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Inquiry into Pre-commitment
Canberra ACT
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**Submission to the Joint Select Committee on Gambling Reform
Inquiry into pre-commitments scheme**

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Disclosure: Professor Alex Blaszczyński is a member of the Ministerial Expert
Advisory Group on Gambling (MEAG): In accordance with the guidelines of
MEAG, the views expressed herein are not offered on behalf of, or reflect
those of the MEAG committee but are held personally by Professor
Blaszczyński

Terms of reference

Provide a submission to the inquiry on the design and implementation of a best
practice full pre-commitments scheme that is uniform across all States and
Territories and machines consistent with the recommendations and findings of the
Productivity Commission that:

*Governments should implement by 2016 a universal pre-commitment system for
gaming machines that:*

- *Provides a means by which players could set personally-defined
precommitments and, at a minimum, a spending limit, without being
subsequently able to revoke these*
- *Encourages gamblers to play within safe spending and time limits by
specifying default limits*
- *Enables gamblers to opt-out, with periodic checking of their preference to do
so*
- *Applies to all gaming machines in all venues in a jurisdiction*
- *Allows occasional gamblers to stake small amounts*
- *Avoids identity fraud*

- *Is not complicated for gamblers to understand and use*
- *Does not unduly affect the enjoyment of those selecting safe playing options*
- *Presents few obstacles to future innovation in the presentation and design of the system.*

In advance of the full implementation of the pre-commitment system, governments should:

- *Determine the exact limits and other options available in the default and opt-out modes of the system, and the design of the interfaces with gamblers*
- *Market test and trial the appropriate set of user-controlled options and ensure technical standards that would enable a common system to be deployed across Australia*
- *Give priority to the development of national standards that would permit*
- *Machine manufacturers to sell machines during the transition period that would be network-compliant when the system was 'switched on'*
- *Develop approaches to ensure probity in the system, deter tampering with cards or other pre-commitment devices, and ensure the system meets national privacy regulations*
- *Determine marketing of, and information provision about, the pre-commitment system to consumers.*

Introduction

This submission argues that pre-commitment for electronic gaming machines will be of benefit to a minority of recreational, regular and problem gambling but of limited benefit to the majority of problem and pathological gamblers. Further, the effective implementation of a mandatory pre-commitment strategy is a complex undertaking that needs to take into consideration its fundamental principles and objectives, infrastructure and monitoring costs and ease of use among local residents and tourists. The overall cost-benefits of pre-commitment are yet to be determined.

Principles and objectives

Pre-commitment is based on the premise that a proportion of recreational and all (by definition) problem gamblers generally fail to adhere to set limits of expenditure and accordingly, gamble to excess (defined by gambling more than they can afford). By having gamblers pre-commit their expenditure and prevent or increase the difficulty of deviating from the intention during and across sessions of play, harms associated with excessive gambling (irrespective of the status of the individual as a recreational or problem gambler) will be minimized.

Problem/excessive gambling

Gambling Research Australia (GRA) has defined problem gambling as '*characterized by difficulties in limiting money and/or time spent on gambling which leads to adverse consequences for the gambler, others, or for the community*' (Neal, Delfabbro, &

O'Neil, 2005, p.125).¹ Blaszczynski, Ladouceur and Moodie (2008, p.2)² further refined this proposition by stating that “*All gambling-related harm originates from two primary sources; breaching threshold limits of ‘discretionary disposable income’, and ‘discretionary leisure time’. ‘Discretionary disposable income’ is defined as residual income remaining once daily living obligations are met. It represents that portion of disposable income allocated for any purpose at the individual’s discretion. Although value judgments differ on the relative merits of spending a portion of, or all disposable income on gambling, the choice ultimately resides with the individual (Blaszczynski et al. 2004³)*”. The reasons gamblers are motivated to participate in gambling and consequently make decisions regarding:

- a. Their initial stake (amount taken to a venue for purposes of gambling),
- b. The withdrawal of additional funds to continue gambling subsequent to losing their initial stake (either a rational choice to extend a session of recreational gambling, or to chase losses),
- c. The withdrawal or reinvestment of winnings, and
- d. The frequencies with which they repeat this process are varied and complex (Blaszczynski & Nower, 2002)⁴.

