

chapter five

The British Gambling Industry

5.1 This chapter examines the British gambling market in terms of player, most popular activity and spend. It also looks at the turnover of the industry compared to other countries and the contribution that gambling makes in terms of tax revenue. The following chapters look at each gambling activity in greater detail.

Punters

Gamblers worldwide

5.2 A Prevalence Survey by the National Centre for Social Research (referred to hereafter as the Prevalence Survey) found that in the UK almost three-quarters (72%) of the population – that is about 33 million adults – took part in some gambling activity within the past year and over half the population had gambled in the past week. This is higher than participation in the United States, said to be around 63%, but lower than that in Sweden, where nine out of ten adults gamble.¹ It is also lower than participation levels in Australia, where about 80% of adults participate in gambling² and New Zealand, where between 85% and 90% of the adult population (those aged 15 and over) gamble.³

Most popular gambling activity

5.3 In the UK, the Prevalence Survey shows that in terms of participation, the three most popular gambling activities are lotteries, more specifically the National Lottery (65%) and scratchcards (22%), followed by fruit machines (14%) and betting (13%).⁴ In an Office for National Statistics (ONS) survey which we commissioned, similar or slightly higher percentages were reported (although bingo recorded 14%, substantially higher than the Prevalence Survey's 7%). Lotteries are the most popular gambling activity in a number of countries. In New Zealand, over a third of adults report weekly Lotto participation, followed by Telebingo and Instant Kiwi (6%). Lotteries were also the most popular activity for past-year gamblers in the United States (52%), followed by casinos (29%), horseracing (7%) and bingo (6%).⁵

Player profile

5.4 The likelihood of participating in gambling, the type of activity and the number of activities are related to gender, age and social class. As figure 5.1 shows, the National Lottery, scratchcards and lotteries are equally popular with men and women. Men, however, are much more likely than women to have participated in football pools, fruit machines, betting and table games in the last year. Bingo is the only gambling activity that women are more likely to have played.⁷

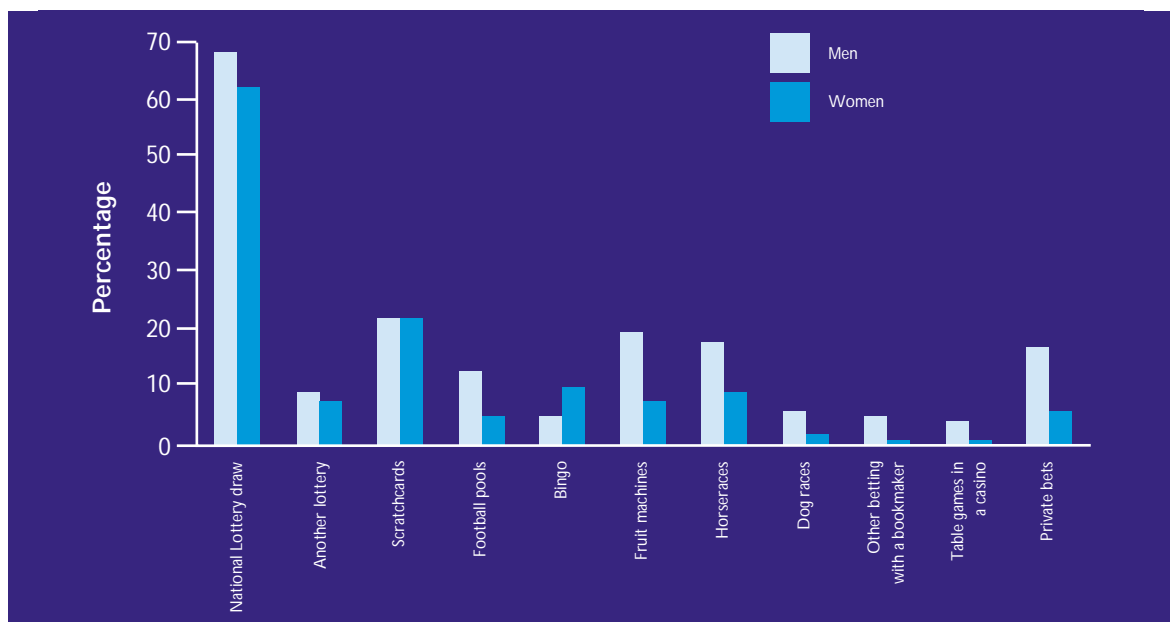
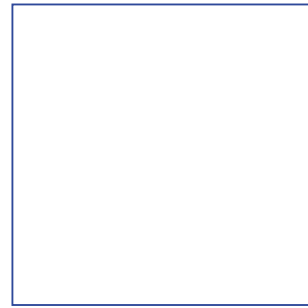


