

Gambling: A Unique Policy Challenge

Robert I. Simpson

Over the past 15 years, provincial governments across Canada have consistently demonstrated their willingness to expand the availability of gambling (Campbell et al. 2010). Most recently, the Ontario Lottery and Gaming Corporation (OLG) unveiled expansion plans that included eliminating 17 slots-at-race track venues and replacing them with 29 casinos nested more closely to population centres. The singular driving force for expansion is government's quest for non-tax revenue, largely in response to an ideologically based disaffection for tax increases. The trade-off is that, without precedent, government becomes *directly* involved in providing an activity that knowingly harms the population it is elected to serve. This fact alone demands unique policy consideration in relation to how government implements and manages its gambling agenda (Smith and Rubenstein 2009). Using the current Ontario initiative as a case in point, this article explores several of these considerations.

First Principles

Three core principles frame the context for policy consideration:

1. **Gambling is addictive.** As with drinking, gambling involvement occurs along a continuum from problem free, at one extreme, to very harmful at the other. Unique to gambling, however, is that the harm can include extreme financial duress that may profoundly affect family well-being over the long term, if not permanently.

In Ontario, there are about 330,000 problem gamblers of moderate to high severity (Wiebe et al. 2006). About 20% quit or substantially cut back each year, largely due to financial duress, and are replaced by an equal number of new gamblers (Schellinck and Schrans 1998; Single and Wiebe 2002). This rate of "churn" produces as many as one million "lifetime" problem gamblers over a decade.

2. **All gambling is loaded against gamblers.** This fact guarantees that the more gamblers play, the more they will lose (Hannum and Cabot 2001). Thus, gambling's primary function is to extract money from patrons (Adams 2008). Despite this reality, Ontario has no evidence-supported mechanisms in place to limit patrons' losses or to stop foreseeable harm (Williams et al. 2012).

Loyalty program data show gamblers playing 26 days a month, 24 hours a day, betting up to \$15,000 per hand, losing more than \$100,000 per day and losing more than

\$700,000 in a year (Priest 2005, October 5), none of which has been subject to any intervention whatsoever.

3. **Government assumes all significant roles.** It simultaneously acts as legislator, regulator, operator, profit taker *and* guardian of public health. This creates an inescapable conflict of interest, parallel to the "perverse incentive" faced by licensed premises, where maximizing profit necessarily increases harm to patrons (Hancock et al. 2008).

Thirty-five percent of all revenue comes from problem gamblers, with even higher rates of revenue from slot machines (60%) and horse racing (53%) (Williams and Wood 2007). Loyalty program data from Australia show that 0.5% of members generate 50% of all gambling revenue (Banks 2011, March). Although easily identified through loyalty program data and observation, the only response to mounting losses is to introduce increasingly powerful incentives to gamble more ("comps").

In light of these principles, the overriding policy imperative should be to embrace all possible measures to prevent harm to gamblers. Moreover, prevention should be operationally defined as measurably reducing known risk factors, including motivations for gambling, erroneous cognitions and loss-inducing gambling practices (Williams et al. 2012). In addition, gambling providers should be required to monitor patrons and intervene when early signs of foreseeable harm appear. Sadly, despite assertions of being world leaders in "responsible gaming," the record of Ontario and other Canadian provinces in adopting evidence-supported prevention measures falls substantially short of global leadership (Williams et al. 2012).

Eight Steps to Effective Prevention

Should provincial governments decide to effectively minimize harm from the provision of gambling, they should start with the following eight promising measures.

Make Loyalty Programs Less Harmful

Current loyalty programs actively fuel the transition to problem gambling and maximization of harm. Four changes will help contain the damage:

1. Set an annual spending threshold (e.g., \$1,000) after which the points awarded are substantially reduced. (The median expenditure for all slots gamblers is about \$450 per year [for

Opinion

casino and slots-at-racetrack venues] and \$650 per year for all casino table gamblers [Wiebe et al. 2006].) Gamblers who exceed a second threshold (e.g., \$5,000) should receive no further points. Excessive gambling should be neither encouraged nor rewarded.

2. Send past-month and past-12 month statements to all members. Using the whole membership as the base, provide normative feedback using percentiles and median values for frequency of gambling, duration of gambling and monthly expenditure.
3. Require casino staff to intervene when gamblers exceed thresholds for (a) frequency of gambling, (b) duration of sessions, (c) average bet size and (d) cumulative losses. Loyalty programs currently track these measures to calculate inducements to gamble more.
4. Eliminate inducements (comps) that directly encourage more gambling. Examples include limousine transport, coupons (which can reach \$500) to prime gambling, offering overnight stay during play and making last minute offers (e.g., free rooms and/or tickets for entertainment).

Remove ATMs

Automated teller machines (ATMs) should be removed from the gambling floor, if not from venues. OLG tells gamblers to “know your limit, stay within it,” yet it places ATMs within reach of all gamblers. Such placement fulfills heat-of-the-moment impulses for more money to chase losses. An overlapping approach is to limit ATM withdrawals to \$250 per day, as recommended by the Australian Productivity Commission (Banks 2011).

