.7	301.7	329.8	289.6	1,115.8	279.0
Per Head France (€)	4.92	5.41	5.81	5.21	21.35	5.53
Per Head UK (€)	3.22	4.98	5.43	4.76	18.39	4.60

Source: Francaise des Jeux/MJSVA/Camelot/Department of Culture Media and Sport/Sportsbusiness Analysis (2008)

Graphic 52 - Lottery Gross Win and Percentage to Sport 2004 to 2007

	2004	2005	2006	2007	Total	Average
Total Lottery Win France (€m)	3,426.4	3,619.4	3,863.6	3,799.1	14,708.6	3,677.1
Less Sportsbetting/Pools (€m)	3,352.8	3,534.5	3,747.1	3,676.2	14,310.6	3,577.6
Less 'Rapido' (€m)	2,697.8	2,836.1	3,027.2	2,958.7	11,519.9	2,880.0
Total Lottery Win UK (€m)	2,991.2	3,123.6	3,174.7	3,048.9	12,338.4	3,084.6
% Lottery Win France	9.9%	10.1%	8.6%	9.3%	9.4%	9.4%
% Lottery Win UK	6.5%	9.7%	10.4%	9.5%	9.0%	9.0%

Source: Francaise des Jeux/MJSVACamelot/Department of Culture Media and Sport/Sportsbusiness Analysis (2008)

Graphic 53 - Total Paid to the Government Sportsbetting, Lottery and Football Pools 2004 to 2007

	2004	2005	2006	2007	Total	Average
Sportsbetting	213.0	216.0	231.0	268.5	928.5	232.1
Football Pools	1.5	1.4	1.2	1.2	5.3	1.3
Lottery Games	2,392.9	2,498.9	2,539.8	2,439.1	9,870.7	2,467.7
Total UK	2,607.4	2,716.3	2,772.0	2,708.8	10,804.5	2,701.1
Sportsbetting	29.5	41.7	70.7	69.4	211.4	52.9
Football Pools	30.6	38.6	40.8	40.1	150.1	37.5
Lottery Games	2,266.2	2,454.6	2,607.1	2,561.3	9,889.3	2,472.3
Total France	2,326.4	2,535.0	2,718.6	2,670.8	10,250.8	2,562.7

Source: Francaise des Jeux/Camelot/HM Revenues and Customs/Company Reports/H2 Gambling Capital (2008)

- 5.4 In total the UK's sportsbetting, lottery and pools sectors paid an average of €2.70bn per annum as tax or good causes between 2004 and 2007 whereas in France the government received €3.68bn.
- 5.5 Of total lottery sales, 3.8% was allocated to sport by the French government during the period concerned whereas the corresponding figure in the UK was 4.5%. Both figures appear to have been slightly volatile during the period though in the UK's case, the 2007 figure is 36.4% higher during the final year as the first in comparison to France where the final year's share is 5% lower than in 2004.
- 5.6 In France, FDJ contributed just under €353m to sport during 2007 as opposed to the €290m contributed in the UK. Over the complete four year period the total for France was €1.39bn or an annual average of €347m compared to corresponding figures of €1.12bn and €279.0m in the UK. Overall this represented an average annual contribution per head in France of €5.53 as opposed to €4.60 in the UK. It should be noted that if sportsbetting and the pools are excluded the French figure becomes €5.15 and if the contribution made by 'Rapido' is also excluded it is €3.91 per head.
- 5.7 In terms of gross win (stakes less prizes) at the headline level, FDJ has achieved an average of €3.68bn during the period 2004 to 2007 as opposed to the National Lottery's €3.08bn. However,

the former drops to €3.58bn and €2.88bn when sportsbetting/pools and then 'Rapido' are discounted. We consider the gross win metric which better reflects the lotteries' ability to pay tax etc. During the four year period concerned, FDJ paid an average of 9.4% of its gross win to sport whereas in the UK the figure was slightly less at 9.0%.