Although currently there are multiple explanatory and theoretical models that attempt to describe the development of problem gambling, the causes of problem and pathological gambling remain unknown (Blaszczynski & Nower, 2002).

The evidence to date suggests that there are multiple factors that contribute to excessive gambling. This is reflected in the Productivity Commission’s (2010) consideration that informed and rational choice is difficult for gambling consumers owing to their faulty cognitions (*cognitive theory*), lack of control (*describing either poor rational choices or an inability to control behaviour*), a failure to appreciate risks, alcohol impaired judgment, and individual vulnerabilities such as emotional or mental health issues.

Setting aside the underlying causal factors for excessive, problem and pathological gambling behaviours, it can be argued that all gambling-related harm emanates from the gambler exceeding affordable levels of expenditure (in terms of money and time although the latter is generally in most cases related to the former).

¹ Neal, P., Delfabbro, P., & O’Neil, M. (2005). *Problem gambling and harm: A national definition*. Adelaide: South Australian Centre for Economic Studies.

² Blaszczynski, A., Ladouceur, R., & Moodie, C. (2008). The Sydney Laval Universities Gambling Screen: Preliminary data. *Addiction Research & Theory*, DOI: 10.1080/16066350701699031 URL: <http://dx.doi.org/10.1080/16066350701699031>.

³ Blaszczynski, A., Ladouceur, R., & Shaffer, H. (2004). A science-based framework for responsible gambling: The Reno model. *Journal of Gambling Studies*, 20(3), 301-317.

⁴ Blaszczynski, A., & Nower, L (2002). A pathways model of problem and pathological gambling. *Addiction*, 97, 487-499.

Empirical data supports the contention that the majority of recreational and problem gamblers gamble more time and money than intended during a session of play. The Productivity Commission (2010) quotes the McDonnell-Phillips findings regarding the number of gamblers who exceed their spending limits and add that an aggregate figure of low risk players also shows a high degree of 'control problems'.

These findings are comparable to those reported by Blaszczynski, Ladouceur and Moodie (2008, p.8) who concluded that their "...results suggest that the construct of impaired control as defined by failure to resist the urge to gamble and/or spending more time and money than intended is a relevant but not unique characteristic of probable pathological gambling. A small but comparable proportion of non-problem gamblers manifest this characteristic on more than 90% of occasions. This finding is consistent with those of O'Connor and Dickerson (2003) and Corless and Dickerson (1989), who reported that gambling more time and money than intended was a commonly found feature of recreational gamblers." These authors (Blaszczynski, Ladouceur & Moodie, 2008, p.9) further concluded, "Impaired control in isolation is insufficient to define problem gambling. It is the failure to resist gambling and gambling more than intended coupled with gambling in excess of discretionary disposable income and/or time that is the necessary and sufficient source of harm/negative consequences. The results of the present study are illuminating in this regard with the vast majority of non-problem gamblers never or infrequently exceeding allotted disposable time or money".

In essence, pre-commitment is a responsible gambling strategy that has been advanced in recognition of the tendency for gamblers, in particular problem gamblers, to gamble more than intended, and for problem gamblers to exhibit impaired control as defined by repeated unsuccessful attempts to cease and chasing losses.

The principles forming the foundation for pre-commitment are based on the premise that gamblers ought to make decisions regarding expenditure:

- a. Before they are exposed to a gambling environment, and
- b. When they are not in a state of arousal or emotional distress that may affect decisions made.

Inherent in the concept of pre-commitment is the capacity to prevent gamblers changing their mind during a session of play, that is, to make (impulsive) decisions to continue play and exceed their pre-set or intended limit.

Predicted effectiveness of pre-commitment strategies

This submission argues that pre-commitment will be effective for a minority of recreational, regular and problem gamblers (motivated to reduce their gambling) who regularly gamble more than intended and/or affordable. Given that approximately 10% of gamblers meeting psychometric criteria of problem and pathological gambling are in treatment at any given time, and that less than 50% of problem and pathological gambling express a desire for or identify a need for treatment, pre-commitment is unlikely to have a major impact on the majority of those in the targetted population lacking motivation to modify behaviours or failing

to recognise problems.