Modify Slot Machines

At 16.4%, slots have the highest rate for problem gambling (Wiebe et al. 2005; Williams and Wood 2007) due in part to the many built-in features that induce excessive play. Three harm-inducing features include these:

1. **Near misses.** Slots are programmed to show winning outcomes above and below the pay line 12 times more often than actual wins occur (Dixon et al. 2011). Gamblers are led to believe the machine is “close to winning” or “due for a win any time now” and play beyond their limits.
2. **Stop buttons.** The outcome of any spin is determined the moment it starts; the stop button merely reveals this outcome. But, the button (a) gives the illusion that gamblers have control over the outcome and (b) speeds up play and losses (Harrigan and Dixon 2009).
3. **Losses disguised as wins.** As much as 66% of the time, bells and noises sound announcing a win when the amount “won” is less than the amount bet (Jarick et al. 2012). This practice constantly reinforces patrons’ beliefs that wins occur far more frequently than they in fact do (Dickson et al. 2010).

End 24/7

Without cool-down time, heavy/problem gamblers will play all night, every day (24/7) and binges of two or more days go unchecked. A minimum six-hour daily closing is needed.

Eliminate Credit

Between 2000 and 2009, Ontario casinos extended more than \$86 million in credit to patrons (Priest 2005, October 2). There is no defensible reason for casinos to offer credit, given that the odds of every game are stacked against the gambler. Credit accounts, which can reach \$100,000, are a sure way to increase losses and debt.

Reduce Recruitment Budgets

Ontario spends well over \$500 million annually on advertising, marketing and promotions (not including an estimated \$250 million by the four commercial casinos) to encourage more gambling. If gambling is such an enjoyable a pastime and government has a monopoly, why is this necessary? Halving these budgets would transfer an additional \$375 million to public coffers.

Reduce Maximum Bets

Casinos allow bets up to \$20,000 per hand at table games (T. Trinci, personal communication, December 18, 2010). Some hands, as in baccarat, take barely a minute to play. Why would any *entertainment* involve such incredible risk? Maximum bets should be substantially lower. In addition, the Australian Productivity Commission recommended limiting maximum bets on slot machines to one dollar (Banks 2011).

Eliminate Holding Accounts

“Front-end” accounts at casinos let gamblers store large amounts of money (often well in excess of \$100,000) to draw from during play, ostensibly to “eliminate the inconvenience” of continuously transporting money from home. They also facilitate gambling until all deposited money is lost.

Further Suggestions and Conclusion

Two additional measures should be contemplated. First, government should adhere to the precautionary principle before introducing any change to gambling delivery (Hancock et al. 2008; Banks 2011). This principle, as with the introduction of new drugs, requires research showing that, as a condition for adoption, proposed changes will not increase harm. Drugs can be harmful, as can gambling, and parallel approval procedures are warranted.

Second, it is a little-known fact that consumer protection laws currently exempt gambling. There is no reason why an enterprise that explicitly incorporates deceptive and exploitive practices should not be subject to the same standards and oversight as any consumer product. A body independent of government influence, such as the provincial ombudsman,

should be charged with monitoring compliance and initiating remedial action as necessary (Smith and Rubenstein 2009).

From a policy perspective, gambling is a unique and glaring departure from accepted standards and principles (Smith and Rubenstein 2009). An enlightened policy framework would establish a standard of care by which gamblers would be protected from exploitation and harm. Unfortunately, there appears to be no mechanism to persuade governments to embrace such a framework and forgo substantial revenue accrued from those being harmed.

In the absence of effective action by government, it will be left to individual gamblers who have suffered harm to turn to the civil courts for redress (Sasso and Kalajdzic 2007). As occurred in 1973 in relation to the sale of alcohol, a precedent-setting ruling that gambling operators owe a duty of care to their patrons may be the last option for social justice (Sasso and Kalajdzic 2007). Failure by government to adopt voluntary standards of care is short sighted and opens the way for more stringent standards to be imposed by the courts. As the legal community is wont to say under such circumstances, "Govern your actions accordingly." **HQ**

