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The Global Regulation of Gambling: a General Overview

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Abstract

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This contribution explores the institutional arrangements of gambling regulation across the globe on the basis of available literature and electronic sources. The aim is twofold: To find out whether there are differences in how gambling operators address the problems that legalized gambling generates, and how profits are allocated to this endeavor (if they are). In many cases it is difficult to ascertain how the funds are used and whether the country-specific data is accurate, even if it is provided by official sources or (government-sanctioned) monopoly operators. For this reason, the work at hand is only a general review, providing indicators on how to proceed from here to ensure the availability of more accurate information in the future. Some actors in this field are not keen to support studies that would show the full scale of gambling-related problems. Industry-sponsored reports of gambling may exaggerate profits, and downplay the negative aspects. Similarly, governments may choose to sponsor studies that portray gambling problems as concerning individuals, not society. The fact that most research institutions and universities rely on public funding or funds obtained from gambling proceeds to finance relevant studies, is likely to influence almost all research efforts.

Keywords: regulation, addiction, problem gambling, pathological gambling

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Introduction

Gambling provision is a highly significant area for governments seeking continuous or compensatory revenue for the public purse, meaning that gambling is of interest both in times of the economic boom and recession. Raising taxes is usually unpopular in a democratic society, with potentially negative consequences in subsequent elections. Gambling has been labelled a source of “unresented taxation”, by means of which governments control access to gambling venues by forcing them to operate under licence and levying tax on the activities.¹ This has been a very lucrative path for many countries worldwide, especially in times of fiscal crisis (in Europe this includes Greece, Italy and Spain, among others). However, the basis for choosing one gambling framework over another (state monopoly, licensing, or some other arrangement) is unclear and difficult to assess, given the multiple effects of gambling on communities and societies in general. Complicating matters further, some of the impacts are hidden from the public eye, and thus difficult to research (e.g., family-related domestic violence).² Furthermore, there are many open research questions related to developing effective and socially responsible gambling policies. Examples of such questions include whether the so-called total consumption model developed in studies on alcohol consumption also applies in the case of gambling, and what impact the specific regulatory measures or general regulatory approaches has on legalized gambling over the course of time.³

The purpose of this contribution is to produce more information about the gambling environment on the global and the national level, especially when it has been debated in public documents or in the literature. In case of a specific country or region I ask: Does regulation of gambling has a specific focus (such as revenue collection or addressing gambling-related harm) and is there a difference between state monopoly and open licencing in this sense? If there is enough information available, I also try to assess how the collected proceeds are used. For this purpose it is necessary to understand how gambling markets operate in specific countries, referring both to the gambling infrastructure and public debate the extent to which the benefits of gambling, the available policy options and the costs of problematic gambling are discussed. National policies addressing the issue of problem gambling are of particular interest in this regard.⁴ Although it is not possible (nor is it necessary) to

¹ Wolff 2011, 57.

² Suomi et al. 2013.

³ Binde 2013, 4: “The effectiveness of specific regulatory measures (e.g., limiting gambling accessibility and restricting the advertising of gambling services) and of general regulatory approaches (i.e., monopoly versus competition on a regulated market) is virtually unknown, which means that policy makers and regulators have very little guidance from empirical research.”

⁴ Griffiths et al. 2009, xxvii.

analyse each and every country in the world (or even within the EU) in order to show general tendencies, it is necessary to select at least a representative sample from each continent. In this context the focus is not only on size of the market, but also on whether there are lessons to learn from the specific institutional arrangements. Most markets in Latin America, for example, are small in terms of sales, but being in the process of legalization they should be observed.

Even though the legalization of gambling has been ongoing for four decades now, many countries are still in the process of creating a national gambling policy. A consistent policy is understood here as something other than mere revenue collection or reaction to pressures from outside (in the case of Europe, pressure from the EU Court of Justice to open national gambling markets up to foreign operators). In order to highlight the differences in policy approach, selected countries are differentiated on the basis of their gambling framework which in practice means whether they have a government monopoly, a licensing system, or some other policy. The third category “other” includes countries that do not have a fixed approach (for example, Ireland as of 2013 was the process of changing its gambling legislation, and it was not clear what the full implications will be).

It is also necessary to take into account the influence of international policy in a specific geographical region on national gambling policies, even though the focus here otherwise is country-specific. In the case of Europe, this refers to the control the EU Court of Justice exercises over individual member states and in the US to the influence of the Federal government and the US Ministry of Justice on individual states. Whenever possible, publications with official status (such as White and Green Papers) are given priority over other documents. However, in many cases there is a lack of official information that is publicly available. In some countries newspaper articles may be almost the only available source of information, and their neutrality in many cases is open to question.⁵

It is difficult to evaluate properly on the basis of publicly available information the relationship between the chosen gambling framework and the subsequent harm that legalized gambling (of necessity) generates. The national measures introduced to tackle the issue of problem gambling and gambling-related harm is of interest in that they provide some basis on which to evaluate whether or not the chosen framework is (even in principle) intended to address the negative consequences of

⁵ Countries located in Africa and Latin America in particular lack official information about gambling. Thus only the primary agencies responsible for setting gambling policies or conducting the biggest commercial operations are mentioned.

gambling.⁶ Of course, question how the chosen framework (or the lack of a formal structure in it) contributes to addictive behavior is another. This clearly calls for more country-specific research than was possible within the scope of this study. It should also be noted that the information of this report was collected in 2013 and changes may have occurred. For example, measures and initiatives of the European Commission's action plan on online gambling continue to be implemented by the Commission and Member States in 2014.

The role of government in framing gambling policies

Governments are not single entities, but heterogeneous combinations of agencies, systems transferring communication, accredited NGOs producing services for the government, and individuals with their own (fiscal or ideological) interests. According to Peter Adams, it is possible to define "a general pattern of proliferation" in the evolution of legalized gambling comprising four phases in sequential order: emergence, regulation, liberalization and eventual normalization. "Emergence" refers to the first appearance of gambling as an enjoyable pastime, without much concern for the problems associated with the activities. When the problems are recognized tighter "regulation" follows. The process of "liberalization" is related more to a change in economic thinking promoting the view that regulation in general is harmful, and marketing and regulatory schemes covering gambling are altered accordingly. The last stage (labeled "normalization") is when gambling products are widely available, and there is widespread acceptance and high involvement in the activity.⁷

The expansion of gambling in recent decades is well-documented, and does not require extensive discussion here.⁸ What should be noted, however, is that according to some commentators, this process has advanced almost unquestioned possibly largely because the prevalence and cost of problem gambling is somewhat difficult to estimate (it is not clear exactly what is being measured, and on what basis). Prevalence rates, when measured, tend to resemble each other from country to

⁶ Cnossen (ed.) 2009, 81: "The issue is central to the debate on policy since problem gambling remains 'the Achilles heel of legal gambling' (Eadington, 1999). Two questions arise. The first is 'What is the current cost of problem gambling?' The second is 'Do high taxes make this significantly different from what it would otherwise be?'"

⁷ Adams 2012, 25-27.

⁸ For a cross-national study of Australia, Canada and the US, see Chambers 2011. For a general discussion about the reasons for and impacts of gambling expansion, see Orford 2011 or Adams 2012.

country, within a range of 0.5 and three per cent.⁹ This could justify the claim that, whatever the gambling policies, a (relatively small or at least a minority) group of individuals will develop the symptoms. However, as Jim Orford states, although in percentage terms the incidence of gambling related problems in the population could be considered low, in absolute terms the numbers of those people having issues with legalized gambling are high.¹⁰

Labelling the issue an individual problem (or the problem of a small minority) has enabled much of the political debate in many countries to focus on the positive effects that gambling revenues have on public services. Much of this increased revenue is used for educational and social purposes, such as advancing health and welfare (see the information on individual countries). It is worth of noting that problem gamblers also make extensive use of healthcare and welfare services. Account should also be taken of the impact on the infrastructure, in many cases which is negative: the demand for police services increase, for example.¹¹ Thus, the effects on society as a whole should be discussed. Moreover, gambling-related costs of gambling are localized and although, for example, casino gambling may be hailed as a boost for tourism and, simultaneously for the local economy, the gains for local communities are less than clear.¹²

Those evaluating the role of government here (and of good governance with regard to gambling policies) should take account of the fact that gambling expansion is not population-driven: it reflects the shared interests of the gambling industry and public officials,¹³ and protecting the welfare of citizens may be of secondary importance. The reasons for this may vary, although Peter Adams lists three that may give some insight. First, gambling products are not deemed addictive enough to warrant public-health concern and product-availability limitations (similar to those related to tobacco and alcohol). Second, gambling products are not tested from the perspective of the harm they cause, and little is known about the risks, even among the public officials. Third, once the process of gambling liberalization begins, it is very difficult to reverse the trend.¹⁴ So far, gambling-related harm has not been extensive enough to challenge the capacity of public health systems to deal with it, and therefore the government-sanctioned gambling products have not been labelled as

⁹ In most countries, the prevalence of problem gambling has been in the range of 0.5 and 3 per cent according to estimates provided in the Staff Working Document of the European Union in 2012 (SWD 2012, 11). Estimates of global gambling are also presented in the publications. For example, Hodgins and his colleagues give the range of 0.2 (Norway) - 5.3 (Hong Kong) per cent, and various national surveys assess gambling within the previous 12 months (Hodgins et al. 2011).

¹⁰ Orford 2011, 229.

¹¹ PGS 2013, 3.

¹² Morse and Goss 2010.

¹³ As documented in Kindt 1998 and Castellani 2000.

¹⁴ Adams 2012, 29.

“dangerous to health”. However, this situation may change, especially given the consistent evidence in that certain gambling products such as online gambling and slot machines (a form of electronic gambling, or EGMs in addition to Video Lottery Terminals, VLTs) may have an in-built capacity to create addiction. In the case of EGMs this has been called “addiction by design” (according to an anthropological study in Las Vegas conducted by Natasha Dow Schull).¹⁵

Finally, it is certainly easier to list gambling forms that are harmful and address the related issues, than it is to define what is good policy with regard to legalized gambling. The Australian government has a list of rules to be included in “good gambling policymaking”, including the following:¹⁶

1. Address the problems large enough to justify government action and are amenable to it
2. Set clear objectives to develop policies, and to reduce the risk of unintended impacts
3. Reflect assessment of the effectiveness of different options, including costs and benefits
4. Enable the community and the gambling industry to give their views about planned policies

Even if the above criteria are applied to existing gambling policies, despite the fact that the problems associated with electronic gambling machines (EGM) are well known, they continue to be among the primary offerings of governmental monopoly operators. This is the case even in nations in which government monopoly is supposed to reduce gambling-related harm.¹⁷ Another popular form of gambling for a public monopoly operator is the lottery, which has the further advantage that many do not regard it as gambling at all (although it has all the relevant characteristics). Both EGMs and lotteries are relatively easy for any government to administer, including gambling events that are conducted in a certain venue that can be controlled. EGMs are located in supermarkets, shopping centers and similar public places, and lottery draws usually take place in an environment that is supervised by accredited personnel. This may explain why EGMs and lotteries continue to function on a grand scale, and why the main focus of public monopoly operators is on curbing and taxing online gambling. However, this is a much more complicated task given that the venues are virtual, the sites are hosted in foreign jurisdictions and the money flows are transnational. The issue

¹⁵ Schull 2012.

¹⁶ Amended from the Productivity Commission 2010, 3.2. See also Fig. 3.1. “Steps to good gambling policy” (3.3.)

¹⁷ A meta-analysis conducted in Australia and New Zealand indicates that an increase in the availability of EGMs also leads to an increase in harm (Storer et al. 2009).

of online gambling is particularly difficult for the European Union, given that the principle of free movement (including goods, capital and services) is one of the basic premises of the internal European market. It is also an area of gambling that has shown a rapid increase in consumption together with an increase in revenue. Some estimates suggest that annual revenues will be close to EUR 13 billion or USD 17.3 billion in 2015 (EUR 9.3 billion in 2011, USD 12.4 billion).¹⁸ The total gambling market in the EU is also of a remarkable size, the annual amount gambled in 2011 being EUR 84.9 billion (USD 113.2 billion).¹⁹

For the purposes of this document it is meaningful to differentiate the European countries that restrict the access of foreign gambling operators to their internal markets from those that do not protect their gambling market in this way. Such a differentiation should facilitate evaluation of whether the monopoly framework has any observable effect on the level of harm within a specific society. Cross-country comparisons within Europe may also be more informative if the offering of a gambling environment and products is taken into account beforehand. Outside Europe, where national gambling monopolies are less common, a more detailed country-specific analysis of the gambling environment is provided.

Gambling operators within the EU

The general stance of the European Union on gambling operations

Although there were fragmented attempts to evaluate the role of gambling within the EU internal market in the 1990s, the first major study of the issue was published in 2006 by the Swiss Institute of Comparative Law.²⁰ The next significant gambling document on the EU level was the Green Paper on online gambling issued in 2011.²¹ Since then the European Commission has directed most of its attention to the regulation of online gambling. This is understandable given that the member countries are generally free to arrange their national gambling frameworks as they wish. On 23 October 2012, the Commission presented an action plan on online gambling that is yet to be implemented in full. There are also other minor publications that address the issue of gambling within the EU either directly or indirectly. The ones most frequently referred to here are court

¹⁸ SWD 2012, 3.

¹⁹ SWD 2012, 3. The annual growth rate of the overall European Union gambling market has been around three percent. During the period of 2008-2011 the land-based gambling market alone grew by approximately 8.3 per cent.

²⁰ ISDC 2006.

²¹ COM (2011). Problem gambling has its own section on page 19 of the document.

orders which although they address the issue of whether the free movement of goods and services includes gambling, they nevertheless take a stance on gambling as such.

The European Union has defined five priority areas in its gambling policies, listed below (they are also key aspects of the Action Plan for online gambling, although on a very general level):²²

1. Compliance of national regulatory frameworks with EU law
2. Enhancing administrative cooperation and efficient enforcement
3. Protecting consumers and citizens, minors and vulnerable groups
4. Preventing fraud and money laundering
5. Safeguarding the integrity of sports and preventing match-fixing

Second to online gambling, the EU focuses most strongly on lotteries, which account for almost half of the gambling losses within the Union.²³ In the European Court of Justice decision in 2009 regarding the case of Departamento de Jogos Santa Casa da Misericórdia de Lisboa (a charity with a wide range of operations, including acting as a government-authorized monopoly operator in Portugal) against Liga Portuguesa de Futebol Profissional (the Portuguese League for Professional Football) and the Gibraltar-based gambling operator bwin (case number C-42/07), it was recognized that it is sometimes justified to uphold a government-granted monopoly of gambling, especially when it is in the public interest to impose restrictions.²⁴ The opinion of the EU Advocate General Yves Bot regarding this specific court decision is discussed in more detail in the context of Portugal.

