



Electronic gaming machines: what lessons from Norway?

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Introduction

In recent months a contentious debate around proposals to introduce mandatory pre-commitment on electronic gaming machines (EGMs) has developed in Australia. The debate has tended to focus around two key issues: evidence on the effectiveness of the proposed reforms (will it work to limit problem gambling); and the potential financial impact on the gambling sector (including venues like clubs and pubs) and the effect this might have on the broader community. This paper discusses the first of these issues, the evidence of effectiveness, looking in particular at evidence from Norway.

The context of the debate is that, to secure the support of key independent and then member-elect Andrew Wilkie at the last Federal election, the Prime Minister agreed to implement mandatory pre-commitment (MPC) on EGMs by 2014.¹ MPC is where players must pre-set the amount they are prepared to lose before they gamble. The introduction of MPC on EGMs was also a key recommendation of the Productivity Commission in its 2010 report into gambling, albeit allowing a longer implementation time frame. Debate around this proposal has intensified, particularly since Clubs Australia commenced its publicity campaign to oppose the reforms.

An interesting characteristic of the debate, however, is that those on opposite sides have both cited evidence from Norway to support their respective positions. Supporters of MPC on EGMs (mainly those from the social and community sectors, but also some academics) have pointed to the evidence from Norway in support of this approach. Meanwhile, those opposed to MPC including those in the clubs industry, argue that the evidence from Norway shows that MPC won't work. This background note will discuss the evidence from Norway and how it has been used to support opposite sides of this argument.

Norway's response to gaming machines

In July 2007, in response to ongoing concerns over the harms from problem gambling the Norwegian government banned all electronic gaming machines—then known as slot machines—from Norway. Slot machines had increasingly become the subject of tighter controls because of concerns they contributed to problem gambling prevalence in Norway. Gaming machine revenue had risen dramatically, from NOK 9 billion in 2001 to NOK 27 billion in 2005, according to the state operator Norsk Tipping in its annual report for that year.²

Prior to the ban, EGMs in Norway were readily available in shopping centres and train stations, and although an age limit had been introduced in 2001 it was reportedly difficult to enforce. The prevalence of problem gambling was estimated at around 1.4 per cent of the population in 2002, but

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1. The Agreement between the Hon. Julia Gillard, MP, Prime Minister and Mr Andrew Wilkie, 2 September 2010, p. 7, viewed 16 November 2011, <http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressrel%2F176826%22>
 2. Norsk Tipping, *Annual and social report 2010*, p. 6, viewed 10 November 2011, https://www.norsk-tipping.no/selskapet/_binary?download=true&id=48334

many considered this a conservative estimate.³ In 2003, the government began efforts to impose greater control on gaming machines but these were met with considerable resistance, including legal challenges, from the gaming machine industry.

In January 2009, new gaming machines—known as video lottery terminals (VLTs)—were introduced into Norway under the sole control of Norsk Tipping, the government operator. These VLTs were configured with features to make them less harmful, including: a mandatory limit on the amount players could gamble, mandatory breaks in play, lower bets, lower prizes and player exclusion options.⁴ Gamblers could no longer insert cash to play the VLTs but instead were required to use a player card. All VLTs were to be connected to a central server. These new machines have become increasingly popular; the number of active players rose from 85 000 in 2009 to over 99 000 in 2010.⁵

What evidence emerged from the ban?

A recent study by gambling researcher Ingeborg Lund found that following the ban on slot machines in 2007 total gambling participation, gambling frequency and gambling problems in Norway all fell—in some cases significantly.⁶ Lund's study was based on follow up interviews with participants from the national gambling survey. Lund found significant reductions in gambling problems, lying and the practice of chasing losses. Overall gambling participation across different groups of gamblers was also observed. The greatest reduction in gambling participation was seen among high intensity and at risk gamblers who played EGMs, as could be expected. However, Lund found no evidence that this drop was accompanied by significant rises in other forms of gambling (such as online gambling or illegal gambling), suggesting that problem gamblers did not substitute play on the banned EGMs with these other forms of gambling.

However, evidence from other sources would appear to contradict some of Lund's findings. Opponents of MPC argue that there was actually an increase in internet gambling in Norway following the removal of slot machines, as well as an increase in reports of gambling harm associated with this mode of gambling.⁷

