

Background and motivation

The current Betting and Gaming Act in the Netherlands (*Wet op de Kansspelen* or 'Wok') prohibits the provision and promotion of games of chance without a permit. The act aims to regulate and control games of chance in order to:

- (a) Combat compulsive gambling;
- (b) Protect consumers;
- (c) Combat crime and unlawfulness.

Illegal gaming can take a variety of forms. Some games of chance are forbidden by the Wok and are therefore always illegal. Other games of chance are legal provided that certain rules and restrictions are observed. Enforcement is the responsibility of the Ministry of Justice and the municipalities (with regard to administrative law), the Police and the Public Prosecutions Department (with regard to criminal law) and the Tax and Customs Administration (with regard to fiscal law). As requested by the Ministry of Justice, the Tax and Customs Administration coordinates enforcement regarding large-scale (non-virtual) illegal gaming. The Joker Project Group has been set up for this purpose. A general revision of the Wok is currently being drafted; the new legislation will however maintain the restrictive policy on games of chance

The Minister of Justice announced in the fifth progress report on gaming policy (in July 2007) that investigations would be carried out into the nature and extent of illegal gaming in the Netherlands. A decision was made to carry out the investigations in two stages. The first stage would consider whether it is possible to make reliable statements about the nature and extent of illegal gaming and, if so, how. The second stage, should it be considered necessary, would consist of research into the nature and extent of illegal gaming along the lines of the approach worked out in stage one. This report contains the results of stage one of the investigations.

Aim and approach

Stage one of the investigations aims to determine:

- (a) What is already known about illegal gaming in the Netherlands;
- (b) Whether there are methods for the various kinds of games of chance for reliably establishing the nature and extent of illegal gaming and whether these methods are a realistic proposition in practice;
- (c) If that is the case, which is the best method (for each kind of game of chance) for establishing the nature and extent of illegal gaming, including the research design and necessary expertise.

The enquiry focuses on the following kinds of illegal gaming:

- (a) Poker (not via Internet);
- (b) Commercial bingo (not via Internet);
- (c) Lotteries, football pools and similar (not via Internet);
- (d) Internet-enabled gaming machines in arcades, bars and restaurants;
- (e) All illegal gaming on the Internet.

The first step in the project consisted of formulating a framework of criteria that could be used to test the usability of the available information. A literature study and interviews were then carried out to obtain an overview of the information available. The information was evaluated according to the framework of criteria, and conclusions were drawn regarding the usability of the data and the need for new research. Finally, recommendations were made for a new research approach.

The available data sources are not always usable

Research into games of chance

Several research projects have been carried out in recent years into various aspects of the nature and extent of particular kinds of illegal games of chance. Besides these projects, research into other aspects of gaming such as compulsive gambling can give information about the nature and extent of illegal gaming, even if that was not the main aim of the study in question. In considering the various research projects, a distinction can be made between studies of gamblers and studies of game providers.

Three studies of gamblers ('Wired to more than a game. A study on the nature and extent of problem gambling in the Netherlands' carried out by CVO, 'Kansspelen via nieuwe media' (Gaming via new media) carried out by Motivaction and 'Het gezicht van poker' (The face of poker) carried out by B&A Consulting) contain fairly up-to-date information. However, the results are neither sufficiently representative nor sufficiently valid for the Dutch population. Respondents in the CVO research project were asked whether they had knowingly taken part in illegal gaming. This approach does not measure participation in illegal gaming where participants are not aware of the illegality of their actions. Moreover, there is a high risk of people only giving socially acceptable answers. Both Motivaction and B&A Consulting made use of Internet panels for their research. This gives less representative data; participants in Internet panels tend to be heavier users of Internet than non-participants and neither of the two studies corrected for that effect. In addition, both studies only examined subgroups (Motivaction studied only adults and B&A Consulting looked only at young people).

The research carried out into providers of illegal gaming is generally rather out of date. The two most recent research projects were the KOI study of gaming on the Internet carried out by the

National Police Services Agency (KLPD) and the research project carried out by Verispect into the provision of illegal lotteries and football pools by tobacconists. The KOI study was carried out in 2003; given the rapid developments in Internet technology, the results can no longer be considered up to date. The Verispect study took place in 2006 and 2007 and provides a reliable estimate of the number of distribution points for illegal lotteries and football pools, but only for a specific subgroup, i.e. tobacconists in the four largest Dutch cities.

Record systems

Record systems that have been created as part of the law enforcement task largely contain information about providers rather than gamblers. The files belonging to the Joker Project Group at the Tax and Customs Administration give the most complete overview of information recorded by the various enforcement bodies. The Tax and Customs Administration plays a pivotal role and receives information on illegal gaming from organisations such as the police and the supervisory bodies. The Tax and Customs Administration also carries out its own investigations. The files contain information primarily about poker and bingo. Verispect has fairly complete records of Internet-enabled gaming machines, as this organisation carries out checks of all arcades and catering establishments in the Netherlands over a three-year period.

Other record systems may by chance contain information about illegal gaming. Examples are mental healthcare record systems in the context of addiction treatment and the records of newspaper articles in the LexisNexis database. In practice, these record systems are scarcely usable as the relevant information is sporadic and unrepresentative.

Media

The media are a source of information about illegal gaming. First, the media (and Internet in particular) are used to advertise illegal gaming. Second, Internet is of course the arena in which interactive Internet gaming takes place. Internet can be a suitable source of information provided the analysis is carried out shrewdly. Technological developments mean that it is possible to find most of the relevant Internet sites with the help of search engines. However, search engines also produce a great number of sites which are not relevant (false positives) and these subsequently need to be removed.

