

“Bettertainment”\*  
Economic impact and potential  
compliance with consumer,  
data and youth protection  
– Executive Summary –

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\*„Bettertainment“: Online gambling, involves sports betting, poker, casino and lottery

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## **Contents**

<b>1 Foreword</b>	<b>1</b>
<b>2 Motivation</b>	<b>2</b>
<b>3 Objectives and content of the study</b>	<b>4</b>
<b>4 Convergent value-added chain</b>	<b>5</b>
<b>5 Current developments of the online gambling market</b>	<b>7</b>
<b>6 Findings from gambling regulation abroad</b>	<b>10</b>
<b>7 Future development: a comparison of regulatory scenarios</b>	<b>11</b>
<b>8 Results</b>	<b>17</b>



## 1 Foreword

The online gambling market is characterised by discrepancy between firms, legal uncertainty and issues around consumer, data and youth protection. The regulated gambling market is dominated by state-owned firms, but revenues have been in decline for some years. A remarkable upswing is instead taking place in the non-regulated market segment, including the online gambling market. Some business activities have been relocated in other countries, both within and outside the EU.

Despite the best efforts of regulators, the desired high standards of consumer, data and youth protection have proven difficult to enforce. In some cases, stakeholders have signed up to agreements, such as the Codex for Telecommunications and Media, but this is the exception rather than the rule.

Recent regulation has not proven to be fully adequate, with markets remaining blocked to private gambling firms. The potential for economic growth, a boost in employment and a jump in tax revenues remains unexploited. Online gambling is part of a converged value-added chain which involves, among others, telecommunication infrastructure, IT, software applications and authentication systems as well as advertising, marketing and sponsorship. These linked areas also suffer from the lack of growth in gambling.

Can the gambling market be regulated to the extent that these shortcomings can be avoided without sacrificing high standards of consumer, data and youth protection?

Is there anything we can learn from other sectors? WIK has decades of experience and expertise on the development of the telecommunications markets and has acted as a close think-tank partner during its liberalisation process in 1998.

The liberalisation of the telecommunications markets almost succeeded in squaring the circle. The former state monopoly was broken down, with the markets opened up to private competitors. At the same time, strict regulation was imposed by the Federal Network Agency (BNetzA, formerly RegTP). Despite or perhaps because of this rigorous regulatory intervention, the telecommunications markets have developed to the benefit of all market participants. Consumers have benefited not only from low prices and innovation, but also from the conditions defined in the Telecommunications Act (e.g. with reference to consumer protection including confidentiality of telecommunications). The telecommunications market is also supported by larger firms, with firms beyond the internationally successful Deutsche Telekom investing in infrastructure. The opening of the markets, combined with existing strict regulation, has been remarkably successful.

Do these lessons have any relevance for the gambling market? We argue: yes, they do.

## 2 Motivation

The regulatory framework for online gambling in Germany is under scrutiny.

It's time for a change in course for gambling regulation

Germany is currently part of a pilot process to provide obligatory data on gambling to the European Commission. If Germany is unable to dispel criticism from the European Commission, it may be forced to face infringement proceedings. With this in mind, it is clear that a shakeup of gambling regulation is required, with a view both to improving efficiency and equity and to align with European law.

One of the main legal statutes of online gambling in Germany is the Gambling Treaty Amendment of 15 December 2011 (GlüStV 2012), which replaced the State Treaty on Gambling of 1 January 2008 (GlüStV 2008).

The GlüStV 2012 severely restricts market access for private service providers:

- It supports a national monopoly of the organisation of lotteries with the exception of lotteries with lower risk potential (which are defined very narrowly).
- It limits the number of licenses for provision of sports betting to twenty and the licenses are timely limited as a part of an experimentation clause.
- It prohibits online casinos and poker.

Compared to the GlüStV 2008, the GlüStV 2012 introduced an exemption for the online distribution of lotteries and sports betting. Previously, a general ban on Internet gambling services was in place.

The licensing procedure was blocked by the Hessen Administrative Court in Kassel (Hessischer Verwaltungsgerichtshof in Kassel, VGH Kassel) due procedural errors and a lack of transparency.<sup>1</sup> As a result, there are virtually no regulated services of private sports betting providers, except for the regulated gambling services in the state of Schleswig-Holstein.

According to the Administrative Court in Kassel, the entire decision-making structure of the “Glücksspielkollegium”, the panel of the 16 federal states which negotiates the gambling regulation, violates the German Constitution.<sup>2</sup> The Bavarian Constitutional Court

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<sup>1</sup> In May 2015, the 5th Chamber of the Administrative Court of Wiesbaden has committed by its decision of 05.05.2015 the State of Hessen to the urgent application of an Austrian sports betting provider to postpone the announced concessions on sports betting to the twenty selected candidates until a decision in legal proceedings come into force. On 16 October 2015, the VGH Kassel has confirmed the decision of the Administrative Court of Wiesbaden and stopped the concession process. See: Decision of the Administrative Court Kassel from 10.16.2015, Az.: 8 B 1028/15.