- 5.8 In terms of our 'top down' approach we found that an average of €4.8m per annum in lottery funding was received by each of the nine federations for which analysis was undertaken with 33.3% of this being allocated for grassroots sport. UK NGBs benefited by a higher amount at €6.4m each with a higher proportion, 56.3%, being allocated to grassroots.
- 5.9 If just the Olympic sports are considered the average lottery funding was €5.1m per annum in France as opposed to €7.4m in the UK. For non-Olympic sports the corresponding figures were found to be €1.8m in France and €4.0m in the UK. In terms of the allocation to grassroots for France we found the average to be 32.5% for Olympic and 52.4% for non-Olympic sports compared to 52.9% and 70.6% respectively in the UK. It should be noted that in the case of France that rugby union was the only non-Olympic sport considered which makes the analysis unrepresentative of the sector as a whole.
- 5.10 Turning to professional sports in France the average level of annual lottery funding per federation was €6.6m as opposed to €6.3m in the UK and the percentages of these allocated to grassroots sport were 33.8% and 70% respectively. In the case of amateur sports the average annual budgets per federation were €2.4m in France and €6.4m in the UK. Of these 31.7% was allocated to grassroots in France as opposed to 40.4% in the UK.

Graphic 54 - 'Top Down' Analysis of Lottery Funding of Federation/NGB Income 2004 to 2007 – All Sports Annual Average per Sport

	France		UK	
	(€)	%	(€)	%
Grassroots	1.6	33.3%	3.6	56.3%
Performance	3.2	66.7%	2.8	43.7%
Total	4.8	100.0%	6.4	100.0%

Source: French Federations of Sport/UK NGBs/Sportsbusiness Analysis (2008)
 Note: The above analysis includes the sports of athletics, basketball, cycling, football, rowing, rugby union, swimming, table tennis and tennis in France and athletics, badminton, cricket, cycling, football, golf, hockey, rowing, rugby league, rugby union, sailing, swimming and tennis in the UK

Graphic 55 - 'Top Down' Analysis of Lottery Funding of Federation/NGB Income 2004 to 2007 – Olympic Sports Annual Average per Sport

	France		UK	
	(€)	%	(€)	%
Grassroots	1.7	32.5%	3.9	52.9%
Performance	3.5	67.5%	3.5	47.1%
Total	5.1	100.0%	7.4	100.0%

Source: French Federations of Sport/UK NGBs/Sportsbusiness Analysis (2008)

Note: The above analysis includes the sports of athletics, basketball, cycling, football, rowing, swimming, table tennis and tennis in France and athletics, badminton, cycling, football, hockey, rowing, sailing, swimming and tennis in the UK

Graphic 56 - 'Top Down' Analysis of the Profile of Federation/NGB Income 2004 to 2007 – Non-Olympic Sports Annual Average per Sport

	France		UK	
	(€)	%	(€)	%
Grassroots	0.9	52.4%	2.8	70.6%
Performance	0.8	47.6%	1.2	29.4%
Total	1.8	100.0%	4.0	100.0%

Source: French Federations of Sport/UK NGBs/Sportsbusiness Analysis (2008)

Note: The above analysis includes the sport of rugby union in France and cricket, golf, rugby league and rugby union in the UK

Graphic 57 - 'Top Down' Analysis of Lottery Funding of Federation/NGB Income 2004 to 2007 – Professional Sports Annual Average per Sport

	France		UK	
	(€)	%	(€)	%
Grassroots	2.2	33.8%	4.4	70.0%
Performance	4.4	66.2%	1.9	30.0%
Total	6.6	100.0%	6.3	100.0%

Source: French Federations of Sport/UK NGBs/Sportsbusiness Analysis (2008)

Note: The above analysis includes the sports of basketball, cycling, football, rugby union and tennis in France and cricket, cycling, football, golf, rugby league, rugby union and tennis in the UK

Graphic 58 - 'Top Down' Analysis of Lottery Funding of Federation/NGB Income 2004 to 2007 – Amateur Sports Annual Average per Sport

