

Dynamics of Arcades in the Netherlands: Developments in Legislation, Policy, and Practice

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SINCE 1986, THE DUTCH gambling policy, as laid down in the Dutch Gambling Act (WOK), enables the operation of gambling machines and arcades.¹ The current gambling policy is based on the following keynotes: meeting the needs of the general public, protection of vulnerable groups, profitable operation, and good enforcement opportunities. These keynotes are in line with the Dutch polder model tradition: the interests of all parties have been taken into consideration in the realization of this policy.

Part of the policy—for example, the location of arcades and the gambling addiction prevention policy—is regulated locally instead of nationally. It is partly because of this that there is no clear overview of the developments in the arcades industry at the national level. Observing that arcades make up an important part of the gambling industry—including the corresponding addiction risks—the Netherlands gaming control board ordered an investigative study on the developments of the industry.² This study shows that the arcade industry has further developed itself in both a quantitative and a qualitative sense. Due to scaling-up and upgrading, arcades more and more resemble the casinos operated by the central government. Over a decade, the number of operators has halved, and different location choices are being made. Compared to 2006, gross game proceeds have decreased. This results in a decrease in

investments in arcades; plans for new arcades have sometimes been called off.

LEGAL FRAMEWORK

The Dutch Gambling Act, of 31 December 1964, provides for a general ban on offering gambling games, unless a license has been granted. Skill machines, which are gaming machines whose game results lead exclusively to extended game play or free bonus games and whose playing success depends on insight and skills, were permitted. Gambling machines, described by the law as “gaming machines which are not skill machines” were prohibited at the time. In 1986, the WOK was amended to include a separate provision for gaming machines, and payout gambling machines were legalized under strict conditions. In 2000, the most recent amendment of the WOK concerning gaming machines was adopted, which included the Gaming Machines Decision 2000 and the Gaming Machines Regulation 2000. The Gaming Machines Regulation 2000 stipulates in particular the (technical) requirements with regard to gaming machines.

The explanation to the amendment of the law states that some keynotes carry more weight than others. In particular, the protection of the player and the prevention of—and fight against—problem

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¹ For readers unfamiliar with Dutch arcades, they are defined—and differentiated from casinos—in section 2, *Concepts and Context*.

² A. SCHREIJENBERG AND R.C. VAN WAVEREN, SPEELAUTOMATENHALLEN. EEN ONDERZOEK NAAR DE ONTWIKKELING VAN SPEELAUTOMATENHALLEN IN NEDERLAND [ARCADES: STUDY ON THE DEVELOPMENT OF ARCADES IN THE NETHERLANDS] (Regioplan: Amsterdam 2009).

gambling and gambling addiction played an important part in this amendment of the law.³ This is also emphasized in the Policy Letter Gaming Machines of the Dutch Ministry of Justice. In this document, the main objective of the gaming policy is described as follows: "to regulate and control gambling games, with special attention for the prevention of gambling addiction, the protection of consumers and the fight against illegality and crime."⁴ The main consequences for arcades of the amendment of 2000 were an increase in the lower age limit for patrons from sixteen to eighteen years of age, the introduction of the legal evidence of gambling problem expertise,⁵ and the introduction of gaming machines which offer space to more than one player, the so-called multiplayer machines.

Since the amendment of the Gambling Act in 1986, the power to decide on the number of arcades and their locations was decentralized to the Dutch municipalities. Dutch municipalities that do not want arcades can prevent their establishment by refraining from implementing a local act concerning arcades. Municipalities that want to allow arcades within their boundaries can specify the precise number of arcades, the locations where they may be established, and the number of gaming machines per arcade.

To operate an arcade in the Netherlands, two licenses are required: one license issued by the central government and one municipal license. These licenses can be described as follows:

- *An operator's license.* This license regulates who is allowed to operate gaming machines. Applicants need to apply for the license at Verispect, the supervising organization, and it is issued by the Dutch Ministry of Justice. Each year, Verispect visits all the operators and checks their licenses, their accounts, and their workplace or service contract.
- *A municipal existence license.* This license regulates where gaming machines may be placed. Applicants need to apply for the license with the local authorities and it is issued by the mayor. The license includes a statement on the number of machines (and in some cases, the relation or proportion between gambling machines and skill machines). The license also includes data on the location of the arcade, the license owner, and the managers.

In addition to the existence license, some munici-

palities also provide a municipal operator's license. Normally, this license includes data on the managers (including Certificates of Good Conduct of the operators), the opening hours, and the minimum age of the visitors.

CONCEPTS AND CONTEXT

Arcades

Arcades are public places equipped with gaming machines.⁶ A municipality in which an arcade has been established should determine the operation of the arcade by order. In this local act, the municipality can stipulate the number and kinds of gaming machines. The municipality also issues operator's licenses for arcades.