<sup>2</sup> See the Decision of the Administrative Court Kassel of 10.16.2015 Az.: 8 B 1028/15, p. 14.

also sees that the rule of law is violated by the regulatory powers of the “Glücksspielkollegium”.<sup>3</sup>

Schleswig-Holstein did not join the GlüStV 2012 initially. The gambling regulation in Schleswig-Holstein from 2012 to 2013 was based on the Danish model and allowed online gambling services from private providers to operate under strict conditions which would ensure the protection of consumers and minors.<sup>4</sup>

The regulator justified the dominance of state services in the provision of offline and online gambling as being in line with the objectives of GlüStV 2012. These objectives of the GlüStV 2012 are generally regarded as being unquestionable. They are at the heart of any form of gambling regulation:

- to prevent the emergence of gambling and betting addiction and to create the conditions for an effective combating of addiction,
- to direct the actions of gamblers into orderly and monitored channels and to prevent the development and diffusion of illegal gambling in black markets,
- to ensure the protection of players and minors,
- to ensure an orderly provision of gambling services, i.e. protection of players against fraudulent activities and defense against gambling related crime, and
- to protect the integrity of sport events connected with the provision of sports betting.

Nevertheless, current regulation is questioned as it neither complies with the objectives of the GlüStV 2012, nor does it have a positive effect on economic and employment growth. This means that fiscal revenues for the state remain low.

This applies not only to the gambling market, but also, particularly in the case of online gambling, to the entire convergent value-added chain, comprising e.g. information and communication services, payment processing systems and software development.

This debate raises two primary questions. The first is whether a regulated market opening will offset these negative developments. The second is whether the objectives of GlüStV 2012 can be achieved in an appropriate way.

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<sup>3</sup> The Bavarian Constitutional Court points out that the limitation of the number of sports betting licenses and the permission for betting exchanges do not fully satisfy the obligations arising from the rule of law requirements. See also: DSW press release of 30 September 2015. "The decision of the Constitutional Court has the consequence that the representative of the Free State of Bavaria in the Prime Ministers' Conference and the gambling Quorum of the federal states may not participate on any decision to (re)definition of the number of licenses on sports betting to be awarded or the advertising Directive. The Advertising Directive must no longer be applied by Bavarian bodies." Press release on the decision of the Bavarian Constitutional Court from 25 September 2015, Vf. 9-VII-13, Vf. 4-VII-14, Vf. 10-VII-14, Munich 30. September 2015.

<sup>4</sup> A federal government change led after one year of the entry into force of the GlüStV 2012 to an alteration of the course in the gambling regulation in Schleswig-Holstein so that the Gambling Act repealed and the GlüStV 2012 is now also valid in this federal state.

### 3 Objectives and content of the study

Can a market-economy targeted regulation of online gambling:

- improve consumer, youth and privacy protection,
- simultaneously achieve a positive impact on growth, employment and competitiveness,
- achieve this not just in the field of online gambling, but also along the entire value-added chain of the convergent Bettertainment?

The present study focuses on the fast-growing online segment<sup>5</sup> and critically analyses the developments of recent years in the context of economic analysis of the gambling market.

It shows how a market and target oriented regulation can:

- ensure protection of consumer, data and youth,
- achieve at the same time positive economic effects for growth, employment and competitiveness, as well as
- reduce areas of conflict with European law significantly.

The advantages of the market and target oriented regulation are assessed by comparing them with the continuation of current state-related regulation. Furthermore the impact on the convergent value-added chain is assessed

The study is based on desk research, expert interviews and a scenario analysis. Moreover, findings from an international benchmark of experiences are applied to existing gambling regulation<sup>6</sup>.

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<sup>5</sup> The study deals with lotteries, sports betting and casino / poker with a focus on online gambling, i.e. lotteries, sports betting and casino / poker services, which are operated via Internet platforms.

<sup>6</sup> Primarily in Denmark, France and Poland.

## 4 Convergent value-added chain

Online gambling: An example of a new convergent value-added chain.

Bettertainment would contribute to the economic success of other market segments in the convergent value-added chain

Bettertainment stands for digitalisation, virtualisation and convergence of the gambling market and it is becoming increasingly important.

Online gambling is to be understood as a digital content which is provided via the Internet. Meanwhile, online gambling makes up 53 % of the total gambling market.

