

SUMMARY

Background

Within the framework of the research programme for 2008/2009, the Netherlands gaming control board decided to commission a study on the development of arcades in the Netherlands. The immediate cause for this study is the observation of the board that although (in addition to casinos) arcades make up an important part of the gambling market, including the corresponding addiction risks, restrictive government policies are hardly apparent, due to the fact that the establishment of arcades and the operation of gambling machines in cafes, restaurants and hotels are the responsibility of the local authorities. The study provides insight into the development of arcades in the Netherlands, both with respect to quantity and quality.

Policy

The current gambling policy concerning arcades is based on the following keynotes: meeting the needs of the general public, protection of vulnerable groups, profitable operation and good enforcement opportunities. Over the years, these keynotes have been decisive for the way the government has dealt with arcades. In 2000, in the last large-scale amendment of the law, these keynotes also occupied centre stage. Product differentiation, which was introduced in the amended law, meets the needs of the general public and provides good operation opportunities. Strict entry control procedures and an obligatory training for managers protect vulnerable groups and provide more enforcement opportunities. In view of the fact that municipalities know the local situation best, municipalities have been given responsibility for the location policy concerning arcades.

It will take some time before new alterations will be made to the gambling policy, however, in the short term a gambling authority will be established. One of the tasks of this gambling authority will be to supervise the slot machines market. In addition to policy developments, over the years other issues have also had an influence on the arcades industry, such as the introduction of the euro, the smoking ban and the gambling tax.

Quantitative developments

Both the figures of Verispect and the figures of KPMG show that the number of arcades in the Netherlands has remained stable in the past ten to fifteen years. However, over the years, the number of gambling machines per arcade has increased from an average of 47 per arcade in 2001 to an average of 56 per arcade in 2008. The number of player terminals rose from 57 in 2001 to 80 in 2008.

In less than ten years, the number of operators has halved. In 2009, three large operators can be distinguished in the entertainment industry.

With regard to the development of the gross proceeds three conclusions can be drawn. Firstly, the gross proceeds of the arcades fluctuate from year to year, but showed a decrease in the last couple of years. Gross proceeds of

2008 were 15 percent below the level of 2006. Secondly, there are indications that in the third quarter of 2008, gross proceeds decreased when compared to the second quarter of 2008 (minus 16%). In this period, net proceeds decreased by 29 percent. This decrease may be attributed to external effects, such as the ban on smoking, the introduction of the gambling tax and the economic crisis, and according to the operators this is exactly the case. For that matter, Holland Casino witnesses a similar development with regard to this period.

Thirdly, figures of the tax authorities do not indicate a marked trend in the period between July 2008 and July 2009. The figures neither signify a further relapse, nor a recovery: there are no clear traces of the economic crisis. With regard to this period, the developments at Holland Casino are different, there the gross proceeds decrease further.

In conclusion, gross proceeds of arcades have decreased in comparison with 2006. The most recent developments neither indicate a relapse nor a recovery. In particular, the ban on smoking and the introduction of the gambling tax may have contributed to this development. To assume a relation with the results of the economic crisis is less obvious, because the figures do not indicate a relapse in the period after August 2008.

The number of arcades is largest in the provinces of North Holland, Limburg and South Holland. The province of Zeeland has the largest number of arcades per 50.000 inhabitants (nearly three), followed by Limburg with nearly two arcades per 50.000 inhabitants. This is probably due to the tourist character of these provinces.

The same conclusion can be drawn at the level of the municipalities. It turns out that, comparatively speaking, small, touristical municipalities accommodate most arcades.

Location policy

When assessing an application for an arcade licence, municipalities mainly take into account the effects on public order and the quality of the applicant. With regard to existing arcades, in addition to the legal inspections carried out by Verispect, inspections are also carried out by the municipalities and the police.

The observed trend that arcades are upgraded to larger casino-like properties has the effect that the location policy concerning arcades slowly changes. Most arcades are still located in town centres, however, a shift can be observed towards the outskirts. Ever more often, larger arcades are established in the outskirts, where they are combined with other entertainment facilities as part of a leisure concept. With regard to choosing a suitable location for an arcade, reaching customers is the main criterion for both municipalities and operators.

