Evaluation of the 5th Amendment of the German Gambling Ordinance

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Topics

1. Background
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3. Project aims
4. Design and sub-studies
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1. Background

1.2 Gambling regulatory systems in Germany

(1) Gambling: classic casinos, lotteries
   • Illegal, regulated by Federal Criminal Law
   • State monopolies
   • Limitations in advertising
   • Age access control (18, 21)
   • Mostly unlimited stakes, wins and losses

(2) Specifically equipped slot machines: „Amusement machines with prizes“ (AWP)
   • Legal, regulated by the German Industrial Code and the German Gambling Ordinance (AGO) (Federal Law, partly State Law)
   • No formal age access control (18)
   • Limited stakes, wins, losses
     stake 0.20 € / 5 sec.
     max. win / hour: 500 € / 1,000 €
     max. loss / hour: 80 €
     average payout / hour: 33 € (≈ 25%)
     max. no. of slot machines: 12 in one room (3 in pubs)
1. **Background**

1.2 **Evaluation background**

(1) 5\textsuperscript{th} Amendment of the Gambling Ordinance (AGO) 01.01.2006

(2) Outcome evaluation part of the revised regulations

(3) Aims of the revision
   - Improved protection of minors and problem gambling
   - Liberalized regulations to improve market conditions for providers
   - Improved technical control of regulatory gambling characteristics (change from process regulations to hourly maximum wins and losses)
   - Improved differentiation between AWP and (uncontrolled) casino slot machines
2. Study challenges

(1) Precise analysis of causes and effects is not possible (neither experiment nor longitudinal study)

(2) A four year period for the evaluation of the amendment from 2006 in 2010 might be too short to measure long-term effects

(3) Implementation of the AGO can be easily checked: Game features, setup and access conditions

(4) Effects of the AGO are only based on opinions by experts, providers and gamblers
   Alternatively: Evaluation of current problems

(5) Possible limitations regarding data validity: social desirability of the answers, falsifications due to commercial interests, memory gaps
3. Project aims

Aim 1: Implementation of the AGO: game features
Aim 2: Implementation of the AGO: setup and access conditions
Aim 3: Impact on protection of problem gambling
Aim 4: Impact on protection of minors
Aim 5: Impact on economic efficiency and technology
Aim 6: Impact on illegal gambling
Aim 7: Impact on the differentiation between (regulated commercial) AWPs and (unregulated state casinos) slot machines
4. Design and sub-studies

4.1 Design

(1) Implementation of new AGO regulations
   - Random control visits of gambling sites with municipal authorities, without previous announcement

(2) Consequences of new regulations for youth and problem gambling protection
   - Only post measurement after three years of implementation
   - Random interviews with gamblers and gambling providers
   - Expert interviews
   - Literature review
     → Behavioral data (e.g. gambling frequency, losses)
     → Subjective data (e.g. risk assessment of new regulations)
4. Design and sub-studies

4.1 Design

(3) Problems

− Planned oversampling of long-term gamblers: 75% with gambling experience before 2006 (in order to evaluate changes between 2006 and 2010)

− Oversampling of intensive gamblers: by random selection of visitors for interviews

→ Pathological gamblers probably overrepresented

→ Comparison with representative population figures not possible
4. Design and sub-studies

4.2 Sub-studies

(1) **Sub-study 1: Interviews with gamblers on AWPs**
   - 447 in gaming arcades, 144 in pubs (591, target: 576)
   - Quotation: 75% gambling experience before 2006
   - High rate of refusals to participate (47% and 33%)

(2) **Sub-study 3: Interviews with operators of gaming arcades and pubs**
   - 84 in gaming arcades, 18 in restaurants (102, target: 96)
   - 86% resp. 67% in business / operation before 2006

(3) **Sub-study 4: participating observation in gaming arcades and pubs**
   - Same sample as interviews with gamblers and operators
4. Design and sub-studies

4.2 Sub-studies

(4) Sub-study 5: Inspection of gaming arcades with municipal authorities
   - Randomly selected 36 gaming arcades with 50 licences (target: 36)

(5) Sub-study 7: Interviews with experts
   - 10 experts
   - Review of the draft report by the interviewees

(6) Sub-study 8: review of the existing, mostly grey literature on AWP inspection reports
5. Major conclusions

5.1 Aim 1: Implementation of the AGO: game features

(1) The implementation of the revised game features was largely completed
   – All AWP are licensed correctly

(2) The maximum limit of 500 € win per hour is circumvented (legally) by „point systems“
   – 57% of the highest payouts over the original legal limit of 500 € per hour
   – 28% over the revised legal limit of 1,000 € per hour

(3) Cases of illegal „pre-loading“ of the AWP (13 %)

(4) Illegal payouts of point wins (more than 500 € per hour)
   – 12% illegal payouts of the maximum amount during the last five days
   – 34% of the highest amount won in 2009

(5) Operators have little knowledge of the game feature regulations in the AGO
5. Major conclusions

5.2 Aim 2: Implementation of the AGO: setup and access conditions

(6) There are deficits regarding the implementation of the setup and access conditions of the AGO
   - Total number of AWP in one room, distance between AWP, cover penalties
   - Warning notes, prevention brochures

(7) The regulations in terms of the age limitations are widely followed.
   - Written entrance information, warning notes for minors

(8) Non-licenced AWP are not in operation

(9) Little knowledge of setup and access conditions among operators

(10) Differences in control intensity between states and cities

(11) Deficits in concession regulations
   - 30% of locations: more than one concession
   - 11%: six concessions or more
5. Major conclusions