The Productivity Commission (2010) notes that gamblers do pre-commit expenditure levels and attempt to control their gambling expenditure using a variety of strategies:

- a. Set limits on money spent per session or per week, or after arriving at the venue (about a third of gamblers).
- b. Less often set time limits, though problem gamblers do this much more frequently than lower risk gamblers.
- c. Use 'willpower' to limit their activities.
- d. Make themselves feel guilty if they exceed limits to discourage future excessive spending.
- e. Plan another diverting activity other than gambling.
- f. Play on low denomination machines and avoid making large bets.
- g. Avoid using ATMs or setting limits on their withdrawals from their accounts
- h. Leave credit/debit cards at home.
- i. Some evidence exists that suggests non-problem gamblers also commonly set target limits for their spending, but that this was less frequent among problem gamblers.⁵

Implicit in the above points is the notion that despite setting pre-commitment levels, gamblers either have difficulty or fail to adhere to such decisions necessitating the use of supplementary strategies to achieve their goal of limiting expenditure. Extending this point, it is this submission's argument that a system in which gamblers pre-set their own limits in a pre-commitment strategy will not be highly effective for the following reasons.

As found by Lalande and Ladouceur (2010, unpublished manuscript⁶), in a sample of 32 non-problem and 33 problem VLT (electronic gaming machines) gamblers, 80% of both types of gamblers reported setting monetary loss limits before commencing a session of play. Problem gamblers set significantly higher limits compared to their counterparts with 48% of problem compared to 8% of non-problem gamblers exceeding pre-set limits in a typical session. Problem gamblers who did not set limits spent more money gambling than non-problem gamblers who did, while non-problem gamblers setting and not setting limits spent comparable amounts.

In analysing their qualitative and quantitative data, these authors suggested that there were four types of limits: explicit, implicit, external and internal. In their study, 80% of all gamblers set explicit limits, that is, imposed subjective pre-commitment levels of expenditure before commencement of a session. That is, the majority of gamblers determine how much they intend to spend prior to a session. Excessive gambling, they concluded, therefore was not attributable to a failure to set limits.

⁵ Source: McDonnell-Phillips (2006, pp. 95, 103, 107, 139, 150, 164, 222);

⁶ Lalande, D. & Ladouceur, R. (2010). *Can cybernetics inspire gambling research? An operational conceptualization of self-control*. Unpublished manuscript provided by the first author.

Importantly, these authors astutely noted that pre-set limits did not necessarily take into account affordability, that is, a problem gambler may well set limits but spend more than they can afford. Therefore, to be effective, pre-set limits must be determined by how much the gambler can afford. Given the nature of problem gambling, it is unreasonable to expect that a person characterized by faulty cognitions and exhibiting impaired control over their behaviour will be in a position to make appropriate and effective self-regulatory decisions to set appropriate limits.

In regard to implicit limits, Lalande and Ladouceur found that gamblers also set a 'buffer' or 'tolerance' zone. This is an amount that is equivalent to a reserve amount that represents the '*real precommitment*' limit. Once the explicit limit is reached, the gambler is forced into a situation where a decision is made to cease or to continue. This decision is determined by the gambler's motivation, that is, whether or not to continue playing to recoup losses (erroneous cognitions such as the gamblers fallacy come into play), or to continue playing for social other recreational reasons (peer-group pressure, enjoyment, or available time). Thus, the true or real pre-commitment limit is composed of the explicit and implicit limits established prior to gambling.

Research has been conducted analysing Internet gambling player account data and limit-setting behavior taken from a predominately European sports gambling site which set mandatory deposit limits of 1000 Euros per 24 hours or 5000 Euros per 30 days, not including winnings (Broda et al., 2008⁷). Of approximately 47,000 subscribers, only 0.3% exceeded these deposit limits, which may indicate that sports bettors are either highly responsible, or that the limits were sufficiently high that they did not impact the majority of player's expenditure. However, of those who did exceed the limits, the majority did so on multiple occasions and did not decrease their gambling expenditure as a result of being notified of this, but modified it to make larger wagers, a potentially high-risk form of betting.

