



RIKSREVISIONEN

Summary:

The Government's role on the gambling market – are targets achieved?

RiR 2012:15

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The Swedish National Audit Office has reviewed the role of the Government on the Swedish gambling market.

Review background

Motive: A limited number of operators with a permit to conduct gambling and lottery activities for prize money are allowed on the Swedish gambling market. The responsibilities of the Government include protecting the general public and ensuring that social protective factors are fulfilled and demands met in a controlled manner. There has been a radical change of the market conditions since the late 1990's when unregulated gambling operators started to offer their products on the Internet. The development of the gambling market has led to an unregulated range of products and riskier forms of gambling with higher prize money for which the lawful operators in Sweden are not licensed. Furthermore, there is an extensive network of illegal gambling operators on the Swedish market. As a result, an increased proportion of the total market falls outside of the control of the Swedish Parliament, the Government and relevant agencies. In addition, it has been established that measures taken by both regulated and unregulated operators in order to increase their competitiveness on the market are likely to have an escalating effect on pathological gambling. An increase in pathological gambling has been identified among certain groups of gamblers on a market where fewer gamblers are playing for larger sums of money. The Swedish NAO can verify that the matter of gambling regulations has been discussed in the Swedish Parliament resulting in new regulation initiatives.

Purpose: The purpose of this review was to see whether the Government through the implementation of existing policy instruments on the gambling market has managed to create effective conditions for the objectives of the Swedish Parliament to be achieved in a constructive manner.

Implementation: The review has entailed document studies and interviews with relevant operators on the Swedish gambling market and other related markets such as the alcohol market in Sweden and the gambling market in Denmark. In addition, the Swedish NAO has compared the license terms of five nationwide operators on the legal gambling market in Sweden. As part of its review of the operational efficiency and appropriateness of the gambling market, the Swedish NAO enlisted the help of experts for the purpose of carrying out a legal analysis and obtaining a second opinion on Swedish gambling regulations in relation to EU legislation.

Review results

The review has resulted in the following observations and conclusions.

The Swedish NAO has based its review on the gambling objectives of the Swedish Parliament to safeguard social protective factors and meet demands for gambling services in a controlled manner. Another gambling objective in the area of public health is to reduce the harmful effects of excessive gambling. The Swedish Parliament has made it clear that high priority should be given to social protective factors while the Government has indicated that social protection must be at the forefront of Swedish gambling policy.

Illegal gambling activities and unregulated gambling on the Internet means that a significant proportion of the total gambling market falls outside of parliamentary, government and authority control. The market development has led to an increase in the competition between legal operators in Sweden and unregulated Internet-based operators as well as between the legal operators themselves.

Over a period of ten years, the proportion of people suffering from pathological gambling has been around two percentage units of the population as a whole. At the same time, fewer people are today playing for larger sums of money. In 2008/2009, approximately 70 percent of the population had gambled at some point during the past twelve months while the corresponding figure in 1997/98 was approximately 88 percent. During the period 2003 – 2011, regulated and unregulated gambling activities increased by about 16 percent in volume. In 2011, the gross turnover (turnover before payment of winnings to players) on the legal market was around SEK 42 billion.

The Swedish NAO has found that although the proportion of people suffering from pathological gambling has not increased in general, the problem with gambling appears to have increased within certain groups. The market development in terms of high-risk gambling activities, intense marketing and more readily accessible sales channels have impacted on the prerequisites of the gambling objectives of the Parliament as regards the safeguarding of social protective factors and meeting the demands for gambling under the control of the Government. The implementation of a gambling policy assumes the existence of effective policy instruments in the form of laws and regulations including licensing and supervision, preventive measures and research together with an efficient state-owned gambling enterprise.

The overall assessment of the Swedish NAO is that the development seen to date is in danger of moving towards a rise in pathological gambling, which is not in line with the objectives of the Swedish Parliament. The Government has under the studied period decided to take a number of actions in order to achieve its gambling policy and public health policy objectives. However, the Swedish NAO is of the opinion that the instruments currently utilised are not effective enough to counteract such a development. There is also uncertainty over to what extent Swedish gambling regulations relate to EU legislations and requirements. If failing to implement the gambling policy coherently and systematically, bearing in mind its objectives, there is a risk of the regulation criteria of the European Union Treaty being contradicted, which would also imply that the gambling policy is neither effective nor appropriate. The reasons for the Swedish NAO

making this overall assessment are presented in the following.