Gambling addiction

Twenty three percent of the municipalities indicate that they have implemented an active gambling addiction prevention policy. Often municipalities cooperate with each other and with operators and addiction treatment organisations in carrying out this gambling addiction prevention policy. With regard to half of the municipalities that have implemented an active gambling addiction prevention policy, a covenant between these parties has been established concerning gambling addiction. The municipality usually has a coordinating role. The municipalities that have been interviewed indicate that within their municipal boundaries, gambling addiction does not reach problematic proportions. In most municipalities, there are no signs from local addiction treatment organisations that the problems are increasing. There is no quantitative data available on the effectiveness of municipal gambling addiction policies.

The large-scale CVO-study (de Bruin et al, 2006a) shows that the number of gambling addicts in the Netherlands is lower than was previously assumed. According to this study, there are approximately 40,000 problem gamblers in the Netherlands. Players who play both on machines in cafes, restaurants and hotels, and in arcades, run the highest risk of gambling addiction. However, other research (de Bruin et al, 2006b) leads to the conclusion that although the total number of problem gamblers does not change significantly, the share of problem gamblers in arcades has increased over the years. This could be attributed to a decrease in the number of recreational players, particularly in the smaller arcades.

Operators indicate that they take many preventive measures against gambling addiction, some dictated by the law, others on their own initiative. Legally liable are entry control procedures and legal evidence of gambling problem expertise. In addition, operators provide their customers with information on the risk of gambling addiction and they also keep 'white lists'. Problem gamblers can voluntarily place themselves on such a list in order for them to be (temporarily) refused entrance.

Main conclusions

The main conclusions of this study are listed below:

- In 2006, there are 64 operators of arcades in the Netherlands. In 2001, the number of operators was still 114. This difference is due to a concentration tendency.
- The number of arcades in the Netherlands has largely remained the same over the last ten to fifteen years. According to data provided by the industry there were 269 arcades in 2008. Between 2001 and 2008, the average number of slot machines per arcade has increased, from an average of 47 per arcade in 2001 to an average of 56 per arcade in 2008. The number of players terminals has also increased strongly, from an average of 57 per arcade in 2001 to an average of 80 in 2008. In 2006, the gross game

proceeds per machine amounted to 16,926 euros (excl. VAT and multiple player terminals).

- Over the years, arcades have become larger and more modern. According to the industry, arcades have been upgraded and professionalised. With the introduction of multi player machines, automated casino games have entered arcades. This did not only change the interior design of the arcades but it also changed the target group.
- Most municipalities exercise restraint with regard to the establishment of arcades. This is mainly because they are afraid of the risks of gambling addiction. However, municipalities where arcades have already been established generally indicate that they experience no or only few problems in this area.
- Some municipalities want to locate arcades in the town centre in order to enhance the nightlife appeal of the town centre. Other municipalities choose to locate an arcade in the outskirts of the municipality, usually to strengthen the tourist function of this area. Often, these (larger) arcades are combined with other entertainment facilities. With regard to choosing a suitable location for an arcade, attracting customers is the main criterion for both municipalities and operators.
- Arcades are predominantly established in the larger towns or in tourist areas. The tourist areas contain the largest number of arcades per 50.000 inhabitants. However, most arcades are established in the Randstad (mid western part of the Netherlands).
- Gambling addiction risks are taken into consideration by the municipalities when they grant (or refuse) licences. In addition, municipalities often cooperate with the operators and with gambling addiction organisations. In half the municipalities that have an active gambling addiction prevention policy this policy is laid down in a covenant.
- Operators of arcades have legal evidence of gambling problem expertise at their disposal. In addition, most of them have been certified by KEMA (KEMA quality mark), inform their customers of the risks of gambling addiction, and offer problem players the opportunity to voluntarily place themselves on a white list in order for them to be (temporarily) refused entrance.
- There is no quantitative data available on the effectiveness of municipal gambling addiction prevention policies.

Method

The following research approach was taken:

- listing quantitative data on the industry;
- investigative interviews with (representatives of) stakeholders;
- questionnaire among Dutch municipalities (81 percent response rate);
- in-depth interviews with municipalities;
- interviews with operators.

The fieldwork for this study was carried out in the first half of 2009.