With regard to arcades, a minimum customer age of 18 years applies. Since 2000, arcades are required to have an entry control system. However, age checks are not necessary in arcades which have only skill machines or in which the spaces with gambling machines are strictly separated from those with skill machines. In the latter cases, an age check is required only at the part of the arcade in which gambling machines are situated.

Gaming machines

As mentioned above, a distinction is made between skill machines and gambling machines. A skill machine is "a gaming machine whose game results may exclusively lead to extended game play or free bonus games and whose process, even after it has been put into action, can be influenced by the player. In addition, it should entirely or almost en-

³ Dutch Lower Chamber documents II, meeting year 1997–1998, no 3. Amendment of the Dutch Gambling Act (gaming machines).

⁴ Dutch Lower Chamber documents II, meeting year 2004–2005, 24557, no 54. Letter of the Dutch minister of Justice concerning gambling games.

⁵ The legal evidence of gambling problem expertise is a piece of evidence which can be obtained by following a training course at one of the addiction treatment providers in the Netherlands.

⁶ According to Article 30 of the Dutch Gambling Act, a gaming machine is: "an appliance, equipped to play games, which consists of a mechanical, electrical or electronic process that can be put into action by the player, and whose result may lead to the indirect or direct payment of prizes or bonuses, including the right to free bonus games."

tirely depend on the player's insight and skills regarding the means offered whether and to what degree the duration of the game is extended or the right to free bonus games is granted."⁷ A gambling machine is described as "a gaming machine which is not a skill machine."⁸ In the case of gambling machines, the outcome of the game depends on chance, and the player hopes to receive more money than the amount put into the machine.

Casinos versus arcades

Holland Casino, which is owned by the Dutch government, offers its visitors both classical casino games (poker, roulette, blackjack) and (increasingly) gaming machines. Because of this, the difference between Holland Casino and privately owned arcades seems small, in as much as the arcades also offer a mix of casino games and gaming machines. A notable difference, however, is that the casino games which arcades offer exclusively occur in the automated form on gambling machines. Other differences between Holland Casino and arcades include the betting possibilities per game, the value of the prizes, the relationship between stake and prize, the various jackpot possibilities, the chance for prizes in kind, the pace of play, the legal requirements regarding money transactions, and the supervisory role of the government. Holland Casino is legally obligated to pay out a minimum of 80 percent of the stake as prize money, while private operators are obligated to pay out a minimum of 60 percent of the stake. However, both parts of the industry are allowed to pay out higher percentages, and this does indeed occur in practice.

FINDINGS OF THE STUDY

Number of arcades and gaming machines and comparison with Holland Casino establishments

Throughout the years, the number of arcades has stabilized. The number of gambling machines in

them has increased, while the number of skill machines has decreased.

In order to put the development of the arcades industry in perspective, it is interesting to compare it with the development of Holland Casino in the same period. Contrary to the number of arcades, the number of Holland Casino establishments has increased over the years. Moreover, the number of gaming machines in Holland Casino establishments increased by more than 3,000 between 2001 and 2008. In 2001, the casinos were equipped with 4,331 gaming machines; in 2008, this number had increased to 7,385. *This increase, as both an absolute number (3,054) and as a percentage (seventy percent, or 70%), is significantly larger than the increase in the number of gaming machines in arcades.* (However, it must be noted that in the Holland Casino establishments, it is the number of player's seats which is counted, and not the number of actual machines.)

Turnover developments

Since 2001, the number of arcade operators nearly halved. In 2006, there were 64 operators, whereas there had been 114 of them in 2001. Due to the fact that it is hard for operators to open new arcades, expansion generally is only possible by taking over other companies. This is why three large companies control the bulk of the market, while many smaller companies have been taken over. Indeed, over forty percent of the industry is controlled by the three largest players in the market. *Together, the three largest companies operate 112 arcades out of 269, or around forty percent (40%).*

Throughout the years, the gross game proceeds of the industry have fluctuated to a large extent, from 397 million euros in 2001 to 391 million euros in 2006 (proceeds excluding VAT). In 2003 and

⁷ Article 30, under b WOK.

⁸ Article 30, under c WOK.

TABLE 1. ARCADES AND GAMING MACHINES IN THE NETHERLANDS 2003–2008

Year	2003	2004	2005	2006	2007	2008
Number of arcades	255	265	279	271	273	269
Number of gambling machines in arcades	14,512	15,201	15,325	15,358	15,504	15,677
Number of gambling machine player's seats in arcades	—	—	19,060	19,813	20,581	21,593
Number of skill machines in arcades	1,368	1,223	935	873	744	647

TABLE 2. CORE FIGURES OF THE DUTCH ARCADES INDUSTRY 2001–2006

Year	2001	2002	2003	2004	2005	2006
Proceeds excl VAT (million euros)	397	394	433	430	370	391
Costs (million euros)	307	328	306	332	263	296
Profit (million euros)	90	66	127	98	107	95
Turnover gambling m. (million euros)	391	389	429	426	367	388
Turnover skill m. (million euros)	6	5	4	4	3	3
Number of operators	114	107	100	83	89	64

VAT = value added tax.