In March 2010 the same EU Advocate General Yves Bot issued a statement about the status of the gambling monopoly in the Netherlands, which at the time was being challenged by two other international gambling operators, Betfair and Ladbrokes. In the opinion of Mr Bot, in that context the EU principle of mutual recognition did not apply to gambling, and, consequently, gambling licences issued in one country did not apply in others (in other words member countries had the

²² Quoted from SWD 2012, 4.

²³ Cnossen (ed.) 2009, 74.

²⁴ Pinset Masons 2009, online. Both bwin and Liga Portuguesa had started offering lotteries, even though this was restricted to the gambling arm of the Santa Casa (Departamento de Jogos da Santa Casa da Misericórdia de Lisboa). See also Opinion of AG Yves Bot 2008.

right to preserve their own frameworks).²⁵ The decision is interesting also in other respects, especially because it goes against the view of the government of the Netherlands that the EU principle of transparency (including public access to relevant documents) was not applicable in the case of issues related to a national gambling monopoly. Governments expressing a similar view (i.e., that governmental decision-making need not be as transparent and open to public as it is in other areas) include Denmark, Greece, Austria, Finland and Norway (although Norway is not in the EU, it is an influential partner in many pan-European agreements). According to Mr Bot, there is a danger of partiality when a gambling monopoly is granted through an administrative decision covering a single entity. However, this still does not prevent governments from forming such a monopoly, in order to focus on gambling-related problems and the prevention of fraud and crime.²⁶ From a research perspective, it is problematic that official gambling documents may not be available for public evaluation or accessible to researchers, if the principle of transparency is not recognized in each and every member state. The situation in France in particular is that academic research on gambling is very limited and the accuracy of the information provided by the operators cannot be verified independently.

In 2010 the European Court of Justice also overturned the German gambling monopoly on the grounds that although monopolies are sometimes approved, actions (of the monopoly operators) that promote gambling cast doubts on their legitimacy. The court decision enabled the creation of gambling monopolies within the EU, but those already in existence cannot compete with international gambling providers (such as bwin) without giving reasons (other than financial) why they demand this specific position in the market.²⁷ In 2011 the same court upheld the Austrian gambling monopoly in many respects, on similar grounds as in the case of Portugal and the “Liga Portuguesa” -decision issued in 2009 and explained above.²⁸ However, the Greek gambling monopoly operator OPAP received a much more negative adjudication from the same Court of

²⁵ Ashurst 2010, online. The view of the EU Advocate General Yves Bot was that gambling licences granted by the UK may not be recognized in other EU jurisdictions.

²⁶ EU Advocate General 2009, 19 (paragraph 158): “The risk attaching to that activity [gambling] and the moral considerations arising must, in my opinion, mean that a Member State has the right to carry on that activity itself through an entity belonging to it. It cannot be denied that a Member State can more easily control and direct the activity of such an entity than that of private operator. Such a system may therefore provide better protection for consumers against the risk of addiction to gaming and safeguard public order against the risks of fraud and clandestine gaming.”

²⁷ K & L Gates 2010, online.

²⁸ Reuters 2011, online. Austria then decided to open its markets to foreign operators.

Justice in 2012, which found that it was using its protected status in order to expand its position in the Greek market at the expense of its competitors.²⁹

Although some aspects of monopoly operations are upheld in Court decisions, it is recognized that collecting funds for “good causes” cannot be the sole justification for allowing monopolies within the EU. Back in the 1990s the Australian Productivity Commission questioned whether it was a meaningful practice in any case, given that people could support charitable organizations directly.³⁰ The Commission also mentioned the recognized difficulties associated with collecting funds charitable purposes through gambling. First, public grants that are funded from gambling proceeds tend not to be subject to normal budgetary considerations (they are not under the same budgetary constraints as other fields of public financing). Second, fluctuation in gambling proceeds has an effect on the public services they finance. Third, in terms of accountability the funding decisions made in this context “have not always met budgetary standards”.³¹ These difficulties are by no means specific to Australia, and apply to all countries in which gambling proceeds are allocated to ‘good causes’ (such as education and healthcare). It is unclear how far citizens living a pluralistic society even agree on what ‘good causes’ should be funded, although health and social services seem to be acceptable to most people. However, in the US even gaining access to publicly funded healthcare is viewed by many as an individual responsibility, not something that should generally be supported by collective means (with some exceptions). In most countries, too, support for ideologically-based NGOs is the responsibility of their members or those NGOs who are otherwise willing to advance their causes (the causes they are designated to represent).

To return to current EU policies, work with gambling operators in the future will be based on the Action Plan regarding online gambling. Although a stated key objective of the plan is to protect consumers, at the same time it encourages the development of regulatory measures that would make official and government-approved legalized gambling activities would be more attractive to EU citizens. Thus the aim is two-fold: to prevent fraud and money laundering through the tighter control of commercial gambling by Member States, and to increase the profitability of national (often monopolistic) gambling operators. The adoption of the non-binding principles of the Action Plan is scheduled for the first quarter of 2014. These principles include guidelines on issues such as how players are to be registered, what kind of identification controls should be in place, and the

²⁹ Ekathimeri 2012, online.

³⁰ Australian Productivity Commission 1999.

³¹ Australian Productivity Commission 1999, 58.

extent to which funds collected by gamblers should be protected. There are also plans to homogenize the online gambling infrastructure within the member states, including the software.³²

The exact measures that EU member states the Action Plan are still open, thus the plan is not evaluated in full in here. In the following, matters related to individual member states are largely considered from a perspective that does not include online gambling. In other words, the focus is on the overall gambling infrastructure, the regulatory bodies responsible for implementing and/or overseeing gambling policies, and certain country-specific issues that are worth mentioning. Although gambling does not attract much interest in many countries, and public discussion is limited, either a small field of research or public discussion about gambling is limited, it is still possible to give some indication of the kind of actors operating in the area, and to suggest avenues for further research.

Countries with a public monopoly system (EU)

The definition of a public monopoly used in this work is similar to the one Simon Planzer adopts: “The provision of gambling services is restricted by law to the offer of a single public provider. ‘Public’ here means that the provider can be directly state-run or directly or indirectly controlled by the state. This may also include a company subject to private law rules but whose shares are predominantly controlled by the state.”³³

Finland

Around two billion euros are gambled each year in Finland, a country with a population of five million, and around EUR 800 million are generated annually in revenue. The Ministry of Interior is the regulatory body, and the national gambling monopoly operates in accordance with the Gambling Act of 2001 and the Lotteries Act of 2010. Three governmental operators are the only licence holders: the Finnish Slot Machines Association (RAY), the Finnish Lottery (Veikkaus), and Finnish Tote Betting (Fintoto). Under a decree issued in 1937, gambling proceeds should be used for charitable purposes and national defence (in 2013 EUR 112 million were allocated for the treatment of Finnish war veterans). The new Lotteries Act that came into effect in 2010 states that gambling

³² IAGR 2013, online.

³³ Planzer (ed.) 2011, 13.

problems should be monitored and dealt with.³⁴ When the legislation was drafted in 1999 it was noted in official documents that collecting public funds through gambling was “morally questionable” in that it involved the exploitation of compulsive gambling on behalf of the government.³⁵

The Finnish Slot Machine Association has the most extensive programme promoting corporate responsibility, with a budget of three million euros. This finances most of the initiatives and projects related to problem gambling (including academic research, through the Ministry of Social Affairs and Health). The status of the Finnish Slot Machine Association as a monopoly operator was confirmed by the EU Court of Justice in a decision that a government monopoly in Finland in this area of business.³⁶ The organizational form of the Association could be questioned, however, in that many who benefit from the proceeds also do offer gambling treatment services, creating a continuous need to obtain additional funds from the Association, and the accounting system is not similar to official state budgeting. In many cases the external evaluation and assessment of accomplished projects funded through gambling proceeds is difficult. In addition, it may be that some of the non-governmental organizations that obtain support from the Association are almost totally dependent on this funding, which is not a desirable situation if the assets could be used more efficiently elsewhere.

Germany

Gambling is regulated by the German Ministry of Finance and the Ministry of the Interior. The German Constitutional Court ruled in 2006 that gambling was, in principle, illegal, but was permissible in connection with the state monopoly. In the same year (2006) the Fifth Amendment of the German Gambling Ordinance came into force, regulating the commercial offerings of EGMs that were not under state control. Commercial providers were banned from offering online gambling in 2008, and certain game-specific regulatory measures (such as the personal identification of gamblers using state-controlled slot machines) were introduced.³⁷ In 2010 the European Court of Justice criticized the preventive actions of the German government monopoly for not being carried

³⁴ Planzer (ed.) 2011, 53-57.

³⁵ Government Bill 1999/197vp, 5 §. See Nikkinen 2008, 21.

³⁶ Case C-124/97 Läära and Others [1999] ECR I-6067. The case was opened when a private entrepreneur wanted to offer slot-machine gambling in Finland.

³⁷ Ludwig et al. 2013, 1054.

out in “a consistent manner”. The German response was to uphold the gambling monopoly on the basis of problem gambling (although all commercial gambling machines put their users in danger of becoming addicts). The reasoning in this context was that state control made it possible to limit the number of gambling addicts.³⁸ The Interstate Treaty on Gambling became effective in January 2012, but full implementation was delayed until July due to concerns expressed by the EU Commission.

Currently there are 20 national sports betting licences, with a ban on online casinos and poker.³⁹ Advertising gambling has been illegal except for German monopoly operators. The Interstate Treaty requires that funds are provided for treatment of gambling problems (paragraph 11 of the Treaty). Providers of EGMs pay the same corporate tax as other businesses in Germany.⁴⁰ Although certain private operators are allowed to offer sports betting, most of gambling is in the hands of the monopoly. A notable exception is Schleswig Holstein, which decided not to join the Interstate Treaty, but to introduce its own more liberal gambling legislation. This legislation was repealed by the new German government in February 2013, and it is somewhat unclear from the sources whether there may be two differing legal regimes within the same nation (Schleswig Holstein having granted operators licences that were supposed to be valid for six years).⁴¹

According to Monika Ludwig and her colleagues, the German regulatory framework is problematic in that it claims to advance the public good. At the same time, German authorities act as providers of most gambling products, regulate themselves and supervise commercial operators. This, in turn, creates a serious conflict of interest on various levels. First, the state governments are supposed to increase gambling profits on the one hand, and to implement effective preventive policies (as mandated in various court orders) on the other. Second, some of the federal and state agencies regulating gambling policies have overlapping duties and responsibilities. Third, individual state governments have a fiscal interest in the matter, similar to commercial operators (especially regarding EGMs and online gambling). Finally, the state governments may disagree among themselves, with the federal government and with the EU in general on how to maintain the national gambling monopoly or to manage it if necessary.⁴²

³⁸ DW 2011, online.

³⁹ GamblingData 2012, 7. For charts reflecting the betting legislation situation in Germany in 2011, see HKLW 2011. As of 2013, all forms of online gambling are prohibited in Germany (Williams 2013, online).

⁴⁰ Planzer (ed.) 2011, 57-59.

⁴¹ TaylorWessing 2013, online.

⁴² Ludwig et al. 2013, 1558.

Gambling research and problem gambling are still somewhat low-profile in Germany. There are a number of publications authored by individual researchers, but there is no national dedicated research centre.⁴³ One noteworthy exception is a local gambling research center located in the University of Hohenheim.

The Netherlands

The Dutch Gambling Authority (*Kansspelautoriteit*) is responsible for controlling gambling activities. Exclusive licences are granted for casino gambling (Holland Casino is the sole operator), the state lottery, and for related to sports and horse racing. There are many types of lotteries, and a remarkable number of licences (hundreds) are issued to charitable organizations.⁴⁴ Dutch law prohibits all forms of online gambling controlled by foreign operators. The legal framework is vague, however, vague and it is unlikely that people gambling online through foreign operators will be prosecuted, because the legislation could be interpreted in various ways.⁴⁵

Poland

Gambling is regulated by the Ministry of Finance. The national monopoly set up in 2010 controls most gambling activities. Online gambling that is not licenced for a specific purpose is forbidden. The Taxation Act of 1976 regulates the taxation of gambling operations. The Fund for Solving Gambling Problems was established in 2010, and financed through a three-per-cent levy on state-owned gambling providers. Private operators are not taxed for this purpose.⁴⁶

Licences for online gambling operations have been available since July 2011. Any company that is registered in Poland and has at least three shareholders is eligible to apply, meaning that foreign operators have to establish a Polish subsidiary in order to avoid legal sanctions imposed by the

⁴³ There is one publication in German that focuses solely on matters related to gambling regulation (*Zeitschrift für Wett- und Glücksspielrecht*)

⁴⁴ Planzer (ed.) 2011, 74-76. National lotteries include the Staatsloterij, the Nationale Goede Doelen Loterijen N.V. (National Charity Lotteries), Postcode Loterij, the Bankgiro Loterij, and the Sponsorloterij. Scientific Games Racing B.V. runs the horse-betting monopoly.

⁴⁵ Planzer (ed.) 2011, 74-76.

⁴⁶ Planzer (ed.) 2011, 78-79.

Polish court system. However, costs and taxes are so high that as of 2013, only a few operators had submitted an application (Fortuna, Millenium and STS).⁴⁷

Portugal

The regulatory body is *Inspeção de Jogos*, an independent entity reporting to the Ministry of Economy and Innovation (through the National Tourism Authority). Gambling is prohibited in principle, with the exception of a major charity called *Santa Casa da Misericórdia de Lisboa* (commonly referred to as *Santa Casa*). In practice, the charity operates Portugal's gambling monopoly. There are also certain smaller companies that are allowed to offer gambling products (e.g., within a casino) that are approved by the Portuguese government. However, their position is very different from that of *Santa Casa*, which was set up in 1498 and given the right to arrange lotteries (*Loteria Nacional*) on 18 November 1783. *Santa Casa* obtained the right to arrange contests such as "Totobola" and "Totoloto" in 1961. The former is related to sports betting, and in the latter numbers are drawn in a lottery. In 2003 it was given the exclusive right to provide gambling through electronic means, including lotteries and all off-course betting.⁴⁸

Santa Casa is the only organization that is allowed to advertise gambling activities. The proceeds it generates are distributed as follows: the state receives 2.8 per cent to be used for general purposes, the Ministry of Internal Administration 3.8 per cent, the Presidency of the Council of Ministers 9.9 per cent, the Ministry of Labour and Solidarity 34.8 per cent, the Ministry of Education 1.5 per cent, the Ministry of Culture 2.2 per cent, the Madeira Institute of Sports 0.2 per cent, the Azores Regional Sports Fund 0.2 per cent and *Santa Casa de Misericórdia de Lisboa* itself 28 per cent. Private operators are required to pay a specific gambling tax to the state of Portugal.⁴⁹ The same tax applies to all lotteries and other games.⁵⁰ The 28-per-cent share retained by *Santa Casa* is allocated to organizations serving the public interest, such as associations of voluntary firemen. Its share of "Totobola" and "Totoloto" earnings are also earmarked for promoting sports activities.⁵¹

⁴⁷ iGamingBusiness 2013, 25.

