

Recent changes in the Norwegian gambling market – what do we know?

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Background – the Norwegian gambling market.

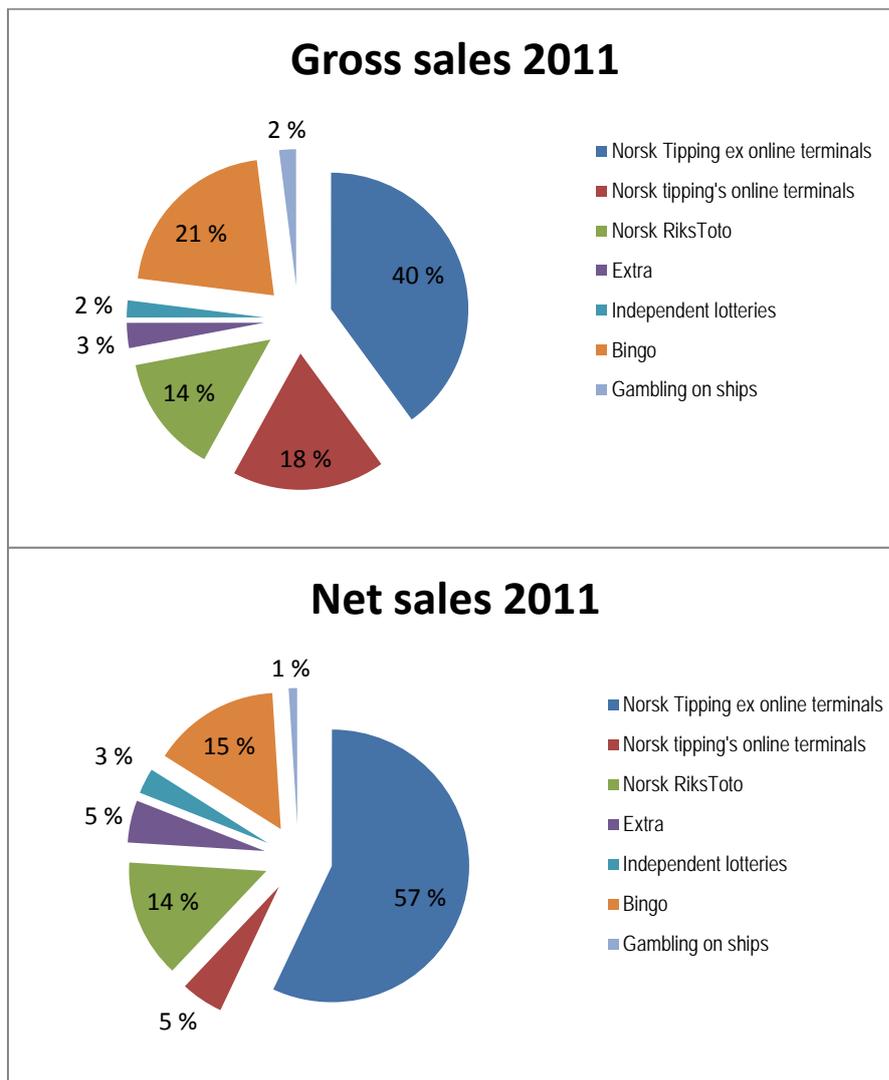
As in many other countries, Norway's gambling market is dominated by a state monopoly. The monopoly (Norsk Tipping) offers lottery-and bingo-like games (f.ex. Scratch cards, Lotto, Keno), sports games (football pools, sports betting) and since the end of the 2000s also online gambling terminals which replaced the old slot machines. All games, except scratch cards are offered both through traditional channels (commissionaires) and electronically from their web platform.

Other gambling providers are Norsk Rikstoto that provides all horse gambling on or off track, and private bingo operators.

All gambling providers must give part of their surplus to good causes. Approved causes range from charity to private non-profit organizations within sports and culture. In recent years, some money is also diverted to gambling research and treatment.