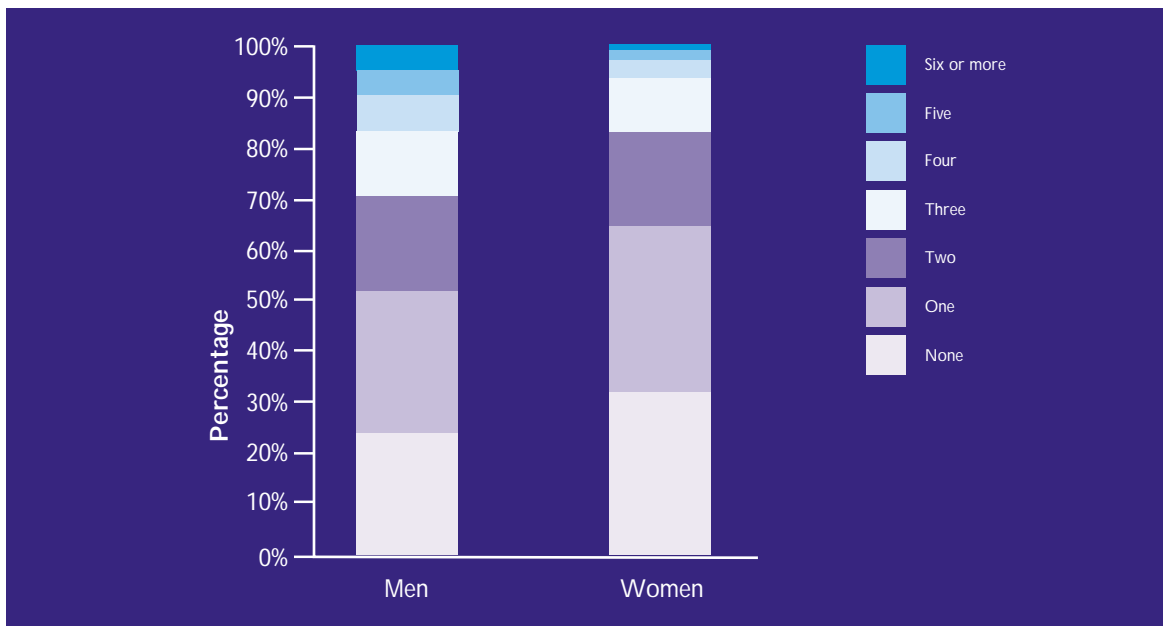
Figure 5.1: Gambling activities participated in within the past year

Source: Sproston, Erens & Orford (2000)