⁴⁸ According to AG Yves Bot 2008, part number 89, page number 14 in the English version of the document.

⁴⁹ Planzer (ed.) 2011, 79-81.

⁵⁰ AICEP Portugal Global 2008, 30.

⁵¹ According to AG Yves Bot 2008, part 121, page number 17 in the English version of the document. Fifty per cent of the earnings generated by Totobola are used to promote football in Portugal and 16 per cent of those generated by Totoloto are used to finance other Portuguese sports activities.

The organizational structure of Santa Casa is perhaps of interest here. Santa Casa is “a legal entity in the public administrative interest”, i.e., in other words a private legal entity, capable of advancing causes of general interest and recognized as such by the Portuguese government. It has a director appointed by the Portuguese Prime Minister, and a management that is (supposedly) under the supervision of relevant members of the Portuguese Cabinet. Having its own gambling department, Santa Casa also has its own administrative and control function headed by the director (who is also the ex officio chairperson), and two assistant directors, appointed jointly by the Portuguese Minister of Employment and the Minister of Health. In addition to facilitating gambling and collecting the proceeds, Santa Casa is also a control body and authorized to initiate prosecutions when it finds out that someone is violating Portuguese gambling legislation.⁵² With such a complicated organizational structure and overlapping responsibilities, it is unclear (at least to an outside observer) how well the Portuguese government is capable of controlling the activities of Santa Casa, and how transparent its activities are to public.

The EU Advocate General Yves Bot states in his opinion issued in 2008 that one of the benefits of the government monopoly in Portugal is its simplicity, in other words that lotteries and off-course betting offered by actors other than Santa Casa are illegal. One might suggest, however, that the sheer complexity of its operations hinders the objective evaluation of its activities. It may well serve the public interest in Portugal, but it is somewhat difficult to confirm this from the reports and publications that are currently publicly available. For example, even academic studies on gambling conducted on behalf of the Portuguese government or produced for Santa Casa are either poorly referenced or not available in any language other than Portuguese.⁵³ Given that Santa Casa has the monopoly in terms of curbing gambling problems, it is difficult to estimate how well it accomplishes this task, especially in the light of the recent expansion of gambling opportunities in the country. The Portuguese government issued new operating licences, and opened a new casino in Lisbon in 2006 with 800 slot machines (for which there was a major advertising campaign). Furthermore, as noted in the complaint issued by the gambling operator bwin and the Portuguese professional football entity Liga Portuguesa to the European Court of Justice regarding the monopoly of Santa Casa, the gross revenue of casinos in Portugal rose by 150 per cent in Portugal between 1996 and

⁵² According to AG Yves Bot 2008, part 297, page number 38 in the English version of the document. Santa Casa initiated approximately ten such investigations in 1996, 400 in 2005, and 600 in 2006.

⁵³ For example, in the same document Yves Bot mentions that the Portuguese government had requested the Centre for Applied Studies in the Portuguese Catholic University to produce a report on gambling in Portugal related to the activities of Santa Casa. It was referred to in the European Court of Justice hearing, but there is no reference to it in the Advocate General’s document, only a general remark (AG Yves Bot 2008, part 299, page number 38 in the English version of the document).

2006.⁵⁴ It thus seems that the government of Portugal is intent on increasing the gambling activities rather than receding the problems.

Romania

The Romanian Ministry of Finance controls the country's gambling activities. A gambling regulator was appointed in 2013 in order to facilitate control of online gambling.⁵⁵ Only operators owning premises within the state of Romania are allowed to offer ordinary forms of gambling in specific venues. The proceeds are used to some extent for social purposes through the National Solidarity Fund (the aim being to alleviate the plight of families facing financial or other hardship). Funds thus allocated for this purpose include allowances for minors, solidarity allowances, micro-credits for certain small businesses, support for social-assistance institutions, certain costs in compliance with social security legislation, and the operating expenses of the National Solidarity Fund.⁵⁶ It is not known if any of the funds are used specifically to address the issue of problem gambling.

Sweden

The Swedish gambling market is regulated through the Lottery Act of 1994 and the Casino Act of 1999. Licences are allocated by the government, and one operator (Svenska Spel) is state-owned with a dominant market position of 51 per cent. Together with the Swedish Horse Racing Totalisator Board (ATG) Svenska Spel holds a duopoly in this gambling market (approximately 85 per cent, compared with the 11-per-cent-share of unlicensed internet companies).⁵⁷ Several private operators, including Unibet, Betsson and Net Entertainment, have lobbied for the de-regulation of the Swedish gambling market. According to the GamblingData forecast however, there will be no major changes in the near future, at least during the period of 2014-2016.⁵⁸ The level of problem gambling in Sweden is estimated to be two per cent (moderate or problem gamblers, based on the Problem Gambling Severity Index).⁵⁹ A report prepared by Svenska Spel estimated the total cost of

⁵⁴ According to AG Yves Bot 2008, part 300, page number 39 in the English version of the document.

⁵⁵ Pokerfuse 2013a, online.

⁵⁶ Planzer (ed.) 2011, 81-83.

⁵⁷ Binde 2013, 2.

⁵⁸ GamblingData 2012, 18.

⁵⁹ Binde 2013, 3. Three national surveys of gambling prevalence and problem gambling have been conducted in Sweden (1997-1998, 2008-2009 and 2009-2010).

problem gambling to Swedish society in 2009 at SEK 2.3-4.5 billion per year (approximately EUR 263-516 million, respectively). The net profit of Svenska Spel has been around SEK five billion (approximately EUR 570 million).⁶⁰ The purpose of the report was to estimate the nature and scope in Sweden, in order to prove to the European Union that a national monopoly was required to tackle the issue. In this context the report attempts to distinguish between excessive gambling and compulsive gambling, although the demarcation line is somewhat unclear to the reader.⁶¹

In 2012, the Swedish National Audit Office issued a report evaluating the extent to which Swedish gambling policies had been successful in achieving their goals related to the provision of five nationwide gambling licences. Evaluation focused on whether “social-protection targets” were being met, and whether the provision of gambling services as such was geared to minimizing the consequent social harm. According to the findings, although the proportion of people with gambling problems had not increased, such problems were on the rise in certain subgroups. Of special concern in the report was that Swedish gambling policies did not comply with EU requirements if the national monopoly was not effective in curbing problem gambling.⁶²

The report is especially critical of the activities of Svenska Spel, which is the primary instrument through which the Swedish government achieves its gambling-policy aims (in that it has the biggest market share and offers the most common forms of gambling). It states that the fact that Svenska Spel is a governmental operator does not guarantee that it takes social protective factors into account when marketing its gambling products. On the contrary, it could take advantage of it (i.e. that it is under the protection of the government), and (consequently) only exacerbate gambling problems.⁶³ The Swedish NAO also expressed their concern that governmental offices responsible for gambling were too fragmented to implement effective policies, although it was supposedly the justification for the monopoly system (as opposed to any other framework that would be possible in Sweden).⁶⁴

⁶⁰ Svenska Spel 2009, 5.

⁶¹ Svenska Spel 2009, 15: “It is hard to give a clear definition of excessive gambling. It is a question of gambling more than it is appropriate. The concept has no connection with any medical diagnosis, but rather is moral in nature.”

⁶² Swedish NAO 2012, summary.

⁶³ The Swedish NAO 2012 summary: “It is the opinion of the Swedish NAO that the Government’s control over Svenska Spel could lead to the company using increasingly proactive and risky methods to attain a greater proportion of the gambling market under government control. However, this presupposes that the company combines such methods with a responsible conduct of gambling. According to the Swedish NAO’s review, Svenska Spel does not currently take sufficient account of the risks involved with pathological gambling [...]...as the operations of Svenska Spel are based on commercial interests and a social conscientiousness, a balanced approach is essential.”

⁶⁴ The Swedish NAO 2012, summary: “The problem with illegal gambling remains and there are no proper means available to prevent online gambling operators from entering the market. The license terms relating to the gambling

Licence-based systems (EU)

Drawing the line between licence-operated system and other types of gambling infrastructure is somewhat difficult.⁶⁵ It is suggested here that licence-based systems are currently operational in Europe (as of 2013), at least in Austria, Belgium, Denmark, Estonia, France, Greece, Italy, Latvia, Malta, Spain, Slovakia, Slovenia, and the United Kingdom. This division is based on the fact that foreign operators may apply for a gambling licence in these countries, and operators do not have to be fully government-owned, or to conduct their business through a company registered in the country in question.

Austria

Gambling is regulated by the Austrian Ministry of Finance. Austria has a licensing system covering gambling activities. The regulatory form is open licensing, and this regulation is mostly on the district level (“Länder”). The districts of Vienna, Lower Austria, Carinthia and Styria are licenced to operate EGMs. There is only one licenced lottery operator (Österreichische Lotterien GmbH), 15 per cent of the shares of which are held by the federal government and 85 per cent by private shareholders.⁶⁶ In 2010 Austria decided to allow foreign operators to apply for casino licences, and there is no requirement to have a pre-existing Austrian company.⁶⁷ The European Court of Justice stated in 2011 that Austria may restrict the access of foreign gambling operators to its market.

responsibilities and marketing of legal gambling operators in Sweden are vague and differs in part between various forms of gambling with the same level of risk. The prerequisites for an effective licensing process and supervision are thus missing. There are also differences in competitive conditions between legal lottery operators. Svenska Spel enjoys a greater financial margin to manoeuvre than non-profit organisations. This could lead to competition on different conditions, which may have an adverse effect on the development of non-profit gambling operators. *This is likely to not to be in compliance with the criteria of the EU treaty for effective and appropriate regulations.*” (italics added)

⁶⁵ The definition of a gambling licence also varies. For example in the state of Nevada it means “any license issued by the state or any political subdivision which authorizes the person named therein to engage in gaming or pari-mutuel wagering.” (Nev. Rev. Stat. Ann. § 463.0159, information obtained from the US Law 2013, online).

⁶⁶ Planzer (ed.) 2011, 44.

⁶⁷ Binder Grösswang 2010, online.

Gambling is regulated by the Kansspel Commissie. Belgium has a licensing system, which is regulated through the Belgian Gaming Act as modified in 2011. The state taxes gambling operators through corporate and specific gambling-related levies. The National Lottery allocates some of its profit to advancing the public good. In addition, the Gambling Commission carries out research on problem gambling and finances public-education initiatives with gambling proceeds. Treatment for problem gambling is provided by local authorities, which have contacts with private organizations. The state budget covers the cost of the treatment.⁶⁸

Belgium opened its markets to foreign operators in 2012 when it granted an operating licence to Unibet. Bwin, another operator, was granted a licence in 2013 covering sports betting, casino games and poker.⁶⁹

Denmark

The Danish Gambling Authority controls gambling, under the Ministry of Taxation. Danske Spil (mostly state owned) has dominated gambling activities, and is the main vehicle through which the Danish government offers gambling products. NGOs operating for charitable purposes are also allowed a gambling licence, but they operate on a relatively small scale compared to the lotteries and other games Danske Spil offers. EGMs have been allowed in restaurants and specific gambling venues since 2001, and in 2010 it became possible to obtain a licence for limited poker tournaments.

Denmark opened up its gambling market to online betting and gambling companies in January 2012. There are no limits on the number of licences to be granted, the only requirement being that the applicant companies must fulfill certain conditions set out in Chapter Four of the Danish Gambling Act.⁷⁰ Thus far, two companies have been set out by Danske Spil to operate in this kind of partially liberalized gambling environment. Danske Lotteri Spil has a monopoly position with regard to lotteries, bingo and horse betting. Danske License Spil offers online gambling services.⁷¹ Denmark is the only EU country that attempts to block unauthorized gambling advertising and

⁶⁸ Planzer (ed.) 2011, 48.

⁶⁹ Betrush 2013, online.

⁷⁰ Planzer (ed.) 2011, 50.

⁷¹ CalvinAyre 2013, online.

Internet traffic when payment is involved. Discussions aimed at limiting access to illegal gambling websites have been held with internet service providers (ISPs), although banks operating in Denmark have been more reluctant to block payments to gambling sites that are not approved by the Danish government.⁷²

Taxes and duties levied on holders of gambling licences consist of normal corporate tax (25 per cent) and a duty on gross gambling earnings that varies depending on the form of gambling: in the case of online casinos it is 20 per cent deducted from total earnings, and in the case of land-based casinos it is up to 75 per cent (of gross earnings).⁷³

Estonia

Gambling is regulated by two agencies, the Ministry of Finance and the Estonian Tax and Customs Board. Since 2009, only state-owned companies have been licenced to operate public lotteries. Gambling proceeds are used for charitable purposes to some extent, and specifically to address problem gambling since 2009. A new Gambling Act came into force in January 2010. Under the Gambling Tax Act, tax is paid directly to the state and is allocated as follows: 12.7 percent to the regional investing; 3.9 per cent to the Estonian Red Cross; 46 per cent to the advancement of culture in Estonia; 37.4 per cent to the Council of Gambling Tax, of which 31.8 per cent is used for social projects (science, education and support for young people and children), 22 per cent to support Estonian participation in the Olympic games, 10 per cent to support other sport-related undertakings, 31.7 per cent to tackle the issue of problem gambling, four per cent to support specific projects of a cultural nature and 0.5 per cent for running costs.⁷⁴

France

The French regulatory bodies that have the strongest influence on matters related to gambling are the Ministry of the Interior and the Ministry of Economy, Industry and Development. The section responsible for gambling issues in the former is *Sous Direction des Courses et des Jeux* (the “Sub-directorate for Racing and Gaming” or “SRG”), established in 1973. The SRG regulates casino

⁷² VMW Taxand 2012, online.

⁷³ Lund Elmer Sandager, online.