	France		UK	
	(€)	%	(€)	%
Grassroots	0.8	31.7%	2.6	40.4%
Performance	1.7	68.3%	3.8	59.6%
Total	2.4	100.0%	6.4	100.0%

Source: French Federations of Sport/UK NGBs/Sportsbusiness Analysis (2008)

Note: The above analysis includes the sports of athletics, rowing, swimming and table tennis and in France and athletics, badminton, hockey, rowing, sailing and swimming in the UK

- 5.11 From the point of view of our 'bottom up' analysis of Federations/NGBs' income we established that across all of the sports considered in the two countries that the average annual budget per organisation was €46.4m in France in comparison to €80.1m in the UK. Commercial funding represented 67.4% in France and 65.4% in the UK. Self generated income accounted for 16.0% in France and 22.9% in the UK. Lottery funding accounted for 10.2% in France as opposed to 7.9% in the UK and other central government funding was fairly similar in importance at 2.6% in France and 2.4% in the UK.
- 5.12 It would appear that the UK's Olympic sports are much better off financially than their counterparts in France. The average annual budget of a UK Olympic NGB was €93.1m as opposed to just €41.9m in France. Commercial funding was more important in the UK at 74.6% as opposed to 61.2% in France where self generated funding was more important in France but in absolute terms far less. The average French Olympic sport gained 12.2% of its income from the lottery and 3.1% from other state funding with the levels being just 7.9% and 2.3% in the UK.
- 5.13 In the case of professional sports the average annual federation budget was €69.3m in the UK as opposed to €35.6m in France. Of these amounts just 7.9% of total income came from the lottery in UK as opposed to 27.1% in France. Amongst amateur sports the average annual budget in the UK was €79.4m during the period 2004 to 2007 compared to €76.4m in France. Both groups of sports were fairly similar in terms of their reliance on public funding with the French at 10.8% and the UK at 10.0%. In absolute terms the French federations averaged €8.3m per annum as opposed to the UK NGB average of €7.9m.
- 5.14 It is worth pointing out that in the UK the scale of NGB funding means that amongst Olympic and amateur sports and across the group as a whole although there is less reliance on state and lottery funding the average absolute amounts are much higher. For instance in the UK Olympic sports received an average of €9.6m per annum from these sources during the period concerned as opposed to €6.4m in France. For amateur sports the corresponding numbers were €8.7m for the UK and €3.0m for France.

Graphic 59 - 'Bottom Up' Analysis of Federation/NGB Income 2004 to 2007 – All Sports Annual Average per Sport

	France		UK	
	(€)	%	(€)	%
Lottery	4.7	10.2%	6.4	7.9%
Exchequer	1.2	2.6%	1.9	2.4%
Commercial	31.2	67.4%	52.4	65.4%
Self Generated	7.4	16.0%	18.3	22.9%
Other	1.8	3.9%	1.1	1.4%
Total	46.4	100.0%	80.1	100.0%

Source: French Federations of Sport/UK NGBs/Sportsbusiness Analysis (2008)
 Note: The above analysis includes the sports of athletics, basketball, cycling, football, rowing, rugby union, swimming, table tennis and tennis in France and athletics, badminton, cricket, cycling, football, golf, hockey, rowing, rugby league, rugby union, sailing, swimming and tennis in the UK

Graphic 60 - 'Bottom Up' Analysis of Federation/NGB Income 2004 to 2007 – Olympic Sports Annual Average per Sport

	France		UK	
	(€)	%	(€)	%
Lottery	5.1	12.2%	7.4	8.0%
Exchequer	1.3	3.1%	2.2	2.4%
Commercial	25.7	61.2%	69.5	74.6%
Self Generated	7.9	18.9%	12.8	13.8%
Other	1.9	4.6%	1.2	1.2%
Total	41.9	100.0%	93.1	100.0%

Source: French Federations of Sport/UK NGBs/Sportsbusiness Analysis (2008)

Note: The above analysis includes the sports of athletics, basketball, cycling, football, rowing, swimming, table tennis and tennis in France and athletics, badminton, cycling, football, hockey, rowing, sailing, swimming and tennis in the UK