Casinos are not legal in Norway, and neither are several of the games often found in casinos. Games that are not legal include card games like poker and black jack, and table games like roulette. After 2007, even slot machines are illegal.

Figure 1: Market shares Norwegian gambling suppliers 2011



Source: Norwegian Lottery Board, 2011, Annual report.

The slot machines before 2007

- Operated by private competing companies.
- Large number compared to population size. Maximum probably in 1997, at approx. 25.000 machines (180 people per machine, 140 people aged 15+ per machine) after which no more new licenses were given (Fekjær, 2003), and the number gradually declined to approx. 15,000 when they were banned.

- All on street level – train stations, kiosks, petrol stations, shops, shopping malls, pubs and cafées.
- Minimum legal age of 18, but poorly enforced.
- Spin wheel games
- 80% payback
- Possible to lose NOK 400 per minute- 24,000 per hour (before 2006) (AUD 67/min –AUD 4000/hour) (Fekjær, 2003)
- Before 2006, max stake NOK 200 (ca AUD 33)
- 1. July 2006, note acceptors were banned. New max stake was NOK 20 (AUD 3,3) (Hansen & Rossow, 2010).
- Approx. 10-20% participation rate for adults (Lund & Nordlund, 2003; Kavli & Berntsen, 2005; Øren & Bakken, 2007)
- High degree of problems – The majority of problem gamblers gambled on them (Lund & Nordlund, 2003).

Developments in slot-machine regulations and their effects on gambling.

In the first half of the 2000s, a large majority of gamblers in treatment and callers to the gambling helpline reported that slot machines were their most problematic game (Norwegian Lottery Board, 2004). Several national surveys also indicated that many problem gamblers gambled a lot on slot machines (Lund, 2006; Øren & Bakken, 2007; Kavli & Berntsen, 2005). Slot machine gross sales were very large. In the peak year 2005, approximately 15,000 machines generated NOK 28 bill. This was more than half of the total gross sales in the Norwegian gambling market. In the subsequent years, new regulations were introduced several times until slot machines were made illegal in July 2007 (banning note acceptors in July 2006 and from January 2007 they had to keep closed between 12 midnight and 06:00 PM).

According to the Norwegian Lottery Board, there were clear signs that the restrictions put in place before the complete ban had some effect, particularly the ban on note acceptors, after which the gross sales from slot machines dropped by NOK 4 bill. in one calendar year (Norwegian Lottery Board, 2006). However, in the 6 months following the ban on note acceptors, turnover dropped by more than 40 per cent, and it stayed down until slot machines were abolished (Hansen & Rossow, 2010). It should be made clear that the smallest Norwegian note is NOK 50 (AUD 8-10), while the largest coin is NOK 20 (AUD 3-4). Also, ATMs typically pay money out in NOK 200 notes (ca AUD 35)

or larger. It is therefore not unreasonable to assume that the ban on note acceptors for many of the heaviest gamblers meant a reduction of each “input” into the machine from NOK 200 to NOK 20.

The minimum legal age for gambling on slot machines was 18, but this was generally not enforced, and slot machine gambling among adolescents was quite common. Hansen & Rossow (2012) found that after the ban on note acceptors, the frequency of slot machine gambling was reduced by 20 per cent among 13-19 year olds, the proportion who gambled weekly on slot machines was reduced by 26 per cent, and the total gambling frequency (all types of gambling) was reduced by 10 per cent (Hansen & Rossow, 2010).

If we look at all domestically available gambling, Norwegian families spent 1.31 per cent of their disposable income on (all) gambling in 2005 (based on net sales). This was reduced to 1.27 per cent in 2006 (Norwegian Lottery Board, 2006). Unregulated internet gambling, i.e. gambling on foreign sites, is not included in these figures.

