

CHARACTERISTICS OF GAMES OF CHANCE MARKET IN POLAND

Mirosław Sołtysiak, PhD

miroslaw@prz.rzeszow.pl

Magdalena Suraj-Sołtysiak, MSc

madeline@prz.rzeszow.pl

Rzeszow Technical University

Poland

ABSTRACT

The article deals with the issue of games of chance market in Poland. The first part of the article deals with historic aspect of games worldwide and a very games market in Poland. Next, there are some legal aspects of games and mutual bets market in Poland discussed. Finally, there is an economic aspect elaborated, including problems of revenue, profitability of individual market segments, as well as Polish games taxes.

KEY WORDS

Games of chance, games market, lotteries, mutual bets, gambling

1. Introduction

Gambling is as old as the history of civilization. Already in ancient Mesopotamia people played using so called astragals - dice made of sheep bones. Astragals were long and had four sides – wider ones were labeled 1 and 6, and those narrower 3 and 4. In the poems of ancient Greek writers we can find records of gambling games having been played by both Greek gods and warriors during the Troy's siege.

An example of famous game in Ancient Egypt may be the one called "Dogs and a jackal" (a token of this game originating in 18th century B.C. can be found in British Museum in London). As for ancient Romans, they played games using four dice and each outcome had its own name, e.g. Venus cast (regarded the best, stood for four different numbers) or Dog cast (considered the worst, four same numbers).

Julius Caesar and Marcus Antonius were known as renowned Roman gamblers of their times. They spent most of their time playing dice and participating cocks fights. Emperor Claudius, on the other hand, was so much in love of gambling that he had his carriage's interior rearranged in a way that he could play dice during his journeys.

Herodotus in his "Histories" describes gambling as an everyday routine for Libyans, who gambled even during eighteen-year-long drought and famine. They spent each second day from dawn to dusk playing, and the gambling day was free of physical work.

The Polish word „hazard” (Eng. gamble) comes from Arabian word „az-zahr” and stands for a playing die. The notion of gambling has variety of meanings depending on language. For instance, in English it means risk and danger, in French – fortune, coincidence or luck. Usually, the notion of gambling is defined as a devotion to a game whose final outcome fully or partially depends on fortune, and whose prize is money or possessions.

Ancient times were just the beginning for the existence of gambling. It has changed and evolved during centuries and following civilization periods. People have developed new games and methods useful for winning. Sometimes the phenomenon of gambling was so popular that the state interference was essential.

For instance, it was forbidden to gamble for the Jewish under death penalty. During crusades only knights could gamble. However, one shall note that Louis IX during his sixth crusade issued an edict forbidding both production and playing dice. Since then, alternative for the former ways of gambling became cards and chess that were brought by crusaders from the Holy Land. Cards sprang up after the invention of printing. Gutenberg printed his first Tarot cards in 1440 and since around 1500 there have been cards with figures printed (the French argue they invented those cards in 1387).

Nowadays, gambling is an enormous industry which contributes to multi-billion incomes. For this reason governments of many countries do their best to prevent their citizens from side effects of this phenomenon, and simultaneously they make significant part of the profits support the state budget or noble ends.

2. History of games of chance

Currently, it is difficult to precise where was the first winning lottery organized by the state and when the history of state gambling begins.

History shows that already three and a half thousand years ago the Chinese played a game similar to Polish game called Multi Lotek, and the income from it they spent on the development of the Great Wall. Lotteries were also very popular in Roman Empire times. However, together with the Ancient Times' decline lotteries were forgotten for long ages. They reappeared again at the end of

Middle Ages with so called “wheel of fortunes”, played in large numbers during fair and market events. This phenomenon was being considered for a long time by church authorities who could not provide an explicit opinion on games. Saint Thomas Aquinas asked for his point of view stated that “Human being cannot only work. Who stretches the bow till the very limits, they may break it. Thus, games are only necessity” [7].

In modern times the first state lottery was established by the French in 1443 in Burgundy. Portuguese Royal Lottery (Loteria Nacional Santa Casa de Lisboa) set in 1498 aimed at gaining funds for help given to the disabled, as well as increasing kingdom’s revenue.

First monetary lottery started operating in Genoa in 1519. It originated from the custom of annual drawing of 5 out of 90 candidates entitled to the function of senator.

The first modern lottery organized out of Europe territory was the one set by settlers in Virginia in 1607. The lottery income was devoted to support European colonization on Native Americans land.