2004, the gross game proceeds improved to approximately 430 million euros.

The operators we interviewed indicated that they have to cope with a significant decrease in turnover. The amended government policy is not well appreciated. The industry does not have positive expectations for the years to come. According to operators, developments such as the ban on smoking, the economic crisis, and the introduction of a gambling tax in the industry make profitable operation impossible in some cases. Ambitious arcade development plans are called off or postponed.

Development in game proceeds 2006–2009

On the basis of other sources, an overview can be provided of the most recent developments in game proceeds. The Dutch tax authorities provide figures concerning the gambling tax declaration that include gambling machines in the hotel and catering industry, but are exclusive of Holland Casino. The turnover for the period between July 2008 and June 2009 amounts to more than 641 million euros. KPMG calculated that the annual turnover in 2006 for the same segment of the gaming machines market was approximately 757 million euros.⁹ Thus, between 2006 and 2009, proceeds have decreased by around fifteen percent (15%). It is plausible that this decrease is related to the implementation of the ban on smoking and the economic crisis.

Holland Casino, which also has gaming machines, is also faced with, among other things, the impact of the ban on smoking and the economic crisis. When the gross game proceeds for Holland Casino gaming machines for January to June 2009 are compared with their gross game proceeds for the period January to June 2008, a decrease of 22 percent is seen.

Development number of visitors 2006–2009

The number of arcade visitors has also decreased. Compared with 2007, five percent fewer people vis-

ited Dutch arcades during 2008. In comparison, during the same period, the number of people visiting Holland Casino establishments decreased even more, by ten percent.

LOCATION POLICY

Locations

By means of an online questionnaire among policy officers, a picture is given of the municipal location policy.

It turns out that in most municipalities, arcades are located in town centers. This is the case in nearly half of the municipalities. Other popular locations, as indicated by policy officers, are nightlife and shopping centers (20% and 17% respectively). These centers are also often found in town centers. In eight percent of municipalities, an arcade is located in the town's or city's outskirts.

Some municipalities observe that operators may prefer to open arcades in the outskirts, such as, for example, near attractions, or other places with many passers-by. This enables operators to establish larger arcades than they could in town centers. The municipalities where this has occurred take a positive attitude towards it. Initially, the local council of one municipality feared there would be a lack of supervision in the outskirts. However, the realization that an arcade in the outskirts usually attracts different visitors than an arcade in the town center eventually resulted in allowing the establishment of the arcade. In this municipality, the location outside the center of the town meant that more elderly people and day trippers visit the arcade. *Because these are groups with a limited addiction risk, and who are perceived to be less likely to cause other in-*

⁹ It must be remarked here that KPMG is using estimates. The figures of the tax authorities, on the other hand, concern actual declaration figures by the operators.

conveniences, the local council agreed to establishing an arcade in the outskirts.

Assessment criteria of municipalities

Public order turns out to be the most important criterion for municipalities with regard to whether or not to grant a license. In addition, the quality of the applicant/operator, the operating hours, the number of gaming machines, and the gambling addiction prevention policy are also important criteria. Indeed, from conversations with municipalities, it appears that the gambling addiction prevention policy followed by operators plays an important part in deciding for (or against) a particular operator. In addition, a small number of municipalities indicate that they prefer to do business with larger operators, because of the professionalism of such parties.

Supplementing the previously mentioned assessment criteria, most municipalities also require that arcade operators meet certain integrity requirements. Generally, a Certificate of Good Behaviour (VOG) is demanded (83% of municipalities require this). Other requirements are a KEMA Certification, or a check within the framework of the BIBOB Act.

Recent developments

A development running parallel to the establishment of larger arcades in the outskirts is the development of arcades within a larger leisure concept. In about half the municipalities that have been interviewed, such a concept has been realized and a number of other municipalities plan on realizing something similar in the future. The most common arrangement is the combination of an arcade with a cinema and catering facilities. Arcades are also combined with bowling clubs or soccer stadiums.

of the arcades and Holland Casino is regarded as a possible explanation for the decrease in the number of problem players since the prior research. For instance, problem players are being talked to about their gambling behavior, and they can voluntarily request self-exclusion or visit limitation. Furthermore, the personnel of both the arcades and Holland Casino take training classes in order to be able to recognize gambling addiction and to improve their ability to talk to problem players about their gambling behavior.