5.3 Aim 3: Impact on protection of problem gambling

(12) Regulations of AGO regarding game features, setup and access conditions prohibit illegal gambling insufficiently

- 2% of operators are pre-loading AWP
- 50% of operators think it is important to operate pre-loaded AWP
- 13% of gamblers indicate to have gambled on pre-loaded AWP
- 34% of gamblers received illegal payouts of wins higher than 500€ in exchange of points
- 11% of operators illegally pay out wins higher than 500€ per hour

(13) Regulations of AGO regarding game features, setup and access conditions ensure gambler protection insufficiently

- Cover panels in gaming arcades do not prevent 57% of subjects of gambling on more than two AWG
- 20% of subjects mostly gamble on more than two AWG
- 56% of subjects pass forced breaks (after one-hour of gambling or reaching maximum loss of 80€) by switching to another AWG
5. Major conclusions

5.3 Aim 3: Impact on protection of problem gambling

(14) „Point systems“ elicit higher „win expectations“ than the real legal maximum of 500€ per hour
   – 31% of gamblers indicate wins from point exchange higher than 500€ per hour, 5% more than 2,000€.

(15) High regular expenditures for gambling on AWG
   – Monthly expenditures of about 500 € per gambler on one AWG.
   – Expenditures nearly twice as high with simultaneous gambling (on average 1,9 AWG)
   – 60% of gamblers have financial restrictions due to gambling on AWG
   – 7% of gamblers have to raise money for gambling on AWG

(16) High risk assessment of the new game features
   – Operators indicate an increased risk of losing control for 37% of gamblers
   – 20% of gamblers have already lost control in operators‘ opinion
   – 61% of gamblers indicate that there is a higher risk of loosing more money with the new game features.
   – chasing has increased in 41% of gamblers
5. Major conclusions

5.4 Aim 4: Impact on protection of minors

(17) **Only few infringements of the gambling prohibition for minors in gaming arcades**

– In one of 50 inspected gaming arcades, one “apparently” under aged person has been sighted

– According to the observation of the interviewers, in 3 of the 65 inspected gaming arcades subjects that could have been estimated as minors were playing at AWP.

– Operators of gaming arcades have good knowledge on protective measures for minors

(18) **Deficits regarding the youth protection in pubs**

– The knowledge about necessary youth protection measures in pubs is poor
5. Major conclusions

5.5 Aim 5: Impact on economics and technology

(19) AWP have become more attractive
   - Depending on the question, 40-70% of the operators and 45% of the gamblers state that the attractiveness of AWPs has increased.

(20) The economic efficiency of AWPs has improved
   - After a decrease of 22% from 1996 to 2005, the number of AWPs in gaming arcades has increased by 22% from 2005 to 2009, but hasn’t reached the value of 1996 yet.
   - The turnover for AWPs has increased by 38% between 2005 and 2009 after a slight increase in turnover between 2000 and 2005 (+4%).
   - Own calculations reveal that the increase in turnover was not caused by the increase of the monthly expenses of gamblers, which is an indirect indication that the increase in turnover was caused by an increase of gamblers.
5. Major conclusions

5.6 Aim 6: Impact on illegal gambling

(21) Illicit forms of gambling on AWPs occur: e.g. „pre-loading“ and illicit payout of point related wins

(22) The involvement of gamblers on AWPs in other illicit gambling is low
   – 15% of the gamblers have experience in illicit gambling (without illicit gambling on the internet, was asked separately).
   – 7% stated that they took part in illicit gambling activities (without internet), only few regularly.
   – 1% stated that illicit gambling („back room“) was of primary importance.

(23) Gamblers on AWPs are playing on slot machines in casinos to a minor extent
   – In 2009 the percentage of gamblers who were playing regularly on casino slot machines (at least once a week) is low (3%).
6. Recommendations

6.1 Better knowledge of core features of AWP and of protection targets

(1) Improved knowledge of characteristics of AWP (according to the German Industrial Code - §33c) and slot machines in casinos (according to German Criminal Code - §284) as well as on youth and gambling protection regulations

(2) Inclusion of an expertise training and testing for operators of gaming arcades and pubs

(3) Development of a nationwide prevention concept for gaming arcades and pubs
6. Recommendations

6.2 Improved adherance to the AGO / Industrial Code

(4) Completion of the catalogue of sanctions in the Industrial Code (§§ 145 and 145)

(5) Density of controls has to be improved in gaming arcades and pubs

(6) Staged procedure of sanctions with infringements of rules including withdrawal of the operating license.

(7) Improvement of instruments regarding the building law
6. Recommendations

6.3 Improved implementation of the core feature: entertainment

(8) A gambler is should not play on more than one machine at the same time

(9) After one hour of gambling, all game processes should be interrupted automatically for a certain time, and points or wins will be balanced.

(10) Point flows should be handled the same as monetary flows

(11) The average loss per hour should be lowered to 20 € per hour (currently 33€).

(12) The current maximum loss per hour (80 €) should be completed by a maximum loss per day (200 €).

(13) Implementation of a nationwide standardized “gambling card” for playing at AWP in order to control central setup and access conditions.
6. Recommendations

6.4 Establishment of a monitoring system

(14) Core problem gambling parameters should be regularly surveyed among the population and in gaming sites in order to detect and monitor early critical trends.

(15) To discuss and evaluate developments regarding the hardware of AWP and the gambling behavior an advisory board should be established within the Federal Ministry of Economy and Technology