The prototype of modern lotteries in majority of European, Asian, Australian and American countries appeared first in 1727 in the Netherlands. The lottery in question is still functioning nowadays.

3. History of games of chance in Poland

In Poland the history of organized gambling has its origin in the middle of 18th century. In 1748 there was the first classic lottery established whose income was devoted to building Collegium Nobilium run by Piarist monks and Infant Jesus Hospital in Warsaw. However, the real beginning of numerical games in Poland is regarded a year 1768 when a numerical game was established by the act, and whose income was to support the State Treasury. The following year by the agreement made between Treasure Committee and Genoa Company there was the first Polish agency of this kind founded and was called Lotto di Genowa. In this agency rich citizens could gamble. In this form, the lottery functioned by the year 1839 when it became dissolved. It is, however, worth noting that despite Poland’s Partition lotteries were functioning on Polish land till the independence day. After gaining independence in 1920 there was a permanent lottery established and submitted to the Ministry of Treasure. In 1936 lottery organization and performance was taken over by a state company under the label Polski Monopol Loteryjny (PML, Eng. Polish Lottery Monopoly). After the Second World War first lotteries were founded in 1946, and PML gained a competitor called Totalizator Sportowy (Eng. Sports Totalizator). The latter was established as a state institution on the 17th December 1955 by the governmental resolution (Uchwała Prezydium Rządu nr 1010/55). Totalizator Sportowy started functioning in January

1956 and since then we can talk about games of chance market in Poland. The same year was also the starting year for bookmakers’ bets in Poland.

4. Legal aspects of games of chance market’s functioning

Legal basis for games of chance market in Poland are included in the Act of games and mutual bets of 29th July 1992. The great dynamics of changes occurring in Polish law, as well as the necessity of synchronization of Polish law with the EU requirements forced numerous changes of assumptions included in the original version of the act. Current version of the act concerning games of chance, mutual bets and slot machine games is published in Dziennik Ustaw no 4 from the year 2004. The act presented conditions of running the activity in the field of games of chance, mutual bets, slot machine games and low-payoff machine games. Beside the above act market of games in Poland is also regulated by an array of resolutions issued by Ministry of Finance, National Education and Sport, Culture.

5. Economic aspects of games of chance market’s functioning in Poland

In 2004 there were 42 entities recorded who operated on the market of games and mutual bets, on the ground of granted permission. In order to compare in 2001, 2002 and 2003 simultaneously there were 21, 20 and 26 economic entities operating on the market. There has been growing interest in this kind of activity observed. It is worth noting that the entities did not operate in all segments of the games market. Polish games of chance market consists of six segments. The first one is concerned with numerical games and monetary lotteries, and undergo state monopoly. Here, two economic entities took part, namely Totalizator Sportowy Ltd. (numerical games and monetary lotteries) and Polski Monopol Loteryjny Ltd. (monetary lotteries).

The second segment includes casinos. Currently, in Poland there are five entities involved in total 25 casinos operating; in 2000, 2001, 2002 and 2003 there were operating respectively 33, 31, 28 and 25 casinos. One shall note here that with the time the number of casinos in Poland decreases.

The third market segment involves salons of slot machine games. Here, there are eleven entities performing activity in 167 outlets; in 2000, 2001, 2002 and 2003 there were respectively 159, 153, 151 and 156 slot machine games’ outlets.

The fourth segment deals with bingo games. It is occupied only by two entities that have at their disposal only 3 gaming agencies under consideration. It is interesting to see that this part of the market has been experiencing difficulties, lately. From 1997 till 2004 the number of bingo gaming houses declined from 16 to 3.

The fifth segment encompasses mutual bets. Nowadays, there are seven entities operating in

1413 agencies of mutual bets. In comparison, in the period 1998 – 2003 there were five economic entities dealing with the bets.

The last, sixth segment includes low-payoff machine games. It has been identified and created not long ago, just in 2004. The segment involves 23 entities working in 4884 outlets of low-payoff machine games.

5.1 Games and mutual bets' income in Poland in 1997 - 2004

In 1997 – 2004 the revenue from games and mutual bets in Poland rose constantly from PLN 2.66 billion to PLN 5.23 billion. The income from the last year of the period in question compared with the first year almost doubled (96.65% growth). Thorough data concerning the values of revenue from particular segments of the market of games and mutual games are presented in Table 1.