Further investigations of the same site found that 1.2% of subscribers chose to self-impose lower deposit limits (Nelson et al., 2008⁸). These customers were more active bettors than the rest of the sample, perhaps indicating that this behaviour was an attempt to self-regulate gambling to reduce excessive expenditure. Following the imposition of self-limits, customers demonstrated some decreases in gambling frequency and expenditure and 10% ceased all betting. As these studies only analysed player account data from one gambling site it is not possible to determine the impact of mandatory and self-imposed limits on other gambling behavior.

⁷ Broda, A., LaPlante, D., Nelson, A., LaBrie, R., Bosworth, L., & Shaffer, H. (2008) Virtual harm reduction efforts for Internet gambling: effects of deposit limits on actual Internet sports gambling behavior. *Harm Reduction Journal*, 5, 5-27.

⁸ Nelson, S., LaPlante, D., Peller, A., Schumann, A., LaBrie, R., & Shaffer, H. (2008). Real limits in the virtual world: Self-limiting behavior of Internet gamblers. *Journal of Gambling Studies*, 24, 463-477.

Further evidence in relation to the impact of pre-commitment comes from Norway where slot machines were banned from July, 2007 and cashless, card-based gaming terminals with global limits (50 Euros per day/ 280 Euros per month) were introduced in January 2009. The mandated monetary expenditure limit stopped 16% of players at least once in the second quarter following introduction and 3% of players each month (Engebo, 2010⁹). Less than 1% of players set stricter personal limits for time or money. Following the removal of slot machines expenditure on other forms of gambling increased slightly, but in total represented substantially less than was wagered on slot machines. Furthermore, the majority of former slot machine players did not move to new forms of gambling and the turnover and participation in new gaming terminals is lower than it was for slot machines. In addition, fewer individuals are seeking help from telephone help-lines and treatment services (Engebo, 2010).

A study in Nova Scotia found that a feature allowing players to set a time limit on their VLT play was only effective in influencing one of the six behaviours being targeted for improvement (Schrans, Grace, & Schellink, 2004¹⁰). In a further study conducted in a region where only player-card activated machines were available 71% of regular players opted to try one of the responsible gambling features, 65% of these people continued to use the responsible gambling features in subsequent sessions (Focal Research, 2007¹¹). Some evidence was presented to suggest that the player-cards resulted in slightly decreased monetary expenditure and increased play length although no decreases were found among individuals with high risk play characteristics.

Both explicit and implicit limits will vary across sessions subject to available funds, time and/or social reasons. Accordingly, under a mandatory pre-commitment scheme, gamblers, particularly problem gamblers, are predicted to pre-set high or maximal limits (combined explicit and implicit limits) to give them the option and flexibility to gamble to their typical highest level. Alternatively, individuals may participate in other forms of gambling that do not have pre-commitment measures when they reach limits on electronic gaming machines. Gamblers setting initial reasonable levels will increase their pre-commitment levels once they are socially

⁹ Engebo, J. (2010, September). *From slot machines to gaming terminals: Experiences with regulatory changes in Norway*. Paper presented at the 8th European Conference on Gambling Studies and Policy Issues, Vienna.

¹⁰ Schrans, T., Grace, J., & Schellink, T. (2004). *2003 NS VL responsible gaming features evaluation: Final report*. Halifax, NS: Nova Scotia Gaming Corporation.

¹¹ Focal Research Consultants (2007). *Assessment of the behavioural Impact of the responsible Gaming Device (RGD) Features: Analysis of Nova Scotia Player-Card Data – The Windsor Trial*. Report prepared for the Nova Scotia Gaming Corporation. Feb 1, 2007. Available:
http://www.nsgc.ca/pdf/Focal%20Research%20Report%20_2_.pdf

inconvenienced or believe that a win was imminent had they the option to extend their play (gamblers fallacy).

