

Input ACLEU questionnaire Green Paper

The members of ACLEU have chosen to respond exclusively to the questions that are related to financing of benevolent and public interest activities (section 2.3.3.).

(38) Are there other gambling revenue channeling schemes for the public interest activities at national or EU level?

We would like to answer this question in conjunction with question no. 39, therefore see response below.

(39) Is there a specific mechanism, such as a fund, for redistributing revenue from public and commercial on-line gambling services to the benefit of society?

This answer also applies to question 38:

The mechanisms explained below are strictly speaking not in place for on-line gambling services (e-gaming), but the mentioned operators do use the internet as a distribution channel to sell their lottery tickets (e-commerce). We therefore see similarities with their activities and with the definition used in the Green paper ("On-line gambling services are any service which involves wagering a stake with monetary value in games of chance, including lotteries and betting transactions that are provided at a distance, by electronic means and at the individual request of a recipient of services") and include them in our answer.

As the Green Paper correctly explains there are state operators as well as private operators that donate funds to the public benefit/good causes. Almost all Member States have state-owned lotteries, whereas private charity lotteries (operating on a national scale with a license from the national government) only exist in seven Member States. The main differences with state lotteries: these are private charity lotteries, established to raise funds for good causes, and they use a lottery merely as a fundraising tool.

The members of the Association of Charity Lotteries in the EU (all private charity lotteries) come from four different EU member states: the United Kingdom, Ireland, Sweden and the Netherlands. Therefore we focus on these four countries in our response. These lotteries are responsible for a large share, up to 25%, of total giving to charity in these countries.

Each country has its own rules and regulations regarding (charity) lotteries and channeling of revenues to the public good, however, two separate categories of charity lotteries can be distinguished:

1) A charitable organisation receives a license from the government to organize a lottery for its own mission and objectives

In the Netherlands, five charities are granted this opportunity:

- *Scouting* (largest youth organisation in the Netherlands);
- *Zonnebloem* (dedicated to disabled or sick people and the elderly);
- *Jantje Beton* (stands up for the chance to play for all children in the Netherlands);
- *Grote Clubactie/Support Actie* (for all kinds of small scale clubs and associations);
- *KWF Kankerbestrijding* (Dutch Cancer Society).

These organisations are allowed to perform drawings one to four times a year. Their volunteers sell the tickets themselves or via the internet. Up to 80% of the revenues are destined for projects of the organisations themselves. These lotteries together raise € 21 million annually.

In the United Kingdom, the state lottery (*National Lottery*), operated by *Camelot*, enjoys freedom of operation and less restrictions from Ofcom (independent regulator and competition authority) or the National Lottery Commission. Conversely, 'society lotteries' (as charity lotteries are called in the UK) independent of the state, are constrained and limited in a number of ways by these actors, including methods of promotion, turnover limits and prize capping. Several hundred (remote and non-remote) licenses for society lotteries are issued annually, each contributing a minimum of 20% of revenue for

charitable causes. Examples of such lotteries include *Asthma UK*, *Age UK*, *The Royal Bird Society Lottery* and various hospices lotteries.

Restrictions effectively prevent growth what could be interpreted as a method to protect the *National Lottery's* position in the market.

Ticket sales for a society lottery may not exceed £4 million per draw, while the proceeds generated by each charity in any given year may not exceed £10 million per society. The maximum prize is also restricted to 10% of the total value of tickets sold per ticket. These limitations make it impossible for such society lotteries to seriously compete with the *National Lottery*, which, free of such restrictions, is able to offer millions of pounds per draw. More importantly, society lotteries are capped and restricted from driving a sustainable and extensive income from their lotteries.

In Sweden, many not-for-profit organisations run lotteries for their own cause, such as the *Swedish Red Cross* and the *Swedish Cancer Foundation*. Next to the object of public benefit as a purpose, a prize payout percentage between 35% and 50% is an additional requirement. A 'reasonable' part of the profits must be destined for the charities; the Lotteries Act does not specify this percentage.