Graphic 61 - 'Bottom Up' Analysis of Federation/NGB Income 2004 to 2007 – Non-Olympic Sports Annual Average per Sport

	France		UK	
	(€)	%	(€)	%
Lottery	1.8	2.1%	4.0	7.9%
Exchequer	0.4	0.5%	1.2	2.3%
Commercial	76.0	92.3%	13.9	27.4%
Self Generated	3.4	4.1%	30.7	60.5%
Other	0.8	0.9%	0.9	1.9%
Total	82.4	100.0%	50.7	100.0%

Source: French Federations of Sport/UK NGBs/Sportsbusiness Analysis (2008)

Note: The above analysis includes the sport of rugby union in France and cricket, golf, rugby league and rugby union in the UK.

Graphic 62 - 'Bottom Up' Analysis of Federation/NGB Income 2004 to 2007 – Professional Sports Annual Average per Sport

	France		UK	
	(€)	%	(€)	%
Lottery	6.6	8.6%	6.3	8.0%
Exchequer	1.7	2.2%	1.6	2.0%
Commercial	54.4	71.2%	38.5	48.5%
Self Generated	10.6	13.9%	31.3	39.4%
Other	3.1	4.0%	1.8	2.2%
Total	76.4	100.0%	79.4	100.0%

Source: French Federations of Sport/UK NGBs/Sportsbusiness Analysis (2008)

The above analysis includes the sports of basketball, cycling, football, rugby union and in France and cricket, cycling, football, golf, rugby league, rugby union and tennis in the UK

Graphic 63 - 'Bottom Up' Analysis of Federation/NGB Income 2004 to 2007 – Amateur Sports Annual Average per Sport

	France		UK	
	(€)	%	(€)	%
Lottery	2.4	27.1%	6.4	7.9%
Exchequer	0.6	6.8%	2.3	2.8%
Commercial	2.3	25.9%	68.6	84.9%
Self Generated	3.4	37.7%	3.2	4.0%
Other	0.2	2.5%	0.3	0.4%
Total	8.9	100.0%	80.8	100.0%

Source: French Federations of Sport/UK NGBs/Sportsbusiness Analysis (2008)

The above analysis includes the sports of athletics, rowing, swimming and table tennis and in France and athletics, badminton, hockey, rowing, sailing and swimming in the UK.

6. LESSONS FROM OTHER MARKETS – RECENT EXAMPLES

- 6.1 Prior to drawing our conclusions on this study (and cognisant of the discussions underway in relation to the likely market opening in France), we have also considered briefly the effect of the two most recent examples of a major change in regulation in either sportsbetting or state lotteries in EU Member States. The purpose is to test the thesis that the competitive, regulated market opening of online sportsbetting in France might ‘cannibalise’ lottery sales.
- 6.2 In Italy, we consider the impact of the implementation of the so called Bersani Decree in late 2006 and resulting award of additional horse and sports betting concessions. In the UK, we consider the introduction of the National Lottery in November 2004 alongside an already well developed commercial betting industry.
- 6.3 It is also worth mentioning that Spain is also in the process of establishing a sportsbetting market. The market is being developed from scratch in both a land based, and soon to be regulated internet environment. The rollout is on an autonomous region by region basis but in some ways this is the perfect scenario for any analysis as it provides both sportsbetting and non-sporting areas to be compared.