⁷⁴ Planzer (ed.) 2011, 52-53.

gambling in France, having provided 160 licences for private casinos. It imposes quite a strict regulatory framework, and controls gambling activities with the help of 75 specially trained police officers. The SRG also issues guidelines concerning how the public is to be exposed to casino gambling and what forms of commercial gambling are allowed. Unless these guidelines are followed it is practically impossible to organize gambling activities in a French casino.⁷⁵

Casinos are limited to certain geographical locations regarded as tourist destinations. For example, only one casino (Engien-les-Baines 14 kilometers to the north), is allowed to operate within a 100-km radius of Paris. Although some casinos are small and privately owned, casino gambling activities are highly concentrated in terms of ownership. The two largest groups, Le Groupe Partouche and Barriere, together own almost half of the 197 casinos currently (as of 2013) in operation in mainland France.⁷⁶ There are also a few casinos located in the French overseas territories of Guadelupe, Martinique and Reunion, although the gambling offer is limited.

Aside from casino gambling France prioritizes the state-run gambling monopoly FDJ (Française des Jeux) of which the French government owns 72 per cent. FDJ has a turnover exceeding 12 billion euros (in 2012), with over 35,000 outlets. In fact, it is the second largest lottery provider in Europe, and the third largest worldwide. Since 2004, it has also operated the “Euromillions” lottery, alongside the national lottery providers of Spain and the UK.

Up until 2010 France was somewhat reluctant to allow any foreign competition in the gambling sector. Since then it has opened up some online gambling operations, having issued 26 licenses extending over a five-year period (as of 2012). Nevertheless, the government still has a 25-per-cent share of all betting operations.⁷⁷ The regulator of gambling activities outside of casinos is the *Autorité de régulation des jeux en ligne* (“ARJEL”), an independent administrative authority established in May 2010 for this purpose.⁷⁸ In 2011, ARJEL allowed 33 gambling operators to provide gambling products in France. In order to obtain such approval operators must submit the have to provide the following information:⁷⁹

⁷⁵ CasinoVendors, online.

⁷⁶ Pöysti 2013.

⁷⁷ BusinessWire 2013, online.

⁷⁸ CasinoVendors, online. The website of Arjel can be found at www.arjel.fr

⁷⁹ Quoted from CasinoVendors, online.

1. Basic identification
2. Organizational structure
3. Members of top management and ownership information
4. A list of people or entities holding more than a five-per-cent interest in the company
5. Information showing financial viability
6. Any history of criminal, civil, or administrative action

Currently, online gambling is legal for horse racing, sports betting and poker. It is worth mentioning in the context of French gambling a game called “Rapido”, which is a form of almost instant lottery with 432 draws on a daily basis (between 5.00 a.m. and 1.55 a.m.). Given the high number of draws, it is somewhat comparable to slot-machine gambling, especially in view of the fact that slot machines are located in casino venues and are not available in ordinary businesses (limited access). France has approximately 20,000 slot machines, which is a low figure for a country of 66 million people, especially compared to very similar number in Finland with a population of only five million.⁸⁰

It is somewhat difficult to obtain information about gambling-related activities in France than in other countries. Gambling is not a popular field of research, and statistical information is limited. Public discussion related to the gambling problems has been relatively low-key, and only a few individual psychologists have carried out research on problem gambling.⁸¹ The first national survey of gambling was conducted only in 2010.⁸² It has been argued that recent interest in gambling problems in France arose only in response to the pressure from the European Union to allow foreign operators access to the French gambling market.⁸³

Greece

Greeks are among the heaviest gamblers in the EU. Although the country is in a debt crisis, the annual revenue of the national monopoly operator OPAP is close to four billion euros (latest figures

⁸⁰ Pöysti 2013.

⁸¹ Pöysti 2013.

⁸² INPES 2010. See Costes et al. 2010.

⁸³ Pöysti 2013.

are from 2012) in a country with a population of around 11 million.⁸⁴ Gambling is controlled by the Ministry of Finance. OPAP has the licence until 2030, the long period of time being heavily criticized by the EU. Greece has protected its markets from foreign competition, and Greek monopoly operators have sued foreign competitors in Greek courts. Further, casinos are charged high fees for an operating licence. The proceeds of lotteries and of the Greek organization for horse racing (ODIE) are directly assigned to the Greek state. EGMs have been banned altogether, but the European Court of Justice has found this to be a violation of EU law and the situation may be changing (C-65/05: Greece was penalized under the decision).⁸⁵ All forms of online gambling are prohibited.⁸⁶ The Greek government started the process of privatizing some of the gambling monopoly in 2013 on account of the fiscal crisis. The sole bidder Emma-Delta Fund (a consortium of Greek and Czech investors) obtained 33 per cent of OPAP at a price of 652 million euros.⁸⁷ Its profits dropped dramatically in the first half of 2013.⁸⁸

Italy

Gambling is regulated by *Amministrazione autonoma dei monopoli di Stato* (AAMS, the Independent Administration of State Monopolies) which has been operating on behalf of the Italian state since 2002. It is assigned the task of controlling gambling activities with reference to consumer interest and the prevention of illegal gambling. AAMS also controls the Italian tobacco industry. Gambling was more restricted until 1992, and was viewed somewhat negatively in the country. Italy faced a serious economic crisis during the summer of 1992 due to its inability to cope with public debt, and gambling was seen as a lucrative generator of additional funds. State lotteries expanded rapidly, and the revenue obtained from gambling substantially reduced the amount of debt. In six years the total amount of legal gambling almost tripled from 8.29 billion to 21 billion euros.⁸⁹

Nowadays Italy has a licence-based system that allows the sale of licences to foreign operators and the allocation of proceeds to the Italian government for the common good. The Abruzzi Decree Law that was passed in April 2009 provided funds for earthquake victims. The liberalization of gambling

⁸⁴ Yahoo News 2013, online.

⁸⁵ Planzer (ed.) 2011, 61-62.

⁸⁶ Williams 2013, online.

⁸⁷ EuropeOnline 2013, online.

⁸⁸ AFP 2013, online.

⁸⁹ Croce et al. 2009, 155-156.

has at the same time resulted in a remarkable growth in the amounts gambled. The Italian industry turned over 47.4 billion euros (three percent of GDP) in 2008, rising to 61.4 billion euros (close to four percent of GDP) in 2010.⁹⁰ One of the online betting licence holders is Spain-based Codere, which increased its Italian revenue by 4.5 per cent to 67.6 million euros in the first quarter of 2013.⁹¹

Until recently there was no epidemiological research on problem gambling in Italy, and no national centre responsible for conducting such research. There may be various reasons for this, but at least some Italian researchers have mentioned fiscal interests on the government level.⁹² Furthermore, there has been concern about the credibility of studies carried out by individual researchers, given the questionable connections with commercial gambling. Even if policy-makers had been interested in the scope and nature of problem gambling in Italy, until recently they would have lacked research results.⁹³

Latvia

Gambling is regulated by the Lotteries and Gambling Supervisory Inspectorate. Since 1995, lottery and other revenues have been included in the state budget, and used to promote health. Municipalities are also entitled their share of the revenue from lotteries organized in their domain. There is no specific requirement to address the issue of problem gambling, but some of the funds allocated on the municipal level can be used to such projects aimed at curbing such activities.⁹⁴

⁹⁰ Bastiani 2013, 2.

⁹¹ CalvinAyre 2013b, online.

⁹² Croce et al. 2009, 165: "It is necessary to ask why, in Italy, there is neither epidemiological research nor a national observatory of problem gambling...Certainly, the fiscal policy and the importance that the profit from gambling has for the national revenue is evident. In practice, gambling allows a fiscal return, which is considered a solution for the national budget by many Italian politicians. That is why there is a clear underestimation of the problems linked to gambling, and even denying of the problems."

⁹³ Croce et al. 2009, 157: "The first research study about gambling on a large scale [in Italy] was carried out by Eurispes (2000). It is interesting to point out that a few months before the research began, the same research had taken part in the creation of a society for the promotion of a bingo game in Italy ("Formula bingo"). A well-known national press agency, together with some commercial enterprise associations, were part of this society. As a consequence, the promotion and the opening of first bingo rooms (i.e., the diffusion of the Eurispes' research, mass media coverage about the overwhelming 'passion' of Italian people to new gambling game, the involvement of contractors pushed to make investments in the new business, etc.) caused some doubts about the scientific credibility of the research." The research report Croce and his colleagues refer to in the context of this quotation is Eurispes (2000) *Giochi, scommesse e lotterie: 'italiani d'azzardo'* [Games, bets, and lotteries: 'Italian forms of the gambling'] Rome: Eurispes.

⁹⁴ Planzer (ed.) 2011, 67-68.

The Maltese Lotteries and Gaming Authority, a public regulatory body, governs all gambling activities. The Lotteries and Gambling Act came into force in 2001. As a host country Malta is one of the world's major providers of online gambling, and was the first in the EU to regulate operations related to this specific activity. The Remote Gambling Act (adopted in 2004) covers the offshore gambling operating from the island to other destinations. The Remote Gambling Council was set up in 2005 to co-ordinate offshore operations in Malta aimed at gamblers living in other countries. It combines all shareholders into one entity, which facilitates discussion about the industry's activities. The website does not seem to be updated on a regular basis, however, and most of the news is somewhat outdated.⁹⁵

Gambling advertising within the jurisdiction of Malta is severely restricted. Advertisements implying that gambling promotes social success are banned, and these restrictions are quite broad in their scope.⁹⁶ There are also non-profit gambling operations, the net profits from which fund religious, sport, philanthropic, cultural, educational, social and civic activities.

Slovakia

Most forms of gambling are available in Slovakia. New legislation introduced in 2013 aiming to limit gambling in the country, but information about these measures is still limited in the literature: until recently studies on the subject of gambling were limited to occasional book chapters and contributions by individual researchers.⁹⁷

⁹⁵ MRGC 2013, online.

⁹⁶ Planzer (ed.) 2011, 73-74. Gambling operators and license holders in Malta are prohibited from using advertising that: "(a) implies that gaming promotes or is required for social acceptance, personal or financial success or the resolution of any economic, social or personal problems; (b) contains endorsements by well-known personalities that suggest gaming contributed to their success; (c) is specifically directed at encouraging individuals under eighteen years of age to engage in gaming; (d) exceeds the limits of decency; (e) is false or untruthful, particularly about the chances of winning or expecting return to a gambler; (f) suggests that gambling is a form of financial investment; (g) suggests that skill can influence games that are purely games of chance; (h) promotes smoking and, or the abuse of consumption of alcohol while gambling...[(i) repeats the info provided at (a)]...(j) tarnishes the goodwill and privilege that is associated or related in any manner of whatsoever with being a licensee, or tarnishes the image or reputation of another licensee."

⁹⁷ Zihny and Okruhlica 2009, 257-264.

Researchers in Slovenia, a country of only two million people, do address issues related to gambling and its social costs. The liberalization of the gambling market following independence from the former Yugoslavia, brought about a rapid increase in the number of casinos and gambling venues. The legislation allows the government to issue licenses to 15 casinos and 45 gambling in total.⁹⁸

Spain

Gambling in Spain was legalized in 1977.⁹⁹ The gambling regulator is Direccion General de Ordenacion del Juego (the Directorate General for Gambling Regulation, DGOJ).¹⁰⁰ Both federal and local authorities (regional governments) control the gambling. Responsibilities are shared so as to give local governments jurisdiction over gambling in brick-and-mortar facilities (e.g., poker and EGMs), and to leave online gambling in the hands of federal authorities (autonomous areas in Madrid and the Basque country are also authorized to provide gambling services online).¹⁰¹ The national lottery (monopoly operator Loterias y Apuestas del Estado, LAE) is quite popular, and part of it was privatized in 2011.¹⁰²

Spanish gambling laws were revised in 2012, the aim being to improve the country's economic situation. Law 16/2012 stipulates that betting and lottery prizes exceeding 2,500 euros are subject to 20-per-cent tax, unlike in many other European countries (that do not tax winnings from online gambling).¹⁰³ Online gambling licenses (53 in total) have been available upon applications since 2012. The Finnish online gambling operator PAF from Åland had operations in Spain in the past through a partnership with the premier Spanish football league ("La Liga").¹⁰⁴ Sports betting accounts for approximately half of the total gambling market (48.4 per cent in 2013).

The Spanish federal government obtains a share of gambling proceeds from LAE, to be used for the purposes of the state. However, there is no specific allocation for addressing the issue of problem

⁹⁸ Makarovic et al. 2011.

⁹⁹ Becona 2008, 281-282. Some forms of gambling existed before 1977 (for example Spanish National Lottery dates back to 1812).

¹⁰⁰ DGOJ 2013, online.

¹⁰¹ Planzer (ed.) 2011, 84-85.

¹⁰² Euronews 2011, online.

¹⁰³ InnovativeGaming 2013, online.

¹⁰⁴ Cision 2012, online.

gambling, and no public office assigned the task to co-ordinate its treatment in Spain through public funding obtained from gambling proceeds or otherwise.

A major important actor in the Spanish gambling market is Codere, a public company listed on the Madrid stock exchange that is licensed to operate sports betting within Spain, including Madrid and the Basque country. Codere also operates in seven other countries (Argentina, Brazil, Colombia, Italy, Mexico, Panama and Uruguay). For a long time it has been attempting to protect its position against foreign operators targeting Spanish players, initiating actions including a lawsuit against DGOJ for providing such operators with online gambling licences.¹⁰⁵

The United Kingdom

Gambling has been both promoted and prohibited in the UK during last 300 years. Currently it is regulated by government under the Gambling Act that was introduced in 2005 (and become effective in 2007).¹⁰⁶ The national lottery is a private monopoly of a sort in that only one operator (Camelot) is allowed. There are also private (charitable) lotteries, but their role is much more limited. Casinos are operated by certain commercial providers through licensing. Advertising conducted from another EU or EFTA country is permitted, but corporate social responsibility is required in contacting customers or giving information about gambling.¹⁰⁷

Various duties are levied on gambling activities, which vary depending on the form of gambling. The Responsible Gambling Fund was set up in 2005 in order to provide financing for activities related to problem gambling. The Fund is financed through contributions from the gambling industry. Currently the entity primarily responsible for problem-gambling research and treatment is GamCare, an organization that dates back before to the Gambling Act (based on citizen advocacy and voluntary work). According to the latest British Gambling Prevalence Survey (BGPS, conducted in 2010), problem gambling is on the rise in Britain, with a statistically significant change from 0.6 per-cent in similar studies conducted 1999 and 2007 to 0.9 per cent (450,000 adults). In addition, 1.8 per cent of British adults (900,000) were at risk of transferring their moderate gambling into problem gambling and 5.5 per cent showed certain tendencies related to turning gambling problems into addiction. The total cost of problem gambling has been estimated at

¹⁰⁵ CalvinAyre 2013, online.