In Ireland, there has been a long tradition, going back to the 1940s, of charities using lottery games to raise funds. Lottery licenses are issued by the State using the District Court system. Examples of leading not-for-profit organisations who operate lotteries are the following: *The Asthma Society of Ireland*, *Gael Linn*, *the Irish Cancer Society*, *the Polio Fellowship of Ireland*, *the Irish Society for the Prevention of Cruelty to Children*, *the Irish Lung Foundation* and *Rehab*.

The arrival of the State owned *National Lottery* in 1987 made it very difficult for charities to continue with their lottery activities. The Gaming and Lotteries Act 1956, under which the charities operate, limits the amount of prizes which may be awarded in any charity lottery to € 20,000 per week whereas there is no limit on the prizes which the National Lottery may award. The *National Lottery* is governed by its own legislation, the National Lottery Act 1986. This discriminatory regulatory position means that charity lotteries are prevented from competing with the *National Lottery*. As a result, the *National Lottery* is an effective monopoly with a 99% market share.

This type of fundraising corresponds with category 1 on page 30 of the Green Paper, though strictly speaking not offered on-line, but only using the internet as a distribution channel.

2) A private lottery operator receives a license to run a lottery for the benefit of multiple charitable organisations

In the Netherlands, three large charity lotteries exist that raise funds for more than 170 (inter)national non-governmental organisations (NGOs) and some 3,500 (sports) clubs and associations:

- *Nationale Postcode Loterij*: in 2010 € 270 million has been distributed to 81 NGOs that work in the fields of development aid, human rights, nature & environment or social cohesion.

- *VriendenLoterij*: in 2010 € 45 million went to 36 beneficiaries active in the sectors health and well-being. In addition, over 3,500 clubs and associations receive earmarked funding by selling tickets themselves for the lottery to their supporters.

- *BankGiro Loterij*: in 2010 almost € 60 million went to 57 museums and cultural (heritage) organisations.

By law these lotteries are obliged to pay out 50% of every ticket for the public benefit. According to transparent criteria and procedures, NGOs can apply for funding each year. The Supervisory Board of the lotteries allocates the funds. This way the lotteries are not closed shops but open to every NGO. Every year, if the turnover of the lottery has increased, more NGOs receive funding. More importantly, the support of the lotteries is long term and does not change once a new government comes into office: it does not replace government subsidies, but is rather additional to government subsidies. Over 25% of all private gifts in the Netherlands comes from these charity lotteries.

In the United Kingdom, next to the society lotteries mentioned under 1), some society lotteries are operated by private External Lottery Operators. Examples are *The Weather Lottery*, *The Health Lottery*, *Unity Lottery* and the *People's Postcode Lottery*. The latter raises funds for a dozen local charity partners throughout the UK and one grant giving organisation called the *People's Postcode Trust*. Over £12 million has been raised since the launch in 2005.

In Sweden, several operators are active at the lottery market that run lotteries for NGOs such as *Folkspel* (for some 70 organisations), *Ideella Spel* (for 4 organisations) and *Lottericentralen* (for 15

organisations). In addition, there is the *Svenska PostkodLotteriet* that supports a growing number of NGOs. Organisations can apply for funding each year. In 2010, € 87 million went to 35 NGOs.

This type of fundraising corresponds with a combination of categories 4a and 4b on page 30 of the Green Paper, though strictly speaking not offered on-line, but only using the internet as a distribution channel.

(40) Are funds returned or re-attributed to prevention and treatment of gambling addiction?

No. In 2008 research (1) has been conducted by two prominent Dutch addiction research centers that concluded that lotteries with a monthly (or even a yearly) draw -which applies to most charity lotteries- are not addictive, and neither are they a stepping stone for more addictive games of chance such as casino games or slot machines.