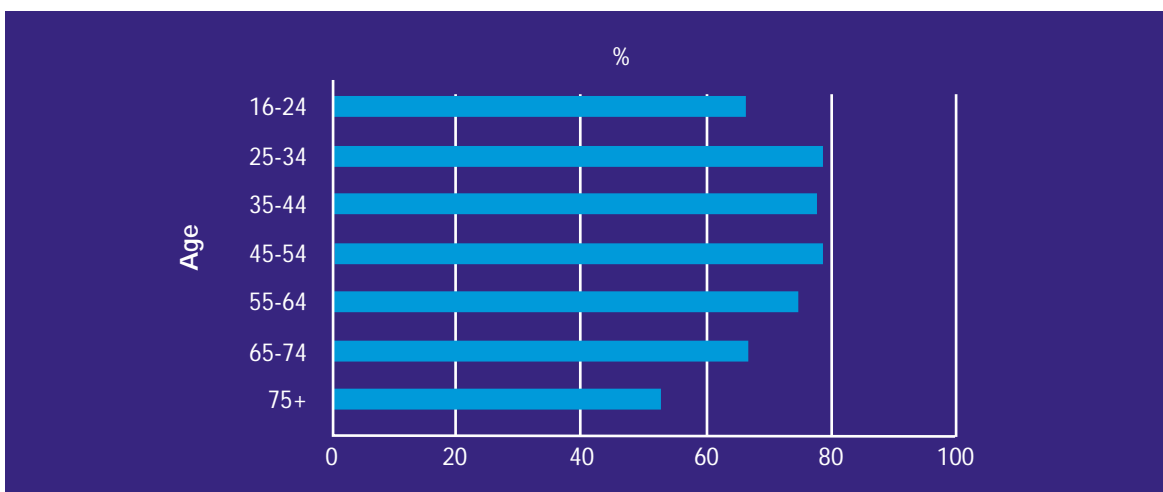
5.5 More men than women participate in multiple gambling activities. Twice the numbers of men as women have participated in more than four gambling activities. More women than men have not gambled. This is shown in figure 5.ii.

5.6 Age also appears to play a part in how much people gamble and on what. People aged 25-54 had the highest participation levels, at nearly 80%. People in the manual social classes (III Manual, IV and V) were more likely to have gambled in the past year, and to have participated in more activities*. (See figures 5.iii and 5.iv.)



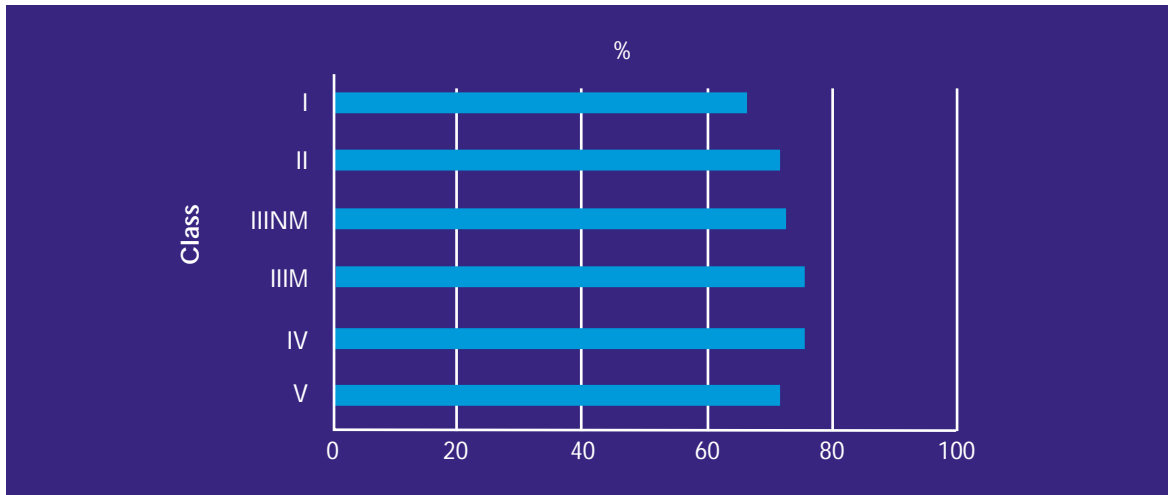
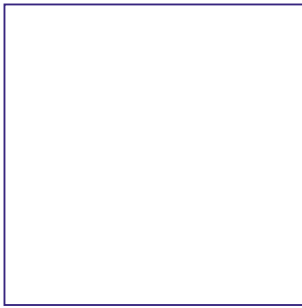
Source: Sproston, Erens & Orford (2000)

Figure 5.ii : Number of gambling activities participated in within the past year, by gender



Source: Sproston, Erens & Orford (2000)

Figure 5.iii : Participation in gambling activities within past year, by age



Source: Sproston, Erens & Orford (2000)

Figure 5.iv: Participation in gambling activities, by class

Expenditure on gambling

Overall spend

- 5.7 The average amount spent by players on each activity is dealt with in the individual activity chapters. This section examines the total amount spent on gambling and gambling products and changes over the last decade when compared to other types of spending.
- 5.8 The Family Expenditure Survey (FES) is a continuous survey of household expenditure and income.