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3. Ingeborg Lund, 'Gambling and problem gambling in Norway: What part does the gambling machine play?', *Addiction Research and Theory*, October 2006, vol. 14 (5), pp. 475–491, viewed 10 November 2011, <http://search.ebscohost.com/login.aspx?direct=true&db=aph&AN=22848022&site=ehost-live>
 4. Jonny Engebø, 'From slot machines to gaming terminals—experiences with regulatory changes in Norway', [presentation] Vienna, September 2010, viewed 10 November 2011, http://www.easg.org/media/file/vienna2010/presentations/Thursday/1330/P2/4_Jonny_Engebo.pdf
 5. Norsk Tipping, op. cit., p. 67.
 6. Ingeborg Lund, 'Gambling behaviour and the prevalence of gambling problems in adult EGM gamblers when EGMs are banned. A natural experiment', *Journal of Gambling Studies*, vol. 25, 2009, pp 215–225, viewed 10 November 2011, <http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22library%2Fjrnart%2F1213760%22>
 7. For example, see Peter Newell, President of Clubs Australia, 'Norway introduced mandatory precommitment and the result was that players moved to Internet gambling', in Joint Select Committee on Gambling Reform, *First report: the design and implementation of a mandatory pre-commitment system for electronic gaming machines*, p. 169, viewed 16 November 2011,

Gambling data reported by Norsk Tipping in its annual report showed that participation in internet gambling had increased.⁸ Calls to gambling helpline services from internet problem gamblers nearly doubled between 2008 and 2010, although the numbers were small.⁹ An increase in the proportion who were classed as problem gamblers was also observed, as the graph below indicates, rising from 1.9 per cent in 2008 to 2.1 per cent in 2010. Players at moderate risk of developing a problem also increased, from 2.1 per cent in 2008 to 2.3 per cent in 2010.



Source: Norsk Tipping¹⁰

Conversely, by 2010 a higher proportion of the population in Norway were reporting no gambling problems; the proportion without problems rising from 85.2 per cent of the population in 2008 to 87 per cent in 2010. There was also a decline in the proportion of low-risk gamblers, from 10.9 per cent in 2008 to 8.6 per cent of the population in 2010.

Interpreting the evidence

So, how are we to interpret what appear to be conflicting pieces of evidence? Firstly, it should be noted that some of the shifts detected in the Norsk Tipping survey data are relatively small, so how much can be gleaned is uncertain. In the case of problem and moderate risk gamblers, an increase in prevalence of just 0.2 per cent was considered by Norsk Tipping to be 'within the margin of error'

http://www.aph.gov.au/Senate/committee/gamblingreform_ctte/precommitment_scheme/report/index.htm; see also Clubs Australia, 'Mandatory pre-commitment fails to reduce problem gambling', media release, 14 September 2011, viewed 16 November 2011, <http://www.clubsaustralia.com.au/docs/default-document-library/ca-mr-norway.pdf>

8. Norsk Tipping, op. cit., p. 68.

9. Ibid, p. 74.

10. Ibid, p. 19.

from the 2008 survey.¹¹ Secondly, the methodology used by the survey company, Synovate, was revised between the survey dates. This raises questions over the comparability of the two surveys.

Thirdly, data on utilisation of helpline services may not be the best indicator of problem gambling prevalence. Evidence suggests that a significant proportion of problem gamblers never access help services so relying on such data as a proxy for gambling problems has only limited usefulness.¹²

In addition, the increase in participation in internet gambling in Norway could reflect an ongoing trend towards internet-based gambling, rather than a substitution effect. Lund argues that if the shift to internet gambling that was witnessed genuinely reflected a substitution effect, then total gambling participation would not have fallen during the EGM ban.¹³

Internationally, gambling on the internet has become increasingly popular. Although accurate figures are not readily available, estimates suggest that revenues from this form of gambling have been growing significantly in recent years.¹⁴ With its high levels of internet access and legal online gambling, gamblers in Norway were already well placed to move to internet gambling. So while an increase in internet gambling was indeed observed during the ban on slot machines, the fact the trend to internet gambling was already underway makes it harder to sustain the argument that gamblers substituted slot machine gambling with internet gambling.

Some differences between Australia and Norway worth noting

There are some key differences between Australia and Norway worth noting that raise questions over how comparable the two are when it comes to the issue of EGM reform.

Firstly, the slot machines that were banned in Norway differed from those currently available in Australia. Norway's slot machines were widely available in supermarkets, kiosks, petrol stations and train stations; locations associated with transient activities. In Australia, EGMs are located in casinos, registered clubs and pubs, settings more associated with leisure and entertainment activities, where alcohol is also available. Arguably these type of venues provide a more appealing, safer environment than does a train station or supermarket, which may add to the appeal of playing EGMs in Australia.

Secondly, although the banned slot machines were regarded as harmful, they were arguably less harmful than EGMs here. Slot machines in Norway featured lower jackpots (maximum of €250, or

11. Ibid, p. 19.

12. Amanda Biggs, 'Is counselling for pokie addiction an effective harm minimisation measure?' *Flagpost*, October 27 2011, Parliamentary Library, viewed 10 November 2011, <http://parliamentflagpost.blogspot.com/2011/10/is-counselling-for-pokie-addiction.html>

13. Lund, op. cit., p. 223.

14. According to Global Betting and Gaming Consultants (2008) worldwide online gambling revenues were \$600 million in 1998; \$5.6 billion in 2003; and \$16.6 billion in 2008. See Gambling Commission (Great Britain), *Submission no. 33*, p. 7, Joint Select Committee on Gambling Reform, Inquiry into interactive and online gambling and advertising, viewed 10 November 2011, http://www.aph.gov.au/Senate/committee/gamblingreform_ctte/interactive_online_gambling_advertising/submissions.htm

\$334), lower maximum bet limits (€1.25 or \$1.67) and were only configured to accept coins (after note acceptors were banned in 2006).¹⁵ In contrast, EGMs in Australia are configured to pay considerably larger jackpots, allow much higher maximum bets (\$10 in NSW) and most have cash note acceptors where high denominations are allowed.¹⁶ Arguably, these features contribute to the more 'intense' game-play that characterises Australian EGMs, which make them both more appealing, but also more addictive to play.