Table 1. Revenue from market of games and mutual games in 1997-2004 in thousands PLN

detailed list	Revenue							
	1997	1998	1999	2000	2001	2002	2003	2004
numerical games	1552465	1772816	1946748	2122166	2109942	2223352	2281433	2389734
casinos	611504	697696	850930	888167	812098	857234	885206	953904
slot machine games	353334	427350	480605	532534	619473	610072	639323	772658
mutual bets	78397	122275	145280	221938	330848	453146	529945	641849
monetary lotteries	18238	11968	53546	138399	132319	120872	141790	115328
cash bingo	48309	44943	39394	34911	29084	24188	18999	14662
low-payoff machine games	-	-	-	-	-	-	-	347310
total	2662247	3077048	3516503	3938115	4033764	4288864	4496696	5235445

Source: authors' elaboration based on information of Polish Ministry of Finance

Taking into account revenue structure of games and mutual bets one can note that the biggest share is occupied by numerical games. Their revenue in the period under consideration varied from PLN 1.55 billion to PLN 2.389 billion and rose steadily each

year. However, regarding the numerical games' share in the market, it is worth to note that it oscillated between 45.65% do 58.31% and showed decreasing trend in the whole period under consideration (see Table 2).

Table 2. Revenue structure of games and mutual bets in Poland in 1997-2004

detailed list	1997	1998	1999	2000	2001	2002	2003	2004
numerical games	58.31%	57.6%	55.36%	53.89%	52.31%	51.84%	50.74%	45.65%
Casinos	22.97%	22.7%	24.20%	22.55%	20.13%	19.99%	19.69%	18.22%
slot machine games	13.27%	13.9%	13.67%	13.52%	15.36%	14.22%	14.22%	14.76%
mutual bets	2.94%	4%	4.13%	5.64%	8.20%	10.57%	11.78%	12.26%
monetary lotteries	0.69%	0.4%	1.52%	3.51%	3.28%	2.82%	3.15%	2.2%
cash bingo	1.81%	1.5%	1.12%	0.89%	0.72%	0.56%	0.42%	0.28%
low-payoff machine games	-	-	-	-	-	-	-	6.63%

Source: authors' elaboration based on information of Polish Ministry of Finance

Next position was taken by casinos whose revenue in 1997-2004 increased from PLN 0.611 billion to PLN 0.953 billion, which is 56% jump. Share of this market segment ran from 18.22% to 24.2% and showed declining tendency (except for temporal fluctuations in 1999).

The third place in the period under consideration was occupied by automatic machine games whose income grew from PLN 0.353 billion to PLN 0,772 billion; it increased by 118.7%. Here one shall note that the year 2004 brought into existence another segment of low-payoff games and its revenue amounted for PLN 0.347 billion. If one treats those two segments' revenue total, they can see that their income grew by 217%. The segment of low-payoff games' share in the period under consideration fluctuated and amounted from 13.27% to 15.36%.

Mutual bets took the fourth position and with the income ranging from PLN 0.078 billion to PLN 0.64 billion. The income grew dynamically by 721% by the end of considered period; this is the most drastically developing segment of the games and mutual bets market, as far as revenue is concerned. The segment's growth is clearly reflected in the market share development from 2.94% to 12.26%.

The following place is granted to the oldest Polish games market segment, namely monetary lotteries. Their revenue amounted from PLN 0.018 billion to PLN 0.115 billion. By the year 2000 the income rose steadily. Since then it has fluctuated periodically and there has been a decreasing tendency observed. The segment's share in the period under consideration increased from 0.4% to 3.51%.

The last place among games market segments belongs to bingo games. The segment has experienced systematic decline in the whole analyzed period both in revenue and market share. Bingo games' revenue in 1997-2004 dropped from the level of PLN 0.048 billion to PLN 0,014 billion which resulted in share's decrease from 1.81% to 0.28%.

5.2 Games and mutual bets' profitability

Profitability of games and mutual bets' sales in 2000-2004 within particular segments of the market was quite various. The highest value of sales profitability obtained numerical games. Their segment's profitability value steadily rose by the year 2001. In 2002 the ratio's value dropped for the first time, and its lowest value was recorded in 2004. The sales profitability ratio for games and mutual bets' market is presented in Table 3.