After the ban on slot machines there was a long period without street level gambling automats on Norwegian the market. The Norwegian gambling monopoly, Norsk Tipping, started to place the new online terminals out from the autumn of 2008, and the total number of terminals had reached 2300 by December 2010 (Pran & Ukkelberg, 2010). There is no available information that indicates large increases in other forms of gambling in this period (Pran & Ukkelberg, 2010; Norwegian Lottery Board, 2010). The exception might be the so called “bingo automats”. These automats were placed inside bingo halls, and offered instant bingo (press the button and immediately see if you have bingo), and before the ban on slot-machines they were not very popular. According to Lund and Nordlund (2003), 1.6 per cent of adults had participated over the last 12 months in 2002. From 2007 to 2008 there was a 50 per cent increase in bingo gross sales, from NOK 2,629 mill to NOK 3,955 mill, and large parts of this increase was due to bingo automats and data bingo (Norwegian Lottery Board, 2008). In 2009, bingo automats alone had a gross sale of NOK 2,823 mill (Norwegian Lottery Board, 2009). Consequently, even bingo automats were banned from 31. March 2010 (Norwegian Lottery Borad, 2010).

For internet gambling, survey data indicated an increase in the prevalence from 3.6 per cent of adults in 2007 to 5.4 per cent in 2008 (Bakken & Weggeberg, 2008), although it is unclear to what degree this can be attributed to the ban on slot machines. More recent studies have suggested that large proportions of the former slot machine gamblers reduced or even stopped gambling when the slot machines disappeared (Lund, 2009; Øren & Leistad, 2010).

Table 1: The total Norwegian gambling market 2003-2010.

NOK mill	2003	2004	2005	2006	2007	2008	2009	2010	Change 2009- 2010
Gross sales	37 509	40 827	42 362	38 246	27 372	18 980	22 515	24 751	10 %
Net sales	10 926	11 511	11 684	10 935	9 277	7 879	8 350	8 646	4 %

Source: Gaming in Norway, 2010, Norwegian Lottery Board.

Data collected by the Norwegian Lottery Board indicate that the prevalence of gambling on foreign internet sites have stabilized in recent years, while gambling on domestic sites has increased. Between 2009 and 2011 the total prevalence of internet gambling increased from 8.3 per cent of adults (18+) to 10.6 per cent (Norwegian Lottery board, 2010^b; Norwegian Lottery board, 2011). It is assumed that the lack of growth in gambling on foreign sites is partly explained by the ban on payment to foreign gaming providers that became effective on 1. June 2010, and partly also by a good domestic supply (Norwegian Lottery Board, 2011). The domestic supply consists of the same games as are offered through traditional channels.

The prevalence of gambling problems

The prevalence of gambling problems among adults have been investigated in several studies before and after the slot machines were banned. Unfortunately, methodological differences sometimes make it difficult to compare results. However, methodologically the studies can be divided in two groups, and looking at studies that can be compared, there are no signs of an increase in problem prevalence (table 2). For adolescents, Hansen and Rossow (2010) found a 20 per cent reduction in gambling problems after the ban on note acceptors.

In addition to the studies listed in table 2, Øren and Leistad (2010) did a follow-up study of people who had previously participated in the surveys in 2007 and 2008. They found that the participation rates for various games were more or less the same in 2009 as in earlier years, although individual gamblers could have changed their personal gambling preferences. 2 thirds of former risk gamblers had changed their NODS score, most of them had become no-risk gamblers. Overall, more gamblers had reduced their NODS score than increased it. Approximately half the former slot

machine gamblers had stopped or significantly reduced their gambling since the slot machine ban. The other half gambled just as much or had increased their gambling on other games.

Table 2: Prevalence studies and their findings in the 2000s.

