

SUMMARY AND CONCLUSIONS

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Kansen met beleid. Beleidsreconstructie en evaluatiekader modernisering kansspelbeleid. WODC / St. INTRAVAL, Den Haag/ Groningen-Rotterdam.

Below, the summary and conclusions of our research into the modernization of the Dutch gambling policy are discussed. Our research, which was commissioned by the Research and Documentation Center of the Ministry of Security and Justice, first of all aims to reconstruct the policy theory of the planned modernization of the gambling policy. Subsequently, an evaluation framework was established based on this, with which the practical implementation and the achievement of objectives of the revised gambling policy can be evaluated.

Among other reasons, the modernization of the gambling policy takes place because the government has in mind a more open license system in which multiple providers can operate in the various market segments if possible. There is also the growing supply of gambling on the internet. An attractive legal supply of online gambling could reduce illegal playing in combination with strong rules and severe surveillance.

For the reconstruction of the assumed working of the modernized gambling policy, we have collected and studied relevant (policy) documents. In addition, interviews about the policy objectives of the modernization of gambling, the proposed measures and the assumed active mechanisms to achieve them were held with 17 representatives of institutions involved. To monitor the modernization of the gambling policy, we have converted the policy theory into concrete and measurable indicators. We have presented the initial findings from the reconstruction of the policy theory and the evaluation framework to a group of nine experts at an expert meeting and we have discussed these findings with them. Finally, we have drawn up this report based on the information gathered.

1. Policy theory

The hundreds of thousands of Dutch people who use illegal online gambling possibilities play in an unsafe and unprotected way; fair play is not guaranteed. The objectives of the gambling policy – fighting gambling addiction and fraud and other crime as well as protecting consumer interests – are therefore under pressure. The proposed modernization of the gambling policy must contribute to preventing or reducing these problems by adopting measures aimed at the behavior of players and providers. Channeling is of great importance: suppliers and players must be tempted to use the licensed, government-regulated part of the gambling market. This particularly plays a major role in the regulation of online gambling. The objective is to achieve a channelization degree of 80%.

The planned modernization of the gambling policy starts with the legalization of online gambling. In addition, the government seeks a redesign of the casino regime and a reassessment of the lottery system. The government believes that the organization of gambling is not a governmental task. According to the government, achieving the objectives is also possible in a market in which an attractive range of gambling opportunities exists through competition, provided that the terms are strict and the supervision is tight. The policy has also to be revised as part of the European requirement of horizontal consistency.

Objectives modernization gambling policy

- *What does the legislator aim at with the modernization of the gambling policy? What objectives are to be achieved?*

- The measures in both the current gambling policy and the intended modernized gambling policy aim to achieve the ultimate goals by fighting gambling addiction, fraud and other crime on the one hand, and promote consumer protection on the other hand.
- With the formulation of these three objectives, it is implicitly assumed that the gambling market without government intervention will lead to a higher risk of an increase in the number of gambling addicts as well as fraudulent and criminal practices, and in the harming of consumer interests.

Measures and mechanisms

- *What are the presumed objective-means relationships (mechanisms) with which the desired objectives are achieved?*

The question is which factors in the behavior of providers and players lead to gambling addiction, fraud and other crime and the harming of consumer interests and in what way it is expected that the proposed measures intervene in the conduct of players and providers in order to steer these problems in the direction of the desired outcomes.

Channeling

Channeling is the key point of the gambling policy: only if players and providers use the regulated segment of the gambling market, the government has the opportunity to influence the behavior of players and providers. The proposed policy includes several measures aimed at promoting channeling.

- Licensed providers may use recruiting and advertising messages under certain conditions to point consumers to their offerings.
- To strengthen the competitiveness of licensed providers of remote gambling, a gambling tax of 20% is proposed for legal online gambling.
- The proposed licensing system allows a variety of gambling possibilities, each tailored to the needs of players.
- By monitoring the gambling market, illegal gambling becomes more unattractive and riskier for players and providers.

Gambling addiction

One of the assumptions of both the current and the proposed policy is that the availability of gambling leads to an increased risk of gambling addiction. The risks of gambling addiction vary by game type: casino games and slot machines (both land-based and remote) bring a greater risk of addiction than lotteries and sports betting do.

- In order to prevent gambling addiction, the behavior of providers and players should be influenced in such a way that they show responsible gambling behavior, which decreases addiction risks.
- To promote responsible gambling behavior, the license holders have a duty of care, which largely consists of informing players about the risks of gambling addiction, monitoring gambling behavior and if necessary, intervening to prevent a player from developing risky behavior. In extreme cases, players are excluded from participating in games of chance and referred to care.
- License holders must submit their addiction prevention policy to the KSA. This prevention policy should be coordinated with addiction care.
- In the case of online gambling, before they can participate, players need to create a profile in which they determine the boundaries of their playing behavior in advance. In any case, this involves the frequency and the maximum playing limit. The idea is that in this way, the player thinks about his gambling behavior, defines his limits and has control over it.