Next to this research from the Netherlands, several scientists that are involved in studies of gambling agree that lotteries with weekly or monthly draws are not addictive because of their long odds character. (2)

1) De Bruin e.a., "The Relationship between participation in number lotteries and addiction in the Netherlands", IVO/CVO, July 2008

2) M. Griffiths, "A Social Responsibility Assessment of the People's Postcode Lottery", Nottingham Trent University, December 2010

(44) Is there evidence to suggest that the cross-border "free-riding" risk noted above for on-line gambling services is reducing revenues to national public interest activities that depend on channeling of gambling revenues?

If participants of a particular charity lottery are easily enabled to participate in foreign games of chance, through the internet for example, with more attractive prize payouts, a chance exists that this will occur at the expense of the charities that benefit from the domestic charity lottery. Dutch research has shown that some of the participants of charity lotteries will stop participating in those lotteries and start playing online games once the online market is legalized. This could result in a loss of income for charities.

(45) Are there transparency obligations that allow for gamblers to be made aware of whether and how much gambling service providers are channelling revenues back into public interest activities?

Even though not formally obligatory, it is in the interest of the charity lotteries themselves that their participants are well informed about the destination of their stakes as well the impact of the funds for the lottery beneficiaries. Usually, the support to good causes is (one of) the reason(s) to start playing and to continue to play in a particular lottery.

ACLEU is a proponent of transparency obligations for all games of chance, whether private or state, whether donating to the public benefit or not. Amounts, percentages and methods of distribution should be communicated in annual reports, on the website and in promotional materials. This way, consumers can make a well-informed decision when choosing a game of chance to participate in.

Other comments on issues raised in section 2.3.3.

Because of the importance of the private funds from charity lotteries for the civil societies in the abovementioned Member States, the members of ACLEU regret the fact that fundraising for good causes is considered a mere ancillary effect in European jurisprudence. For the members of ACLEU fundraising is their *raison d'être*.

For the following charity organisations, that received funding from our members in 2010, fundraising for good causes via private charity lotteries is very important:

Aflatoun, African Parks Network, Amnesty International, AMREF Flying Doctors, ARK, Artsen Zonder Grenzen, BiD Network, Carbon War Room, Clinton Foundation, Cordaid Memisa, Cordaid Mensen in Nood, Dance4Life, De12Landschappen, Defence for Children-ECPAT, De Provinciale Milieufederaties, De Vrolijkheid, De Dierenbescherming, Dokters van de Wereld, Dutch Caribbean Nature Alliance, European Climate Foundation, Fairfood International, Fair Trade Original, Free Voice, Goois Natuurreservaat, Greenpeace, Hivos, Humanitas, Human Rights Watch, ICCO, IMC Weekendschool, IUCN Nederlands Comité, IVN natuur- en milieueducatie, Johan Cruyff Foundation, Kinderfonds MAMAS, Landelijke Vereniging van Wereldwinkels, Landschapsbeheer Nederland, Leprastichting, Liliane Fonds, Mama Cash, Milieudefensie, Natuurmonumenten, Nederlandse Rode Kruis, Oranje Fonds, Oxfam Novib, Peace Parks Foundation, Plan Nederland, Prins Claus Fonds, Resto VanHarte, Right To Play, Rocky Mountain Institute, RutgersWPF, Save the Children Nederland, Sea Shepherd, Simavi, Skanfonds, Solidaridad, SOS Kinderdorpen, Stichting AAP, Stichting DOEN, Stichting Max Havelaar, Stichting Natuur en Milieu, Stichting Vluchteling, Stichting voor Vluchteling-Studenten UAF, STOP AIDS NOW!, Terre des Hommes, The Climate Group, The Elders, UNHCR, UNICEF, University for Peace, UTZ CERTIFIED, Vereniging Nederlands Cultuurlandschap, VluchtelingenWerk Nederland, Vogelbescherming Nederland, Waddenvereniging, War Child, Wereld Natuur Fonds, Wilde Ganzen, World Food Programme, World Press Photo, Amsterdam Museum, Anne Frank Stichting, BOEi, Bonnefantenmuseum Maastricht, Centraal Museum Utrecht, Cobra Museum, De Hollandsche Molen, De Nieuwe Kerk, Drents Museum, FOAM_Fotografiemuseum Amsterdam, Frans Hals Museum / De Hallen Haarlem, Fries Museum, Gemeentemuseum Den Haag, Graphic Design Museum, Groninger Museum, Het Concertgebouw, Het Fundatiehuis, Het Groote Museum in Artis, Het Spoorwegmuseum, Joods Historisch Museum, Kröller-Müller Museum, Kunsthal Rotterdam, Mauritshuis, Museum Beelden aan Zee, Museum Boijmans van Beuningen, Museum De Fundatie, Museum Het Valkhof, Museum Plus Bus, Museum Speelklok, Museum Volkenkunde, Museum voor Moderne Kunst, Museumstoomtram Hoorn-Medemblik, Nationaal Fonds voor Vrijheid en Veteranenzorg, Nationaal Luchtvaart-Themapark Aviodrome, Nationaal Museum Paleis het Loo, NCB Naturalis, Nederlands Architectuurinstituut, Nederlands Fotomuseum, Nederlands Instituut voor Beeld en Geluid, Nederlands Openluchtmuseum, Noordbrabants Museum, Prins Bernhard Cultuurfonds, Rijksmuseum Amsterdam, Rijksmuseum van Oudheden, Scheepvaartmuseum, Singer Laren, Stichting Museumkaart, Teylers Museum, Tropenmuseum, TwentseWelle, Van Abbemuseum, Van Gogh Museum, Vereniging Hendrick de Keyser, Vereniging Rembrandt, Zeeuws Museum, Zuiderzeemuseum, Aids Fonds, Alzheimer Nederland, Astma Fonds, Diabetes Fonds, Doe Een Wens Stichting Nederland, Fonds Gehandicaptensport, Fonds Psychische Gezondheid, Fonds Slachtofferhulp, Fonds Verstandelijk Gehandicaptensport, Hersenstichting Nederland, Jantje Beton, KNCV Tuberculosefonds, KWF Kankerbestrijding, Maag Lever Darm Stichting, Nationaal Epilepsie Fonds, Nationaal Fonds Kinderhulp, Nationaal Ouderenfonds, Nationale Hoorstichting, Nationale Vereniging de Zonnebloem, Nederlandse Brandwonden Stichting, Nederlandse Hartstichting, Nederlandse Vereniging voor Autisme, Nierstichting, NSGK voor het Gehandicapte Kind, Pink Ribbon, Prinses Beatrix Fonds, Reumafonds, Revalidatiefonds, Richard Krajicek Foundation, Scouting Nederland, Stichting Kinderpostzegels Nederland, Stichting Lezen & Schrijven, Stichting Meer dan Voetbal, Stichting MS Research, Stichting Oogfonds Nederland, the Rehab Group, Alzheimerfondsen, Amnesty International Sweden, Astma- och Allergiförbundet, Barncancerfondsen, BRIS, Cancerfondsen, Diakonia, Erikshjälpen, ECPAT, Friends, Friluftsrämjandet, Greenpeace Sweden, Hand in Hand, Hjärt-Lungfondsen, Kooperation Utan Gränser, Kvinna till Kvinna, Läkare Utan Gränser, MinStoraDag, Naturskyddsföreningen, Neurologiskt Handikappades Riksförbundet, Nordens Ark, Peace Parks Foundation Sweden, Plan Sverige, PostkodLotteriets KulturStiftelse, PostkodStiftelsen, Reumatikerförbundet, Rädda Barnen, Scouterna, Sjärräddningssällskapet, SOS Barnbyar, Svenska Röda Korset, Sveriges Stadsmissioner, UNHCR Sweden, UNICEF Sweden, Världsnaturfondens WWF, Children North East, Missing People, Maggie's Cancer Caring Centres, Maggie's Cancer Caring Centres, Daisy Chain, Northumberland Wildlife Trust, Yorkshire Wildlife Trust, Yorkshire Dales Millennium Trust, CHILDREN 1ST, Scottish Wildlife Trust, WWF Scotland, National Galleries of Scotland, Woodland Trust, People Postcode Trust.