<i>Studies using NODS</i>	<i>Lifetime prevalence (score 3+)</i>	<i>problem Current prevalence (score 3+)</i>	<i>problem</i>
Lund I., & Nordlund, S. (2003)	1.4%	0.7%	
Øren, A., & Bakken, I. J. (2007)	1.7%	0.7%	
Bakken, I.J., & Weggeberg, H. (2008)		0.8%	
<i>Studies using CPGI</i>		<i>(Score 8+)</i>	
Kavli, H., & Berntsen, W. (2005)		1.9%	
Kavli, H. (2007)		1.3%	
Kavli, H., & Torvik, F., A. (2008)		1.9%	
Pran, K.R., & Ukkelberg, Å. (2010)		2.1%	

Regulation of the new online terminals

The new online terminals are subject to very strict regulations in terms of maximum limits money spent, and with an option for gamblers to set even stricter limits for themselves . The restrictions can be summarized as follows:

- Gamblers must be registered customers (individual gambler cards – applies to all Norsk Tipping products except scratch cards)
- Minimum age of 18
- Maximum loss in one day is NOK 400 (ca AUD 65) and maximum loss in one month is NOK 2200 (ca Aud 365)
- Possibility for gamblers to set personal limits lower than NOK 400/2200.
- Possibility for gamblers to set personal limits regarding hours spent on online terminals per day, per week or per month.
- Possibility for gamblers to exclude themselves from terminal gambling either for a period of time or permanently. If a permanent exclusion is chosen and then regretted, the gambler has to wait minimum 100 days before he can change this setting.

- All terminals are linked to a network. Nobody can “fool” the terminals by gambling on more than one simultaneously.
- Payment for gambling and of winnings is done through the gambler card. There are no cash involved while gambling. All money transfer is registered by the authorities.

Source: Norsk Tipping

The system of linking all terminals together gives a high level of control. When maximum levels are reached, no terminal will work with that particular gambler card. An alternative might be to have more than one card, although the second card must belong to somebody else. This other person will then be paying for games and receiving any wins.

The system is also very transparent, and gives Norsk Tipping full information about how much money is gambled for on which games, and by which gamblers. Games that appear to be problematic can be removed from the system quite easily. All terminals offer the same choice of games. Spin wheel games are not allowed on these terminals.

These new terminals have not been associated with problem gambling since they've been in operation. In fact, from the point of view of Norsk Tipping, the greatest challenge has possibly been that gamblers have not been so interested in them. Particularly in their first years, terminal sales were lower than budgeted. Today their gross sales amounts to 21 per cent of the total gambling market (as compared to the old slot machines' more than 50 per cent).

Impact on industry

The development for the gambling industry since 2007 can be summed up as follows:

- The former slot machine operators largely went out of business. A notable exception is some humanitarian organizations like the red cross who operated their own slot machines, but who now gets funds from Norsk Tipping.
- Bingo operators experienced increased sales .
- Norsk Tipping struggled with achieving the budgeted sales on terminals.
- Many fund-receivers had to find new sources of income when slot machines were banned. Particularly true for smaller organizations (local football team, school band/orchestra etc.)

- Internet supply of gambling automats, poker etc increased. These are all operated from other countries.

Final comments

The ban on slot machines must be said to have been a success in Norway, particularly from the point of view of reducing gambling problems. Problem levels have not changed significantly, but other games have taken over as the most problematic, particularly poker and sports betting. It is not reasonable to conclude that these new problem areas have popped up because slot machines were removed. Probably, these are games that would have become problem areas anyway. Indications to that effect is firstly that internet gambling was on the increase even before slot machines were banned (Norwegian Lottery Board, 2004), and secondly that problem gamblers today seem to be drawn from a different section of the population than before. Still mostly men, but they are significantly younger. Also, significantly more of them have higher education, are married and in regular employment (Bu & Skutle, 2012).

The Norwegian gambling market differs a lot from the Australian, and it is not clear whether Norwegian experiences can be transferred to Australia. One aspect of the Norwegian situation that might have had an impact on the development, at least in the period shortly after the slot machines disappeared, is that at that point in time the population's attitudes towards gambling in general, and slot machine gambling in particular, was quite negative. This was possibly a result of an effort from health authorities, as a media campaign was started around that time. One of the primary goals of that campaign was to put gambling problems on the agenda through regular newspaper articles about individual problem gamblers or opinions written by professionals from gambling treatment or research.

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