Information for the FES is collected from people living in private households. The survey publishes information on the average weekly expenditure, by household, in terms of total gambling spend and separate sectors.⁹

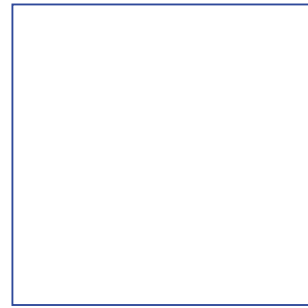
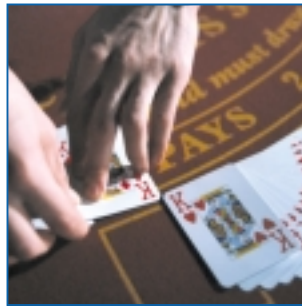
- 5.9 As figure 5.v shows, weekly gambling payments were relatively static between 1990 and 1993 at £1.45, although they fell in real terms. There were large increases for the next three years and spending peaked in 1997-98 at £4.30.

All households, £	1990	1991	1992	1993	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
Football pools	0.48	0.52	0.58	0.58	0.57	0.37	0.28	0.2	0.1	0.1
Bingo	*	*	*	*	0.39	0.42	0.48	0.5	0.4	0.4
National Lottery and scratchcards	*	*	*	*	0.82	2.28	2.29	2.7	2.2	2.2
Other lotteries & scratchcards	*	*	*	*	*	0.05	0.08	0.1	0.1	0.1
Other betting (inc. betting, bingo, raffle)	0.97	0.92	0.87	1.34	~	~	~	~	~	~
Betting	*	*	*	*	0.74	0.69	0.72	0.8	0.7	0.7
Total gambling payments	1.45	1.44	1.45	1.92	2.51	3.81	3.82	4.30	3.50	3.50
Total gambling payments: Year on year % change		-0.7	0.7	32.4	30.7	51.8	0.3	12.6	-18.6	0.0

~ Indicates counting stopped – counted in a different way
* Years prior to new counting method

Source: ONS, Family Spending

Figure 5.v: Average weekly expenditure on gambling, by household



5.10 The amount spent by the British is similar to the amount spent by gamblers in New Zealand where those who had gambled in the six months prior to the survey had spent an average of \$9.46 (£3.15¹⁰) a week.¹¹ Both spend substantially less than Australians who are said to be the heaviest gamblers in the world. They spend \$800 each a year which equates to \$15.38 (£6.15¹²) a week.¹³