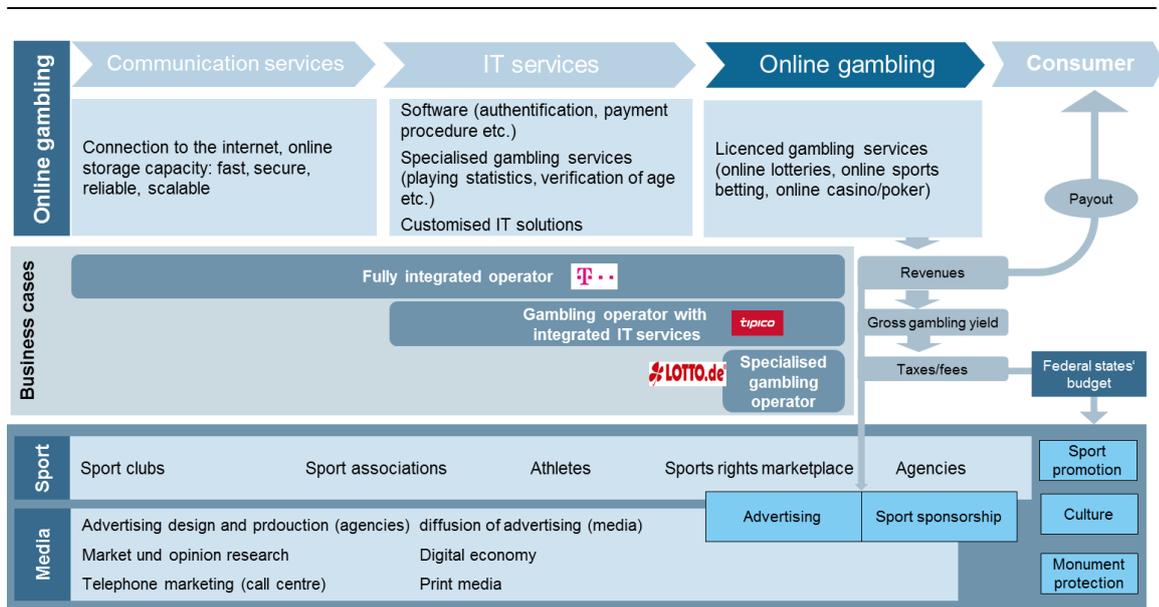
Along the convergent value-added chain, various business models for online gambling can be realised.

While there are specialised gambling operators such as the German Lotto and Toto block (DLTB), many providers also develop software / IT services themselves (e.g. Tipico, Cashpoint). Network operators can provide vertically integrated gambling services and, as has been done by Deutsche Telekom, promote gambling as attractive content on existing platforms.

The use of internet platforms for operation and distribution of gambling services means that gambling regulation has an impact on sectors that were not previously involved in the supply-chain of gambling, for example, the telecommunications, IT and software development markets. The value-added chain is becoming wider and more differentiated.

The value-added chain of online gambling is shown in Figure 1.

Figure 1: Convergent value-added chain of online gambling



The positioning of selected operators from the telecommunications, IT and gambling sectors in the convergent online gambling value-added chain is shown illustratively in Table 1 below.

Table 1: Market positioning of selected firms along the value-added chain of the gambling market

Enterprise	Communication services	IT services	Content: Gambling
Deutsche Telekom	X	X	X
Telefónica	X		
Vodafone	X		
Unity Media	X		
Tipico		X	X
Bet-at-Home		X	X
PokerStars		X	X
Cashpoint		X	X
Wirecard		X	
PostIdent		X	
Deutscher Lotto- und Toto-Block			X

examples

**Deutsche Telekom** has a 64% stake in **Deutsche Sportwetten GmbH (DSW)** and provides online betting under the brand of tipp3.de.

## 5 Current developments of the online gambling market

**The economic impact** of the current legal framework:

- decrease in market volume in the regulated gambling market with an increase in market volume in the non-regulated gambling market, particularly in the rapidly growing online gambling segment.
- negative impact on employment, for instance, by job relocation abroad.
- negative fiscal impact: in 2004-2014, approximately one billion Euros of tax revenues was lost.

Over the past ten years there has been a decline in revenues in the regulated market segment<sup>7</sup>. In 2014, less than half of the total revenues (amounting to 43 billion Euros) were accounted for by the regulated segment.<sup>8</sup>

Market growth is occurring in the non-regulated market segment<sup>9</sup>, mainly in the form of online gambling. The share of the online market segment in the growth of the non-regulated area amounts to 90 %.

The lack of licenses for private sports betting and the prohibition of online casinos and poker cause a reduction in the creation and retention of domestic jobs.

The development of tax revenue from gambling reflects the common market development. In 2004 – 2014, tax revenues and fees declined by 24 % in total, which corresponds to approximately 1 billion Euros.

The introduction of the sports betting tax, which is currently paid by more than a half of enterprises<sup>10</sup> in the non-regulated area, has caused an upward trend since it commenced in 2012. In 2014, the sports betting tax made up nearly 7 % of total fiscal revenue.

The taxation of betting stakes handled is heavily criticised by the industry. It argues that it impedes the emergence of additional business models in the regulated market.