For those gamblers motivated to control or restrict their gambling, internal controls may be applied, that is, deciding to take only their explicitly set amount of money to the venue and leaving credit/debit cards at home. For these gamblers, mandatory pre-commitment cards would be an effective strategy to limit losses. Whether or not the limit set are affordable or not is a separate issue; for example, an individual on unemployment benefits may pre-commit to spend all available funds once his/her financial obligations are met in the hope of winning. This may restrict his/her ability to improve their overall financial situation/quality of life, socialize or seek employment (lack of funds to travel to interviews).

External control occurs when environmental factors force the gambler to cease a session and may include but not limited to closing hours, obligations to return to work or fulfill other commitments, unable to access additional funds (no credit/debit cards, absent ATMs), or reach their real explicit and implicit limits. Lalande and Ladouceur (2010) found that 70% of problem gamblers ceased gambling once they depleted all funds.

In addition to considerations of the effectiveness of pre-commitment measures it is necessary and important to be mindful of potential unintended negative consequences of introducing such a system. As previously mentioned, gamblers, particularly problem gamblers may set relatively high expenditure limits which may actually result in increased spending if individuals later interpret this as a goal, or reasonable budget, or see that they have not spent their entire limit within a session.

There is evidence to support the assertion that pre-commitment measures may modify gambling in terms of increased monetary expenditure, session length and frequency of play. It has also been asserted that pre-commitment measures may act to maintain problem gambling despite being prevented from reaching a crisis point (Engebo, 2010). Once a limit, is reached, the individual is forced to stop gambling for the remaining time period but this provides the opportunity of to feel frustrated and therefore seek to obtain further adequate levels of funds to allow them to continue to gamble at the next available opportunity. The result of this cycle of behaviour is to prolong gambling and delay the occurrence of a crisis point. Consistent with this, several studies have shown that gamblers do not typically seek help until they have reached a crisis point (Hodgins & el-Guebaly, 2000¹²; Suurvali, et al., 2009¹³;

¹² Hodgins, D. C., & El-Guebaly, N. (2000). Natural and treatment-assisted recovery from gambling problems: A comparison of resolved and active gamblers. *Addiction*, 95(5), 777-789.

¹³ Suurvali, H., Hodgins, D.C., & Cunningham, J., (2009). Motivators for resolving or seeking help for gambling problems: A review of the empirical literature. *Journal of Gambling Studies*. Published online: 20 September, 2009. doi: 10.1007/s10899-009-9151-y

Tavares et al., 2002¹⁴), and that pre-commitment may delay this occurrence, drawing out the length of a gambling problem.

A further potential unintended negative consequence of introducing pre-commitment devices is the development of a black market in player cards, whereby player cards be sold or hired to players who have exceeded their personal limits, or devices invented to circumvent pre-commitment measures. Alternatively, gamblers may seek out other forms of gambling that are not limited in time or monetary expenditure such as Internet-based slot machines.

In summary, the available empirical evidence suggests that the majority of gamblers adhere to mandatory limits, provided that these are sufficiently high, and only a minority actively volunteers to pre-commit to gamble a specific (explicit) amount at each session of play. In these cases, there is evidence that an additional (implicit) amount is held in reserve as a buffer that can be used depending on their circumstances once they reach (lose) their explicit amount. That is, the implicit amount provides an option to extend play if they believe that a win is imminent or if it socially appropriate (gambling with friends). Problem gamblers set higher limits than non-problem gamblers and are more likely to continue gambling until funds are exhausted.

Accordingly, the main task of a pre-commitment strategy is not necessarily having gamblers set limits but rather (a) setting limits that are within affordable levels, and (b) preventing gamblers from changing their mind and deciding to extend their gambling session/expenditure (within and across gambling sessions).

As stated in part by the Productivity Commission (2010), the appropriateness of pre-commitment measures is regarded as dependent upon:

- Effectiveness;
- Costs of implementation (monetary and non-monetary) including inconvenience and erosion of freedoms;
- Privacy concerns and receptiveness of gamblers to control options.