Sector spend

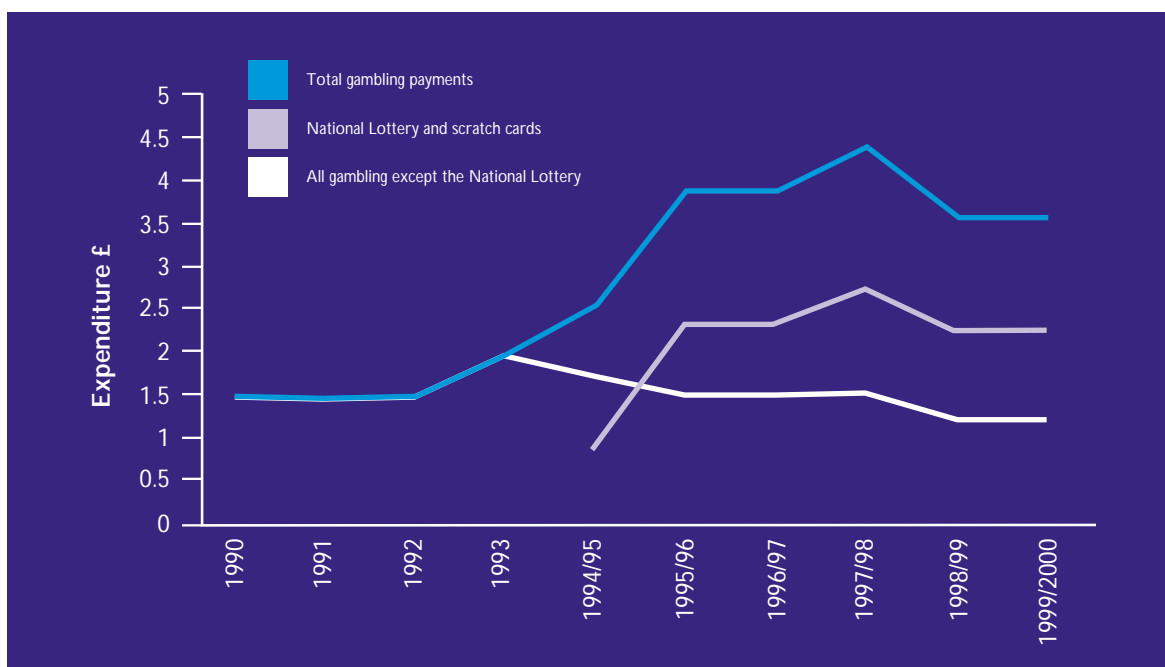
5.11 The gambling categories in FES have altered over the last decade which can make comparisons between sectors difficult. The survey is also believed to underestimate the average expenditure on lottery draw tickets by about 30% and other forms of gambling even more.¹⁴

5.12 Data from FES show that weekly expenditure on football pools was static or increasing up to 1994-95 but has fallen since then by around 80%, or more in real terms. An initial downward trend in spending on bingo, betting and lotteries was reversed between 1992 and 1993 when expenditure reached £1.34 per week. After 1994-95, spending on bingo was relatively static but peaked in 1997-98 at £0.50 and then decreased. Betting has shown the same trend, peaking in 1997-98 at £0.80 and then decreasing. Spending on lotteries other than the National Lottery has increased from £0.05 in 1995-96 to £0.10 in 1997-98.

Expenditure on the National Lottery and scratchcards increased for the first three years and peaked at £2.70 in 1997-98. It has now dropped to a level lower than that of 1995-96.

5.13 Commentators differ on whether the introduction of a new gambling product, such as the National Lottery, will result in an increase in overall expenditure on gambling or displace spending on other gambling activities. Expenditure on all gambling products other than the National Lottery only increased significantly once in the last decade when it increased by 32% from £1.45 in 1992-93 to £1.92 in 1993-94. Before 1993, there had been little change in money terms. (See figure 5.vi)

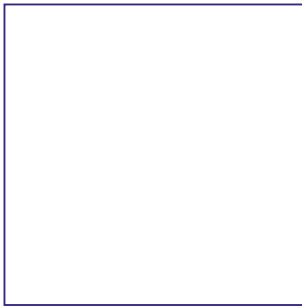
5.14 The National Lottery data for 1994-95 only reflect the spend from November to April. Expenditure between 1995 and 1997 was static, and then increased in 1998. Expenditure on both the National Lottery and other gambling has remained static since 1998. In terms of National Lottery spend, this follows a pattern similar to that witnessed in other countries. Experience in the United States has been that within a few years of the introduction of state-sponsored lotteries, turnover begins to fall and it becomes necessary to maintain revenue levels by introducing new gambling media such as video lottery terminals that allow participants to stake money continuously.¹⁵



Source: ONS, Family Spending

Figure 5.vi: Average weekly expenditure on gambling, by household

10-Using a conversion rate of (NZ)\$3 to (GB)£1 11-Department of Internal Affairs (2001) 16 12- Using a conversion rate of (AUS)\$2.50 to (GB)£1 13-Productivity Commission (2000) xxi 14-King (1997) cited in Grun & McKeigue (2000) 15-Miers (1996) in Grun & McKeigue (2000)