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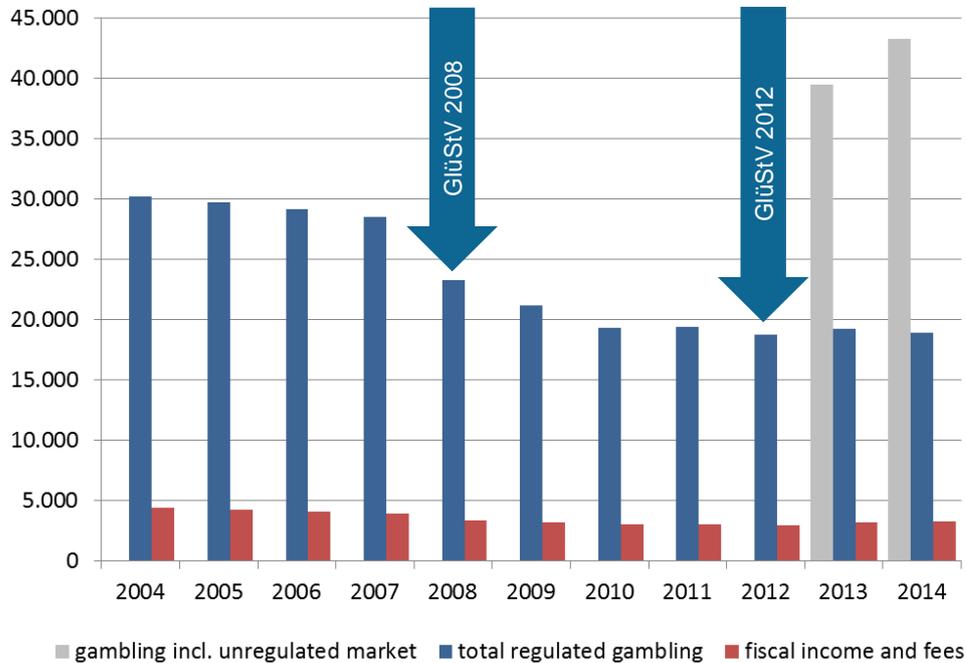
<sup>7</sup> Regulated services refer to gambling services that are provided on the basis of the GlüStV 2012.

<sup>8</sup> See the data for the gambling market: press releases DLTB, Barth (2013b), The German gambling and betting market. Government revenues from taxes and fees and their use; Lotto Hessen (2015): Annual Press Conference January 21, 2015, Lotto Hessen; Meyer, G. (2015), Gambling facts and figures, in: DHS, The Yearbook Addiction 2015; Statistics IFHA <http://www.ifhaonline.org/default.asp?section=Resources&area=4>; Gold Media (2014), International Comparative Analysis of gambling being, an economics analysis; Data of the Internet website of associations of private and public casinos for 2013 and 2014.

<sup>9</sup> The non-regulated gambling segment covers the services that take place on the basis of the licenses from the EU countries, or which are marketed by providers who are waiting for the granting of a license for sports betting on the basis of GlüStV 2012.

<sup>10</sup> Information of market participants according to the expert interviews with a reference to details of the tax authority Hessen.

Figure 2: Development of total revenues in the gambling market in 2004 – 2014, million Euros (excluding commercial slot machines).\*



\* The revenue data for non-regulated services from 2004 to 2014 are not shown in a time series due to inconsistencies in the data. Therefore, the non-regulated services are taken into account for the years 2013 and 2014 only, based on the information that has been forwarded by the German regulators to the European Commission as part of an evaluation process.

This additionally **sharpens the existing economic imbalance** by:

- legal and planning uncertainty after failed licensing procedure.
- distortions of competition.

By not granting concessions, market development is stalled. The consequence of this is the promotion of a non-regulated market by suppliers licensed abroad. As a result, the provisions of the GlüStV 2012 have been applied only to partial areas of the market. The operators who have requested concessions operate in a legal limbo and cannot accommodate their business fully.

This legal and planning uncertainty complicates the implementation of consumer, youth and data protection practices. However, voluntary self-regulatory initiatives of private service providers do exist, such as the Code for Telecommunications and Media in Germany.

Market access for private gambling operators is restricted – for example by a national monopoly on the operation of lotteries, by the limited number of licenses for the provision of sports betting, and by the prohibition of online casinos and poker. This raises the question of whether private service providers would not be able to provide a gambling service (accompanied by strict regulatory requirements) which meets the objectives of the GlüStV 2012.

Regulated service providers are competing with non-regulated service providers who do not pay taxes and who comply with reduced or no regulatory requirements.

Negative impact on the **convergent value-added chain**:

Growth potential for suppliers in the upstream and downstream value-added chain and for other stakeholders in the markets which are linked to the gambling market cannot be exploited appropriately.