Based on the above, this submission argues that to be effective, a pre-commitment strategy ought to guide gamblers to set limits that are within their personally affordable level, that is, confined to discretionary disposable income. It is clearly not feasible on the grounds of cost and common sense to establish an administrative system where each gambler is required to justify the amount that they can afford to gamble for each session (given that discretionary disposable income varies across time). Furthermore, mandatory limits that are sufficiently high as not to overly affect the majority of recreational gamblers do not appear particularly effective in modifying gambling behavior, particularly for gamblers at-risk of gambling problems. Therefore, setting pre-commitment limits by necessity will be left to the

¹⁴ Tavares, H., Martins, S. S., Zilberman, M. L., & el-Guebaly, N. (2002). Gamblers seeking treatment: Why haven't they come earlier? *Addictive Disorders & Their Treatment*, 1(2), 65-69.

discretion of individual gamblers.

To assist in making informed judgments, gamblers should be offered some guidelines describing appropriate levels of expenditure. Since levels of affordability vary between people according to income, a gross estimate such as percentage of disposable household income can be used as a gross index. For example, gaming machines ought to have a software program that enables a gambler to enter their household income and display an estimate of how much money per session/week or month is recommended as their upper limit. The advantage is that it provides each gambler with a personal estimate of what someone on their income can afford to gamble allowing them to compare their own expenditure against a general standard. One major caveat of this approach is that it relies on individual gamblers having a relatively accurate working knowledge of their household income, taking into account existing debts. This may be something that would be more accurate if completed by an individual at a time when they have access to appropriate records and budgets.

Given evidence that the majority of problem and non-problem gamblers fail to adhere to set expenditure levels by gambling more time and money than intended, and that personality traits of impulsivity and temporal discounting processes exacerbate such failures, external controls are necessary if pre-commitment is to be effective. This means that gamblers should not have option to by-pass pre-committed levels either within or across sessions. The implication of this is that:

- a. All electronic gaming machines must be operated by a smart card registered to the individual gambler,
- b. That once set, daily limits cannot be changed,
- c. That increases to limits do not take effect for 48 hours (to limit opportunities to chase losses), and
- d. That limits cannot be varied by more than a set percentage on each application to change limits.

To assist the gambler in monitoring his/her expenditure, summaries of the gambler's activities should be provided at each session. In addition, this feature should be linked to display of responsible self appraisal gambling messages as suggested by Monaghan and Blaszczynski (2010)¹⁵, that is, '*How much/long have you been gambling? Do you need to take a break?*' The objective is to draw the gambler's attention to their behaviour and provide them with sufficient relevant information that allows them to evaluate their gambling behavior.

In an ideal setting, all gaming machines should be linked to a central server. The expenditure of each registered gambler would be monitored and deviations from that gambler's average pattern of play would be trigger a response in the form of a message informing the gambler, requesting a re-appraisal of their behaviour and providing information about services that they may access for assistance if necessary. The infrastructure necessary to establish such a system is costly although

¹⁵ Monaghan, S. & Blaszczynski, A. (2010). Electronic gaming machine warning signs: Information versus self-evaluation. *Journal of Psychology*, 144(1), 1-14.

possible as evidenced by the Norway model. The cost-benefit of this model is yet to be determined. To avoid potential unintended consequences and ensure the effectiveness of any pre-commitment measures to be introduced, empirical data, preferably from longitudinal studies is required. Such research would examine the impact of pre-commitment strategies on behavioural change and advance the knowledge base of responsible gambling strategies.

Although pre-commitment strategies will no doubt exert a positive influence on an unknown minority of regular recreational and problem gamblers, the proportion of moderate to severe problem/pathological gamblers electing to utilize such strategies remains unknown. It is predicted that a mandatory system wherein gamblers set their own limits will only be effective for a minority and will not achieve the anticipated benefits. Given the extensive costs associated with a state- and national- wide integrated system of linked gaming machines and unknown benefits, a proper evaluative research study ought to be undertaken before the widespread introduction of pre-commitment systems. Concerns are expressed that significant funding and attention to a costly system that is likely to have minimal impacts deflects attention and directs funding from other initiatives that are more cost-effective and have greater impacts on harm minimization and reducing the social costs of gambling.

We thank the Joint Select Committee on Gambling Reform for this opportunity to provide input into its inquiry.

Yours sincerely,

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