Fraud and other criminality

Because of the sometimes large sums of money circulating in gambling, the gambling market is susceptible to some forms of crime. In the case of online gambling, these risks are also increased by the absence of physical contact between player and provider. At the same time, remote gambling offers good opportunities to identify and follow suspicious transactions.

- The identity of a player should be ascertained with a valid ID. In remote gambling, the player must also transfer an amount from his payment account to his player account. This way, the player is connected to a previous identification and verification of the player by the payment service provider.
- The license holder must record all transactions with players transparently and make them available to regulators (including The Netherlands Gaming Authority (the Dutch abbreviation is KSA) and the Tax and Customs Administration) via a control database.
- Providers must have the means to detect suspicious patterns.
- To prevent penetration from the criminal circles, license applicants should be screened extensively. Moreover, the licensed parties should adopt a policy regarding the safeguarding of the reliability of their employees.

Consumer protection

The gambling market is susceptible to deception, fraud and abuse of personal information. The bill aims to reduce these risks and to enable consumers to play at reliable and transparently operating providers.

- The license holder should inform the players about the identity of the license holder, the game, the payment, the odds and the place where the player can avail himself of his rights.
- Vulnerable people must be protected. Minors are excluded from participation.
- Player credits and fair play must be guaranteed, and misleading advertising is not permitted.

Mechanisms

In the policy reconstruction, it is clear in which way it is expected that the proposed measures intervene in the behavior of players and providers in order to achieve the desired channeling, to prevent gambling addiction, to fight fraud and other crime and to promote consumer protection.

- Tempting players and providers to choose the licensed supply is the main mechanism for achieving channelization. Players can be tempted to do so through advertisements and varied, attractive supply. This holds not only for participants in online gambling, but also for land-based casino games and lotteries.
- Also for providers, the temptation mechanism plays a role: providers are tempted to operate legally by allowing advertisements (under conditions) and by actively fighting illegal gambling.
- In the prevention of gambling addiction, three categories of mechanisms play a role: informing players, increasing self-awareness and limiting gambling opportunities or the total exclusion of players when the gambling behavior causes this. These mechanisms are applicable to the market for online gambling as well as to casinos and amusement arcades with slot machines. Given the low risk of gambling addiction in lotteries, these mechanisms do not apply to this sector.
- The fight against fraud and other crime takes place by limiting the opportunities for players to abuse games of chance and by increasing their chance of being caught. Limiting opportunities for fraud and other crime is accomplished through measures aimed at identifying and verifying the identity of players and excluding suspicious players. These mechanisms too are only applicable to the market for online gambling, casinos and amusement arcades, and not to lotteries.
- Protecting consumer interests is important in all sectors of the gambling policy. The mechanisms that play a role are the informing of players (by providers), allowing players to be able to make a good choice between the various providers, and the exclusion of underage players from participation in gambling. The third mechanism is offering players guarantees about a safe and secure gambling environment by, among others, ensuring player credits and protecting personal information.

Assessment policy theory

- *Is the policy theory realistic? Are the objectives and target groups explicated sufficiently? Are the presumed causal relationships (mechanisms) logical? Which preconditions and other requirements have an impact on the presumed effect of the policy? Are there any (undesirable) side effects to be expected?*

- The regulation of online gambling is the most developed part of the modernization of the gambling market. This is also the first component that will enter into force.
- The measures for the regulation of online gambling are in most of the cases drawn up in a concrete and specific manner for providers and players, and related to the three traditional objectives of the gambling policy. In some cases, reference is made to subordinate legislation in which the details will be drawn up and explained.
- The proposed measures for the modernization of the casino regime and the reassessment of the lottery system have been worked out much less extensively and explicitly in the policy documents.

Target groups

- The target group of problem gamblers receives special attention in the policy. Problem gamblers may exclude themselves or providers should exclude them and record them in a central register (called CRUKS, Dutch abbreviation of Central Register Exclusion from Gambling) if they keep playing irresponsibly.
- Aside from banning minors and a prevention policy aimed at young adults up to 24 years, the policy documents mention no concrete measures aimed at the protection of vulnerable groups. In interviews, people with a mild intellectual disability are also mentioned. The gambling policy is not clear about that. In practice, it will often be difficult to distinguish other vulnerable groups.