In 2006 and 2008 respectively, the Government received two reports from the Swedish Government Official Reports who had been asked to investigate how the Government's commitment could be adapted to the changing conditions of the Swedish gambling market. However, as of June 2012, the Government has failed to implement any of the changes recommended by the two investigations.

Svenska Spel is the main gambling policy instrument of the Swedish Government. The responsibility of Svenska Spel to channel illegal and unregulated gambling activities towards its own operations is important but must be done in a measured and responsible way. It is the opinion of the Swedish NAO that the Government's control over Svenska Spel could lead to the company using increasingly proactive and risky methods to attain a greater proportion of the gambling market under government control. However, this presupposes that the company combines such methods with a responsible conduct of gambling. According to the Swedish NAO's review, Svenska Spel does not currently take sufficient account of the risks involved with pathological gambling and could therefore, in its operations, support the parliamentary objectives more effectively. This places demands both on how the Government controls the company and how the company carries out its responsibilities. As the operations of Svenska Spel are based on commercial interests and a social conscientiousness, a balanced approach is essential.

The Government's basis of control fails in that it has never to any greater extent assessed the gambling responsibilities of Svenska Spel, which are of significant importance in order to achieve the objectives in question. Nor has the Government assessed Svenska Spel's work to channel illegal and unregulated gambling to its own operations. The question is to what extent a significant amount of voluntary gambling responsibilities combined with a more proactive approach in the operations of the company creates the balance needed to achieve the objectives of the Swedish Parliament. The risk is that social protective factors are not given sufficient priority nor efficiently implemented by the company.

The Swedish NAO has assessed the public organisation within the field of gambling from Government Offices to licensing and supervision processes, to be too fragmented for effectiveness. Nor are the criteria for obtaining a licence on the Swedish gambling market transparent and foreseeable. The problem with illegal gambling remains and there are no proper means available to prevent online gambling operators from entering the market. The licence terms relating to the gambling responsibilities and marketing of legal gambling operators in Sweden are vague and differs in part between various forms of gambling with the same level of risk. The prerequisites for an effective licensing process and supervision are thus missing. There are also differences in competitive conditions between legal lottery operators. Svenska Spel enjoys a greater financial margin of manoeuvre than non-profit organisations. This could lead to competition on different conditions, which may have an adverse effect on the development of non-profit gambling operators. This is likely not to be in compliance with the criteria of the EU treaty for effective and appropriate regulations. In addition, a clarification is justified in terms of gambling responsibilities and marketing and the framework within which these are to be implemented on the legal gambling market in Sweden.

The Swedish NAO is of the opinion that there is a need for increased collaborations among public bodies working on putting preventive measures into practice. An evaluation of existing policies

and measures in terms of gambling responsibilities and channelling should also be carried out. In addition, further research into pathological gambling and effective preventive measures is needed. This will also allow a transparent and appropriate feedback from the Government to the Parliament.

The Swedish NAO concludes overall that fewer people gamble for larger sums of money while pathological gambling appears to be on the increase in some groups. The choice of risky gambling is greater while sales channels have become more accessible and the marketing more intensive. Svenska Spel is the principal gambling policy instrument of the Swedish Government and the Government has now indicated its intentions to take a more proactive approach in respect of the company's mission. However, the Government has failed to adequately assess the work done to channel illegal and unregulated gambling to Svenska Spel's own operations and the social responsibility measures used by the company. Hence, it is unclear whether a more proactive approach can be combined with effective social responsibility measures on the gambling market. In addition, the Swedish NAO notes that Svenska Spel does not currently give sufficient consideration to the risk of pathological gambling. Furthermore, the license terms applicable to the legal gambling market are unproductive and no prerequisites exist for an effective supervision of the market. Therefore, the overall assessment of the Swedish NAO is that there is currently not enough capacity to effectively fulfil the Government's obligations on the gambling market.