The shortcomings in the development of the gambling market have a negative impact on upstream and downstream levels of the convergent value-added chain:

- The telecommunications firms, among others, lose revenues due to the fact that the non-regulated services are mainly provided by the operators settled in other EU countries. For instance, this affects the deployment of data servers and high-quality communications services, such as data transmission.
- While IT providers and software developers abroad profit from the growth dynamics of the online gambling market<sup>11</sup>, the complex legal situation causes uncertainty among potential software and IT suppliers in Germany.
- Likewise service providers attain lower revenues from payment processing and authentication systems since online gambling takes place mainly in the non-regulated market segment.
- Revenues of German enterprises in the fields of advertising, marketing and customer care are diminished substantially because the gambling providers do not fully exploit their advertising budgets on account of legal pressure.

The exploitation of untapped market potential would lead to more jobs in the convergent value-added chain. This is currently being severely limited in a range of guises:

- employment opportunities in the field of customer services like call centres
- jobs in software development enterprises and in the area of payment processing and registration systems, and / or
- employment opportunities in the telecommunications sector.

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<sup>11</sup> A provider settled abroad as Playtech shows revenue based CAGR of 31,8 % for the last five years. See Playtech (2015), p 6. The growth rates of NetEnt for 2012/13 and 2013/14 amount to 19 % and 35 % respectively. See. NetEnt (2015), p. 4.

The impact on revenues and employment in the extended value-added chain has an immediate effect on fiscal revenues.

The marketing industry and the sports sector regard the online gambling service providers as important business partners and there are strong complaints due to the heavy losses of revenues through the outstanding concessions.

## 6 Findings from gambling regulation abroad

An international comparison shows that more economic growth and more consumer protection are simultaneously possible with a consistent legal framework.

Evidence from abroad suggests that:

- it is not appropriate to exclude individual online gambling segments from the market liberalisation process, as for instance, in the liberalisation of online poker without any online casino in France,
- the rules for the authorisation of foreign operators (with a domain, server location or headquarters in the licensing country) drastically impacts the number of licensed service providers and the associated relocation of revenues from the black market to the regulated market,
- while after the liberalisation the volume of the online gambling market increases considerably, the overall gambling market sees only slight growth; this suggests a shift from offline to online gambling;
- gross gambling yield<sup>12</sup> as a basis for calculating taxes is more appropriate than the stakes handled,
- an overly high fixed tax rate crowds out operators to relocate their activities abroad, thus promoting the emergence of non-regulated services,
- there are no indications that the liberalisation of online gambling increases gambling addiction. However, there are currently only a few in-depth studies on this subject and there is a considerable need for further research.

Best practices from abroad, especially such those implemented in Denmark, whose regulatory structure influenced Schleswig-Holstein from 2012 until 2013, can serve as an example for how new German gambling regulation might look.

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<sup>12</sup> Gross gambling yield is the stakes handled less the pay out to players.

## 7 Future development: a comparison of regulatory scenarios

To assess a market and target oriented approach, it is useful to compare two diametrically opposite approaches to future gambling regulations – state-oriented and market-oriented.

In the first scenario it is assumed that current regulation will be implemented, based on the assumption that the twenty licenses are granted (sports betting) ("Scenario continuation of state-oriented regulation").

The state-oriented regulation will be compared with a market and target oriented scenario which is grounded on the opening up of the market, accompanied by strict regulatory obligations referring to consumer, youth and data protection, following the best practice model in Schleswig-Holstein and Denmark.

The main assumptions of the market and target oriented scenario are shown in Table 2.

Table 2: Main assumptions of market and target oriented regulatory scenario

	Assumptions in market and target oriented regulatory scenario
<b>Market access</b>	<ul style="list-style-type: none"> <li>• <b>Unlimited number of licences</b></li> <li>• Market access for licenced operators from EU-Member States</li> <li>• Licencing of all gambling segments</li> <li>• Liberalisation of rules for lotteries</li> </ul>
<b>Taxes and fees</b>	<ul style="list-style-type: none"> <li>• <b>Taxation of GGY</b></li> <li>• Tax rate of 15% on GGY from sports betting and online casino/poker</li> <li>• For lotteries and stationary casinos – continuation of current tax system</li> <li>• Earmarking: 30% of tax revenues from sports betting and online casino/poker go to sports promotion.</li> </ul>
<b>Advertising</b>	<ul style="list-style-type: none"> <li>• Appliance of the current <b>intersectoral legal provisions</b></li> <li>• Gambling operators respect rules of conduct of the „Deutschen Werberats für Glücksspielwerbung“ (the German Advertising Regulator for Gambling)</li> </ul>
<b>Rules for consumer, youth and data protection</b>	<ul style="list-style-type: none"> <li>• Effective verification of age</li> <li>• Voluntary, self-determined restriction options for players.</li> <li>• Earmarked data provision regarding age, payment etc. without any central storage</li> <li>• ...</li> </ul>
<b>Institutional framework</b>	<ul style="list-style-type: none"> <li>• <b>Avoid conflict of interest:</b> no new control institutions – non obligation for third parties to control, Separation of functionalities by „Privacy by design“</li> <li>• <b>Regulated self-regulation:</b> <ul style="list-style-type: none"> <li>○ Definition of an open regulatory framework within the applicable law</li> <li>○ Definition of procedures and responsibilities</li> </ul> </li> <li>• Moderation and Definition of basic points by the providers</li> </ul>

The market and target oriented scenario opens the market to private service providers, who remain mandated to fulfill strict regulatory requirements in order to comply with the objectives of the GlüStV 2012 – safeguarding the protection of consumers, data and minors.