Italy – The Extension of Sports Betting Concessions 2007

- 6.4 In Italy, there is evidence emerging that the rollout of sportsbetting does not necessarily cannibalise lottery products. After the award of the additional concessions during the final days of 2006, operators were given until the middle of 2008 to open their new or enlarged estates. Most operators achieved this with the majority of the opening coming during H2 2007.
- 6.5 It was a similar situation in respect to internet betting given the requirement that all concessionaires connect their betting software to the licensee’s computer systems (AAMS). As a result of this sequence of events we believe that the YoY performance of each lottery product during H1 2008 provides a very good indicator of the impact that the increased supply of sportsbetting is having on lottery sales.
- 6.6 In Italy there are three major categories of lottery products operated by two companies. Lottomatica is listed on the MIB and organises the sale of both the nation’s lotto game and of instant tickets. It should be noted that whilst the former has been in decline the latter has been boosted significantly in recent years due to the introduction of higher denomination tickets through a deal with Scientific Games.
- 6.7 The third category of lottery product, SuperEnalotto, is operated by private equity owned SISAL. H2 Gambling Capital has requested SISAL for an indication of their current SuperEnalotto trading in the light of the increased supply of sportsbetting across the nation.
- 6.8 It is worth noting that whilst H2 Gambling Capital was on a fact finding visit to Italy during late 2007 both Lottomatica and SISAL were confident that there would be little or no resulting

cannibalisation due to the differences in customer bases and the relatively low price points of the lottery products.

- 6.9 It appears that the trends in most products have been maintained if not bettered during the first six months of 2008. Lotto sales were €3.0bn during the period against the €3.1bn reported for the period 12 months earlier, a fall of 3.2%. This is well within the trend as lotto sales had fallen 6.2% during 2007 and an average 4.7% over the prior five years. Longer term trends should be viewed with caution as single year sales, such as 2004, have spiked due to a large number of 'late numbers'. As a result of the spike in sales in 2004 a third weekly lotto draw has since been introduced which has had the impact of reducing the probability of late numbers and hence sales.
- 6.10 Instant ticket sales grew €4.2bn to €4.9bn YoY during H1 2008, an increase of 16.7%. It could be argued as multiple price point tickets up to a maximum of €10 were introduced at the beginning of 2007 there is still a degree of novelty. Prior to this all tickets were priced at €1. The price point growth has been supported by an increase in payout, from less than 50% to 70%. Furthermore, Lottomatica only took over the management of instant tickets during late 2006. Before this, instant tickets were managed directly by AAMS.
- 6.11 Still the H1 2008 performance was a like for like increase and has probably been assisted by Lottomatica's continued work in respect of branding, product innovation, retail network and safety. Furthermore, the fact that many of the new sportsbetting kiosks are co-located with existing lottery retailers. Hence after a sportsbetting win there is the ability to purchase instant tickets with some winnings, etc.
- 6.12 It should be noted that the Italian case is different in that commercial sportsbetting shops existed prior to 2007 under a limited number of concessions awarded to domestic companies such as Snai, SISAL, Toto2000, etc. Under the Besani Decree additional sports and horse betting licenses made available and companies such as Ladbrokes, Eurobet, Lottomatica and Intralot entered the land based market. In addition these operators a number of others have launched remote offerings. The existing market and the additional supply of land based betting do differentiate Italy from the proposed French case where competition will only be permitted in remote betting.

UK – The Introduction of the National Lottery 2004

- 6.13 It should be noted that in the UK the bookmakers argued that the introduction of the National Lottery during November 2004 (the Lottery mainly generated its revenues from a draw at the time of its launch) had a detrimental impact on their revenues. This was one of the arguments that the sector used to gain additional products and a reduced tax.
- 6.14 The launch of the National Lottery was accompanied by a significant advertising campaign whilst at the time UK bookmakers were not permitted to advertise. The UK betting industry's turnover was 2.5% ahead in 1994, but 2.5% down the following year before rising 2.9% during 1996 and

then continued to rise at an average of 3.3% per annum for the following five years. The National Lottery on the other hand after a strong increase in sales during 1997 saw sales fall by an average of 1.6% over the following three years.

- 6.15 We believe that the UK case demonstrates that even where there is an initial cannibalisation of one product's sales by a new one; this is likely to be modest and much of it is due to novelty with the majority of players returning to their longer term habits. We also believe that the UK case was exaggerated by the fact that there was an unlevel advertising playing field which will probably not be the case in France.