Informers

Informers – organisations or individuals such as taxi drivers and journalists who come into contact with illegal gaming through their work – are a source of information about the non-virtual forms of illegal gaming. They can never give a full and representative picture of the nature and extent of illegal gaming; however, they can provide valid qualitative information.

New research is needed to determine the nature and extent of the various kinds of illegal gaming

For all forms of illegal gaming, the conclusion is that there is insufficient usable information available on the nature and extent of the problem. In all cases, new research is required.

There is no clear picture of the state of Internet gaming in 2007. Various studies contain estimates of the extent of illegal Internet gaming, but none of these estimates can be considered a reliable estimate of the situation at the end of 2007. The estimates in the KOI study in 2003 can no longer be considered up to date. The estimates of the numbers of gamblers by Motivaction (2007) and B&A Consulting (2007) only relate to subgroups and are not representative.

No description is available of the nature and extent of Internet-enabled gaming machines in arcades, bars and restaurants. There is a reliable system recording Internet-enabled gaming machines (maintained by Verispect), although an analysis needs to be carried out in order to obtain an estimate of the total number of Internet-enabled gaming machines nationally. There are no suitable data sources available for other aspects of the nature and extent of this kind of illegal gaming. That requires new research.

At the moment there is insufficient insight into the nature and in particular the extent of illegal poker (in its non-virtual form). The existing studies and other data sources do not provide information that is directly usable; however, the Joker Project Group records are a good starting point for estimates of the extent of the problem in terms of the number of locations and the turnover. New research is needed to provide estimates of the number of poker players.

A quite soundly based description of the *nature* of commercial bingo can be given; however, there is no reliable data on the *extent* of this kind of gaming. The Joker Project Group records are a good starting point for estimating the extent expressed in terms of the number of bingo halls and the total turnover.

There is virtually no usable information about (non-virtual) lotteries and football pools (with the exception of the Verispect study of tobacconists), partly as a result of the clandestine character of this form of illegal gaming. The nature and extent can only be determined by new research.

Follow-up studies are possible for all forms of gaming

Internet gaming: combine Internet search of gaming providers with Internet survey of gamblers

A study in two stages is proposed for illegal gaming on the Internet. First, research will be carried out into the number of gaming providers and their characteristics. This will be done by analysing a sample from search engine results using the capture/recapture method. Using samples rather than analysing all results will increase the efficiency and limit the effort required. The capture/recapture method improves the validity of the result as this method also gives an estimate of the number of sites that are not found by search engines (the “dark number”). Next, an Internet survey of gamblers will be carried out using an Internet panel with an age range of 15 to 45 years. Valid and representative data is obtained by selecting a panel according to its recruitment quality and by adjusting the results for the intensity of Internet use (number of hours on the Internet) of the respondents. This approach provides estimates of nearly all aspects of the nature and extent of illegal gaming on the Internet.

Internet-enabled gaming machines: Verispect’s records are a good source

We suggest a secondary analysis of the Verispect records to obtain insights into Internet-enabled gaming machines. This will give information about the number of machines and the number of locations. Furthermore, we propose extending the registration by Verispect as follows: a Verispect employee who comes across an Internet-enabled gaming machine during a supervisory check would also record whether anyone is playing the machine and the time of day. The Random Spot Check Method can then be used to give an estimate of the number of players.

Poker: Joker Project Group record system and additional information using an Internet survey

We suggest a study in two stages for determining the nature and extent of (non-virtual) poker. The first stage will consist of a secondary analysis of the Joker Project Group records. Next, an Internet survey will be carried out among poker players. The same scheme is used here as for the survey of Internet gaming. This approach gives an estimate of nearly all aspects of the nature and extent of illegal poker.

Bingo: Joker Project Group record system supplemented by participatory observation

An approach in two stages is proposed for bingo. First, a secondary analysis of the Joker Project Group records will be carried out. In the second stage, participatory observation will be used to gather information about bingo players and the proceeds from a bingo session. It may be possible to deduce this information from the Joker Project Group records, in which case the second stage will not need to be carried out. This study provides estimates of the number of locations and the total turnover, but no estimate of the number of bingo players can be given as this information is not included in the Joker Project Group records.

Participatory observation can be used for illegal lotteries and football pools

The available information shows that illegal lotteries and football pools are exceptionally difficult to research. Participatory observation is proposed as a means of obtaining some information on the nature and extent of this form of illegal gaming. This approach involves selecting two to three midsized towns for study. This gives qualitative information about the nature and extent of gaming. In our opinion, a reliable quantification of the extent of illegal lotteries and football pools in the Netherlands is not possible.

Priorities and synergy

The approaches for the various kinds of illegal gaming differ in their costs and in the results. We recommend setting priorities for the follow-up studies. We also recommend exploring possibilities for synergy between the different studies. Our prioritisation in this report is based on research considerations such as feasibility and the costs in relation to the likely results. The final decision of the Ministry will also depend on policy priorities.

We see possibilities for synergy in two areas:

- (a) The Internet surveys for Internet gaming and poker;
- (b) The secondary analyses of the Joker Project Group records of poker and bingo.

A possible prioritisation is as follows (with the highest priority first):

- (a) Internet gaming;
- (b) Illegal poker;
- (c) Internet-enabled gaming machines;
- (d) Commercial bingo;
- (e) Illegal lotteries and football pools.