One of the key factors in successfully transforming the non-regulated market into a regulated market is taxation structure. In the target scenario, the gross earnings are chosen as the assessment basis of the gambling revenue, which from an economic perspective represents a more appropriate taxable basis than the gambling stakes.

The target scenario sets the tax rate at 15%. In Denmark, the applied taxation of 20% of the GGY was rated recently as too high. As such, it is currently being mooted to lower the current tax rate, as was done in the UK, to 15%. This seems to be reasonable based on the grounds that a lower tax rate strengthens the competitiveness of the regulated firms, since a lower tax rate is associated with higher betting ratios and profit margins.

#### **Results of a market and target oriented regulation:**

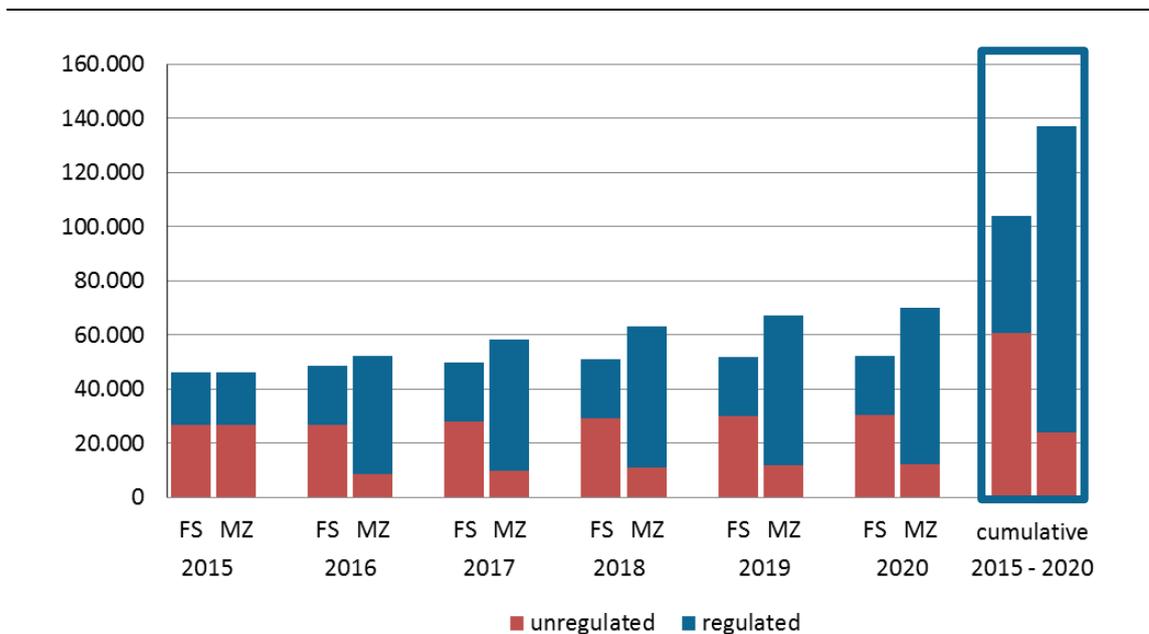
- Successful transfer of revenues from the non-regulated to the regulated sector. Non-regulated revenues in 2020 make up only about 8% of the total market.
- Implementation of strict regulatory requirements for protection of consumers, youth and data (according to GlüStV and industry's codex).
- Positive effects on the upstream value-added chain, the media and marketing sector and the sports sector, resulting in growth in revenues and employment.
- Compared to a continued state-oriented regulation, 33 billion Euros higher cumulative revenues in the gambling market during 2016 – 2020.
- Transfer of positive growth effects among others to upstream value-added levels of the value-added chain, to the advertising and marketing industry and the sports sector leading to increased revenue (plus 800 million Euros in the ICT, plus 3.6 billion Euros in advertising and media by 2020) and employment.
- Increased fiscal revenues: 8 billion Euros in fiscal revenues in the regulated gambling market, 80 million Euros in fiscal revenues in the ICT sector, 360 million Euros in tax revenues through advertising and media sectors.
- More financial resources from tax revenues for sports funding (plus 30 million Euros by 2020) and other social purposes.

In the market and target oriented scenario, revenues shift from the non-regulated to the regulated segment of the gambling market, which is especially apparent when the revenue performance of the stakes is considered (see Figure 3).