¹⁰⁶ In order to browse all gambling legislation in the UK consult Gambling Commission 2013, online.

¹⁰⁷ Planzer (ed.) 2011, 88-89.

GBP 3.6 billion (GamCare estimate). It should be noted in this context, however, that the figure is based on studies conducted in North America, because no such cost studies have been carried out in the UK.¹⁰⁸ According to GamCare, there has been a gambling expansion within last few years, attributable to a great extent to advertising allowed under the 2007 Gambling Act, and to the opening of the UK market to offshore operators through specific provisions under the Act.¹⁰⁹

Others (EU)

The countries included in this section are not categorized as either to monopolies or licensing-based for various reasons. There may not be enough information available, the markets are either of a relatively small (Gibraltar/UK) or controlled by foreign operators (Greek operators dominate in Cyprus), or they may be in process of changing their gambling legislation and the outcome is uncertain as of 2013 (e.g., Ireland, in where a new legislative framework is due to be introduced in 2014).

The Czech Republic

The Ministry of Finance issues gambling licenses, mainly to online operators (including sports betting). Some of the profits are used for charitable purposes. Lottery winnings have been taxed since 1950s.¹¹⁰ EGMs are widely available. However, this form of gambling faces growing opposition from local councils, which obtained backing from the Constitutional Court in 2011.¹¹¹

Cyprus

Gambling is regulated by the Ministry of Finance. Under the terms of an agreement with Greece OPAP also runs series of lotteries (and a variant of online gambling known as “Chino”, a form of bingo) in Cyprus. The government of Cyprus has announced plans to introduce a casino resort based on the Singapore model, with one operator controlling all gambling in one location.

¹⁰⁸ GamCare 2012, 5.

¹⁰⁹ GamCare 2012, 6.

¹¹⁰ Planzer (ed.) 2011, 49.

¹¹¹ Czech Position 2011, online.

According to government estimates, this will require an investment of at least EUR 700 million, and given the expected additional 500,000 tourists will be provide 3,000 more jobs in the leisure sector. According to one newspaper report, it is difficult to obtain information about the agreement between OPAP and the Cypriot government. On the level of public discussion the lack of comprehensive policy on gambling in Cyprus is acknowledged. Such a policy would be needed in Cyprus to support the sustainable development of gambling.¹¹²

Gibraltar

Several off-shore gambling operators have premises in Gibraltar although only one land-based casino on its soil. Gambling taxes as defined in the Gaming Tax Act introduced in February 1975 amount to one per cent of the casino profits, and one per-cent of the turnover from sports betting. Given that most of those who gamble with Gibraltar-based companies are foreigners using online sites, the government can only ask operators not to sanction gambling would be considered problematic.¹¹³

Hungary

Hungarian gambling is regulated by the Gaming Supervision Authority, part of the Ministry of Finance. Foreign gambling operators are also allowed licenses, but they may not advertise. Operators of gambling activities (such as poker) in brick-and-mortar locations require additional licences. Licences for EGMs are the easiest to obtain.¹¹⁴ Government-owned Szerencsejáték Zrt is the largest gambling operator, with a market share of over 50 per cent. The tax income it generates is used to finance sports and cultural activities and to support Hungarian participation in the Olympic Games. There is some sponsorship aimed at developing and supporting projects in local

¹¹² Cyprus Mail 2013, online. Another proposal concerning the organization of gambling was rejected. This proposal did not include one Sentosa-type of resort, favouring more widespread gambling over the whole island (the Greek side). Thus the gambling would have been allowed in all the tourist resorts, including Paphos, Limassol, Larnaca, Ayia Napa / Paralimni, Nicosia and the so-called mountain resorts (Platres, but this is uncertain). The policy impact of this kind of gambling environment may have been different, not to mention the effect on harm it generates. The regional impacts are difficult to assess, however.

¹¹³ Planzer (ed.) 2011, 59-61.

¹¹⁴ Planzer (ed.) 2011, 62.

communities apparently mostly on an ad-hoc basis, and increasing support for health and welfare services.¹¹⁵

Ireland

The Irish regulatory body for gambling is the Ministry of Finance. The Betting Act of 1931, which was revised in 2010, controlled activities for a long time. The Irish Betting (Amendment) Bill came into force in 2012, and sets out the conditions under which online gambling operators are granted licenses. A one-per-cent turnover tax is levied on remote bookmakers in accordance with the Irish Finance Act (2011). Horse and greyhound racing, and the gambling associated with it constitute a significant source of revenue for the Irish economy as a whole.¹¹⁶

Liechtenstein

Liechtenstein and Switzerland have a treaty covering activities under which the Swiss company Swisslos operates in the country. The Treaty allows for exceptions with regard to lotteries and sports betting. The national lottery ILLF (International Lotterie in Liechtenstein Stiftung) directs its profits to charity.¹¹⁷

Lithuania

Gambling is regulated by the Gaming Control Authority, under the Ministry of Finance. Lithuania legalized gambling in 2001 with the adoption of the Gambling Law. Advertising is prohibited (with the exception of lotteries). Gambling providers are subject to Lottery and Gaming Tax, which is five per cent for lotteries and 15 per cent for other forms of gambling (such as bingo and tote betting). It is unclear from the public sources how the proceeds are allocated in the state budget.¹¹⁸

Luxembourg

¹¹⁵ Szerencsejáték Zrt 2013, online.

¹¹⁶ Casino Committee 2008.

¹¹⁷ Planzer (ed.) 2011, 68-69.

¹¹⁸ Planzer (ed.) 2011, 69-70.

The Ministry of Justice controls gambling operations, which have been legal since the 19th century (a 1882 law authorized lotteries). Charity organizations benefit from the proceeds. The most popular gambling form is the National Lottery, which was created in 1945 to facilitate recovery from the effects of World War II. Net profits are delivered in the form of 72 shares as follows: Oeuvre Secours Grande-Dutchess Charlotte 30, Oeuvres Sociales des Communes obtains 15, Fonds National de Solidarite 12, the Luxembourg Red Cross 5, Ligue Luxembourgeoise de Prevention et d'Action Medico-Sociales 5, Fondation Caritas 5. Private gambling operators are also subject to taxes and duties.¹¹⁹

Monaco

Gambling is regulated by Societe des Bains de Mer. Under the law, locals are not allowed to enter casino or to gamble. Although the economic situation has been challenging in the Western Europe (from which most of those who gamble in Monaco originate), Societe des Bains de Mer succeeded in increasing its revenue to 144.4 million euros in the first quarter of 2013, or a raise of 24 per cent more than the 116.3 million euros generated in the first quarter of 2012.¹²⁰

Non-EU countries in Europe

State monopolies

Iceland

Gambling is regulated by the Ministry of Justice and Ecclesiastical Affairs. A small group of researchers, most of them from the University of Iceland have carried out a number of individual studies on the subject.¹²¹ Iceland is sparsely populated (only 300,000 inhabitants), and geographically isolated, and has no casinos or major gambling operations.

Norway

¹¹⁹ Planzer (ed.) 2011, 71-73.

¹²⁰ Le Figaro 2013, online.

¹²¹ See e.g., Olason et al. 2009.

The Norwegian gambling regulator is Lotteritilsynet. There are two monopoly operators in the country, and table games and poker are not allowed (except on a small scale on ferries). Norsk Tipping holds the only licence for slot-machine operations and sports betting and Rikstoto controls horse race betting. In accordance with an EFTA Court ruling in 2007, Norway is allowed to grant a public operator the exclusive right to provide slot-machine gambling operations, given the need to address the issue of addiction and in the interests of consumer protection and crime prevention.¹²²

Changes in legislation in 2007 imposed restrictions on EGM operations that limited their role in gambling to a considerable extent. All proceeds are used to promote social welfare, and the Norwegian Ministry of Health is responsible for the monetary allocations.

In June 2010 Norway prohibited banks and other financial institutions from facilitating gambling operators. Foreign operators accepting bets from Norway could also be charged under this legislation.¹²³ It may be that changes in the gambling environment have reduced the amount of gambling in Norway, but more research is needed.

Switzerland

Two providers have a duopoly for lotteries (Swisslos in tandem with Loterie Romande) under the Swiss closed licensing system. The Cantons are allowed to operate small-scale lotteries (with a total value of less than CHF 100,000 or EUR 80,000). Online gambling is been prohibited in accordance with a federal regulation (Article Five of the Federal Law on Games of Chance and Casinos), which is subject to amendment, however.¹²⁴

¹²² EFTA Court Report 2007, 7: "...in the Court's view, it is reasonable to assume that a monopoly operator in the field of gambling machines subject to effective control by the competent public authorities will tend to accommodate legitimate concerns of fighting gambling addiction better than commercial operator or organisations whose humanitarian or socially beneficial activities rely on revenues from gaming machines. Furthermore, it is plausible to assume that in principle the State can more easily to control and direct a wholly State-owned [gambling] operator than private operators. Through its ownership role, the State has additional ways of influencing the behavior of the operator besides public law regulations and surveillance."

¹²³ Charif 2011, online.

¹²⁴ Planzer (ed.) 2011, 86-87.

General issues

Gambling destinations in Asia are generally designed to cater for visitors (especially in mainland China, where most forms of gambling are forbidden, but this does not apply to Hong Kong or the nearby island of Macau). Otherwise restrictive, Malaysia allows one casino for tourists (Casino de Genting, located in Genting Highlands). Perhaps the most interesting regulatory framework in existence in Asia is in Singapore, which has until recent years imposed very strict limitations on gambling, and has now opened up the popular island resort of Sentosa to casino operators. Gambling activities have expanded rapidly, and Singapore is competing with Macau to be the world's premier casino destination (Las Vegas still holds that position). Only China and Singapore are discussed in the following, because many Asian countries effectively prohibit gambling.

Although there are some casinos in the Middle East (such as Casino du Liban in Lebanon with 365 slot machines and 57 table games), gambling is illegal in most countries in the region, or at least it is conducted in such a way that finding information about it for research purposes is difficult. People in Asia commonly travel from one country to another to gamble, and few countries even have state lotteries (e.g., Thailand). Only two Indian territories (out of 35) have casinos, and foreign operators are not allowed to invest directly in gambling venues.¹²⁵ There have been discussions in Israel related to building a casino on the shores of the Dead Sea shore or in Eilat, but so far the decision is still pending.

China

The only form of betting that is allowed in mainland China is the lottery which operates in accordance with China's Regulations on Lottery Management. Profits are allocated to three areas: winnings, management fees and public-welfare funding. Sales within public-welfare lottery amounted to RMB 85.3 billion (USD 13.9 billion) in the first half of 2013 (January – June), an increase of 13 per cent over the previous year. According to information obtained from the Chinese Welfare Lottery Issuing and Management Center, over RMB 24.6 billion were raised for public purposes during the period January – June 2013 (an increase of 10 per cent over a similar period in 2012). Roughly half of these proceeds are allocated to the Treasury of China, and the remaining

¹²⁵ Reuters 2013, online.

sum is transferred to local governments. Social welfare programmes and other charitable activities are funded from these allocations. This arrangement was introduced in 1987, since when approximately 230,000 programmes have been funded through lotteries across China. This public-welfare funding covers basic living expenses, health and education and has had 21 million beneficiaries since 1987.¹²⁶

Singapore

Gambling is regulated by the Betting Act (Ch. 21), the Common Gaming Houses Act (Ch. 49), the Private Lotteries Act (Ch. 250) and the Betting and Sweepstake Duties Act. Activities were somewhat restricted (to horse racing and lotteries) until 1999 when gambling was liberalized, and casinos were introduced in 2010. Casinos cater primarily for visitors, as Singapore citizens and permanent residents have to pay entrance fees (SGD 100, USD 80 or EUR 60, in 2013).

The intention in 2013 is to introduce new regulations covering online betting, which according to local government officials is estimated to be worth USD 400 billion in value globally and is expected to grow annually nine per cent.¹²⁷ With regard to gambling policies in general, Singapore law (adopted in 2012) stipulates that serious breaches or violations on the part of gambling operators, could lead to fines up to 10 per cent of their annual gross gambling revenue. However, the law does not define the nature or scope of what is counted as “a serious violation”.¹²⁸ In any case the regulatory scheme in Singapore is among the strictest in the world. If a local resident is suspected of having a gambling problem, the frequency of his or her visits may be limited upon application from the gambler or his or her immediate family. People with a poor credit rating or otherwise considered as “financially vulnerable” may also be restricted in terms of going to casinos and other gambling facilities on the Island of Sentosa. There are reports citing individual cases of government officials being suspected of corruption, and the interactions of officials with gambling operators located on Sentosa have been limited.

¹²⁶ People’s Daily 2013, online.

¹²⁷ Pinsent Masons 2013, online. See CRA 2013, online for the speech given by Mr S. Iswaran, Singaporean Minister in the Prime Minister's Office and Second Minister for Home Affairs and Trade and Industry.

¹²⁸ MBD 2013, online.

General issues

Gambling is prevalent in Africa. Approximately 30 countries have either brick-and-mortar casinos or various types of gambling machines.¹²⁹ The most popular gambling destination is South Africa, with 40 casinos and 38,000 slot machines. The Raineau Group is one of the key actors with regard to casino facilities and resorts, especially in Egypt. A significant amount of gambling also goes on in Botswana, Cameroon, Ghana, Morocco, Namibia, Zimbabwe and Uganda.¹³⁰

Australasia

Australia

Gambling licenses are issued to venues that hold a hotel licence, a club licence or “a special circumstances license” (e.g., if there is a major sports venue or sporting activity nearby, but not actually in the premises covered by the licence). A significant number of clubs – around 4000 – hold gambling licences. These clubs may be affiliated with sports teams, cinemas or golf courses, or even with car-washing facilities or hairdressers. However, in all cases the gambling is a major source of revenue for the operator(s). Australians spend a significant amount of their household income on gambling, especially in comparison with their neighbours in New Zealand. In general, Australians lose around AUD 19 billion a year to gambling (approximately EUR 13 billion or USD 17 billion), and the median loss to individual Australians is around USD 1,300. This figure is among the highest in the world (the corresponding figure in the UK, for example, is around USD 400 per annum). According to an estimate provided by the Australian government, approximately 600,000 people use EGMs weekly, and around 40 per cent of them are at risk of being addicted to gambling or are already categorized as gambling addicts.¹³¹ In 2013, the Committee on Gambling Reform suggested limiting the number of EGMs in order to reduce the problems related to gambling. The Australian government firmly rejected the proposal, on the grounds that “tougher caps [on EGMs] have mainly led to higher utilization of the remaining stock of gambling machines,

¹²⁹ African countries with at least some kind of gambling operations include (World Casino Directory 2013, online): Benin, Botswana, Cameroon, Comoros, Congo, Ivory Coast, Djibouti, Egypt, Gambia, Ghana, Kenya, Lesotho, Madagascar, Mauritius, Morocco, Mozambique, Namibia, Nigeria, Reunion (French territory), Senegal, Seychelles, Sierra Leone, South Africa, Swaziland, Tanzania, Tunisia, Uganda, Zambia and Zimbabwe.