Further, unlike the MPC arrangements which are proposed in Australia, where players would set their own gambling limit, the VLTs in Norway feature a mandated, preset maximum loss limit set by the government; mandatory breaks in play after a certain period are also enforced. Although the final details have yet to be released, the MPC model that is proposed here would require players to set their limits (in line with maintaining consumer sovereignty¹⁷) and would not include enforced breaks in play.

There are also differences in the online gambling environment. In Norway online gambling is legal and regulated, where gamblers play casino type games on approved online gambling websites. Here, such online gambling services are prohibited to Australian residents.¹⁸ While evidence suggests many Australians do gamble online on overseas-based websites, the extent of this and the problems linked to this form of gambling are not accurately known.¹⁹

One other difference worth noting is that the Norwegian government abolished private gaming machine operators from the market prior to the ban. All gaming machines are now operated by Norsk Tipping, a state-run monopoly.

Arguably, these differences limit the conclusions that can be drawn from Norway in respect to the Australian environment.

What lessons can be learnt?

As the new VLTs continue to be rolled out across Norway, new evidence on their impact on reducing problem gambling will no doubt emerge. Based on how the debate around MPC has already progressed in Australia, it is likely that any further evidence from Norway will continue to be

15. Jonny Engebø, op. cit.

16. Productivity Commission, *Gambling*, Canberra, PC, 2010, p. 11.7, p. 11.31, p. 11.50, viewed 10 November 2011, <http://www.pc.gov.au/projects/inquiry/gambling-2009/report>

17. The Productivity Commission argued in favour of maintaining the principle of consumer sovereignty in approaches to gambling regulation. Ibid, p. 20.

18. Under the *Interactive Gambling Act 2001* (IGA). The IGA prohibits the provision of interactive gambling services to customers in Australia and the advertising of these. A distinction should be drawn between interactive gambling which is prohibited, and other forms of online gambling which are legal. Interactive gambling involves online gaming on casino games (Blackjack, Baccarat, Roulette), all forms of poker and virtual gaming machines. Placing bets or wagering via the internet is permitted.

19. The Productivity Commission (PC) cited a range of survey data on participation rates for online gambling. Most surveys it cited found a participation rate of between 0.1 and 1.0 per cent of the population had played casino type games on the internet. Productivity Commission, op. cit., p. 15.15.

contested by those on both sides. Although the gambling environment in Norway was, and remains, materially different to the Australian situation, nevertheless Norway offers other valuable lessons for policy makers.

Firstly, the reduction in harm from gambling following the EGM ban in Norway strongly suggests that EGMs were significant contributors to these harms, and helps justify arguments for greater EGM controls. Given that the type of EGM that was banned displayed less intense game play features than those available in Australia, will add weight to this view. That Norway successfully replaced its popular slot machines with VLTs configured to reduce harm but which have still proven popular among players, may also reinforce the view that greater controls on EGMs can be achieved without significantly diminishing player enjoyment.

The fact that the Norwegian government successfully imposed greater controls on its slot machines, in the face of sustained industry opposition, demonstrates the capacity of governments to successfully overcome vested interests. This may also strengthen the resolve of those seeking similar reforms in Australia.

A further lesson to note from Norway is that the trend to online gambling will continue, regardless of whether or not MPC is implemented here. As the online environment Australian gamblers play in is largely beyond the reach of Australian authorities, the trend towards internet gambling presents a particular challenge for policy makers, most notably, how to minimise harm and support responsible gambling initiatives. But more reliable data will be needed in order to respond appropriately to this challenge.

Finally, the sustained industry campaign opposing the reforms in Norway, which included a number of (ultimately unsuccessful) legal challenges, suggests that progressing gaming machine reform in Australia is likely to require a sustained effort. Although the government argues it has the power to legislate to impose MPC if the states and territories do not cooperate,²⁰ the prospect of legal challenges ahead must be factored into consideration.

Meanwhile, harms from problem gambling will continue to accrue, and calls to limit these will likely continue if EGM reform remains unaddressed.

20. Hon Jenny Macklin (Minister for Families, Housing, Community Services and Indigenous Affairs), *Release of legal advice on gambling reform*, media release, 1 February 2010, viewed 10 November 2011, <http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressrel%2F644798%22>.

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