Recommendations of the Swedish National Audit Office

The deficiencies reported in the review results ought to be attended regardless of what system the Parliament decides to adopt in future. Further research may provide answers to which instruments are the most effective in achieving the relevant gambling and public health policy objectives. However, further research is not sufficient to gain control of the gambling market. The Government should also consider how to improve its supervision of the illegal gambling market. The national control of gambling operators offering games available on the Internet to the Swedish public must also be reinforced.

Based on its review, the Swedish NAO makes the following recommendations.

Recommendations to the Government

It is the opinion of the Swedish NAO, that in order for the Government's obligations in the field of gambling to be fulfilled more effectively, the organisation of the public bodies within the field of gambling must become more coherent. To allow for legal operators to better comply with the terms and conditions of our society, the Swedish NAO believes that it is vital for license terms to become more precise and adapted to the level of risk associated with different forms of gambling. Relevant to the Government's obligations is that the regulatory authority must have the powers necessary to conduct effective supervision and target illegal gambling operators based in Sweden as well as unregulated online gambling activities. Consequently, it is the opinion of the Swedish NAO that the Government should:

- Take measures to improve on collaborations and the coherence of the public organisation within the field of gambling and in particular, licensing and supervision.

- Take measures to supplement the National Lottery Act with precise provisions of gambling responsibility measures and marketing, which are adapted to the levels of risk associated with different forms of gambling.
- Review the powers conferred to the Swedish Gambling Authority and other relevant authorities so as to combat illegal gambling activities and consider how to strengthen the nationwide control of foreign interests that do not hold a Swedish gambling license.

The Swedish National Audit Office has established that a governmental control ought to provide the prerequisites necessary for preventive measures to counteract the risk of an increased prevalence of pathological gambling. Accordingly, the Swedish NAO deems that a transparent interaction is needed between public bodies in our society and further research to provide evidence as to which preventive measures would be the most effective. Also, the definition of pathological gambling should be made clear as soon as possible together with the identity of the entity responsible for the treatment of pathological gamblers. Consequently, it is the opinion of the Swedish NAO that the Government ought to:

- Commission the Swedish National Institute of Public Health to promote development and coordination of preventive measures taken by all relevant bodies in our society.
- Invest in research on pathological gambling and in measures to combat pathological gambling for the purpose of broadening the Government's decision-making basis in its control of gambling policies and Svenska Spel.
- Identify the principal entity responsible for the treatment of pathological gambling.

Svenska Spel is the Government's principle instrument for realisation of gambling policy objectives relating to social protection and demands for gambling. Important in this context is the clarity with which the Government controls Svenska Spel. A regular assessment of measures taken by the company should be carried out and a clear framework for gambling responsibilities and marketing implemented in order to achieve gambling policy objectives. It is the opinion of the Swedish NAO that the Government ought to:

- Assess and ensure the effectiveness of Svenska Spel's gambling responsibility measures and the use of such measures by customers.
- Assess the measures taken by Svenska Spel to channel illegal and unregulated gambling activities towards its own operations.

Recommendations to Svenska Spel

Svenska Spel has in its capacity as a state-owned company a responsibility to carry out its operations in an effective manner that helps achieve parliamentary objectives. According to the Swedish NAO, this involves an implementation of social protective factors throughout the product range of Svenska Spel based on the risk level associated with each product as well as in the marketing and organisation as a whole. These obligations include a transparent feedback to the Swedish Parliament and Government. Accordingly, it is the opinion of the Swedish NAO that Svenska Spel ought to:

- Ensure a moderate and restrictive marketing of the company.
- Make gambling responsibility measures mandatory to a greater extent but allow for gamblers to set their own gambling restrictions.

- Review its product range so that the risk level associated with each one of the products has a greater impact on the development of social protective factors and give gambling responsibilities a higher profile in the decision-making process of the company.
- Reinforce its training in gambling responsibilities among specific employee categories involved in the development of new products or in close contact with customers.
- Work with new groups where pathological gambling is prevalent.