Table 3. Sales profitability for games and mutual bets in Poland in 2000-2004

detailed list	2000	2001	2002	2003	2004
numerical games	12.5%	14%	9.2%	9.9%	8.3%
casinos	2.8%	1.3%	1.8%	1.8%	2.5%
slot machine games	6.5%	6.5%	6.8%	7.1%	6.2%
mutual bets	2.3%	2.6%	4.2%	1.9%	2.6%
monetary lotteries	19.5%	4.1%	2.7%	5.9%	4.9%
cash bingo	0.5%	-	-2.9%	-4.1%	-6.8%
low-payoff machine games	-	-	-	-	4.3%

Source: authors' elaboration based on information of Polish Ministry of Finance

The second highest value of profitability index was scored by slot machine games and ran at the level of around 6%. Next, there were monetary lotteries whose ROS dropped from 19.5% in 2000 to 4.9% in 2004. The following positions were occupied by mutual bets and casinos whose profitability was rather stable and equal to 2.5% (in 2004). The least profitable segment of games market was undoubtedly bingo games sector. Its profitability was quite low; since 2001 it has gained negative values of ROS.

5.3 Games' tax

The tax rate from games and mutual bets are of proportional character and are presented as

percentage from the tax base. The tax rates are as follows:

- 10% in case of prize lotteries, prize bingo games, cash bingo games and mutual bets,
- 15% in case of monetary lotteries,
- 45% in case of casinos, slot machine games and video lotteries,
- 20% in case of numerical games,
- 2% in case of mutual bets concerning sporting animal competition.

After coming of the Act of 10th April 2003 (amending the Act on lottery games, mutual bets and slot machine game, as well as amending some other acts) on 15th June 2003 into force, the tax payers in charge of low-payoff machine games pay

flat-rate tax. This tax for each machine equaled in 2004, 2005 and 2006 respectively € 75, € 100 and € 125.

Tax income for games and mutual bets in 1997-2004 rose constantly from PLN 0.433 billion to PLN 0.772 billion, which means it grew by 78.3%. Games and mutual bets' tax makes around 0.5% of tax income of Polish financial sector. This means that it is similar to the level reached with the farming tax. Detailed data concerning the tax income from games and mutual bets is presented in Table 4.

Table 4. Games and mutual bets' tax in 1997-2004 in thousands PLN

detailed list	Income							
	1997	1998	1999	2000	2001	2002	2003	2004
numerical games	310493	354563	389350	424 333	421 988	444 670	456287	477947
casinos	55360	59916	69002	77 815	98 642	96 230	96765	108868
slot machine games	54797	61856	70104	73 090	84 165	83 990	82144	90057
mutual bets	5381	9263	11193	19 388	30 518	42 888	50721	62192
monetary lotteries	2736	1795	8031	20 760	19 848	18 131	21268	17299
cash bingo games	5098	4482	3839	3 432	2 915	2 417	1900	1467
Games and mutual bets in total	433865	491875	551519	618 818	658 076	688 326	709085	757830
low-payoff machine games	-	-	-	-	-	-	125	14430
total	433865	491875	551519	618 818	658 076	688 326	709210	772260

Source: authors' elaboration based on information of Polish Ministry of Finance

The leading share in the tax structure is taken by the numerical games' tax, namely over 60%. In the whole considered period the tax amount ranged from PLN 0.31 billion to PLN 0.477 billion (see Table 4). Next come the slot machine games with 14% share in the tax structure. The third place belongs to casinos whose tax income allowed 11% share. 8% share is taken by tax from mutual bets. Next, there were monetary lotteries, low-payoff machine games and cash bingo games with the share amounting respectively 2.2%, 1.8% and 0.18%

Summary

Games of chance market in each country where it is not legally forbidden is a dynamically growing "industry" and bringing significant income to the economic entities involved. It is simultaneously a

great support for state budget in the form of taxes and related fees. The world leader on games market is the United States of America, where the casinos' revenue in 2004 brought about \$47.3 billion. The second largest center for games market is Europe. The most fanatic gamblers among European citizens are the French who spent around € 2.5 billion, the German and the British who both devoted around € 1 billion in 2004. Total income from the market in 2004 was around € 1.3 billion.

As far as Polish games market is concerned, there has been significant development observed in most of its segments in the period under consideration. Constantly growing number of Poles want to try their luck and wish to win, although their average expenditures on games of chance and mutual bets do not exceed PLN 70 each year. This amount is pretty insignificant once it is compared to the world leaders.

It is also worth remembering that in this case Poles seem to be rather conservative and stick to the services of Totalizator Sportowy.

Bearing this in mind one can see that Polish games of chance market's potential is extremely promising. There are great opportunities identified on this market, as far as enrichment and attractiveness of the offer are concerned. However, one shall not forget that each market's opening wider brings not only profits but also costs and negative social effects.

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