References

- Adams, P. 2008. "Gambling as an Extractive Industry and the Moral Jeopardy It Generates." In *The Alberta Gaming Research Institute Conference, April 2008*. Edmonton AB: Alberta Gaming Research Institute. Retrieved September 25, 2012. <<http://www.abgambingresearchinstitute.ualberta.ca/Events/EventsArchive/2008Conference/CompletedConference2008Program.aspx>>.
- Banks, G. 2011, March. *Evidence and Social Policy: the Case of Gambling*. Presentation to South Australian Centre for Economic Studies, Corporate Seminar, Adelaide, Australia.
- Campbell, C., T. Hartnagel and G. Smith. 2010. "The Legalization of Gambling in Canada." In J. Mosher and J. Brockman, eds., *Constructing Crime*. Vancouver, BC: UBC Press.
- Dixon, M., K. Harrigan, M. Jarick, V. MacLaren, J. Fugelsang and E. Sheepy. 2011. "Psychophysiological Arousal Signatures of Near-Misses in Slot Machine Play." *International Gambling Studies* 11(3): 393–407. DOI: 10.1080/14459795.2011.603134.
- Dixon, M., K. Harrigan, R. Sandu, K. Collins and J. Fugelsang. 2010. "Losses Disguised as Wins in Modern Multi-line Video Slot Machines." *Addiction* 10: 1819–24.
- Hancock, L., T. Schellinck and T. Schrans. 2008. "Gambling and Corporate Social Responsibility (CSR): Re-defining Industry and State Roles on Duty of Care, Host Responsibility and Risk Management." *Policy and Society* 27: 55–68.
- Hannum, R.C. and A.N. Cabot. 2001. *Practical Casino Math*. Reno, NV: Institute for the Study of Gambling and Commercial Gaming.
- Harrigan, K. and M. Dixon. 2009. "PAR Sheets, Probabilities, and Slot Machine Play: Implications for Problem and Non-problem Gambling." *Journal of Gambling Issues* 23: 81–110. Retrieved September 14, 2012. <<http://www.camh.net/egambling/issue23/pdfs/06harrigan.pdf>>.
- Jarick, M., M. Dixon, K. Harrigan and C. Jensen. 2012. *Unmasking Losses Disguised as Wins during Slot Machine Play Enhances the Feedback-Related Negativity Typically Associated With Losses*. Guelph, ON: Ontario Problem Gambling Research Centre. Retrieved September 14, 2012. <<http://www.gamblingresearch.org/content/research.php?appid=2771>>.
- Priest, L. 2009, October 2. "Casinos Spend Millions on 'Comps.'" *Globe and Mail*. Retrieved September 19, 2012. <<http://www.theglobeandmail.com/news/national/casinos-spend-millions-on-comps/article1347579/>>.
- Priest, L. 2009, October 5. "The Million-Dollar Club: Losing Big, Losing Often." *Globe and Mail*. Retrieved September 19, 2012. <<http://www.theglobeandmail.com/news/national/the-million-dollar-club-losing-big-losing-often/article1311827/>>.
- Sasso, W. and J. Kalajdzic. 2007. *Do Ontario and Its Gaming Venues Owe a Duty of Care to Problem Gamblers?* Guelph, ON: Ontario Problem Gambling Research Centre. Retrieved September 19, 2012. <<http://www.gamblingresearch.org/content/research.php?appid=2206>>.
- Schellinck, T. and T. Schrans. 1998. *1998 Nova Scotia Video Lottery Player Study*. Halifax, NS: Nova Scotia Department of Health, Addictions Services.
- Single, E. and J. Wiebe. 2002. *Secondary Analysis of the "Measuring Gambling and Problem Gambling in Ontario" Data: A Focus on Risk Practices and Consequences*. Guelph, ON: Ontario Problem Gambling Research Centre. Retrieved September 10, 2012. <<http://www.gamblingresearch.org/content/research.php?appid=2113>>.
- Smith, G. and D. Rubenstein. 2009. *Accountability and Social Responsibility in Ontario's Legal Gambling Regime*. Guelph, ON: Ontario Problem Gambling Research Centre, Guelph, Ontario. Retrieved September 19, 2012. <<http://www.gamblingresearch.org/content/research.php?appid=2555>>.
- Wiebe, J., P. Mun and N. Kauffman. 2006. *Gambling and Problem Gambling in Ontario 2005*. Guelph, ON: Ontario Problem Gambling Research Centre. Retrieved September 19, 2012. <<http://www.gamblingresearch.org/content/research.php?appid=1043>>.
- Williams, R.J., B.L. West and R.I. Simpson. 2012. *Prevention of Problem Gambling: A Comprehensive Review of the Evidence, and Identified Best Practices*. Guelph, ON: Ontario Problem Gambling Research Centre and the Ontario Ministry of Health and Long-Term Care. Retrieved October 1, 2012. <<https://www.uleth.ca/dspace/handle/10133/3121>>.
- Williams, R.J. and R.T. Wood. 2007. "The Proportion of Ontario Gambling Revenue Derived from Problem Gamblers." *Canadian Public Policy* 33(3): 367–87.

About the Author

Robert I. Simpson was the chief executive officer of the Ontario Problem Gambling Research Centre from its inception in 2000 until 2010. He is not against gambling but stands squarely against gambling harm. He served as co-editor of the journal *International Gambling Studies* from 2005 to 2010 and has written extensively on problem gambling. He co-authored the definitive document *Prevention of Problem Gambling: A Comprehensive Review of the Evidence, and Identified Best Practices* (Williams et al. 2012), which was prepared for the Ontario Problem Gambling Research Centre and the Ontario Ministry of Health and Long-Term Care. Much of the content for this article was drawn from this document, which can be accessed at <http://hdl.handle.net/10133/3121>.