All households, £	1990	1991	1992	1993	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
All gambling except the National Lottery National Lottery and scratchcards	1.45	1.44	1.45	1.92	1.70	1.48	1.48	1.50	1.20	1.20
	-	-	-	-	0.82	2.28	2.29	2.70	2.20	2.20

*First National Lottery draw - 19th November 1994

Source: ONS, Family Spending

Figure 5.vii: Average weekly expenditure on gambling

The Industry

Market size comparisons

- 5.15 In the UK, the annual turnover, or the amount wagered, on gambling activities is estimated to be in the region of £42 billion. Expenditure or gross gaming yield (amount wagered minus winnings paid out) was around £7.3 billion in 1998. Even though casinos have the largest share of turnover (44%), their share of the gross gaming yield is only 6.5% of the total. The National Lottery has the largest share of the gross gaming yield (37%) followed by betting (25%).
- 5.16 Gaming machines (not including those in casinos or bingo halls) ranked third in terms of amount wagered in Great Britain, but in countries such as Australia and

New Zealand gaming machines have the largest share of turnover. In 1997-98 Australians lost about \$11 billion on gambling (£4.4 billion)¹⁶, rising to \$12.4 billion, (£4.9 billion) in 1998-99.¹⁷ Of that:

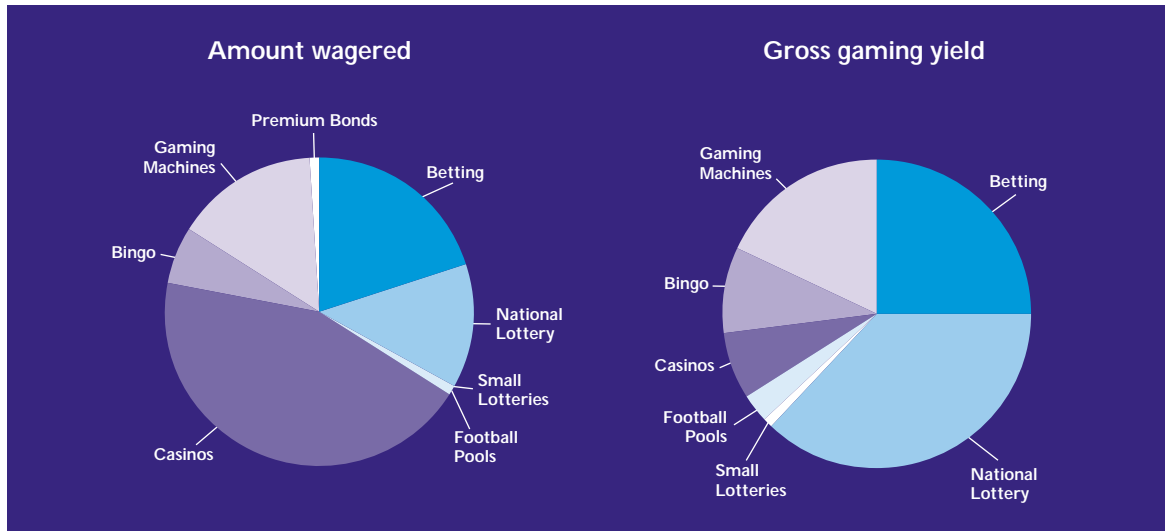
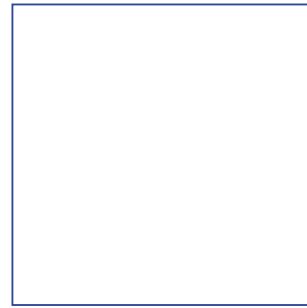
- 52% was on non-casino gaming machines
- 20% was in casinos
- 15% was on racing
- 11% was on lottery products
- 3% was on other activities.

5.17 This equates to an average of about \$800 (£320) per person over the age of 18, or 3 per cent of household disposable income.