Strengths and Vulnerabilities

In the reconstruction of the policy theory, the strengths and vulnerabilities of the policy are exposed.

- The intended channeling can be reinforced in practice by the occurrence of a self-cleaning effect. Providers with a permit will be eager to report abuse and illegal gambling.
- Both in the prevention of gambling addiction and in the protection of consumers, self-regulation of the gambling market may occur. Providers have an interest in a good reputation. Harming consumer interest and problematic gambling behavior of customers can entail serious reputational damage.
- Providers of online and land-based games of chance have an active duty of care. In other countries, the duty of care does not reach as far. One complication is that many problem gamblers deny that they suffer from a gambling problem.
- Players excluded from participating in gambling via the CRUKS may seek refuge in illegal gambling.

- Detecting risk and problem gamblers on the basis of certain patterns or changes in one's game that may indicate problematic gambling behavior is complicated. Clear guidelines for this are lacking.
- According to some interviewees, the exclusion of problem gamblers leads to conflicting incentives for providers. Providers are expected to actively exclude problematic players, even though these players generate big revenues. Various measures for the prevention of gambling addiction, the prevention of fraud and other crime and the protection of consumer interests raise barriers for players and providers, which makes them at odds with the channeling objective.

Preconditions and other requirements

In the policy reconstruction, several contextual factors having an impact on the effect of the mechanisms have been mentioned. Only after the policy choices are finalized and interviews on their implementation with those involved are held, it can be verified which context variables have actually played a role in this, and how big or small that role has been.

- A necessary requirement for an effective gambling policy is supervision on the compliance with the license conditions. Better possibilities for the KSA to supervise license conditions (i.e. by access to relevant parts of the gaming system and other business information) will lead to greater effectiveness of the measures.
- To achieve the intended channelization, it is also important that the illicit supply is actively combatted.
- For a proper working of the CRUKS a national coverage of this registration system and an infallible verification system are essential.
- An important variable that influences the effectiveness of informing players is the dosage and timing of the information and the extent to which the information is tailored to the cognitive capacity of players.
- A precondition for being able to talk to players about risky behavior is that guidelines are available that can be used to recognize problematic gambling behavior. Currently, no objective indicators for problem gambling are known. License holders should pick up signals of individual players that may indicate problematic gambling. This involves, among other things, frequent increases of or exceeding the limits in the player profile, trends in playing frequency, playing time and betting behavior and harassment of other players or employees of the license holder.
- For the prevention of fraud and other crime through registering and analyzing transactions, it is important that staff from providers of games of chance know how to recognize suspicious transactions.

Side effects

The main potential side effects are substitution between land-based and online gambling, a growing demand due to broader and more attractive supply and more advertising activities and possible job losses in the land-based gambling sector.

- Contributions to charities and sports are considered a positive side effect of the gambling policy. The current license holders, especially the lotteries, fear a

substitution between land-based and online gambling. The charities too say they fear their income will decrease. Research into substitution between land-based and online gambling shows that this effect cannot be demonstrated but also not excluded.

- Good regulation requires that legal gambling is sufficiently attractive that players do not feel the need to use sites of illegal providers. Legal providers will have to attract consumers into using their offerings. There is a chance that a more attractive supply as well as advertising and recruitment activities of license holders will lead to greater participation in gambling.
- Especially interviewed representatives of the land-based providers expect that the regulation of online gambling will lead to a decline in visitors to amusement arcades and Holland Casino, and fewer jobs at these providers. In particular, they have stressed the difference in gambling tax. For land-based gambling, the gambling tax is 29%, while it will be 20% for providers of online gambling. Online providers can thus offer higher odds, making them more attractive to players.

Implicit objective

Levying gambling tax does not serve any of the three objectives of the policy. According to several interviewees, the financial revenues are also a reason for the government to legalize online gambling and to privatize Holland Casino. On the other hand, it is noted that levying gambling tax is not so much a policy objective; rather, it is inherent to the Dutch tax system that levies tax on economic activity. Levying gambling tax on online gambling raises a barrier to the achievement of an optimal channelization degree.

- It is expected that a channelization degree of 80% can be achieved with a gambling tax of about 20%. Experts indicate that as tax rates increase, it will be more difficult to achieve the desired channeling.
- With a channelization degree of 80%, 20% of the participants in online gambling still play in an unsafe and unprotected way, and fair game is not guaranteed for them.
- The reduction in the charity contribution percentage from 50% to 40% can offer the providers the opportunity to develop a more suitable and attractive supply for the consumer.
- With the charity lotteries (Nationale Postcode Loterij, BankGiro Loterij, Vriendenloterij), it is agreed that a reduction in the contribution percentage will not be at the expense of the nominal contributions.