¹³⁰ World Casino Directory 2013, online.

¹³¹ Guardian 2012, online.

without affecting the overall spending”.¹³² In this the Government referred to the Productivity Commission report from the year 2010, in which the issue was addressed.

The Australian Productivity Commission is an independent research and advisory body, assigned the task of providing the Australian government with information to support its decisions on gambling policy. Regulatory bodies are located in each Australian territory.¹³³ Although it is recognized that gambling has a significant role in the Australian entertainment business and it is also “an important source of revenue for governments”, the Productivity Commission has questioned the nature of the social contributions of gambling establishments. The Commission notes in Chapter Six of its 2010 report under the heading “The benefits of gambling and some implications”, that much of what gambling venues offer benefits their members, not the general public. The reason for this is that the revenue from sporting activities is not very high when the adverse effect on volunteering is taken into account. Further, the gross contribution of these clubs is much lower than the government’s contribution in the form of subsidies, including tax and other concessions.

Of a particular interest in this context are the remarks that the Productivity Commission makes on the ability of the gambling industry to provide employment. Although it acknowledges that many Australians are employed in the gambling industry, most of them could just as well be employed elsewhere. Hence, the industry does not generate any net benefit, but simply diverts employment from one part of the service sector to another. Moreover, it is not possible to establish with certainty what the net benefit of gambling is to Australian society. However, given that the costs related to problem gambling were between AUD 4.7 and 8.4 billion in 2008-2009, and the revenue from gambling was between AUD 12.1 and 15.8 billion in the same period depending on what is counted, the overall net contribution is between AUD 3.7 billion and 11.1 billion.¹³⁴ In the light of such a wide range of calculations and estimates, it is clear that more research is needed on the costs

¹³² Australian Government 2013, 8. The report in question is entitled Australian Productivity Commission 2010.

¹³³ There are several regulatory bodies governing gambling in Australia: Australian Capital Territories Gambling and Racing Commission; the NSW Office of Liquor, Gaming & Racing in addition to the Independent Liquor & Gaming Authority; the Queensland Office of Liquor and Gaming Regulation; the South Australia Liquor & Gaming Commission; the Tasmanian Gaming Commission; the Victorian Commission for Gambling and Liquor Regulation; the Western Australia Office of Racing, Gaming and Liquor.

¹³⁴ Productivity Commission 2010, 6.1 (no page numbers).

and benefits of legalized gambling. Nevertheless, at least Australia (alongside Sweden) is taking steps to establish the real net benefit, rather than just the proceeds.¹³⁵

The National Gambling Reform Act of 2012 approved the establishment of centre for gambling research (independent from the government). The Australian Gambling Research Centre (AGRC), hosted by the Australian Institute of Family Studies (AIFS), commenced its operations in July 2013 with an annual research budget of AUD 1.5 million. Its assigned task is to conduct research on problem gambling and the costs to Australian society. Thus far there has been no national policy on problem gambling, and all state and territory governments have their own systems. Although some reports focus specifically on the issue, the evaluation of social marketing strategies for example, is thus far only at the planning state.¹³⁶ A further criticism of the gambling policy in the 1990s was that even though the risks related to allowing wide access to gambling activities was known, no preventive measures were applied when gambling was liberalized and allowed to expand in Australia.¹³⁷

Another debated issue related to gambling policy concerns how much say the industry should have in implementing government policy. It is not uncommon for representatives of the gambling industry to question the extent of problem gambling and the effectiveness of policies intended to tackle the issue.¹³⁸ Industry representatives should certainly have their say on regulatory matters that affect their business. It should also be made clear that erroneous research results are not acceptable, as in any field, sloppy research work should not constitute the basis of any policy action. However, while recognizing that “[t]here are limitations in all evidence relating to social policy”, the Productivity Commission of Australia also states: “a requirement for ‘hard’ evidence [about the level and extent of problem gambling] would cripple social policy, and the demand by some industry participants for such a requirement reflected their desire to maintain the regulatory status quo”.¹³⁹ Thus the view of the Commission was that when political inaction has negative

¹³⁵ It is also stated in the report that the net benefits for the Australian society would be higher if the [territorial] governments were to implement more effective harm-reduction and problem-gambling-prevention policies (6.1).

¹³⁶ Australian Government 2013, 4. The reports mentioned in this context are Hing et al. 2011 and Neal et al. 2005.

¹³⁷ Australian Productivity Commission 2010, 3.27.

¹³⁸ Australian Productivity Commission 2010, 3.29-3.30. In their response to the draft report of the Australian Productivity Commission they claimed that the evidence the Commission had at its disposal was not very robust. Harvestdata described the problems they found in the research used by the Commission as follows: “Methodological flaws = No usable evidence (p. 108) ... The Commission must only draw from third party research ... that ... includes the provision of technical information necessary to assure the validity of the results and the sample sizes are sound for high levels of confidence (e.g. 99.9%) (p. 136) ... (Harvestdata, attachment to Clubs Australia, sub. DR359)”. Many of these claims were not well-founded (the report mentions available evidence of how those with gambling problems used loyalty club schemes, see Box 3.3. in the report).

¹³⁹ Australian Productivity Commission 2010, 3.31.

results or hazardous to public health, it is more deplorable (than demanding research results that are more acceptable to the gambling industry).

New Zealand

Total gambling expenditure in 2012 was around NZD two billion, in a country with a population of approximately four million people.¹⁴⁰ Gambling machines were legalized the first time in 1991. A public health approach to gambling was adopted in 2001, however, and in 2003 the Gambling Act set out the new national regulatory framework.¹⁴¹ The New Zealand Gambling Commission is the regulatory body in the country, starting its operations in 2004. The 2004 Gambling Act changed the gambling environment, particular with the introduction of casinos. The main control mechanism is to limit casino gambling to operators who already have a licence (currently there are six casinos in the country). The Gambling Commission also deals with complaints made by non-casino gambling operators related to licensing decisions reached by the Secretary of Internal Affairs. The NZ Gambling Commission recognizes that the gambling industry “is active in seeking to protect its interests.”¹⁴² New Zealand has been active in promoting research on problem gambling, but the results may not have influenced the policy-making. It is noteworthy that certain minorities in New Zealand such as Maori and Pacific peoples are more vulnerable to problem gambling than others.¹⁴³ It is also acknowledged that the country’s EGMs are disproportionately located in deprived neighbourhoods (cf. similar studies conducted in North America with regard to lottery outlets).¹⁴⁴

North America

THE UNITED STATES

Gambling, for the most part, is controlled within the individual states, but it is also subject to federal laws. The US Congress has exercised its power by outlawing the interstate movement of

¹⁴⁰ DIA 2013, online.

¹⁴¹ AGC 2012, 2.

¹⁴² NZ Gambling Commission 2012, 1.

¹⁴³ DIA 2008, online.

¹⁴⁴ Wheeler et al. 2006.

lottery tickets without proper authorization, prohibiting sports betting (with exceptions) and defining the nature of gambling services that can be offered on the soil assigned to Native Americans, among other issues. Each of the 50 US states has defined the gambling that is allowed within its borders. Although almost all (48 as of 2013) do allow gambling, Hawaii and Utah still prohibit most forms. It is common practice in the US to try to circumvent the most restrictive state gambling laws by locating gambling activities in the nearest more liberal environment (e.g., a river boat or other types of cruising ships that are not under the jurisdiction of the state authorities).

The most difficult issue related to gambling that US legislators have to deal with is clearly the online form. Establishing an offshore business to avoid US regulations was a popular choice among gambling operators in the 1990s. In 1999, the US Department of Justice and Congress used the Wire Act from the year 1961 to prevent the use of any “wire communication facility” in sports betting. Given that “wire communication facility” applies to all telecommunications, it was assumed to apply to online gambling too, and was introduced in 2000 as a new law restricting interstate and offshore gambling. In 2006 the US Congress passed the Unlawful Internet Gambling Enforcement Act, which further restricts the ability of wagering businesses to accept online bets from US consumers. Individual US states have also expanded their legislative measures to include online gambling.¹⁴⁵

In order to give a full picture of US gambling policy, it is necessary to understand what happens on the state-level. The states obtain their legislative power from the people, mostly through their own constitutions, and have freedom to control commercial activities (including taxation) within their own jurisdiction. In the ideal case, individual states handle all the activities they can reasonably control on the state rather than the federal level. However, given the space limitations here, the following overview of commercial gambling covers only the states that allow commercial casinos.¹⁴⁶

Colorado

Gambling was legalized in 1990 following statewide vote and subsequent legislative action. The first land-based casino opened in 1991, and currently there are 41 in operation. The state gambling

¹⁴⁵ Legal Information Institute, online.

¹⁴⁶ The information on individual US states was obtained from the AGA Survey of Casino Entertainment (AGA 2013), unless otherwise stated.

tax rate is graduated to a maximum of 20 per cent levied on gambling revenue. The gambling tax revenue in 2012 was USD 104.26 million, allocated to local communities, historic preservation, community colleges, general funding and the promotion of state tourism.

Delaware

Gambling operations became legal in 1994 through legislative action (rather than a statewide vote), and the first casino opened in 1995. Three racetrack casinos are currently in operation, with VLTs and table games. The 2012 gambling tax revenue was USD 217.44 million. It is not allocated to any specific purpose but rather goes into a general fund.

Florida

Gambling was legalized through a statewide referendum, a local option vote and legislative actions and the casino started operating in 2006. The state currently has six racetrack casinos with slot machines. Gambling is currently taxed at 35 per cent. The tax revenue generated in 2012 was USD 161.76 million, the proceeds being used to fund state-level education.

Illinois

The state of Illinois legalized gambling in 1990 by means of legislative action. The first casino opened in 1991, and currently there are ten riverboat casinos in existence. The tax rate is graduated tax rate, ranging from 15 to 50 per cent of gross gambling revenue. There is also a two-to-three dollar admission tax (in practice, payable upon boarding a riverboat). The total revenue from gambling taxes in 2012 revenue was USD 574.34 million. The proceeds are used to support education assistance and local governance.

Indiana

Indiana legalized gambling on its soil in 1993 following a local option vote and legislative action. The first casino opened in 1995, and currently 13 are operating in the state. Some of them are

riverboat casinos (as in the neighbouring state of Illinois), and there are also land-based and racetrack casinos with table games and slot machines. The state tax rate depends on the form the gambling takes: for riverboat and brick-and-mortar casinos it ranges from 15 to 40 per cent of the gross gambling revenue (there is also a three-dollar admission tax). Racetrack casinos pay a slot machine tax ranging from 25 to 35 per cent of the gross gambling revenue. The revenue from gambling taxes is spent on economic development and various local-government activities. In 2012 this amounted to USD 806.56.

Iowa

The state legalized commercial gambling operations in 1989 through legislative action following a local option vote. The first casino was opened in 1991, and currently there are 18 riverboat, land-based and racetrack casinos offering both table games and slot machines. The tax on gambling on riverboats is graduated up to a maximum of 22 per cent on gross gambling revenue, whereas in the case of racetracks with table games and slot machines the maximum is 24 per cent, payable if the revenue exceeds USD 100 million. The total tax revenue in 2012 from gambling was USD 334.43 million. The money was spent on state infrastructure, schools and universities, environment, projects related to tourism and certain cultural initiatives. Any surplus revenue was put in a general fund set up for this purpose.

Kansas

Gambling was legalized in 2007 through legislative action based on the results of a local option vote. All three brick-and-mortar casinos that are currently in operation are state-owned. The tax on gambling comprises of 22-per-cent state tax, a three-per cent local government tax, and a two-per-cent tax to fund treatment related to problem gambling. The total revenue from these taxes in 2012 was USD 92.17 million, which was spent on reducing the state debt, improving infrastructure, and giving some property tax relief to people living in the state of Kansas (in addition to what was allocated to the treatment of problem gambling treatment).

Commercial gambling was legalized in 1991 through a legislative action following a local option vote. The first casino opened in 1993, and currently there are 18 of them operating from riverboats and land-based or racetrack premises offering both slot machines and table games. Riverboat gambling is taxed at 21.5 per cent. In the case of brick-and-mortar casinos the tax is either USD 60 million annually or 21.5 per cent of gross gambling revenue, whichever is greater. The tax on racetrack-based casinos comprises 18 per cent of the gross gambling revenue paid to horsemen, and a state tax of 18.5 per cent of the net revenue. Four per cent is allocated to the local parish. The revenue from gambling taxation in 2012 was USD 579.45 million, which was allocated to a general fund or put at the disposal of the city of New Orleans. Some of the money is used to fund public retirement programmes and state capital. There is also a “rainy day” fund comprising gambling proceeds that are not immediately required for the purposes listed above.

Maine

The state legalized gambling in 2004 through legislative action following a local option vote. The first of the two existing casinos opened in 2005. Both are land-based, racetrack casinos with table games and slot machines. The tax revenue in 2012 was USD 43.11 million, generated from a one-per-cent tax the handled or wagered amount, a 39-per-cent tax on gross gambling revenue, and a further three-per-cent tax on the gross revenue payable to the city of Bangor. Funds were allocated to education, health care and agriculture, and were also used to meet the cost of running the gambling control board.

Maryland

Gambling was legalized in 2008 following a constitutional referendum, and the first casino opened in 2010. Currently there are three brick-and-mortar casinos in operation (equipped with only slot machines). The tax revenue from gambling in 2012 was USD 218.2 million, allocated to an educational trust fund, grants for projects with a local impact, and small businesses or businesses operated by minorities or women.

The state of Michigan currently has three land-based casinos. Gambling was legalized in 1996 following local advisory vote, a statewide voter referendum and subsequent legislative action. Commercial gambling operations commenced in 1999. The gambling tax is 19 per cent of the gross gambling revenue (of which 10.9 per cent is earmarked for the city of Detroit and 8.1 per cent for the state itself). There are also service fees imposed by state and municipal authorities that are collected on a yearly basis. The profit generated from gambling taxes is spent to public safety, capital improvements, various youth programmes, tax relief, neighbourhoods development and maintaining the infrastructure.