1998	Amount wagered		Gross gaming yield	
	£m	%	£m	%
Casinos (inc. machines)	18,547.3	44	478.5	6.5
Betting	8,404.3	20	1,856.5	25.3
Gaming machines	6,322.8	15	1,304.6	17.8
National Lottery	5,375.7	12.8	2,687.9	36.6
Bingo (inc. machines)	2,449.7	5.8	678.1	9.2
Football pools	370.1	0.9	255.0	3.5
Small lotteries	133.9	0.3	88.4	1.2
Premium Bonds	517.1	1.2	-	-
Total	42,120.9		7,349.0	

Source: BISL (2000)

Figures 5.viii: Market share by sector, 1998



Source: BISL (2000)

Figure 5.ix: Market share by sector, 1998-UK gaming activity

5.18 In New Zealand in 1998, gaming turnover was approximately \$7 billion (£2.33 billion)¹⁸ and gross gaming yield exceeded \$1 billion (£0.33 billion). By 1999-2000, turnover exceeded \$8.4 billion (£2.8 billion) and gross gaming yield was nearly \$1.3 billion (£0.43 billion). Of the \$8.4 billion turnover:

- 45% was on non-casino gaming machines
- 34% was in casinos
- 15% was on race and sports betting
- 7% was on lottery products

5.19 Those that had gambled in the last six months typically spent \$41 per month which equates to \$492 (£164) per year.¹⁹

5.20 The gambling market in the United States is thought to be one of the largest. In 1998, people gambling in the US lost \$50 billion (£33.3 billion)²⁰. In 1997, lotteries in 37 states and Washington DC garnered \$34 billion (£22.6 billion) in sales. Casinos are legal in 28 states and the largest casino market is in Nevada. It has 429 full-scale casinos, 1978 slots-only casinos and one Indian casino. Its gross gaming revenues for 1997 were \$7.87 billion (£5.25 billion). Despite its popularity, sports betting is illegal in all but two states (Nevada and Oregon).²¹ In 1998, sports betting reached \$2.3

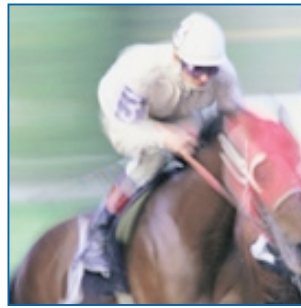
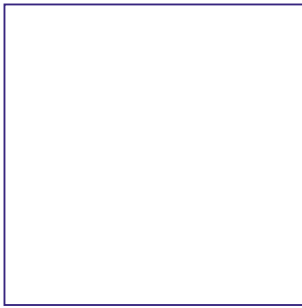
billion (£1.5 billion) in Nevada's legal sports book. Estimates of the scale of illegal sports betting in the United States range from \$80 billion (£53 billion) to \$380 billion (£253 billion) annually, making sports betting the most widespread and popular form of gambling in the US.²²

Gaming and betting duty

5.21 In all, there are forty different excise duties of which six relate to gambling. There are duties on the National Lottery, pool betting, bingo, gaming and general betting, and amusement machine licences. Some activities are not subject to duty including cash bets taken by on-course bookmakers, bingo promoted by all member clubs or at travelling fairs, and lotteries (other than the National Lottery).²³

5.22 The individual activity chapters examine tax and duty rates that apply to each activity in more detail. Figure 5.x shows the amounts of gambling duty collected from 1995 to 2000 and the share of gambling taxation each sector contributes. Overall since its launch, the National Lottery has contributed around 40% of all duty collected - the largest share of duty. Betting contributes the second largest share at around 30%. The largest change has been in football pools. The duties collected from pools have fallen from £191m to £38m in the last five years.