2. Evaluation framework

The evaluation framework should establish which indicators and associated data should be collected in order to evaluate the main elements of the policy theory. This mainly concerns the practical implementation and the achievement of objectives of the new gambling policy, preceded by a baseline measurement.

Indicators for practical implementation and achievement of objectives

- *Which indicators are relevant to evaluate the practical implementation of the gambling policy?*
- *Which indicators are relevant to evaluate the achievement of objectives of the gambling policy?*

- In the reconstruction of the policy theory, it is indicated which proposed policy measures should lead to safeguarding the objectives of the policy. Next, when preparing the evaluation framework, it was considered which information should be collected to determine whether the proposed measures of the modernized gambling policy are implemented and whether the three objectives of the gambling policy are achieved. The evaluation framework is the translation of the policy theory into concrete and measurable indicators.
- For each objective, it was examined which measures should be implemented. These measures were then converted into concrete and measurable indicators.
- Since the measures vary by market segment and the different parts are implemented in phases, a distinction is made between indicators of remote gambling, casino games, slot machines and lotteries. For each market segment, a separate framework is drawn up.
- In composing the indicators, a distinction was made between input, process and outcome indicators.
- The process indicators are used to measure channeling and substitution. It concerns the following indicators: participation in legal and illegal gambling (channeling), participation in legal and illegal remote gambling (channeling), players who switch from land-based supply to online supply and vice versa (substitution), players who switch from illegal to legal supply and vice versa (channeling), players who switch between segments of the gambling market (substitution), new players (channeling).
- Many players play land-based as well as online. Among other information, the amount of time and money spent online and land based is an indication for substitution. This can be determined when subsequent measurements from the population survey are available.
- To assess the achievement of the objectives of the gambling policy, the following indicators are drawn up:
 - preventing gambling addiction: participation in gambling by type of player and contacts with treatment for gambling addiction;
 - fighting fraud and other crime: detected suspicious transactions;
 - other forms of consumer protection: license holders who do not comply with consumer protection, attractiveness of the supply of gambling.
- It should be noted that the elaboration in subordinate legislation, which still has to take place, should be taken into account in the evaluation framework. Following the elaboration, indicators can still be added to the evaluation framework.

Measuring indicators and data

- *How can these indicators be measured in a responsible way? Which data sources and data collection methods are necessary? Is there any assurance that these data sources will (also) be available in the future?*
- *In what way should the indicators be measured?*
- *Are the data available and if so, are those data valid, reliable, complete and up to date?*

- The main sources for providing the data associated with the indicators are the licensed providers, the KSA, the population survey and the annual reports from providers.
- The KSA is currently determining which data are to be recorded, in consultation with the Ministry of Security and Justice. As a result, it is not yet possible to specify the quality of this data. We recommend that the KSA takes the evaluation indicators into account. The KSA may then consider this when it determines which data it wants to have recorded.
- Since the modernization has not yet come into effect, there are no licensed providers of remote gambling yet. To gain insight into the evaluation possibilities, several websites and annual reports have been studied and analyzed. This shows that various data relevant for the measurement of the indicators are already recorded. A large part of the data related to informing players is on the website. Collecting these data is therefore possible by analyzing the websites of the licensed providers. Other information will have to be obtained from the respective providers.
- The same applies to the operators of gambling casinos. At present, Holland Casino is the only licensed operator. Using its website and annual report, it was examined what it already records. It shows that various data are properly recorded. If future operators of casinos are going to record data in a similar way, the input for the evaluation indicators will likely be good.
- In conclusion, one can say that the quality of a portion of the data is not clear yet, as these are not yet available or recorded. The quality of the data recorded already is, in general, good and usable.

Baseline measurement

- *Which indicators should be measured in a baseline measurement?*
- *How can, if possible, time series be created with research data from 2005 and 2011?*

- Before the legislation comes into force, a baseline measurement is performed to map the starting position. The indicators certainly to be included in the baseline measurement are participation in gambling by type of player and game of chance, contacts counselling for gambling addiction, detected suspicious transactions, license holders who do not comply with consumer protection measures, and attractiveness of the supply of gambling.

- It is important to include participation in illegal gambling and the supply of illegal gambling in the baseline measurement as well.
- In addition, the data already available for the measurement of the other indicators can be retrieved.
- The indicators relating to participation in gambling and gambling addiction are measured with data from the population survey and annual reports of providers. Survey methodology will be consistent to the research conducted in 2005 and 2011. This makes comparisons possible. However, some questions will be added, which are necessary to measure the indicators included in the evaluation framework.