Mississippi

Gambling was legalized in 1990 through legislative action following local option voting. The first casino opened its doors to patrons in 1992, and the 30 that operate are either dockside or land-based. Gambling taxes generated USD 272.73 million in 2012 to be spent on housing, education, transportation, certain counselling programmes aimed at young gamblers and programmes focused on improving public safety. An eight-per-cent tax is levied on gambling revenues, and additional tax of up to four per cent is imposed at the discretion of the local counties in which the casinos operate.

Missouri

Gambling was legalized in 1993 following a statewide vote, a local option vote and subsequent legislative action. The first casino opened in 1994 and currently there are 13 riverboat casinos in existence. The state tax is 21 per cent of gross gambling revenue. In addition, there is a two-dollar admission fee payable by every patron entering a gambling venue, which is shared equally between the port community in question and the state of Michigan. The revenue from gambling tax in 2012 was USD 471.4 million, to be spent on education, local programmes focusing on public safety, war veterans and programmes aimed at improving living conditions in early childhood. Some of the proceeds are used to fund treatment problem gambling.

Nevada is the oldest and by far the most famous gambling destination in the US. Gambling has been legal since 1931, following legislative action that repealed a ban imposed in 1909. The first casino opened its doors in the same year (1931). There are 265 land-based casinos in the state (as of 2012). The gambling tax is graduated up to a maximum of 6.75 per cent of gross gambling revenue. There may be further country, municipal and state taxes but they account for no more than one per cent of the total tax burden. The state revenue generated from commercial gambling in 2012 was USD 868.60 million of which education, local government and a general fund were allocated fair share. Funding was also allocated to programmes set up to tackle gambling problems. Nevada has an annual visitor count of 52.3 million. It is perhaps worth noting that visitor information is not available from all states because gambling venues sometimes refuse to participate in surveys in which the data is collected.

New Jersey

Gambling was legalized in 1976 following a statewide vote and subsequent legislative actions and casinos were opened in 1978 (12 land-based casinos in operation as of 2013). The tax on gambling comprises eight per cent of gross revenue, and a community-investment obligation of 1.25 per cent of gross gambling revenue (or an investment alternative of 2.5 per cent). These taxes raised USD 254.84 million in 2012 which was used to fund services for senior citizens and disabled people, and certain economic-revitalization programmes. Visitor numbers are among the highest in the US, alongside Nevada, 27.7 million in 2012.

New Mexico

The state of New Mexico passed legislation legalizing gambling in 1997. The first casino commenced operations in 1999, and nowadays there are five racetrack casinos with slot machines in operation. The taxes levied on gambling include a 26-per-cent tax on gross revenue, a 20-per-cent tax on purse supplements and a 0.25-per-cent tax on funding treatment for problem gambling. The total tax revenue from gambling in 2012 was USD 62.79 million, to be put to public use. It was allocated to a general fund and to the provision of treatment for problem gambling.

The state of New York legalized gambling only in 2001, through legislative action, and the first casino opened its doors in 2004. There are currently nine racetrack casinos in operation, with publicly run video lottery terminals (VLTs) distributed among the operators, the operator retaining 34.9 per cent of the revenue. Gambling taxation generated USD 822.67 million in 2012. The proceeds are used for educational purposes rather than being allocated to specific funds.

Ohio

Gambling was legalized in 2009, following a statewide referendum and a local option vote. The first casino opened doors in 2012. There are four land-based and racetrack casinos with publicly-run VLTs (distributed among the operators). The state gambling tax is 33 per cent tax for brick-and-mortar casinos. In the case of racetrack casinos the revenue retained by the publicly-run operator is 66.5 per cent. The tax revenue thus generated amounted to USD 138.18 million in 2012. The money was allocated to local governments and education, and to running costs of commissions responsible for casino control and racing. Some of the proceeds were used to deal with problem gambling and for addiction treatment.

Oklahoma

The state of Oklahoma legalized gambling in 2004, and commercial operations began in 2005. Both of the two casinos currently trading are racetrack casinos equipped with slot machines. Gambling taxation is graduated ranging from 10 to 30 per cent on gross revenue. There is an additional tax of nine per cent allocated to the state racing commission. Direct payments are made to various horsemen, breeders and purses, the exact size of which depends on the amount of track-gambling revenues available. The total tax revenue collected in Oklahoma in 2012 was USD 20.38 million which was primarily used for educational purposes. As in the case of the other states, detailed information about the usage of these funds is not available.

Gambling was legalized in 2004 through legislative action and commercial casinos have been in operation since in 2007. Currently there are 11 land-based casinos with slot machines and table games. These activities are taxed differently. A 55-per-cent tax is levied on the revenue from slot machines: 34 per cent is allocated to the state gambling fund, 12 per cent to horse racing and five per cent to “economic development”. The remaining four per cent is earmarked for local and county governments. In the case of table games tax is 16 per cent, 14 per cent being allocated to a general fund and two per cent to municipalities in local counties. The total gambling-tax revenue in 2012 was USD 1.487 billion. It was used to finance property-tax relief, economic development, tourism and horse racing as well as unspecified activities among the host local governments.

Rhode Island

Gambling was legalized in 1992 through legislative action, and the first of the two casinos currently operating opened its doors in the same year. Both of them are racetrack casinos with publicly-run VLTs (distributed among the operators). Operators retain 27.58 per cent of the takings. On the basis of this form of collection (i.e., a percentage share of the total volume) revenues in 2012 were USD 328.98 million. All the proceeds were allocated to a general fund.

South Dakota

The state legalized gambling on its soil in 1989 following a statewide vote, a local option vote and legislative action. The first casinos opened in the very same year, and nowadays there are 35 land-based (limited-stakes with a maximum bet of 100 dollars) in operation. Gambling taxation is based on a nine-per-cent levy on gross revenue and a tax levied on gambling devices which is currently 2,000 dollars per machine per year. The thus generated revenue in 2012 was USD 16.62 million, of which 50 per cent was allocated to commission’s fund, 40 per cent the Department of Tourism, and the remaining 10 per cent to Lawrence County.

Gambling operations commenced in 1994 following a local option vote and legislative action. The preferred gambling venues in the state are racetrack casinos with publicly-run VLTs and table games (distributed among the operators). There is also one ordinary brick-and-mortar-type commercial casino. Gambling proceeds are taxed at a level of 47.11 percent. The tax revenue thus generated in 2012 was USD 402.50 million, which was used to fund education, public services for senior citizens and tourism.

Issues relevant to all US states

Much of the discussion about effective gambling policies in the US has revolved around the issue of social cost and whether it exceeds the profit and other positive outcomes such as entertainment value. The results of research indicating that casinos situated within 40 miles of a heavily populated area increased the likelihood of problem gambling in the US, were soon called into question. Howard Shaffer and David A. Korn, for example, claimed that it was impossible to ascertain whether or not the availability of casinos led to a higher prevalence of gambling problems. People with gambling problems may simply choose to live within close proximity of a casino and casinos may be located in areas which much-higher-than-average proportion of problem gamblers or with an exceptionally vulnerable population.¹⁴⁷ In response to these criticisms Edward Morse and Ernest Goss suggest that the level of skepticism the writers express “borders on the absurd” and that “[t]o suggest that the industry locates casinos where disordered gambling or particularly vulnerable populations already exist presupposes secret industry knowledge about illegal gambling and/or problem gamblers that is apparently not available to the research community. Alternatively, it presupposes that the industry is very ‘lucky’ in choosing those locations. Neither of these presuppositions is a plausible explanation of the correlation shown here”.¹⁴⁸ Brian Castellani also found evidence in his sociological research that the legalization of gambling in the US was politically motivated, and disregarded any evidence about the negative aspects.¹⁴⁹

Perhaps the most pivotal area of social policy with regard to gambling and government monopoly is the association of gambling with crime. Much of the discussion in the US has revolved around the

¹⁴⁷ Schaffer and Korn 2002, 177.

¹⁴⁸ Morse and Goss 2010, 77-78.

¹⁴⁹ Castellani 2000.

impact of casinos on neighbouring communities. It is acknowledged that the economic impact of a legal casino may be positive, in terms of providing new jobs or opportunities for political interaction to certain disempowered population groups (such as Native Americans). These jobs are somewhat difficult to value, however, as many of them are low-paid, part-time, and require less education.¹⁵⁰ Further, creating jobs in casinos does not necessarily lead to an improvement in the overall employment situation of an area in that neighbourhood businesses may suffer as a result. Local restaurants and businesses may lose customers to casino restaurants, for example. The negative effects of having a new casino in a neighbourhood include an increase in personal bankruptcy and a decrease in per-capita-income growth. The impact on tourism is also ambivalent: most patrons will not travel to a casino, and the associated social costs are almost always localized. Earl L. Grinols and David Mustard examined the relationship between casinos and crime on the county level. They analysed data from all 3,165 counties in the US covering the period between 1977 and 1996, during which time the number of casinos increased from 14 to 180. The sources consulted included the Federal Bureau of Investigations Uniform Crime Report on FBI Index I offences, including violent crime (aggravated assault, rape, robbery and murder) and property crime (larceny, burglary and theft).¹⁵¹

The authors traced approximately 8.6 percent of property crime and 12.6 per cent of violent crime to the presence of casino, murder being the only crime that showed no statistical correlation. One explanation for this is that many US counties, especially small ones, have a zero murder rate year-on-year which makes statistical comparison on the county-level virtually meaningless.¹⁵² The large number of visitors is insignificant compared to the Mall of America in Minnesota, which has 7.7 times more visitors more Las Vegas, and the adjusted (local/visitor) crime rate is only one fifteenth of the rate in Las Vegas. According to Morse and Goss, the communities that welcomed new casinos invested in policing upon their arrival, thus it may be possible that the impact of crime is understated rather than overestimated.¹⁵³ These researchers comment on the US situation thus: “If casino gambling is to persist, then regulators must address the serious problems it creates, even if it

¹⁵⁰ Cavion et al. 2008, 101.

¹⁵¹ Grinols and Mustard 2006, 28-45.

¹⁵² Grinols and Mustard 2006, 28-45.

¹⁵³ Morse and Goss 2010, 82.

means that casino profits and state tax revenues suffer as a result.”¹⁵⁴ This area of research is contested, however, and the results are sometimes disputed in the literature.¹⁵⁵

Commenting on the above-mentioned study Edward Morse and Ernest Goss point out that the model Grinols and Mustard used not only focused on data covering crimes reported in counties with or without a casino, but also accounted for 58 other variables, including demographic factors such as race, gender, age, unemployment and income. They refer to claims made by some researchers using a simple evaluation of a trend line that crime declined in the US between 1990 and 1996, a time of rapid expansion in the number of casinos nationwide suggesting that Grinols and Mustard’s measure, i.e., measure focusing on the differential experiences of casinos with and without casinos was more appropriate. In fact, in their view Grinols and Mustard had not only taken the right approach, but also “broke new ground” in showing that the impact on crime varied depending on the time of the observation (there is a time lag between the opening of a casino and any effect on crime, which is not noticeable for a number of years).¹⁵⁶ The issue of social cost is very complex, and it is difficult to evaluate exactly how much is attributable to gambling. For example, for 50 years the per-capita suicide rate in Las Vegas has been among the highest in North America. Although it is very difficult to assess the exact contribution of the high availability of gambling to these suicides given that individual reasons vary, it is certainly one indicator of the problems.¹⁵⁷

Canada

Canada has quite an extensive gambling industry, generating revenue of around CAD 10 billion per annum (USD 9.3 billion, EUR 7.1 billion). Commercial casinos have been operating since 1989,

¹⁵⁴ Cf. Professor I. Nelson Rose’s observation: “Throughout history, every society that has allowed casinos to cater to local customers has eventually outlawed gambling (quoted from Morse & Goss 2010, 267)”.

¹⁵⁵ In his contributions to *Econ Journal Watch*, Douglas Walker (Walker 2008a and 2008b) criticized Grinols and Mustard’s study published in *The Review of Economics and Statistics* in February 2006 (Grinols and Mustard 2006). In response, Grinols and Mustard noted that Walker did not provide alternative evidence in support of his criticism and that “[t]he research question...is not whether casinos cause crime, but whether one is able to show the magnitude of this connection statistically and separate it from many other causal sources”. (Grinols and Mustard 2008a, 30). In his response Walker referred to the fact that Grinols and Mustard’s results were “frequently quoted ...on anti-casino websites”, suggesting that “[p]erhaps they [Grinols and Mustard] believe that gambling is immoral...Since Grinols and Mustard believe the costs of gambling exceed the benefits, perhaps they are morally opposed to it”. (Walker 2008b, 153-154, footnote 17) In their final response Grinols and Mustard pointed out that their original research had been published in a respected journal (MIT press), and “[u]nless better research comes along to confirm or deny our peer-reviewed results, we stand by our conclusions”. (Grinols and Mustard 2008b, 160).

¹⁵⁶ Morse and Goss 2010, 79-81.

¹⁵⁷ Medical Officer of Health in Toronto 2012, 1. The sources given in the document are Phillips et al. 1997 and Williams 2012.

and are nowadays to be found in the provinces of Manitoba, Québec, Ontario, Nova Scotia and Saskatchewan. Other forms of commercial gambling including lotteries are also readily available, and VLTs (Video Lottery Terminals) in particular are prevalent in many provinces.

Canada's ten provinces and three territories have their own gambling regulations. The issue of problem gambling is widely addressed in gambling reports and other publications, and Canada is perhaps the country that invests most in research in this area. The social costs of gambling are increasingly recognized at the provincial government level.¹⁵⁸

It is acknowledged in Canada that problem gambling is a serious public health concern but this does not prevent provincial governments from wishing to increase the revenue from gambling. In March 2010, the Ontario Ministry of Finance submitted a proposal for a revenue increase of CAD three million within five years. The reason given was the declining gambling revenue, mainly attributable to the stronger Canadian dollar, the new American casinos that served Canadian gamblers from across the border, and online gambling through sites that the Ontario government was unable to control. According to the proposal, realizing this revenue increase would require a new casino in Toronto. In this context it was noted that increased access to gambling often leads to an increase in related problems.¹⁵⁹ According to Canadian research conducted in 2007, 36 per cent of the revenue from gambling is generated by is derived from problem gamblers, accounting 4.8 per cent of the population at Ontario (when gamblers both moderate and severe problems are included).¹⁶⁰

Providers of community services also expressed their concerns to the public health authorities that the effect of a new casino in Toronto would not be restricted to tourism, given that the related problems are localized. According to a study conducted in Montreal, 90 percent of patrons visiting casinos are locals, even though tourism is used as a factor justifying the building of a new one. Although it is difficult to measure the exact health impact of problem gambling, available data for Ontario indicates that at least in the case of self-reported health, those with gambling problems are worse off than those who do not have them (61 per cent of non-gamblers rated their health as excellent, compared with only 33 per cent of those with gambling issues). A further negative effect of allowing a new casino that was identified was its impact on citizens' values: it would reflect the public acceptance of gambling and a lack of attention to problems it causes. This in turn, would

¹⁵⁸ Canadian Encyclopedia, online.