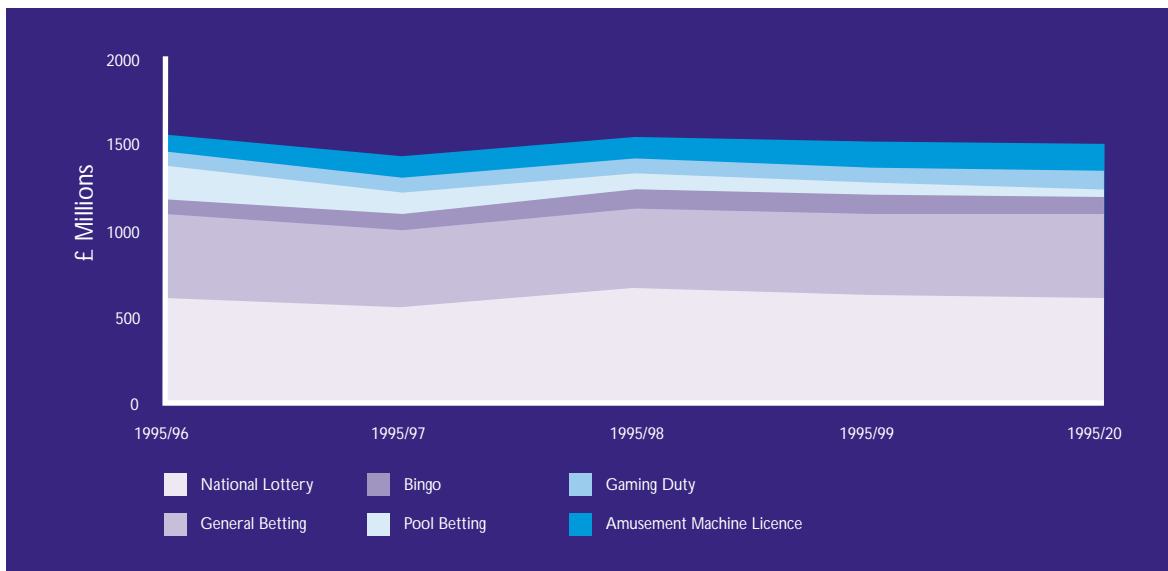
18-Using a conversion rate of (NZ)\$3 to (GB)£1 19-Department of Internal Affairs (2001) 16 20-Using a conversion rate of (US)\$1.50 to (GB)£1 21-Sports betting refers to betting on the outcome of a contest. People bet on the outcome of many events, whether the outcome of the Academy Awards, individual athletic performances, or teamplay. For the purposes of this section on sports betting in the US, the term does not cover pari-mutuel activity which is legal in many states. 22-National Gambling Impact Study Commission (1999) 2-14 23-National Audit Office (2000) 11



	1995-96	1996-97	1997-98	1998-99	1999-00
National Lottery	£612m	£558m	£675m	£628m	£609m
% of duty	38.9	38.7	43.3	41.0	40.2
General Betting	£489m	£453m	£462m	£480m	£492m
% of duty	31.1	31.5	29.7	31.4	32.5
Bingo	£91m	£96m	£102m	£105m	£107m
% of duty	5.8	6.7	6.5	6.9	7.1
Pool Betting	£191m	£127m	£97m	£70m	£38m
% of duty	12.1	8.8	6.2	4.6	2.5
Gaming Duty	£84m	£79m	£92m	£91m	£107m
% of duty	5.3	5.5	5.9	5.9	7.0
Amusement Machine Licence	£107m	£128m	£131m	£157m	£160m
% of duty	6.8	8.9	8.4	10.2	10.6
Total betting, gaming & lottery duties	£1,573m	£1,441m	£1,559m	£1,530m	£1,513m

Source: Customs & Excise

Figure 5.x: Sector share of total gambling duty revenues



Source: Customs & Excise

Figure 5.xi: Sector share of total gambling duty revenues

5.23 According to a National Audit Office (NAO) report on revenue from gambling duties, in 1998-99 Customs & Excise collected £1,530 million in gambling duties; an increase of some 22% over the £1,256 million of gambling duties collected in 1993-94. During this period gambling duties have provided some 1.6% of the total annual revenue, including VAT, collected by the

Department. In 1998-99, this represented an average rate of 22% of the £7 billion net amount spent on gambling in the United Kingdom, which was nearly 1.3% of consumer expenditure or £284 for every household.