The share of non-regulated services would decrease markedly in comparison with the previous situation in sports betting, online casinos and poker, dropping back to 8%. The continuation of current regulation will only partially succeed in channeling non-regulated activities – by 2020, non-regulated sports betting would amount to approximately 35%.

In the market-oriented regulation, more than 33 billion Euros would be achieved cumulatively in 2016 – 2020 compared with the scenario of state control (measured by gambling stakes).

Figure 3: Revenue development in gambling market in 2015 – 2020 in different regulatory scenarios (stakes in million Euros)\*

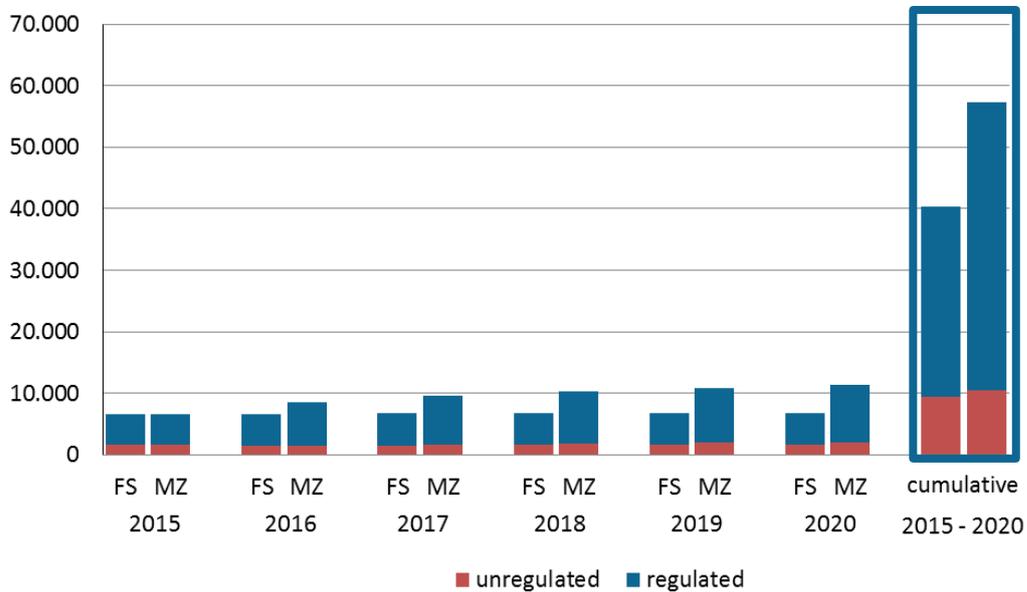


\* FS: retention of of state oriented regulation; MZ: market and target oriented regulation

Overall, a market and target oriented scenario would lead to significantly higher growth in the regulated area, and this would be characterised by continued growth in the online segment. In the state-oriented scenario, the regulated gambling market would stagnate as a whole (i.e. stationary and online) and noticeable market growth would continue to take place in the non-regulated area.

In the market-oriented regulation, revenues from 2016 to 2020 would amount to more than accumulated 16 billion Euros (as measured by gross gambling revenue) more than the state-oriented scenario.

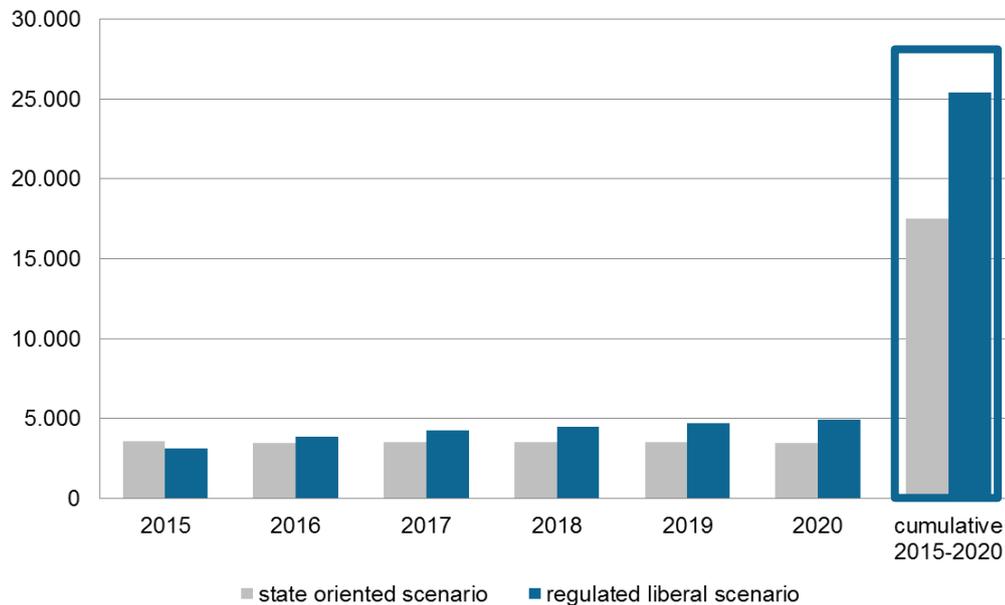
Figure 4: Revenue development in 2015 – 2020 in different regulatory scenarios (gross gambling revenue in million Euros)\*



\* FS: retention of of state oriented regulation; MZ: market and target oriented regulation

From 2016 to 2020, about 8 billion Euros would be obtained in total as fiscal revenue in the market and target oriented scenario. By 2020, the increase in the fiscal revenues amounts to about 1.5 billion Euros.