Europe – Overview of Sportsbetting in 16 Leading Nations

- 6.16 As a piece of added value, we have provided a desk based study of the sportsbetting activities and the associated financial benefits to sport in 16 additional European nations. It was found that across these nations a total of €98.5bn was staked on sportsbetting. The low margin high churn model in the UK's industry exaggerates the scale of the industry at this level. Excluding the UK, the average sportsbetting sales per nation per annum across the remaining 15 nations was €569m. Across the group, sportsbetting stakes accounted for 48.2% of lottery sales, yet in the UK they were 263.4% and in France 2.1%.

Graphic 64 - An Overview of Sportsbetting Supply, Scale and Funding of Sport in Selected European Nations 2004 to 2007

Nation	Principal Source of Sportsbetting	Total Sports Bet Sales (€m)	Total Lottery Sales (€m)	Total Sports Bet Sales as a % of Lottery Sales	Total Sports Bet Gross Win (€m)	Total Sport Funding (€m)	Total % Lottery Sales to Sport
Austria	Bookmakers	668.9	6,917.7	9.7%	80.8	202.0	2.9%
Belgium	Bookmakers	1,008.5	4,593.4	22.0%	205.4		
Czech Rep	Lottery/Bookmakers	1,973.8	1,282.9	153.8%	238.7	142.8	11.1%
Denmark	Lottery	1,233.4	3,552.7	34.7%	218	571.3	16.1%
Finland	Lottery	1,003.4	3,899.9	25.7%	427.8	372.2	9.5%
France	Lottery	744.0	34,983.0	2.1%	238.3	1,388.1	3.8%
Germany	Lottery/4 Bookmakers	2,639.8	37,733.5	7.0%	90.7	214.2	0.6%
Greece	Single Op Monopoly	7,480.2	10,425.6	71.7%	307.2	21.2	0.2%
Hungary	Lottery	251.8	1,990.1	12.6%	106.3	67.7	3.4%
Ireland	Bookmakers	4,880.0	2,644.0	184.6%	624.6		
Italy	Bookmakers	9,010.0	53,263.0	16.9%	2,983.0		
Netherlands	Lottery	74.3	5,432.1	1.4%	38.1	363.3	6.7%
Norway	Lottery	270.8	4,521.7	5.9%	199.1	569.7	12.6%
Poland	Lottery/Bookmakers	944.2	2,663.8	35.4%	235.0		
Sweden	Lottery	1,482.0	5,814.9	25.5%	516.1	375.4	6.5%
UK	Bookmakers	64,800.0	24,599.0	263.4%	6,190.0	1,115.8	4.5%
Group Total		98,465.1	204,317.3	48.2%	12,699.1	5403.7	3.8%

Source: Sportsbusiness/H2 Gambling Capital Analysis (2008)

- 6.17 At the gross win level the total across the sixteen nations was €15.0m for the four year period or an average of €234m per nation per annum. Here the differential if the UK is excluded from the analysis is not quite as substantial with the average for the other fifteen nations being €146m.
- 6.18 We are able to provide details of twelve nations' allocation of lottery funds to sport during the period 2004 to 2007. Between them a total of €5.5bn or an average of €115m per nation per annum was allocated to sport. In terms of absolute spend the UK was second only to France but in terms of percentage of sales was seventh one place ahead of France.
- 6.19 The proportion of French lottery sales allocated to sport at 3.9% was equal to that of the group where as the UK was 15% higher. In absolute terms the average contribution per nation per annum was €114m as opposed to €277m in the UK and €350m in France.
- 6.20 Of those Member States where information was available regarding the sports betting market, there were four where it was unclear how much money is contributed to sport by the industry. These were Belgium, Ireland, Italy and Poland - all of which have either an exclusive or significant commercial bookmaking industry. As a result further more specific analysis would be required in all of these nations.