¹⁵⁹ Medical Officer of Health in Toronto 2012, 9: "Available research suggests...that increases in problem gambling rates may occur particularly if there is introduction of a new, previously unavailable gambling venue in a community".

¹⁶⁰ Medical Officer of Health in Toronto 2012, 6-7. The study in question is Williams and Wood 2007.

compromise the efforts of public health officers to minimize the problems associated with legalized gambling.¹⁶¹

Latin America

General issues

According to one estimate provided by Research & Markets in 2011, legal and illegal gambling combined generate approximately USD 150 billion annually in Latin America. The countries cited as the most active in this regard are Argentina, Brazil, Chile, Columbia, Costa Rica, Panama, Peru and Venezuela (which nevertheless has imposed severe restrictions on gambling).¹⁶² This section briefly describes the gambling market in each of these countries. One of the major operators in the region is Spain-based Codere, which has a language advantage and is increasingly seeking to compensate its losses in Europe by entering the emerging markets in Latin America (now accounting for 85 per cent of its total revenue). In the last few years Codere has invested EUR 752 million in order to expand its operations in the continent.¹⁶³ It may be that international gambling operators will increasingly focus on Latin America, given that markets in other continents are becoming saturated, some are negative towards gambling (e.g., Islamic countries) and others are politically unstable (many countries in Asia and Africa).

Argentina

Most gambling and betting licences are issued by provincial governments (rather than the federal government as is the case, for example, in neighbouring Brazil).¹⁶⁴ Gambling is a highly popular activity in Argentina. Many slot-machine venues are open 24 hours a day, with customers throughout the night. The Spanish operator Codere plays a major role with a near-monopoly operation of 14 bingo halls in Buenos Aires. In 2011, Codere collected around USD 490 every day

¹⁶¹ Medical Officer of Health in Toronto 2012, 9-10: "Toronto Public Health key informant interviews with community service providers also suggest that an impact of introducing a local casino in Toronto will be an inevitable 'normalizing' of gambling behavior, that is, gambling will be perceived as common, accepted activity that many people participate in. Once behavior is normalized, the negative consequences of gambling are less feared by the public regardless of prevention and mitigation efforts".

¹⁶² BusinessWire 2011, online.

¹⁶³ CalvinAyre 2013b, online.

¹⁶⁴ KPMG 2010, 13. For example, in 2010 the gambling company bwin operated with a licence from the Provincia de Misiones, and 888 has had a licence from Tower Torneos.

from Argentinian slot machines, which is a high amount compared with the average daily take of USD 112,32 in Las Vegas during the same year.¹⁶⁵ Although Codere's revenue fell by 7.9 per cent in the first quarter of 2013 (allegedly due to the introduction of a ban on indoor smoking in October 2012), it is still one of major operators in the Argentinian gambling market.¹⁶⁶ Other influential actors include Cirsa (also Spain-based), the Boldt Group and CIA (Casino International Austria). Argentina has the largest number of slot machines in South America (a total of 12,318 according to information available in 2013). Furthermore, online gambling sites are more widely available than in its neighbouring countries (approximately 80 are currently operating).¹⁶⁷

There are on-going plans to nationalize the gambling industry (especially the Spanish-based part of it) in order to direct more revenue to the government although there has been a considerable amount of political and other public wrangling surrounding the issue for several years.¹⁶⁸ Ever since the current Argentinian President Christina Fernandez de Kirchner (the spouse of the late president) raised the nationalization issue both Spanish-based operators Codere and Cirsa have seen a decline in the value of their bonds. However, if Argentina chooses to nationalize its gambling business it may lose foreign investment, and it needs the capital. The issue is highly politicized, and in some respects it is difficult to ascertain to what extent the debate is about problem gambling or even the amount of revenue.¹⁶⁹

Brazil

The most heavily populated country in Latin America with 192 million inhabitants, Brazil operates various forms of lotteries, under the control of the federal government. The most popular gambling forms are bingo and sports betting. Online and forms of gambling other than horse-racing, lottery

¹⁶⁵ Figure from Las Vegas provided by the Center for Gaming Research at the University of Nevada Las Vegas and quoted from IBT 2012, online.

¹⁶⁶ CalvinAyre 2013b, online.

¹⁶⁷ S & C 2013, online.

¹⁶⁸ IBT 2012, online. In 2006, for example, Argentinian President Nestor Kirchner (now deceased) nominated a personal friend, magnate Cristobal Lopez, to settle a dispute between casino workers union and the gambling operator Cirsa. When representatives of Cirsa arrived in the country to meet Lopez they were arrested at the airport on suspicion of carrying a substantial amount of bribes with them (including half a million euros in cash listed among other things, as "Christmas presents"). It was suggested in the media that Lopez double-crossed the Cirsa executives, having demanded the bribes and then tipping off the border police. The executives were freed under the terms of an agreement made by the two men.

¹⁶⁹ IBT 2012, online. In the case of federal government control in Buenos Aires, the appropriation of gambling revenue might reflect the fact that the political rivals do not wish the mayor of the Buenos Aires to have the funds at his disposal. An opposition politician Walter Martello, a member of Buenos Aires state legislature, has written a book about the history of gambling in Argentina, and actively publishes on gambling-related matters.

and bingo remain illegal, at least as of 2013.¹⁷⁰ It is possible to play bingo online through foreign sites that offer versions in Portuguese. In general, access to the websites of foreign gambling operators seems to be free and unregulated, although local sites are illegal.¹⁷¹

Chile

The gambling regulator is the Superintendencia de Casinos de Juego (SCJ). Access to online gambling is less restricted than in other countries of Latin America, and according to one source used for this contribution, gambling related to bingo games is widely available.¹⁷² Chile also has 24 casinos. There was a 15.5-per-cent increase in gross net revenue from gambling in 2012 compared with 2011 (USD 515 million in 2011, and USD 595 million in 2012). Consequently, the tax revenue has increased from USD 204 million in 2011 to 233 million in 2012.¹⁷³

Colombia

State monopolies fund healthcare services, and this creates interest on gambling proceeds. The central regulatory authority that controls gambling is Coljuegos, which was formed in November 2011 and replaced ETESA. ETESA, in turn, had replaced ECOSALUD, which was disbanded earlier due to corruption and overstaffing. ETESA was assigned the task of generating much higher revenues than ECOSALUD, and it succeeded in collecting USD 148 million per year (accounting for two per cent of the national health budget). Coljuegos is supposed to increase this amount five-fold, but this may not materialize without the expansion of online gambling. Currently (as of 2013) online gambling is in the hands of unauthorized operators, and Coljuegos has warned that foreign operators may be prosecuted, fined and banned for a period of five years. In fact, online gambling is unregulated no legislation in place. In the future, however, it will probably fund healthcare services as a government monopoly operation.¹⁷⁴

¹⁷⁰ KPMG 2010, 13.

¹⁷¹ S & C 2013, online.

¹⁷² S & C 2013, online.

¹⁷³ SCJ 2013, 3.

¹⁷⁴ Pokerfuse 2013b, online.

The government agency with the highest involvement in gambling matters (mostly related to taxation) is the MEIC (Ministeria de Economia, Industria y Comercio). Costa Rica is widely regarded as a safe haven for offshore online gambling operators, because they do not need a licence and there is no effective regulation through legislation. They may not accept wagers from Costa Ricans, but otherwise they can operate fairly freely. As a result, over 400 online gambling operations are located in the country. As a significant obstacle, however, is that the US controls the banking sector and it is almost impossible to open a corporate account in a national bank. Given that offshore online gambling is restricted in the US, operators targeting US customers may face difficulties in their financial arrangements and transactions with US banks providing services in Costa Rica.¹⁷⁵

Mexico

Gambling is covered by legislation dating from 1947 (the Federal Gaming and Raffles Law or the Federal Law for Games and Sweepstakes, comprising 17 articles), which in principle prohibit all wagering and betting in Mexico.¹⁷⁶ The law has been amended and interpreted loosely in the last few years, and the estimated revenue from allowed gambling activities is nowadays around USD five billion.¹⁷⁷ There are a number of casinos in existence, but they operate under unclear legal framework as local authorities seem to apply the regulations on a case-by-case basis.

The Spanish gambling operator Codere has major activities in the Mexico as it does in certain other Latin America countries. In 2007, for example, Codere acquired a 49-per-cent interest in Mexican horse racing (Impulsora de Centros de Entretenimiento de las Américas, ICELA) and further strengthened its position in 2012 by acquiring another 35.8 per cent of the shares of ICELA. Codere's revenue in Mexico increased by 3.6 per cent to 38.5 million euros in Q1 of 2013.

In the area of addiction treatment and research, CIJ (Centros Integracion de Juvenil, A.C.) is one of the most active organizations in Mexico, and by far the largest treatment provider with an interest in issues related to problem gambling.¹⁷⁸ Mexico eased its legislation covering electronic gambling

¹⁷⁵ CalvinAyre, online.

¹⁷⁶ Navarro Sanchez 2011, 4.

¹⁷⁷ BusinessWire 2011, online.

¹⁷⁸ CIJ 2013, online.

machines in October 2012, which may lead to an increase in problems related to addictive behavior.¹⁷⁹

Panama

Although small size in area with population of only 3.6 million, Panama is one of the most popular gambling destinations in Latin America attracting an average 1.5 million visitors annually. The regulatory authority for gambling is the Junta de Control de Juegos. Most Panama's gambling operations were government-owned at one time, but all gambling establishments were privatized in 1997 (the National lottery, Lotería Nacional de Beneficencia, is under full government control). Brick-and-mortar establishments offering gambling services are obliged to transfer 80 per cent of their profits to the government and sports betting is very highly taxed.

The major operators in Panama are Cirsa and Codere both based in Spain. The legal framework is favourable to online gambling in that, according to the Fiscal Code of 1916, only commercial transactions carried out within the country are taxable. However, the condition is that online gambling products are not offered to Panamanian citizens.¹⁸⁰

Peru

Gambling is legal and well organized. The gambling regulator is the Direccion General de Juegos de casino y Maquinas Tragamonedas (Ministerio de Comercio Exterior y Turismo). The first licence operate an online gambling site was issued in 2008.¹⁸¹ In terms of addiction treatment and research, one of the actors is the Information and Education Center for the Prevention of Drug Abuse (CEDRO), formed in 1986 to tackle the issue of addiction.¹⁸²

¹⁷⁹ Casino Americano 2012, 22.

¹⁸⁰ Casino City 2012, online.

¹⁸¹ S & C 2013, online.

¹⁸² See Cedro 2013, online.

Venezuela

Although there is gambling legislation in force, most gambling in Venezuela is conducted online. The sites in question operate primarily in English and are probably maintained by international gambling organizations (there are no local sites for online gambling in the country).¹⁸³ Many other forms of gambling are prohibited. Most of the casinos were closed in 2011, and no sports betting is allowed outside of (the few) gambling establishments.

The regulatory body in Venezuela is the Comision de Nacional de Casinos (CNC). Before the casinos closed in 2011, SENIAT (the Ministry of Tourism, Customs and Excise Service) had collected USD 17.7 million from bingo and casino operators (the figure is from 2007). Gambling taxes were raised considerably prior to closure: bingo halls had to pay between 12 and 20 per cent tax on net revenues, and gambling-machine operators between 30 and 50 per cent.¹⁸⁴ It has been claimed that 100,000 jobs were lost due to closure of gambling establishments, but this number seems high and cannot be verified in any meaningful way.¹⁸⁵

Concluding remarks

It is not possible, on the basis of this brief research report, to draw firm conclusions about the effectiveness of monopolies in alleviating gambling problems or advancing the public good compared to private licensing systems. It may well be, however, that licensing systems have the potential to generate more revenue for the public treasury – largely because private (or semi-private) bodies are able to set target revenue amounts.

It was noted in many country-specific evaluations that obtaining adequate information was difficult in many cases, especially with regard to Portugal, France and Italy. By no means all of the problems are attributable to the language barrier, and in some cases there was limited or no access to relevant research data. In the case of Portugal, the monopoly operator Santa Casa produces information in cooperation with the Portuguese government. Even though academics have been involved in this process, it is difficult to know whether the reports could be critical of the activities of Santa Casa or,

¹⁸³ S & C 2013, online.

¹⁸⁴ G3 2008, online.

¹⁸⁵ Yogonet 2012, online.

even in theory, consider perspectives other than those favourable to the Portuguese government (given the difficulty to access these reports, this is not an evaluation of the actual reports, but is merely a suggestion based on the information available from EU court cases). In the case of France, the operators provide most of the gambling statistics, which makes it impossible to verify the information in public sources. Research on gambling is very low-key in Italy, and there seems to be a lack of accurate statistics covering a longer period of time.

It should also be noted in this context that the only pan-European academic work on problem gambling (enabling international cross-country comparisons), published by Meyer and others in 2009, is already outdated, many of the research articles being based on studies conducted in the early 2000s or earlier. Furthermore, many of the screening instruments and questionnaires used by the researchers are not comparable with those used in the other countries represented. In addition, and especially in smaller countries with only a few researchers who do not work in English or any other major languages the sources are difficult to access.

The two major factors hindering the progress of research into problem gambling are, first, the lack of a “gold standard” against which to assess the validity of various problem-gambling survey instruments, and second, the lack of access to relevant data, including data held by governmental monopoly operators. A further challenge here is that, even if access is granted in principle, it may be granted only on condition that the monopoly operators have a say in how the research results are presented. Fiscal interests in gambling are so high in the EU that even public representatives, in other words, officials of democratically elected governments, are keen to protect them, in some cases at the expense of normal European transparency (as shown in the case of the Netherlands). It seems from this overview that the best information sources are court reports and official documents that have to be public in accordance with EU or national legislation. Researchers should also be encouraged to use the interviews and data collected in direct contacts with gambling regulators. In many countries the statistical information that is currently available is somewhat unreliable, and it cannot be verified from independent sources.

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