Figure 5: Tax revenues from gambling market in 2015 – 2020 in different regulatory scenarios (million €)



\* Assumption: Tax rate of 15 %

In the market oriented scenario, market potential could flourish in other markets. The positive impact would trickle down to some of the following industries:

- Higher growth in the convergent value-added chain will be accumulated approximately to 4.4 billion Euros in 2016 – 2020 in total (inclusive of IT and advertising). This would lead to:
  - Increased demand for ICT services, among others; Internet platforms, capacity, software.
  - Demand for payment processing and authentication systems for implementing regulatory requirements.
  - Higher cumulative ICT expenditures in the total gambling market in 2016 – 2020: around 800 million Euros (5% of the total gambling revenues).
  - Strong increase in advertising budgets of gambling operators (profiteers are, for example, publishing houses, broadcasting firms, internet platform providers, advertisers).
  - High share of advertising expenditures to be allocated to sponsoring activities.
  - Higher cumulative advertising expenditures in the entire gambling market in 2016 – 2020: about 3.6 billion Euros (10% of gross gambling revenues).

- Higher promotion of sports and other sectors such as culture and monument protection due to the additional tax revenue.
  - With a partial earmarking of the fiscal revenues arising from the gambling market, a total of 30 million Euros worth of resources would be available to the sports sector.
- Opportunities for the providers in the convergent value-added chain, such as Deutsche Telekom, to expand into the online gambling market.

Table 3: Contribution of gambling market revenues in the convergent value-added chain in 2020

	Expenditure of gambling service providers in % of GGY	Expenditure of gambling service providers in million Euros in 2020
<b>Communications/IT/software</b>	5% <sup>13</sup>	<b>470</b> <sup>14</sup>
<b>Advertising/Media</b>	10% <sup>15</sup>	<b>940</b>
<b>Total</b>		<b>1310</b>

Moreover, the revenues that the firms generate along the convergent value-added chain through business relationships with the gambling service providers result in higher tax revenues in case of the market-oriented regulation compared to the continuation of the previous regulation:

- In the field of ICT, a further 80 million Euros of additional tax revenues is expected by 2020.
- Additional revenues in the advertising and marketing sectors are expected to create further tax revenues totaling to about 360 million Euros.

<sup>13</sup> Share of expenditure for telecommunications/ IT/ software on GDP, Source: BMWi (2014): Monitoring-Report Digitale Wirtschaft 2014, Innovationstreiber IKT.

<sup>14</sup> Based on the estimated gross gambling revenues in the regulated segment according to the market-oriented regulatory scenario.

<sup>15</sup> Conservative estimates based on annual reports and international benchmarks.

## 8 Results

A market and target oriented regulation for Germany following the example of Denmark has many demonstrable benefits. It would be based on the opening of the gambling market inclusive of online gambling accompanied by strict regulatory obligations for the protection of consumer, youth and data:

- A strong growth in the regulated gambling market during the years 2016 to 2020 would accumulate 33 billion Euros more revenue than in the continuation of the state-oriented regulation.
- Higher fiscal revenues for the state, which would in some cases be earmarked and in other cases be undirected for social purposes, would between 2015 and 2020 amount to nearly 8 billion Euros more in taxes than the continuation of state-oriented regulation.
- More growth in other areas of the convergent value-added chain in the years 2015 – 2020 would accumulate around 800 million Euros in revenues and, according to conservative estimations, gain more than 80 million Euros in taxes compared to retaining current regulation.
- An increase in advertising and marketing sectors in 2015 – 2020 would lead to 3.6 billion Euros more revenues than in the continuation of the state-related regulation. Based on that, tax revenues amounting to about 360 million Euros are to be expected.
- Additional funds for the promotion of sport, which results from a partial earmarking of fiscal revenues in the targeted regulation, would amount to about 30 million Euros by 2020.

A market-oriented regulation of the German gambling market, in accordance with the objectives of the State Treaty on Gambling 2012, particularly with an effective protection of consumers, youth and data, is therefore demonstrably superior to a continuation of the current regulatory structure.

Along the convergent value-added chain, an estimated 37 billion Euros additional revenues and about 8.5 billion Euros tax revenues would be generated during the years 2015 to 2020.

## Imprint

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