7. ANALYSIS AND CONCLUSIONS

- 7.1 We have collected an enormous amount of data, validated in person from official sources within both Member States and also the EU (see list of consultees and references used in the Appendices), and as a result can feel confident in our summary analysis and conclusions that follow.
- 7.2 We should re-stress the objective of the study (shown on page 5) before concluding – which was first, about presenting the facts as we found them in relation to the contribution made by the gambling industry to the funding of sport in the UK and France; but second, to comment also on the data collected from a qualitative perspective.
- 7.3 Of the 13 UK, and 9 French, sports that we have analysed in detail (from both ‘top down’ and ‘bottom up’ perspectives), these represent almost 80% of all lottery funding expended on sport at in both Member States at the moment. We are therefore fairly reassured that the data presented is strongly representative of the current picture as regards total spend.

‘7 Quantitative Findings’

- 7.4 Our 7 ‘headline’ quantitative findings are as follows:

- 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 directly allocated 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, p47)

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, p58)

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 3.85, p36)

‘5 Qualitative Findings’

- 7.5 In addition to the above , we found during the desk review and from feedback at the field meetings, a further 5 ‘headline’ qualitative findings as follows:

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:

- *La 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 can be due to **novelty**, with the majority of players returning to their longer term habits over time.

(Paragraphs 6.14-6.15, pp63-64)

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)

Appendices

1. Desk Review - Key Sources

Assemblée Nationale – Mme Arletto Franco (2007)	<i>'L'Organisation et Le Financement du Sport en Europe'</i>
Carter Review (2005)	<i>'Review of National Sport Effort and Resources'</i>
Central Council for Physical Recreation (2007)	<i>'NGB Funding: An Analysis of the Funding Profiles of Sports Organisations'</i>
Comité National Olympique et Sportif Français (2008)	<i>'Ensemble Pour Un Sport Européen'</i>
Courier des Statistiques (2008)	<i>'Statistics at the French Sports Ministry'</i>
Deloitte (2008)	<i>'Annual Review of Football Finance'</i>
European Commission (2007)	<i>'White Paper on Sport'</i>
European Non-Governmental Sports Organisation (2007)	<i>'Commission Conference on the White Paper on Sport' Brussels, 8-9 October</i>
European Observatoire of Sport Employment (2007)	<i>'The Sports Sector in France'</i>
European Observatoire of Sport Employment (2007)	<i>'Vocasport – Improving Employment in the Field of Sport in Europe through Vocational Training'</i>
Gambling Commission (2007-08)	<i>'Industry Statistics'</i>
HM Revenue and Customs (2008)	<i>'Betting Bulletin 2004 to 2008'</i>
Ministère de la Jeunesse, des Sports et de la Vie Associative (2003–07)	<i>'STAT – Info' No 03-03, No 06-03, No 06-05, No 07-02,</i>
Ministère de la Jeunesse, des Sports et de la Vie Associative (2006–07)	<i>'Les Chiffres Clés du Sport' 2006, 2007</i>
Ministère de la Jeunesse, des Sports et de la Vie Associative (2007)	<i>'Project de Loi de Règlement pour 2006'</i>
Ministère de la Jeunesse, des Sports et de la Vie Associative (2008)	<i>'Les Chiffres Clés du Project de Loi des Finances pour 2008'</i>
PFUE Sports (2008)	<i>'Study of Public and Private Financing of Sport in Europe – Summary of Conclusions and Proposals 20 September 2008'</i>
SPLISS (2008)	<i>'The Global Sporting Arms Race – France Policy questionnaire'</i>
Sport England (2000)	<i>'The Economics of Sport'</i>
Swiss Institute of Comparative Law (2008)	<i>'Supply of Gambling across EC Member States'</i>
UK Office of National Statistics (2008)	<i>'General Household Survey - Family Spending: 2007 Edition'</i>

2. Desk Review – Annual Reports

Review of the Annual Reports for 2004, 2005, 2006 and 2007 for the following organisations:

	United Kingdom	France
Government Bodies	Department of Culture, Media and Sport (DCMS) Department for Children, Schools and Families (DCSF) Local Government Association (LGA)	Ministère de la Jeunesse, des Sports et de la Vie Associative Ministère de l'Education Nationale
Sports Bodies	UK Sport Home Country Sports Councils x 4 Central Council for Physical Recreation (CCPR) British Olympic Association (BOA) British Paralympic Federation (BPA) Commonwealth Games Councils x 4 Home Country Institutes of Sport x 4 Youth Sports Trust Sports Coach UK SkillsActive British University and College Sport (BUCS) County Sports Partnerships (CSPs)	Commite National Olympique et Sportif Francais (CNOSF) UNSS (National Federation for School Sport) Institut National du Sport et de l'Education Physique (INSEP) Centre Régional d'Éducation Populaire et Sportive (CREPS)
Federations/ Governing Bodies of Sport	<i>Athletics</i> - UK Athletics <i>Badminton</i> – Badminton England; Scottish Badminton Union; Welsh Badminton Union; Badminton Union of Ireland <i>Cricket</i> – England and Wales Cricket Board <i>Cycling</i> - British Cycling <i>Golf</i> - England Golf; Scottish Golf Union; Golf Development Wales; NI Golf Federation <i>Football</i> - Football Federation (FA); Scottish FA; FA of Wales; Northern Irish (NI) FA <i>Hockey</i> – GB Hockey Board <i>Rowing</i> – GB Rowing <i>Rugby League</i> – Rugby Football League <i>Rugby Union</i> – Rugby Football Union <i>Sailing</i> – Royal Yachting Federation <i>Swimming</i> - British Swimming <i>Tennis</i> - Lawn Tennis Federation (LTA); Scottish LTA; Tennis Wales; NI LTA	<i>Athletics</i> – Federation Francaise d'Athletisme <i>Basketball</i> – Fédération Française de Basketball <i>Cycling</i> – Fédération Française de Cyclisme <i>Football</i> – Fédération Française de Football <i>Golf</i> – Fédération Française de Golf <i>Rowing</i> - Federation Francaise des Societes d'Aviron <i>Rugby Union</i> – Federation Francaise de Rugby <i>Swimming</i> – Federation Francaise de Natation <i>Table Tennis</i> – Federation Francaise de Tennis de Table <i>Tennis</i> – Federation Francaise de Tennis
Lottery/Gambling Bodies	Camelot National Lottery Commission Commercial Operators (undisclosed)	La Francaise des Jeux
Academic/Other Organisations	Sports Industry Research Centre	University of Paris Sorbonne Centre de Droit et d'Economie de Sport European Observatoire of Sport Employment (EOSE) Acteurs du Sport

3. Field Work – Meetings and Direct Consultation

	United Kingdom	France
Government Bodies	Department of Culture, Media and Sport (DCMS)	Ministère de la Jeunesse, des Sports et de la Vie Associative
Sports Bodies	UK Sport Sport England sportscotland Central Council for Physical Recreation (CCPR) British Olympic Federation (BOA) Commonwealth Games Council for England English Institute of Sport Sports Coach UK SkillsActive	Institut National du Sport et de l'Education Physique (INSEP)
Federations/ Governing Bodies of Sport	<i>Athletics</i> - UK Athletics <i>Cricket</i> – England and Wales Cricket Board <i>Cycling</i> - British Cycling <i>Golf</i> - England Golf <i>Football</i> - Football Federation <i>Hockey</i> – GB Hockey Board <i>Rugby League</i> – Rugby Football League <i>Rugby Union</i> – Rugby Football Union <i>Swimming</i> - British Swimming <i>Tennis</i> - Lawn Tennis Federation	<i>Athletics</i> – Federation Francaise d'Athletisme <i>Basketball</i> – Fédération Française de Basketball <i>Cycling</i> – Fédération Française de Cyclisme <i>Golf</i> – Fédération Française de Golf <i>Swimming</i> – Federation Francaise de Natation <i>Table Tennis</i> – Federation Francaise de Tennis de Table <i>Tennis</i> – Federation Francaise de Tennis
Lottery/Gambling Bodies	Camelot Commercial Operators (undisclosed)	La Francaise des Jeux
Academic/Other Organisations	Sports Industry Research Centre	University of Paris Sorbonne European Observatoire of Sport Employment (EOSE)