Gambling addiction and arcades

Gaming machines are normally characterized as risky gambling games.¹² The fact that the result follows almost immediately after the bet is believed to increase the risk of addictive behavior. The addiction risk is largest with regard to gambling games; and it appears that players who play gambling machines in both catering facilities and in arcades run the highest risk of gambling addiction. This is one of the conclusions of the 2006 CVO study.

Municipal gambling addiction prevention policies

From the conversations with Dutch municipalities, it turns out that gambling addiction prevention policies are often carried out by municipalities in collaboration with operators and addiction treatment providers. Of course, some of these parties are more actively involved than others. There are municipalities which rely on the arcades' own initiative and which refrain from interfering. Other municipalities stipulate extra requirements in their local acts, such as a minimum age limit of 21 years and older for the arcades. However, two of the operators with whom conversations were held within the framework of this study indicated that when these requirements, or

GAMBLING ADDICTION

Size of the gambling problem in the Netherlands

The most recent large-scale Dutch study on gambling addiction was conducted by CVO (de Bruin et al., 2006) and investigated the number of problem players in all gambling games.¹⁰ This study showed that, in all probability, there are around 40,000 problem players in the Netherlands. On the basis of previous research, the number of gambling addicts had been estimated to be higher, at 70,000.¹¹

In the CVO study, the improved prevention policy

¹⁰ D.E. DE BRUIN, C.J.M. MEIJERMAN, F.R.J. LEENDERS, AND R.V. BRAAM, *VERSLINGERD AAN MEER DAN EEN SPEL. EEN ONDERZOEK NAAR DE AARD EN OMVANG VAN KANSSPELPROBLEMATIEK IN NEDERLAND* [CRAZY ABOUT MORE THAN A GAME. A STUDY INTO THE NATURE AND SIZE OF GAMBLING PROBLEMS IN THE NETHERLANDS] (The Hague: Boom juridische uitgevers [Boom Legal Publishers], 2006).

¹¹ M.W.J. KOETER, W. VAN DEN BRINK, AND A. NIEWIJK, *EEN GOKJE WAGEN OF GEWAAGD GOKKEN. EEN ONDERZOEK NAAR DEELNAME AAN KANSSPELEN EN GOKVERSLAVING IN AMSTERDAM EN DE PROVINCIE NOORD-HOLLAND* [PLACING A SMALL BET OR HAZARDOUS GAMBLING. A STUDY INTO PARTICIPATION IN GAMBLING GAMES AND GAMBLING ADDICTION IN AMSTERDAM AND THE PROVINCE OF NORTH HOLLAND] (Amsterdam: AIAR 1996).

¹² Amendment of the Dutch Gambling Act (gaming machines). Dutch Lower Chamber documents II, 1997–1998, 25 727, no 3.

even further-reaching covenants regarding gambling addiction prevention policy are being realized, the industry's own initiative is decisive.

Addiction treatment providers are often involved in new plans regarding arcades, but most local authorities indicate that with regard to the arcades, there are no addiction problems within the municipality. They do not receive signals concerning problems from operators or addiction treatment providers. However, many municipalities have received signals from addiction treatment providers that the number of people that seek assistance because of play is increasing.

When there are plans for the establishment of an arcade in a municipality, the fear of gambling addiction receives the highest priority of the local authorities. In practice, however, it turns out a gambling addiction is not a problem in any of the municipalities that have been interviewed. Often, an agreement is made between addiction treatment providers and the municipality that they will contact each other in case problems should occur. Partly due to the fact that there are no actual signals of gambling addiction problems, most municipalities have not adopted an active gambling addiction prevention policy. Within this study, only 23 percent of the municipalities have indicated that they pursue an active gambling addiction prevention policy. In those municipalities which have a gambling addiction prevention policy, the addiction treatment providers and the operators are the main parties involved. In addition, the sector organization and the police are mentioned as parties with a role to play.

Approximately half of municipalities that pursue an active gambling addiction prevention policy have made a covenant with regard to gambling addiction. In such a covenant, agreements are made about, for instance, information dissemination to players, recognizing problem players, entry control procedures for arcades, and referring addicts to addiction treatment providers.

CONCLUSION

The Netherlands gaming control board reacted to the research results in its annual report 2009. The control board regards the outcome of the study as a confirmation of its opinion that the distinction between arcades and Holland Casino establishments has become smaller. Arcades and Holland Casino establishments resemble each other more and more, so that with the introduction of multiplayer machines in the Netherlands, 300 minicasinos have come into being. In addition, the control board has found that operators take greater responsibility in the area of gambling addiction prevention policy than municipalities. From that perspective, the control board is glad that a new gambling authority is appointed in the Netherlands in the field of gambling games, which includes the arcades. Furthermore, the Dutch Minister of Justice has announced a stricter door policy for arcades. These measures may contribute to the realization of the restrictive government policy regarding gambling games, as provided by law.